

Making Health Life Safety Legislation Work For You

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Introductions

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Presentation Outline

- I. New Legislation (Public Act 103-591)
- II. Life Safety Bonds, Generally
- III. Life Safety Bonds in Practice

New Legislation (Public Act 103-591)

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Recent Legislative Efforts Re School Borrowing Powers (Pre-Public Act 103-591)

- 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. **Excludes 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; Amendments can be submitted as necessary.
- 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.

How is Proposed Life Safety Work Approved?

Architect

- Inspects buildings for violations, repairs or alterations.
- Prepares a report of the inspections.
- Survey evaluations code compliance based on original year of construction (or latest renovation where code requirements were applicable)
- 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.

How is Proposed Life Safety Work Approved?

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 Amendment Prioritization

“A” Items

Urgent: Presents an immediate hazard to the safety of occupants:

- to be corrected within one year from final submission

“B” Items

Required: Necessary for a safe environment but presents less of an immediate hazard

- to be corrected within five years from final submission

“C” Items

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 Improvements

'a' and 'b' Items can include:

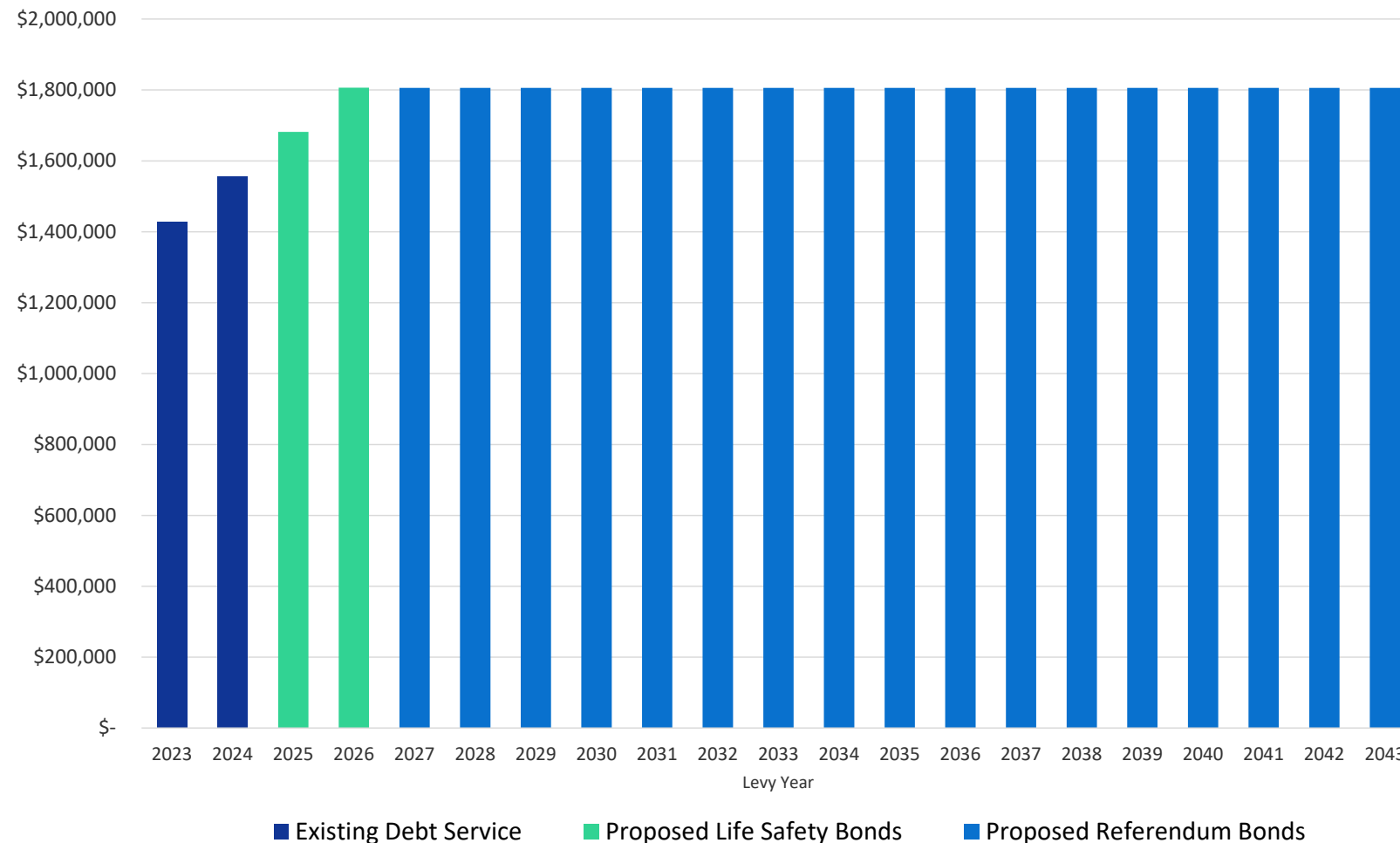
- Anything related to impeding egress – tripping hazards (flooring) or sticky doors, exit signs
- Anything related to building envelope and allowing water to come into the building – i.e. tuckpointing, roofing, leaking windows, flashing details
- Anything related to building structure failures – i.e. 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***

