

OVERVIEW OF FUNDING OPTIONS

Raymond James Public Finance

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PREPARED FOR

Oak Park and River Forest High School

Cook County, Illinois

April 17, 2019



Oak Park and River Forest
High School

RAYMOND JAMES

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SECTION 1

Overview of Borrowing Options

High School Distict Number 200 (Oak Park and River Forest)

Statutory Debt Limit

Equalized Assessed Valuation	2017	2,242,079,026
Times: Statutory Debt Limit	6.90%	154,703,453
Less: Outstanding Bond Principal		-
<u>Net Debt Limit</u>		<u>154,703,453</u>

High School District Number 200 (Oak Park and River Forest)

Working Cash Fund Bond Limit

Equalized Assessed Valuation	2017	2,242,079,026
Times: Maximum Education Fund Extension	3.50%	78,472,766
Plus: Corporate and Personal Property Replacement Taxes (FY17 Estimate)		1,722,623
Subtotal		80,195,389
Times:	85.00%	<u>68,166,081</u>
Less: Greater of		
Outstanding Working Cash Bonds	-	-
or Working Cash Fund Balance	3,537,655	3,537,655
<u>Net Working Cash Fund Debt Limit</u>		<u>64,628,426</u>

- The District can issue bonds without a referendum to fund capital projects, if the debt service payments fit within the District’s Debt Service Extension Base (DSEB) (\$2,794,857)
- The types of limited bonds the District can issue include:

Working Cash Fund Bonds

- ✓ Can be used either for capital or operating; requires a petition period and public hearing

Life Safety Bonds

- ✓ Proceeds must be used for life safety projects only which are approved by the State and Regional Superintendent of Schools; requires public hearing

Funding Bonds

- ✓ Can be used to refund debt obligations of the District such as lease or debt certificates; requires petition period and public hearing

- Limited Bonds do not negatively impact the operating funds of the District
- They are paid through the bond and interest tax levy up to the Debt Service Extension Base as described above
- Best practice is to amortize bonds quickly to reduce interest cost and allow flexibility for future projects

Working Cash Fund Bonds

Working Cash Bonds may be issued to establish or increase the working cash fund of the District. Proceeds of these bonds may be used by the District to provide money for any and all school related purposes

Amount is subject to the working cash limit. Requires public hearing pursuant to Bond Issue Notification Act. Bonds are subject to a petition period procedure

**The petition period procedure requires notice of the District’s intention to issue the bonds. If a petition is signed by at least 10% of the registered voters, within 30 days notice of issuance, the school board may be required to bring the proposition to referendum*

	Approvals Required	Debt Limit	Working Cash Limit	BINA Hearing	Petition Period (Referendum)
<i>Description</i>		6.9% of EAV or 13.8% of EAV for Unit District	(EAV * Max Ed Rate + PPRT)* 85% - Greater of Working Cash Bonds or Working Cash Balance Outstanding	Public Hearing pursuant to Bond Issue Notification Act	Notice of Intent, 30 day petition period, requires signatures of 10% of registered voters
Working Cash Bonds		*	Yes	Yes	Yes

**Payment Source:
Debt Service Levy
*DSEB***

- Alter and repair existing school buildings and equipment for fire prevention and safety purposes
- Must have architect or engineer survey and cost estimate
- Work and estimate of cost must be approved by the Regional Office and the State Superintendent
- The work must be done pursuant to an order issued by the Regional Office
- Health Life Safety Bonds may be issued to replace an existing building if the cost of replacement is less than the cost to repair (*and meeting certain other requirements*)
- Once you receive Order from Regional Office- must proceed with the HLS work

	Health Life Safety				Petition Period
Approvals Required	Debt Limit	Approvals	Working Cash Limit	BINA Hearing	(Referendum)
<i>Description</i>	6.9% of EAV or 13.8% of EAV for Unit District	Architect, ROE and State Superintendent	(EAV * Max Ed Rate + PPRT)* 85% - Greater of Working Cash Bonds or Working Cash Balance Outstanding	Public Hearing pursuant to Bond Issue Notification Act	Notice of Intent, 30 day petition period, requires signatures of 10% of registered voters
Life Safety Bonds	Yes	Yes	-	Yes	-

**Payment Source:
Debt Service Levy
*DSEB***

Alternate Bonds

Debt repayment secured by 2 sources of revenues including pledge of revenues and a general obligation tax levy.

