

OFFICE OF THE SUPERINTENDENT

Millburn Public Schools

INFORMATION ITEM

June 21, 2010

To: Board of Education Members

From: Ellen E. Mauer, PhD

Subject: PMA Financial Presentation

Howie Crouse of PMA will be here tonight to go over some referenda scenarios. He will explain the differences between an ed fund rate increase and a working cash bond proposal and the pros and cons of each. He will have several different dollar figures to run through the model. Attached please find a powerpoint that he has created.



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Millburn School District 24

PMA Financial Planning Program
Presented by
Howard Crouse, Vice President
PMA Financial Network, Inc.
June 21, 2010



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)	

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

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

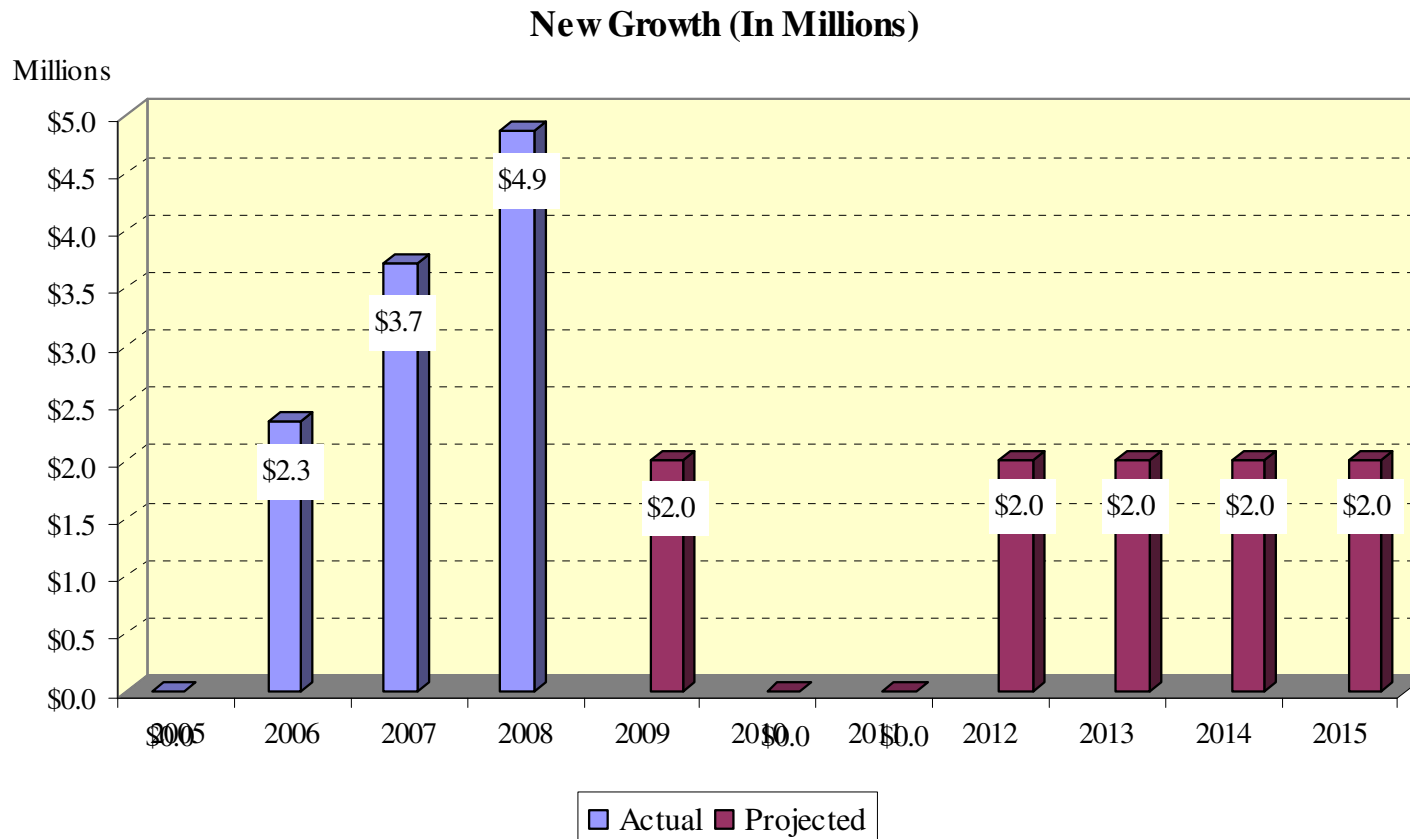
Current State Budget Information (June 14, 2010)

- The Legislature passed a Fiscal Year 2011 Budget that is as much as \$7 billion out of balance, with \$6 billion in unpaid bills from FY2010
- It gave the Governor broad discretionary powers to reduce any allocation in the budget
- It allows General State Aid to be prorated
- It kept the Foundation Level at \$6,119, with line item appropriations for mandated categoricals cut 18-50% and a lump sum to run ISBE and all other grants cut by almost 50%
- This budget cannot be sustained

Revenue Assumptions – Local Revenues

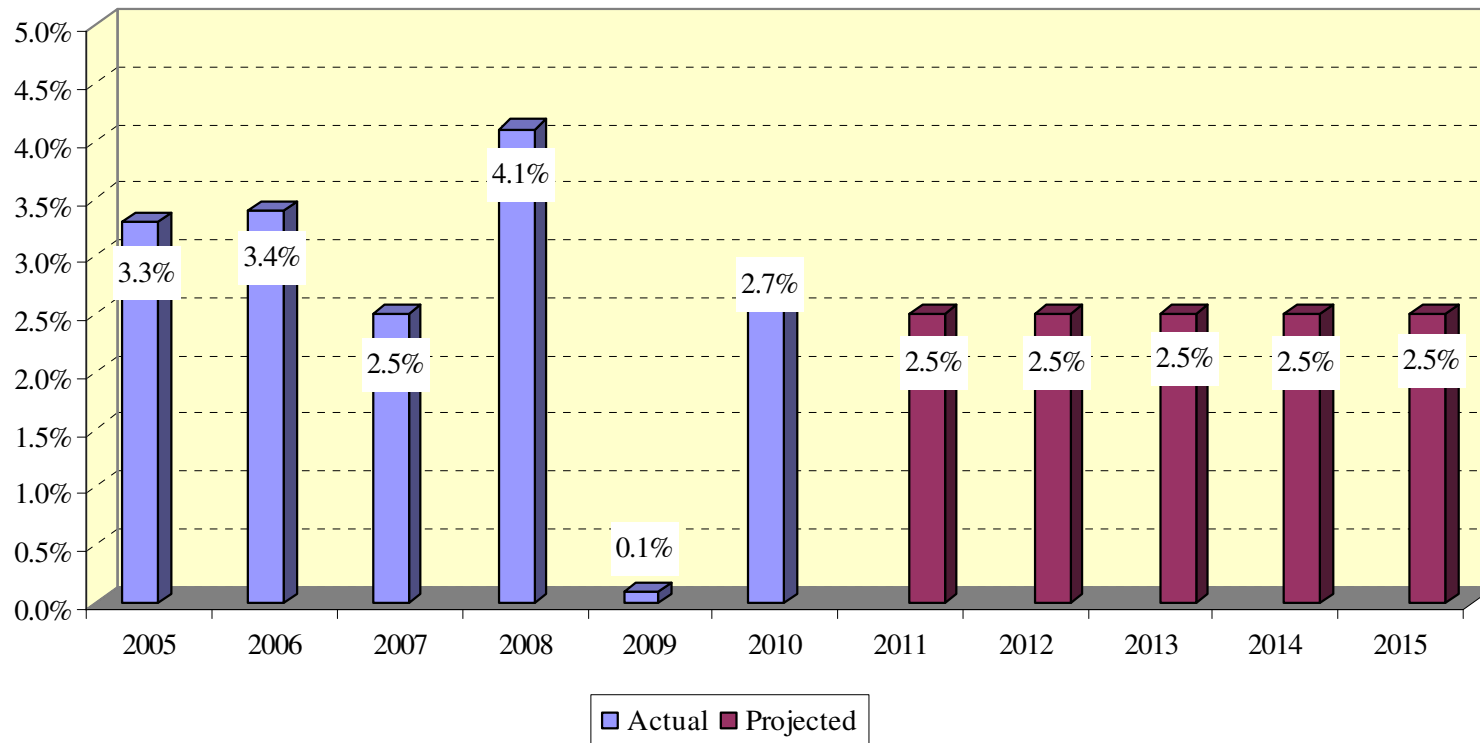
- Property Taxes
 - Existing EAV % changes: 1% actual decrease in the Levy Year 2009; no change projected in LY10, then 2% growth over remaining time period
 - New Growth: \$2.7 million in LY2009; no new growth expected for two years, then \$2 million beyond
 - Total EAV % change: Overall .05% drop in 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

