

OFFICE OF THE SUPERINTENDENT

Millburn Public Schools

INFORMATION ITEM

April 19, 2010

To: Board of Education Members

From: Ellen E. Mauer, PhD

Subject: PMA Financial Presentation

This will be our first presentation from PMA. Howie Crouse will present a comprehensive overview including our forecasting for the next five years and some possible referendum scenarios to give us ideas as to what that would entail. You will see that due to state finances and cuts at that level, we will be in a significantly worse situation than we had predicted back in December. A powerpoint is attached for your viewing.



Integrity. Commitment. Performance.™



Millburn School District 24

PMA Financial Planning Program
Presented by
Howard Crouse, Vice President
PMA Financial Network, Inc.
April 19, 2010

Data Elements

- Annual Financial Reports (AFRs) for the past five years
- District's FY10 Budget is the base of financial projections
- Historical Tax Levy/Tax Extension Reports
- History of Equalized Assessed Valuations and New Property Values
- Tax collection history
- Current contract for certified staff
- Current scattergram and FTEs
- Current Salaries & Benefits information
- Current student/staffing ratios
- Historical enrollment from Fall Housing Report



Historical Aggregate Revenues vs. Expenditures

(Educational, O&M, Transportation, IMRF, Working, Cash and Tort Funds)

Millburn School District 24

Aggregate View - History Analysis

	ACTUAL REVENUE / EXPENDITURES									BUDGET	
	FY 2005	FY 2006	Change %	FY 2007	Change %	FY 2008	Change %	FY 2009	Change %	FY 2010	Change %
REVENUE											
Local	\$7,066,941	\$7,725,727	9.32%	\$8,200,204	6.14%	\$8,399,283	2.43%	\$8,948,895	6.54%	\$9,201,878	2.83%
State	\$3,044,498	\$2,754,066	-9.54%	\$2,932,417	6.48%	\$4,297,206	46.54%	\$3,831,974	-10.83%	\$4,327,078	12.92%
Federal	\$56,433	\$90,555	60.46%	\$88,332	-2.45%	\$80,533	-8.83%	\$854,480	961.03%	\$1,045,673	22.38%
Other	\$35,278	\$6,462	-81.68%	\$7,587	17.41%	\$0	-100.00%	\$0		\$20,270	
TOTAL REVENUE	\$10,203,150	\$10,576,810	3.66%	\$11,228,540	6.16%	\$12,777,022	13.79%	\$13,635,349	6.72%	\$14,594,899	7.04%
EXPENDITURES											
Salary and Benefit Costs	\$7,400,921	\$9,522,406	28.67%	\$10,819,124	13.62%	\$11,551,451	6.77%	\$12,070,829	4.50%	\$11,407,908	-5.49%
Other	\$2,256,713	\$2,743,795	21.58%	\$2,791,215	1.73%	\$3,083,189	10.46%	\$3,111,868	0.93%	\$2,715,287	-12.74%
TOTAL EXPENDITURES	\$9,657,634	\$12,266,201	27.01%	\$13,610,339	10.96%	\$14,634,640	7.53%	\$15,182,697	3.74%	\$14,123,195	-6.98%
EXCESS / DEFICIT	\$545,516	(\$1,689,391)		(\$2,381,799)		(\$1,857,618)		(\$1,547,348)		\$471,704	
OTHER FIN. SOURCES/USES											
Transfer Among Funds (Net)	\$299,012	\$126,843		\$101,321		\$84,547		(\$119,854)		\$40,120	
Sale of Bonds	\$167,828	\$354,398		\$0		\$245,884		\$205,284		\$0	
Other Financing Sources	\$138,995	\$0		\$0		\$0		\$0		\$0	
Other Financing Uses	\$0	\$0		\$0		\$0		\$0		\$0	
TOTAL OTHER FIN. SOURCES/USES	\$605,835	\$481,241		\$101,321		\$330,431		\$85,430		\$40,120	
BEGINNING FUND BALANCE	\$4,526,211	\$5,677,562		\$4,469,412		\$2,188,934		\$661,747		(\$800,171)	
YEAR-END FUND BALANCE	\$5,677,562	\$4,469,412		\$2,188,934		\$661,747		(\$800,171)		(\$288,347)	
FUND BALANCE AS % OF EXPENDITURES	58.79%	36.44%		16.08%		4.52%		-5.27%		-2.04%	
FUND BALANCE AS # OF MONTHS OF EXPENDITURES	7.05	4.37		1.93		0.54		(0.63)		(0.24)	

Enrollment and Staffing Assumptions

- Used Information Management Systems Enrollment Projections Method 1, reduced to use lower Kindergarten enrollment of 122 per year
- Enrollment is expected to decrease by 170 students over 5 years because incoming kindergarten is smaller than outgoing 8th Grade class
- Staffing is expected to be reduced proportionately
- Note: On the following enrollment charts, kindergarten student enrollment is divided by 2 to reflect half day kindergarten



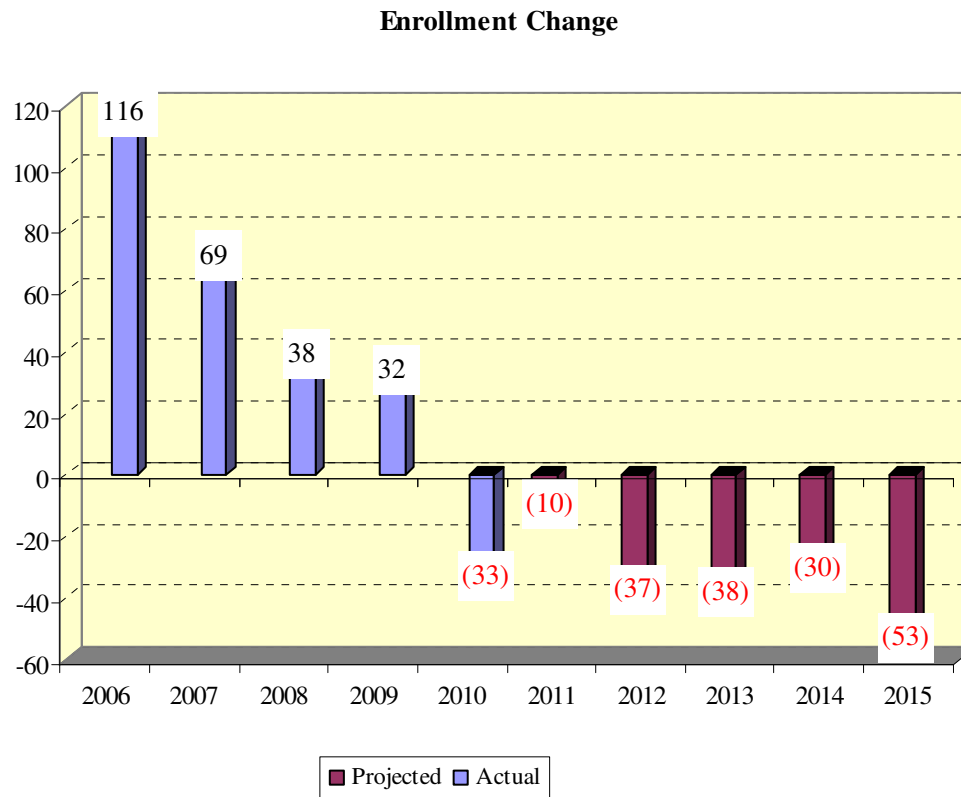
Enrollment Projections

(Note: Kindergarten is shown as FTEs)

	ACTUAL ENROLLMENT						PROJECTED ENROLLMENT				
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
PreK:	0	0	0	0	3	0	0	0	0	0	0
PreK Special Ed:	11	14	20	11	14	34	34	34	34	34	34
K:	82	83	94	86	71	66	61	61	61	61	61
1:	193	183	185	198	181	155	144	137	137	137	137
2:	163	188	187	193	200	182	157	146	139	139	139
3:	148	178	186	186	193	204	185	159	148	141	141
4:	178	158	178	187	180	194	206	187	161	150	143
5:	140	189	167	180	186	176	198	210	191	164	153
6:	167	153	185	161	187	189	179	202	214	194	167
7:	134	158	155	190	163	188	189	179	202	214	194
8:	111	137	154	157	188	163	188	189	179	202	214
SPED Out-of-District	4	6	5	4	20	2	2	2	2	2	2
TOTAL ENROLLMENT:	1331	1447	1516	1553	1585	1553	1543	1506	1468	1438	1385
ANNUAL CHANGE:		116	69	38	32	(33)	(10)	(37)	(38)	(30)	(53)

