



Maintaining Strong Bonds with the Community

On February 5, 6 and 7, *The Daily Herald* ran several stories under the heading “Broken Bonds – Big money, unspoken practices: The costly world of school loans.” While the series did not specifically mention Community Unit School District 95, the district was one of 29 Lake County school districts listed in a chart entitled “Lake County school district loans since 2000.” The amount listed for District 95 was for a \$55 million voter approved bond measure and another \$1.56 million the district paid in fees and related costs of obtaining the bonds.

While District 95 was not the subject of any of the stories that appeared in *The Daily Herald* series, the Board of Education and district administration want the community to be aware of the information related to the 2000 bond referendum and the sale of the resulting bonds.

The following information has been provided by **Jon Hitcho**, Assistant Superintendent of Business Services for District 95. At the time of the 2000 referendum, Mr. Hitcho had been hired as an intern in the district’s business office.

Referendum Background

Prior to the approval of the successful 2000 bond referendum, the District 95 student population was increasing by 4 percent each year. Even though the District had built Isaac Fox Elementary School and Middle School South in 1993 and then expanded Middle School South, Isaac Fox and Sarah Adams in 1998, the school district was outgrowing its facilities.

At the December 2, 1999 Committee of the Whole meeting, the Board of Education first discussed its referendum needs. At that time, it was determined by the Board of Education that it would be necessary to build new and renovate existing facilities to accommodate an expanding student population. The investigation and due diligence on potential parcels for new school

buildings also began at that time. A variety of building and funding options were explored at length.

In March 2000, the Board of Education selected its architect firm and submitted an application for Construction Grant Entitlement with the State of Illinois Capital Development Board. At the May 4, 2000 Committee of the Whole meeting, the Facilities Advisory Task Force presented demographic projections and made their facilities recommendations.

The referenda discussions for both an operating rate increase and construction ensued in June 2000. On August 3, 2000, a referendum recommendation was made by the school district administration to the Board of Education. The recommendation was for \$65 million and it was to be used to build a new elementary and middle school. In addition, it was also recommended to build new science classrooms, a field house and a performing arts center at the High School. To meet the expenses of the new buildings, an operating rate increase of .43 was also recommended. The Board of Education publicly discussed the referendum recommendation at their August 10 and 17 meetings before drafting and approving the referendum resolution on August 24, 2000.

The referenda vote was held on November 7, 2000. At that election, the construction issue passed overwhelmingly while the operating rate was soundly defeated. Since the Building Bond issue passed, the district received a grant of \$12,236,000 from the Capital Development Board. These additional funds expanded the district’s construction projects without an additional burden to the taxpayers.

Financing the New Construction

At its regularly scheduled meeting on November 16, 2000, the Board of Education discussed the investment schedule for the voter approved bonds. It was at this meeting that the Board of Education took the following stance on the bonds:

- As the life expectancy of a school building is 50 years and the bond issue was for 20 years, they wanted a level tax rate throughout the bond issues to help share the burden of the new facilities. Therefore, the Board used capital appreciation bonds as part of their funding.

Cont. on Pg. 2--See *Strong Bonds*

In This Issue...

New Principals...4

Day of Beauty...4

P.U. is for You!...5

Got Talent?.....5

Do You.....5

The Mill.....6



Lake Zurich Middle School South

Strong Bonds Cont.

On December 7, 2000, the Board approved the Resolution to Issue Bonds which included the structure of the financing of the district's bonds.

District 95's Construction Bonds Structure

The approved referendum was for \$65 million. The school district broke up the bond sale into three different issues. The district was rated by Moody's with an Aa2 rating, Standard and Poor's increased the rating from AA to AA+, while Fitch awarded the district an AA+ rating. Having high bond ratings while securing low interest rates on the bond bids helped the district save the taxpayers additional costs.

The district issued \$55 million in December of 2000; of that \$55 million Series 2000, the bonds were broken out by \$26,145,000 in current interest bonds and \$28,820,780.20 in Capital Appreciation Bonds, also known as CABs. Lastly, to avoid additional arbitrage rebates, the district issued \$10 million in January 2001. At that time, if \$10 million or less was issued in a calendar year, then it would be exempt from arbitrage. Today, this limit is \$15 million. This bond issue was for all current interest bonds. All of the bonds issued were non-callable.

The Capital Appreciation Bonds were issued to reduce the interest cost in the first five years of the debt issuance, thus spreading the burden of the cost of the bonds across the community over their term. The promise by the Board of Education to the taxpayers in the November 2000 referendum was that the bonds would cost .24 per \$100.

