



Lemont - Bromberek

District 113A



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Lemont – Bromberek District 113a Referendum Options

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Illinois School Finance – General Overview



- **Revenues**

- Local – property taxes, fees, local contributions
- State – General State Aid, Mandated Categoricals, Grants
- Federal – Targeted Grants

- **Expenses**

- Payroll
- Benefits
- Purchased Services – now includes Tuition
- Supplies and Materials
- Capital Outlay
- Non-capitalized Expenses
- Post Retirement Benefits

Illinois School Finance – General Overview



- **Cash flow**
- **Revenue / Expenditure**
- **Fund Balance**

- **Growing cash flow deficits indicate that expenditures are “outpacing” revenues**
- **The revenue / expenditure (“P/L”) will indicate that annual expenditures are outpacing revenues.**
- **Continued deficit spending will reduce available fund balances**

When District's Start To Use "Fund Balance"



- **On the Revenue ("P/L") Statement**
 - Expenditures outpace revenues causing the District to "deficit" spend.
 - "Deficit" spending uses available fund balances
 - Negative or deficit fund balances indicate that the District is using "cash" from another fund to cover the expenditures.
- **Planned Deficit Spending**
 - Generally seen when the District has sufficient "fund balances" and wish to spend money during a fiscal year in a methodical and anticipated way.
 - Board of Education and Administration realize they are "spending into their savings account" (i.e. Fund Balance).
- **Unplanned Deficit Spending**
 - Generally seen when Districts have unanticipated expenses that cause a "deficit" ending revenue/expenditure position
 - Depending upon the size of the deficit, the District will reduce their available fund balance.

What Does A District Do To Fix A Negative Fund Balance?

- **Adopt surplus (more revenue than expenditure) budgets**
- **Reduce expenditures**
 - Finance Committee has developed a list of potential reductions/cuts to the Districts FY2011 budget
 - Reductions/cuts need to be sustainable – i.e. not one year - one time reductions
 - Reductions/cuts need to be monitored so there is no “creeping back”
- **Generate additional revenue**
 - Increase fees
 - Increase local resources – i.e. referendum
 - Maximize state and federal resources

Increasing Local Resources - Referendum



- **Different types of referendum**
 - Referendum to increase amount received through property tax revenue on an ongoing basis
 - Referendum to increase amount received through property tax revenue on a borrowing basis
 - Construction
 - Working Cash
 - Repayment of large outstanding debt (contract)
- **Referendum to increase the limiting rate or extension limitation**
- **Referendum to increase the bond & interest rate**

Referendum Options for Lemont Bromberek 113a



- **Operating Rate / Limiting Rate Referendum**
 - Increase the limiting rate or “overall tax rate”
 - Amount of increase?
 - How long?
 - Increase in the operating rate which ultimately conforms to property tax cap limitations (traditional “rate increase”)
 - “40 cent” increase in the overall limiting rate of the District
 - Can hold a new limiting rate up to four (4) years depending on ballot
 - “Increase the limiting rate from \$2.00 to \$2.40 and hold it at that rate for up to four (4) years”
 - Revenue is received according to property tax receipt cycles
 - Positives
 - In an “increasing” property value environment, gives the District the maximum amount of dollars annually
 - Limiting rate is not eroded due to the property tax cap law
 - Negatives
 - In a volatile or “decreasing” property value environment, it might create a “self capping” situation for the District if increased for more than one year.
 - Although the tax extension amount is limited to CPI, the limiting rate will be naturally increasing.

CPI or Extension Limitation Referendum



- **District increases the CPI or the Extension Limitation for one year**
 - Instead of CPI or 5%, the District is authorized to use some larger % - 30 or 40%
 - Increases the “extension” amount to be received by District
 - Following year “extension” amount is subject to normal property tax cap limitations
 - Revenue is received according to property tax receipt cycles – i.e. the District receives more money during each property tax distribution
- **Positives**
 - Permanent increase in the extension amount but is only calculated for the first year
- **Negatives**
 - Does not provide as much revenue long term as an increase in the limiting (operating) rate.



