



WHAT IS A DEBT SERVICE EXTENSION BASE (DSEB)? INFORMATIONAL ARTICLE

BACKGROUND: The debt service extension base was established when tax caps went into effect in Illinois. For our district, the DSEB was established in 1996 when Sangamon county taxpayers passed tax caps. **The DSEB is an amount that limits the principal and interest that the district can levy to pay on loans or bonds each year.** The DSEB for each district is determined by the dollar amount of principal and interest that the district was obligated to pay the year that the district became subject to tax caps. The DSEB is different for every school district. Some districts have DSEB's that are in the hundred thousands and others are in the millions. **Auburn's DSEB is \$144,087.** Districts that are not under tax caps do not have a DSEB and are not limited in the amount that can be levied to pay back debt.

Why is the district requesting an increase in the DSEB?

The present DSEB has been obligated for nearly 20 years to pay for the heating and air-conditioning work that was done in 2009 for Auburn Elementary. **The district cannot secure any more short or long-term loans for nearly 20 years to make needed repairs to the district facilities unless the DSEB is increased or a bond referendum for Health, Life, Safety work is passed. Also, since the State of Illinois has prorated General State Aid and transportation payments at historically low levels, passing this referendum would allow some financial flexibility through options such as working cash bonds.**

How are the facility repairs and upgrades determined?

Every 10 years the district is required to have an architect complete an inspection of the district buildings to determine if there are repairs or upgrades that need to be made in order for the district to remain in compliance with the required Health, Life and Safety codes in the state. The last inspection in the Auburn district was completed in 2007 after the annexation of Divernon. The specific needs of the district that are outlined in this document were all areas that were cited as required upgrades and repairs. Most of the district buildings are close

to the same age and need similar maintenance, repairs, and upgrades.

What are the specific Health, Life, and Safety needs of the district in order for the district to remain in compliance with state codes?

- Roof replacement on sections of all buildings
- HVAC replacement at Divernon and in the MS/HS complex
- Lighting replacement in sections of all buildings
- Window replacement in sections of all buildings
- Building perimeter work at all buildings

What is the projected cost of these repairs and upgrades?

At the present time, the projected cost is estimated at \$6,700,000. An increase in the DSEB would allow the district to secure some loans to make repairs and upgrades.

Would a bond referendum for Health, Life, and Safety accomplish the same goals as an increase in the DSEB?

The answer to this is both yes and no. Yes—The district would have the ability to secure loans to complete the needed facility repairs. No—An increase in the DSEB allows the district to obtain loans

that could be either short or long term for maintenance and repair. Some of the payback for these loans could be made over the course of several years from funds that are normally generated through the annual tax levy. An increase in the DSEB is not necessarily a long-term obligation like a bond referendum and does not necessarily mean that there will be an increase in taxes.

If this referendum passes and the school district has a hearing to sell bonds, how much will my taxes go up?

There are several factors that determine what increase a property owner would experience. The taxable value of the property, the assessed value of all property in the district, interest rates, and the length of maturity for the loan all determine the amount of increase that would be required to pay back a loan.

If the school sold \$2,300,000 in bonds with a 10-year maturity, a home valued at \$100,000 would have an expected annual property tax increase of \$81.23. If \$3,310,000 in bonds were sold, that property would have a \$116.44 increase. If bonds were nearly maxed out at \$6,635,000, that same property would see a \$232.91 increase. A complete scenario chart is available on our district website.

<http://auburn.k12.il.us/>.

Has the School Board made any decision about the work that must be done immediately and the length of any loan that would be needed?

The School Board members are property owners just like you. They understand the difficult economy that everyone is facing at the present time. Be assured that before any decision is made for long-term borrowing, there will be a public hearing for the community to provide input to help in the decision making process.

If the School Board has not made any decision about work that must be done, why is this being put on the ballot now?

The School Board is looking to protect the district in the case of any catastrophic facility problem that would be unrelated to insurance coverage. An example of this could be the need to replace a rubber roof that splits across a building due to the age of the roof. The district could potentially need a short-term loan to fix this problem. Without an increase in the DSEB, this would not be possible.