

# Cleveland Heights-University Heights School District

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## Finance Committee Report *"A Citizen's Review of District Options"*



# Finance Committee Members

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**David Tabor**

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**Nancy Levin**

**Pat O' Brien**

**Steve Shergalis**

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# Objectives



- ✓ **Review** Ohio Schools Facilities Commission Option
- ✓ **Outline** funding mechanisms available to the District
- ✓ **Describe** the impact of no action

# Ohio School Facilities Commission Option

The Finance Committee sees **little risk** in participating in the Expedited Local Partnership Program (ELLP). State funding, while not guaranteed, would create a revenue stream.



Ohio School Facilities Commission  
*Revisions to*  
**Expedited Local Partnership Program Guidelines**

# Expedited Local Partnership Program

- CH-UH is currently **524 out of 612** districts on the FY11 funding priority list.
- City of Lakewood is ranked 466, is in ELPP, but **has not yet been approved for funding.**
- CH-UH would be eligible for ELPP as it is **more than two years away** from potential state assistance.
- State would fund **up to 14% costs** of project based on adherence to OSFC Construction Guidelines.
- District may proceed with design and construction prior to being approved in State CFAP program.

# Funding Mechanisms

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The committee's preliminary review concludes that a **large scale building project is feasible**. The District has the capacity to leverage multiple funding streams, voted and unvoted.

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# Potential Funding Mechanisms

## Voted Options

### Bond Issue



## Non Voted Options

- Tax Anticipation Notes
- Lease Certificates of Participation
- OSFC Reimbursements
- Partnerships

# Voted Bond Issue

- Current assessed property value for CH-UH is in excess of \$1.146 billion.
- For every 1.0 mill approved for bond debt charges, District can raise approximately \$20 million.
- Total District bonded debt is subject to certain limits based on assessed valuation.

Board of Education can seek voter approval for a bond issue.

State law currently restricts CH-UH to approximately **\$137 million** of new bonded debt



# Tax Anticipation Notes

- Mechanism to borrow against future Permanent Improvement (PI) tax revenues.
- PI tax generates \$3.7 million annually.
- Limited to 50% of expected PI tax revenues over the next **10 years**.
- Capacity to borrow \$18.5MM against current PI levy.

## Sample Revenue Stream

***\$18.5 million at 3.25%  
over 10 years = \$2.2  
million annual debt  
service***

# Lease Certificates of Participation – Non Voted Option

- Mechanism to capitalize future revenue or operational savings without incurring **bonded debt**.
- Lease payments can be paid from Permanent Improvement Fund or General Fund monies.
- COPS can be financed over longer terms than TANS.

## Sample Revenue Stream

***\$18.5 million at 5.0% over  
30 years = \$1.3 million  
annual debt service***

# Partnerships

Funding sources for Locally Funded Initiatives may exist with:

- Business Sponsorships
- Private and Public Foundations
- Community organizations
- Individual Donors

***A strong plan could garner support!***



# OSFC Reimbursement

- Approval for state funding could provide another revenue stream.
- The District would provide 100% upfront funding for a project.
- Payments from the state would be in the form of reimbursements for construction that meets the OSFC guidelines.



# Cost of Inaction

The Finance Committee believes the development of a District wide facility plan is **prudent action**.



# Cost of Inaction– Deferred Capital

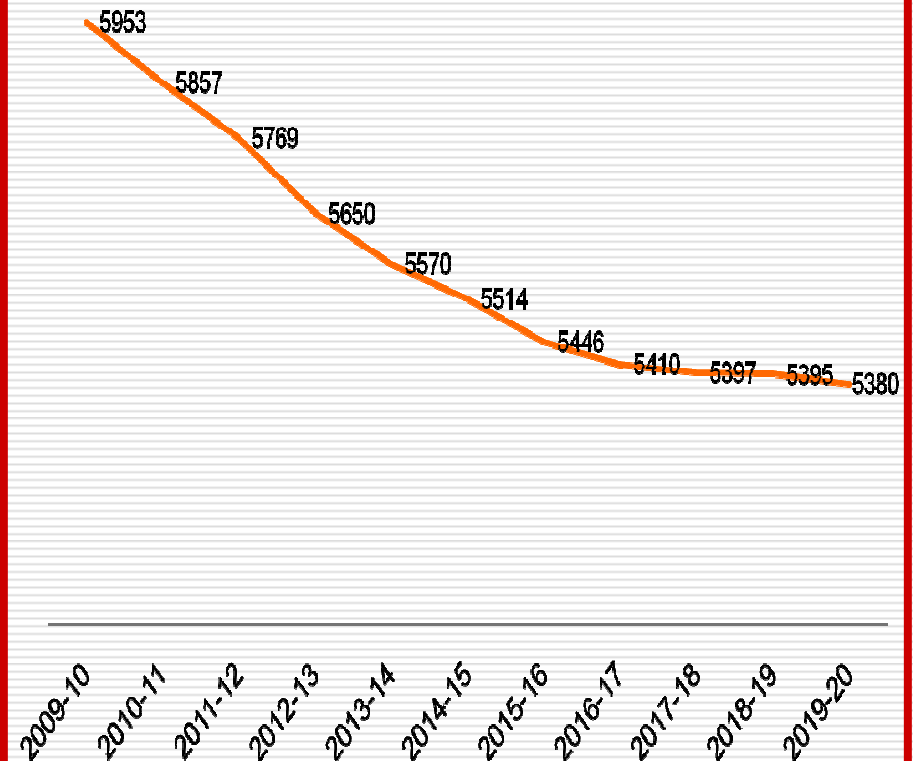
- CH-UH facilities currently have **\$40 million** in deferred capital costs, based on a recent study.
- Funds from the permanent improvement levy **do not** address the significant backlog.
- Over the next five years, the District will spend nearly **\$20 million in repairs**, without appreciably improving the aged facilities.



# Cost of Inaction – Operational Savings

- ❑ Aged facilities and excess capacity are issues that require **long-term** solutions.
- ❑ Matching building capacity to projected enrollment may yield annual **operational savings** in excess of \$4 million.
- ❑ Investments will improve the **educational environment** of the facilities.

PROJECTED ENROLLMENT



# Summary

- ❑ Little risk to staying within OSFC program.
- ❑ District would need to secure 100% of funds for plan and seek State reimbursements.
- ❑ A voted bond would be required. Other funding streams exist to augment plan.
- ❑ Current maintenance funds do not meet the needs of the District's aged facilities.



# QUESTIONS ??

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