



# **Geneva Community Unit School District 304**

## **Kane County, Illinois**

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### **Discussion Debt Service Fund Balance**

### **September 10, 2018**

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**RAYMOND JAMES**

**Elizabeth M. Hennessy**  
**Managing Director – Public Finance**  
**550 West Washington, Suite 1650**  
**Chicago, Illinois 60661-2511**  
**312.612.7641 (voice)**  
**[elizabeth.hennessy@raymondjames.com](mailto:elizabeth.hennessy@raymondjames.com)**

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## DEBT RESTRUCTURE PLAN

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- District Debt Restructure plan addressed the increasing tax rates due to the reductions in EAV caused by the Great Recession
- By restructuring portions of the \$79,990,000 Series 2007 referendum approved bonds combined abatements, defeasance and refunding to reduce the debt service levy FY2011-FY2018 the debt payments were reduced and leveled easing the burden on the taxpayers
- The District instituted a policy to use Education Fund surplus revenue above \$15M minimum fund balance for abatements and defeasance
- The Debt Restructure plan utilized current refundings waiting until the call date to reduce negative arbitrage and increase savings
- The debt restructurings extended debt 4 years after the final maturity

# EDUCATION FUND

Fiscal Year	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Draft Audit	Budget
Levy Year	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
	Levy 2009	Levy 2010	Levy 2011	Levy 2012	Levy 2013	Levy 2014	Levy 2015	Levy 2016	Levy 2017
Beginning Balance	\$13,221,782	\$18,224,829	\$20,179,860	\$20,970,638	\$18,518,787	\$20,891,672	\$18,251,001	\$19,662,224	\$23,178,912
Revenues	63,450,794	66,460,883	58,440,420	57,481,575	60,974,059	75,159,367	77,394,144	83,200,753	81,389,495
Expenditures	58,480,553	61,312,475	52,698,642	54,001,788	56,982,387	71,908,366	72,999,238	77,260,209	80,189,495
Surplus/Deficit	4,970,241	5,148,408	5,741,778	3,479,787	3,991,672	3,251,001	4,394,906	5,940,544	1,200,000
Transfer to Debt Service for Abatement	32,806	(3,193,377)	(4,990,000)	(5,931,638)	(3,518,787)	(5,891,672)	0		(1,200,165)
Transfer to Debt Service for Defeasance			0	0	0	0	(2,983,683)	(2,423,857)	0
Other Transfers	-	0	0	0	1,900,000				
Ending Balance	\$18,224,829	\$20,179,860	\$20,931,638	\$18,518,787	\$20,891,672	\$18,251,001	\$19,662,224	\$23,178,912	\$23,178,747
Less: Minimum Fund Balance	\$15,000,000	\$15,000,000	\$15,000,000	\$15,000,000	\$14,000,000	\$14,000,000	\$16,000,000		
Abatement Amount Surplus > Minimum	3,224,829	4,990,000	5,931,638	3,518,787	5,891,672	1,200,165			
Amount for LTGO Bonds Defeasance						2,983,683	-		
Additional Amount for 2017 Defeasance							2,423,857		

Notes: Sources include final audited financials FY2011-17, Draft FY18 AFR and Draft FY2019 Budget. Surpluses in current fiscal year are abated in the next fiscal year.

Assumes full Property Tax Limitation Law Levy allowing CPI + new Property is extended annually, except for levy year 2013 (1% increase).

Assumes FY 2016 and 2017 additional funds in the fund balance is dedicated to debt reduction in the 2016 and 2017 Refunding Bond issues respectively.

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## TRANSFER AND ABATEMENT RESOLUTIONS

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- On November 13, 2017 the District approved a transfer resolution from the Education Fund for \$2,423,857 for the purpose of paying off bond principal in conjunction with the Series 2017 refunding
- At that time the District also approved an abatement resolution in the amount of \$1,200,165 to impact the 2017 tax levy per the debt restructuring plan
- However, the District did not approve a resolution transferring the amount of \$1,200,165 from the Education Fund to the Debt Service Fund to pay debt service on the Series 2001 Bonds given that the tax levy was abated
- That payment is coming up January 1, 2019
- In order to maintain an adequate fund balance in the debt service fund, we recommend making the transfer from the Education Fund now

# WHY TRANSFER IS NECESSARY

## Debt Service Fund 30-NO ED FUND TRANSFER

## Revenue/Expenditure Fund Balance

Balance 6/30/2018	6/30/2018	\$4,457,402	\$4,457,402	
Jul-Sept 2018 Taxes	9/1/2018	\$7,287,977	\$11,745,379	
Transfer for 2017 Levy Abatement	9/10/2018	\$0	\$11,745,379	
Jan 2019 B&I Payment on 12/31/2018	1/1/2019	-\$12,205,275	-\$459,896	Low Cash Point
May&June 2019 Taxes	6/1/2019	\$7,387,805	\$6,927,909	
July 2019 B&I Pymt on 6/30/2019	7/1/2019	-\$3,292,805	\$3,635,104	
Jul-Sept 2019 Taxes	9/1/2019	\$7,387,805	\$11,022,909	
Jan 2020 B&I Payment on 12/31/2019	1/1/2020	-\$11,482,805	-\$459,896	Low Cash Point

Estimated Fiscal Year 2019 Debt Service Expenditures

\$15,498,080

Estimated FY 2019 Fund Balance

\$3,635,104

Fund Balance as % of Expenditures

23%

Operating Fund Balance Policy is 30%

- If fund balance goes negative, funds will need to be loaned to the Debt Service Fund from the Working Cash Fund
- District's operating fund balance policy is 30% of annual expenditures; without transfer the year end fund balance falls below 30% target

# WHY TRANSFER IS NECESSARY

## Debt Service Fund 30-ED FUND TRANSFER

## Revenue/Expenditure Fund Balance

Balance 6/30/2018	6/30/2018	\$ 4,457,402	\$ 4,457,402	
Jul-Sept 2018 Taxes	9/1/2018	\$ 7,287,977	\$ 11,745,379	
Transfer for 2017 Levy Abatement	9/10/2018	\$ 1,200,165	\$ 12,945,544	
Jan 2019 B&I Payment on 12/31/2018	1/1/2019	\$ (12,205,275)	\$ 740,269	Low Cash Point
May&June 2019 Taxes	6/1/2019	\$ 7,387,805	\$ 8,128,074	
July 2019 B&I Pymt on 6/30/2019	7/1/2019	\$ (3,292,805)	\$ 4,835,269	
Jul-Sept 2019 Taxes	9/1/2019	\$ 7,387,805	\$ 12,223,074	
Jan 2020 B&I Payment on 12/31/2019	1/1/2020	\$ (11,482,805)	\$ 740,269	Low Cash Point

Estimated Fiscal Year 2019 Debt Service Expenditures

\$ 15,498,080

Estimated FY 2019 Fund Balance

\$ 4,835,269

Fund Balance as % of Expenditures

31%

Operating Fund Balance Policy is 30%

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