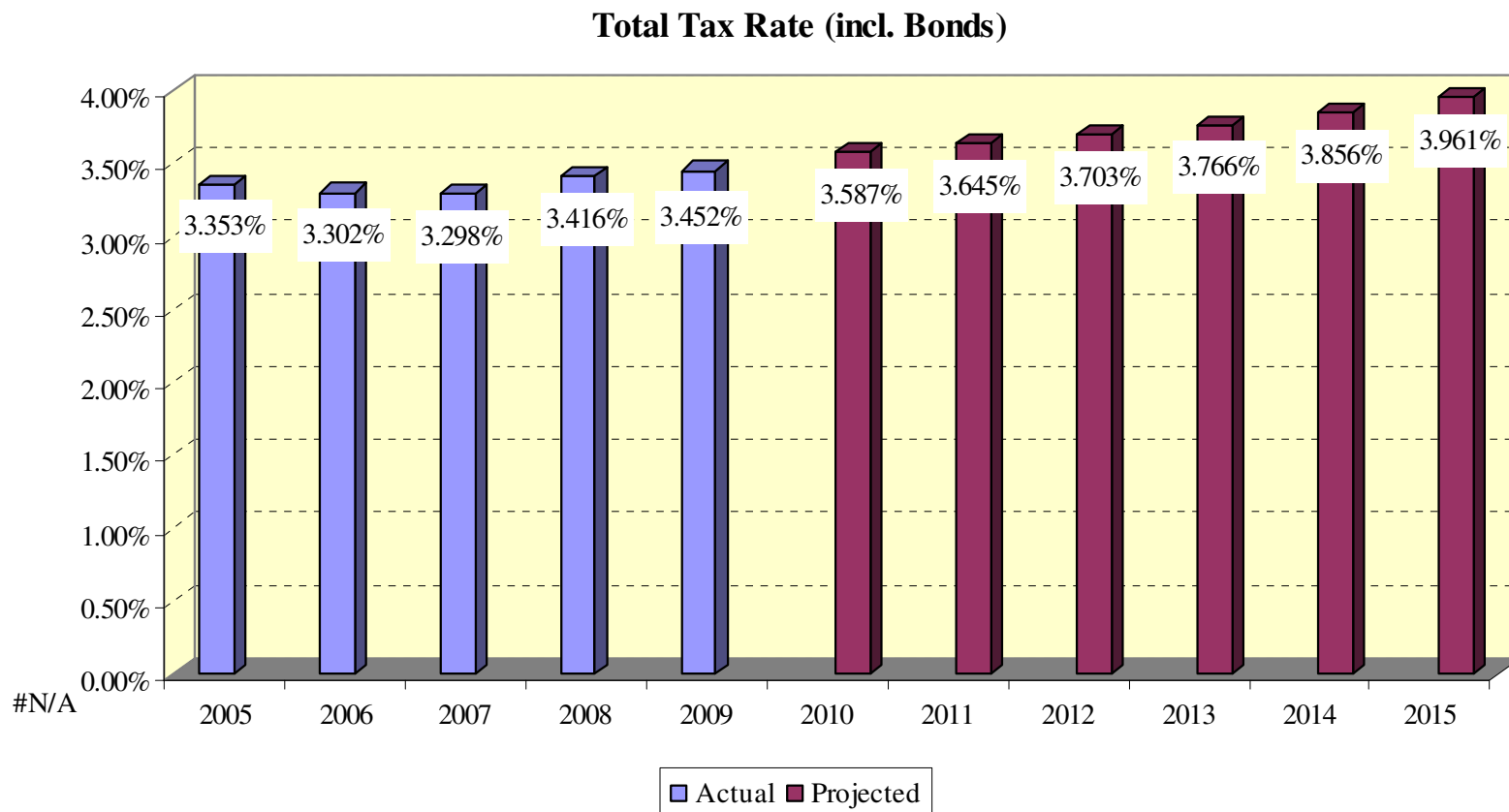


Revenue Assumptions – Local Revenue

Consumer Price Index (CPI) - Levy Years

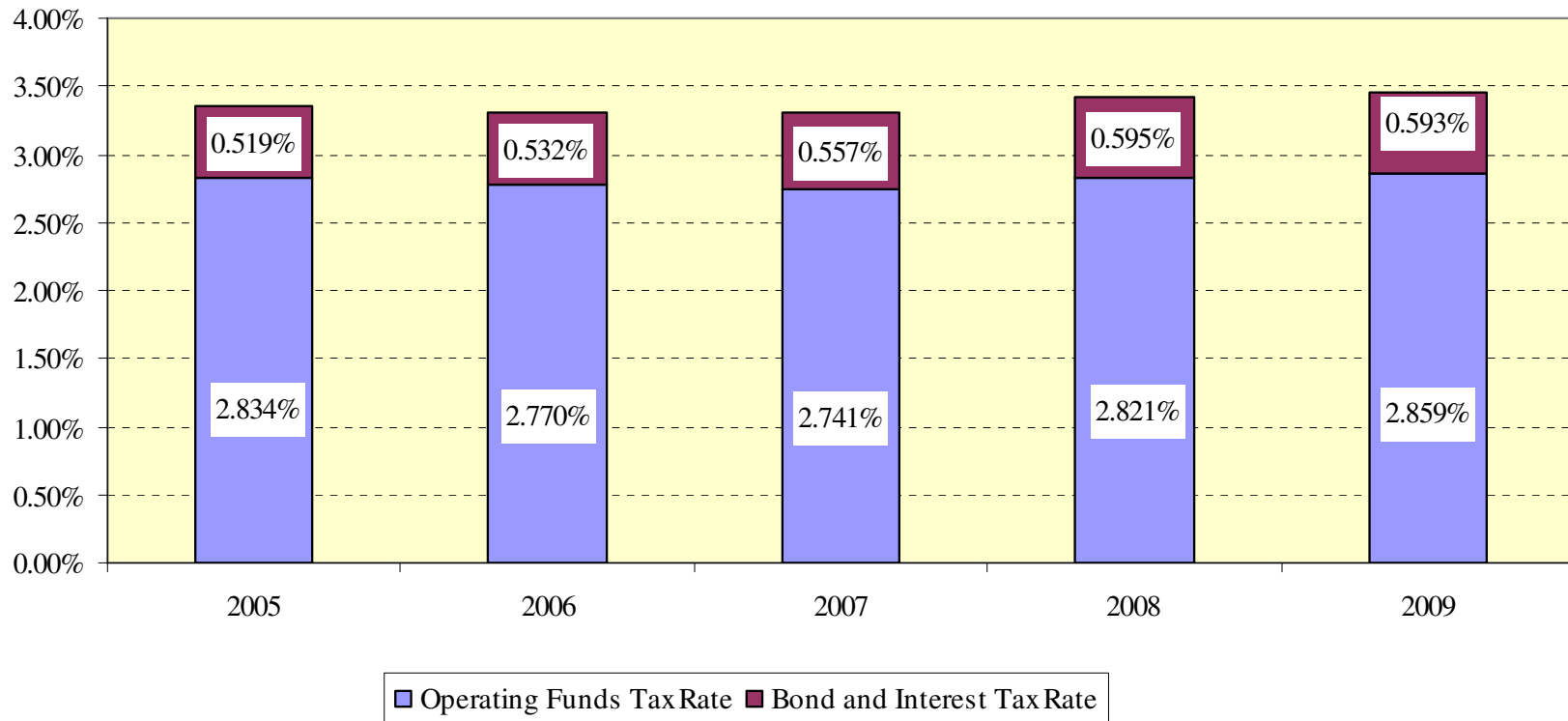


Tax Rate Impact of Housing Market



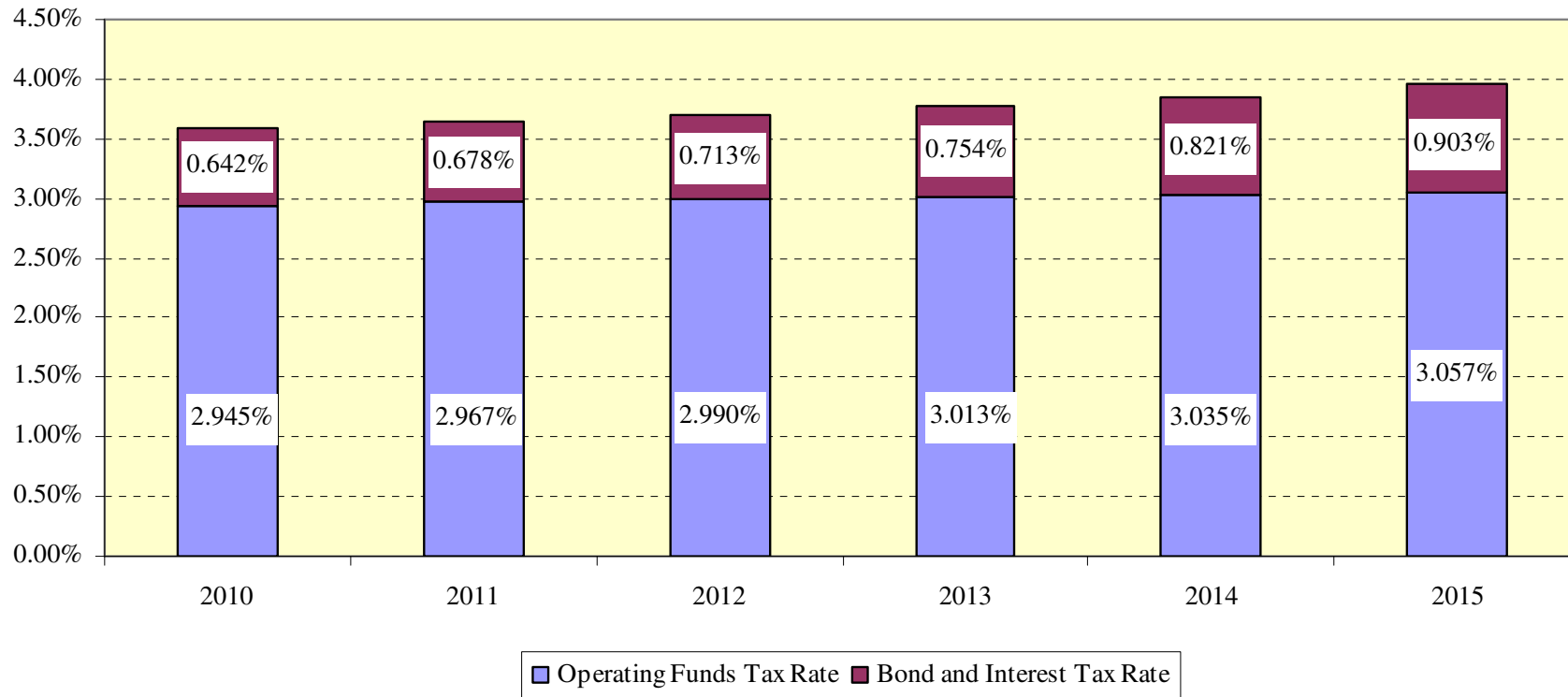