- Pledged revenues include one or more sources of funds
 - General fund revenue- any tax levy or combination of tax levies
 - O&M levy, CPPRT, TIF monies, Developer donations, Lease levy, State Aid, User fees, County School Facility Tax
- Debt Service Fund levy
 - a levy is filed with the County Clerk equal to the total annual debt service payment
 - Levy is abated annually as debt is paid with pledged revenues
- Alternate Bonds have additional security features because of the debt service levy back-up
- Traditionally lower interest cost than Debt Certificates

**Payment Source:
Operating Funds &
Debt Service levy
("double-barrel")**

Alternate Bonds (Cont.)

- Final maturity cannot exceed 40 years.
- Must be capital projects or purchases of property (not operating expenditures).
- Must show Pledged Revenues covering debt service 1.25 times coverage.
- No tax increase unless pledged revenues become unavailable.
- Petition Period Procedure required involving: (1) publishing notice of intent in local paper, starting backdoor period; (2) if in 30 days 7.5% of registered voters present a petition then referendum vote required prior to issuance
- Public notice and public hearing required prior to issuance of alternate bonds

Approvals Required	Debt Limit	Working Cash Limit	BINA Hearing	Petition Period (Referendum)
		<i>(EAV * Max Ed Rate + PPRT)* 85% - Greater of Working Cash Bonds or Working Cash Balance Outstanding</i>	<i>Public Hearing pursuant to Bond Issue Notification Act</i>	<i>Notice of Intent, 30 day petition period, requires signatures of 7.5% of registered voters</i>
<i>Description</i>	<i>6.9% of EAV or 13.8% of EAV for Unit District</i>			
Alternate Revenue Bonds	-	-	Yes	Yes

**Payment Source:
Operating Funds &
Debt Service levy
("double-barrel")**

Debt Certificates

are paid from general operating funds of the District. The District annually budgets amounts to pay the principal and interest on the debt certificates. There is no separate bond and interest tax levy dedicated to the repayment of debt certificates.

- Projects financed must be capital projects or purchases of real property (not operating expenditures)
- Subject to debt limit
- Available revenues include
 - Any tax levy or combination of tax levies, O&M Levy, Special Service Tax, CPPRT, TIF monies, Developer Donations, Lease Levy, State Aid, User Fees, other

**Neither public hearing nor petition period procedure is required.*

**Payment
Source:
Operating
Funds**

Funding Bonds finance any claim against the District including debt certificates, lease certificates, technology, retirement obligations or any “claim” or invoice .

District issues debt certificates to finance capital projects. Debt certificates are structured with an early redemption provision.

- After Debt Certificates are issued, a school district will begin the proceedings for the funding bonds
- Funding bonds are issued to pay off the debt certificates in full
- If funding bonds are not issued then debt certificates must be paid from operating funds
- This structure is often used when working cash bonds are not available and district chooses to pursue financing without referendum

Approvals Required	Debt Limit	Working Cash Limit	BINA Hearing	Petition Period (Referendum)
<i>Description</i>	6.9% of EAV or 13.8% of EAV for Unit District	(EAV * Max Ed Rate + PPRT)* 85% - Greater of Working Cash Bonds or Working Cash Balance Outstanding	Public Hearing pursuant to Bond Issue Notification Act	Notice of Intent, 30 day petition period, requires signatures of 10% of registered voters
Funding Bonds	-	-	Yes	Yes

