

Spotlight on the Board

Notes from the District 15 School Board Meeting

March 3rd, 2006

Keenan was absent for this meeting. This Board of Ed Meeting was a “Special” meeting that was called for a Public Hearing on “the proposal to sell bonds in the amount of \$5,000,000 for the purpose of raising working cash to be applied to costs of operating the school district, including various capital improvements” (D15 press release, 3/1/06).

Boucher noted that this was a public hearing for the Board to receive comments from the Public on the Bond Restructuring issue, and that comments should be limited to that topic. Several bankers from LaSalle were in attendance to answer questions about the bond restructuring and issuance.

Citizens Address the Board

Ed Yung (prior D15 Board member):

Supported restructuring for life safety and to use extra funds to reduce class sizes. Said the students who benefit from more teachers now would be paying for the extra debt in 2025. Wanted to keep quality of education high, since people moved to this district for quality education.

Brian Neal (Hunting Ridge parent):

Opposed to restructuring. Said the Board should respect public opinion: the community has spoken by not passing the referendum and not re-electing Board members in the last election. People wanted spending cuts, which is difficult, but the Board needed to have courage. Also noted that parents need to step up and provide support.

Warren Koska:

Supports restructuring. Noted these are rough years for the district, but thought the Board was doing the right thing by restructuring.

Lisa Moran (Hunting Ridge parent):

Two questions: 1) What is the total cost, including penalties and interest to borrow \$5M for 18 years, and 2) Why did you ask for money for Life/Safety, but now listed the bonds as for “working cash”?

LaSalle Banker: Fees are 1.6% of bonds issued, total cost \$11M including interest and fees. Penalty for restructuring is \$200,000 in today’s dollars. New bonds issued will be CIB’s (Current Interest Bonds) not CAB (Capital Appreciation Bonds). The \$5M in bond money will be put in an arbitrage restricted “escrow” account, which means it will earn interest up to the allowable Federal interest rate. The amount of taxes that can be levied each year to pay for bond principal and interest is capped at \$4.9M per year. That amount will remain constant until 2021, when the additional cost of the restructuring and bond amount will start, at approximately \$2.3M per year for 5 years.

Millar: Asked for a discounted cash flow accounting, but still have not received it.

LaSalle Banker: We were selected after the Feb 8th vote, still in the fact-finding process. We will get the information to you as soon as we can.

Jeff Simon (Marion Jordan parent):

Understand the need to refinance CAB’s to get a better rate, but don’t understand the additional \$5M. Are all of the A,B,C items in the Life/Safety report mandated by law? The referendum was turned down – are things covered by the

\$5M things that were to be covered by the referendum?

McKanna: We have been putting off maintenance for years and also had \$10M in cuts. The 10 year life/safety report has \$25M in repairs and maintenance. The \$5M is not going to be used for people or personnel. It is intended to be used for Life/Safety.

Simon: Next year will we have to do another \$5M (restructuring)?

McKanna: No, we'll have to find another way to do it.

Nohelty: A four page summary of the Life/Safety report is now available on the district website.

Elizabeth Brachian:

Did not like the body language of the meeting. Thinks that communication is a problem in our district, that there should be more information available. Thinks we should have more dialogue and should progress together.

Rowden: Wanted to make sure it was clear that the intent of the \$5M is to use for Life/Safety, not for working cash, not for anything else.

Nohelty: Yes, the \$5M is for capital improvements. The purpose of the working cash bonds is to provide flexibility.

Rowden: Questions whether we really need to do this now. There is a philosophical difference on the Board on this issue, but need to keep the district going.

Sally Kim: How much is the total cost?

LaSalle banker: \$11M in total, principal, interest, restructuring costs.

Kim: What is the equivalent APR?

LaSalle banker: Approximately 4.6% on new money part of bond issue.

Kim: Board does not seem to understand this. Mr. Nohelty does not seem to understand and defers to the LaSalle bankers. Not a good analogy to doing improvements on your house. Don't understand what the bankers are saying about the costs of the bonds. Need to know that our business manager understands and can make a knowledgeable decision about these financial matters.

Pat Jandura (Pleasant Hill parent):

Life/Safety is already budgeted \$1.7M in for urgent needs. People don't want to pay for things that are unnecessary. Why do we need \$5M to hold in reserves for B items? Maybe now is not the time? Maybe next year?

McKanna: The Board passed a \$1.7M levy into the Life/Safety fund in December. With the \$5M from bond restructuring in Life/Safety, the Board can cancel that levy and put that \$1.7M back into the Ed Fund.

Boucher: We have time to reallocate funds until final budget is set (in August 2006).

Bob Meyer: Don't mind paying for things that give me value, but don't want to pay for it twice. Is life expectancy going to be out before the life of these funds? Do we need to reprioritize the Life/Safety items? How much money do we really

need?

Boucher: Life/Safety covers everything from roofs to carpets.

McKanna: Only so many places we can get money. The referendum didn't work, so we have to borrow money.

Carlson: Some of the B list items are OSHA violations, things that have to be done.

Jeff Simon: The 5 cent tax levy in December – was that additional funds?

Boucher: That levy just moved money from the Ed Fund to the Life/Safety Fund.

Nohelty: We will have an amendment to the resolution that the Board previously adopted.

Simon: Since you are just moving money around, then how is taking money from Life/Safety and putting it into the Ed Fund any different than spending the bond money on teachers?

McKanna: The \$5M will only be used for Life/Safety.

Simon: But the \$1.7M taken from Life/Safety and put into the Ed Fund will be used for teachers?

McKanna: Yes.

Lori Quinn (children previously in D15, current child at Sundling): Want some clarity on TAW's. What are they, what are the options for using them?

Nohelty: They are like a line of credit, not supposed to be used for capital projects (according to the Illinois School Code).

Millar: TAW's were proposed to carry us for 2 years – we can use them for any shortfalls in all the other funds, to carry us over.

Quinn: Would it be smart to wait for reserves to go down and use TAW's?

Boucher: There is a philosophical difference in the Board as to whether to use TAW's. This is not germane to this meeting. We will close after this next person.

Jim Asuelo: Sounds as if funds are there for near term, but there are further costs down the road. What is the cost of waiting? There are costs in restructuring the bonds.

Boucher: Somewhere along the way we have to pull the trigger. Bond rates are favorable now and we've finally found a way to get out from under these CABs. It seems a favorable time to do it.

Asuelo: Is there a way to have a more interactive Board session?

Boucher: Come to the March 22nd meeting.

Millar: I have questions for the LaSalle banker. I don't have your proposal yet. How do we refund CAB's without present value loss?

LaSalle Banker: We will give you any information we can, as soon as we can. There has to be a present value loss, but I can't say exactly what it is. We will

give you a detailed list of costs.

Boucher closed the Public Hearing. Meeting adjourned.