Actual Total Tax Rates – Levy Years 2005-2009

Actual Total Tax Rate (incl. Bonds)



Projected Total Tax Rates – Levy Years 2010-2015

Projected Total Tax Rate (incl. Bonds)





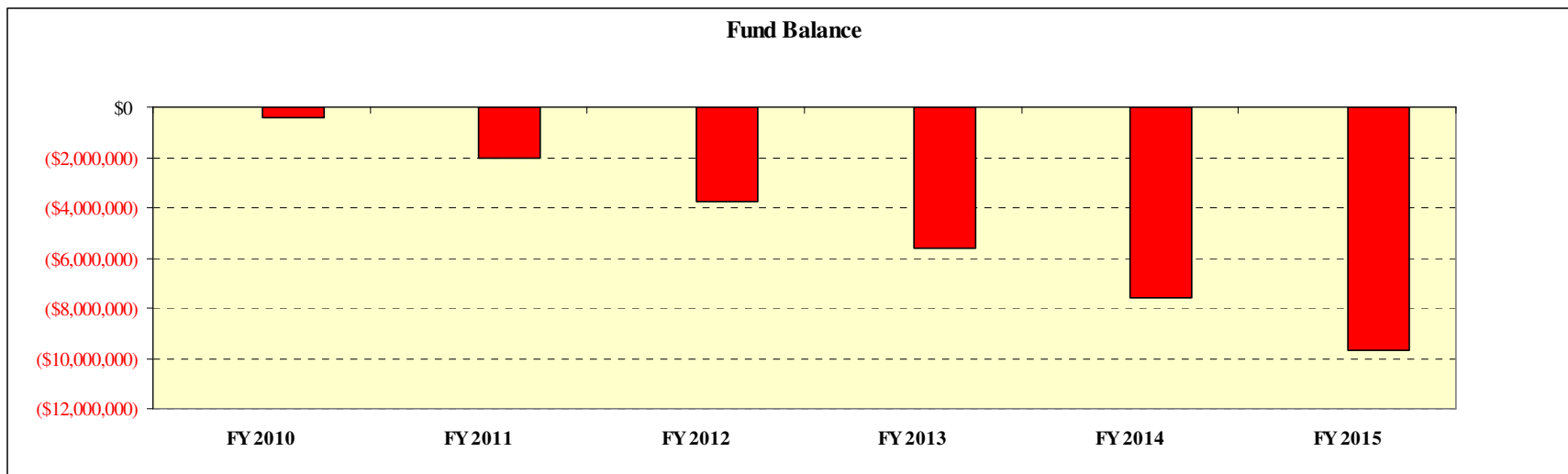
Projected Aggregate Revenues Vs. Expenditures