Life Safety Bonds – Example 1

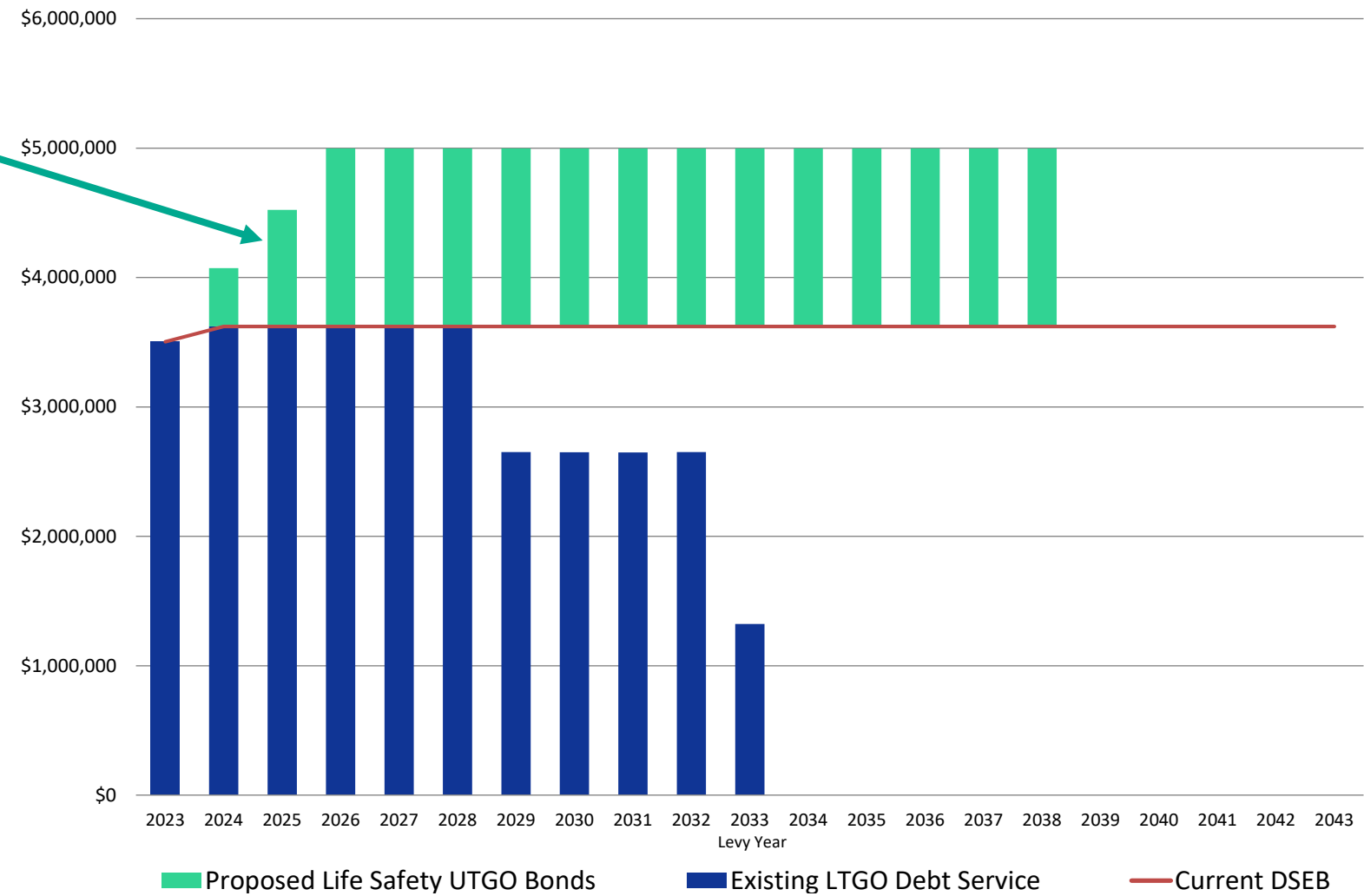
- ▶ Existing referendum debt matures prior to future referendum need
- ▶ Use Life Safety authority as a “bridge”