If Capital Appreciation Bonds were not used, the tax increase would have been approximately double the projected increase of .25 or .50, bringing the bond and interest tax rate to .83. This is the structure that *The Daily Herald* recommended in their article on February 7, 2006.

The school district did issue about \$1.5 million of a premium on the \$55 million Series 2000 bonds. These premium funds did not increase the project fund, but went to pay the costs of issuing the bonds (\$947,569) and the capitalized interest (\$614,211), which is used to pay debt service in the first year.

Suggested Questions from *The Daily Herald*

The Daily Herald recommended that taxpayers ask their respective school districts the following questions about bond issues. So that you have correct information, the district has provided the answers to the proposed questions below.

Q: How much will the bond issue cost taxpayers over the life of the loan? Given that tax rates could change slightly, you're looking for the district's best guess based on the projected payment structure.

The \$65 million bond issue including the capital appreciation will cost tax payers in this community \$116,015,029. Another way to look at it, is if you purchased a home in District 95 for \$250,000 at the same time the district sold its bonds (December 2000), the historical rate for a 30-Year Fixed Mortgage was 7.58%. After the 30 years, you will have paid \$634,230 for that house in principal and interest.

Q: How much will this bond issue cost an individual taxpayer each year over the life of the loan, based on its effect on existing tax-rate projections?

To individually calculate a real estate tax bill over the life of the bond when there are so many different variables that contribute to the rate would be extremely cumbersome. The tax rate to the home owners of Community Unit School District 95 increased by .24 for the entire \$65 million dollar issue. The rate is consistent at .24 through the year 2010 and then begins to decrease throughout the life of the bonds ending up at .11 in 2021. If you want to know the impact of this individual issue, you can appreciate the value of your home over the term of the bonds and factor that into the bond rate.

Q: What type of bonds will the district issue — capital appreciation or current interest bonds?

The District issued \$36,320,000 in current interest bonds and \$28,852,780 in capital appreciation bonds.

Q: What does the bond's maturity schedule look like? In other words, how quickly does the district plan to pay off the loan?

See Table 1 (pg. 3). The District did refinance the callable portion of its current interest bonds in February 2004 saving the taxpayers \$483,000 in interest payments over the life of the bonds.

Q: Does the district plan to collect a premium on top of the face value of the loan? If so, how much and why?

The District did collect a premium on its last Capital Appreciation Bond issue in 2000. This is standard operating procedure as bond premium is typically used to pay costs of issuance and capitalized interest, so that the full amount of the referendum approved bonds are available for projects.

Table 1: Bond Maturity Schedules

2000 A School Building Bonds	Year Ending June 30	Interest Rate	Principal	Interest	Total
Issued December 2000	2002	4.55 - 6.00%	-	1,254,222	1,254,222
Current Interest Bonds	2003	4.55 - 6.00%	-	1,254,223	1,254,223
	2004	4.55 - 6.00%	-	1,254,222	1,254,222
	2005	4.55 - 6.00%	-	608,473	608,473
	2006	4.55 - 6.00%	-	608,473	608,473
	2007	4.65 - 5.00%	1,310,000	578,670	1,888,670
	2008	4.75 - 5.00%	3,500,000	469,243	3,969,243
	2009	4.60 - 5.00%	3,825,000	301,643	4,126,643
	2010	4.65 - 5.00%	4,595,000	106,834	4,701,834
			13,230,000	6,436,003	19,666,003

Current Interest Bonds

2004 Refunding Bonds	Year Ending June 30	Interest Rate	Principal	Interest	Total
Issued February 2004	2005	2.00%	50,000	582,750	632,750
Current Interest Bonds	2006	2.00%	50,000	581,750	631,750
	2007	2.05%	50,000	580,738	630,738
	2008	2.25%	50,000	579,663	629,663
	2009	2.50%	50,000	578,475	628,475
	2010	2.75%	50,000	577,163	627,163
	2011	3.00%	50,000	575,725	625,725
	2012	3.25%	50,000	574,163	624,163
	2013	3.50%	50,000	572,475	622,475
	2014	4.00%	6,190,000	447,800	6,637,800
	2015	5.00%	-	324,000	324,000
	2016	5.00%	-	324,000	324,000
	2017	5.00%	6,480,000	162,000	6,642,000
			13,120,000	6,460,702	19,580,702