Millburn School District 24

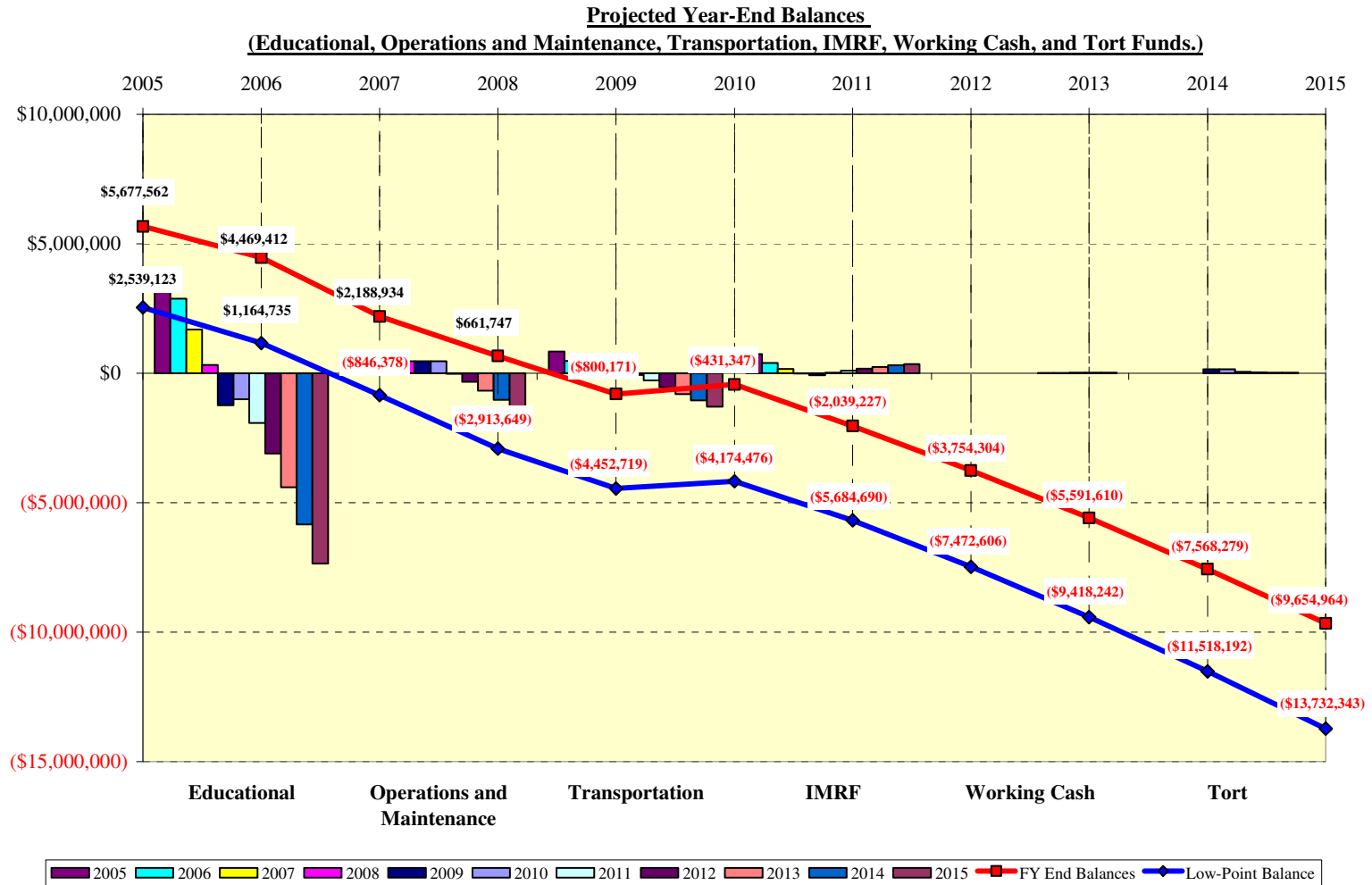
Aggregate View - Projection Analysis

	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)	

