The following presentation provided to faculty, staff, students, and the Board of Trustees is intended to create awareness and increase understanding of the bonding process utilized by Black Hawk College as well as the impact of bonds issued on the various stakeholders of the institution.

An overview of the FY13 Operating, Education and Operations & Maintenance, Funds is provided and indicates that 44% of operating revenue is expected to be received from student tuition and fees while 29% of operating revenue is expected to be received from local property tax payers and just 22% of operating revenues is anticipated from State funding grants.

Additionally, an overview of FY13 Operating Funds expenditures, $36.9M, is provided and followed by an overview of the total FY13 budgeted expenditures, $89.3M, which includes $5.5M in debt payments and $18.1M in capital project funding.

A discussion of the five major capital funding sources is presented. Two of these sources are local property tax funded, two are State sources, and the final source is simply comprised of interest earnings on available funds. The most reliable of the funding sources are the local property tax funded sources. In addition, local property tax funding is preferable due to the flexibility, efficiency, and local involvement of elected officials as well as inclusion of community members in various decision making processes.

Information is included regarding the College’s debt capacity, which is based on district equalized assessed property valuations, and illustrates the financial responsibility the College has maintained with respect to utilization of debt in the past. Furthermore, information regarding the tax rate, equalized assessed valuation, and outstanding bonds for Illinois Community College Board peer institutions is presented and highlights the College’s commitment to progress in a financially viable manner.

The College’s bond issuances are designed as tax exempt in nature and given their dedicated funding source as well as the College’s strong financial standing have provided a low cost mechanism for capital improvements throughout the Black Hawk College district. The usage of bonds provides the College with the opportunity to expand programs and services as well as provide current technology and equipment for students to accomplish their educational objectives in an environment that fully supports lifelong learning.
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FY2013 Operating Budget Revenue $36.1M

- Tuition and Fees: 44%
- Local Property Taxes & CPPRT: 29%
- State: 22%
- Other: 5%
FY2013 Operating Budget Expense $36.9M

- Instruction: 39%
- Academic Support: 13%
- Student Services: 8%
- Public Services: 2%
- Institutional Support: 13%
- Scholarships, Grants, & Waivers: 11%
- Operations of Facilities: 12%
- Contingency: 2%
FY2013 Total Budget Expense $89.3M

- Instruction: 17%
- Academic Support: 9%
- Student Services: 5%
- Public Services: 2%
- Academic Support: 9%
- Institutional Support: 15%
- Auxiliary Services: 5%
- Scholarships, Grants, & Waivers: 21%
- Operations of Facilities: 22%
- Contingency: 4%
Capital Expenditures Funding

• Protection, Health, and Safety (PHS)
  • Tax Levy
  • Max is 5 cents per $100 of EAV

• Bond Funds

• Operations & Maintenance Restricted Funds

• Resource Allocation and Management Plan (RAMP)
  • Up to 75% of total project costs
  • Submitted to ICCB in July of each year

• State Capital Renewal Grants
  • Capital Development Board
General Obligation Bonds

• Governmental issue
• Capital expenditure purposes
• Tax exempt in nature
• Payments made from taxes received
• IRS Arbitrage requirements
Bond Issuance Process

1. Board authorizes initiation
2. Board approves Debt Certificate issuance
3. Board approves Resolution of Intent
4. Board holds Public Hearing
5. Board Adopts Bond Resolution
Bond Proceeds Expenditures

- Capital expenditures
- Minimum useful life equal to repayment period
- Tangible
- IRS arbitrage spend down requirements
  - 10% within 6 months
  - 45% within 12 months
  - 75% within 18 months
  - 100% within 24 months
Debt Repayment and Retirement

• Revenue received from annual property tax levy
  » No maximum levy rate
• Backdoor referendum
• Payments made December and June 1st
• Repayment increases bonding capacity
• Retirement when all principal and interest remitted
## Impact on College Tax Rates

