

Borrowing as a Tool During Budget Challenges

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Introductions

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**SOUTHWESTERN
CUSD No. 9**

Session Topics

- I. The Fiscal Cliff
- II. Alternative Funding Options
 - a) Working Cash Bonds
 - b) Health/Life/Safety Bonds
 - c) Funding Bonds
 - d) Short-Term Borrowing Options
- III. Case Studies
- IV. Borrowing Process

The Fiscal Cliff



What is the Fiscal Cliff?

- Elimination of a significant revenue source that was used for a wide variety of school district expenditures.
- Applies primarily to ESSER funding, but the spike and subsequent reduction in CPPRT may exacerbate the issue for a significant number of Illinois school districts.
- Districts that heavily supplanted existing expenditures with ESSER and/or CPPRT funds will need to find ways to fill the gaps and/or make significant expenditure reductions.
- Remember the State of Illinois has benefited from ESSER funding too...

ESSER Funds Running Dry

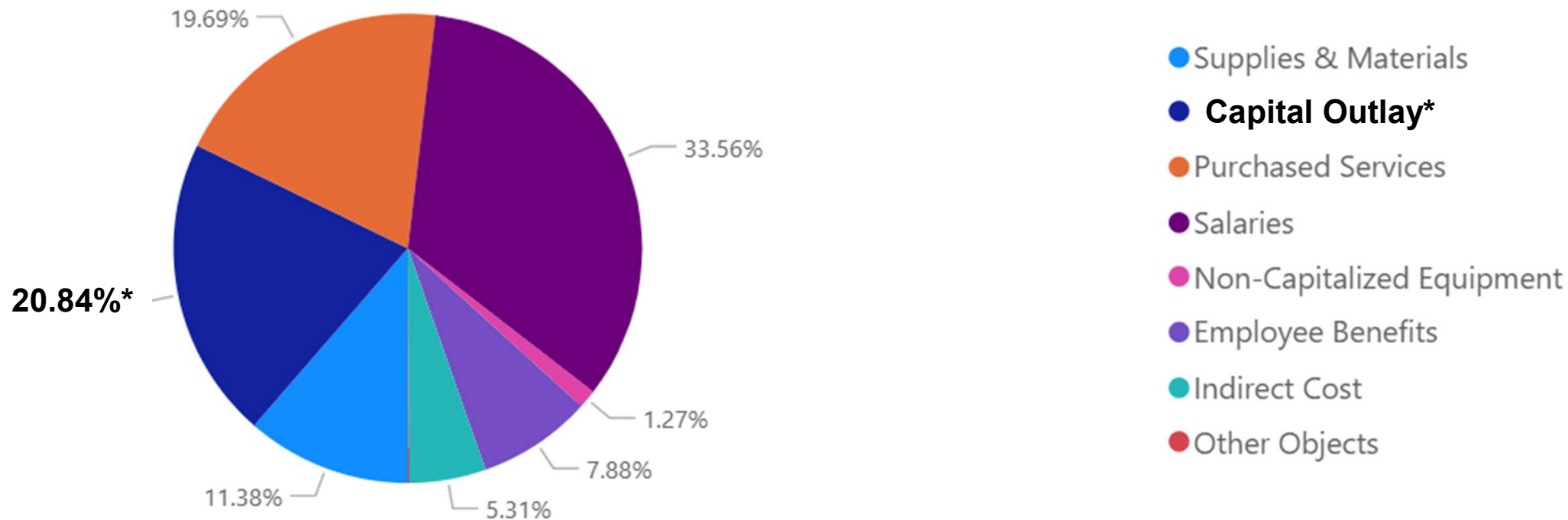
State of Illinois ESSER Allocations

Grant	Total Allocated	Total Spent	Total Remaining	Percent Remaining	Percent Spent
ESSER I	\$512,441,913	\$511,633,708	\$808,205	0.2%	99.8%
ESSER II	\$2,028,214,257	\$2,027,136,388	\$1,077,869	0.1%	99.9%
ESSER III	\$4,855,975,990	\$4,752,055,497	\$103,920,493	2.1%	97.9%
SEA 9.5%	\$439,938,525	\$388,851,392	\$51,087,133	11.6%	88.4%
Total	\$7,836,570,685	\$7,679,676,985	\$156,893,700	2.0%	98.0%

