

**Business Office Update
December 15, 2014 Meeting**

Property Tax Revenue

- We just received the December distribution of property taxes. There will be one more minimal distribution in January, 2015 for the 2014 property taxes. At this point, our collection rate is 99.89%. By this point in December of 2013, we had collected 100.01% of property taxes.

Bus Lease

- The current 3 year bus lease ends in July, 2015. Additionally, the small bus we own is now paid off. I am in the process of getting a current trade-in value for that vehicle. I have received a proposal from Midwest Transit to lease 1-year old buses for either a 3-year or a 4-year lease. The purchase or lease of used vehicles is exempt from the public bidding requirements. Based on the pricing, we should consider not going through the competitive bid process.

IMRF Unfunded Actuarial Accrued Liability (UAAL)

- The majority of government units that participate in the Illinois Municipal Retirement Fund have a UAAL. Those that don't opted to pay their UAAL upfront. This became an issue after the market crash of 2007-08. In order to reduce the impact on IMRF employers, a smoothing formula was implemented to reduce pay a funding adjustment charge that is designed to bring the district up to the recommended funding level over a period of years. However, this results in the district paying 7.5% interest on the UAAL.
- Millburn's UAAL was \$1,187,818 as of December 31, 2013. When the IMRF budget was developed, I included \$50,000 that can be used to pay down the UAAL. IMRF recommends that payments to reduce the UAAL be made in December. If the board wants to submit a payment to IMRF to reduce its UAAL, the payment would need to be authorized at the December 15, 2014 board meeting. A copy of IMRF's General Memorandum 652 that explains how voluntary payments affect the UAAL is attached for your review.
- The current IMRF/Social Security Fund budget includes \$50,000 that can be used as a voluntary IMRF payment by the district.

Tax Anticipation Warrants

- The State Bank of the Lakes has granted conditional funding for up to \$500,000 in Tax Anticipation Warrants subject to school board approval of the resolution and warrants for fiscal year 2015 at a rate of 2.875%. We will have the ability to obtain the funding in \$100,000 increments. Our attorney, Mike Gantar, is preparing the necessary resolution and warrants for approval at the January 26, 2015 board meeting.

Standard & Poors

- The district recently received an upgrade in its bond rating from Standard and Poors. They affirmed their rating of "A-" and changed the outlook to "stable" from "negative". A copy of the letter and rating are attached.

Professional Development Activities

- December 3, 2014 – I was the moderator at an all-day seminar sponsored by the Illinois Association of School Business Officials Construction & Planning committee. The entire day was devoted to sessions related to school construction, zoning, forms, etc...
- December 5, 2014 – I attended the Northeast Illinois Association of School Business Officials. The topic was school strikes. We heard the business office perspective of the recent Waukegan strike and Stan Eisenhammer from HLERK provided suggestions regarding how to deal with a strike (during and after) as well as techniques the district can use to get the district message out into the community.
- December 11, 2014 – I attended the semi-annual meeting of the CLIC insurance cooperative. At this meeting, they had an hour devoted to questions and answers that was extremely helpful. They also unveiled updates they had made to their website to assist member districts. We learned about many new processes that have been put in place to reduce insurance costs for the member districts. The renewal process will occur in January with the district providing information to the Cooperative. We will get the rate information at the next meeting in May, 2015. At this point, we were told to budget for an increase not to exceed 5-7%.



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General Memorandum 652

To: All Authorized Agents

November 17, 2014

Re: Voluntary Payments to Reduce the Unfunded Actuarial Accrued Liability

We encourage each Authorized Agent to share this memorandum with their unit of government's financial administrators.

Executive Summary

Some IMRF employers carry Unfunded Actuarial Accrued Liability (UAAL). While part of an employer's annual contribution rate goes toward paying down UAAL, IMRF employers may choose to make additional payments to pay down the liability more quickly. An employer who makes additional payments to reduce its UAAL faces unique rewards and risks.