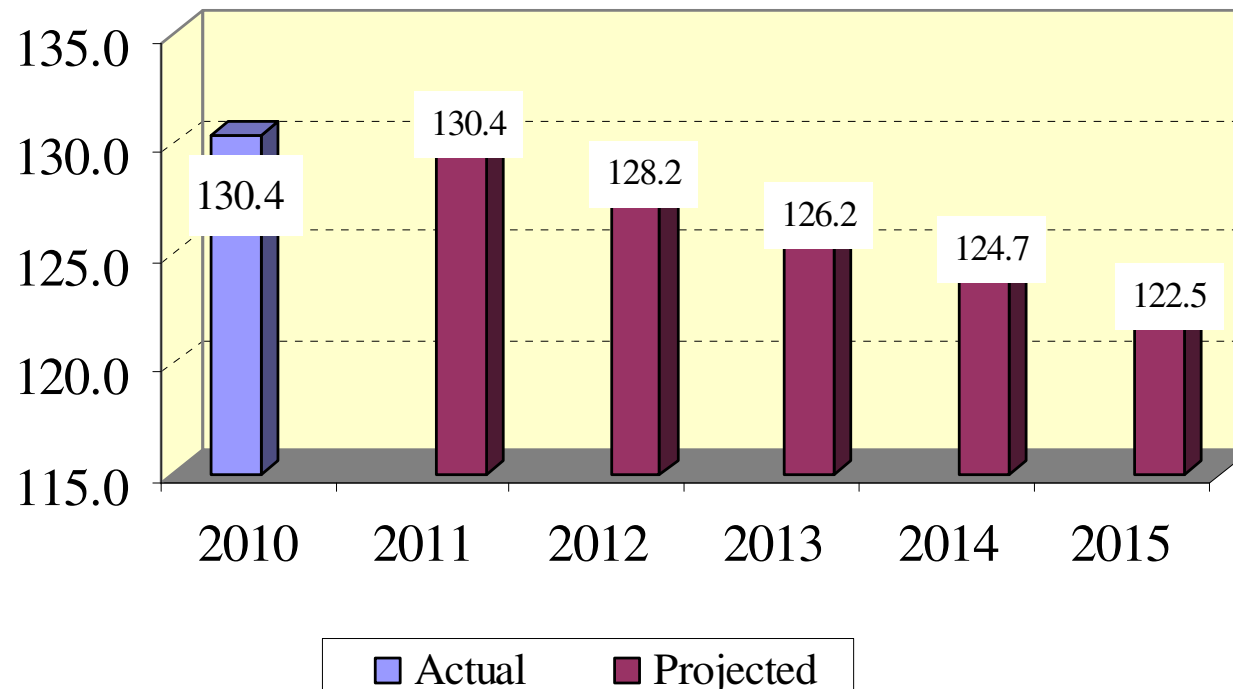
ADA:	1,487.4	1,478.3	1,442.9	1,406.5	1,377.7	1,326.9
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Enrollment Change



Staffing Projections

Certified Staff (FTE)

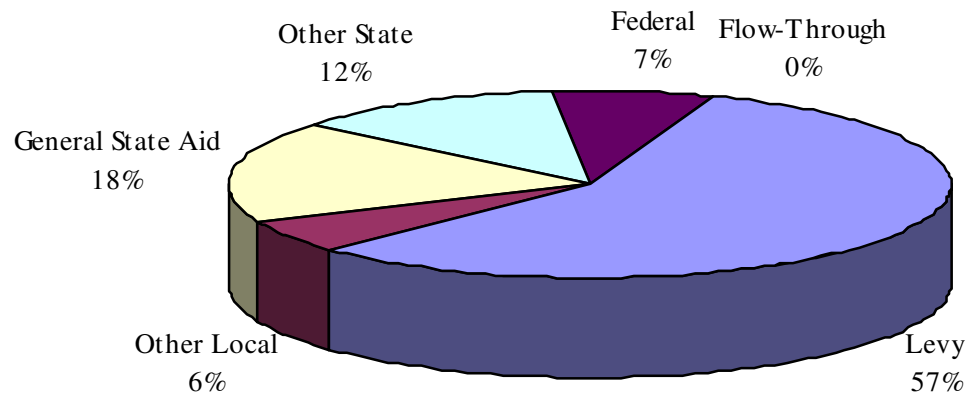


FY 2010 Budget

- Reflects significant cuts made in FY09
- Budgeted for 5 State categorical payments, expecting the State to make the two late payments from FY09, and 3 of the 4 promised for FY10
- State has made only 3 payments, with only 1 more anticipated by June 30
- Federal \$ are higher than usual because some of them were used to make State GSA payments and there are additional \$ in FY 10 and FY 11

FY2010 Budget – Operating Funds

REVENUE BY SOURCE - FY 2010



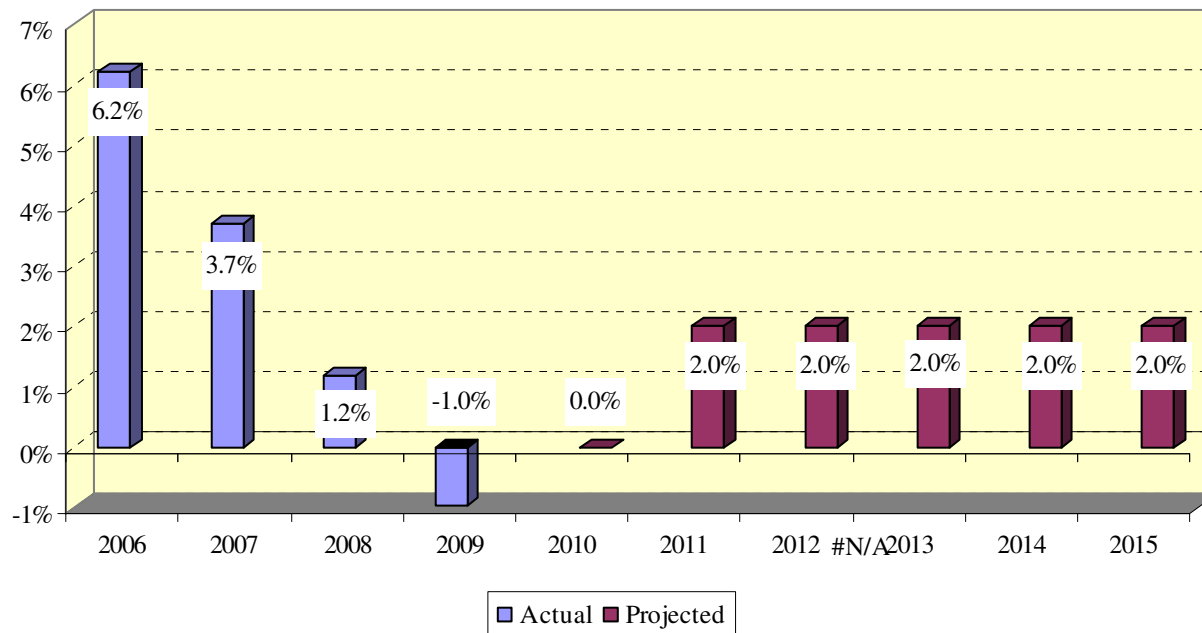
Includes: Educational, Operations & Maintenance, Transportation, Illinois Municipal Retirement Fund, Working Cash and Tort Funds

Revenue Assumptions – Local Revenues

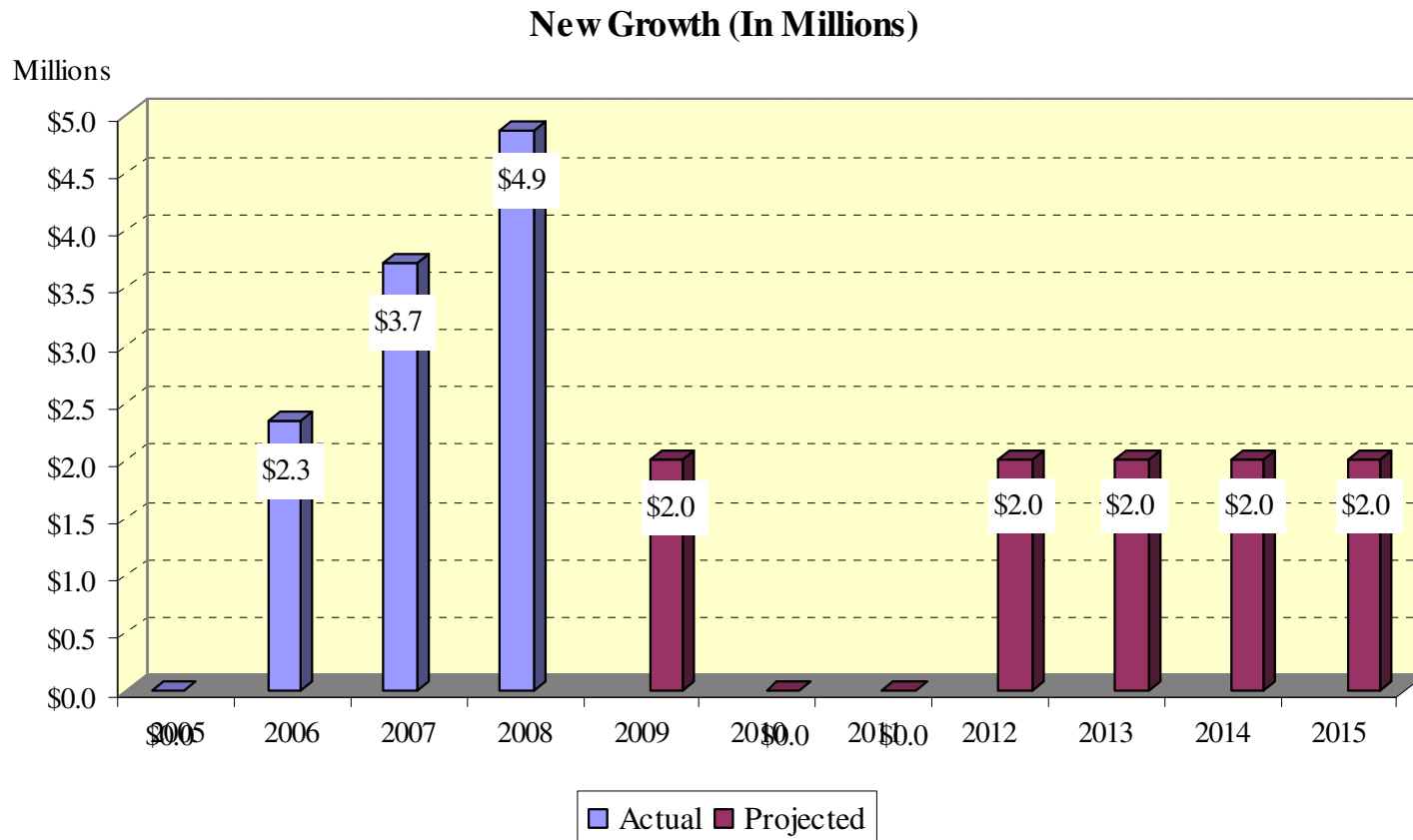
- Property Taxes
 - Existing EAV % changes: 1% actual decrease in the Levy Year 2009; no change projected in LY10, then 2% growth over remaining time period
 - New Growth: \$2.7 million in LY2009; no new growth expected for two years, then \$2 million beyond
 - Total EAV % change: Overall .05% drop in EAV this year; no change expected in LY 10, then small increases of about 2.65% beyond
- Other local revenues are projected to be flat

