

Life Safety 101

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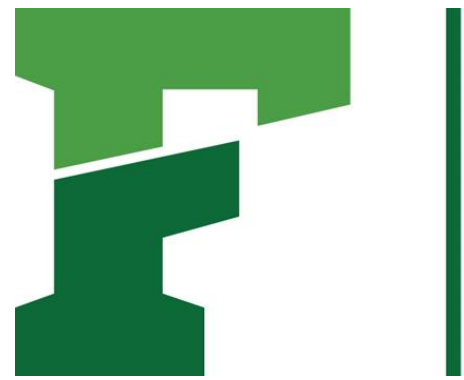
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Presentation Outline

- I. Introduction
- II. New Legislation (Public Act 103-591)
- III. Life Safety Bonds, Generally
- IV. Life Safety Bonds in Practice
- V. Structuring Strategies for Life Safety Bonds



FREMONT
SCHOOL DISTRICT 79

- Health Life Safety Survey *(Completed Fall 2021)*
- Security Assessment *(Completed Fall 2022)*
- Facility Assessment *(Completed Fall 2023)*
- Educational Long Range Facility Plan *(Approved December 2024)*
 - Community Priorities
 - Ivanhoe Development
 - 3,100+ planned residential units
 - Estimated additional ~1,000 students (20-25 years)
- Health Life Safety Survey Amendments *(ISBE Approved Winter 2025)*

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New Legislation (Public Act 103-591)

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Recent Legislative Efforts Re School Borrowing Powers (Pre-Public Act 103-0591)

- School districts have several non-referendum borrowing alternatives, including:
 - Working Cash Fund Bonds
 - Funding Bonds
 - **Life Safety Bonds**
 - Debt Certificates
 - Alternate Revenue Bonds
- Numerous bills have been introduced that would limit these powers, including:
 - Various “Stacked Debt” bills
 - Various “Tax Freeze” bills
 - Various “Footprint-only Refunding” bills

Recent Legislative Efforts Re School Borrowing Powers (Pre-Public Act 103-0591) (continued)

- Bills designed to facilitate borrowings have also been introduced, approved by the General Assembly and signed by the Governor, including:
 - Debt Service Extension Base CPI Escalator (Public Act 96-501, eff. 8/14/2009)
 - Increasing Working Cash Fund Capacity (Public Act 101-416, eff. 8/16/2019)
 - Numerous District-specific Debt Limit Exceptions

Public Act 103-0591 (HB 4582)

- Effective Date: July 1, 2024
- Bill sponsors: Senator Don Harmon (D-Oak Park); Representative Robert “Bob” Rita (D-Blue Island)
- Senate vote to pass the bill back to the House as amended by Senate Floor Amendment No. 1 (3/5 vote required): 40-18-0
- House motion to concur in Senate Floor Amendment 1 (which became the bill) (3/5 vote required): 72-38-0
- **Makes several changes to the statutory framework governing school district borrowings**

Public Act 103-0591

1. **Excepts all voter-approved bonds, beginning with the November 2024 general election, from debt limit**

- Section 19-1 of the School Code includes numerous exceptions to applicable debt limits, including approximately 45 district-specific debt limit exceptions for voter-approved bonds.
- Pursuant to Section 19-1(a-5) of the School Code and Section 21 of the Bond Issue Notification Act (BINA), any school district, prior to issuing voter-approved bonds, must hold a public hearing, if the school district is relying on a Section 19-1 debt limit exception.
- The Act does not amend this public hearing requirement. As such, all school districts, prior to issuing voter-approved bonds, must hold a Section 19-1(a-5) public hearing to avail of this debt limit exception.