If you are interested in discussing the rewards and risks of voluntary payments, please contact IMRF's Chief Financial Officer Mark Nannini at 630-368-5345. To maximize potential benefits, it is important to make additional contributions before year-end.

Your employer contribution rate and your UAAL

Your employer annually pays a contribution rate set by IMRF. The rate your employer pays is broken down in your Contribution Rate Notice in the Document Archive of [Employer Access](#).

Each employer's contribution rate includes a portion to pay the Normal Cost of an IMRF pension. The Normal Cost is the cost to the employer of the members' pension benefits earned in a given year. For employers who carry UAAL, the contribution rate includes a portion called a Funding Adjustment. The Funding Adjustment goes toward paying interest and principal on UAAL. The UAAL carries a 7.5% interest charge.

For 2015 employer contribution rates:

- The UAAL is amortized over 28 years for employers with the ability to levy property taxes. The amortization period will reduce each year until it reaches 15 years, at which time it will become a rolling 15-year amortization period.
- The UAAL is amortized over a rolling 10-year period for employers without the ability to levy property taxes.

When an amortization period becomes a rolling period, the remaining UAAL is effectively refinanced each year. That means, theoretically, that the remaining UAAL will never be paid off.

Voluntary payments and your UAAL

Some IMRF employers opt to make voluntary payments specifically designated to pay down the UAAL. An employer who makes voluntary payments to reduce its UAAL faces unique rewards and risks.

Rewards:

- **The employer will reduce its employer contribution rate.**
For example, an employer with an \$8 million UAAL and an IMRF payroll of \$12.7 million would reduce the Funding Adjustment portion of its employer contribution rate from 3.48% to 3.43% with a \$100,000 payment. This would result in a reduction in employer contributions of \$6,350 on an annual basis.
- **If IMRF investments earn in excess of the 7.5% assumed rate of return in a given year, the employer will receive additional credit to its employer reserve account.**
The reason for this credit is that employers—as sponsors of a defined benefit plan—bear the rewards of investment returns. The amount of the credit is enhanced by the magnitude of the additional employer contribution to pay down its UAAL. (A smaller UAAL results in a larger employer reserve balance; a larger employer reserve balance results in a larger credit.)

Risks:

- **If IMRF investments earn less than the 7.5% assumed rate of return in a given year, the employer will receive an additional charge to its employer reserve account.**

The reason for this charge is that employers—as sponsors of a defined benefit plan—bear the risks of investment returns. The amount of the charge is enhanced by the magnitude of the additional employer contribution to pay down its UAAL. (A smaller UAAL results in a larger employer reserve balance; a larger employer reserve balance results in a larger charge).

Contact IMRF

If you are interested in discussing the rewards and risks of voluntary payments, please contact IMRF's Chief Financial Officer Mark Nannini at 630-368-5345. To maximize potential benefits, it is important to make additional contributions before year-end.

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Page Last Updated by JK on 11-14-14

December 5, 2014

Millburn Community Consolidated School District Number 24
18550 West Millburn Road
Wadsworth, IL 60083
Attention: Dr. Stephen Johns, Business Manager

Re: ***Lake County Community Consolidated School District No. 24 Millburn, Illinois, General Obligation Bonds, Various Series***

Dear Dr. Johns:

Standard & Poor's Ratings Services ("Ratings Services") hereby affirms its rating of "A-" for the underlying rating (SPUR) on the above-listed obligations and changed the outlook to stable from negative. A copy of the rationale supporting the rating and outlook is enclosed.

This letter constitutes Ratings Services' permission for you to disseminate the above rating to interested parties in accordance with applicable laws and regulations. However, permission for such dissemination (other than to professional advisors bound by appropriate confidentiality arrangements) will become effective only after we have released the rating on standardandpoors.com. Any dissemination on any Website by you or your agents shall include the full analysis for the rating, including any updates, where applicable.

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Please send hard copies to:

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