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Community College Working Cash Fund Bonds after House Bill 1133
(Public Act 103-0278)

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Working Cash Fund Bonds

- Authorized by Section 3-33.2 of the Public Community College Act
- Proceeds of Working Cash Bonds are deposited into the Working Cash Fund
- Subject to limitation as to the lesser of the amount of Working Cash Bonds outstanding and Working Cash Fund size
- Not subject to 30-day petition period (backdoor referendum)
- Subject to Bond Issue Notification Act (BINA) and (PTELL for tax-capped districts)
- May be issued in excess of debt limit but once issued count against debt limit
Working Cash Fund Bond Limit

- Maximum amount of Working Cash Fund Bonds outstanding
  - 75% of the max Ed and O&M Fund tax collections
    - May include TIF and EPZ values in calculations
  - Plus 75% of CPPRT
  - Less Working Cash Fund Bonds outstanding at closing
Working Cash Fund Limit

- 90% of the maximum Ed and O&M fund tax collections
  - May include TIF and EPZ values in calculation
- Plus 90% of CPPRT
- Less the amount presently to the credit of the Working Cash Fund
I. MAXIMUM AMOUNT OF WORKING CASH FUND BONDS OUTSTANDING

Current equalized assessed valuation (Including TIF) $2,167,039,858

Times the maximum educational fund and O&M fund tax rates $0.3550 x 0.00355

Equals $7,692,991

Plus the lesser of the actual amount of replacement taxes received by the District during 2022 or the estimated amount of replacement taxes to be received by the District during 2023. + $1,198,193

Equals $8,891,185

Times 75% x 75%

Equals $6,668,388

Less the amount of working cash fund bonds outstanding - $0.00

[Balance of Principal Outstanding]

TOTAL (Authorized Issue Size) (1) $6,668,388

(1) The District is authorized to issue the lesser of the final "Total" figure determined under Part I and under Part II. If the bonds are to be tax-exempt, this amount may be reduced by the provisions of the federal arbitrage regulations.
II. MAXIMUM SIZE OF WORKING CASH FUND

Current equalized assessed valuation (Including TIF) $2,167,039,858

Times the maximum educational fund and O&M fund tax rates $0.3550 x 0.00355

Equals $7,692,991

Plus the lesser of the actual amount of replacement taxes received by the District during 2022 or the estimated amount of replacement taxes to be received by the District during 2023. + $1,198,193

Equals $8,891,185

Times 90% x 90%

Equals $8,002,066

Plus the amount of monies to be received by the District in the current year for educational or operations and maintenance purposes from the State or Federal government or other sources (except property or replacement taxes) + $2,390,134

Less the amount presently to the credit of the working cash fund (including amounts loaned to the educational or operations and maintenance funds) - $10,338,287

TOTAL (Authorized Fund Size) (1) $53,913

(1) The District is authorized to issue the lesser of the final "Total" figure determined under Part I and under Part II. If the bonds are to be tax-exempt, this amount may be reduced by the provisions of the federal arbitrage regulations.
Life Before House Bill 1133
(Public Act 103-0278)
A Community College Board of Trustees was authorized to create a working cash fund and to fund it with working cash fund bond proceeds.

Interfund loans were authorized by Section 3-34 of the Public Community College Act.

Loans from the Working Cash Fund could only be made to the Education or O&M Funds in anticipation of taxes. Amounts loaned had to be reimbursed upon receipt of those taxes.
Life After House Bill 1133
(Public Act 103-0278)
House Bill 1133 (Public Act 103-0278)

The provisions of the bill gives community colleges similar authority to Illinois K-12 school districts with respect to the use and flexibility of their working cash funds and clarifies that working cash fund bond proceeds may be used for any purpose (including capital projects) rather than just cash flow management.
Clarifies that monies in the working cash fund may be used for any and all community college purposes

Does not change the bonding provisions for working cash bonds
- They do not require a direct or backdoor referendum
- They are subject to a BINA hearing
- They will be limited tax bonds if issued by a tax-capped community college
Also permits the abatement of the working cash fund

A community college may abate the working cash fund — to make a partial, permanent transfer of working cash fund moneys to the generating funds of the College at any time during the fiscal year and the moneys will not need to be reimbursed
Also allows the working cash fund to be recreated after abolishment at the end of the fiscal year without referendum approval

Under prior law, the only way to permanently transfer funds from the working cash fund to other funds was by abolishing the fund, which could only occur at the end of the fiscal year, and the working cash fund could only be recreated with referendum approval.

