

To: Board of Education

From: Becky Allard, Business Manager

Date: November 18, 2013

Re: Board Goal/Finance #4 – Discussion on Capital Projects Financing

Background

The Board of Education earlier this fall adopted consensus goals for 2013-15, which include in the Finance category:

“The District will honor the 2013-14 capital projects budget allocation of \$5 million, while also using debt extension bonds going forward for further capital improvements.”

As the Board moves forward in its consideration of facilities projects at Field School proposed for summer 2014 and summer 2015, it will need to evaluate the use of debt extension financing to support approximately \$7.8 million of work. A better evaluation of the actual amount will be available to the Board on December 16, when architects Fanning Howey present a more detailed estimate of probable construction costs in the design documents.

Situation Analysis

Elizabeth Hennessy, partner at William Blair, has prepared two financing options for working cash fund bonds, and will review them with the Board and answer questions. They include both a scenario to provide \$7.8 million for Field School only and a second scenario that includes the Field project, plus an additional \$19 million for other District facility needs.

Both options are structured as “no tax increase” options. This means that the tax levy for debt service (ranging from 0.12 – 0.14) would be lower than the current tax levy for the District’s outstanding debt (0.18). However, the District’s current 0.18 debt service levy would otherwise be entirely eliminated by the end of the 2016 calendar year (FY17). In effect, taxpayers would see a decrease in the debt service levy, but not its elimination.

An additional Board 2013-15 consensus goal for finance notes that:

“The District will demonstrate fiscal discipline to ensure meeting the Board’s original goal of not returning to the community for an operating fund referendum prior to 2017, while making every effort to extend the time necessary to seek an operating fund referendum to no earlier than 2020-21.”

The long-range financial projections indicate that the District will not be able to achieve this goal, if the operating fund balance is spent down for the Field summer 2014 and 2015 projects. The 2013-14 fiscal year District 64 budget does not include any funding for the summer 2014 Field work; the only capital projects funding in the current fiscal year budget has already been used for the projects at Carpenter, Field, Franklin and Lincoln undertaken in summer 2013.

In addition, without the use of working cash fund bonds, the District would not be able to undertake such an extensive array of life safety / facility improvements in the near term. Only a low level of annual Operations & Maintenance expenditures (based on need but will not exceed \$1 million per year) are built into the District's long-range financial projections, in order to meet the Board's goal of extending the return to taxpayers via a referendum for an additional four years.

The issue before the Board, therefore, is to determine whether the trade-off of postponing another referendum for four additional years to 2020-21 merits reducing, but not eliminating, the debt service levy that taxpayers currently pay for several additional years to complete needed facility / life safety improvements at Field and possibly District-wide.

Next Steps

Ms. Hennessy's report provides a detailed schedule for the proposed financing.

In the near term, the key dates and actions to keep in mind include:

- **December 16, 2013** – Board issues Resolution of Intent to Issue Working Cash Bonds and Sets Public Hearing
- **December 19, 2013-January 18, 2014** – petition period
- **January 27, 2014** – Board conducts Public Hearing on Issuance of Bonds
- **February 24, 2014** – Board approves Parameters Resolution Authorizing Bond Sale With Approval of Board President, Superintendent and Business Manager