Revenue Assumptions – Local Revenue

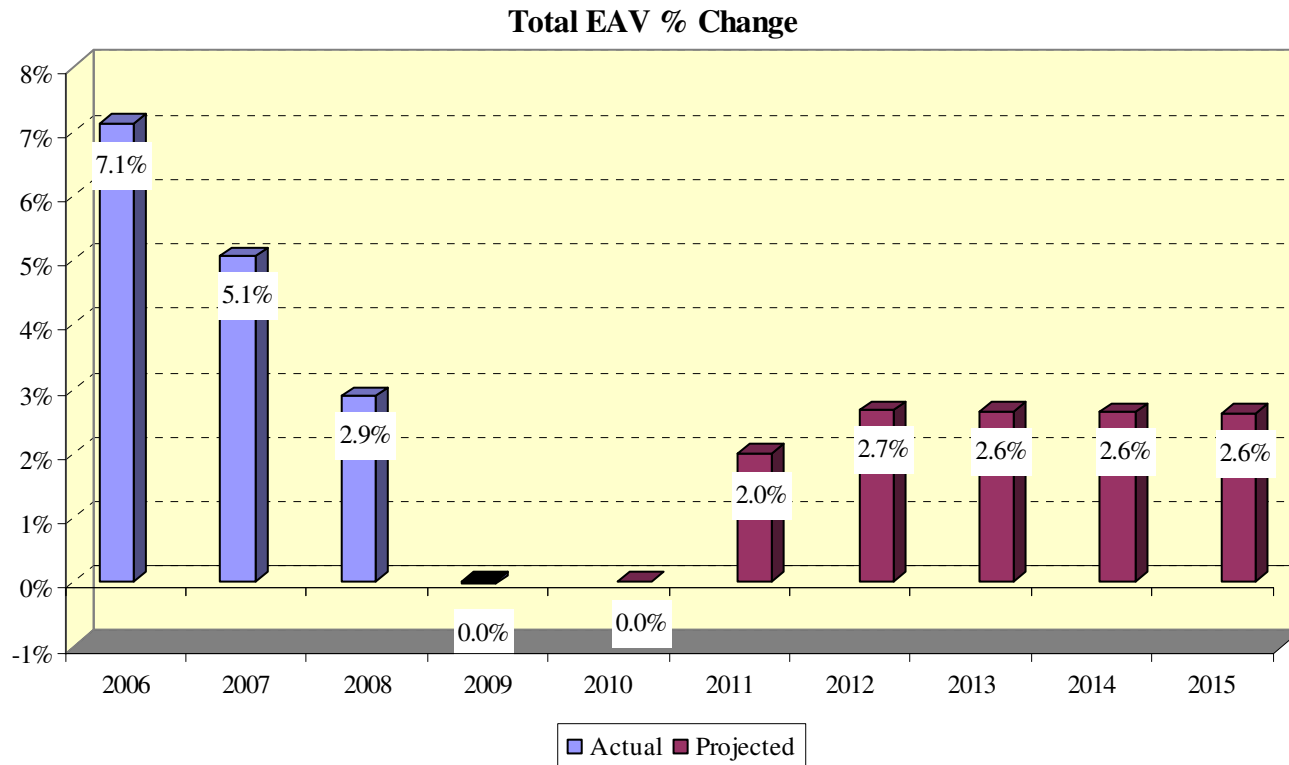
Existing EAV % Change



Revenue Assumptions – Local Revenue

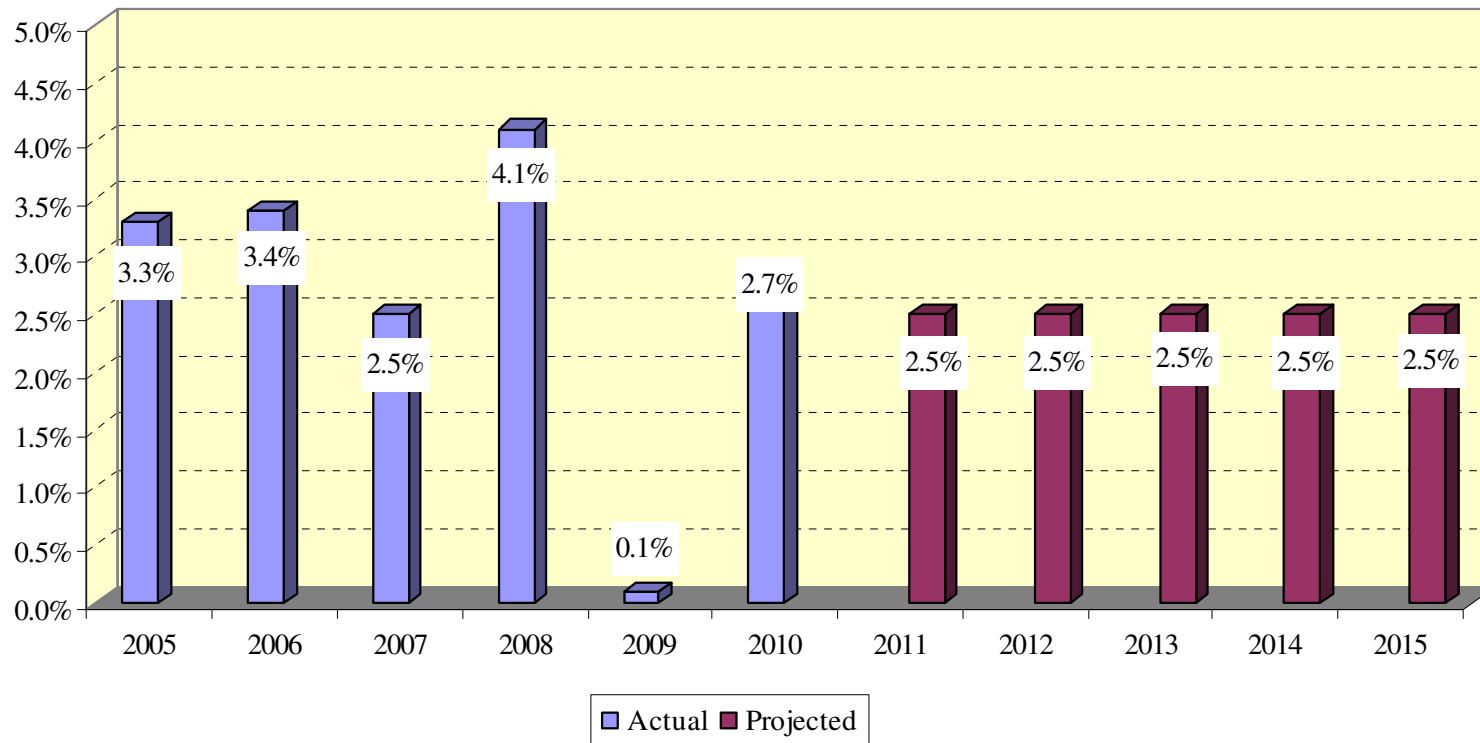


Revenue Assumptions – Local Revenue

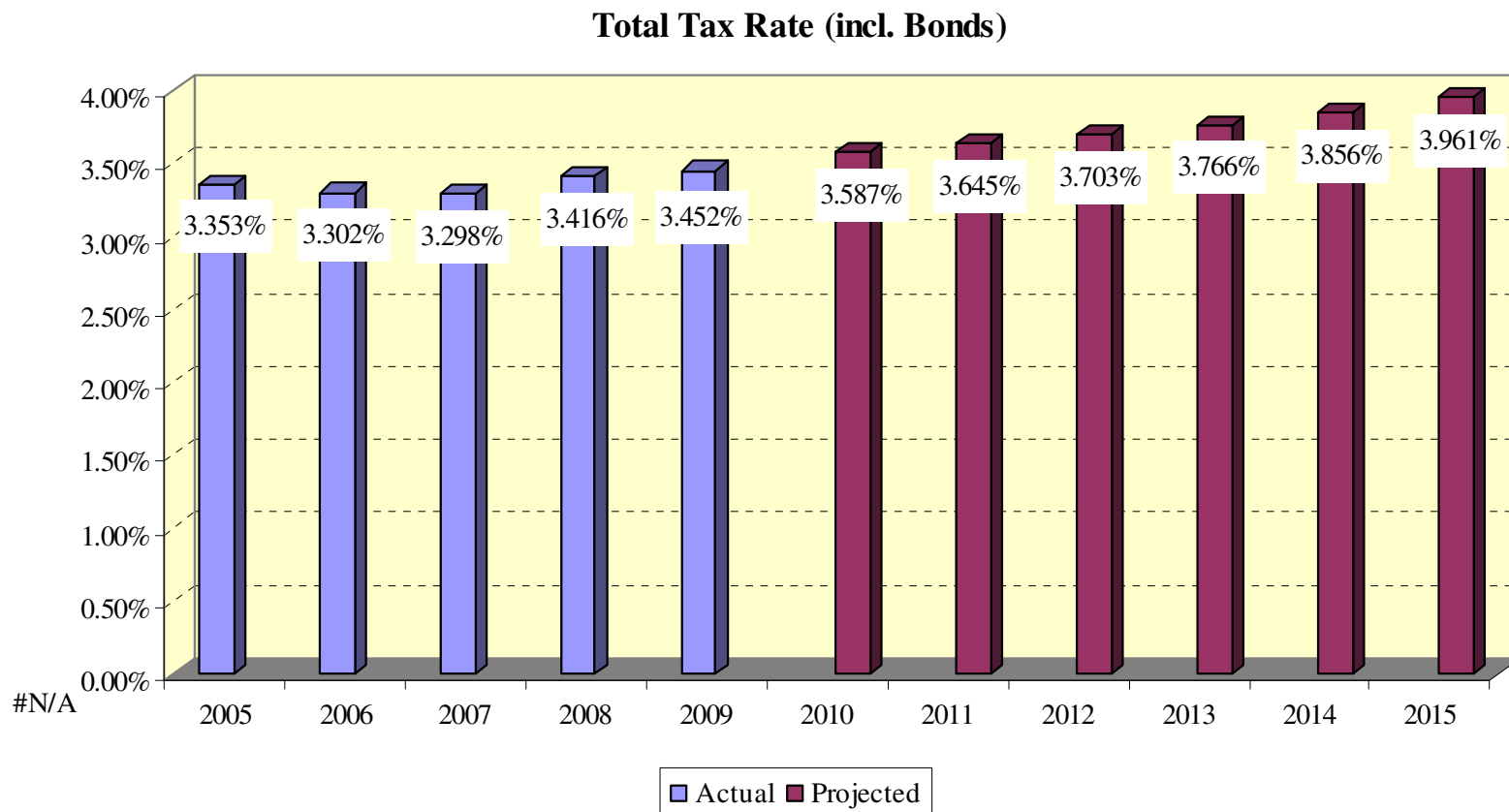


Revenue Assumptions – Local Revenue

Consumer Price Index (CPI) - Levy Years



Tax Rate Impact of Housing Market



Revenue Assumptions – General State Aid

- District is heavily dependent on GSA; GSA in FY 10 is \$3,450,000
- Some GSA was paid from Federal funds in both FY09 and FY10
- In the Governor's proposed budget, the Foundation Level drops \$450 for FY 11. The District projects it to begin to increase at \$100 per year beginning with FY 13
- The District would lose \$1,100,000 in GSA in FY11
- GSA would continue to decrease over the next 4 years to \$1.7 million in FY15

Revenue Assumptions – Other State Funds

- Categorical Payments
 - Anticipate one less payment in FY10 than budgeted (approximately \$150,000)
 - Reduced Special Ed grants by 20%
 - Reduced Reading Improvement Grant by 50% and ADA Block Grant by 16%
 - Total reduction is \$360,000 in the Ed Fund
- Transportation reimbursement formula reduced 18% for FY11,

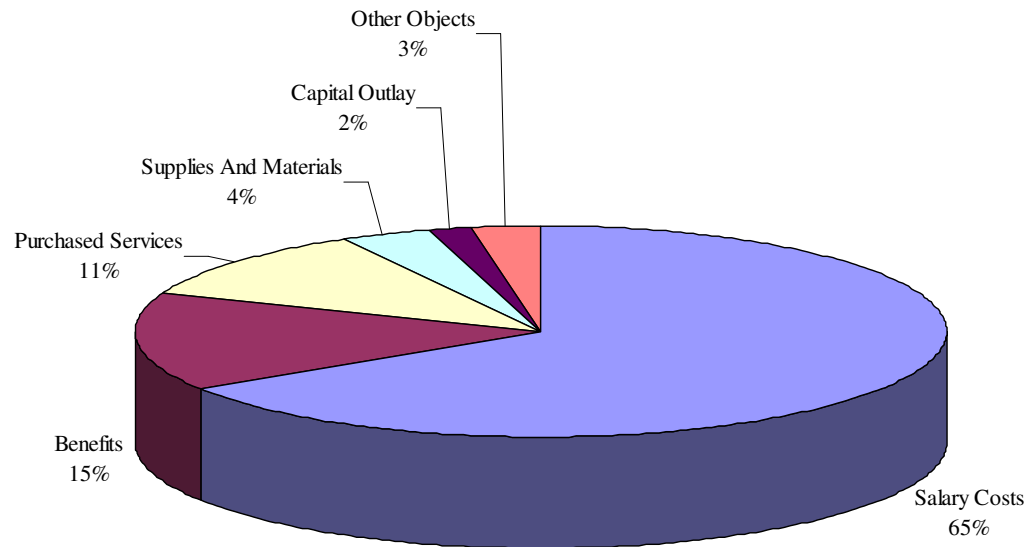
Revenue Assumptions – Federal Funds

- Federal Funding:
 - \$1 Million in Federal Funds in FY2010
 - Includes approximately \$190,000 in ARRA funds and \$750,000 in SFSF distributed in place of State GSA dollars
