

**GLENBROOK HIGH SCHOOLS**  
**Office of the Assistant Superintendent for Business Affairs**  
**Special Meeting Tuesday, June 8, 2010**

**TO: Dr. Michael Riggle**

**FROM: Hillarie Siena**

**DATE: June 8, 2010**

**RE: Discussion – \$10M Bond Issuance**

As a result of the 2006 referendum, District 225 received voter approval to issue a total of \$94M in construction bonds. In accordance with the timeline presented to the Glenbrook community during the pre-referendum comprehensive planning process, the bonds were to be issued in three stages, with \$84M to be issued over two years, and the final \$10M to be issued no later than five years from the date of authorization. The proceeds from the bonds were to be used to finance construction at both GBN and GBS, restructure existing debt, and finance mandatory life safety projects.

On February 17, 2009, in response to the nation's sudden economic decline, the federal government implemented several stimulus measures outlined in the American Recovery and Reinvestment Act of 2009 (ARRA). Several types of stimulus bonds became available to boost investment activity and provide a source of funding for infrastructure and building projects. These included hybrid tax credit bonds, known as a Build America Bonds.

The following timeline provides key dates and a review of the process relative to the issuance of District 225 referendum bonds. Seven months ago, the District introduced the financing option of Build America Bonds at the November 16, 2009 finance committee meeting. The option was then presented to the full board for discussion at its regularly scheduled meeting on February 8, 2010. A proposed timeline was presented at the April 6, 2010 finance committee meeting, with discussion regarding the board resolution and preliminary debt schedule. This packet contains memos and minutes from these three meetings for your review.

## Timeline of District 225 Referendum Bonds

<u>Date</u>	<u>Activity</u>	<u>Responsibility</u>
Nov. 7, 2006	District 225 voters approve the issuance of \$94M in building bonds	Registered Voters
Jan. 18, 2007	District 225 issues \$68.5M of General Obligation Bonds <sup>1</sup>	Board of Education
Jan. 17, 2008	District 225 issues \$15.5M of General Obligation Bonds <sup>2</sup>	Board of Education
Feb. 17, 2009	The American Recovery and Reinvestment Act (ARRA) of 2009 is signed into law.	President Obama
May 13, 2009	Chapman and Cutler seminar on ARRA bond options	Administration
Nov. 16, 2009	Introduce financing option of Build America Bonds (memo and minutes attached)	Finance Committee
Feb. 8, 2010	Present financing option of Build America Bonds (memo and minutes attached)	Board of Education
Apr. 6, 2010	Present proposed timeline for Build America Bonds (memo and minutes attached)	Finance Committee
Jun. 8, 2010	Present Overview of Outstanding Debt and Financing Options to issue \$10M Build America Bonds	Board of Education
Jun. 14, 2010	Adoption of resolution to issue \$10M Build America Bonds	Board of Education
Jul. 7, 2010	Issue \$10M Build America Bonds	Board of Education
Dec. 31, 2010	Statutory deadline to issue Build America Bonds	Federal Law
Nov. 1, 2011	Statutory deadline to issue remaining \$10M of referendum bonds	Federal Law

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<sup>1</sup> First phase of construction and restructure of existing debt totaling \$68.5M. District has five years from authorization through referendum to issue remaining approved debt.

<sup>2</sup> Second phase of construction totaling \$15.5M. District must issue remaining \$10M by November 2011.

# Memo

**To:** Members of the Finance Committee  
**From:** Hillarie Siena  
**Date:** 11/10/2009  
**Re:** \$10M Bond Issuance

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As a result of the 2006 referendum, District 225 received voter approval to issue a total of \$94M in construction bonds. In accordance with the timeline presented to the Glenbrook community during the pre-referendum comprehensive planning process, the bonds were to be issued in three stages, with \$84M to be issued over two years, and the final \$10M to be issued no later than January 2012. The proceeds from the bonds were to be used to finance construction at both GBN and GBS, restructure existing debt, and finance mandatory life safety projects.