Current Interest Bonds

2000 B School Building Bonds	Year Ending June 30	Interest Rate	Principal	Interest	Total
Issued December 2000	2003	4.75%	533,894	51,106	585,000
Capital Appreciation Bonds	2004	4.79%	769,755	115,245	885,000
	2005	4.83%	960,816	199,184	1,160,000
	2006	4.86%	1,435,143	384,857	1,820,000
	2007	4.89%	1,388,000	462,000	1,850,000
	2011	5.11%	2,981,398	1,943,602	4,925,000
	2012	7.80%	2,656,901	3,483,099	6,140,000
	2013	7.90%	2,433,036	3,706,964	6,140,000
	2015	5.40%	3,069,998	3,385,002	6,455,000
	2016	5.47%	2,881,189	3,573,811	6,455,000
	2018	5.57%	2,674,172	4,110,828	6,785,000
	2019	5.62%	2,509,229	4,275,771	6,785,000
	2020	5.67%	2,352,156	4,432,844	6,785,000
	2021	5.71%	2,207,093	4,577,907	6,785,000
			28,852,780	34,702,220	63,555,000

Capital Appreciation Bonds

2001 School Building Bonds	Year Ending June 30	Interest Rate	Principal	Interest	Total
Issued January 2001	2002	3.00 - 5.00%	700,000	414,792	1,114,792
	2003	3.50 - 5.00%	640,000	393,093	1,033,093
	2004	3.70 - 5.00%	700,000	368,942	1,068,942
	2005	3.75 - 5.00%	735,000	342,211	1,077,211
	2006	3.80 - 5.00%	1,050,000	308,480	1,358,480
	2007	3.85 - 5.00%	1,185,000	265,719	1,450,719
	2008	3.95 - 5.00%	1,235,000	218,516	1,453,516
	2009	4.25 - 5.00%	1,335,000	161,294	1,496,294
	2010	5.375%	1,145,000	97,691	1,242,691
	2011	5.375%	1,245,000	33,459	1,278,459
			9,970,000	2,604,197	12,574,197

Current Interest Bonds

Board Names New Principals for MW, SA Schools

Tonight, February 9, during a special public session prior to its Committee of the Whole meeting, the Community Unit School District 95



Board of Education approved Superintendent **Dr. Brian Knutson**'s appointments of **Dr. Deborah Bruemmer** to be the principal at May Whitney Elementary School, and **Christopher Finch** as the principal of Sarah Adams Elementary School. Both Dr.

Bruemmer and Finch had been serving as interim principals for their respective schools.



The two were chosen after an extensive search that included job postings in national education publications, resume screenings and interviews with numerous candidates, which included Dr. Bruemmer and Finch.

"I am thrilled to have two strong instructional leaders leading these two schools," said Dr. Knutson. "When we started the principal search process, we promised the May Whitney and Sarah Adams school communities that, with their input and assistance, we would find the best available candidates to lead their two schools. After extensive recruiting and interviews, I believe that we are all in agreement that the two best candidates were already leading the schools on an interim basis."

The two—who are both certified by the state in school administration—will immediately begin

servicing as the permanent principals of their schools. The two had agreed to serve as interim principals after the resignations of the schools' previous principals last summer. Prior to their appointments as interim principals, both Dr. Bruemmer and Finch had served at Lake Zurich Middle School South; Dr. Bruemmer as assistant principal, and Finch as a drama/vocal music instructor.

Dr. Bruemmer had been assistant principal at MSS since 1998; prior to that she served in similar roles at Lake Zurich High School and in Adams, WI. She has also served as a high school counselor, department chair, French and Title 1 teacher. She received her doctoral degree in administration and supervision from Loyola University in May of this year. She has a master's degree in educational administration from Northern Illinois University (NIU), a master's degree in education from Florida State University, and a bachelor's degree in French from NIU.

In addition to his teaching duties, this past summer, Finch served as the principal of the District 95 Summer School program. Before joining MSS in 2000 as a drama/vocal music instructor, Finch served in a similar role at Carpentersville Middle School and Washburne Middle School in Winnetka, IL. He earned his master's degree in educational leadership and organizational change from Roosevelt University last year. He also holds a master's degree in music education and technology from Northwestern University, and a bachelor's degree in music education and vocal performance from Augustana College in Rock Island, IL.

Left: **Dr. Deborah Bruemmer**

Below Left: **Christopher Finch**

'Day of Beauty' Benefits CAC Scholarships

Two local businesses who are members of the Lake Zurich High School Career Advisory Council (CAC) are coming together to raise money for the CAC Scholarship fund. Studio One Eleven Salon & Day Spa of Hawthorn Woods, IL and Helping Hands Therapy of Lake Zurich, IL will donate proceeds from a special day of beauty event to be held Tuesday, February 14, 2006.

The event, entitled 'Beauty In Your Future', will be held at Studio One Eleven Salon & Day Spa, 111 W. Gilmer Road, Hawthorn Woods, IL, from 9am to 6pm. Proceeds from client's services on this day will be donated. **Marika Schaeffer** of Helping Hands Therapy will be on hand to perform structural therapy and massage. Special demonstrations of the latest skin care techniques will be offered. A drawing for a prize basket of beauty products will also be held.

