

Legislation would allow districts to withdraw from township school treasurer's office



Lyons Township School Treasurer Susan Birkenmaier (left) and office manager Lauralee Conway at an August 2015 meeting at the agency's office in La Grange. (Jane Michaels/Pioneer Press)

By **Jane Michaels**

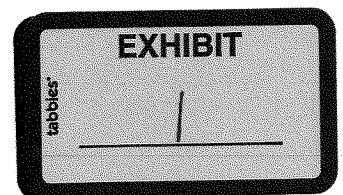
MAY 26, 2017, 2:16 PM

The third time could be the charm for state legislation allowing Lyons Township High School to chart its own financial future and withdraw from control of the Lyons Township School Treasurer's Office.

A bill introduced May 10 by House Minority Leader Jim Durkin, a Republican from Western Springs, also allows five surrounding elementary districts and the La Grange Area Department of Special Education cooperative to break from the treasurer's office and appoint or elect their own treasurers.

Durkin has sponsored two similar bills since 2014, which passed the House but were blocked by Democrats in the Senate.

But the latest version stipulates that any changes as a result of districts withdrawing will not affect legal



action pending against LTHS.

High school officials have been seeking to leave the treasurer's office since 2014, soon after the district was sued by the treasurer's office for \$4.4 million, including \$2.6 million in back fees for financial services.

The legal outcome, which remains unresolved, was a sticking point for Sen. Steve Landek, a Bridgeview Democrat, who held the first bill in committee and amended the second bill to require the high school to set aside \$6.5 million in escrow in case it lost.

Although a Senate version hasn't been introduced, Landek said he has met with Durkin and agreed to work on legislation "amenable to all" over the summer. "We are both committed," he said.

The lawsuit followed charges in 2013 that former Treasurer Robert Healy stole more than \$1.5 million in school funds during his 24 years on the job. A Better Government Association investigation uncovered a host of financial irregularities and a glaring lack of oversight by a three-member elected board charged with managing the office.

Healy pleaded guilty in 2015 to stealing \$100,000 and is serving a nine-year sentence at the Taylorville Correctional Center.

The school treasurer's office is responsible for investing more than \$280 million in assets and managing payroll and expenses for 13 school districts in La Grange, Western Springs, Burr Ridge and surrounding towns.

LTHS officials contend no money is owed, because an agreement was reached in 1999 in open session with Healy so that the high school would process its own payroll and accounts receivable and payable, and receive a credit from the treasurer's office to avoid paying twice for the same function.

Both the high school and treasurer's office boards approved operating procedures based on the agreement, LTHS officials have said.

Township School Treasurer Susan Birkenmaier said negotiations are continuing in the lawsuit and no trial date has been set. The treasurer's office legal expenses are more than \$1 million, she said.

Birkenmaier said the treasurer's office offers member districts greater returns by pooling money for investments, providing financial expertise and offering services smaller districts may not be able to afford, as well as economies of scale in processing financial transactions.

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In addition to LTHS, La Grange elementary districts 102 and 105, as well as the La Grange Area Department of Special Education, are on record seeking to withdraw from the treasurer's office and handle their own finances.

Durkin's bill also names Western Springs District 101, LaGrange Highlands District 106 and Pleasantdale District 107 in Burr Ridge as eligible to withdraw if those school boards choose to do so.

Birkenmaier said it's unclear whether the treasurer's office could remain viable if more than half the member districts leave.

"It would be speculative at this point," she said. "The legislation would have to pass first before we're in a position to see how the districts or this office would be impacted."

Durkin noted most township school treasurer offices were eliminated in the 1960s, except for Cook County, and area districts should have the option of exercising local control over their finances.

State law requires township treasurer offices in Cook County to handle all financial transactions. Districts may withdraw only if an amendment is passed, or by a lengthy process contingent on whether other school boards in the township agree and a majority of township residents approve the matter by referendum.

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This article is related to: High Schools, James B. Durkin

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LYONS TOWNSHIP HIGH SCHOOL

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Susan Birkenmaier, Ed.D.
Lyons Township School Treasurer
22 Calendar Ct., Suite D
LaGrange, IL 60525

October 13, 2015

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Timothy B. Kilrea, Ed.D.

Re: Township Treasurer's Office FY '14 Pro-Rata Bill

Dear Dr. Birkenmaier:

District 204 received the FY '14 pro-rata bill from your office in the amount of \$252,053.43. For the reasons explained below, the District has approved payment of \$242,321.00. Based upon the support documentation that accompanied the invoice, your office is billing its members for functions that fall outside the realm of valid claims; therefore, the remaining balance of the FY '14 invoice will not be paid.

