



Oak Park and River Forest High School Fact Sheet on Finances and the Referendum

On Aug. 16, 2016, the Board of Education unanimously adopted a five-year pool and facilities plan, as well as a bond-issue question for the Nov. 8, 2016, ballot. The Board intends to finance the project with \$20 million in cash and is seeking the community's approval for a bond issue of up to \$25 million.

Fund Balance

What is the high school's current fund balance?

The unaudited fund balance at the end of the fiscal year on June 30, 2016, was \$96.7 million, or 116% of budgeted expenditures for the current fiscal year.

How much of the fund balance has been earmarked for the pool and facilities project?

The Board has planned to use \$20 million from the fund balance for this project.

If you subtract that \$20 million out of the fund balance, what would the remaining \$76.7 million equate to?

That would leave 92% of budgeted expenses for this fiscal year.

How much of a fund balance does the district actually need to maintain?

To maintain its AAA credit rating from Standard & Poor's credit rating agency, the high school must maintain a fund balance of at least 25% of its annual expenditures. Only 88 school districts in the nation have earned AAA status, the agency's highest rating, which lowers borrowing costs; most have fund balances substantially higher than 25%.

Even so, doesn't a 92% balance seem awfully high?

Yes, and that's why the district is in the midst of a plan to gradually and responsibly lower the fund balance to between 25% and 40% of expenses by 2023 and has established a policy to maintain future fund balances between 25% and 75%.

How did the district come up with these targets?

The targets were an outgrowth of work by the 2013 Finance Advisory Committee (FAC). This was a Board committee created to examine the appropriateness of the high school's fund balance, which at that time stood at \$130 million, or 173% of expenditures. The Board created the 15-person committee, more than half of whom were community members with financial expertise, out of concern that the fund balance created unnecessarily high tax levels and interfered with trust of the District.

Why not use the fund balance to pay the full cost of the pool and facilities project?

Several reasons:

- If the fund balance is spent down too quickly, we would have to go to an operating referendum sooner.
- There is a philosophical belief that paying partially with bonds is more fair, because a portion of the cost is paid by future users of the assets.
- As of next year, the high school will be debt free and historically low interest rates could make this a wise time to borrow.

Is a bond referendum different from an operating referendum?

Yes. Funds raised from a *bond referendum* go into a district's Capital Projects Fund. By law, these funds are to be used for specific purposes, such as financing facility refurbishment and construction projects. Funds from an *operating referendum* go into a district's Education Fund, which covers the day-to-day costs of running a district. The Education Fund is the high school's largest fund and accounts for most of the instructional, co-curricular, special education, pupil support, and administrative aspects of the district's operations. Funds from the Education Fund may, however, be used for capital projects as well.

But didn't I hear about an operating referendum happening next year?

Oak Park Elementary School District 97, which serves grades K-8, has announced plans for an operating referendum next spring. Oak Park and River Forest High School District 200 is a completely separate school district.

Tax Cuts

How much has the high school cut taxes?

Over the past four years, the district cut its portion of property taxes by more than \$30 million. This was achieved through two methods:

1. Reducing the tax levy by a total of \$20.2 million.
2. Paying \$10.1 million in principal and interest on outstanding bonds from the fund balance rather than collecting new taxes.

So why did my property tax bill still go up during those four years?

The high school is just one of the local entities that collects property taxes, so your overall bill may have been higher. However, your total property tax bill still was lower than it would have been had the district not cut its portion of the taxes. ***In fact, the compounding effect of the reductions was projected to save taxpayers a total of \$72 million over ten years.***

Why didn't the district reduce its current levy—why not maintain the cuts?

As announced from the beginning, the high school's tax cuts were always meant to be temporary. Unfortunately, given the way Illinois funds its schools, continuing the tax cuts would not be sustainable.

As background, local property taxes (rather than state funding) make up 86% of Oak Park and River Forest High School's budget. State law caps annual local property taxes increases—which is beneficial from a property owner's perspective. However, the challenge for Illinois school districts is that the annual tax cap generally is based on the Consumer Price Index (CPI), or the increase in a "market basket" of consumer goods and services, such as clothing, groceries, and cable television. School district expenses are quite different—for instance, salaries, health care benefits, annual facilities construction—and these typically increase more than CPI each year. Eventually, a district enters deficit spending and must go to the taxpayers for an operating referendum in order to raise revenues to meet the current needs of education.

When does the high school anticipate going for an operating referendum?

At this point, District 200 financial projections show the district returning to the community for an operating referendum in 2021 or 2023. Were the Board to continue cutting taxes each year, or even simply not raise them, the high school would have to go to the community for a referendum much sooner, resulting in an even larger rise in taxes. It has been the goal of the Board of Education to avoid doing so.