"We are excited about this opportunity to help a worthwhile cause. This will be a fun filled way to

support Lake Zurich High School. The CAC Scholarship is part of the *Dollars for Scholars* program which provides matching funds for those raised by the CAC," states **Lyn Longo**, General Manager of Studio One Eleven and Vice President of the Career Advisory Council.

To participate, appointments for services are required. Clients may call Studio One Eleven Salon & Day Spa at 847-566-1500 to arrange their visit.

The Lake Zurich Career Advisory Council (CAC) is comprised of volunteers from local businesses and organizations. The members commit their time to provide students with guidance and support to create a better understanding of career opportunities. For more information about the CAC, contact Assistant Principal **Eric Hamilton** at Lake Zurich High School, (847) 540-4112. Email: eric.hamilton@lz95.org.

P.U. is for YOU!

Mark your calendars! On Saturday, March 4, 2006, District 95 is presenting the 12th annual PARENT UNIVERSITY.



Plan on spending an inspirational morning with **Char Wenc**, speaker and award-winning author of, *Parenting-Are We Having Fun Yet?*

PARENT UNIVERSITY is geared to parents and grandparents of children ages preschool through

high school. Many great sessions dealing with a variety of parenting topics and issues are planned for this year's event.

Titles for some of the sessions include: *The Challenging Child*, *Internet Dangers*, *From Tee-Ball to Testosterone—What a Son Needs From His Dad*, *From Walking to Weddings—What a Daughter needs From Her Dad*, *Overindulging Your Children*, *Substance Abuse In Our Community*, *The Top Ten Signs It Is Time To Talk To Your Kid About Money*, *How To Build the Muscle of Confidence In Our Children*, and more!

A continental breakfast and lunch as well as child care will be provided. Registration forms will be sent home in January.

Questions? Call **Lori Schwartz** (847) 438-1949.

Got Talent?

The Lake Zurich High School Foreign Language Department is excited about its upcoming plans to celebrate Cultural Awareness Week. First up, they will have an assembly on February 17, where they hope to showcase talent from different countries. If you have a high school aged son or daughter, or if you know of an outside group of people who would like to perform or participate, please come to their meeting on Feb. 13.

For more information, email **Leah Leino**, leah.leino@lz95.org, or call (847) 540-4327 and leave a message.



Do You Like to Know Stuff?

Do you like to know things before others in the community? Do others seek your opinion? If so, then you are a perfect candidate for the Community Unit School District 95 **Key Communicator Network**.

Our Key Communicator (KeyCom) program is a network of community residents, leaders, opinion shapers and watchdogs whose opinions are well respected by friends, colleagues and neighbors. We are not looking for cheerleaders, but people who care about our schools and want to be kept informed and are then willing to share that information with others.

As a Key Com, you will receive timely, factual information via a regular newsletter e-mailed to you about the work we're doing and the issues affecting your school district and your schools.



Because this is designed to be a two-way communications network, we encourage you to give us your input and share your opinions. As a KeyCom member, your responsibility will be to share the information with friends, neighbors and colleagues.

To become a KeyCom member, simply call, email or fax:

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The Mill

February 10, 2006

Rumors and inaccurate information seem to fly faster than the speed of light. Left unchallenged, such misinformation is often mistaken for fact. The Mill is designed to answer such questions, rumors and issues with factual information.

Q: I have read in the newspaper and heard that the Board of Education is considering raising athletic and other extra curricular activity fees by 200-300%, is this true?

A: The newspapers have been quite active in writing about this potential decision. In two different Committee of the Whole meetings in January, some members of the Board asked the administration to look further at our athletic participation fees. This was based, at least in part, on the fact that the Education Fund currently supplements approximately 87 percent of the costs of those programs. The current fees raise the additional 13 percent.

The Board tasked the district administration to come back, through the budget process, with a final recommendation that may or may not include a substantive increase in athletic participation and other fees. As part of its evaluation, the administration is collecting data from other neighboring districts to compare what they charge participants and to help better determine what is fair and appropriate for District 95. An initial presentation of the overall budget recommendation is tentatively scheduled for the March 2 Committee of the Whole meeting at Lake Zurich High School.

The Mill is produced by the Community Unit School District 95 Office of Communications & Community Relations for staff and interested community members. We encourage you to send us your questions, rumors and issues. Issues that would be considered confidential personnel matters will not be discussed by this publication. **Rumors, questions and issues can be sent to: Jim Jennings, (847) 540-5489, keycom@lz95.org.**