**Payment Source
HYBRID:
Operating Funds
(temporary) &
Debt Service
levy
(permanent)-
*DSEB***

- Three primary rating agencies: Moody's, Standard and Poor's and Fitch
- Ratings below BBB/Baa are considered non-investment grade

Moody's	S&P
Aaa	AAA
Aa1	AA+
Aa2	AA
Aa3	AA-
A1	A+
A2	A
A3	A-
Baa1	BBB+
Baa2	BBB
Baa3	BBB-

 OPRF 200

Moody's Illinois School District Medians as of February 7, 2019

	Aaa 16 <i>Most Recent Available</i>	Aa1 OPRF 200	Aa1 OPRF 200 (less \$52.7M) <i>for Phase I and CapEx</i>	Aa 143 <i>Most Recent Available</i>	A 79 <i>Most Recent Available</i>	Baa 6 <i>Most Recent Available</i>	Ba 5 <i>Most Recent Available</i>
General Entity Information							
Available Op Fund Balance as % of Revenue	51.9	122.1	57.4	49.7	40.1	23.2	18.5
Direct Net Debt as % of Full Value	0.4	0.0	0.0	1.1	2.1	3.0	2.6
Direct Net Debt Outstanding (\$000)	24,747	0	0	20,865	11,010	17,676	33,400
Full Value Per Capita (\$)	211,326	106,438	106,438	82,377	56,797	58,768	16,504
Net Direct Debt / Operating Revenues (x)	34.4	0.0	0.0	44.0	55.1	65.6	68.5
Operating Net Cash as % of Operating Revenues	60.4	127.6	63.0	54.4	41.4	23.2	18.5
Population 2010 Census	34,169	63,194	63,194	25,762	10,863	10,170	30,274
Total Full Value (\$000)	7,220,790	6,726,237	6,726,237	2,122,195	616,983	597,667	499,627

SECTION 2

Non-Referendum Bond Options

DEBT SERVICE EXTENSION BASE (DSEB) - CURRENT SITUATION

<i>Current</i>							
Tax Year	Equalized Assessed Value	Debt Service Extension Base*	Non-Referendum Current DSEB D/S	Abatement of Debt Service	Total Debt Service	Debt Tax Rate	Remaining DSEB Capacity
2016	1,872,238,027	2,681,070	1,023,415	(1,023,415)	-	0.000	2,681,070
2017	2,242,079,026	2,737,372	-	-	-	0.000	2,737,372
2018	2,242,079,026	2,794,857	-	-	-	0.000	2,794,857
2019	2,242,079,026	2,822,806	-	-	-	0.000	2,822,806
2020	2,242,079,026	2,851,034	-	-	-	0.000	2,851,034
2021	2,242,079,026	2,879,544	-	-	-	0.000	2,879,544
2022	2,242,079,026	2,908,340	-	-	-	0.000	2,908,340
2023	2,242,079,026	2,937,423	-	-	-	0.000	2,937,423
2024	2,242,079,026	2,966,797	-	-	-	0.000	2,966,797
2025	2,242,079,026	2,996,465	-	-	-	0.000	2,996,465
2026	2,242,079,026	3,026,430	-	-	-	0.000	3,026,430
2027	2,242,079,026	3,056,694	-	-	-	0.000	3,056,694
2028	2,242,079,026	3,087,261	-	-	-	0.000	3,087,261
2029	2,242,079,026	3,118,134	-	-	-	0.000	3,118,134
2030	2,242,079,026	3,149,315	-	-	-	0.000	3,149,315
2031	2,242,079,026	3,180,808	-	-	-	0.000	3,180,808
2032	2,242,079,026	3,212,616	-	-	-	0.000	3,212,616
2033	2,242,079,026	3,244,742	-	-	-	0.000	3,244,742
2034	2,242,079,026	3,277,190	-	-	-	0.000	3,277,190
2035	2,242,079,026	3,309,962	-	-	-	0.000	3,309,962
2036	2,242,079,026	3,343,061	-	-	-	0.000	3,343,061

*CPI assumed at 1.00% in 2019 onwards.