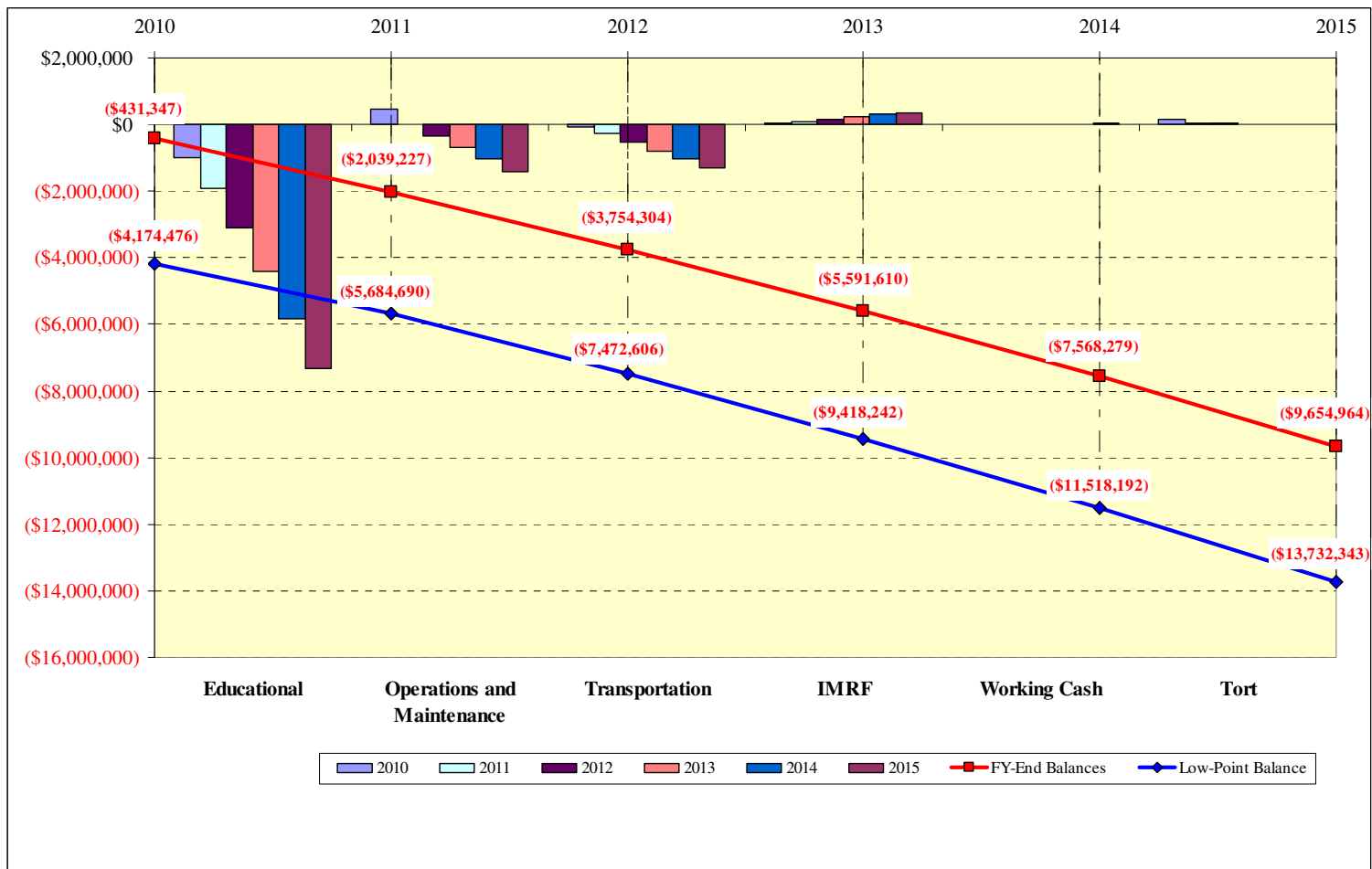
Aggregate Balanced Budget Analysis



Historical & Projected Fund Balances



Projected Fund Balances



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 \$.35, \$.65, and \$.95 are modeled in the following pages

Pros and Cons of a Rate Increase Referendum

- Pros
 - On-going source of local revenue (subject to tax cap limitations)
 - Recent state law changes reduce impact of rate increase on General State Aid calculations
 - District can sustain program level at a predictable revenue level
 - Reduces District's reliance on State funds
 - Over period of time, removes District from Financial Watch List

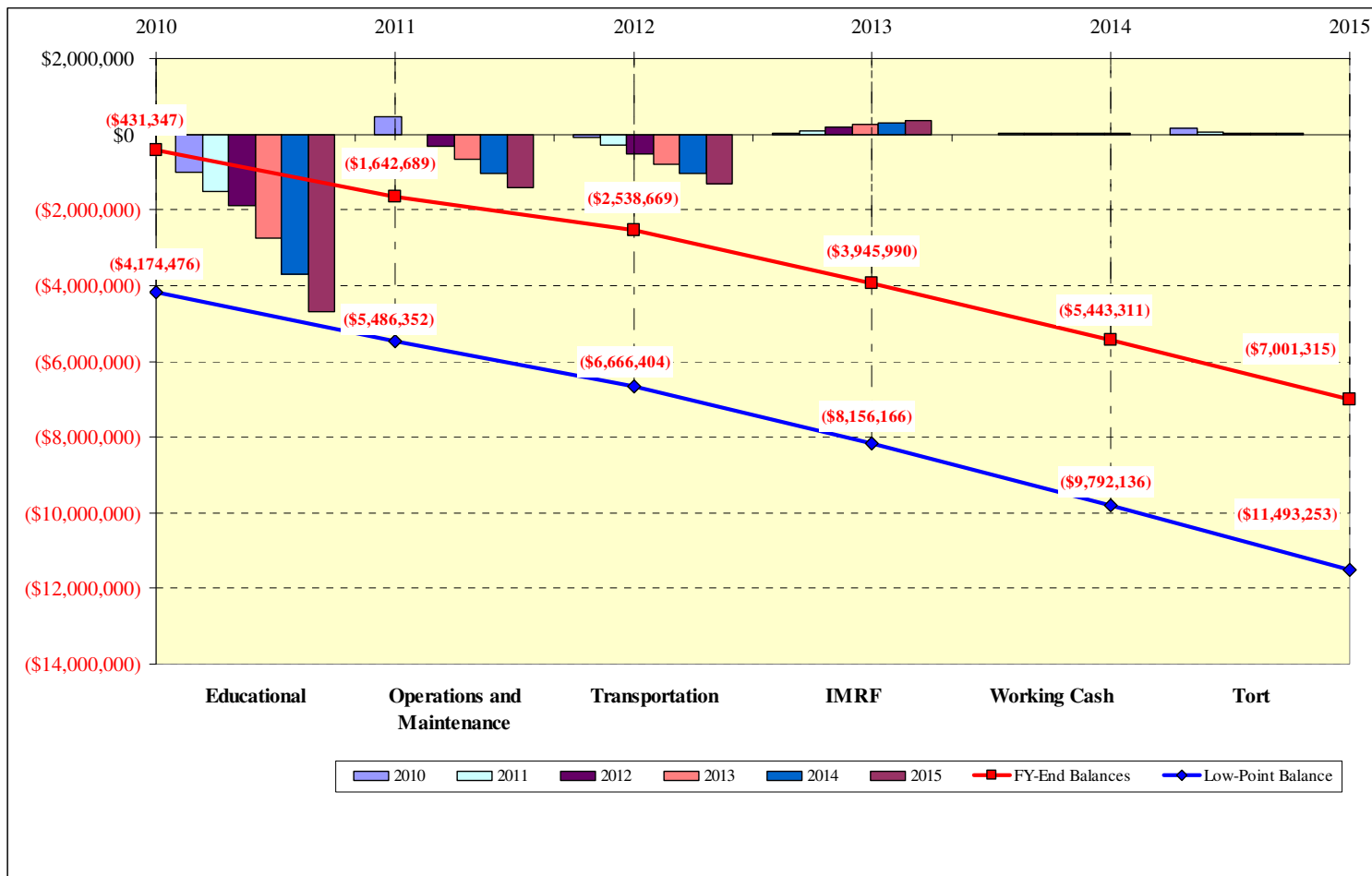
Pros and Cons of a Rate Increase Referendum

- Cons
 - Requires referendum approval
 - Potentially requires significant tax rate increase to sustain program level
 - Rate increase is permanent (as prescribed by tax cap law)
 - Takes a few years to remove District from State Financial Watch List
 - Reduces, but does not immediately eliminate, District's need for Tax Anticipation Warrants