- GSA dollars shifted back to State responsibility
- ARRA dollars will be \$100,000 in FY11, then eliminated in FY12

FY2010 Budget – Expenditures

Aggregate includes Educational, O/M, Transportation, IMRF, Working Cash and Tort Funds

FY 2010 Expenditures by Object



Salary and Benefits Assumptions

- Teachers' Contract expires in FY11 – Base and Step are approximately 4%
- Salary assumptions are place holders after that
- Teachers projected at 2% increase in FY12 and beyond
- All other staff projected at 4% for FY11, and 2% beyond
- Projected increase in the District's health insurance
 - 5% in FY11
 - 7.7% FY12 and beyond

Expenditure Assumptions – Reviewed by Fund

- Education Fund
 - Reductions made to purchased services and supplies to equal ARRA funds in FY10 and FY11; purchased services also reduced for a portion of unemployment benefits paid in FY10
 - Tuition increases projected at 3% per year
- Operations & Maintenance Fund
 - Overall increase of approximately \$45,000 in FY11, then held flat

Expenditure Assumptions – Reviewed by Fund

- Transportation
 - Purchased services reduced by 75% in FY11, then increasing at 2% (new busing contract)
 - Supplies increasing at 5% per year
 - Anticipated capital outlay increase of \$180,000 in FY11, a reduction of 15% in FY12, then a 2% increase beyond that
- Tort Fund
 - Reducing expenditures by 33% for three years, net reduction of \$100,000



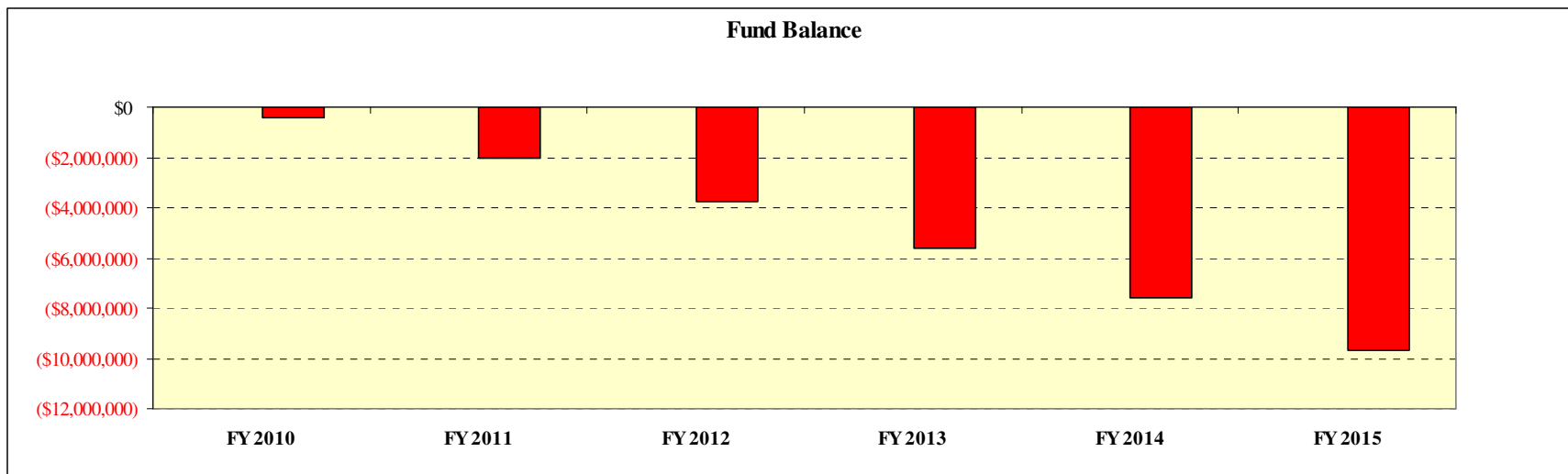
Projected Aggregate Revenues Vs. Expenditures

