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LAKE COUNTY FOREST PRESERVES
www.LCFPD.org

Preservation, Restoration, Education and Recreation

DATE: February 6, 2020

MEMO TO: Terry Wilke, Chair
Finance Committee

FROM: Stephen Neaman
Director of Finance

REQUEST: Provide policy direction regarding preparation of a resolution designating the use and transfer of surplus debt service funds from retired General Obligation Bonds

STRATEGIC DIRECTION SUPPORTED: Organizational Sustainability.

FINANCIAL DATA: The financial impact will depend on the nature of any final action directed by the Board of Commissioners.

BACKGROUND: With the refunding of the series 2011 General Obligation Bonds, the District now has six bond issues that have been paid off or refunded since December 2016 (the "Bonds"). Each of these Bond issues was accompanied by the establishment of a debt service fund, individual to that Bond issue, to be used to collect property taxes and interest income that pay annual principal and interest payments due on that Bond issue. During the life of these debt service funds, they collect excess interest earnings.

Pursuant to the bond ordinance for each Bond issue, the District provided for the collection of an annual tax levy sufficient to pay the principal and interest on the Bonds. The revenue from such tax levies was deposited in each separate debt service fund. During the tax levy process, pursuant to State statute, the County added a 1% contingency above the amount that is required for debt service to cover potential delinquent and uncollectible taxes. The remaining surplus funds in the debt service funds for all six Bond issues, including interest earnings, total $1,295,335. Although there is a debt service surplus, the District acted in good faith to match the levies with its debt service needs. This is reflected in the fact that the surplus is small relative to the size of the levies.

Bond proceeds from the Bonds were allocated between land acquisition, habitat restoration, and capital improvements. Two of the six Bond issues were from the 2008 referendum and the remaining four were issued prior to that.

All of these Bond funds had investments that were lost with the 2014 IMET loss. The District has just received what is likely the final settlement from IMET. The debt service funds received $46,046.32 from the settlement. Now that the IMET loss is settled, these debt service funds can be closed.

With the IMET funds having been received and the Bonds paid in full, the money left in the Bond funds are available for other uses. Staff is seeking the Finance Committee's direction for preparation of a resolution designating the use of and transfer of the surplus debt service funds.

The Board has previously approved use of debt service surplus funds resulting from prior bond issues in different ways. In March 2008, the Board approved use of $2,500,000 for land acquisition. In September 2009, the Board approved the use and transfer of $2,285,674 to the Capital Facilities Improvement Fund. In May 2010, the Board approved the use and transfer of $433,660 to the Capital Facilities Improvement Fund. In May 2012, the Board approved the use and transfer of $1,455,000 for the use of land acquisition (82.4%) and future capital improvements (17.6%) based on the original Series 2000 bond proceeds ratio. In February 2013, the Board directed that any interest earned on funds for the 2003 bond funds be transferred to the Capital Improvement Fund and that the principal balance be used to reduce the debt service levy in the following year.

REVIEW BY OTHERS: Executive Director, Chief Operations Officer, Corporate Counsel.