EXAMPLE OF DSEB BONDS (WORKING CASH) (\$42.8M ISSUED JANUARY 2020: 20-YEAR REPAYMENT)

Tax Year	Equalized Assessed Value	Debt Service Extension Base*	CPI Growth	Non-Referendum Current DSEB D/S	Proposed DSEB Bonds Debt Service	PROPOSED Total Debt Service	Debt Tax Rate	Tax Impact \$400,000 Home Value	Remaining DSEB Capacity
2018	2,242,079,026	2,794,857	2.10%	-	-	-	0.000	-	2,794,857
2019	2,242,079,026	2,847,959	1.90%	-	2,846,512	2,846,512	0.127	\$138	1,448
2020	2,242,079,026	2,876,439	1.00%	-	2,873,050	2,873,050	0.128	\$139	3,389
2021	2,242,079,026	2,905,203	1.00%	-	2,901,450	2,901,450	0.129	\$140	3,753
2022	2,242,079,026	2,934,255	1.00%	-	2,932,050	2,932,050	0.131	\$142	2,205
2023	2,242,079,026	2,963,598	1.00%	-	2,959,650	2,959,650	0.132	\$143	3,948
2024	2,242,079,026	2,993,234	1.00%	-	2,989,250	2,989,250	0.133	\$145	3,984
2025	2,242,079,026	3,023,166	1.00%	-	3,022,250	3,022,250	0.135	\$146	916
2026	2,242,079,026	3,053,398	1.00%	-	3,050,250	3,050,250	0.136	\$148	3,148
2027	2,242,079,026	3,083,932	1.00%	-	3,083,250	3,083,250	0.138	\$149	682
2028	2,242,079,026	3,114,771	1.00%	-	3,110,750	3,110,750	0.139	\$151	4,021
2029	2,242,079,026	3,145,919	1.00%	-	3,142,750	3,142,750	0.140	\$152	3,169
2030	2,242,079,026	3,177,378	1.00%	-	3,173,750	3,173,750	0.142	\$154	3,628
2031	2,242,079,026	3,209,152	1.00%	-	3,208,500	3,208,500	0.143	\$155	652
2032	2,242,079,026	3,241,243	1.00%	-	3,236,500	3,236,500	0.144	\$157	4,743
2033	2,242,079,026	3,273,656	1.00%	-	3,272,750	3,272,750	0.146	\$158	906
2034	2,242,079,026	3,306,392	1.00%	-	3,301,500	3,301,500	0.147	\$160	4,892
2035	2,242,079,026	3,339,456	1.00%	-	3,337,750	3,337,750	0.149	\$162	1,706
2036	2,242,079,026	3,372,851	1.00%	-	3,370,750	3,370,750	0.150	\$163	2,101
2037	2,242,079,026	3,406,579	1.00%	-	3,375,250	3,375,250	0.151	\$163	31,329
2038	2,242,079,026	3,440,645	1.00%	-	3,407,250	3,407,250	0.152	\$165	33,395
2039	2,242,079,026	3,475,052	1.00%	-	-	-	-	-	3,475,052
2040	2,242,079,026	3,509,802	1.00%	-	-	-	-	-	3,509,802
Total Proceeds					\$42,800,000	Average		\$151	
All-In True Interest Cost					3.82%				
Dated Date					1/2/2020				

