

To: Board of Education Members

Date: 5/9/2024

Submitted for BOE meeting date: 5/21/2024

Re: FY25 Debt Service Funding

Purpose of the memo: Board Action

Executive Summary: *Regional School District 17's debt service obligation in FY25 attributable to the \$7,270,000 HKHS Improvement General Obligation Bond Issuance totals \$930,000 (\$730k principal and \$230k interest). In an effort to mitigate the general budget increase for FY25, final State grant reimbursements related to the project that were received in FY24 (totaling \$495,999) were deposited to Fund 35 (the fund created in 2017 to capture all project expenditures, reimbursements, and proceeds from debt issuance) with the intention of paying debt service from this fund in FY25. This enabled the FY25 general budget to carry a debt service budget of \$434,001 (Objects 831-Principal and 832-Interest combined), which represents the estimated portion of the FY25 total debt service payment of \$930k that will NOT be paid by fund 35.*

This maneuver was deemed acceptable by bond counsel, the BOE's independent auditing firm, and the BOE's primary legal counsel. It was also detailed in numerous public budget presentations and reflected in each version of the FY25 budget publication. Past audits show that the practice of paying at least a portion of debt service through Fund 35 has occurred each year since the fund's inception. BOE action is not necessary to execute the FY25 transactions, a BOE approval vote with further memorialize the transaction and strategy for historical records.

*The total debt service payment made out of fund 25 in FY25 will vary slightly as interest is currently accruing in the account, and the final payment out of the fund will be made in an amount **that will fully liquidate the fund, allowing the fund to be officially closed.***

The Finance and Facilities Subcommittee approved (on 5/8/24) the Recommendation to the Board of Education to partially fund the FY25 debt service obligation through Fund 35 to fully liquidate and close the fund, with the balance of any remaining debt service obligation to be paid through the FY25 General Budget.

BOE Action: *To partially fund the FY25 debt service obligation through Fund 35 to fully liquidate and close the fund, with the balance of any remaining debt service obligation to be paid through the FY25 General Budget.*

Next Steps: *No Further BOE action is required.*

CC:

Sarah Kaiser, BOE Secretary

Jeffrey Wihbey, Superintendent of Schools

Enclosures: *None*