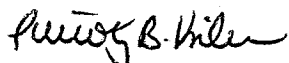
The District's payment of \$242,321.00 is grossly excessive for the services received—signing checks and managing the district's portfolio—and a patent waste of taxpayer money. This is why the District remains committed to removing itself from the auspices of the Lyons Township Treasurer's Office and saving the taxpayer money and resources.

The District continues to have major concerns regarding the lack of information, accountability and explanation we receive from your office. We have sent numerous requests for basic information and your office continues to ignore these requests. One example pertains to your refusal to disclose the total amount of interest earned by your office during the fiscal year, a complete breakdown of how this interest income was disbursed to the member districts and the formula used to determine the disbursements. You follow this format for pro-rata billings; why you refuse to provide this information for interest income that rightfully belongs to the member districts is troubling and unacceptable.

Given the significant issues that the TTO has had with mismanagement of member district funds, we believe it is essential for the TTO to be open and transparent about its investment activities and expenditures. Regrettably, that has not been our experience with the TTO.

The following page outlines information that District 204 is requesting from your office. We look forward to receiving this information within the next 30 days.

Sincerely,



Timothy B. Kilrea, Ed.D.
Superintendent

EXHIBIT

2

Information Requests:

1. Report showing all interest income received by your office in fiscal years '10 through '15, the formula used to determine interest income disbursement and the individual allocation for each member district.
2. Report of all current investments with value of investments at maturity.
3. Report of new investments purchased during the month, along with investments that have matured during the month.
4. Total dollar amount of interest income received for the month including a list of the sources of all interest income received during that month.
5. A rationale of why the Lyons TTO is utilizing two different firms to manage the long-term investments.
6. The annual amount paid to each firm for portfolio management.
7. An explanation of how each of these firms is paid. (Invoice or taken directly from interest earned prior to disbursement to member districts).
8. The amount of the negotiated fee to each portfolio management firm along with any additional charges from the management firms in addition to the negotiated fee.

LYONS TOWNSHIP 204, IL

Vendor Key	Vendor Name	Check Date	Check Number	Check Total
LYONS TO005	LYONS TOWNSHIP SCHOOL TREASURER	10/16/2015	411739	\$242,321.00

Invoice Number	Invoice Description	PO Number	Invoice Date	Gross Amt	Discount Amt	Adjustment Amt	Net Amt
FY15	TOWNSHIP TREASURER SERVICES	0	10/15/2015	242,321.00	0.00	0.00	242,321.00
Totals				\$242,321.00	\$0.00	\$0.00	\$242,321.00

LYONS TOWNSHIP HS DIST #204
100 S BRAINARD AVENUE
LA GRANGE, IL 60525-2100

FIRST NATL BANK OF LA GRANGE
LA GRANGE, ILLINOIS

CHECK NO. 411739

Check Date 10/16/2015
Check Amount \$242,321.00

Pay ****Two Hundred Forty-Two Thousand Three Hundred Twenty-One Dollars & 00 Cents**

To the Order Of: LYONS TOWNSHIP SCHOOL TREASURER
22 CALENDAR AVENUE STE D
LA GRANGE, IL 60525

⑈00011739⑈ ⑆071903929⑆ 147354⑈

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Timothy B. Kilrea, Ed.D.

Susan Birkenmaier, Ed.D.
Lyons Township School Treasurer
22 Calendar Ct., Suite D
LaGrange, IL 60525

September 23, 2016

Re: Township Treasurer's Office FY '15 Pro-Rata Invoice

Dear Dr. Birkenmaier:

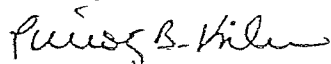
District 204 received the FY '15 pro-rata invoice from your office in the amount of \$395,094.69. For the reasons explained below, the District has approved payment of \$236,482.00. The remaining balance is for Infinite Visions software costs and attorney fees. District 204 does not have access to, nor utilizes, Infinite Visions and also does not intend on paying fees to sue ourselves; therefore, the remaining balance of the FY '15 invoice will not be paid.

The District's payment of \$236,482.00 is grossly excessive for the services received from your office—signing checks and managing the district's portfolio—and a patent waste of taxpayer money. This is why the District remains committed to removing itself from the auspices of the Lyons Township Treasurer's Office and saving the taxpayer money and resources.

