



Lemont - Bromberek

District 113A



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Lemont – Bromberek District 113a Preparing for 2009 Tax Anticipation Warrant Borrowing

Linda Matkowski
Senior Vice President
Managing Director Public Finance

PMA Securities, Inc.

November 11, 2009

Tax Anticipation Warrants For Illinois School Districts



- **State Law**
 - Pursuant to ILCS 5/17-16 Illinois School Districts are authorized by Board resolution, to borrow funds in advance of property taxes to be received in the form of Tax Anticipation Warrants.
 - A TAW borrowing amount is limited to 85% of the taxes remaining to be received from the then currently authorized levy.
 - A TAW is to be repaid from the receipt of taxes from the levy for which the borrowing is attributable and may have a fixed maturity date.
- **Federal Tax Law**
 - To borrow on a tax-exempt basis
 - The District must demonstrate that there are insufficient “funds” (including cash on deposit in the working cash fund) available to the District to meet costs of operations.
 - The District must repay the borrowing within 13 months.
 - The borrowing amount must be consistent with the demonstrated cash flow deficit.
 - To borrow on a taxable basis
 - There are no federal tax law restrictions

Process for Tax Anticipation Warrant Borrowings

- **Determine that a cash deficit will occur**
 - Takes into account all funds except for Debt Service and Life Safety
- **Determine timing and magnitude of cash deficit**
- **Determine timing of cash deficit in relationship to the most recently adopted levy during which time the cash deficit will occur**
- **Determine remaining amount of taxes to be received in most recently adopted levy during which time the cash deficit will occur**
- **Determine if the borrowing will be taxable or tax-exempt**
- **If tax-exempt, begin process of determining available cash balances and appropriate fund transfers or loans to ensure that no cash is available to the District without the proceeds of a TAW borrowing**
- **Begin process of “selling” TAW to buyers**
 - Banks
 - Private Placement
 - Competitive Bid
 - Negotiated Bid
 - General Municipal Buyers
 - Publically Offered Bond Sale
 - Competitively Bid
 - Negotiated Bid
- **Gather and certify all documents necessary to receive legal/bond opinion**
- **Sell TAW’s on specified date – requires Board resolution**
- **Close TAW’s – District receives proceeds**

Lemont Bromberek 113a Status

- **Current cash flow analysis suggests District will need to borrow for 2009 TAW's in December 2009**
 - Cannot happen until after the 2009 Levy is formally adopted by the Board of Education
 - Must be sized correctly
 - Tax-Exempt vs. Taxable borrowing rates will be determined after reviewing the 2009 Audit and various district's documents
- **Board needs to authorize the Administration to move forward with a firm to begin the process of sizing and selling the 2009 TAW's.**

PMA Recommendations

- **2009 Levy is in the process of being adopted in November 2009.**
- **FY2009 Audit is expected to be finished by end of November.**
- **Board of Education needs to have a presentation between November 11, 2009 and early December to understand its current cash flow situation in order to be prepared for recommendations on the amount of the borrowing and the length of the borrowing.**
- **Board of Education needs to direct Administration to move forward on the issuance of the 2009 TAW's.**
 - Either the Administration can work on the paperwork and the “sizing” internally or work with an outside firm (either a Financial Advisor or another Bond Firm)
 - Administration and/or the firm will need to coordinate with Bond Counsel (Chapman & Cutler) to prepare the appropriate documents, certificates and filings for the 2009 TAW's.
- **The issuance of the 2009 TAW's is critical to meeting the District's financial obligations in late December and throughout the calendar year 2010.**
- **Without an improvement in the District's cash position, by either increasing revenues or decreasing expenditures, the District will need to borrow TAW's for the foreseeable future. The amount of the TAW borrowings will be predicated on the ability of the District to improve it's cash flows.**



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