<table>
<thead>
<tr>
<th>Purpose</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>$ 0.1200</td>
<td>$ 0.1196</td>
<td>$ 0.1200</td>
<td>$ 0.1200</td>
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<tr>
<td>Operations &amp; Maintenance</td>
<td>0.0700</td>
<td>0.0698</td>
<td>0.0700</td>
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<tr>
<td>Bond &amp; Interest</td>
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<td>0.1554</td>
<td>0.1538</td>
<td>None</td>
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<tr>
<td>Audit</td>
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<td>0.0026</td>
<td>0.0028</td>
<td>0.0050</td>
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<tr>
<td>Protection, Health, &amp; Safety</td>
<td>0.0496</td>
<td>0.0500</td>
<td>0.0500</td>
<td>0.0500</td>
</tr>
<tr>
<td>Liability Insurance</td>
<td>0.0606</td>
<td>0.0646</td>
<td>0.0688</td>
<td>None</td>
</tr>
<tr>
<td>Social Security</td>
<td>0.0090</td>
<td>0.0090</td>
<td>0.0094</td>
<td>None</td>
</tr>
<tr>
<td>Equity Tax*</td>
<td>0.0613</td>
<td>0.0614</td>
<td>0.0621</td>
<td>0.0621</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ 0.5337</td>
<td>$ 0.5324</td>
<td>$ 0.5369</td>
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</table>

*Annual Equity Tax levy rate is authorized by ICCB and fluctuates.*
# Homeowner Expense Comparison

<table>
<thead>
<tr>
<th>Tax Year</th>
<th>Home Value</th>
<th>BHC Tax Rate</th>
<th>Property Taxes Paid</th>
<th>Change</th>
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<tr>
<td>2009</td>
<td>$100,000</td>
<td>$0.5337</td>
<td>$177.90</td>
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<tr>
<td>2010</td>
<td>$100,000</td>
<td>$0.5324</td>
<td>$177.47</td>
<td>$(0.43)</td>
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<td>2011</td>
<td>$100,000</td>
<td>$0.5369</td>
<td>$178.97</td>
<td>$1.50</td>
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# ICCB Peer Group Data

<table>
<thead>
<tr>
<th>ICCB Institution</th>
<th>Tax Rate</th>
<th>EAV</th>
<th>Outstanding Bonds 06/30/12</th>
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</thead>
<tbody>
<tr>
<td>Black Hawk College</td>
<td>$0.53690</td>
<td>$3,550,844,563</td>
<td>$17,740,000</td>
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<tr>
<td>Heartland</td>
<td>$0.47673</td>
<td>$4,161,237,754</td>
<td>$87,015,000</td>
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<tr>
<td>Illinois Central</td>
<td>$0.46495</td>
<td>$6,704,088,718</td>
<td>$32,095,000</td>
</tr>
<tr>
<td>Lincoln Land</td>
<td>$0.46190</td>
<td>$5,608,452,684</td>
<td>$36,283,251</td>
</tr>
<tr>
<td>Parkland</td>
<td>$0.51200</td>
<td>$4,796,807,814</td>
<td>$0</td>
</tr>
<tr>
<td>Richland</td>
<td>$0.47800</td>
<td>$2,262,705,098</td>
<td>$23,605,000</td>
</tr>
<tr>
<td>Rock Valley</td>
<td>$0.45120</td>
<td>$6,369,040,810</td>
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<tr>
<td>Southwestern</td>
<td>$0.37860</td>
<td>$6,678,003,601</td>
<td>$0</td>
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<tr>
<td><strong>Peer Group Average</strong></td>
<td><strong>$0.47004</strong></td>
<td><strong>$5,016,397,630</strong></td>
<td><strong>$33,886,493</strong></td>
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</table>
Previous Bond Issuances

2004 Bond Issuance
$5.3M

- Community Education Center (CEC) 64.15%
- Ag Arena 15.10%
- Information Technology 11.32%
- Facilities 9.43%

Issued $4.8M in 2006 to offset rising Health Care Costs.
Previous Bond Issuances (cont.)

2008 Bond Issuance
$4.5M

- Instruction 15.83%
- Facilities 19.00%
- Vehicles 5.24%
- Other 3.23%
- Information Technology 56.70%

Also issued $4.1M for Working Cash purposes.
Previous Bond Issuances (cont.)

