

# OAK PARK AND RIVER FOREST HIGH SCHOOL

201 NORTH SCOVILLE AVENUE • OAK PARK, IL 60302-2296

TO: Committee of the Whole  
FROM: Dr. Rob Grossi - Consultant  
DATE: October 16, 2018  
Re: Addressing Funding For Projects

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## **BACKGROUND**

The Business Office with Dr. Grossi has prepared a presentation to outline the funding options for the IMAGINE capital projects. The presentation will address the funding decision points, capital commitment, reserve level, managing the gap between revenue and expense growth, financial risk that may impact the fund balance, and other issues pertinent to funding these projects.

## **SUMMARY OF FINDINGS**

Attached is the presentation addressing and outlining the funding options.

## **RECOMMENDATION**

This presentation is meant to provide information for board discussion. No other action is required.



# ADDRESSING FUNDING FOR PROJECTS

**DISCUSSION OF BOARD PROCESS TO ADDRESS  
RECOMMENDATIONS FROM IMAGINE TEAM**

OCTOBER 2018

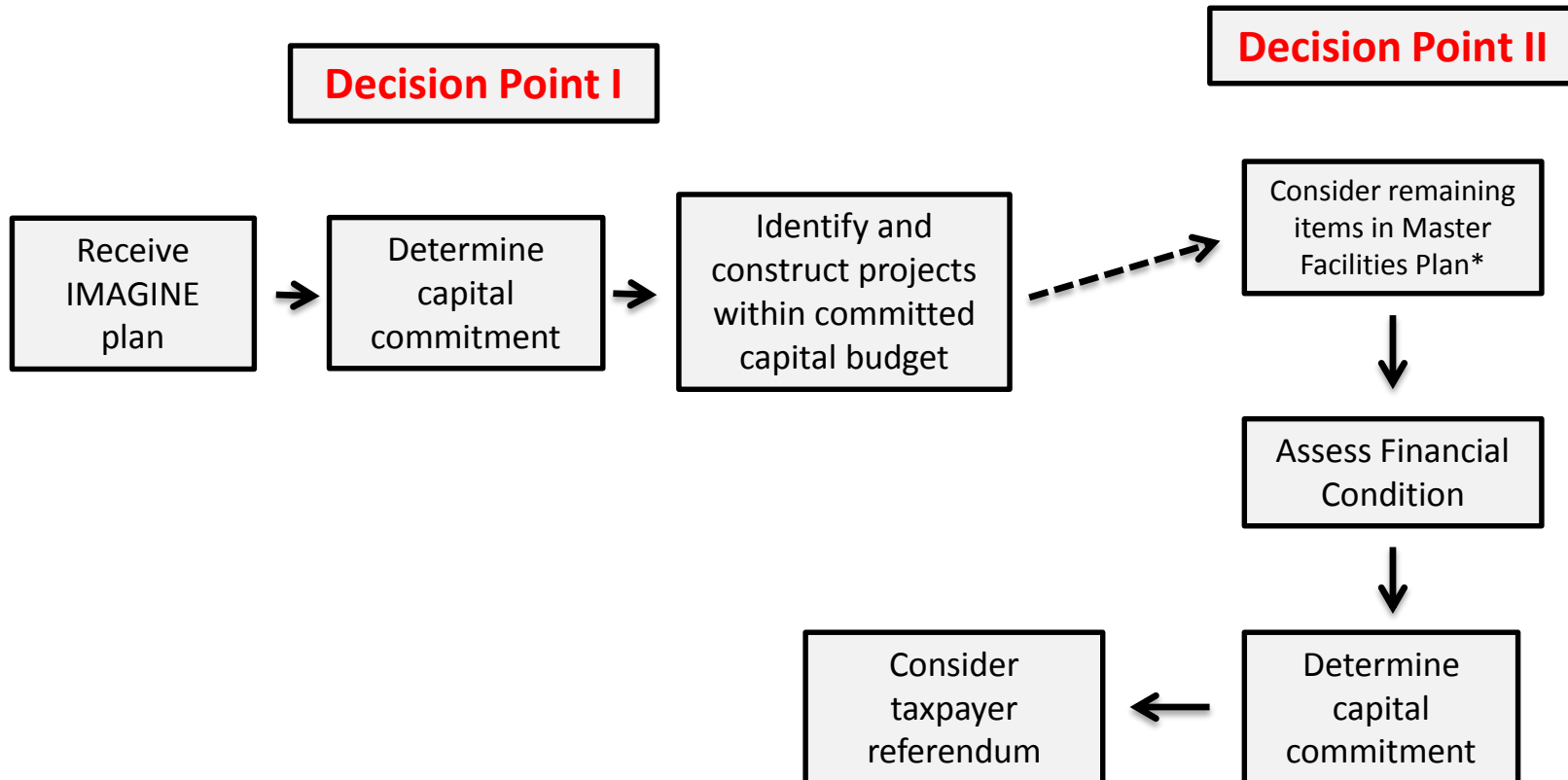
# THE START OF THE PROCESS

The Board will receive a report from the IMAGINE team that will include the following:

- ① A comprehensive listing of capital improvement recommendations developed to align District facilities to the needs of current and future generations of all students attending OPRF High School District 200.
- ① Recommended sequencing of the projects with consideration to need, efficiencies and necessary ordering due to construction constraints.