- For reference, Evidence Based Funding (EBF) is expected to reach \$8.85 billion in Net State Contributions in Fiscal Year 2026.
- \$7.84 billion in ESSER funding would represent 89% of that amount or about 30% annually if spread over 3 years

Source: ISBE ESSER & EBF Spending Dashboards

How Were IL ESSER Funds Spent?

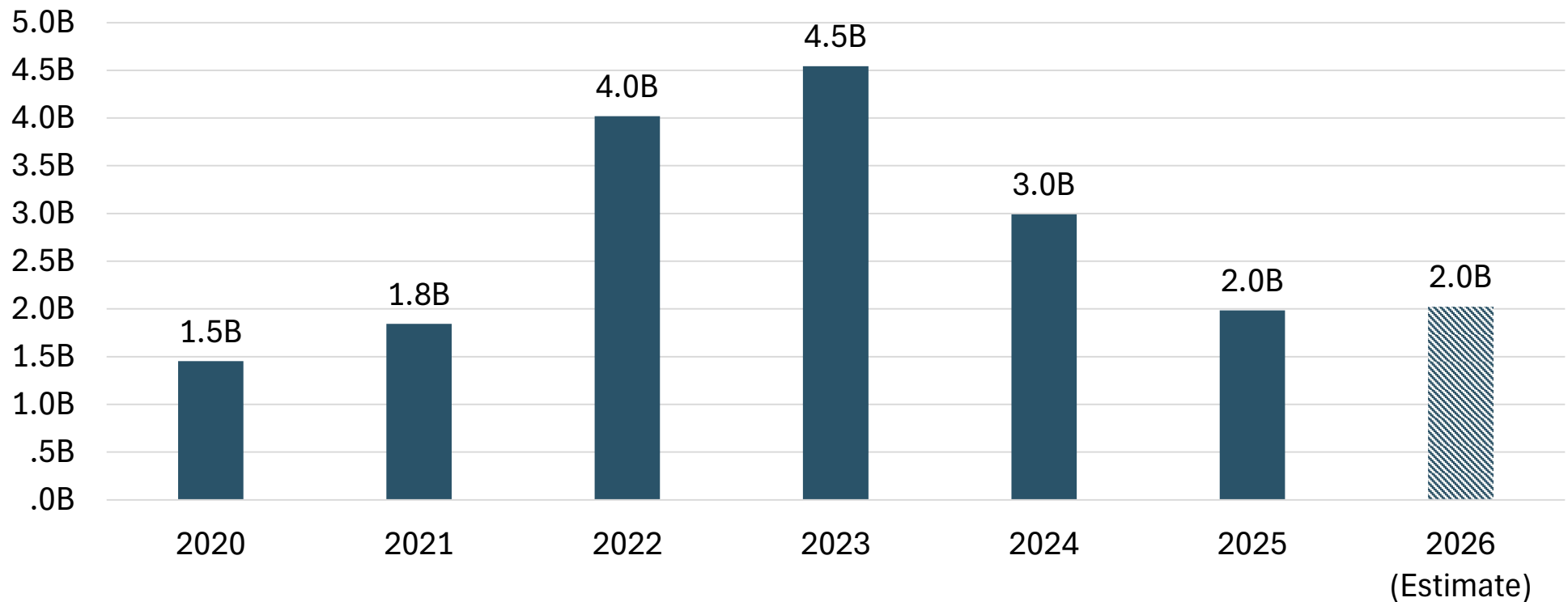


*Only non-reoccurring expense

Source: ISBE ESSER Spending Dashboard

Statewide CPPRT Funding Decline

CPPRT Payments by Fiscal Year



Source: IL Department of Revenue

How Do Districts Mitigate the Fiscal Cliff?