2010 Bond Issuance
$20.0M

- EC Science Lab Addition: 15.05%
- Information Technology: 12.50%
- QC Building 1 Addition: 19.67%
- Facilities: 24.51%
- Instructional Refresh: 2.47%
- District Street & Parking Repairs: 9.45%
- Other: 1.15%
- QC Building 2 Addition: 15.20%
Future Bond Issuances

• FY2013 Budget includes $20 million issuance
  • QC Health Sciences facility (Spring 2013)
  • EC Ag Sciences facility (Fall 2013)
• Requires reductions to other levy components
  • Audit and Liability Insurance & Social Security Funds
• Additional capacity exists in 2014
  • 2010 Bonds will be retired
## Future Bond Issuances (cont.)

<table>
<thead>
<tr>
<th>Purpose</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
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<tbody>
<tr>
<td>Education</td>
<td>$ 0.1200</td>
<td>$ 0.1200</td>
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<td>$ 0.1200</td>
</tr>
<tr>
<td>Operations &amp; Maintenance</td>
<td>0.0700</td>
<td>0.0700</td>
<td>0.0700</td>
<td>0.0700</td>
</tr>
<tr>
<td>Bond &amp; Interest</td>
<td>0.1538</td>
<td>0.1874</td>
<td>0.1791</td>
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<tr>
<td>Audit</td>
<td>0.0028</td>
<td>0.0000</td>
<td>0.0010</td>
<td>0.0020</td>
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<tr>
<td>Protection, Health, &amp; Safety</td>
<td>0.0500</td>
<td>0.0500</td>
<td>0.0500</td>
<td>0.0500</td>
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<tr>
<td>Liability Insurance</td>
<td>0.0688</td>
<td>0.0475</td>
<td>0.0500</td>
<td>0.0650</td>
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<tr>
<td>Social Security</td>
<td>0.0094</td>
<td>0.0000</td>
<td>0.0050</td>
<td>0.0065</td>
</tr>
<tr>
<td>Equity Tax</td>
<td>0.0621</td>
<td>0.0621</td>
<td>0.0621</td>
<td>0.0621</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ 0.5369</td>
<td>$ 0.5370</td>
<td>$ 0.5372</td>
<td>$ 0.4657</td>
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### Future Bond Issuances (cont.)

<table>
<thead>
<tr>
<th>Fund</th>
<th>FY2010 (Audited)</th>
<th>FY2011 (Audited)</th>
<th>FY2012 (Unaudited)</th>
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</thead>
<tbody>
<tr>
<td><strong>Liability Insurance &amp; Social Security Fund</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual Revenue</td>
<td>$2,288,655</td>
<td>$2,472,747</td>
<td>$2,677,239</td>
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<tr>
<td>Annual Expense</td>
<td>1,943,141</td>
<td>2,093,689</td>
<td>2,107,465</td>
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<tr>
<td>Surplus (Deficit)</td>
<td>345,520</td>
<td>379,050</td>
<td>569,774</td>
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<tr>
<td>Fund Balance</td>
<td>$1,573,022</td>
<td>$1,952,072</td>
<td>$2,521,846</td>
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</table>

<table>
<thead>
<tr>
<th>Audit Fund</th>
<th>FY2010 (Audited)</th>
<th>FY2011 (Audited)</th>
<th>FY2012 (Unaudited)</th>
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<tr>
<td>Annual Revenue</td>
<td>$87,361</td>
<td>$89,620</td>
<td>$95,241</td>
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<td>Annual Expense</td>
<td>59,250</td>
<td>67,100</td>
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<tr>
<td>Surplus (Deficit)</td>
<td>28,111</td>
<td>22,500</td>
<td>39,141</td>
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<tr>
<td>Fund Balance</td>
<td>$150,245</td>
<td>$172,765</td>
<td>$211,906</td>
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</tbody>
</table>
Question & Answer

Please contact Leslie Anderson, Vice President for Finance, at 309-796-5933 or via email at andersonle@bhc.edu with questions.
THANK YOU!