In response to the sudden economic decline this past year, the federal government implemented several stimulus measures outlined in the American Recovery and Reinvestment Act of 2009 (ARRA). Several types of stimulus bonds became available to boost investment activity and provide a source of funding for infrastructure and building projects. The following points highlight key features of hybrid tax credit bonds, otherwise known as Build America Bonds.

- Build America Bonds (BAB) are taxable obligations issued by a state or local government
- The issuer must pass an irrevocable resolution to treat the obligation as BABs
- Although BABs are taxable obligations, the rules governing tax-exempt obligations issued by a state or local government are applicable
- 100% of the available proceeds are to be used for capital expenditures
- The issuer receives a semi-annual credit of 35% of the amount of interest payable
- BABs are taxable to the purchaser, but may be more attractive to certain investors than typical tax-exempt bonds due to a higher rate of return
- BABs may expand market demand for a school district's obligations, leading to a decrease in overall costs to the issuer
- BABs must be issued no later than December 31, 2010
- Capital improvements must be completed within three years of issuance

What does this mean for Glenbrook? Attached is the current long-range capital improvement plan. If the District wishes to exercise its option to issue the remaining \$10M of voter-approved debt via BABs, the bond issue would occur in December 2010. This would require an adjustment to the long-range plan to schedule pre-approved life safety projects within the required two-year time frame. This could favorably serve the district by possibly acquiring bids that may be lower due to current economic factors. If the District chooses to not participate in the federal stimulus project by issuing BABs, the remaining \$10M of voter-approved debt would be subject to future market rates.

**GLENBROOK DISTRICT 225****FINANCE COMMITTEE MINUTES – NOVEMBER 16, 2009**

*Next meeting date:* Monday, January 25, 2009 7:30 – 9:00 AM  
District Office Board Room

Finance Committee members present: Julie Bezanes, John Finan, Gary Freund, Paul Pryma, Kim Ptak, Mike Riggle, Hillarie Siena, Brian Wegley, Jeff Wolfson. Also present were Steve Caliendo, Bob Boron and Craig Schilling (SBM Pros). Joel Taub was absent.

**AGENDA ITEM #1: ENROLLMENT PROJECTIONS**

C. Schilling was present to review 10-year enrollment projections. Craig reviewed the historical enrollment methodology which used the average of a 3 year cohort survival and proportions ratio method. Craig reviewed historical military housing data and background on the Glen. Three calculations were used 1). 3 year cohort survival method, 2). 1 year and 3 year average cohort survival method, 3). A combination that used the midpoints of method 1 and 2. The buildings' preference is to use number 3 as it can more fairly and accurately predict the current stream of students. It was recommended that a demographer be used on a township level in a couple of years when the new census data becomes available.

**AGENDA ITEM #2: \$10M Bond Issuance**

H. Siena discussed the \$10M bond issuance and the possibility of issuing Build America Bonds (BABs). BABs are attractive as the issuer receives a 35% interest credit and they typically have a higher than average rate of return making them more attractive. The bonds would need to be issued by December of 2010 and spent within 3 years of issuance.

**AGENDA ITEM #3: 2009/10 Budget Schedule**

H. Siena reviewed the 2009/10 budget schedule.

**AGENDA ITEM #4: Investment Policy****AGENDA ITEM #5: Smart Phones**

K. Ptak reviewed a proposal to provide a district purchased smart phone to certain key positions. The district is recommending I-phones with AT&T. Cost is estimated at \$25,200/year with e-rate discount. J. Wolfson and B. Boron would like to see a couple of different options presented to the board and felt the employees should contribute to the plan.