Public Act 103-0591

2. Eliminates referendum requirement for new school building construction that results in an increase in pre-kindergarten and/or kindergarten classroom space

- Generally speaking, direct referendum approval is otherwise required to build or purchase a building for classroom or instructional purposes.
- The general rule applies even when the school district has sufficient funds on hand.
- There are several, narrow exceptions to the general rule, including financing the new building with bonds secured by County School Facility Sales Tax revenues.
- Due to debt limit constraints and, for tax-capped districts, DSEB constraints, school districts will continue to need direct referendum approval of bonds for the vast majority of new school building projects.

Public Act 103-0591

3. Increases maximum term of school district bonds to 30 years

- Prior to PA 103-0591, the maximum term of school bonds was limited to 20 years by law.
- School districts often borrow to finance capital assets with useful lives significantly longer than 20 years, such as new gymnasiums, science labs and classroom additions.
- The increased term under the Act is limited to school bonds which are issued for the purpose of purchasing, constructing or improving real property.

Public Act 103-0591

4. **Excepts taxes levied to pay school fire prevention and safety (SFPS) bonds from the Tax Cap (PTELL)**

This change is the focus of this presentation.

Life Safety Bonds, Generally

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What are School Fire Prevention and Safety Bonds?

- SFPS bonds are issued by school districts to alter and repair existing school buildings and equipment for fire prevention and safety purposes — “to bring existing buildings up to code”.
- SFPS bonds may also be issued to replace an existing building if the cost of replacement is less than the cost to repair.
- Before SFPS bonds are issued, the improvements to be financed must be approved by Regional Superintendent and State Superintendent.
- Projects will not be approved if work has already commenced.
- Subject to the statutory (6.9% and 13.8%) debt limits.
- BINA public hearing required, but no backdoor referendum (30-day period).
- Repaid with dedicated bond and interest property tax levy.

Why was SFPS Bond Legislation Necessary/Desirable?

- Prior to PA 103-0591, extensions made to pay SFPS Bonds were only excepted from PTELL to the extent such extensions were within the applicable debt service extension base (DSEB).
- DSEB availability varies greatly among school districts.
- Non-tax capped school districts have been able to issue SFPS Bonds without limit on the annual debt service payment.

Property Tax Extension Limitation Law (PTELL)

- “Tax Cap” enacted in Collar Counties in 1991; in Cook County in 1994; and in downstate counties by referendum beginning in 1996
- Limits the annual increase in property tax revenue a non-home rule taxing district may receive to the lesser of 5% or CPI
- Law in 39 of 102 counties, representing approximately 80% of the State’s population

PTELL (continued)

- Intent of PTELL is to limit the growth of property taxes
 - Caps the **total dollar amount** certain property taxes may increase from year to year
 - Such property taxes can only increase by CPI or 5% (whichever is less) PLUS any new property added to the tax rolls each year
 - Slows the growth of property taxes when property values and assessments are increasing faster than inflation
 - Increases the growth of property taxes when property values and assessments are increasing slower than inflation
 - CPI means the increase in the “Consumer Price Index - All Urban Consumers” (CPI-U)
 - CPI increase for tax levy year 2024: 3.40%
 - CPI increase for tax levy year 2025: 2.90%
 - Allows taxing districts the flexibility to continue to extend bonds (DSEB) to a level equal to its 1994 debt extension (or year the Cap was voted in). DSEB now increases by CPI each year

Life Safety Bonds in Practice

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How is Proposed Life Safety Work Approved?

- District may only issue SFPS bonds to the extent of State-approved “amendments”.

School Board

- Hires an architect to assist the district in correcting school building code violations.
- District must survey each building at least once every 10 years.
- If district intends to issue SFPS Bonds to finance repairs or alterations to any school building, the district must file a “Request for Authorization” with Regional Superintendent/IWAS.

Architect

- Inspects buildings for violations, repairs or alterations.
- Prepares a report of the inspections.
- Certifies that to the best of his/her knowledge, the recommendations and estimated costs to abate the violations are true and accurate and submits an original certificate of approval to the Regional Superintendent and to the State Superintendent.