Millburn School District 24

Aggregate View - Projection Analysis

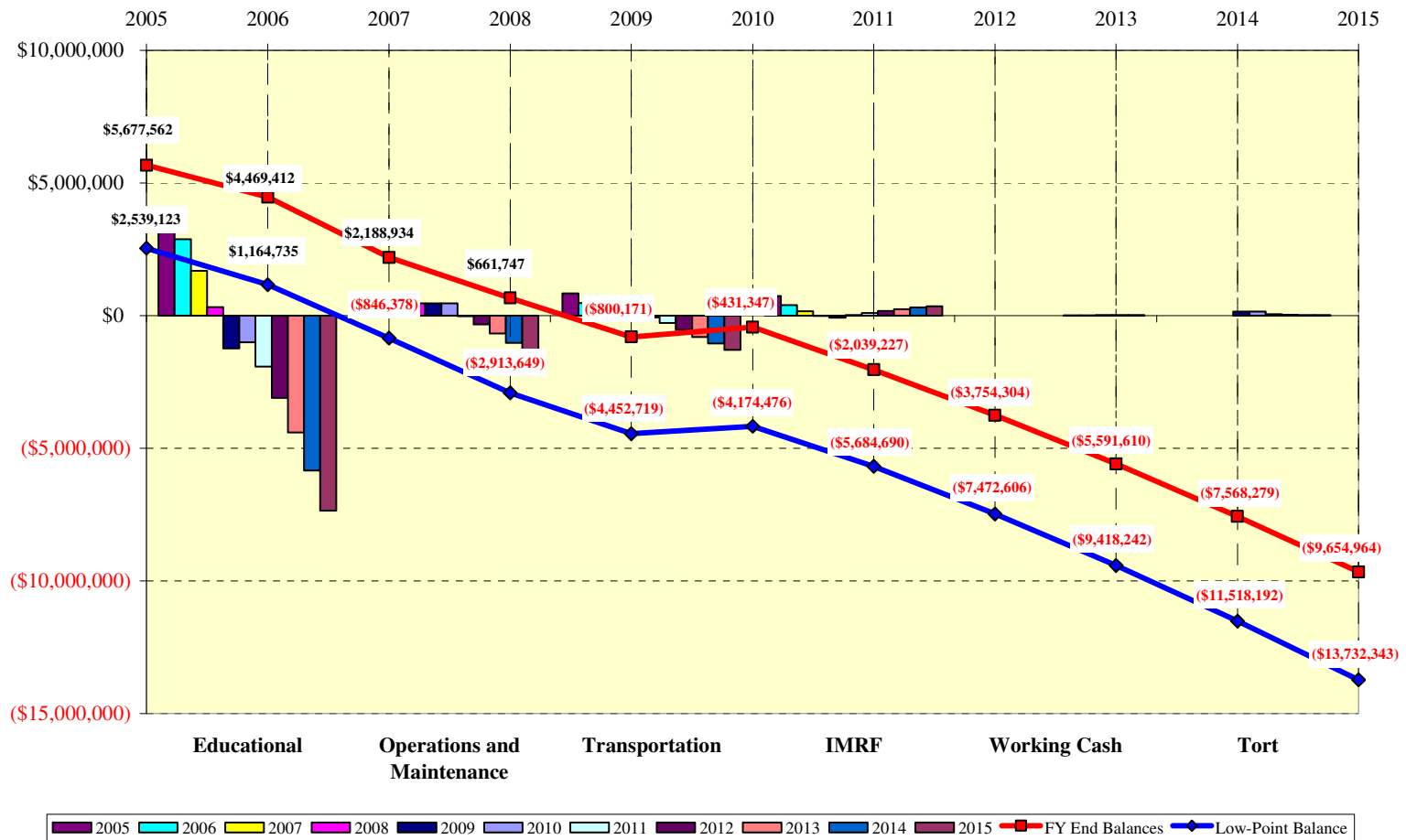
	BUDGET		REVENUE / EXPENDITURE PROJECTIONS								
	FY 2010	FY 2011	% Change	FY 2012	% Change	FY 2013	% Change	FY 2014	% Change	FY 2015	% Change
REVENUE											
Local	\$9,201,878	\$9,349,596	1.61%	\$9,596,572	2.64%	\$9,870,955	2.86%	\$10,183,131	3.16%	\$10,503,564	3.15%
State	\$4,184,078	\$3,480,588	-16.81%	\$3,380,928	-2.86%	\$3,264,081	-3.46%	\$3,136,093	-3.92%	\$2,904,611	-7.38%
Federal	\$1,045,673	\$195,930	-81.26%	\$97,212	-50.38%	\$97,212	0.00%	\$97,212	0.00%	\$97,212	0.00%
Other	\$20,270	\$20,270	0.00%	\$20,270	0.00%	\$20,270	0.00%	\$20,270	0.00%	\$20,270	0.00%
TOTAL REVENUE	\$14,451,899	\$13,046,384	-9.73%	\$13,094,982	0.37%	\$13,252,518	1.20%	\$13,436,706	1.39%	\$13,525,657	0.66%
EXPENDITURES											
Salary and Benefit Costs	\$11,407,908	\$11,901,560	4.33%	\$12,083,188	1.53%	\$12,332,925	2.07%	\$12,630,405	2.41%	\$12,802,406	1.36%
Other	\$2,715,287	\$2,752,704	1.38%	\$2,726,872	-0.94%	\$2,756,899	1.10%	\$2,782,971	0.95%	\$2,809,935	0.97%
TOTAL EXPENDITURES	\$14,123,195	\$14,654,264	3.76%	\$14,810,060	1.06%	\$15,089,824	1.89%	\$15,413,375	2.14%	\$15,612,342	1.29%
EXCESS / DEFICIT	\$328,704	(\$1,607,880)		(\$1,715,078)		(\$1,837,305)		(\$1,976,669)		(\$2,086,684)	
OTHER FIN. SOURCES/USES											
Transfer Among Funds (Net)	\$40,120	\$0		\$0		\$0		\$0		\$0	
Sale of Bonds	\$0	\$0		\$0		\$0		\$0		\$0	
Other Financing Sources	\$0	\$0		\$0		\$0		\$0		\$0	
Other Financing Uses	\$0	\$0		\$0		\$0		\$0		\$0	
TOTAL OTHER FIN. SOURCES/USES	\$40,120	\$0		\$0		\$0		\$0		\$0	
BEGINNING FUND BALANCE	(\$800,171)	(\$431,347)		(\$2,039,227)		(\$3,754,304)		(\$5,591,610)		(\$7,568,279)	
PROJECTED YEAR-END FUND BALANCE	(\$431,347)	(\$2,039,227)		(\$3,754,304)		(\$5,591,610)		(\$7,568,279)		(\$9,654,964)	
FUND BALANCE AS % OF EXPENDITURES	-3.05%	-13.92%		-25.35%		-37.06%		-49.10%		-61.84%	
FUND BALANCE AS # OF MONTHS OF EXPENDITURES	(0.37)	(1.67)		(3.04)		(4.45)		(5.89)		(7.42)	

