

**Near North Montessori School
Board of Directors Meeting
Monday, March 23, 2009
7:00 p.m.
DRAFT Minutes**

Board Members:

P=Present (18) A=Absent (2)		
P Jacqueline A. Bergen	P Janet Cory	P Alina Cowden
P Stephanie Cox-Batson	P Eddie Gershman	P Doug Guthrie
P Cathy Jackson	P Faye Katt	P David Kelson
P Brian King	A Jerry Krulewitch	P Anne Matern
P David Morrison	P Susan Nash	P Michelle Nicolet
P Kirti Patel	A Simon Reeves	P Roc Roney
P Lois Scott	P Wendy Toan	

Administration:

P=Present (5) A=Absent (0)		
P Audrey Perrott	P Mieko Joy Yoshida	P Connie Shirakawa
P Rita Nolan	P Linda Rudnick	

Guests: Tony Armour, Debra Bernard, Stacy Bruce, Leslie Davis, JinJa Davis-Birkenseue, Craig Freedman, Molly Fleming, Joe Gergeni, April Jean-Baptiste, Stan Kitzinger, David Kreutz, Michael Lucas, Matt Mankowski, Daniel Marre, Jim Masterson, Nickie Sage McDermott, Neal McNight, Shaurra Molenoor-Schonned, Kristi Mueller, Kathy Murdock, Yong Myong, Cliff Norris, Kerry O'Boyle, Bryan Rheude, Gordon Pan, Karen Parisian, Sharon Perrine, Shannon Rohde, Len Sherman, Ajay Sinha, Brianne Smales, Fabio Sorave, Ben Spark, Paul Stepan, Bud Stephani, Jill Stockard, Annie Stone, Dan Sullivan, Jenelle Sullivan, Susan Tansey, Tom Watson, Mark Wood, Sarah Wood-Prince, Audrey Zuschlag

I. Call to Order 7:00 p.m.

President Janet Cory called to order the Regular Meeting of the Near North Montessori Board of Directors at 7:00pm at Near North Montessori School, 1434 West Division, Chicago. David Morrison distributed draft minutes of the January 26, 2009 Meeting of the Board. He noted that the draft should conclude "Respectfully submitted, David Morrison, Board Secretary." With that change, he moved adoption of the minutes. Faye Katt seconded and the motion carried without dissent.

II. Matters for Board Approval

Janet Cory introduced a series of presentations relevant to the Finance Committee report. Michelle Nicolet gave an overview of planning process. She noted the deliberations that identified the junior high space, the HVAC, and the gym/athletic facilities as areas in

clear need of improvement. She reviewed the work of the Long Term Planning Committee, the fundraising study, and the interviews with over 100 stakeholders at the school. Mieko Joy Yoshida outlined the scope of the project approved in April, 2008, including the heating and air circulation system; the electrical and plumbing issues, the roof of the 1927 building, the dining room area, the life safety issues (including the west end staircase to the 4th floor, chair lifts to the Little Theater, upgraded fire alarms, upgraded electrical service throughout the school, and moving a toddler class above grade). All of these are elements of Phase I, which is projected to cost \$9 million. Phase II, consisting of playground renovations, the construction of a new building with a rooftop playspace, and access facilities to the existing facilities, is in the design stages and is projected at \$5.5million. Audrey Perrott gave an overview of programmatic issues. She reported that the school has pushed the current building beyond its capacity for a school, resulting in a lack of spontaneity and a lack of flexible space (especially in the junior high). The current facility cannot provide enough room for activity for young children. The school rents space at Pulaski Park for the junior high, which is itself not adequate for their needs. She asserted that the urban environment calls for community space in the school. Karen Parkhill and Sarah Norris discussed the scope of the Capital Campaign, noting that the effort had raised \$1.3 million in the first 5 months. Lois Scott and Brian King delivered the written proposal of the Finance Committee. They noted that money for the building program can come only from the school community, in donations or tuition. The Finance Committee sought a financing proposal that would protect the socioeconomic diversity of the school while limiting the risk of unexpected changes in financial conditions. Lois Scott described the proposal with MB Financial: that the Board borrow \$12 million, including up to \$9 million allocated in May, 2009, to Phase I and up to \$3 million allocated in May, 2010, for Phase 2. The rate of interest will be fixed for 10 years, and the school, through a committee consisting of, Linda Rudnick as Finance Director, Jackie Bergen as Executive Director, and Janet Cory as Board President, will determine when to lock the interest rate. Brian King delivered a projection of costs to the school for the next five years, starting with the 2009-2010 school year, estimating tuition costs. NNM tuition will remain in the lower range of costs at comparable schools in the area. Lois Scott moved adoption of the written motion of the Finance Committee. Kirti Patel seconded.