Life Safety Amendment Process

Regional Superintendent

- Checks the reasonableness of the architect's estimated costs for the proposed work.
- Submits the amendment through the IWAS HLS system to ISBE.
- Issues **Certificate of Approval**.
- (After the State approves the amendment) issues an **Order to Effect** directing the district to undertake such improvements.

State Superintendent

- Checks the accuracy and completeness of the proposed amendment and the reasonableness of estimated costs.
- Approves or denies all or part of the recommendations itemized in the amendment.
- Issues **Certificate of Approval** for the proposed work that is signed by State Superintendent.

Life Safety Survey and Amendment Process

- Each building area is surveyed separately
- Survey evaluates code compliance based on the original year of construction (or latest renovation where code requirements were applicable).
- Survey is completed every 10 years; Amendments can be submitted as necessary
- Survey/Amendment Requirements
 - Description of Violation
 - Code Reference of Violation
 - Recommendation to Correct Violation
 - Priority Code
 - Estimated Cost
 - Funding Type

Life Safety Prioritization

“a” - Urgent: presents an immediate hazard to the safety of occupants

- to be corrected within one year from final submission

“b” - Required: necessary for a safe environment but presents less of an immediate hazard

- to be corrected within five years from final submission

“c” - Recommended: does not present any immediate hazard and is not required by code

- not required to be corrected by code, can only be completed once all ‘a’ and ‘b’ items are funded/completed

Typical Life Safety Violations

‘a’ and ‘b’ Items can include:

- Anything related to impeding egress – tripping hazards (flooring) or sticky doors, exit signs
- Anything related to building envelope and allowing water to come into the building – i.e. tuckpointing, roofing, leaking windows, flashing details
- Anything related to building structure failures – i.e. replacing rusted or deteriorated structural elements like lintels, roof decking, concrete that is spalling
- Anything related to fire safety – doors, glazing, walls, fire caulk, openings in walls. - ***This does not mean “sprinklering” a non-sprinkled building***
- Replacement of equipment that can no longer be serviced due to age/access to components – i.e. boilers, unit ventilators, air handling units, lighting, smoke alarms, door hardware, doors, intercom, fire alarm systems, plumbing fixtures, etc. - ***This does not include providing air conditioning for buildings that do not currently have A/C***

‘c’ Items can include:

- Energy Conservations - ***this requires calculations showing 20-year payback or less***
- ADA Compliance – entry to building, access to learning environments, restroom facilities, drinking fountains, etc.
- Anything related to security – cameras, intercom, glass, secured entry, exterior lighting, etc.
- Paving (sidewalk, playgrounds, parking lot) replacement or repair – ***this requires a public hearing and specific Board Resolution***

New School Construction without Referendum

School District A

Project: Building a new \$40 million elementary school without direct referendum

- Non-PTELL School District
- Building project will increase pre-K and kindergarten classroom space within the District
- 60% funded with life safety replacement (HLS bonds) and 40% funded due to new legislation (WCF bonds)
- 30-year debt amortization