- Determine how the allocated funds were spent
- Evaluate budget opportunities and causes of structural deficits
- Short and long-term financial planning
- **Involve stakeholders**
- Consider borrowing options:
 - ✓ Working Cash Bonds
 - ✓ Health/Life/Safety (HLS) Bonds
 - ✓ Funding Bonds
 - ✓ Tax Anticipation Warrants/Lines of Credit

Rocks to Look Under for Budget Savings

- Shift expenditures to other funds
- Consider operating savings from HLS improvements
- Evaluate cooperative services opportunities
- Utilize all class periods to their fullest potential – rotate teachers around to fill up class schedules
- Evaluate enrollment in multiple buildings to see if consolidating makes sense

Rocks to Look Under for Budget Savings

- Evaluate if current student-teacher ratios are sustainable
- Assess the case loads of Social Workers and consider if buildings should be sharing services
- Gauge the level of need for Title I teachers under your current curriculum
- Evaluate SPED spending and other contractual service spending tied to Special Education
- Maximize Medicaid and transportation claims by adding verbiage to your IEPs that allow for more billing

Rocks to Look Under for Budget Savings

- Talk with your transportation contractor on ways to eliminate PREK-only to make them eligible to claim transportation
- Consult with your curriculum directors, principals, instructional coaches, and technology directors to review your curriculum/licenses
 - You may be able to eliminate some that are not used often
 - Note that a particular license may serve more than one purpose, and can be used to eliminate redundancies
- Consider carrying over unused Tort Fund balance instead of “using” it all up moving more operating fund expenditures to the Tort Fund

Alternative Funding Options

Working Cash Bonds

- **Uses of Funds**

- Issued to establish or increase the working cash fund (WCF). Bond proceeds are deposited to the WCF at closing; may be used for operational purposes or capital projects (after proper abatement).

- **Specific Limit on Amount**

- Amount authorized to be issued is subject to the State's working cash fund bond formula.

- **Tax Consideration**

- WCF Bonds issued for operating purposes have to meet specific Internal Revenue Service requirements to be sold at tax-exempt interest rates.

- **Important Note on Backdoor Referendum**

- A valid petition signed by at least 10% of the registered voters within the District would require referendum approval in order to issue WCF Bonds.

Bond Type	Unvoted Bonds / Limited Bonds if Subject to PTELL
Common Naming	Working Cash Fund Bonds
Voter Approval Required	No
Repaid from Separate Levy	Yes
Repayment Source	Property Tax
Issued Under DSEB if Subject to PTELL	Yes
Subject to Backdoor Referendum	Yes
BINA Hearing	Yes
Count Toward 6.9% Limit or 13.8% Limit	Yes*
Maximum Term (Years)	20 for operating/ 30 for capital projects

Note: Working Cash Fund Bonds count towards the statutory (6.9% or 13.8%) debt limit, but may be issued in excess of such limit.

Working Cash Fund Bonds – Debt Limit Illustration

Equalized Assessed Value	\$200,000,000
<i>Multiplied by Maximum Educational Fund Tax Rate</i>	2.00%
	\$4,000,000
<i>Plus Lesser of Last Year's Actual or this Year's Estimated Corporate Personal Property Replacement Tax (CPPRT)</i>	\$2,000,000
	\$6,000,000
<i>Plus Most Recent Amount of Evidence Based Funding Received</i>	\$20,000,000
	\$26,000,000
<i>Multiplied by 85%</i>	85%
Equals Maximum Working Cash Fund Balance	\$22,100,000
<i>***Minus Greater of Dollars to the Credit of the Working Cash Fund or Working Cash Fund Bonds Outstanding***</i>	\$5,000,000
Available Working Cash Fund Bond Capacity	\$17,100,000

*****Note: There is an alternative calculation if the Working Cash Fund is abated to a nickel levy.*****

Health/Life/Safety Bonds

- **Uses of Funds**

- Issued to alter and repair existing school buildings and equipment for fire prevention and safety purposes. May be issued to replace an existing building if the cost of replacement is less than the cost to repair (and *meets certain other requirements*).