Janet Cory opened the floor to questions from the Board. The following is a general summary of the questions and responses.

Q: The budget projections are based on 3% growth in the salaries lines, when those lines did grow far faster in recent years. Is the Finance Committee confident that the deceleration, which began only last year, would continue going forward?

A: The school had increased staff salaries in recent years to bring them into line with other schools. The matrix calls for smaller increases in the coming years.

Q: Would the Capital Campaign cannibalize giving to existing efforts?

A: The budget called for fundraising totals that were far lower than the school had generated in recent years.

Q: Since tuition increases are far outstripping growth in staff salaries, would staff members with children in the school require additional scholarship support? Would projected growth in scholarship money would be sufficient.

A: The budget projections call for increases in scholarship funds, apace with the budget growth.

Q: What about the cost of the parking lot, which has increased dramatically in recent years.

A: The school negotiated with the parish over parking space, and has also talked with City Hall about the lot west of the school. Parking lot costs are out of the school's control. The Finance Committee has considered charging for parking in the lot, or no longer offering parking in the lot on any terms.

Q: If the school borrows from MB Financial, what happens to the school's banking relationship with Northern Trust?

A: The offering from MB Financial does not require that NNM move its accounts to MB Financial, though MB Financial does want the right to compete for those accounts.

Q: What is the purpose of the building reserve line in the budget projections.

A: The line was to comply with liquidity levels mandated by the loan, and that the line replaces the depreciation line in the budget.

Janet Cory then opened the floor to questions from parents. The following is not a transcript but a general summary of the questions and answers.

Q: Does MB Financial allow NNM to invest surplus funds in other banks or placements?

A: Yes, although MB Financial guaranteed that NNM could invest surplus funds with MB Financial at a rate 0.4% lower than the borrowing rate, which is very advantageous.

Q. Has the Board conducted a cost benefit analysis on the risk of this cost to the community? The budget leaves the school with no reserve fund.

A. The school has Board funds acting as an endowment that can be used as reserve, as well as the Building Fund and other funds. The Board was doing all they could to manage the costs. Phase II was delayable at a cost of just \$12,000 per year.

Q. The school had done a great job on the proposal. How has tuition grown over the last decade?

A. Tuition has grown as an average rate of 6.5%, ranging from 4% to 10%. Tuition has been artificially low, due to the failure to take account of the cost of maintenance. The large increases in recent years were in anticipation of the building project.

Q. Why did tuition for 3-6 half day students grow 18%?

A. The cost was raised in part because the Board could not justify the decline in costs from the toddler program. The school day itself had grown by 15 minutes each day.

Q. Are there projections for the cost of Junior High?

A. Junior High costs are the same as elementary school, with an added fee for the field trips.

Q. What assurance can the Board give of the growth rate? What if fundraising falls short? Are the projections locked in?

A. The projections are reasonable and assume no major financial windfalls to the school.

Q. This is a break-even budget?

A. The budget assumes no profit or surplus; it also assumes fewer students than NNM actually has. There is no "surplus line" in the budget. NNM has always underestimated revenues and overestimated cost exposures. The operating line has generated \$2 million in absolute terms in recent years. Also, the endowment fund can serve as a reserve if needed. Fundraising has exceeded budget projections in every year of the last decade. The budget projects a decline in fundraising in 2009-2010 over 2008-2009.