Structuring Strategies for Life Safety Bonds

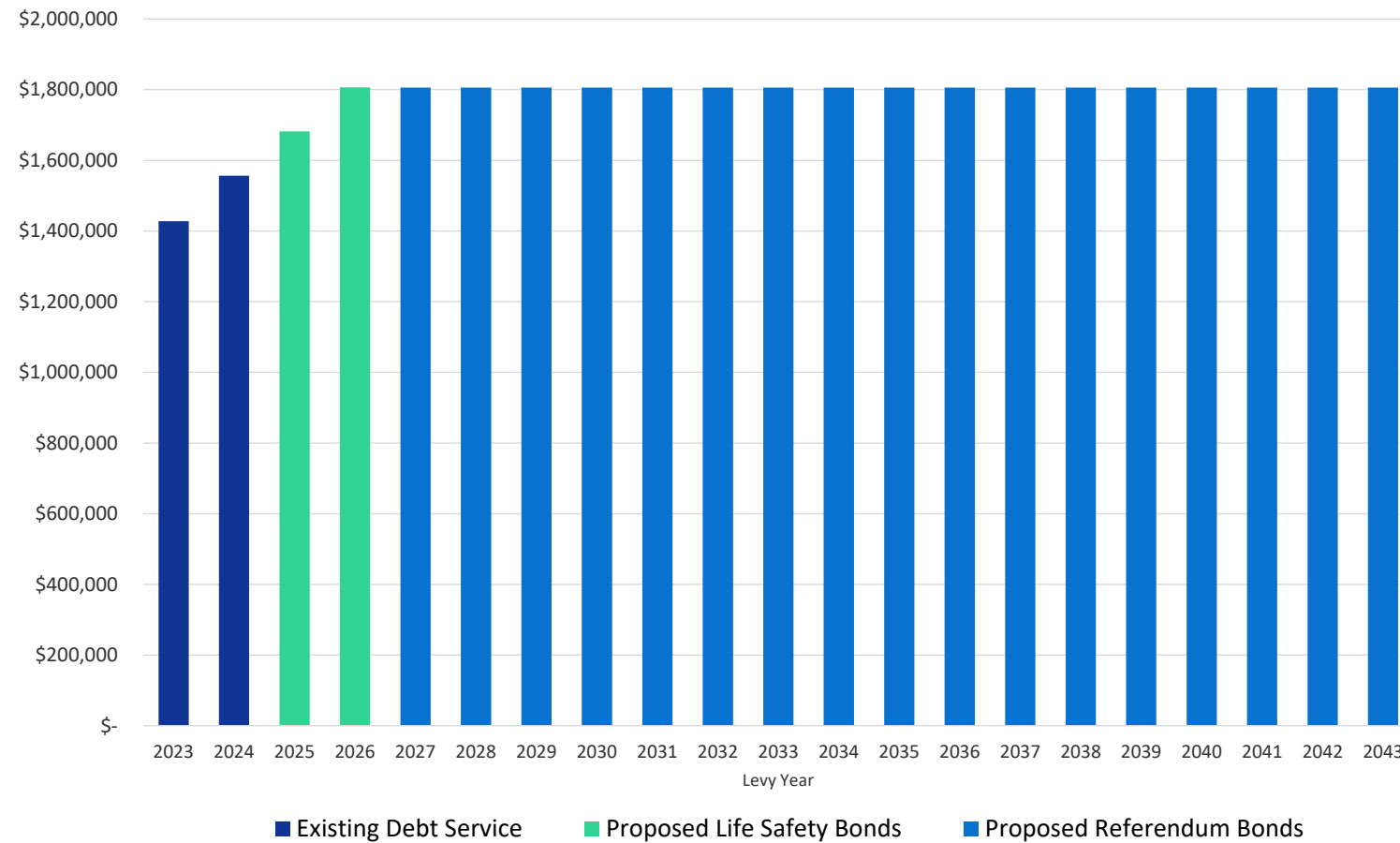
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Life Safety Bonds – Example 1

