

North Boone Community Unit School District No. 200
Minutes of the Facilities-Long Range Planning Committee Meeting
District Office
6248 North Boone School Road
Poplar Grove, Illinois 61065
Tuesday, September 6, 2011
4:30 p.m.

CALL TO ORDER AND ROLL CALL

The meeting was called to order by Mr. Don Ward at 4:30 p.m. The following Committee members were present: Dr. Steven Baule, Mrs. Cathy Nelson, Mrs. Denise Balsley, Mr. Jim Novak and Mrs. Jeannine Plath. The following Committee members were absent: Ms. Emily Gregory, Mr. Glen Herrmann and Mr. Tom Moon. Mr. Tom Kinser, Mr. Steve Cashman and Mr. Greg Stahler were also present.

AUDIENCE TO VISITORS

(No Audience to Visitors)

UPDATE

a) Review of Status of District Facilities

Dr. Baule stated that the goal of the Committee is to identify the status of all of the District's buildings. Mr. Novak and Mrs. Nelson developed a long list of necessary maintenance items last spring and now the Cashman Stahler Group will review it from their perspective.

Mr. Novak added that he has tried to address some of the items on that list this past year, but Capron Elementary still needs to be assessed. The Committee also felt that the Athletic Committee needed to make their report to the Board. (Mr. Novak will send that committee's report and minutes from their past meetings.)

In response to Mr. Ward's query as to how Messrs. Cashman and Stahler would prioritize the work they have seen to date, they noted the following:

1. The kitchen at Manchester Elementary, with the biggest challenge being the small space within which to work.
2. The middle school and upper elementary traffic flow when students were released from school, how the space in those schools could be better utilized and/or combine the two buildings.
3. The ADA restroom at Poplar Grove Elementary.
4. Upgrades to the gyms' lighting.

The architects requested that the District contact Wold to obtain their drawings relative to the combination of the middle school and upper elementary.

b) Update on PGE Window Project

Mr. Novak informed the Committee that his latest information was that the metal panels for this window replacement project at Poplar Grove Elementary are a little ahead of schedule, but the schedule for the windows has not changed. The estimated schedule for the windows is still middle to end of October. With that schedule, a class will have to be moved for about a week to do the installation. There are also some ducting issues with the air conditioners that need to be addressed.

The roof, gutters and down spouts at Poplar Grove Elementary are completed and the tuck-pointing on all Capron Elementary, Manchester Elementary and Poplar Grove Elementary is complete.

c) Use of Remaining Bonding Authority

Mrs. Nelson introduced Ms. Linda Bobert, Robert W. Baird and Company, who reviewed two options using the District's existing debt and exercising the remaining referendum bond authority and projected bond and interest tax rates. One example reflects a reduced EAV while the other uses the current EAV.

Ms. Bobert reminded the Committee that in 2006 when the referendum was passed, the Board was contemplating a facilities study and some staggering numbers in terms of student and EAV growth. Based on those projections, the bond issue that was sold was structured on targeting a tax rate of 1.12% for bond debt. However, the economy has affected the rate of development in the area. Any decline in the EAV growth relative to the economy means the tax rate rises. Because of today's economic situation, if the Board chooses to exercise the remaining bond authority, she recommended the Board not go beyond 5 years and to not restructure too much debt because of the expense. The purpose is not to restructure for savings but because of the tax rate. She gave examples of two very extreme options and suggested the Board may want to do something between the two.

Option I (Current Interest Bonds) is an attempt to sell \$2.8M additional debt bonds and restructure some of the current debt over the next five years, keeping the tax rate near \$1.00. The law prohibits restructuring general obligation bonds over 20 years. Another thing to keep in mind is to try to keep the issuance of debt below \$10M to be bank qualified, which is to the District's benefit. She also recommended using the current interest bonds rather than capital appreciation bonds. There is a significant difference in the interest rates on this debt.

Option II (Capital Appreciation Bonds) also leaves the debt the same but gives a two-year window to track the EAV growth and the economy to decide whether to restructure any additional bonds.

Board action is not required to sell additional debt bonds or to restructure additional debt, only to set the parameters. All of the legal requirements have been met in terms of selling the referendum bonds, and there are no legal requirements for restructuring. However, there is a time constraint. The entire transaction must be completed by November 7, 2011. The decision for the Board is how and whether they want to sell and restructure. Other than that, the District would have to work with bond counsel to get a credit rating in place in time for the October Board meeting.

Based on the current market conditions, the average interest rate for a conventional coupon bond issue is 4½% and 6.21% for a capital appreciation bond issue. It equates to a 1% increase in the tax rate for each 1% decrease in EAV.

If the Board decides it is in the best interest of the District to restructure \$3.2M, Ms. Bobert recommended they do the minimum amount. There is no savings in restructuring more; it is just that interest rates are low at this time and it doesn't cost as much. This will keep the District at a relatively low issuance, while giving the District the funds to do the long-term projects that were part of the referendum.

Mrs. Nelson added that the District would have approximately \$650,000 left after completing the roof and window project at Poplar Grove Elementary.

Dr. Baule stated that if the District sells the capital appreciation bond, it would involve a much higher interest rate.

The District does have a debt service extension base of approximately \$280,000, and it can be borrowed against and leveraged for 20 years.

Dr. Baule informed the Committee that he has not yet heard anything from the Capital Development Board.

Ms. Bobert stated that most capital appreciation bonds are not callable; however, the District does not have a debt limit problem, and it is not a concern at this point. She cautioned that the purposes for the use of the funds should be discussed with bond counsel to be sure the District stays within the confines of the referendum. The Board must have a firm idea of what it wants to do with the funds but changes can be made up to the time the marketing process begins, which is the week before October 24, 2011.

In response to Mr. Kinser, Ms. Bobert cautioned that there may be an issue when applying the money used for restructuring. There are restrictions in terms of the time to use the money. There are ramifications to everything done with bond money so any unusual actions must be discussed with bond counsel.

Mrs. Balsley asked that the administration make a detailed list in order of priority for the use of these funds.

Both Dr. Baule and Ms. Bobert did not recommend going out for non-referendum bonds. In order to get the most favorable interest rate, the District needs to restructure rather than sell capital appreciation bonds. Dr. Baule reiterated that the Board would need to give its final direction to Ms. Bobert no later than October 17, 2011.

OTHER DISCUSSION ITEMS

- a) Miscellaneous Items
(*No Miscellaneous Items*)

ANNOUNCEMENTS

The next Facilities-Long Range Planning Committee meeting was scheduled for 6:00 p.m. on Tuesday, October 11, 2011.

The meeting adjourned at 5:48 p.m.

Submitted by:

Don Ward, Chair