

# NEW TRIER TOWNSHIP HIGH SCHOOL DISTRICT 203



*To commit minds to inquiry, hearts to compassion, and lives to the service of humanity.®*

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TO: Board of Education  
FROM: Chris Johnson  
DATE: October 15, 2021  
SUBJECT: Winnetka Campus East Side Academic/ Athletic Project: DSEB Bond Sale

## **Introduction**

The Board of Education approved the Winnetka Campus East Side Academic and Athletic Project at the February 16th, 2021 Board of Education meeting. As part of the project approval, the Board also approved the financing plan for the project, which primarily is funded by three bond issuances, the first of which was completed in April 2021. To execute the second portion of the financing plan, a resolution must be approved to authorize the parameters for \$10M in DSEB bonds to be sold later this year. This memo also summarizes the complete project financing plan.

## **Total Project Cost**

At the time the project was approved, the projected total cost was \$75,269,550 based on the 90% Schematic Design phase cost estimate and current construction market prices. The Administration and the Facilities Steering Committee are carefully working to maintain as close to the original project budget as possible in light of significant unexpected inflationary trends.

## **Project Funding Plan**

The funding plan uses three sources: alternate revenue bonds of \$50.5MM with debt service paid from the district's existing revenue sources, bonds with debt service paid from the Debt Service Extension Base of \$14.5MM, and District reserves estimated at \$8MM-\$12MM based on the final cost of the project.

Summary of Funding Sources		
Funding Source	Proceeds	Notes
Alternate Revenue Bonds	\$50.5MM	\$2.9MM in annual debt service paid by the existing operating revenues with a 21-year duration (originally projected to be \$3.1MM)
Debt Service Extension Base (DSEB)	\$14.5MM	Annual debt service paid through DSEB with a 10-13 year duration
District Reserves	\$8MM - \$12MM	One-time usage of reserves generated by surpluses through historically strong fiscal management
<b>Total</b>	<b>\$75.3MM</b>	

**Alternate Revenue Bonds**

The primary funding source for the project is \$50.5MM in Alternate Revenue Bonds of a 21-year duration, with an annual fixed debt service of approximately \$2.9MM (less than the \$3.1MM estimated when the project was approved) paid from the District’s operating budget and existing revenue sources each year. These bonds do not increase the community’s tax burden beyond the customary and legally limited cost-of-living operating fund increase. These bonds were issued in April 2021.

**Debt Service Extension Base Bonds**

Another component of the financing plan is bonds paid by the District’s Debt Service Extension Base (DSEB) with proceeds of \$14.5MM. A small portion of the District’s tax levy is its DSEB. The DSEB allows the District to issue debt with the proceeds paid from this portion of the levy. The District has historically used this funding source to issue bonds, typically of a 10-year duration, to fund facility upgrades and perform important health-life safety improvements. Periodically, existing bond issues are paid off, which creates the capacity to issue new debt, with the new debt service payments replacing the debt that has sunset. The DSEB portion of the tax levy is capped in the same manner as the overall tax levy and increases by a small inflationary amount each year.

The District will issue \$14.5MM in debt from the DSEB in two parts, the first of \$10MM in originally planned for February 2022, but now will be sold in December 2021 (10 years) and the second of \$4.5M in February 2023 (11 years).

**Reserve Usage**

The third component of the project funding is \$8MM to \$12MM in district reserve usage. This amount may be adjusted in consultation with the Finance Committee based on the final cost of the project.

**Bond Sale Process**

During the February 16, 2021 Board of Education meeting, the Board completed the first step in all three planned bond issuances for the project by issuing the Notices of Intent. There is a notice for the Alternate Revenue Bonds and the DSEB (Working Cash Fund) bonds. For each issuance, the District will pursue a bond rating with Moody’s. The District is consistently rated as AAa by Moody’s, the highest rating possible, and received a AAa rating on the first issuance for the Alternative Revenue Bonds.

Once the resolution is approved at the October 18, 2021 Board meeting, the District will once again present to Moody’s for an updated bond rating, and then sell the bonds at a competitive sale on November 16, 2021.

<b>Bond Sale Process</b>		
<b>Month</b>	<b>Alternate Revenue</b>	<b>Debt Service Extension Base</b>
Feb. '21	Notice of Intent to issue \$50.5M in Alternate Revenue Bonds	Resolution of Intent to Issue \$19.5M of Working Cash (DSEB) bonds (\$14.5MM designated for Winnetka Campus East Side Project) with timing shown below.
March '21	Public Hearing on Issuance of Bonds	Public Hearing on Issuance of Bonds
April '21	Rating Agency Presentation to Moody’s  Parameters Resolution on Issuance of bonds  Bond sale of \$50.5M in Alternate Revenue Bonds	Rating Agency Presentation to Moody’s  Parameters Resolution on Issuance of bonds
Oct. '21		Parameters Resolution on Issuance of bonds for \$10MM DSEB bonds
Oct. '21		Rating agency presentation to Moody’s for \$10MM DSEB bonds
Dec. '21		\$10MM in DSEB bond sale
Feb. '23		\$9.5MM in DSEB bond sale (\$4.5MM designated for Winnetka Campus East Side Project)

It is expected that these bonds will be rated Aaa" by Moody's, the highest possible rating and that the historically low interest rates will allow the District to both have reasonable annual payments and focus financial resources on directly benefiting our students and the community.

The Finance Committee will continue to review and monitor the debt issuance process as it is underway.

**Conclusion**

The Winnetka Campus East Side Academic and Athletic Project will continue to judiciously use the resources provided by the taxpayers to maintain and improve our campus for the benefit of our students and the community. The funding plan is a careful balance of three key funding sources. The use of Alternate Revenue Bonds, funded by our existing tax levy, allows us to access the bulk of the funds required to complete the project. The annual debt service payment is manageable in our overall financial projections. The DSEB bonds continue to use this historical funding source in a balanced manner, while still leaving capacity for future facilities projects. The commitment of reserve funds demonstrates our practice of using these resources that the community has previously provided to us in a responsible manner for the benefit of current and future students, maintaining New Trier's reputation as the core of the community.