- **Process Considerations**

- Must have architect or engineer survey and cost estimate.
- Work and estimate of cost must be approved by the Regional Office of Education (ROE) and ISBE. ROE issues an order that the work be completed. Projects cannot be started before approvals are received.

- **Important Note on Backdoor Referendum**

- These are the only non-voted bonds that can be levied without the 30-day petition period.

Bond Type	Unvoted Bonds
Common Naming	HLS Bonds
Voter Approval Required	No
Repaid from Separate Levy	Yes
Repayment Source	Property Tax
Issued Under DSEB if Subject to PTELL	No
Subject to Backdoor Referendum	No
BINA Hearing	Yes
Count Toward 6.9% Limit or 13.8% Limit	Yes
Maximum Term (Years)	30

Funding Bonds

- **Uses of Funds**

- Issued only to pay a claim against the district (e.g., Debt Certificates, bus lease, computer lease).

- **Important Note on Backdoor Referendum**

- A valid petition signed by at least 10% of the registered voters within the District would require referendum approval in order to issue Funding Bonds.

Note: Funding Bonds count towards the statutory (6.9% or 13.8%) debt limit, but may be issued in excess of such limit.

Bond Type	Unvoted Bonds / Limited Bonds if Subject to PTELL
Common Naming	Funding Bonds
Voter Approval Required	No
Repaid from Separate Levy	Yes
Repayment Source	Property Tax
Issued Under DSEB if Subject to PTELL	Yes
Subject to Backdoor Referendum	Yes
BINA Hearing	Yes
Count Toward 6.9% Limit or 13.8% Limit	Yes*
Maximum Term (Years)	20 for operating/ 30 for capital projects

Short-Term Borrowing Options

• Tax Anticipation Warrant (TAW)

• Why Use?

- Issued in anticipation of taxes levied but not yet collected.

• What Funds are Applicable?

- Permissible from Education, Operations & Maintenance, Transportation, IMRF, and Life Safety Funds.

• What is the Borrowing Limit?

- Issuable in an amount up to 85% of the levy for each fund issuing warrants (less any taxes already collected for that year and any funds available in the Working Cash Fund).

• What are the Tax Considerations?

- Typically, issued on a taxable basis; can be issued on a tax-exempt basis with evidence of cash flow need.

• Lines of Credit (LOC)

- Issued in anticipation of taxes or revenues.
- Maximum of 85% of pledged taxes/revenues.

Type	TAW	LOC
Voter Approval Required	No	No
Repaid from Separate Levy	No	No
Repayment Source	Taxes Levied from Particular Fund	Taxes/Revenues (As Appropriate)
Issued Under DSEB if Subject to PTELL	N/A	N/A
Subject to Backdoor Referendum	No	No
BINA Hearing	No	No
Count Toward 6.9% Limit or 13.8% Limit	No	No
Maximum Repayment Period	Case by Case	Must be Repaid with 60 Days of Taxes/Revenues Receipt

Case Study: Urbana USD #116

“Rolling” Working Cash Bonds

1. Working Cash Bonds that are issued every few years that allow the District to both manage their levy and provide semi-regular cash infusions.
2. Typically have shorter term lengths to align expenditures with bond repayment and maximize DSEB.
3. Proceeds from taxable Working Cash Bonds can be used to fund operations, salaries and can even be invested without restriction.
 - Tax-exempt proceeds are limited to capital projects.