Life Safety Bonds – Example 2

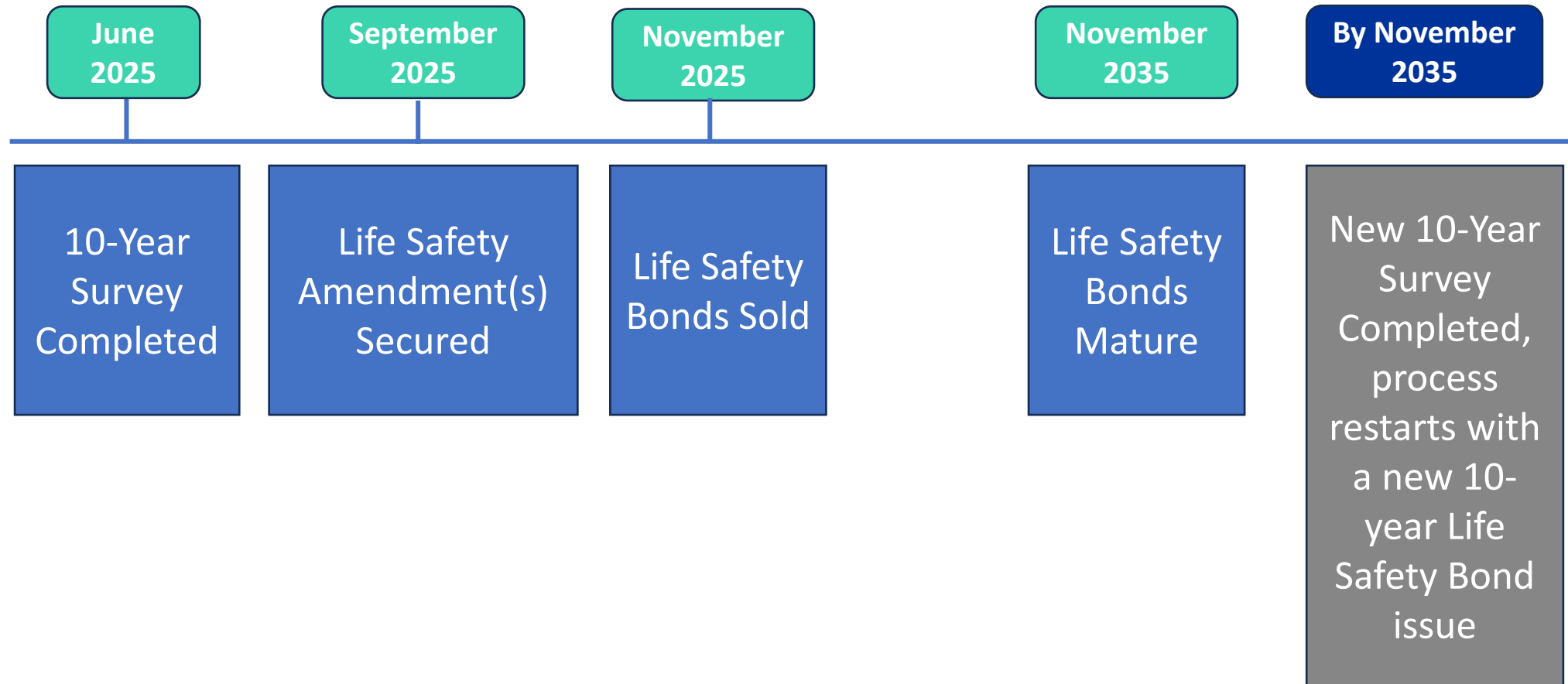
- ▶ DSEB is at capacity for the next five years
- ▶ Issuing Life Safety bonds avoids costly restructuring

