

# Suit filed over fees for school utilities

## Energy consortium collects millions

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The biggest advocates for Illinois' school boards and administrators have been making millions of dollars off school districts and taxpayers, court and financial records show.

The Illinois Association of School Boards, the Illinois Association of School Business Officials and the Illinois Association of School Administrators set up a non-profit energy company in 1999 to help school districts get better deals on electricity and gas.

But to the surprise of many school officials, the Illinois Energy Consortium, as the company is called, has been charging the districts fees that have nothing to do with utility service. The financial details are disclosed in a Cook County Circuit Court lawsuit filed in June.

About \$4.5 million in fees was collected from school districts in the last three years, with the bulk of it going to the consortium's creators.

The consortium says it has saved districts and taxpayers money by getting them lower utility rates. But several school officials contacted by the Tribune were astonished by the amount of fees the three associations had received.

"I can't imagine what such a sizeable amount would be for," said Susan Laff, director of business services in Cook County's Burbank School District 111, which hired the consortium within the last year.

Like many other school officials, Laff said her district gave a contract to the consortium because the associations are well known and several hundred districts had signed up. "I felt safety in numbers," she said.

The associations are the main advocates for school boards and administrators in the state and hold conferences and provide training, paid in part with membership dues.

Most districts have hired the consortium without getting bids from competitors, which prompted the recent lawsuit by local real estate developer William Tarsitano against Palatine-based Township High School District 211.

'Exorbitant amounts'

The lawsuit has exposed troubling financial dealings, including "exorbitant amounts of money" going to the associations, said Todd Rowden, attorney for Tarsitano. The court case is advancing as state lawmakers hold hearings on skyrocketing electricity bills.

Since July 2003 \$2.2 million in fees has been distributed to the three school associations for creating the consortium and lending their names to marketing efforts.

Consortium officials describe those distributions as royalty payments.

Another \$1.3 million in fees went to the school business officials association, which was chosen to market the consortium statewide. Ronald Steigerwald, a retired assistant superintendent for Township High School District 214, is in charge of that effort. And close to \$1 million in fees went to the consortium for consultants and other operating costs.

Administrative fees would be expected in a contract with a private, for-profit utility company, Rowden said.

But the consortium bills itself as an "Illinois not-for-profit corporation" organized exclusively for charitable and educational purposes. It is not a charitable organization in the eyes of the federal government, whose requirements differ from the state.

The consortium's Web site proclaims: "There is no fee to participate." The site later refers to administrative and other fees that would be deducted from district savings on utility bills. The consortium's contracts with districts reference "IEC administrative charges."

Still, some local officials didn't know they were paying the fees.

Beth Millard, the assistant superintendent for business in Skokie School District 68, said she would have to check her bill to find out. She also didn't know about the royalty payments to the associations.

Likewise, Assistant Supt. Oris Bunn, who oversees business services in Streator Elementary District 44, said he was not aware of fees or royalties related to his district's contracts.

On average, fees ranged from about \$2,600 to \$2,800 for districts last school year, records show.

In recent months, consortium officials said they have changed the way the fees are calculated to substantially reduce charges to districts and the royalties to the associations.

The changes were made in part to pass on more savings to districts as well as make the consortium competitive with other companies.

The consortium has electricity contracts in about 300 districts--about a third of the total in Illinois--and gas contracts in about 185 districts, officials said.

"We're not in this to try to make money, and everything I have tried to do through my eight years' involvement is to try to maximize the amount of savings that go to schools," said David Grace, who helped start the consortium and is its administrator. He also is superintendent of Lincoln Elementary School District 156 in south Cook County.

Michael Johnson, executive director of the school boards association, said the royalties have kept down the cost of dues to members and freed up money for more services.

Michael Jacoby, executive director of the school business officials association, said the associations also get royalties from other business ventures. Even after paying fees, school districts have saved substantially on utility costs, consortium officials said.

Savings estimates vary

But the consortium's estimates vary significantly. In a court document in June, a consultant said schools have saved more than \$12 million on electricity over six years. A few months later, an organization newsletter stated that schools have saved more than \$21 million since 1999.

A consortium consultant told the Tribune that savings figures can differ based on how, and over what time period, they are calculated.

Anticipating savings, District 211 awarded electricity and gas contracts to the consortium in May without getting formal bids.

Rowden, a taxpayer in District 211, questioned that move, saying bidding is required by law and is in the best interest of taxpayers. His client is asking a judge to declare the energy contracts null and void and order the district to get bids.

The consortium did not offer the lowest prices and did not win contracts in two neighboring districts that had a bidding process for utility services last year, court records show.

District 211 officials argued the law did not require them to bid their energy contracts and sought to dismiss the lawsuit. So far, a judge has refused.

The dispute has reached Springfield, where lawmakers filed bills last month to force school districts to get bids for electricity and gas contracts.

District 211 Supt. Roger Thornton told the Tribune that his district got quotes from other companies, though the process was not as formal as the one used in neighboring districts.

He, too, was unaware that the associations were getting royalties, though he said "that would not surprise me in any way," because the groups are listed as consortium sponsors.

The district argued in court that the consortium only charges what's necessary to cover the costs of utilities, records show.

That doesn't make sense to Rowden.

"If you're telling the world, or the circuit court, that you only charge what is necessary to cover the cost of the commodity, how do you then charge these fees that generate millions over time directed back to [the school associations]?" Rowden asked.

He said the consortium is not being open about its financial arrangements with the districts.

"When you call yourself a not-for-profit corporation, I think most of the public thinks charity," Rowden said. What we're telling you is that the [consortium] is anything but a charity."

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