Q. Is there a cushion in the budget?

A. There is no surplus line in the budget; the school does not anticipate or plan for surpluses. The school has generated surpluses by enrolling additional students over and above the projections, and by holding costs down.

Q: Is there flexibility to postpone Phase II? Why would the school have to refund money raised by the Capital Campaign.

A: If the money is not used for the purpose for which it was raised, the school must return it. Donor interest is largely in giving to the gymnasium.

Q. Has the school anticipated greater demand for scholarship money?

A. The projections call for an aggressive increase in scholarship money.

Q. How does scholarship funding match up with comparable schools?

A. There is great variation in scholarship money in comparable schools, and at the level of detail we would need to make accurate comparisons, schools are reluctant to share the data.

Q. How can we create a higher profile for the scholarship fund?

A. The Big Night is the school's biggest fundraising event; it was formed to boost scholarship fundraising. The Development Committee has begun the

planning process for next year already, considering changes to increase net funds raised for the school.

Q. Congratulations on the money already raised by the Capital Campaign. Are there projections for the rest of the Quiet Phase?

A. Key solicitations have not been completed, so it is too soon to project total receipts.

Q. What number do you plug into the tuition matrix for fundraising?

A. Zero; NNM does not anticipate any successful fundraising.

Q. Has the school considered entrance or building fees to hedge against the Capital Campaign?

A. The school has an entrance fee of \$2,000. A one-time assessment is possible, but mandatory fees are not tax deductible.

Q. What affect does the school anticipate the tuition costs will have on attrition?

A. NNM attrition rates have been low by historic levels – 10% is typical at private schools; NNM is typically 5% or lower, and has been 2% or lower in the last three years.

Q. What about the sibling discount?

A. Study found that comparable schools do not offer a sibling discount. The 2009-2010 budget reduces the sibling discount; further reductions in the discount are possible.

The Board then proceeded to a vote on the written motion submitted by the Finance Committee. The vote was in favor of the borrowing, without dissent. Although the bylaws do not allow for proxy voting, Janet Cory reported that she had heard from Jerry Krulewitch and Simon Reeves that they both would have voted in favor, had they been in attendance.

Susan Nash presented a written report and motion from the Nominating Committee. Michelle Nicolet seconded, and the motion passed without dissent.

III Matters for Board Discussion

Alina Cowden distributed a written report of the Building Committee. Mieko Joy Yoshida discussed the damage to the school from deferred maintenance. Some of the air ducts in the school were sealed off before NNM bought the building. The ducts have been cleared and re-opened, and will be re-used in the renovations.

The Finance Director distributed written financial statements for the first half of the fiscal year, showing a \$200,000 operation surplus. Fundraising was down about \$18,000 from

last year, while fees are running about \$28,000 over budget. Interest income is down, but so is interest expense.

IV. Additional Information

Jackie Bergan distributed a written Executive Director's report.

Jan Szostek gave an oral report on enrollment. There were 149 applicants for 3 year old positions. 16 were admitted. There were 108 applications for the toddler program; 4 were admitted. Eighty-two applied for the parent/infant community, and the school offered 7 places.

Kirti Patel delivered a written report of the Development Committee. She thanked Michael King for his great work on the Big Night.

Wendy Toan submitted a written staff report.

Faye Katt moved that the Board go to closed session of the Parent Members, with guests Jackie Bergen, Audrey Perrott, Karen Parkhill, Sarah Norris, Deb Schwan, Linda Rudnick, and Connie Shirakawa. Michelle Nicolet seconded, and the motion carried without dissent.

After returning from closed session, the Board stood adjourned at 10:55 pm.

Respectfully submitted,

David Morrison
Board Secretary