**GLENBROOK HIGH SCHOOLS**  
**Office of the Assistant Superintendent for Business Affairs**  
**Regular Meeting – Monday, February 8, 2010**

**TO:** Dr. Michael Riggle  
**FROM:** Hillarie Siena  
**DATE:** February 8, 2010  
**RE:** Preliminary Financial Projections

Following is preliminary financial data for your review. The packet includes:

- Preliminary financial projections
- Financial aid trend analysis FY2008-2010
- **Build America Bonds**
- Preliminary 2010 Financial Profile Designation

**Background Data**

The financial projections as presented contain current budgetary data, as well as a five-year projection. The data also includes two years of prior data for historical purposes. The projections are compiled based on the following broad assumptions:

**Revenue Assumptions**

- Current year consumer price index (CPI) is 2.7%
- Future year projections are based upon a 2.5% CPI
- Debt service includes all projected debt, including all referendum authorized debt
- Future increases in equalized assessed valuation are estimated at 2.0% for non-triennial years and 5.0% for triennial reassessment years
- Property tax rates are calculated under the tax cap
- Collection rates are estimated at 50% for the spring and fall installments
- Total collection rate is estimated at 97.5% (includes 1.5% for refunds)
- Enrollment projections are per the November 2009 report
- Make-whole payments from The Glen are calculated using current enrollment projections
- Student fees for FY2011 increased ~\$100K for reinstatement of towel/materials fee
- Interest income is projected to remain flat
- Corporate Personal Property Replacement Tax is projected to remain flat, with \$1.5M budgeted annually to the operating funds, leaving \$550K available for capital projects
- General State Aid is budgeted at the 2006 level (minimum statutory level)
- State and Federal categorical are budgeted at an 80% level

**Expenditure Assumptions**

- Estimated salary increases are calculated using the average of 3% and applicable CPI
- Employee benefits are estimated to increase an average of 8% per year
- IMRF is estimated to increase by 10% per year (based on phase-in rate)
- FICA/Medicare estimates are in line with salary increases
- Other variables are estimated at approximately 2% each year to capture unexpected fluctuations
- Retirement salary adjustments are estimated at 1% each year
- TRS Early Retirement Option (ERO) penalties are estimated using the TRS employer formula
- Tuition expense is estimated to increase on the average of 2% per year; all "other" expenses at CPI
- Annual operating transfer represents the lease certificate payments per schedule (3801 W. Lake building)
- Staffing projections maintain current ratios and are projected by formula

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reduction planning to show how we are making things better. Mr. Wolfson asked about providing a normal, less conservative estimate. Mrs. Siena indicated that we would rather err on the side of conservatism on the revenue side. Dr. Riggle stated that we are establishing a good base to start tonight and would identify as an administrative team some cost reductions. The good news is we are meeting the target of the promise from the referendum.

The Board asked how our real estate taxes went down so much. Mrs. Siena explained that they are collected on a .1 C.P.I. 2011 revenues are contained in 2010. Mrs. Siena suggested looking at 2010 and 2011 together.

The Board asked about the bookstore and foodservice contracts. Dr. Riggle stated that agenda item 9 shows the bookstore and Quest food service revenue streams. Quest provides free and reduced lunch student meals. This year food service will break even and in the future the fund will build to update equipment in the cafeteria.

Mrs. Siena continued to review the expenditure pages pointing to deficit spending in 2012 unless we do some cost cutting. She reminded the Board that the district went through efficiencies before the 2006 referendum. With the referendum passing the district continued the idea of efficiencies in future planning. The administration will look at the old efficiencies and will make recommendations for future efficiencies to run at a lower expense. The administration will look to identify budget reductions for next year and will have these conversations throughout the spring.

Mrs. Siena introduced Elizabeth Hennessy from William Blair & Company to answer questions regarding the issuing the last 10M of referendum bonds in the form of Build America Bonds. Mrs. Siena explained that we will need to issue the last 10M of voter-approved bonds to support life-safety work. These bonds would be a December 2010 issue which is earlier than our statutory deadline by 11 months. The Board asked if all of the life safety work is known. Mrs. Siena indicated that all of this work has been identified in facility planning.

Mrs. Siena referenced the debt schedule in the packet. There is a 35% subsidy under the Build America bond structure. The Board asked how easy it is for us to sell bonds. Mrs. Siena stated that the district continues to maintain their AAA bond rating. Existing bonds cannot be rolled over into Build America bonds. These are restricted to use for new construction.