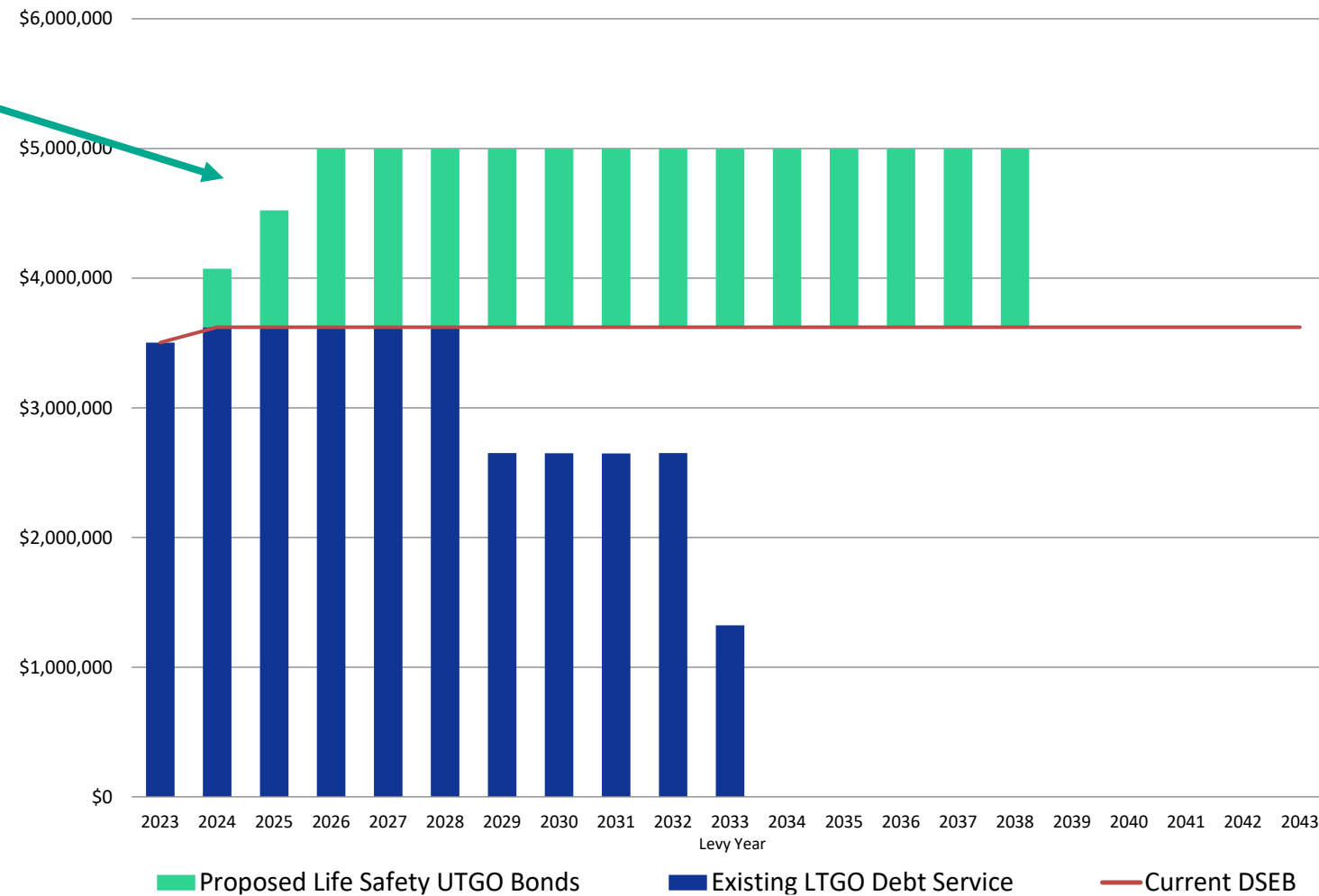
- Existing referendum debt matures prior to future referendum need
- Use Life Safety authority as a “bridge”