“Rolling” Working Cash Bonds

Urbana’s Projected Bond and Interest Levy

Levy Year	Fiscal Year	EAV*	Growth Rate*	Non-Rolling WC Debt Serv.	Rolling WC Debt Serv.	Current Total Levy Debt Serv.	Current Total Levy Tax Rate	Available DSEB Prior to Plan	Future Planned Rolling WC	DSEB Available After Plan	Future Total Levy Debt Serv.	Future Total Levy Tax Rate
2024	2026	958,897,894	13.5%	1,733,150	1,450,029	3,183,179	0.332	1,720		1,720	3,183,179	0.332
2025	2027	976,897,894	1.9%	1,732,150	1,452,527	3,184,677	0.326	92,584		92,584	3,184,677	0.326
2026	2028	976,897,894	0.0%	1,734,350	920,832	2,655,182	0.272	622,079	622,079	-	3,277,261	0.335
2027	2029	976,897,894	0.0%	1,734,550	-	1,734,550	0.178	1,542,711	1,542,711	-	3,277,261	0.335
2028	2030	976,897,894	0.0%	1,732,750	-	1,732,750	0.177	1,544,511	1,544,511	-	3,277,261	0.335
2029	2031	976,897,894	0.0%	1,733,950	-	1,733,950	0.177	1,543,311	1,543,311	-	3,277,261	0.335
2030	2032	976,897,894	0.0%	1,702,950	-	1,702,950	0.174	1,574,311	1,574,311	-	3,277,261	0.335
2031	2033	976,897,894	0.0%	1,718,150	-	1,718,150	0.176	1,559,111	1,559,111	-	3,277,261	0.335
2032	2034	976,897,894	0.0%	1,716,875	-	1,716,875	0.176	1,560,386	1,560,386	-	3,277,261	0.335
2033	2035	976,897,894	0.0%	1,714,250	-	1,714,250	0.175	1,563,011	1,563,011	-	3,277,261	0.335
2034	2036	976,897,894	0.0%	1,715,200	-	1,715,200	0.176	1,562,061	1,562,061	-	3,277,261	0.335
2035	2037	976,897,894	0.0%	1,025,150	-	1,025,150	0.105	2,252,111	2,252,111	-	3,277,261	0.335
				18,260,325	2,373,359	20,633,684			15,323,600		35,957,284	

*Includes \$18,000,000 TIF rolloff

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Urbana #116's Borrowing Since 2010

Borrowing Year	Name of Bonds	Working Cash Bonds?	Taxable?*	Borrowing Term	Par Amount
2024	General Obligation School Bonds (Alternate Revenue Source), Series 2024A	No	No	12 Years	\$21,315,000
2024	Taxable General Obligation Limited Tax School Bonds, Series 2024B	Yes	Yes	3 Years	\$3,500,000
2021	General Obligation Limited Tax School Bonds, Series 2021B	Yes	No	16 Years	\$8,845,000
2021	Taxable General Obligation Limited Tax School Bonds, Series 2021A	Yes	Yes	3 Years	\$3,065,000
2021	General Obligation Refunding School Bonds (Alternate Revenue Source), Series 2021C	No	No	6 Years	\$2,650,000
2019	Taxable General Obligation School Bonds, Series 2019	Yes	Yes	3 Years	\$3,072,000
2017	General Obligation Limited Tax School Bonds, Series 2017A	Yes	No	14 Years	\$9,055,000
2017	Taxable General Obligation Limited Tax School Bonds, Series 2017B	Yes	Yes	7 Years	\$1,830,000
2016	Taxable General Obligation Bonds, Series 2016	Yes	Yes	3 Years	\$3,166,000
2013	General Obligation Limited Tax Bonds Series 2013	Yes	No	3 Years	\$3,000,000
2012	General Obligation Limited Tax Bonds, Series 2012	Yes	No	12 Years	\$9,880,000
2011	General Obligation Bonds, Series 2011, (Alternate Revenue Source)	No	No	15 Years	\$6,000,000
2010	Taxable General Obligation Bonds (Alternate Revenue Source), Series 2010C (QECB-Direct Payment to Issuer)	No	No	11 Years	\$585,000
2010	Taxable General Obligation Bonds (Alternate Revenue Source), Series 2010B (RZED-Direct Payment to Issuer)	No	No	11 Years	\$585,000
2010	Taxable General Obligation Bonds (Alternate Revenue Source), Series 2010D (Build America Bonds - Direct Payment to Issuer)	No	No	10 Years	\$6,245,000
2010	Taxable General Obligation Bonds (Alternate Rev Source), Series 2010A Bonds (Qualified Zone Academy Bonds - Direct Payment to Issuer)	No	No	17 Years	\$10,085,000
		9 WC	4 TXBL WC	Total	\$92,878,000

