



Oak Park Elementary School District 97

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TO: Board of Education
Dr. Ushma Shah, Superintendent of Schools

FROM: Patrick King, Senior Director of Finance

SUBJECT: Issuance of \$6.5 million 2021 Taxable Education Fund Tax Anticipation Warrants

DATE: September 13, 2022

The potential need to issue tax anticipation warrants was discussed with the Board during the August 8, 2022 FORC meeting as well as the August 16, 2022 tentative budget presentation. Subsequent to these meetings, Patrick King, Senior Director of Finance, has prepared detailed cash flow projections by fund and has been working with our bond consultant at Raymond James to determine the need for borrowing. As a result of this work, it has been determined that there will be a need to issue tax anticipation warrants for the Education Fund. Administration will be asking the Board of Education to approve the parameters of the issuance of \$6.5 million of Education Fund Tax Anticipation Warrants at the September 13, 2022 board meeting as directed by the District's bond counsel. There will also be interfund loan resolutions that will need to be approved as part of the issuance. State statute allows interfund borrowing between certain funds (Education, Building, Transportation, Working Cash) and this will help minimize the amount of borrowing needed for the tax anticipation warrants. Elizabeth Hennessy from Raymond James has offered to attend the meeting remotely to answer any questions the board has. Below are some background and more details on the upcoming issuance.

Tax Anticipation Warrants

Tax anticipation warrants are issued by units of local government to solve problems associated with the mismatch between the receipt of property tax revenues and ongoing expenditures. Typically, property tax revenues are received in two primary installments during the year, while expenditures occur daily for governments to operate. Short-term borrowings, such as warrants and notes, may be used by a governmental unit to cover deficits that may arise as a result of this timing mismatch.

Background

In a normal property tax cycle in Cook County, the second installment property tax bills would be sent to property owners in June or July and be due in August. Cook County has indicated that the second installment tax bills that would normally be due in August 2022 will be sent to taxpayers around December 1st and be due by December 31st. Per the County, this delay is due to the implementation of a new software system.

The historical delay in the property tax bills significantly impacts D97's cash flow as 75-80% of the District's revenues are from property taxes depending on the year. D97 has approximately \$40 million still to be received from the second installment tax bills. These revenues would normally already be coming to the District, but it is now anticipated that these revenues will start coming in sometime in December 2022. The FY 2023 cash flow projections for D97 indicate that there will be a shortfall of cash for the Education Fund by the end of November without receiving the second installment property tax collections.

Cook County did announce an interest free loan program in July to assist local governments with cash flow needs because of the delay. However, one of the minimum requirements of the loan program is that the borrower's bond rating must be lower than that of Cook County's bond rating. D97's bond rating is higher so we will most likely not qualify. Despite that, D97 still did apply for the loan in case Cook County changes their requirements and to ensure that we are making every effort to minimize the cost of borrowing to D97 and the Oak Park community. D97 has not yet received a determination from the County on the approval of that loan.

\$6.5 million 2021 Educational Fund Tax Anticipation Warrants

Tax anticipation warrants are issued by fund so a cash flow analysis was completed by fund (Education, Building, Debt Service, Transportation, IMRF/SS, Working Cash, Tort). It was determined that the Education Fund would go negative in November 2022 even after borrowing internally from the Transportation and Working Cash Funds. The additional amount needed to borrow was determined to be \$6.5 million.

Below are the estimated costs of issuance of the \$6.5 million 2021 Educational Fund Tax Anticipation Warrants:

	<u>Estimated Costs</u>
Chapman and Cutler, Bond Counsel	\$10,000
Placement Agent Fee, Raymond James	9,500
Contingency	<u>500</u>
Total	\$20,000
Estimated Interest 11/1/22-1/12/23 @3.5%	\$45,500
Estimated Total TAW Cost	\$65,500

The liquidity of D97's investments is also a factor in determining the amount needed to borrow for the tax anticipation warrants. D97 has approximately \$7.5 million of investments that mature beyond December 2022. An analysis was completed and it was determined to be more beneficial to liquidate these investments early to reduce the amount needed to borrow. The initial loss from liquidating the investments will be offset by the higher rate of return when reinvesting due to the high interest rate environment we are currently in.

A summarized financing timeline is below:

September 13, 2022	District 97 Board of Education Approves TAW and Interfund Loan Resolutions
September 27, 2022	Potential Purchasers of Tax Anticipation Warrants have received all applicable information to bid from the placement agent (Raymond James)
October 11, 2022	Placement agent (Raymond James) has received bids
November 1, 2022	TAW issuance closing, D97 receives proceeds

Please let us know if you have any additional questions or require any additional information ahead of the September 13, 2022 Board of Education meeting.