Life Safety Bonds – Example 2

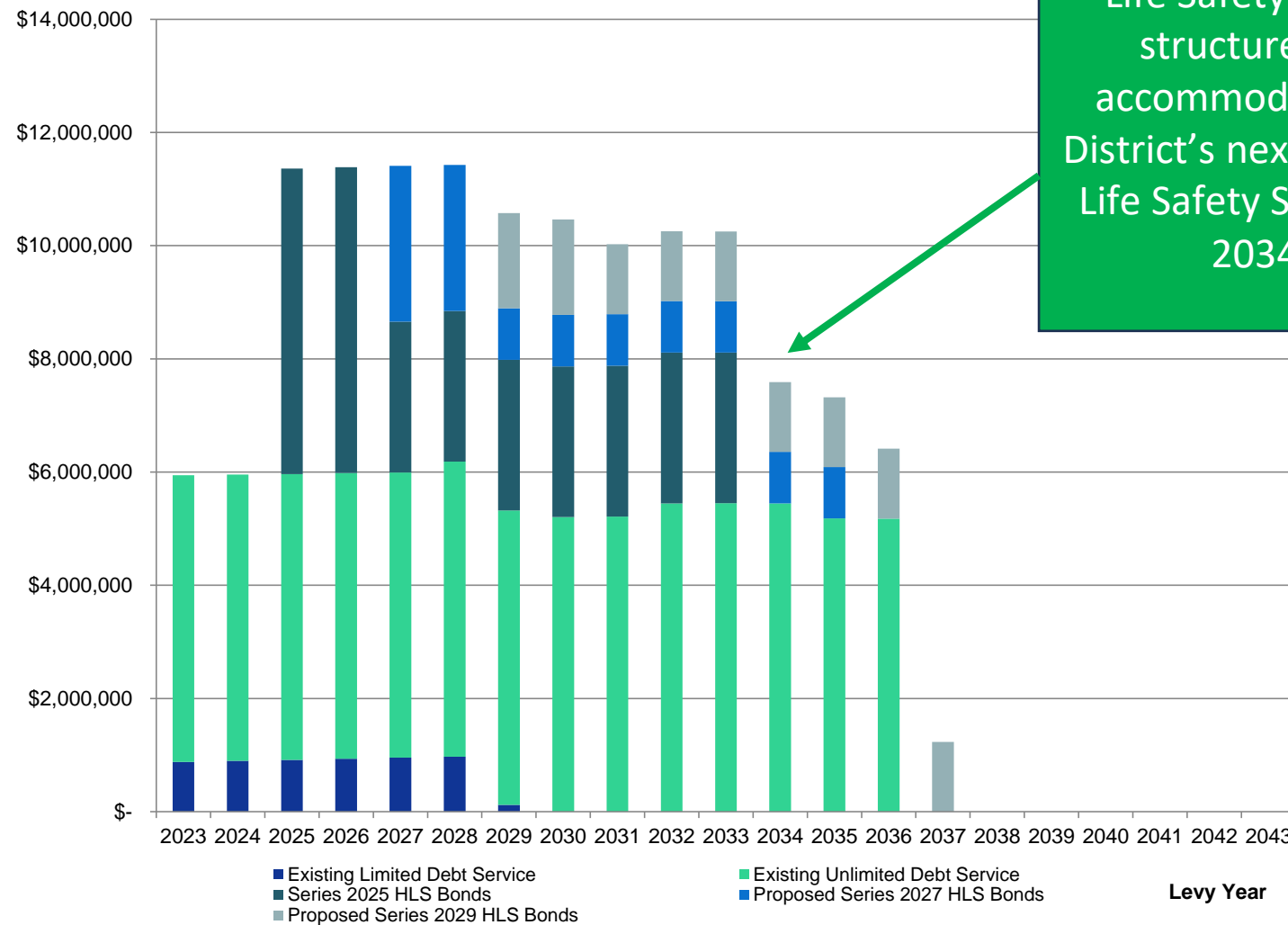
- DSEB is at capacity for the next five years
- Issuing Life Safety bonds avoids costly restructuring

New life safety bonds are phased in over 3 years to moderate the annual increases for the taxpayer