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



Life Safety Bonds – 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

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

New School Construction without Referendum

			30-Year Debt Amortization				20-Year Debt Amortization			
Levy Year	Calendar Year	Taxable EAV ⁽¹⁾	Existing Debt Service	2025 Bonds Debt Service ⁽²⁾	Total Debt Service	Bond & Interest Tax Rate	Existing Debt Service	2025 Bonds Debt Service ⁽²⁾	Total Debt Service	Bond & Interest Tax Rate
2024	2025	404,495,298	1,848,906	-	1,848,906	0.4571	1,848,906	-	1,848,906	0.4571
2025	2026	414,607,680	922,899	1,005,740	1,928,639	0.4652	922,899	1,685,728	2,608,626	0.6292
2026	2027	424,972,872	935,450	1,040,600	1,976,050	0.4650	935,450	1,737,450	2,672,900	0.6290
2027	2028	435,597,194	-	2,028,000	2,028,000	0.4656	-	2,740,936	2,740,936	0.6292
2028	2029	446,487,124	-	2,080,100	2,080,100	0.4659	-	2,809,575	2,809,575	0.6293
2029	2030	457,649,302	-	2,132,475	2,132,475	0.4660	-	2,877,200	2,877,200	0.6287
2030	2031	469,090,535	-	2,186,475	2,186,475	0.4661	-	2,948,325	2,948,325	0.6285
2031	2032	480,817,798	-	2,236,975	2,236,975	0.4652	-	3,022,450	3,022,450	0.6286
2032	2033	492,838,243	-	2,293,725	2,293,725	0.4654	-	3,099,075	3,099,075	0.6288
2033	2034	505,159,199	-	2,351,350	2,351,350	0.4655	-	3,177,700	3,177,700	0.6290
2034	2035	517,788,179	-	2,409,600	2,409,600	0.4654	-	3,257,825	3,257,825	0.6292
2035	2036	530,732,884	-	2,472,100	2,472,100	0.4658	-	3,340,000	3,340,000	0.6293
2036	2037	544,001,206	-	2,534,200	2,534,200	0.4658	-	3,420,200	3,420,200	0.6287
2037	2038	557,601,236	-	2,597,400	2,597,400	0.4658	-	3,508,300	3,508,300	0.6292
2038	2039	571,541,267	-	2,661,500	2,661,500	0.4657	-	3,593,900	3,593,900	0.6288
2039	2040	585,829,798	-	2,726,300	2,726,300	0.4654	-	3,686,600	3,686,600	0.6293
2040	2041	600,475,543	-	2,796,500	2,796,500	0.4657	-	3,776,000	3,776,000	0.6288
2041	2042	615,487,432	-	2,866,800	2,866,800	0.4658	-	3,871,700	3,871,700	0.6290
2042	2043	630,874,618	-	2,937,000	2,937,000	0.4655	-	3,968,200	3,968,200	0.6290
2043	2044	646,646,483	-	3,011,800	3,011,800	0.4658	-	4,070,000	4,070,000	0.6294
2044	2045	662,812,645	-	3,085,900	3,085,900	0.4656	-	4,166,700	4,166,700	0.6286
2045	2046	679,382,961	-	3,162,750	3,162,750	0.4655	-	-	-	-
2046	2047	696,367,535	-	3,241,847	3,241,847	0.4655	-	-	-	-
2047	2048	713,776,724	-	3,323,931	3,323,931	0.4657	-	-	-	-
2048	2049	731,621,142	-	3,408,591	3,408,591	0.4659	-	-	-	-
2049	2050	749,911,670	-	3,495,413	3,495,413	0.4661	-	-	-	-
2050	2051	768,659,462	-	3,582,156	3,582,156	0.4660	-	-	-	-
2051	2052	787,875,949	-	3,668,275	3,668,275	0.4656	-	-	-	-
2052	2053	807,572,848	-	3,764,831	3,764,831	0.4662	-	-	-	-
2053	2054	827,762,169	-	3,856,294	3,856,294	0.4659	-	-	-	-
2054	2055	848,456,223	-	3,952,238	3,952,238	0.4658	-	-	-	-

(1) Assumes 2.50% annual EAV growth.
(2) Preliminary. Based on \$40m for project, combined HLS and WCF bonds, capitalized interest at a hypothetical rate of 4.50% for 30-year amortization and 4.10% for 20-year.