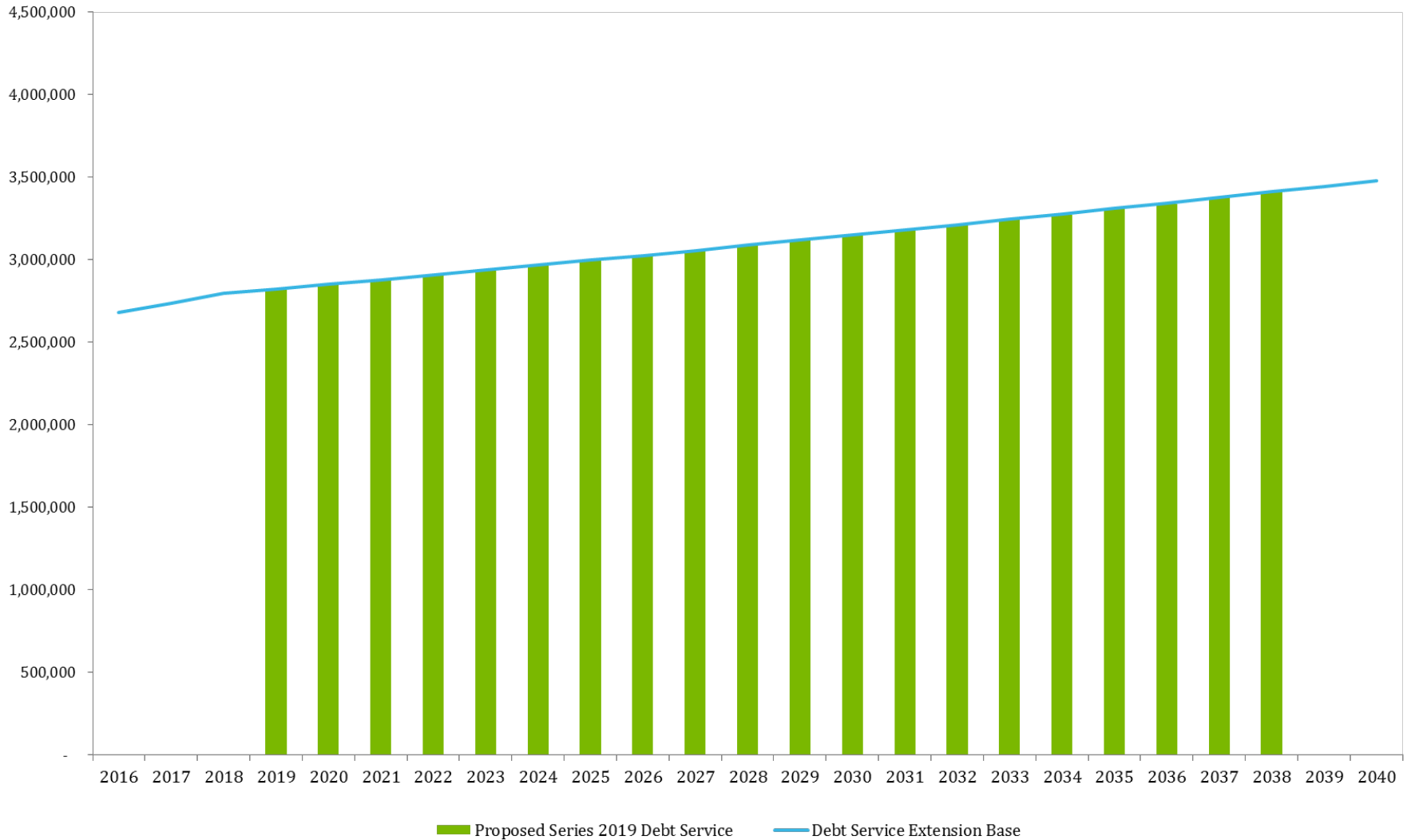
- If the District was AA rated instead of AAA, the increased interest cost is .10%
- Over the life of the bonds would be \$670,000
- +\$2 on the \$400k Home per year on average

CPI assumed at 1.00% in 2020 onwards.

Rates are based on current interest rates with spreads over MMD Index as of April 16, 2019, with +0.50% cushion.

Median Value Homes are based on Trulia as of April 2019 (River Forest median value is estimated at \$555,000 and Oak Park's is approx. \$280,000).