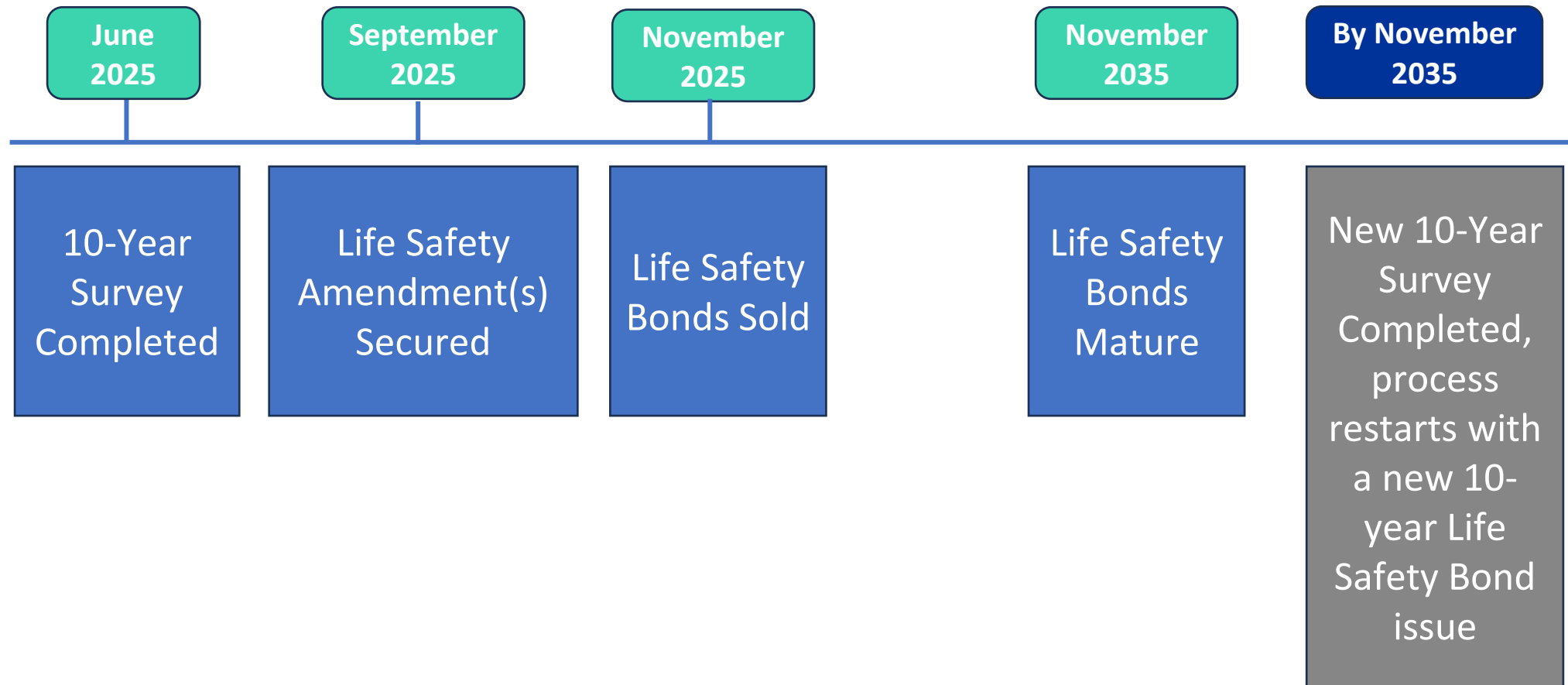
Life Safety Bonds – Example 3

- Significant Life Safety needs over several years
- One increase in total annual debt service



Life Safety Bonds – Debt Structuring Strategy

- Implement a maturity schedule that syncs with the district's 10-year Life Safety Survey cycle



Recent School District Experiences with the Life Safety Approval and SFPS Bond Sale Process

- Allow sufficient time for ISBE approval of your district's Life Safety Amendments, including back-and-forth dialogue with your school district's architect
- Project scope may increase between the time your district's amendments are approved and when bonds are eventually sold; updated amendments can be filed with ISBE
- A school district may hold a BINA hearing before approved amendments and approvals are available, but the Board of Education may not adopt a resolution for the sale of SFPS Bonds until after they are available

Questions and Answers

We thank you for your time!

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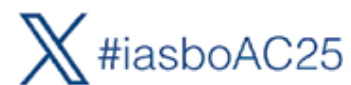
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