Working Cash Referendum

- **Voted increase in the bond & interest tax rate**
 - Generates approximately \$8 Million in new Working Cash Fund balances
 - 10 cent increase over existing bond & interest rate
 - Impacting two levy cycles – LY 2010 and LY2011
- **District sells Working Cash Fund bonds**
- **Immediate increase in available cash**
- **District will need to restructure some existing debt to minimize impact to taxpayers**
- **Positives**
 - Increase on bond & interest tax rate is generally smaller than impact from limiting rate factor referendums
 - Used correctly, it provides a District with a Working Cash Fund balance which can be loaned to other funds during cash flow periods
 - Boards can create a resolution which “restricts” the use of the principal for only cash flow purposes
- **Negatives**
 - Depending upon District’s budgeting plan, Working Cash Fund bonds will not provide a permanent solution to Revenue/Expenditure issues
 - Working Cash Bonds for “cash” purposes are generally part of a bigger / longer financial plan and require that the District still institute a revenue / expenditure plan

Summary of Rate Increase Options



EXAMPLES OF REFERENDUM OPTIONS

	2008 Tax Extension (1)	Projected 2009 Tax Extension (2)	Percent Change from 2008	\$.40 Limiting Rate Increase		30% Extension Limitation Referendum	
				Projected 2009 Tax Extension	Percent Change from 2008	Projected 2009 Tax Extension	Percent Change from 2008
No EAV Growth (3)							
EAV	\$ 1,286,635,856	\$ 1,301,635,856	1.2%	\$ 1,301,635,856	1.2%	\$ 1,301,635,856	1.2%
New Property EAV	\$ 17,910,603	\$ 15,000,000		\$ 15,000,000		\$ 15,000,000	
Extension	16,243,775	\$ 16,449,583	1.3%	\$ 21,646,204	33.3%	\$ 21,363,095	31.5%
Limiting Rate	\$ 1.263	\$ 1.264		\$ 1.663		\$ 1.641	
Negative EAV (4)							
EAV		\$ 1,237,304,063	-3.8%	\$ 1,237,304,063	-3.8%	\$ 1,237,304,063	-3.8%
New Property EAV		\$ 15,000,000		\$ 15,000,000		\$ 15,000,000	
Extension		\$ 16,459,560	1.3%	\$ 20,576,367	26.7%	\$ 21,376,052	31.6%
Limiting Rate		\$ 1.330		\$ 1.663		\$ 1.728	
Amount Gained (Lost) due to EAV Decline		\$ 9,977		\$ (1,069,838)		\$ 12,957	

(1) Both Counties per Cook County Agency Rate Report (10/16/09)