# Memo

**To:** Members of the Finance Committee  
**From:** Hillarie Siena  
**Date:** 4/6/2010  
**Re:** \$10M Referendum Bonds – Proposed Timeline

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At the November 16, 2009 meeting (memo attached), the Finance Committee discussed the feasibility of issuing the remaining \$10M of voter approved debt via hybrid tax credit bonds, otherwise known as Build America Bonds. The proceeds from the bonds will be used to finance all remaining life safety projects identified during the referendum. If the Board of Education wishes to exercise this option, the bonds must be approved by Board resolution and issued no later than December 31, 2010. The resolution covers a six month period from the date of approval and authorizes the issuance of bonds at any time during the six month window. This provides for flexibility in response to fluctuating market conditions and rate options. The purpose of this memo is to outline a timeline for the approval and issuance of these bonds.

- June 8, 2010 - Facilities Committee meeting:
  - A final draft of scheduled life safety projects will be presented for committee review.
- June 14, 2010 - Board of Education meeting:
  - Recommended life safety projects will be presented to the Board for discussion.
- July 19, 2010 – Finance Committee meeting:
  - An estimated debt service schedule and draft resolution will be presented for committee review.
  - A tentative budget for FY2010/11 will be presented for committee review.
- July 26, 2010 - Board of Education meeting:
  - Recommended life safety projects will be presented to the Board for approval.
  - A resolution to issue \$10M Build America Bonds will be presented to the Board for approval.
  - A tentative budget for FY2010/11 will be presented to the Board for adoption.
- September 13, 2010 – Board of Education meeting:
  - A public hearing will be held regarding the FY2010/11 budget.
- September 27, 2010 – Board of Education meeting:
  - The final budget for FY2010/11 will be presented to the Board for approval.

**GLENBROOK DISTRICT 225****FINANCE COMMITTEE MINUTES - APRIL 6, 2010**

*Next meeting date:* TBD

7:30 - 9:00 AM

District Office Board Room

Finance Committee members present: Julie Bezanes, John Finan, Gary Freund, Paul Pryma, Kim Ptak, Mike Riggle, Hillarie Siena, Brian Wegley, Joel Taub, Jeff Wolfson. Also present was Steve Caliendo.

**AGENDA ITEM #1: Annual Financial Update**

H. Siena presented the Annual Financial Update which is a summarized, high-level report of important information as it relates to District finances. The Annual Financial update includes: a district update as it relates to finance and operations, the Glenbrook vision and fiscal policy, enrollment projections, current and projected reserve balances, major initiatives, and curriculum goals. The Annual Financial Update also provides summarized 5-year financial projection information and the financial considerations that were used in the projections.

The committee discussed the Annual Financial Update and suggested some minor changes. H. Siena asked the committee to provide her with any additional comments and feedback. The Annual Financial Update will be presented to the Board of Education at a later date.

**AGENDA ITEM #2: \$10M Referendum Bonds - Timeline**

H. Siena presented the proposed timeline for the \$10M Referendum Bond issuance which is under consideration by the Board of Education. At the November 16, 2009 meeting, the Financial Committee discussed the feasibility of issuing the remaining \$10M of voter approved debt via hybrid tax credit bonds, otherwise known as Build America Bonds. The proceeds from the bonds will be used to finance all remaining life safety projects identified during the referendum. If the Board of Education wishes to exercise to this option, the bonds must be approved by Board resolution and issued no later than December 31, 2010. The resolution covers a six month period from the date of approval and authorizes the issuance of bonds at any time during the six month window. This provides for flexibility in response to fluctuating market conditions and rate options. The proposed timeline outlined the timing requirements for the approval and issuance of these bonds. The committee discussed this timeline and agreed that an additional Board Meeting will need to be held in early July for review of the Tentative Budget prior to its approval 07/26/10. H. Siena asked the committee to provide her with any additional comments and feedback.