The District continues to have major concerns regarding the lack of information, accountability and explanation we receive from your office. We have sent numerous requests for basic information and your office continues to ignore these requests. One example pertains to your refusal to disclose the total amount of interest earned by your office during the fiscal year, a complete breakdown of how this interest income was disbursed to the member districts and the formula used to determine the disbursements. You follow this format for pro-rata billings; why you refuse to provide this information for interest income that rightfully belongs to the member districts is troubling and unacceptable.

Given the significant issues that the TTO has had with mismanagement of member district funds, we believe it is essential for the TTO to be open and transparent about its investment activities and expenditures. Regrettably, that has not been our experience with the TTO.

Sincerely,



Timothy B. Kilrea, Ed.D.
Superintendent

Cc: Township Trustees



Township Trustees of Schools

TOWNSHIP 38 NORTH, RANGE 12 EAST

www.lyonstto.net

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LaGrange, IL 60525

Phone 708-352-4480

Fax 708-352-4417

DATE: May 10, 2017

TO: Lyons Township School Districts and Educational Agencies

FROM: Susan Birkenmaier, Ed.D

RE: FY16 Pro-rata Bill

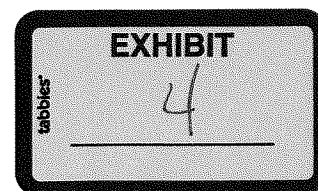
Enclosed is the FY16 pro-rata billing for your district/agency. A comparative listing of the FY12-FY16 pro-rata costs by district is included for your convenience (Appendix A).

Analysis of Pro-Rata Share billing--Key factors of the FY16 bill:

- The FY16 pro-rata bill has been calculated on the district's/agency AFR report revenues less any transfers and bond proceeds. For entities that do not have an AFR the DCR year-end revenue report was used for the pro-rata calculation.
- The FY16 pro-rata billing has decreased, on average, by 16.9% due to the majority completion of the financial software capital purchase included on the FY15 bill. Some of the software capital purchase extended into FY16 during the "Go Live" transition period during the summer of 2016.
- An itemized listing of revenues and expenditures by account code to support the amount billed to township districts is included with this billing (Appendix B).

This year we have included an additional pro-rata billing analytical item comparing the cost of TTO services for FY16 to the revenues generated for your district/agency by the TTO during the same FY16 time period.

Please process payment for this bill as soon as possible so payment is received by the TTO ***no later than June 28, 2017.***



LYONS TOWNSHIP HIGH SCHOOL

District Office • 100 S. Brainard Ave. • LaGrange, IL 60525 • (708) 579-6451

June 20, 2017

Dr. Susan Birkenmaier, Ed.D.
Lyons Township School Treasurer
22 Calendar Court, Suite D
La Grange, IL 60525

Dear Dr. Birkenmaier:

District 204 sent you letters dated March 22, 2017 and April 21, 2017, respectfully requesting specific information related to bond recoveries, undistributed investment interest income being held by your office, and documentation to support your responses. As of today, we have not yet received your response. As a member school district of the Lyons TTO, LT is entitled to the information requested. We request, once again, that you respond.

In addition, District 204 is in receipt of the invoice dated May 10, 2017 from the Lyons Township School Treasurer's Office for FY16 in the amount of \$322,352.21. We carefully reviewed the invoice and the information included with the invoice. We have the following requests for further information and documentation:

1. In the past, District 204 refused to pay a portion of the invoices of Kelly Bradshaw because she was actively involved in the litigation against District 204. So that we can determine whether the current invoices of Kelly Bradshaw are properly included in the FY16 invoice, please include all of her invoices.
2. We do not understand what a Special Program Specialist is or does. We are concerned that this position may involve work that does not relate to District 204 and all other member districts. Please explain in detail the work of the Special Program Specialist and include a job description for this position.
3. The invoice includes the amount that District 204 apparently earned on its share of the pooled investment account that the TTO manages. As in the past, you have failed to provide us with even the most basic information about District 204's investment funds, which prevents District 204 from determining that the stated interest earnings are in fact correct. Please provide us with a detailed explanation, with supporting documentation, of District 204's interest earnings, including the location and type of the investments, the applicable rates of interest, the total amounts earned for the investment pool, the amounts of both distributed and undistributed interest income, and the formula used to determine the percentage shares of District 204 and the other member districts.

Your letter accompanying the invoice asked us to provide payment by June 28, 2017. While we do not accept this date as an appropriate deadline, we ask that you provide the information requested above.

Sincerely,



Timothy B. Kilrea, Ed.D.

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