House Bill 1133 (Public Act 103-0278) eliminates the referendum requirement for recreation of the working cash fund after it is abolished.
Non-Referendum Borrowing Alternatives for Capital Projects
A. Debt Certificates

- Authorized by Section 17(b) of the Local Government Debt Reform Act
- May be issued to purchase real or personal property
- No separate property tax levy
- Payable from any lawfully available funds
- Count against debt limit
B. Alternate Bonds

- Authorized by Section 15 of the Local Government Debt Reform Act
- G.O. Bonds payable from a “pledged revenue source”
- Examples of pledged revenue sources
  - tuition  
  - state aid
  - student fees  
  - operating taxes
  - personal property replacement taxes
- May be issued for any lawful corporate purpose, including operating expenses
- Coverage requirements
- BINA hearing required
- Subject to 30-day petition period
- Not subject to debt limit unless property taxes are extended
C. Funding Bonds

- Authorized by Section 3A-6 of the Public Community College Act
- Used to pay “claims” against the College
  - Examples of possible claims: Teachers’ Orders, ERO, contracted services, leases, installment contracts, **Alternate Bonds, Debt Certificates**
- Subject to 30-day petition period
- Subject to BINA (and PTELL for tax-capped districts)
- May be issued in excess of debt limit but count against debt limit once issued
Non-Referendum Funding Option for Capital Projects – How It Works

**Step 1: Issue Debt Certificates**
- Depending upon the size of the financing, the College may sell the obligation directly to a bank or perhaps another unit of government.
- Provides the proceeds to pay for capital projects.
- Would be payable from operating dollars instead of a separate property tax levy if not for Step 2.
  - Establishes a claim against which the College may issue funding bonds.

**Step 2: Issue Non-Referendum Funding Bonds**
- After the completion of a 30-day petition period and a BINA hearing, the College sells non-referendum funding bonds to payoff the debt certificates.
- Proceeds from initial financing transfer to funding bonds for tax law purposes.
- Paid from separate property tax levy.
D. Working Cash Fund Bonds

- Working Cash Fund Bonds
  - Authorized by Section 3-33.2 of the Public Community College Act
  - Proceeds of WCF Bonds are deposited to WCF
  - Subject to limitation as to WCF Bonds outstanding
  - Subject to limitation as to WCF size
  - Not subject to 30-day petition period
  - Subject to BINA (and PTELL for tax-capped districts)
  - May be issued in excess of debt limit but once issued count against debt limit
  - Can now be issued to finance capital projects, within site limitations
Working Cash Fund Bond Limit

Maximum amount of WCF Bonds that may be outstanding
- 75% of the max Ed and O&M fund tax collections
  - May include TIF and EPZ values in calculation
- Plus 75% of CPPRT
- Less WCF Bonds outstanding at closing
Working Cash Fund Bond Limit

- 90% of the maximum Ed and O&M fund tax collections
  - May include TIF and EPZ values in calculation
- Plus 90% of CPPRT
- Plus State and Federal monies to be received in the Ed and O&M funds to be received in the current year (excluding CPPRT)
- Plus other monies to be received in the Ed and O&M funds (tuition, fees, etc.)
- Less the amount presently to the credit of the WCF
House Bill 1133 (Public Act 103-0278) Considerations
House Bill 1133 (Public Act 103-0278) Considerations

- Still no petition period for working cash bonds
- Perception that transferred working cash funds are available for other purposes?
- Revisit Board policies (fund balance and debt management)
  - Establish a working cash fund policy?
- Depending on a community college’s working cash formula, it may eliminate the need to implement a two-step financing process for capital projects (debt certificates-to-funding bonds)
Additional Questions?

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