Aggregate Balanced Budget Analysis

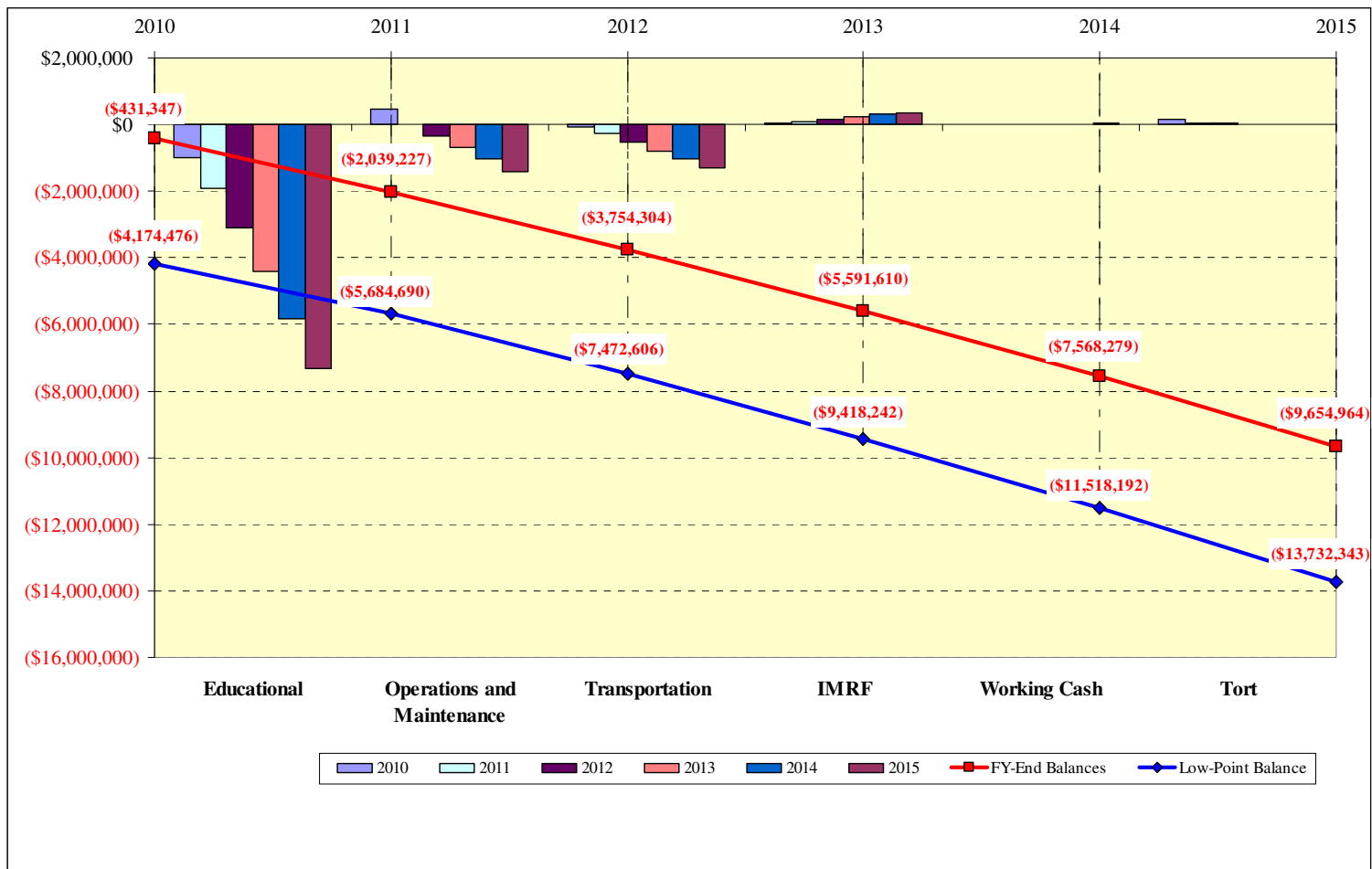


Historical & Projected Fund Balances

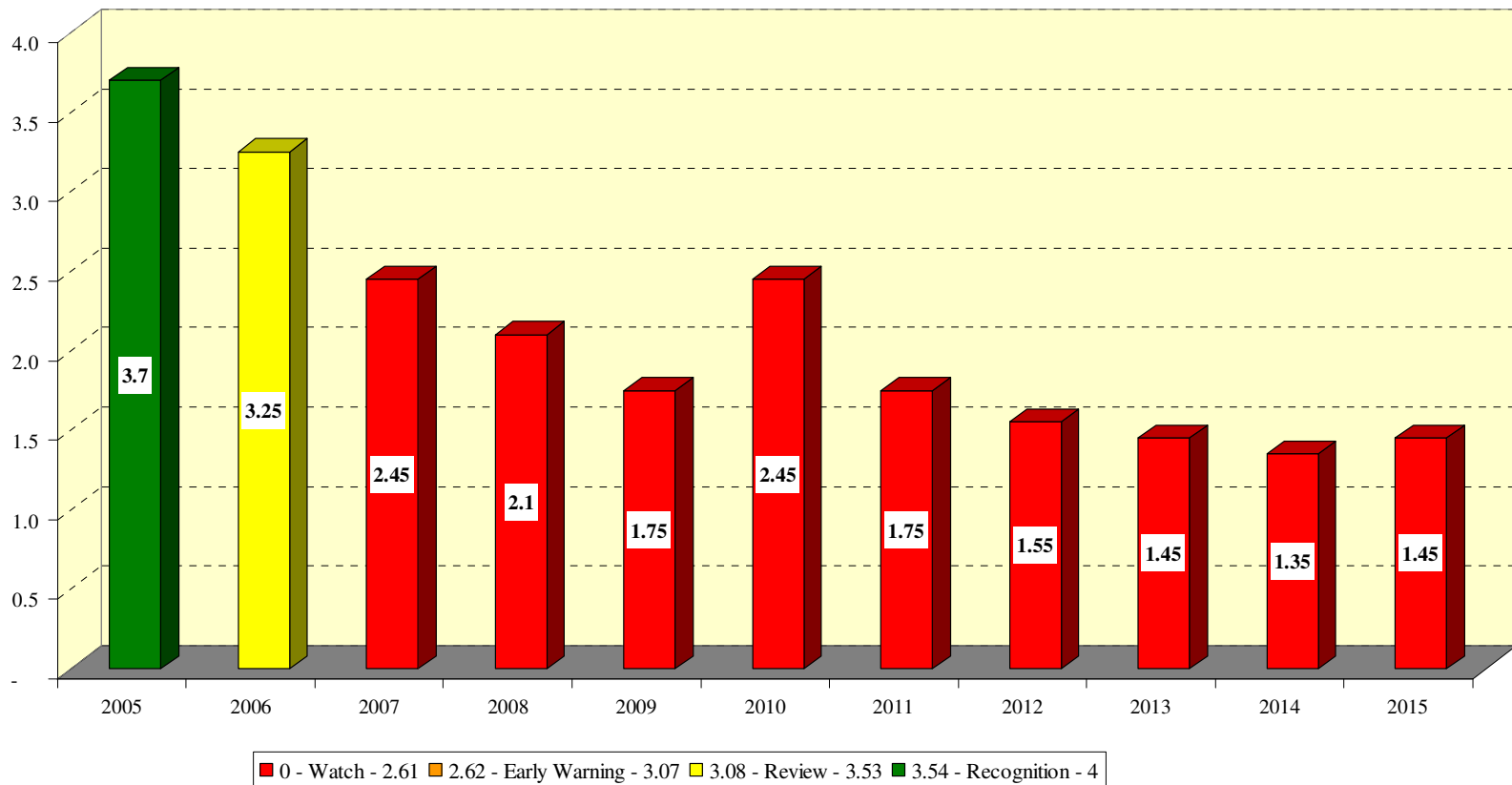
Projected Year-End Balances
 (Educational, Operations and Maintenance, Transportation, IMRF, Working Cash, and Tort Funds.)



Projected Fund Balances



Financial Profile



Staffing Projections for FY11 by Building

FY 11 Enrollment by building

	Central	FY11	Class Size
ECH	34	3	
KNDG	90	2.5	18.0
1st	109	5	21.8
2nd	108	5	21.6
3rd	133	6	22.2
4th	145	6	24.2
5th	137	6	22.8
6th	113	4	28.3
7th	123	4.2	29.3
8th	132	5	26.4
TOTALS	1124	46.7	

PROTECTED STAFFING IN I

	West	FY11	Class Size
ECH	0		
KNDG	32	1	16.0
1st	35	2	17.5
2nd	49	3	16.3
3rd	51	3	17.0
4th	64	3	21.3
5th	56	3	18.7
6th	65	3	21.7
7th	77	3	25.7
8th	63	2.8	22.5
Total	492	23.8	
Both		70.5	

Example: Impact of Higher Class Sizes

- Current staffing patterns show Central with 46.7 classroom teachers and West with 23.8
- In all scenarios, kindergarten and first grade remain under 25
- **Scenario 1:** If grades 2-8 are increased to 28 per class, Central would need 45 classroom teachers (-1.7) and West would still need 23.8
- **Scenario 2:** If grades 2-8 were increased to 30 per class, Central would need 42 classroom teachers (-4.7) and West would need 21 (-2.8) Total (- 7.5)
- Additional reductions would occur in art, music, physical education

Impact of Grade Level Centers on Classroom Staffing

- In all scenarios, kindergarten and first grade remain under 25
- **Scenario 3:** If grades 2-8 are increased to 28 per class, classroom teachers would be reduced from 70.5 to 62
- **Scenario 4:** If grades 2-8 were increased to 30 per class, classroom teachers would be reduced to from 70.5 to 59
- Additional reductions would occur in art, music, physical education

Projected Salary and Benefit Savings

- We use average savings of \$60,000 per teacher in FY12
- **Scenario 1** reduces expenditures by more than \$100,000 per year, beginning in FY12
- **Scenario 2** reduces expenditures by more than \$325,000 per year, beginning in FY12
- **Scenario 3** reduces expenditures by more than \$400,000 per year, beginning in FY12
- **Scenario 4** reduces expenditures by approximately \$650,000 per year, beginning in FY12



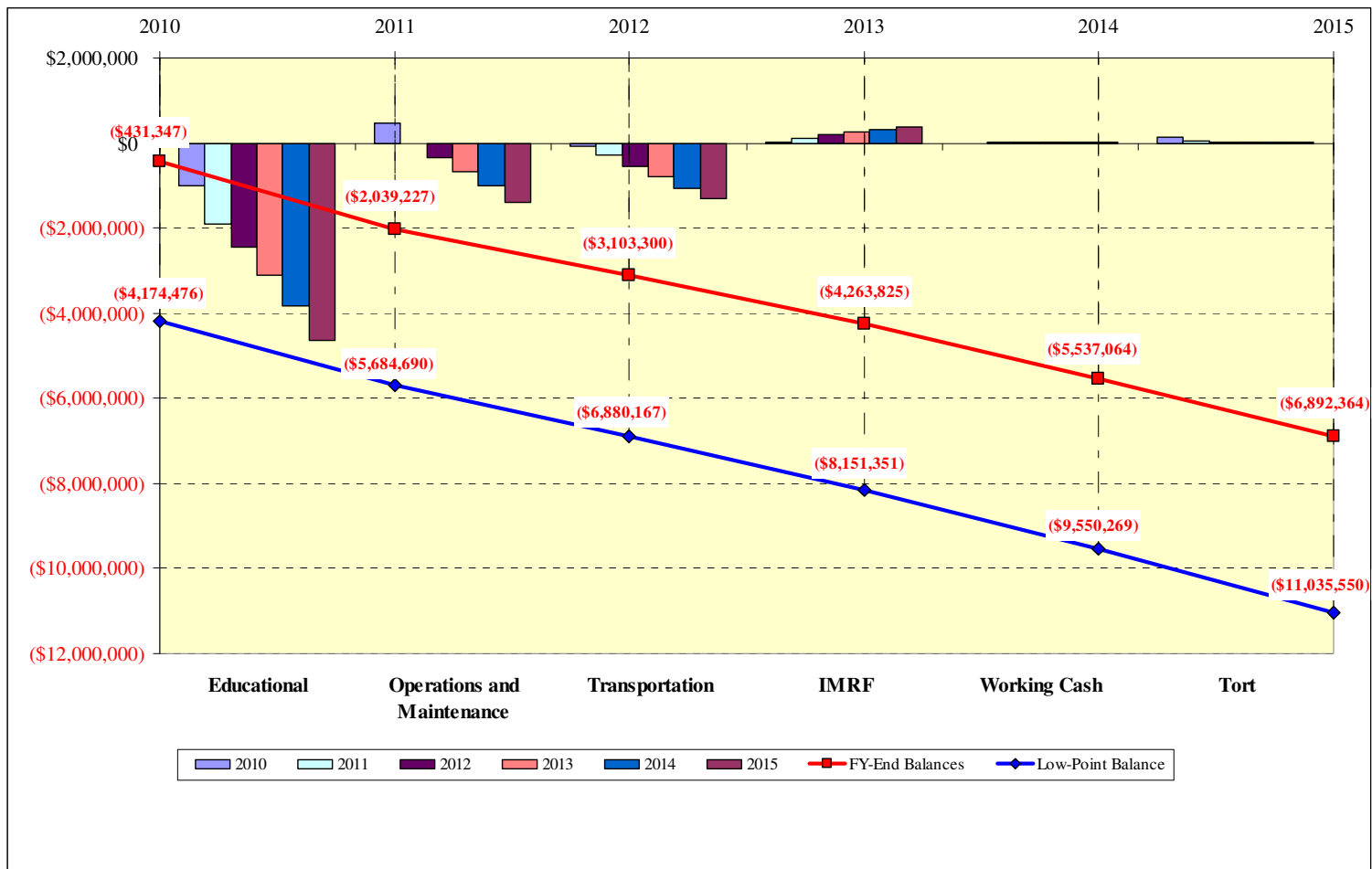
Impact of Scenario 4 - Grade Level Centers and Class Sizes of 30