# THE DECISION PROCESS

## ADDRESSING THE PLAN THROUGH MULTIPLE MAJOR DECISION POINTS



\* Master Facilities Plan should incorporate IMAGINE items and other major facilities needs

# MAJOR DECISIONS TO BE MADE BY BOARD OF EDUCATION

## DETERMINE CAPITAL COMMITMENT AND FIRST PHASE OF PROJECT

- How much current capital is the District willing to commit to the Master Plan?
  - Fund balance reserves
- How much additional capital is the District willing to commit to address the Master Plan?
  - Future operating budgets (including debt certificates)
  - Issuance of non-referendum bonds
- Once this dollar amount is determined, what specific areas of the Master Facility Plan will be addressed with these resources?

# FUND BALANCES CURRENTLY AVAILABLE BASED ON DESIRED MINIMUM RESERVE LEVEL

- ❑ Total fund balances on June 30, 2018 are estimated at \$107 million
- ❑ Policy 4:20 suggests reserves in the 25% - 75% range (3 months - 9 months of annual expenses)

Policy Guidelines	Desired Expense Reserves	Fund Balance to Match Reserve Policy	Funds Above Policy Minimum
	15 Months	\$107 million	\$0
	12 Months	\$86 million	\$21 million
<b>Max (75%)</b>	<b>9 Months</b>	<b>\$65 million</b>	<b>\$42 million</b>
	6 Months	\$44 million	\$63 million
<b>Min (25%)</b>	<b>3 Months</b>	<b>\$22 million</b>	<b>\$84 million</b>

# CONSIDERATION: FUTURE BOARD ACTION AFFECTING REVENUE AND EXPENSE GROWTH WILL IMPACT FUND RESERVES

## MANAGING THE GAP BETWEEN REVENUE AND EXPENSE GROWTH

### FIVE YEAR IMPACT ON FUND BALANCE RESERVES

#### Annual Revenue Growth

	0%	1%	2%	3%	4%
0%	\$0	+\$13 million	+26 million	+\$39 million	+\$52 million
1%	-\$13 million	\$0	+\$13 million	+\$26 million	+\$39 million
2%	-\$26 million	-\$13 million	\$0	+\$13 million	+\$26 million
3%	-\$39 million	-\$26 million	-\$13 million	\$0	+\$13 million
4%	-\$52 million	-\$39 million	-\$26 million	-\$13 million	\$0

Annual Expense Growth

Each one-percent gap in revenue versus expense growth over a five year period impacts fund balance reserves by approximately \$13 million

# CONSIDERATION: ISSUES THAT MAY IMPACT FUND BALANCE RESERVES OVER THE NEXT FIVE YEARS AND BEYOND

## Local Issue

### Management of Expenditure Growth Versus Revenue Growth

Each one-percent gap in revenue versus expense growth over a five year period impacts fund balance reserves by approximately \$13 million

## State Issues

### Shifting of pension burden to school districts

Maximum impact assuming cost equal to 9% of credible earnings: \$3 million in new benefit expenses annually beginning in year two. Loss of \$12 million in fund balance reserves over next five years.

