

Alton School District about to pass \$10 million in working cash bonds

by Cory Davenport, Contributing Writer
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ALTON - In a move, which will both cost taxpayers and save student services, the Alton School District is preparing to approve the sale of an estimated \$10 million in working cash bonds.

These bonds will go toward the day-to-day operations within the district - specifically the education and transportation funds, which both have significant deficits and the most money owed into them by the State of Illinois. Current Alton School District Financial Director Mary Schell, who took the position as recently as July 1, 2017, said the bonds would prevent the need for possibly "catastrophic" cuts if they were not passed.

The district's intent to sell these bonds was approved at the September meeting of the Alton Board of Education, and the measure to issue these bonds is on the agenda for the October meeting next Tuesday.

After the intent to sell was approved at last month's meeting, a 30-day window of opportunity opened for community members wanting to place the measure on a public ballot. That window would require a petition signed by at least 10 percent of the district's population, and would require the district take the measure to a vote. Schell said that window is quickly closing.

Property owner Ed Kreitner is attempting to garner the more than 3,400 petitions required to force the measure to a ballot. He said his taxes have increased by as much as \$10,000 this year, despite owning five less properties. He said taxes for his 65 properties with 75 tenants is as high as \$72,000 without the passing of these bonds in question.

If passed by the board, the working cash bonds would equate to a tax increase of an estimated \$41 for a home valued at \$100,000 within the district.

While tax increases immediately trigger alarm bells for many residents living within the district, Schell assured the school district and its board keep taxpayers on the forefront of their minds when seeking options to prevent damaging cuts and maintaining a standard of academic excellence for students.

"I think it's really important to know this isn't a decision the board or Superintendent Cappel takes lightly," she said Thursday. "The board especially represents the public body. They keep the tax rate in the forefront of their minds when they make decisions."

These bonds are similar to working cash bonds issued in 2014, but Schell was quick to say they are different than bonds passed by the district more recently in 2016. The \$10 million in bonds issued in 2016 were used to restructure previously existing debt, with the intent of lowering the overall cost on taxpayers.

Passing these bond issuances within the confines of the school board, while itself a public entity, is an action referred to as a "backdoor referendum," by many critics. When asked about that title, Schell said she thought of the issuance of bonds as "protocol."

"There's a balance when the board wants to make a decision to sell working cash bonds," she said. "If we're not able to do it, we're going to be looking at catastrophic cuts that may harm students. I think people do refer to them as 'backdoor referendums,' but to me, it's protocol. When we reach a point when we're not able to cover expenses, there are working cash bonds. We hold a hearing and state our intent. What I consider process and protocol, some public members consider a backdoor referendum."

The very nature of the "backdoor referendum" is the issue Kreitner cites when distributing his petitions. He said such measures are illegal in Missouri, citing that neighboring state must take bond issuances such as these to a public ballot. If taken to the public ballot and passed, Kreitner said he would have to follow the law as it was chosen.

"It is unethical," Kreitner said of the backdoor referendums. "With Madigan being our governor, so-to-speak, a lot of these things are going wrong."

Kreitner is passing booklets and binders full of information regarding these referendums as well as former bonds issued by the district in 2014 and 2016 to anyone who will take them in the interest of forcing this measure to a public ballot.

"Backdoor referendum is the perfect name for it," he said. "They don't want to come through the front door and ask you if you want to pay for it, so they go through the backdoor. If the people were able to vote for it, I have to pay for it, it's the law, but when it becomes the law from seven people, I don't agree."

When asked about the need for these bonds, Schell recounted a similar story told across the State of Illinois. Years of missed payments and proration, which decreases the amount owed by a percentage, have coupled with declining equalized assessed values (EAVs) to make a perfect storm of school funding woes.

Currently, the district has a combined debt total of \$53,604,758 - a staggering number to many, but Schell said, given the conditions of the Alton School District, is to be expected. It is far from the legal debt margin of the district, which is determined as 13.8 percent of its EAV.

Currently, Alton School District has an assessed valuation of \$693,910,025, meaning it could legally carry a debt as high as \$95,759,583. In an email, Schell said no debt is scheduled past 2029.

"When you look at Alton with its EAV and its budget, it doesn't strike me as particularly odd - especially with the building of the beautiful new high school and the renovations of the elementary schools," she said. "When you look at the annual payments, it doesn't strike me as too odd."

Recently, Illinois Governor Bruce Rauner (R) made a compromise with the majority-Democrat Illinois General Assembly to revamp school funding throughout the state. Because of this restructuring, the Alton School District is set to receive as much as \$900,000 in additional funding from the state, but Schell said those numbers were not finalized, and the final numbers may not be known or received until springtime.

Under the new funding formula, Alton was placed in "tier one," meaning it is among the "neediest" districts within the state. Currently, Alton has a 62 percent funding gap - a problem the state wants fixed, but its deadline to have it fixed is as late as June 30, 2027.

This additional revenue is good news, but other bills within the state's General Assembly have cut funding. A statewide cut in the Corporate Personal Property Replacement Tax (CPPRT) will cost the Alton School District as much as \$1.286 million from its share of the revenue.

"Even though we're gaining from the new funding formula, we're losing from CPPRT," Schell said. "It is not a good thing. We are hopefully optimistic with the new funding formula. We know good things are coming from that. It's hard to keep that balance. It wasn't just our district suffering from that cut, all districts in the state are seeing a cut."

To add to that hopeful optimism, Schell said the EAV within the district, after falling for several years annually, has seen a two percent increase in 2016.

A public hearing for the bond issuance will be held next Tuesday, Oct. 17 at the meeting of the Alton Board of Education.