Millburn School District 24

Aggregate View - Projection Analysis

	BUDGET		REVENUE / EXPENDITURE PROJECTIONS								
	FY 2010	FY 2011	% Change	FY 2012	% Change	FY 2013	% Change	FY 2014	% Change	FY 2015	% Change
REVENUE											
Local	\$9,201,878	\$9,349,596	1.61%	\$9,596,635	2.64%	\$9,871,082	2.86%	\$10,183,131	3.16%	\$10,503,564	3.15%
State	\$4,184,078	\$3,480,588	-16.81%	\$3,380,928	-2.86%	\$3,264,132	-3.45%	\$3,136,145	-3.92%	\$2,904,664	-7.38%
Federal	\$1,045,673	\$195,930	-81.26%	\$97,212	-50.38%	\$97,212	0.00%	\$97,212	0.00%	\$97,212	0.00%
Other	\$20,270	\$20,270	0.00%	\$20,270	0.00%	\$20,270	0.00%	\$20,270	0.00%	\$20,270	0.00%
TOTAL REVENUE	\$14,451,899	\$13,046,384	-9.73%	\$13,095,045	0.37%	\$13,252,696	1.20%	\$13,436,758	1.39%	\$13,525,711	0.66%
EXPENDITURES											
Salary and Benefit Costs	\$11,407,908	\$11,901,560	4.33%	\$11,432,246	-3.94%	\$11,656,323	1.96%	\$11,927,027	2.32%	\$12,071,075	1.21%
Other	\$2,715,287	\$2,752,704	1.38%	\$2,726,872	-0.94%	\$2,756,899	1.10%	\$2,782,971	0.95%	\$2,809,935	0.97%
TOTAL EXPENDITURES	\$14,123,195	\$14,654,264	3.76%	\$14,159,118	-3.38%	\$14,413,222	1.79%	\$14,709,997	2.06%	\$14,881,010	1.16%
EXCESS / DEFICIT	\$328,704	(\$1,607,880)		(\$1,064,073)		(\$1,160,526)		(\$1,273,239)		(\$1,355,299)	
OTHER FIN. SOURCES/USES											
Transfer Among Funds (Net)	\$40,120	\$0		\$0		\$0		\$0		\$0	
Sale of Bonds	\$0	\$0		\$0		\$0		\$0		\$0	
Other Financing Sources	\$0	\$0		\$0		\$0		\$0		\$0	
Other Financing Uses	\$0	\$0		\$0		\$0		\$0		\$0	
TOTAL OTHER FIN. SOURCES/USES	\$40,120	\$0		\$0		\$0		\$0		\$0	
BEGINNING FUND BALANCE	(\$800,171)	(\$431,347)		(\$2,039,227)		(\$3,103,300)		(\$4,263,825)		(\$5,537,064)	
PROJECTED YEAR-END FUND BALANCE	(\$431,347)	(\$2,039,227)		(\$3,103,300)		(\$4,263,825)		(\$5,537,064)		(\$6,892,364)	
FUND BALANCE AS % OF EXPENDITURES	-3.05%	-13.92%		-21.92%		-29.58%		-37.64%		-46.32%	
FUND BALANCE AS # OF MONTHS OF EXPENDITURES	(0.37)	(1.67)		(2.63)		(3.55)		(4.52)		(5.56)	

Impact of Scenario 4 - Grade Level Centers and Class Sizes of 30



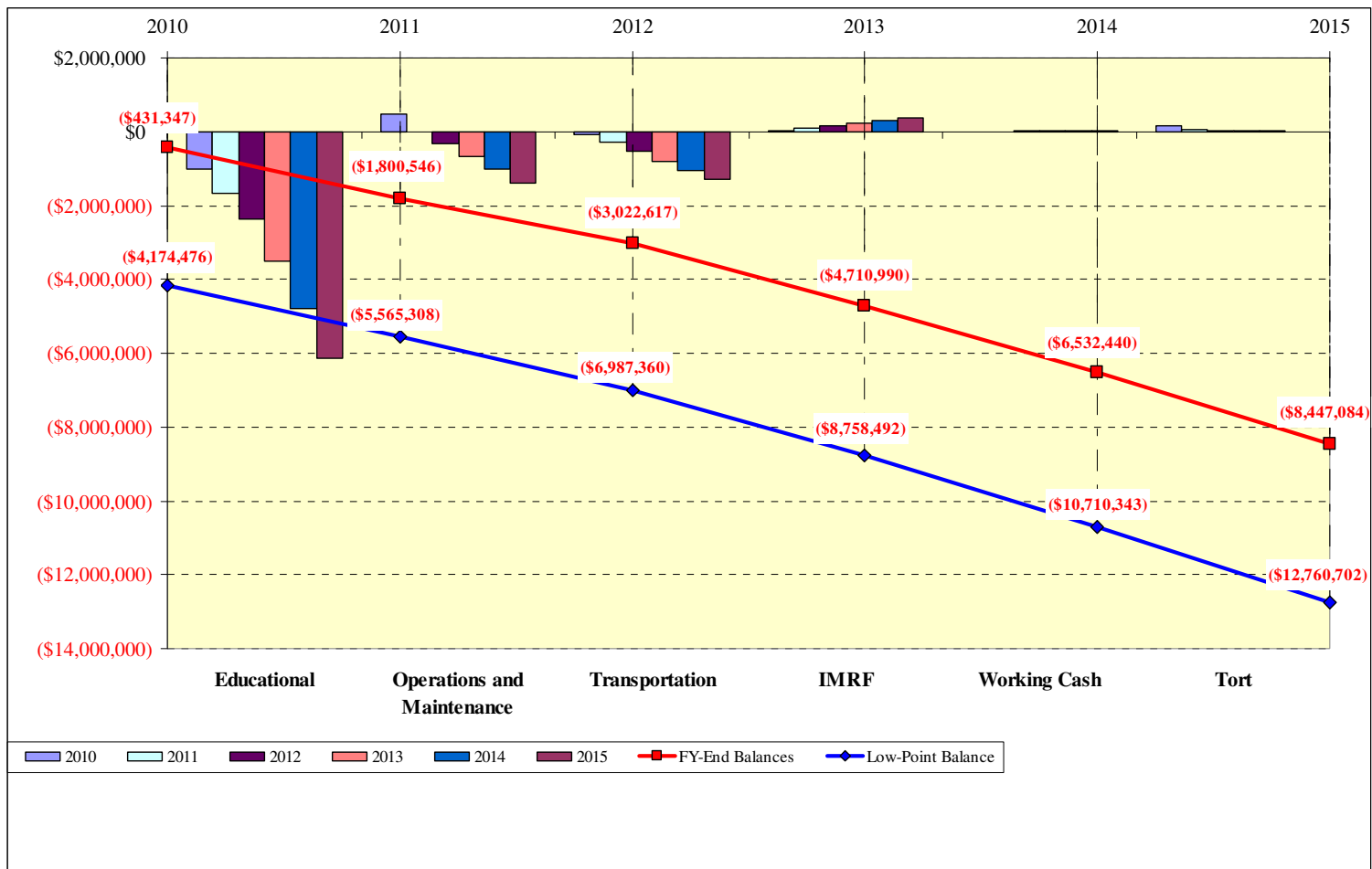
Impact of Scenario 4 - Grade Level Centers and Class Sizes of 30

- Moving to Grade Level Centers and increasing class sizes to 30 in grades 2-8 WILL NOT SOLVE YOUR FINANCIAL CRISIS by itself