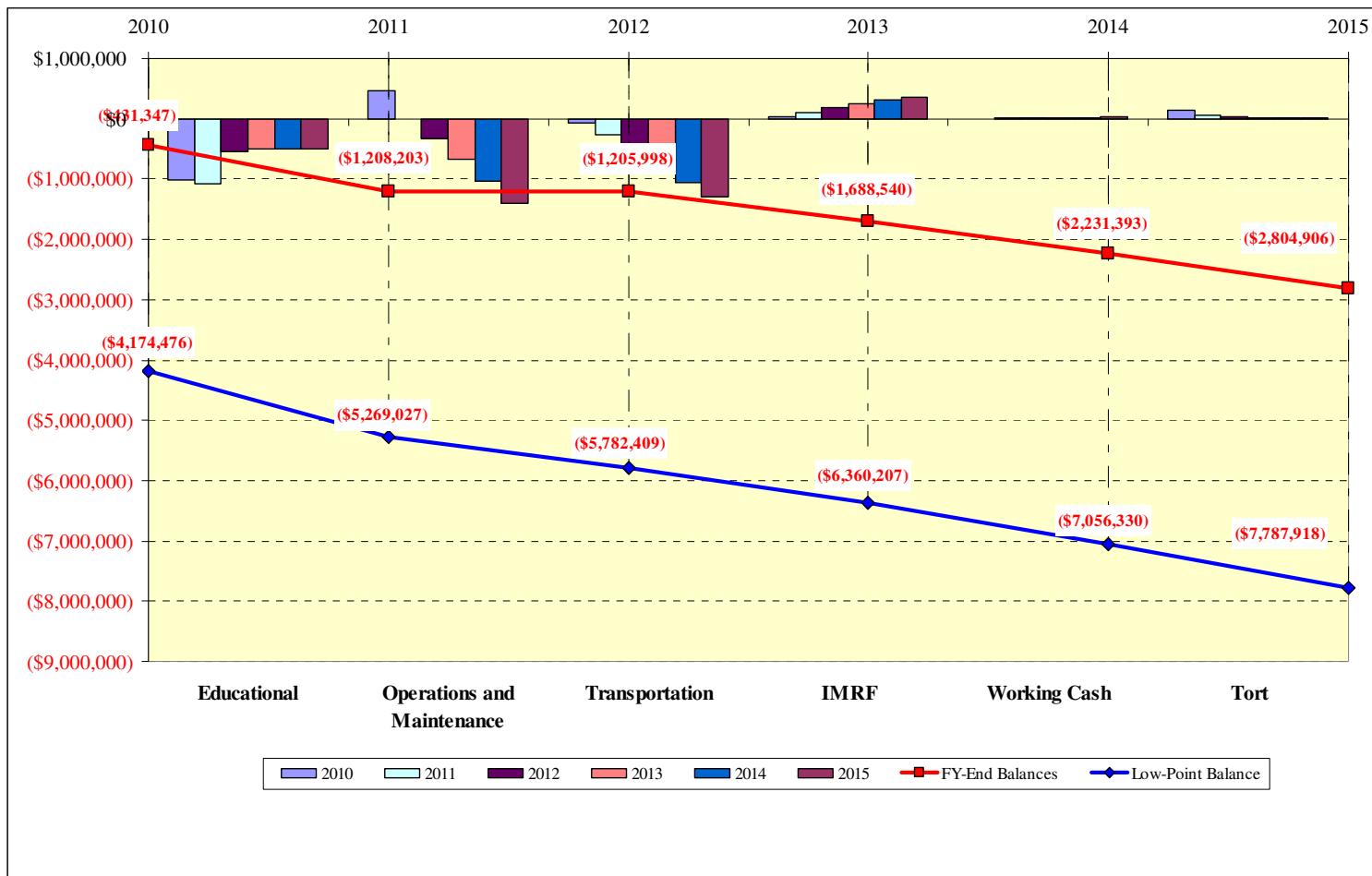
Referendum Issues

- Limited number of dates
 - November General Election
 - April, 2011 Non-Partisan Election (School Board)
 - March, 2012 General Primary Election
- Tough economic times, difficult issue
- Questions in voters' minds
 - Affordability vs. benefit
 - Have you done enough, compared to what I have done and the cost to me?

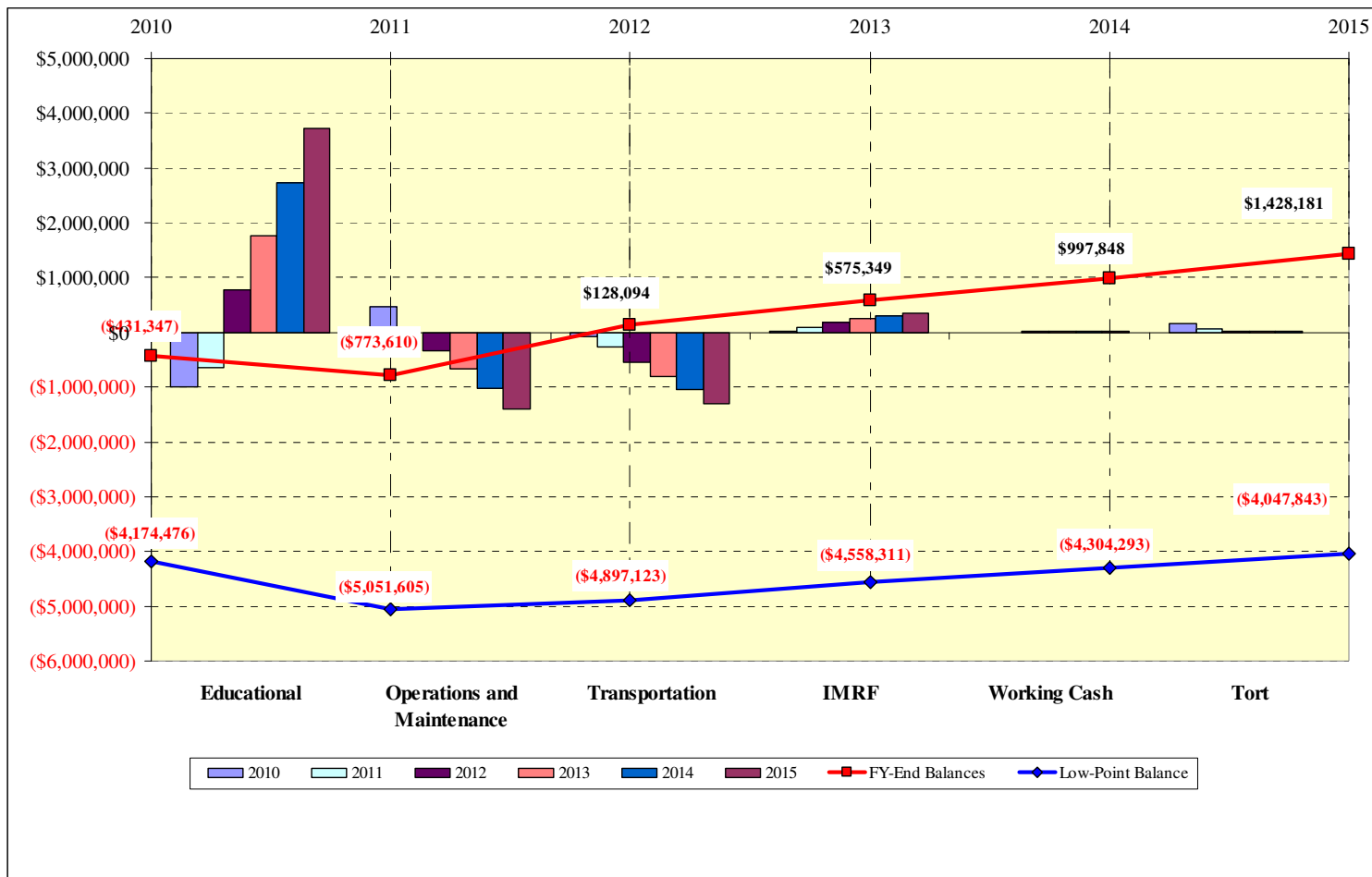
Impact of Limiting Rate Increase of \$.35