EXAMPLE OF DSEB BONDS (WORKING CASH) (\$42.8M ISSUED JANUARY 2020: 20-YEAR REPAYMENT)



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- Any DSEB Bond should consider District future financing needs
 - DSEB Bonds should be repaid as quickly as possible in order to:
 1. Minimize Interest Cost
 2. Provide flexibility for future projects
 - Make conservative assumptions about future CPI – if CPI assumptions too aggressive and increases do not materialize, District will have to use operating funds
 - DSEB bonds should have an optional redemption feature to give the District flexibility to refund them if interest rates decline (typically 7 to 10 years after issuance)

HSD 200 (Oak Park and River Forest) Cook County, IL Series 2020 Debt Certificates			
Fiscal Year			Annual Debt
Ending	Principal	Interest	Service
6/30/2021	\$1,185,000	\$1,818,000	3,003,000
6/30/2022	1,235,000	1,769,600	3,004,600
6/30/2023	1,285,000	1,719,200	3,004,200
6/30/2024	1,335,000	1,666,800	3,001,800
6/30/2025	1,390,000	1,612,300	3,002,300
6/30/2026	1,455,000	1,548,125	3,003,125
6/30/2027	1,530,000	1,473,500	3,003,500
6/30/2028	1,605,000	1,395,125	3,000,125
6/30/2029	1,690,000	1,312,750	3,002,750
6/30/2030	1,775,000	1,226,125	3,001,125
6/30/2031	1,870,000	1,135,000	3,005,000
6/30/2032	1,965,000	1,039,125	3,004,125
6/30/2033	2,065,000	938,375	3,003,375
6/30/2034	2,170,000	832,500	3,002,500
6/30/2035	2,280,000	721,250	3,001,250
6/30/2036	2,400,000	604,250	3,004,250
6/30/2037	2,520,000	481,250	3,001,250
6/30/2038	2,650,000	352,000	3,002,000
6/30/2039	2,785,000	216,125	3,001,125
6/30/2040	<u>2,930,000</u>	<u>73,250</u>	<u>3,003,250</u>
	\$38,120,000	\$21,934,650	\$60,054,650
Summary			
Average Annual Debt Service.....			\$3,002,733
Bond Proceeds.....			\$42,000,000
All-In TIC.....			3.81%
Average Life.....			11.60
Dated/Delivery Date.....			6/1/2020
Rates are based on current interest rates with spreads over MMD Index as of April 16, 2019, with +0.60% cushion (inclusive of 0.10% cushion for Debt Certificates).			

- 20 Years is maximum amortization period for debt certificates
- Consider the life of the assets being financed when determining payback period
- Level debt service at \$3M annually must be paid from operating funds
- Despite ratings on par with general obligation bonds the market demands slightly higher interest rates

- Payments for Debt Certificates come from the operating funds and must be conservatively budgeted for annually
- Examples of sources of revenues include:
 - ✓ Education, O&M Fund tax levies
 - ✓ Transfer from Working Cash
 - ✓ Corporate and Personal Property Replacement Taxes
 - ✓ General State Aid
 - ✓ TIF surplus funds
- Debt certificates should have a level payment structure for ease of budgeting
- The amortization should match the life of the assets being financed or shorter in order to:
 - ✓ Reduce interest cost
 - ✓ Maintain flexibility for changes in law by State of Illinois that may impact operating funds (ie: Tax Freeze or Pension Shift)
- Debt Certificates should have an optional redemption feature to give the District flexibility to refund them if interest rates decline (typically 7 to 10 years after issuance)

- How much fund balance should the District dedicate to Imagine and Capital Projects?
- When should the District issue debt?
- What type of debt should the District issue first?

The information contained herein is solely intended to facilitate discussion of potentially applicable financing applications and is not intended to be a specific buy/sell recommendation, nor is it an official confirmation of terms. Any terms discussed herein are preliminary until confirmed in a definitive written agreement. While we believe that the outlined financial structure or marketing strategy is the best approach under the current market conditions, the market conditions at the time any proposed transaction is structured or sold may be different, which may require a different approach.

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