Working Cash Fund Bonds

Statutory Framework and Practical Considerations

ICCCFO Fall Conference

October 11, 2012
Outline

A. Statutory Framework
   – Review of Borrowing Alternatives
   – Working Cash Fund Sizing and Working Cash Fund Bond Capacity
   – Working Cash Fund Loans

B. Practical Considerations
Borrowing Alternatives

- Voted Bonds
  - Issued to purchase or improve sites and build, equip, alter or repair buildings
  - Payable from property tax levy
  - Referendum required
  - Subject to debt limit
Borrowing Alternatives

- **Alternate Bonds**
  - Issued for any lawful corporate purpose
  - G.O. Bonds payable from a “revenue source”
  - Coverage requirements
  - BINA hearing required
  - 30-day petition period
  - Not subject to debt limit unless property taxes are extended
Borrowing Alternatives

- Debt Certificates
  - Issued to purchase real or personal property
  - No separate property tax levy
  - Payable from any lawfully available funds
  - Subject to debt limit
Borrowing Alternatives

- **Funding Bonds**
  - Issued to pay “claims” against the district
  - Payable from property tax levy
  - BINA hearing required
  - 30-day petition period
  - May be issued above debt limit but once issued count against debt limit
  - Limited (tax capped districts)
Borrowing Alternatives

- **Working Cash Fund Bonds**
  - Issued for the purpose of creating or increasing a working cash fund; proceeds deposited to the working cash fund at closing
  - Payable from property tax levy
  - BINA hearing required
  - No 30-day petition period
    - May be issued in excess of debt limit but once issued count against debt limit
    - Limited (tax capped districts)
Working Cash Fund Bonds

- Max WCF bond par amount subject to limitation as to total amount of **WCF bonds outstanding**
- Max WCF bond proceeds subject to limitation as to **WCF size**
Working Cash Fund Bond Capacity

Prior to Public Act 96-0912 and after June 9, 2013, maximum amount of WCF bonds that may be outstanding:

- **75% of the max Ed and O&M fund tax collections**
  - Determined by multiplying EAV and aggregate Ed & O&M tax rates
  - May include TIF and EPZ values in EAV
- **Plus**: 75% of CPPRT
- **Less**: WCF bonds outstanding at closing
Working Cash Fund Bond Capacity

From June 9, 2010, until June 9, 2013, the maximum amount of WCF bonds that may be outstanding:

- 150% of the max Ed and O&M fund tax collections
- Plus: 150% of CPPRT
- Less: WCF bonds outstanding at closing
Working Cash Fund Limitation

- 90% of the maximum Ed and O&M fund tax collections
  - Determined by multiplying most recent aggregate ED and O&M tax levies (or extensions) and 90%
- **Plus**: 90% of CPPRT
- **Plus**: State and Federal monies to be received in the Ed and O&M funds in the current year (excluding CPPRT)
- **Plus**: other monies to be received in the Ed and O&M funds (tuition, fees, etc.) in the current year
- **Less**: the amount presently to the credit of the WCF
Working Cash Fund Loans

- Moneys to the credit of the Working Cash Fund:
  - may be loaned by resolution of the Board to the Ed Fund and/or O&M Fund in anticipation of:
    - Taxes levied for Ed and/or O&M purposes; and/or
    - State, Federal or other sources (including CPPRT)
  - must be loaned to avoid issuance of Tax Anticipation Warrants

- Amount of loans cannot exceed:
  - 90% of taxes levied for Ed and/or O&M purposes
  - 90% of CPPRT
  - 100% of State, Federal or other sources
Working Cash Fund Permanent Transfers

- WCF may be abolished by resolution of the Board and funds to the credit of the WCF permanently transferred to the operating funds.
- However, following abolishment, referendum approval is required to re-establish a WCF.
Working Cash Fund Bonds

Practical Considerations

- Why issue WCF bonds?
  - To meet cash flow requirements
  - No 30-day petition period or debt service coverage requirement (as with alternate revenue bonds)
  - General obligation (as opposed to anticipatory borrowing alternatives such as warrants or revenue anticipation notes, which are payable solely from the anticipated revenue)

- How do you issue WCF bonds?
  - Two board meetings required:
    - BINA hearing (preceded by 7-30 days’ published notice)
    - Adoption of bond resolution (at least 7 days after BINA hearing)
Sample WCF Calculation

How do you calculate WCF bond capacity:

I. **Maximum amount of working cash fund bonds outstanding**

   Current equalized assessed valuation (includes TIF and EPZ value) ................. $900,000,000

   times combined educational and operations and maintenance fund tax rates ............. 25.00 ¢

   equals $ 2,250,000

   plus the lesser of the actual amount of replacement taxes received by the District in the past fiscal year or estimated amount of replacement taxes to be received in the current fiscal year .................................................................................................................. $ 400,000

   equals $ 2,650,000

   times one hundred and fifty percent .................................................................................................................. 150%

   equals maximum outstanding WCF bonds $ 3,975,000

   less the principal amount of WCF bonds outstanding at the time of closing ............... $ 1,500,000

   **Total WCF Bonding Capacity** $ 2,475,000
## Sample WCF Calculation continued

### II. Maximum size of the working cash fund

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>The amount of tax collections received or to be received by the District in</td>
<td>$ 2,250,000</td>
</tr>
<tr>
<td>the current year for educational and operations and maintenance purposes</td>
<td></td>
</tr>
<tr>
<td>plus the lesser of the actual amount of replacement taxes received by the</td>
<td>$ 400,000</td>
</tr>
<tr>
<td>District in the past fiscal year or estimated amount of replacement taxes</td>
<td></td>
</tr>
<tr>
<td>to be received in the current fiscal year</td>
<td></td>
</tr>
<tr>
<td>equals</td>
<td>$ 2,650,000</td>
</tr>
<tr>
<td>times ninety percent</td>
<td>90%</td>
</tr>
<tr>
<td>equals</td>
<td>$ 2,385,000</td>
</tr>
<tr>
<td>plus the amount of monies to be received by the District in the current</td>
<td>$ 17,000,000</td>
</tr>
<tr>
<td>year for educational or operations and maintenance purposes from the State</td>
<td></td>
</tr>
<tr>
<td>or Federal government or other sources (except replacement taxes)</td>
<td></td>
</tr>
<tr>
<td>equals maximum size of working cash fund</td>
<td>$ 19,385,000</td>
</tr>
<tr>
<td>less the amount presently to the credit of the working cash fund (including</td>
<td>$ 2,400,000</td>
</tr>
<tr>
<td>amounts loaned to the educational or operations and maintenance funds)</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$ 16,985,000</td>
</tr>
</tbody>
</table>

### III. The District is authorized to issue the lesser of the final Total figures determined under Part I and Part II.

$ 2,475,000
Questions
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