Impact of Limiting Rate Increase of \$.65



Impact of Limiting Rate Increase of \$.95



Impact of Limiting Rate Increase per \$.10

- To the District:
 - With EAV of just under \$300,000,000, each \$.10 adds approximately \$300,000 in revenue to the District
 - Because of the tax cap, your operating tax rate will increase by approximately \$.10 next year because local property values are expected to stay flat
 - This absorbs the impact of the first \$.10 in the request
- To the Homeowner
 - Each \$.10 increase in the tax rate costs the owner of a \$300,000 home approximately \$100

Existing Debt Structure

- We revised the EAV assumptions
 - In December, a 5% EAV growth still seemed reasonable over the long term
 - Given the continuing lack of new construction and drop in existing EAV in March, we have revised that EAV growth to match the District's FPP projections through Levy Year 2015, then 3% beyond that
- Result is higher projected tax rate for existing bond payments

Existing Bond Structure (5% EAV Assumption)

Referendum Debt Service



Levy Year	Fiscal Year	GO School Bonds, Series 1999B	GO School Bonds, Series 2004	GO Refunding School Bonds, Series 2009	Excess Levy Due to Refunding	Total	Total General Obligation Debt Service	2.0% County Loss/Cost Debt Service (1% 2009 & After)	EAV	Growth Rate	B&I Tax Rate	DSEB Growth Rate
2006	2008	\$ 1,099,195	\$ 328,350			\$ 1,427,545	\$ 1,427,545	\$ 1,456,096	\$ 273,522,605		0.5323	
2007	2009	1,229,195	342,050			1,571,245	1,571,245	1,602,670	287,345,846	5.05%	0.5577	
2008	2010	1,247,610	395,125	30,417	51,168	1,724,319	1,724,319	1,758,806	295,596,148	2.87%	0.5950	
2009	2011	1,406,305	281,000	45,625	-	1,732,930	1,732,930	1,750,259	295,460,340	5.00%	0.5924	0.10%
2010	2012	-	281,000	1,615,750	-	1,896,750	1,896,750	1,915,718	310,233,357	5.00%	0.6175	1.50%
2011	2013	1,755,000	281,000	5,875	-	2,041,875	2,041,875	2,062,294	325,745,025	5.00%	0.6331	1.50%
2012	2014	1,920,000	281,000	5,875	-	2,206,875	2,206,875	2,228,944	342,032,276	5.00%	0.6517	1.50%
2013	2015	1,875,000	281,000	237,938	-	2,393,938	2,393,938	2,417,877	359,133,890	5.00%	0.6733	1.50%
2014	2016	2,395,000	281,000	-	-	2,676,000	2,676,000	2,702,760	377,090,584	5.00%	0.7167	1.50%
2015	2017	200,000	2,821,000	-	-	3,021,000	3,021,000	3,051,210	395,945,114	5.00%	0.7706	1.50%
2016	2018	-	3,261,000	-	-	3,261,000	3,261,000	3,293,610	415,742,369	5.00%	0.7922	1.50%
2017	2019	-	3,526,000	-	-	3,526,000	3,526,000	3,561,260	436,529,488	5.00%	0.8158	1.50%
2018	2020	-	3,806,250	-	-	3,806,250	3,806,250	3,844,313	458,355,962	5.00%	0.8387	1.50%
2019	2021	-	4,110,000	-	-	4,110,000	4,110,000	4,151,100	481,273,760	5.00%	0.8625	1.50%
2020	2022	-	4,440,000	-	-	4,440,000	4,440,000	4,484,400	505,337,448	5.00%	0.8874	1.50%
2021	2023	-	4,795,000	-	-	4,795,000	4,795,000	4,842,950	530,604,321	5.00%	0.9127	1.50%
2022	2024	-	5,175,000	-	-	5,175,000	5,175,000	5,226,750	557,134,537	5.00%	0.9381	1.50%
2023	2025	-	-	-	-	-	-	-	584,991,264	5.00%	0.0000	1.50%
2024	2026	-	-	-	-	-	-	-	614,240,827	5.00%	0.0000	1.50%
2025	2027	-	-	-	-	-	-	-	644,952,868	5.00%	0.0000	1.50%
2026	2028	-	-	-	-	-	-	-	677,200,511	5.00%	0.0000	1.50%
2027	2029	-	-	-	-	-	-	-	711,060,537	5.00%	0.0000	1.50%
2028	2030	-	-	-	-	-	-	-	746,613,564	5.00%	0.0000	1.50%
2029	2031	-	-	-	-	-	-	-	783,944,242	5.00%	0.0000	1.50%
2030	2032	-	-	-	-	-	-	-	823,141,454	5.00%	0.0000	1.50%
2031	2033	-	-	-	-	-	-	-	864,298,527	5.00%	0.0000	1.50%
2032	2034	-	-	-	-	-	-	-	907,513,453	5.00%	0.0000	1.50%
2033	2035	-	-	-	-	-	-	-	952,889,126	5.00%	0.0000	1.50%
Total DS From Current FY:		\$ 10,798,915	\$ 34,015,375	\$ 1,941,479	\$ 51,168	\$ 46,806,937	\$ 46,806,937	\$ 47,292,249				



Existing Bond Structure (3% EAV Assumption)