### State imposed property tax freeze

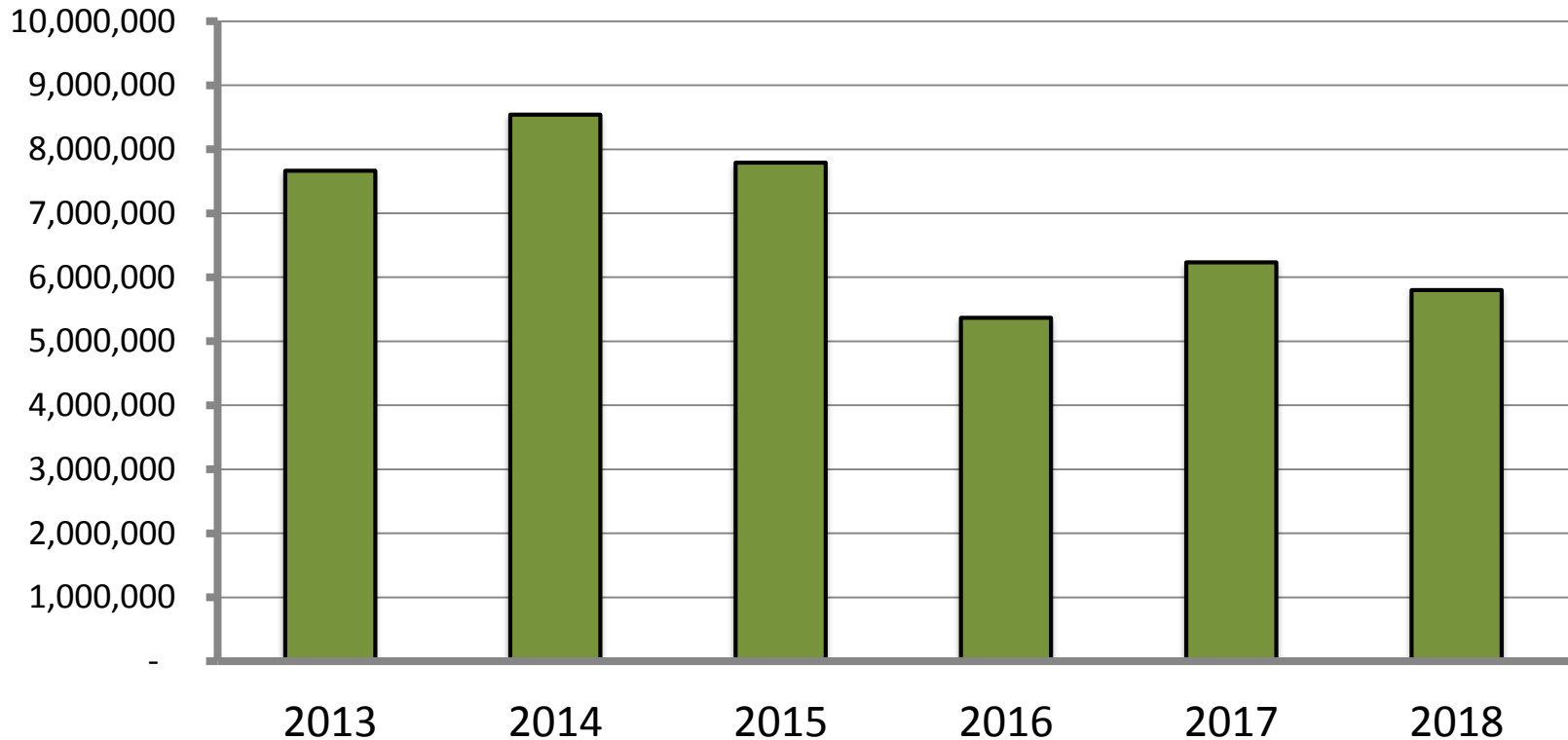
Maximum impact assuming 2.1% inflation and two-year freeze: \$2.8 million in loss of potential r/e tax growth annually beginning in year two, \$13 million over five year period.



# MAJOR DECISIONS TO BE MADE BY BOARD OF EDUCATION

## CAN A PORTION OF THE CAPITAL BUDGET BE ALIGNED WITH IMAGINE PROJECTS?

HISTORICAL ANNUAL CAPITAL EXPENSES



OPRF High School spends approximately \$5 - \$6 million on major capital expenses annually within its operating budget

# MAJOR DECISIONS TO BE MADE BY BOARD OF EDUCATION

## HOW MUCH NON-REFERENDUM DEBT SHOULD BE APPLIED TO PROJECT?

### Other Non-Referendum Bonds (\$40 Million Capacity less life safety bond amount)

- These bonds are subject to back door referendum
- Future tax levies would pay off debt

### Life Safety Bonds (\$40 Million Capacity)

- These bonds not subject to back door referendum
- Future tax levies would pay off debt
- Will cover repairs/renovations deemed by State as significant health safety concern for students.

### Debt Certificates (\$40 Million Capacity less life safety and other non-referendum debt)

- These bonds are not subject to back door referendum
- Future general operating funds would pay off debt, no additional tax levy
- Example: District receives \$40 million upfront and commits approximately \$3 million of annual operating budget annually over the next 20 years to pay off loan.

**Note: OPRF High School District #200 is one of the few school districts in Illinois that is currently debt-free.**

**It is estimated that the maximum the annual tax levy can increase through the issuance of non-referendum debt is \$150 for a home with a market value of \$400,000.**

# MAJOR DECISIONS TO BE MADE BY BOARD OF EDUCATION

## IF AND WHEN TO PURSUE A TAX REFERENDUM

**Note: Unless and until the District is willing to commit to projects in excess of the capital commitment, this decision does not need to occur.**

### Referendum Bonds (\$150 Million Capacity less outstanding non-referendum debt)

- Amount to request?
- When to ask the question?
- What projects will it cover?



**END OF PRESENTATION**