*Can be used for any purpose, including operations and salaries

WC Subtotal	\$45,413,000
Taxable WC Subtotal	\$14,633,000
Rolling WC Subtotal	\$15,803,000

Began issuing Rolling Working Cash Bonds in 2013

Case Study: Southwestern CUSD #9

Maintaining Tax Rate Under PTELL

1. It can be challenging to maintain your tax rate as a PTELL district
 - When bonds outside of PTELL fall off the levy, your B&I rate may drop
2. With HLS now exempt from DSEB, it can be used to manage maximize borrowing capacity and shift expenditures from HLS Bonds vs. the O&M Fund
3. As HLS approvals do not apply to all projects, Working Cash Bonds can be first used to max out DSEB capacity
4. Bond & Interest levy abatements can be an additional tool to help manage the levy

Southwestern's 2026 Plan of Finance DSEB Analysis

						After Series 2026 Bonds						
EAV Year	Fiscal Year			Outstanding B&I Levy					DSEB Debt Service			
		EAV	Growth*	Net B&I Debt Serv**	Required Tax Rate	2026 HLS Net Debt Serv*	2026 WC Net Debt Serv*	CSFT Abatement	New DSEB Debt Service**	DSEB	Growth	New Excess DSEB
2023	2025	\$ 197,323,612		1,414,811	0.717			-146,000	718,031	1,425,064		707,033
2024	2026	\$ 208,072,587		1,442,411	0.693			-135,000	1,066,583	1,473,516		406,933
2025	2027	\$ 218,476,216	5.0%	1,467,341	0.672	48,375	50,380	-135,000	1,517,721	1,517,722	3.0%	0
2026	2028	\$ 222,845,741	2.0%	1,187,911	0.533	81,250	326,000	-135,000	1,513,911	1,517,722	0.0%	3,810
2027	2029	\$ 227,302,655	2.0%	1,191,615	0.524	112,375	322,500	-135,000	1,514,115	1,517,722	0.0%	3,606
2028	2030	\$ 227,302,655	0.0%	1,192,000	0.524	112,500	323,875	-135,000	1,515,875	1,517,722	0.0%	1,847
2029	2031	\$ 227,302,655	0.0%	1,192,625	0.525	107,500	325,000	-135,000	1,517,625	1,517,722	0.0%	97
2030	2032	\$ 227,302,655	0.0%	1,190,500	0.524	102,500	325,875	-135,000	1,516,375	1,517,722	0.0%	1,347
2031	2033	\$ 227,302,655	0.0%	1,190,500	0.524		326,500	-135,000	1,517,000	1,517,722	0.0%	722
2032	2034	\$ 227,302,655	0.0%	1,192,375	0.525		322,000	-135,000	1,514,375	1,517,722	0.0%	3,347
2033	2035	\$ 227,302,655	0.0%	-135,000			1,648,375	-135,000	1,513,375	1,517,722	0.0%	4,347
2034	2036	\$ 227,302,655	0.0%	-135,000			1,648,750	-135,000	1,513,750	1,517,722	0.0%	3,972
2035	2037	\$ 227,302,655	0.0%	-135,000			1,650,250	-135,000	1,515,250	1,517,722	0.0%	2,472
Totals	Totals			8,589,868		564,500	7,269,505	-1,485,000	16,669,373	25,536,035		8,866,662