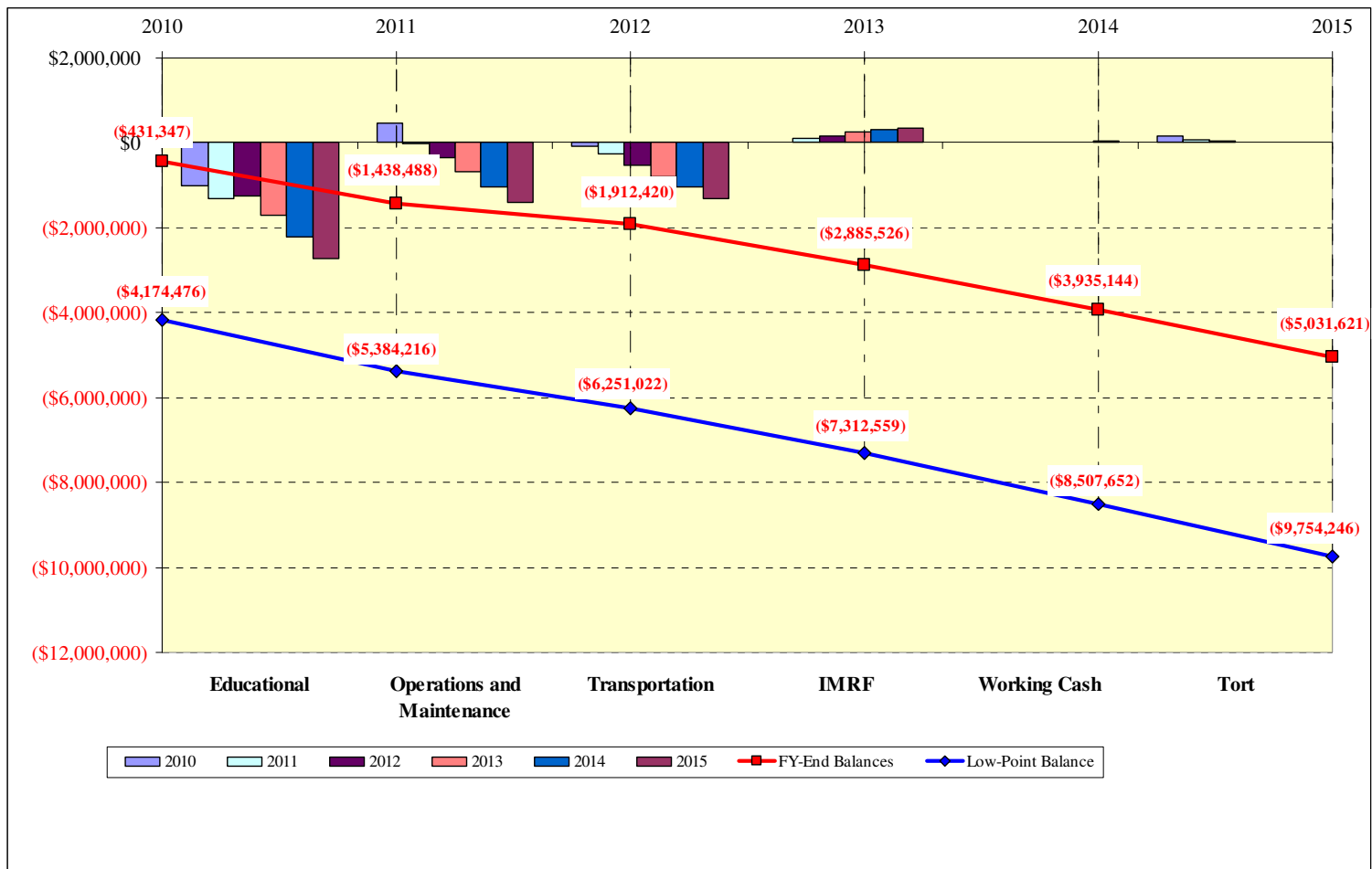
Revenue Increase Through Referendum

- There is no recommendation made in this analysis
- The District wanted to model impacts of various Limiting Rate tax increase proposals
- Base model is used for comparison
- Increase assumed to impact Levy Year 10, collected in June and September 2011
- Limiting Rate increases of \$.25, \$.50, \$.75 and \$1.00 are modeled in the following pages

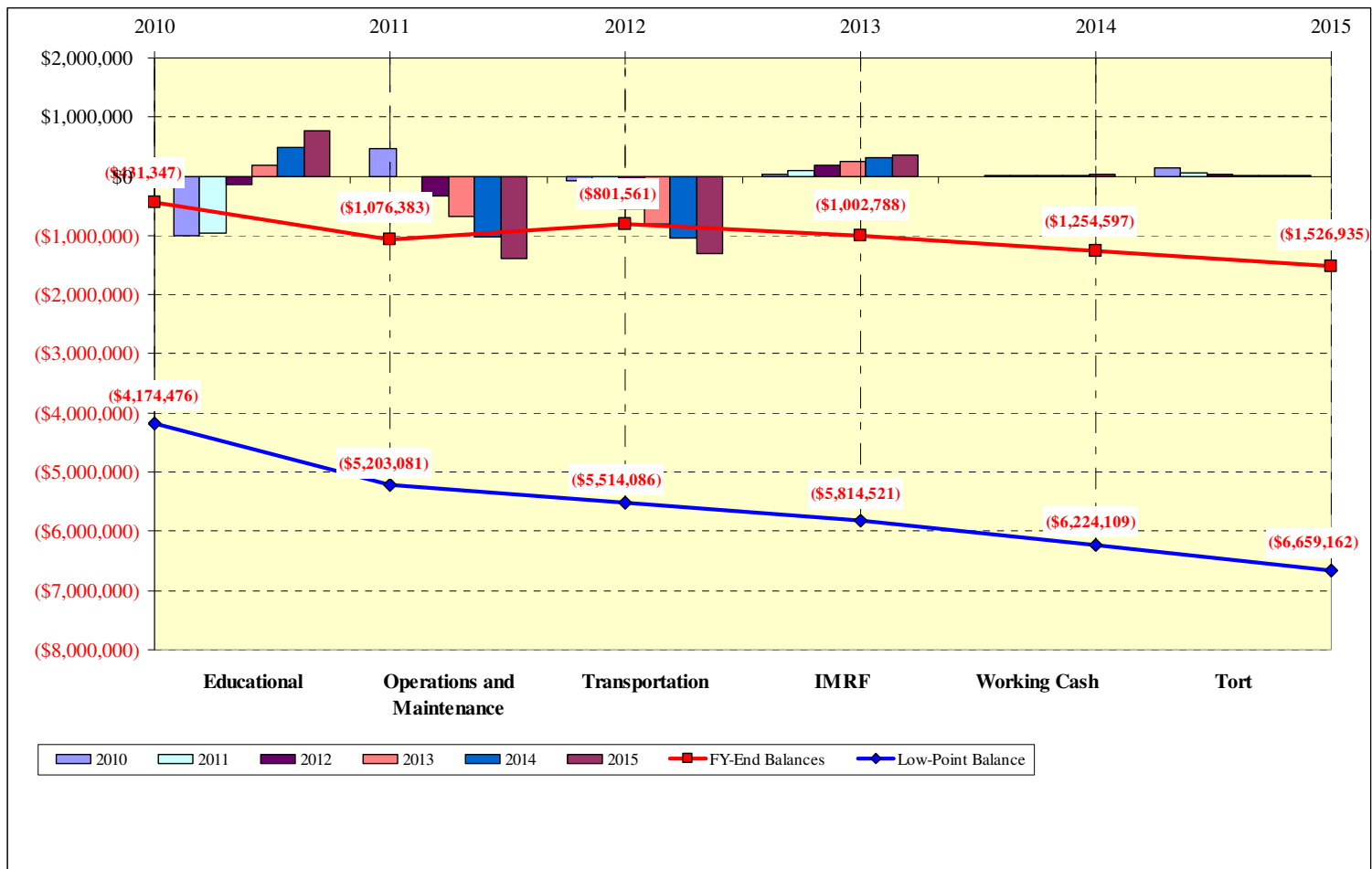
Impact of Limiting Rate Increase of \$.25



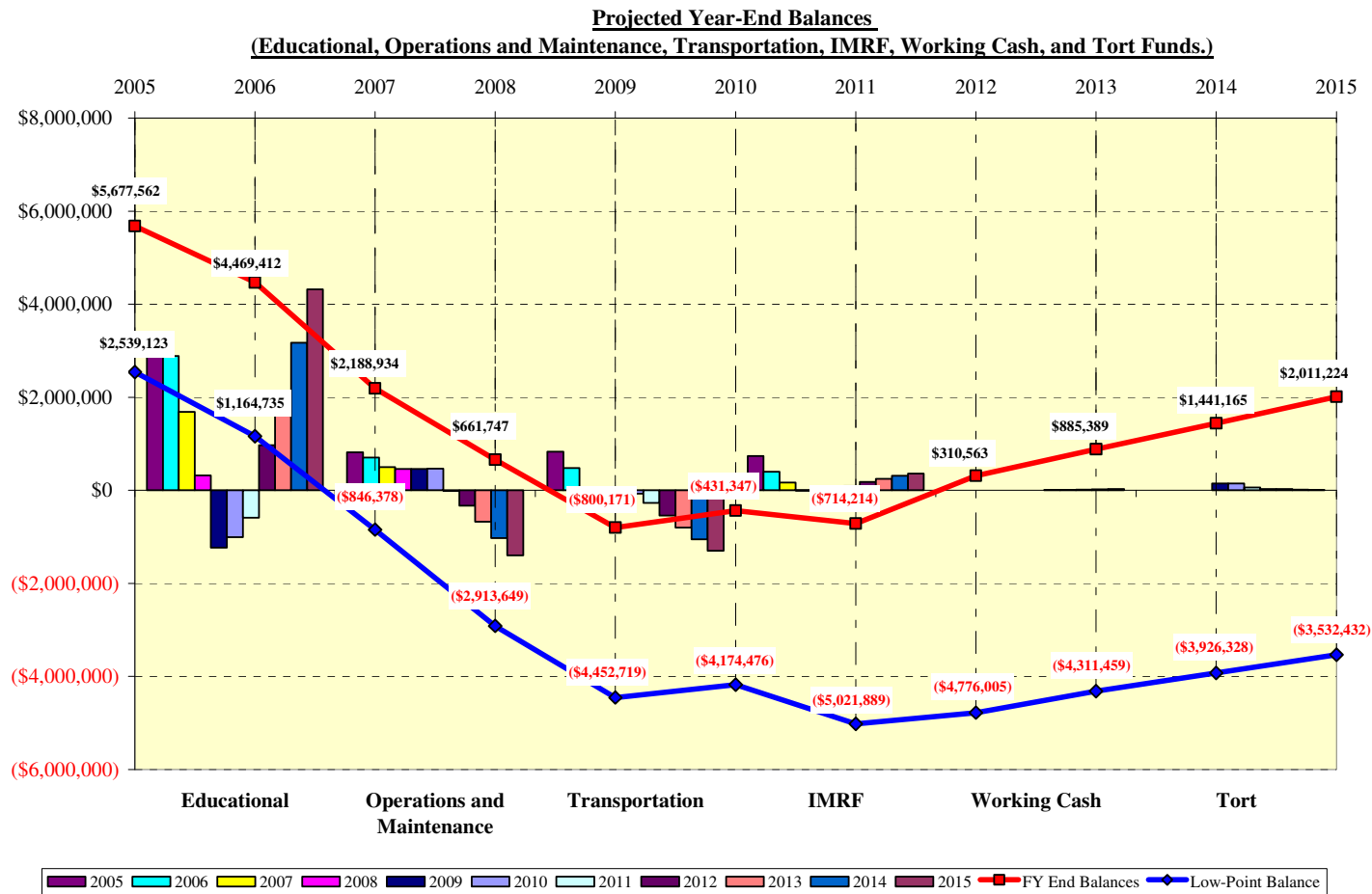
Impact of Limiting Rate Increase of \$.50



Impact of Limiting Rate Increase of \$.75



Impact of Limiting Rate Increase of \$1.00





The information contained herein is solely intended to suggest/discuss potentially applicable financing applications and is not intended to be a specific buy/sell recommendation, nor is it an official confirmation of terms. Any terms discussed herein are preliminary until confirmed in a definitive written agreement.

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