

Few financial options if voters say no

By Pamela Lannom
plannom@thehinsdalean.com

What will the Hinsdale High School District 86 Board do if voters reject the \$166 million referendum Tuesday, Nov. 6?

Can't they just sell bonds or use reserves to complete some or all of the projects?

The answer is no, according to district officials.

The amount the district can borrow is controlled by the Property Tax Extension Limitation Law, commonly known as the tax cap, and based on the amount of nonreferendum debt the district had when the law was enacted in 1994.

The district can only levy about \$2.7 million a year in property taxes to repay nonreferendum debt, according to Robert Lewis of PMA Securities, the district's municipal advisor, who made a presentation to the board's finance committee Sept. 25.

By the numbers

Referendum total

\$166 million

Interest costs

\$76 million

Total payback

\$242 million

Payback period

22 years

Projected interest rate

3.93

Cost per year

\$602 for a home with a fair market value of \$1 million

Much of that \$2.7 million is currently being used to pay back existing debt, which will be the case through 2028. The district's debt service projected payments exceed \$2 million from 2019-25 and exceed \$1.5 million from 2025-28. If the district restructured its existing debt, it could sell about \$19.5 million in bonds, with payback scheduled through 2038, and stay within the legal limit.

This scenario assumes current market interest rates and does not take into account any inflation adjustments made on the \$2.7 million cap. The bond sale amount could increase to \$25 million if the assumptions were changed to include an annual consumer price index (CPI) of 1.5 percent.

The danger, Lewis said, is if the CPI does not increase at the projected rate or the state legislature decides to freeze the debt level. Then the debt would have to be repaid out of operating funds.

"I don't think it would be prudent for us even to try to borrow at that (level) because that's not a good position to be in for our community," board President Bill Carpenter said.

Either amount falls far short of the \$166 million referendum total or even the \$43 million in life safety, security and infrastructure projects included in that project list, officials noted.

Superintendent Bruce Law said residents who have said the board could simply borrow the money to address life safety projects are mistaken.

"The notion that the board can just sell life safety bonds and fix all the projects and not have to go to referen-

dum is incorrect," Law said.

The interest costs also would be high, noted Josh Stephenson, the district's chief financial officer, totaling almost \$13 million on a \$19 million debt.

"It's not a very efficient use of money," Stephenson said.

Finance committee Chairman Kevin Camden said none of the scenarios appeal to him, especially since they would tie the hands of future boards for 20 years.

"I think it's important for the community to understand life safety bonds aren't a viable alternative," Camden said. "I think it just underscores the overall importance of the referendum."

Tapping into fund balances is not



an option either, officials have said.

The district now has about \$17 million in reserves, Law said at a referendum information night last week at The Community House.

"You never know what the state of Illinois is going to do," he said. "We need some money in reserves in order to be able to respond to whatever idea they have."

"Once you have spent your reserves, you cannot get them back. We are prohibited by law for asking for money for the district that we just put into savings."



A crowd came out Oct. 17 to hear Hinsdale High School District 86 Superintendent Bruce Law talk about the \$166 million referendum on the Nov. 6 ballot. The session, sponsored by The Hinsdalean and held at The Community House, also included a question and answer session. (Jim Slonoff photos)

Potential cuts identified in the event referendum fails

By Ken Knutson
kknutson@thehinsdalean.com

As the Nov. 6 election approaches, proponents and opponents of the \$166 million referendum on the ballot for improvements at Hinsdale Central and Hinsdale South high school are making their positions known.

Hinsdale High School District 86 Board members and administrators are not permitted to campaign for either side, but some district officials are feeling compelled to speak out on perceived misinformation.

At the Oct. 15 board meeting, Superintendent Bruce Law challenged the premise of referendum opponents' placards that declare the district "can do better."

"This idea that we will do better if we don't have money to fix our schools is

factually incorrect," Law said as part of discussion on alternatives to referendum funding. "What's factually correct is we will do less."

The administration put together a list of possible spending cuts totaling \$6.5 million annually for four years to equal the \$25 million needed, in the event the referendum fails, to cover just the mandatory life safety projects. Decreasing the number of credits students can earn from 24 to 18.5 could potentially save \$3.8 million. Reducing student services staff such as counselors, psychologists and social workers could shave another \$1.2 million, and going from five days of physical education a week to three days was estimated to trim \$752,299.

Board member Jennifer Planson asked if there were significant belt-tightening opportunities apart

from those affecting students. Chief Financial Officer Josh Stephenson said there were not.

"We've basically squeezed about all the cost savings we could out of any area that doesn't directly impact students," Stephenson said.

Law said these were not recommended cuts but areas identified in a long-range scenario in the absence of additional funding for improvements. "We were saying, 'If we're going to fix the infrastructure before the next life safety study in 2027, we should probably spend an extra \$1 million a year,'" he said. "So if the board directed us to cut \$1 million from the budget, these would be some of the areas we'd start looking at very surgically to get to that million dollars in savings every year."

The estimated savings were not meant to be precise figures, Law cau-



tioned. In the case of credits for graduation, for example, savings would depend on student course choices.

"Our staffing would be based upon those choices, so we wouldn't know exactly which staff we'd have to let go until those choices are made," he said.

Board President Bill Carpenter said the list was prepared partly in response to inquiries from several community members about potential cuts.

"We don't want to discuss what's being cut, that's not our goal here right now," he said. "But we have to know that we're working on it and we know what the areas are."

These and other election stories are posted online at thehinsdalean.com