(2) CPI is known for 2009 levy at .1%

(3) Represents 0% reassessment then the addition of the New Property

(4) Represents 5% reassessment decline then the addition of the New Property



Impact of Working Cash Fund Bond

Non-Referendum Debt Service					Referendum Debt Service									
Levy Year	Fiscal Year	Non-Referendum Debt Service			Referendum Debt Service					Total General Obligation Debt Service	5.0% County Loss/Cost Service	Growth Rate	B&I Tax Rate	
		Total	W/1994 Levy (1)	Remaining Margin	Series 1995B School Building Bonds CABS	Other Referendum Debt	Proposed Refunding Bonds, Series 2010A (2)	Proposed Taxable Working Cash Bonds, Series 2010B (3)	Total					EAV (4)
2001	2003	\$ 210,050	\$ 213,400	\$ 3,350	\$ 1,875,000	\$ 232,669	\$ -	\$ -	\$ 2,107,669	\$ 2,317,719	\$ 2,433,605	\$ 574,803,179	23.99%	0.3766
2002	2004	212,530	213,400	870	2,175,000	168,454	-	-	2,343,454	2,555,981	2,683,780	712,706,310	3.20%	0.3715
2003	2005	209,940	213,400	3,460	2,285,000	106,981	-	-	2,391,981	2,601,921	2,732,017	735,488,965	9.89%	0.3450
2004	2006	212,315	213,400	1,085	2,400,000	43,125	-	-	2,443,125	2,655,440	2,788,212	808,193,028	23.23%	0.3078
2005	2007	209,562	213,400	3,838	2,690,000	20,000	-	-	2,710,000	2,919,562	3,065,540	995,904,884	3.52%	0.3086
2006	2008	210,202	213,400	3,198	2,820,000	-	-	-	2,820,000	3,030,202	3,181,712	1,031,004,033	9.17%	0.2963
2007	2009	210,982	213,400	2,418	2,965,000	-	-	-	2,965,000	3,175,982	3,334,781	1,125,545,789		
2008	2010	211,872	213,400	1,528	3,320,000	-	-	-	3,320,000	3,531,872	3,708,465	1,286,605,086	14.31%	0.2882
2009	2011	212,850	213,613	763	3,290,000	-	190,453	-	3,480,453	3,693,303	3,877,968	1,316,418,077	2.32%	0.2946
2010	2012	213,340	216,818	3,478	-	-	326,490	4,591,186	4,917,676	5,131,016	5,387,567	1,382,235,529	5.00%	0.3898
2011	2013	209,936	220,070	10,134	1,040,000	Partially refunded to minimize B&I tax rate increase.	326,490	4,123,665	5,490,155	5,700,091	5,985,095	1,534,662,440	11.03%	0.3900
2012	2014	211,398	223,371	11,973	4,305,000	-	326,490	-	4,631,490	4,842,888	5,085,032	1,562,393,454	1.81%	0.3255
2013	2015	211,988	226,721	14,733	4,520,000	-	326,490	-	4,846,490	5,058,478	5,311,402	1,638,642,705	4.88%	0.3241
2014	2016	212,820	230,122	17,302	5,060,000	-	326,490	-	5,386,490	5,599,310	5,879,276	1,817,481,509	10.91%	0.3235
2015	2017	210,465	233,574	23,109	-	4,255,000	326,490	-	4,581,490	4,791,955	5,031,553	1,835,656,325	1.00%	0.2741
2016	2018	211,272	237,078	25,805	-	4,345,000	326,490	-	4,671,490	4,882,762	5,126,901	1,854,012,888	1.00%	0.2765
2017	2019	212,875	240,634	27,759	-	4,800,000	326,490	-	5,126,490	5,339,365	5,606,333	2,039,414,177	10.00%	0.2749
2018	2020	209,042	244,243	35,201	-	4,900,000	326,490	-	5,226,490	5,435,532	5,707,309	2,059,808,318	1.00%	0.2771
2019	2021	210,000	247,907	37,907	-	5,005,000	326,490	-	5,331,490	5,541,490	5,818,565	2,080,406,402	1.00%	0.2797
2020	2022	-	251,626	251,626	-	5,110,000	1,426,490	-	6,536,490	6,536,490	6,863,315	2,288,447,042	10.00%	0.2999
2021	2023	-	255,400	255,400	-	-	6,145,890	-	6,145,890	6,145,890	6,453,185	2,311,331,512	1.00%	0.2792
2022	2024	-	259,231	259,231	-	-	-	-	-	-	-	2,334,444,827	1.00%	0.0000
2023	2025	-	263,120	263,120	-	-	-	-	-	-	-	2,567,889,310	10.00%	0.0000
2024	2026	-	267,066	267,066	-	-	-	-	-	-	-	2,593,568,203	1.00%	0.0000
2025	2027	-	271,072	271,072	-	-	-	-	-	-	-	2,619,503,885	1.00%	0.0000
2026	2028	-	275,138	275,138	-	-	-	-	-	-	-	2,881,454,274	10.00%	0.0000
2027	2029	-	279,265	279,265	-	-	-	-	-	-	-	2,910,268,816	1.00%	0.0000
2028	2030	-	283,454	283,454	-	-	-	-	-	-	-	2,939,371,504	1.00%	0.0000
Total DS From														
Current FY:		\$ 2,537,858			\$ 21,535,000	\$ 28,415,000	\$ 11,027,733	\$ 8,714,851	\$ 69,692,584	\$ 72,230,441	\$ 75,841,963			

(1) Pursuant to Public Act 96-0501, the District's DSEB will increase by the lesser of CPI or 5% each year starting with levy year 2009. The increase for levy year 2009 is 0.1% based on the 2008 CPI and assumed to be 1.5% per year thereafter.

(2) Rates based upon the "AAA" MMD index for October 15, 2009 and recent bond sales which PMA believes to be accurate and reliable plus 0.50%.

(3) Rates based upon the Bloomberg AAA insured taxable for October 15, 2009 index plus 0.50%.

(4) EAV and growth rates in levy years 2009-2014 as estimated by FPP.



Election Timing Considerations

- **February 2, 2010 Referendum**

- November 30, 2009 Board adopt a resolution placing a question on the ballot
- Successful Feb 2, 2010 election means
 - Operating Rate / Rate Factor Increases
 - Assuming County Clerk approval, would be effective on the 2009 Tax Levy
 - » Cook residents, impact would not be seen until the Fall 2010 Tax Bills
 - » DuPage residents, impact would be seen on the Spring / Summer 2010 Tax Bills
 - District would generally see increased tax money in FY2011 (after July 1, 2010)
 - Working Cash Referendum
 - District would issue bonds in early Spring 2010
 - Proceeds would be received by April 2010 (FY2010 impact)

- **November 2010 Referendum**

- August 2010 Board adopts a resolution placing a question on the ballot
- Successful November 2010 election means
 - Operating Rate / Rate Factor Increases
 - Would be effective on the 2010 Tax Levy
 - » Cook residents, impact would not be seen until the Fall 2011 Tax Bills
 - » DuPage residents, impact would be seen on the Spring / Summer 2011 Tax Bills
 - District would generally see increased tax money in FY2012 (after July 1, 2011)
 - Working Cash Referendum
 - District would issue bonds in early Winter 2011
 - Proceeds would be received by January 2011 (FY2011 impact)



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