*EAV Growth per district, estimated 2024 EAV

**Net of abatement

*Net of Capitalized Interest Only

**Net of Abatement

Project Fund Summary	
HLS Project Fund	\$485,400
Working Cash Fund	\$5,224,000
Total	\$5,709,400

Southwestern's 2026 Plan of Finance Tax Rate Analysis

				After Series 2026 Bonds						
EAV Year	Fiscal Year			Outstanding B&I Levy						
		EAV	Growth*	Net B&I Debt Serv**	Required Tax Rate	2026 HLS Net Debt Serv*	2026 WC Net Debt Serv*	CSFT Abatement	New Net B&I Debt Serv	New Required Tax Rate
2023	2025	\$ 197,323,612		1,414,811	0.717			-146,000	1,414,811	0.717
2024	2026	\$ 208,072,587		1,442,411	0.693			-135,000	1,442,411	0.693
2025	2027	\$ 218,476,216	5.0%	1,467,341	0.672	48,375	50,380	-135,000	1,566,096	0.717
2026	2028	\$ 222,845,741	2.0%	1,187,911	0.533	81,250	326,000	-135,000	1,595,161	0.716
2027	2029	\$ 227,302,655	2.0%	1,191,615	0.524	112,375	322,500	-135,000	1,626,490	0.716
2028	2030	\$ 227,302,655	0.0%	1,192,000	0.524	112,500	323,875	-135,000	1,628,375	0.716
2029	2031	\$ 227,302,655	0.0%	1,192,625	0.525	107,500	325,000	-135,000	1,625,125	0.715
2030	2032	\$ 227,302,655	0.0%	1,190,500	0.524	102,500	325,875	-135,000	1,618,875	0.712
2031	2033	\$ 227,302,655	0.0%	1,190,500	0.524		326,500	-135,000	1,517,000	0.667
2032	2034	\$ 227,302,655	0.0%	1,192,375	0.525		322,000	-135,000	1,514,375	0.666
2033	2035	\$ 227,302,655	0.0%	-135,000			1,648,375	-135,000	1,513,375	0.666
2034	2036	\$ 227,302,655	0.0%	-135,000			1,648,750	-135,000	1,513,750	0.666
2035	2037	\$ 227,302,655	0.0%	-135,000			1,650,250	-135,000	1,515,250	0.667
Totals	Totals			8,589,868		564,500	7,269,505	-1,485,000	17,233,873	

*EAV Growth per district, estimated 2024 EAV

*Net of Capitalized Interest Only

**Net of Abatement

**Net of abatement

Project Fund Summary	
HLS Project Fund	\$485,400
Working Cash Fund	\$5,224,000
Total	\$5,709,400

Borrowing Process

General Borrowing Timeline

Month 1:

- Board Meeting – Approval of Resolution of Intent (ROI) to issue the Bonds (if applicable)

Month 2:

- Board Meeting – Hold Bond Issue Notification Act Public Hearing (BINA) for the Bonds
- Prior to third board meeting, you must have HLS approvals (if applicable)

Month 3:

- Bond Pricing – Lock-in interest rates for the Bonds
- Board Meeting – Approve Sales Resolution and Sign Closing Documents
- Closing – District to receive funds

Annually Thereafter:

- Post continuing disclosure information for the Bonds on EMMA (if applicable)



Need to Look at Borrowing Options?

1. Always best to plan well ahead. Do you have a levy drop? Do you have a capital improvement plan?
2. Consider both short and longer-term needs. Is deficit spending a reality and for how long? What projects are top priority or immediate needs vs. those that can be pushed back a few, if not several, years?
3. Don't navigate this process alone! If you have borrowing needs, talk to a bond professional.

Questions and Answers

We thank you for your time!



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