Estimated Tax Impact		
	Estimated New B&I Tax Rate	Estimated Tax Rate Increase
30-Year Debt Amort.	0.4657	0.0086
20-Year Debt Amort.	0.6290	0.1719

New School Construction without Referendum

Estimated Homeowner Tax Rate Increase		
	30-Year Amortization	20-Year Amortization
Est. Net Bond Proceeds	\$40,000,000	\$40,000,000
Est. Bond & Interest Tax Rate Increase	\$0.0086	\$0.1719
Market Value	Estimated Homeowner Tax Increase ⁽¹⁾	
\$200,000	\$5.22	\$104.29
\$300,000	\$8.08	\$161.59
\$400,000	\$10.95	\$218.89
\$500,000	\$13.82	\$276.19
\$650,000	\$18.12	\$362.14
\$750,000	\$20.98	\$419.44
⁽¹⁾ Per \$100 of assessed valuation. Includes homestead exemption.		

- Significant potential annual tax savings to a homeowner with a 30-year debt amortization.

Health Life Safety Bonds (*Example 1*)

School District B

Project: Construct \$8 million in fire prevention and life safety improvements for the District's buildings.

- School District subject to PTELL
- School District has No DSEB (had zero B&I on tax levy when PTELL was enacted in their County)
- District had been planning a referendum for health life safety work since 2021.
- Due to the new legislation, the District has scrapped referendum plans and will issue HLS bonds instead.

Health Life Safety Bonds (*Example 2*)

School District C

Project: Construct \$5 million in HLS improvements, including roof renovations, flooring and lighting improvements, new gym bleachers and HVAC improvements. This is Phase 1 with Phase 2 being financed in 2-years.

- School District subject to PTELL
- School District's DSEB all has been utilized towards other bonds until 2033
- District's project was originally slated for 2030.
- Freeing up HLS debt from DSEB will allow the District to bring forward more projects/jobs that had been slated for the future.

Health Life Safety Bonds (*Example 2*)

Levy Year	Calendar Year	Taxable EAV ⁽¹⁾	DSEB ⁽²⁾	Outstanding Debt Service & DSEB			Estimated Debt Service & Levy			
				Outstanding Debt Service	Remaining DSEB	Bond & Interest Tax Rate	Outstanding Debt Service	2025 HLS Debt Service ⁽³⁾	Total Debt Service	Bond & Interest Tax Rate
2024	2025	631,793,966	787,872	716,982	70,890	0.1135	716,982	753,767	1,470,749	0.2328
2025	2026	647,588,815	810,720	719,267	91,453	0.1111	719,267	752,500	1,471,767	0.2273
2026	2027	663,778,535	826,934	720,432	106,503	0.1085	720,432	603,125	1,323,557	0.1994
2027	2028	680,372,998	843,473	720,747	122,726	0.1059	720,747	601,375	1,322,122	0.1943
2028	2029	697,382,323	860,342	720,317	140,026	0.1033	720,317	603,500	1,323,817	0.1898
2029	2030	714,816,881	877,549	719,033	158,517	0.1006	719,033	604,375	1,323,408	0.1851
2030	2031	732,687,303	895,100	719,084	176,017	0.0981	719,084	604,000	1,323,084	0.1806
2031	2032	751,004,486	913,002	716,500	196,503	0.0954	716,500	602,375	1,318,875	0.1756
2032	2033	769,779,598	931,262	-	931,262	0.0000	-	604,375	604,375	0.0785
2033	2034	789,024,088	949,887	-	949,887	0.0000	-	307,500	307,500	0.0390
2034	2035	808,749,690	968,885	-	968,885	0.0000	-	-	-	0.0000
2035	2036	828,968,433	988,263	-	988,263	0.0000	-	-	-	0.0000
2036	2037	849,692,643	1,008,028	-	1,008,028	0.0000	-	-	-	0.0000
2037	2038	870,934,960	1,028,189	-	1,028,189	0.0000	-	-	-	0.0000
2038	2039	892,708,334	1,048,753	-	1,048,753	0.0000	-	-	-	0.0000
2039	2040	915,026,042	1,069,728	-	1,069,728	0.0000	-	-	-	0.0000
2040	2041	937,901,693	1,091,122	-	1,091,122	0.0000	-	-	-	0.0000

(1) Assumes 2.50% annual EAV growth.
 (2) Assumes 2.00% annual CPI increase.
 (3) Net \$5m for HLS projects and TIC % of 3.69%.

- Pulls forward projects originally slated for 2030
- Eliminates the need to backload debt, which increases borrowing costs and future flexibility
- Begins HLS bond financing plan for future HLS projects

Questions and Answers

We thank you for your time!

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