GO Debt Service

Levy Year	Fiscal Year	GO School Bonds, Series 1999B	GO School Bonds, Series 2004	GO Refunding School Bonds, Series 2009	Excess Levy Due to Refunding	Total	Total General Obligation Debt Service	2.0% County Loss/Cost Debt Service (1% 2009 & After)	EAV	Growth Rate	B&I Tax Rate
2006	2008	\$ 1,099,195	\$ 328,350	\$ -	\$ -	\$ 1,427,545	\$ 1,427,545	\$ 1,456,096	\$ 273,522,605		0.5323
2007	2009	1,229,195	342,050	-	-	1,571,245	1,571,245	1,602,670	287,345,846	5.05%	0.5577
2008	2010	1,247,610	395,125	30,417	51,168	1,724,319	1,724,319	1,758,806	295,596,148	2.87%	0.5950
2009	2011	1,406,305	281,000	45,625	-	1,732,930	1,732,930	1,750,259	295,460,340	-0.05%	0.5924
2010	2012	-	281,000	1,615,750	-	1,896,750	1,896,750	1,915,718	295,460,340	0.00%	0.6484
2011	2013	1,755,000	281,000	5,875	-	2,041,875	2,041,875	2,062,294	301,369,547	2.00%	0.6843
2012	2014	1,920,000	281,000	5,875	-	2,206,875	2,206,875	2,228,944	309,396,938	2.66%	0.7204
2013	2015	1,875,000	281,000	237,938	-	2,393,938	2,393,938	2,417,877	317,584,876	2.65%	0.7613
2014	2016	2,395,000	281,000	-	-	2,676,000	2,676,000	2,702,760	325,936,574	2.63%	0.8292
2015	2017	200,000	2,821,000	-	-	3,021,000	3,021,000	3,051,210	334,455,306	2.61%	0.9123
2016	2018	-	3,261,000	-	-	3,261,000	3,261,000	3,293,610	344,488,965	3.00%	0.9561
2017	2019	-	3,526,000	-	-	3,526,000	3,526,000	3,561,260	354,823,634	3.00%	1.0037
2018	2020	-	3,806,250	-	-	3,806,250	3,806,250	3,844,313	365,468,343	3.00%	1.0519
2019	2021	-	4,110,000	-	-	4,110,000	4,110,000	4,151,100	376,432,393	3.00%	1.1027
2020	2022	-	4,440,000	-	-	4,440,000	4,440,000	4,484,400	387,725,365	3.00%	1.1566
2021	2023	-	4,795,000	-	-	4,795,000	4,795,000	4,842,950	399,357,126	3.00%	1.2127
2022	2024	-	5,175,000	-	-	5,175,000	5,175,000	5,226,750	411,337,839	3.00%	1.2707
2023	2025	-	-	-	-	-	-	-	423,677,975	3.00%	0.0000
2024	2026	-	-	-	-	-	-	-	436,388,314	3.00%	0.0000
2025	2027	-	-	-	-	-	-	-	449,479,963	3.00%	0.0000
2026	2028	-	-	-	-	-	-	-	462,964,362	3.00%	0.0000
2027	2029	-	-	-	-	-	-	-	476,853,293	3.00%	0.0000
2028	2030	-	-	-	-	-	-	-	491,158,892	3.00%	0.0000
2029	2031	-	-	-	-	-	-	-	505,893,659	3.00%	0.0000
2030	2032	-	-	-	-	-	-	-	521,070,468	3.00%	0.0000
2031	2033	-	-	-	-	-	-	-	536,702,582	3.00%	0.0000
2032	2034	-	-	-	-	-	-	-	552,803,660	3.00%	0.0000
2033	2035	-	-	-	-	-	-	-	569,387,770	3.00%	0.0000
Total DS From Current FY:		\$ 9,551,305	\$ 33,620,250	\$ 1,911,063	\$ -	\$ 45,082,618	\$ 45,082,618	\$ 45,533,444			

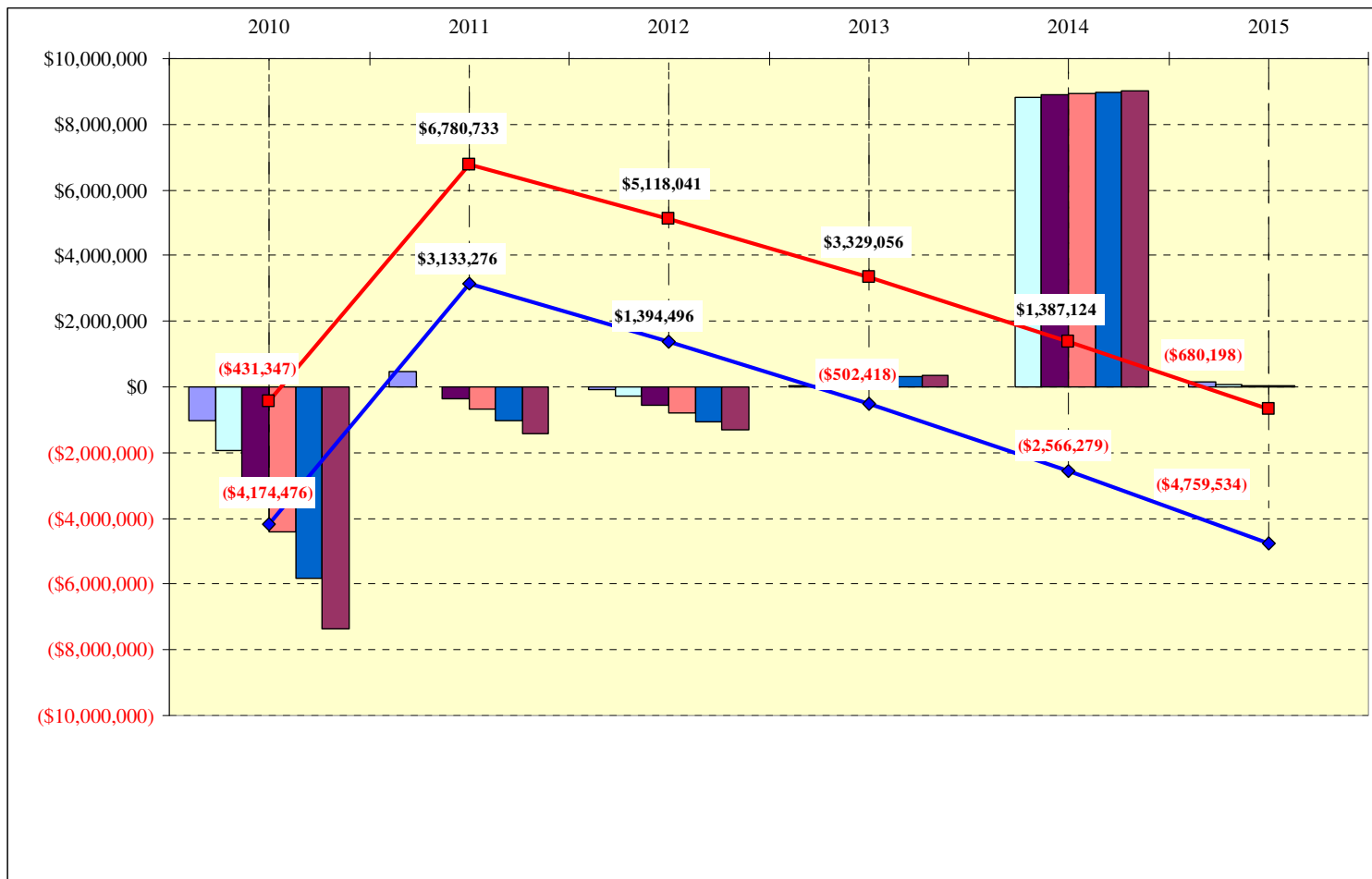
Pros and Cons of Selling Working Cash Bonds as Alternative to Tax Rate Increase

- Pros
 - Immediate infusion of sufficient cash to eliminate or reduce need for Tax Anticipation Warrants
 - Depending on repayment schedule, it could potentially require less of a tax rate increase than similar amount raised through operating rate increase – (This requires lots of discussion to validate)
 - Gets the District off the Financial Watch List immediately

Pros and Cons of Selling Working Cash Bonds as Alternative to Tax Rate Increase

- Cons
 - Requires referendum approval
 - It costs money in interest payments to use this option
 - It limits what you may be able to borrow in the future
 - If you use the proceeds as short-term fix, you will be back in deficit well before the bonds are paid off
 - If you use it as a savings account to avoid TAWs, you will still need to make substantial cuts (as much as \$1.6 million) over the next two years to avoid deficit spending
 - Some payments schedules could increase overall tax rate more than corresponding operating tax rate increase
 - Potential for downgrading of District's bond rating

Adding Maximum \$8.8 Million WC Bonds to Existing Base Model





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