



TO: Board of Education
Dr. Lisa Leali, Superintendent

FROM: Jay Kahn, Director of Finance and Operations/CSBO

DATE: August 19, 2025

RE: Debt Service Fund Cleanout

Recommendation

Administration recommends that the Board take the necessary legal steps to issue Non-referendum Working Cash Bonds and then adopt a resolution to transfer the proceeds to the Capital Projects fund, for the purpose of cleaning out the Debt Service fund balance.

Background

The District has accumulated \$565,000 in fund balance in the debt service fund from interest earnings and the unused portion of the additional 1% added to the Debt service extension annually by Lake County to compensation for uncollected taxes.

This fund balance is restricted and can only be used to pay debt service on General Obligations Bonds.

Current Situation

The District has capital needs that cannot be fully funded out of operations. By issuing short-term debt (1 month) and paying off that debt from the Debt Service fund balance, the district will be able to *effectively* transfer that fund balance to the Capital Projects fund. Since no taxes will be extended to pay this debt, a referendum is not required. The ability to access these funds for capital projects will allow the District to complete this work without increasing taxes.

The District would like to access approximately \$500 thousand, and the estimated cost is approximately \$6,500 in issuance costs and \$3,500 in interest.



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Debt Service Fund Cleanout



LAKE BLUFF SCHOOLS
DISTRICT 65

Tammie Beckwith Schallmo

Senior Vice President, Managing Director
PMA Securities, LLC

August 19, 2025



Accumulated Funds in the Debt Service Fund

- ▶ Debt service fund balance is accumulated from two different sources of revenue
 - ▶ Interest earnings
 - ▶ Loss/Cost collections from the amount added annually to the bond and interest levy (1% in Lake County)
- ▶ Under State law, the funds accumulated from Loss/Cost can only be used to pay debt service on General Obligation (GO) Bonds



How a Debt Service Fund Cleanout Works

The Board takes the necessary legal steps to issue non-referendum Working Cash Bonds

The Bonds will have a very short maturity schedule (approximately one month)

At maturity, the Bonds will be paid from accumulated Debt Service Fund Balance (property taxes will not be extended to pay debt service)

The Board adopts a resolution to transfer the Working Cash Bond proceeds to the Capital Projects Fund (by way of the O&M Fund)



Estimated Debt Service Fund Cleanout Details

| | Taxable Working Cash Bonds |
|--|----------------------------|
| Total Costs of Issuance <i>Chapman & Cutler</i> <i>PMA</i> <i>Surety Bond</i> | \$6,500 |
| Estimated True Interest Cost | 5.56% |
| Estimated Working Cash Bond Proceeds | 490,800 |
| Estimated Total Debt Service paid from Debt Service Fund Balance | \$499,959.17 |



Preliminary Timeline for Series 2026 Working Cash Bonds

| | |
|------------------|--|
| September 30 | Board adopts Resolution of Intent and Resolution calling Bond Issue Notification Act (BINA) hearing at regular meeting |
| ~October 2 | Notice of intent published in local newspaper |
| October 9 | Notice of BINA hearing published in local newspaper |
| October 21 | Board holds BINA hearing at regular meeting |
| ~November 3 | 30-day petition period expires |
| November 18 | Board approves parameters resolution authorizing the sale of Working Cash Bonds at regular meeting |
| Late November | Working Cash Bonds sold via a direct placement; delegate(s) approves final results |
| Mid December | Bonds close; District receives Working Cash Bond proceeds |
| Mid January 2026 | <i>Series 2026 Working Cash Bonds mature (debt service paid from Debt Service Fund balance)</i> |



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