



ADDRESSING FUNDING FOR PROJECTS

FACTORS TO CONSIDER IN DEVELOPING FUNDING PLAN

SEPTEMBER 2018

AGENDA TO COVER

- ① PHASING AND TIMING OF IMAGINE PROJECT COSTS
- ② QUESTIONS/ISSUES FOR BOARD TO CONSIDER IN DEVELOPING
FINANCING PLAN
- ③ INPUT FROM BOARD
- ④ NEXT STEPS

FIRST ISSUE FOR BOARD TO CONSIDER:

HOW MUCH FUND BALANCE RESERVE SHOULD BE MAINTAINED THROUGHOUT THE COMPLETION OF FIRST THREE PROJECT SEQUENCES? (APPROXIMATELY FIVE YEARS)

Areas of Consideration:

- ① **How will future Board action impact fund balance reserves over the next five years?**
 - a. Future decisions on tax levy growth
 - b. Collective bargaining agreements
- ② **Should additional fund balance reserves be maintained to prepare for possible legislative action beyond control of District?**
 - a. Pension shift to school districts
 - b. Property tax freeze legislation

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 targets 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
Max (75%)	9 Months	\$65 million	\$42 million
	6 Months	\$44 million	\$63 million
Min (25%)	3 Months	\$22 million	\$84 million

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

Annual Expense 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

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

LEGISLATIVE ACTION THAT MAY IMPACT FUND BALANCE RESERVES OVER THE NEXT FIVE YEARS AND BEYOND

❑ **Shifting of pension burden to school districts**

Impact assuming cost equal to 9% of credible earnings and full phase-in during year 2: Maximum of \$3 million in new benefit expenses annually after full phase-in. (Loss of \$12 million in fund balance reserves over next five years-worst case scenario).

❑ **State imposed property tax freeze**

Impact assuming 2.1% inflation and two-year freeze: \$2.8 million in loss of potential real estate tax growth annually beginning in year two, \$13 million over five year period.

NEXT ISSUE FOR BOARD TO CONSIDER:

HOW WILL THE DISTRICT GENERATE THE FUNDS TO MAKE UP THE DIFFERENCE BETWEEN PROJECT COSTS AND DEFINED FUND BALANCE USAGE?

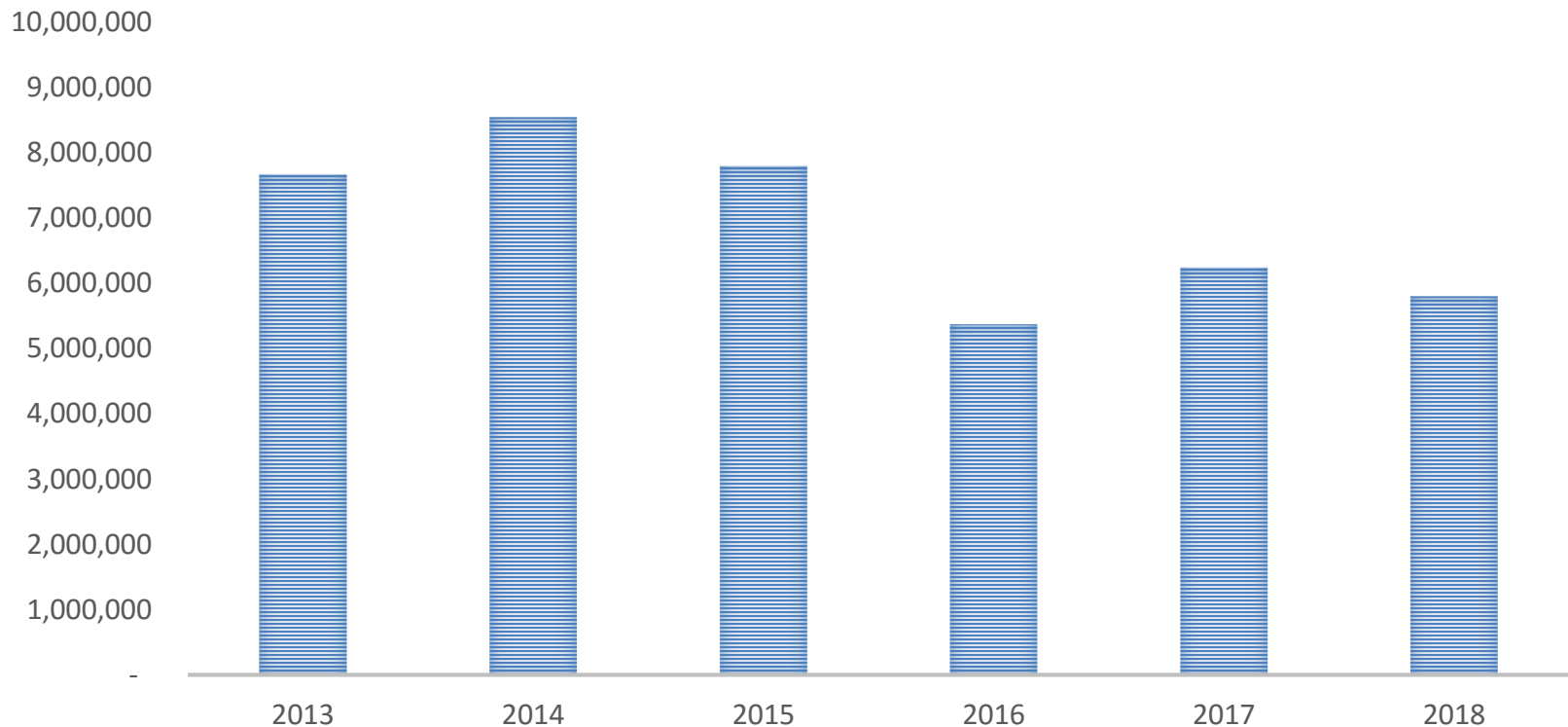


Menu of Options

1. Annual Capital Budget
2. Issuance of Bonds
 - a) Referendum
 - b) Non-Referendum
 - c) Debt Certificates
3. Outside Funding Sources

HOW MUCH OF ANNUAL CAPITAL PROJECT BUDGET CAN BE ALIGNED WITH IMAGINE PROJECTS?

HISTORICAL ANNUAL CAPITAL EXPENSES



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

BORROWING OPTIONS

Non-Referendum Bonds (\$40 Million Capacity)

- Future tax levies may be used to retire off debt

Life Safety Bonds (\$40 Million Capacity less other non-referendum bonds)

- Future tax levies may be used to retire debt
- Addresses areas deemed by State as significant health safety concern for students.

Debt Certificates

- Future general operating budgets, not tax levies will pay off debt
- Example: District receives \$40 million upfront and commits approximately \$3 million of the annual operating budget annually over the next 20 years to pay off loan.

Referendum Bonds (\$150 Million Capacity)

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



CLOSING MESSAGES

- ① The District has fund balance capacity available to fund a portion of IMAGINE projects.
- ② The level of fund balance reserves available is based on several controllable and uncontrollable key factors.
- ③ The District needs to determine how to incorporate its current capital projects plan into a facilities master plan.
- ④ The funding of the project sequences will require a mix of sources that may include the need to pursue a referendum.



QUESTIONS THE BOARD NEEDS TO CONSIDER

- ① How much fund balance reserves is the Board of Education willing to dedicate towards the project?
- ② Is the Board of Education willing to levy at a level that will offset expected expenditure growth?
- ③ How aggressively is the Board willing to reprioritize the capital project budget towards IMAGINE projects?
- ④ At what point and for what reason is the Board willing to run a referendum?