



Geneva Community Unit School District 304

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Memorandum

To: Kent Mutchler, Supt. and Geneva 304 Board of Education

From: Donna Oberg, Assistant Superintendent – Business Services

Date: February 24, 2014

Re: Finance Committee Summary
Debt Restructuring Plan

This memo is meant to summarize my discussions with Finance Chairperson Bill Wilson, the discussion of the Finance Committee and Board, and to provide further information concerning possible planning to deal with the long term debt of Geneva CUSD 304.

Over the last several years, the District has had continued conversations on how the debt service payments can be leveled to lessen the tax burden on the community. Starting in FY 2012 excess funds in the Education Fund over \$15 million have been abated or paid back through the levy process. To date, \$8,214,829 has been abated with an additional \$5,931,638 to be abated this year. Through these abatements, the Debt Service rate has been lowered by as much as \$.26. In addition to this the District has refunded bond issues for savings in 2010, 2011 and 2012. The Finance Committee would like to continue this process with a recommendation for a debt restructure plan. The plan would take into consideration abatement, refunding, and defeasance as well as setting aside additional funds to pay down bond balances and to flatten out the debt payments and levy rate so they remain more consistent every year. The plan would also take into consideration using reserve funds without placing the District at financial risk, preserving our bond rating, and maintaining the Working Cash fund at the current level to be used for cash flow purposes as promised to the community.

At the February Finance Committee meeting, Elizabeth Hennessey from William Blair presented options for debt restructuring. The option that best fits our plan includes abatement through FY 2016 with the cash surpluses from FY 2017, FY 2018, and FY 2019 to pay down principal. In addition to this, a cash amount would be transferred from the Education Fund Balance to the Working Cash Fund to be held until such time a bond is callable and would then be used to pay down or lower the principal balance. This option also extends the debt for 4 more years but flattens the rate.

This plan is just that, a plan, based on our best assumptions and based on the full CPI index for levying purposes. Although the numbers may change in the plan, the process will remain the same; abatement, transfer of allowable funds, and refunding when possible.

This plan should be reviewed on an annual basis after the Annual Financial Report has been issued. This will ensure funds are available for abatement and transfers after considering all education programs as well as facilities and operations of the District.



February 24, 2014

Geneva Community Unit School
District 304, Kane County, Illinois

Update on Debt Restructuring Options

William Blair

Abatement and Refunding Options to Level Debt Payments

Option I: Abate Thru 2016; Refund/Defease Fall of 2017

Fiscal Year Levy Year	Actual	Budget		Projections			
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
	Levy 2011	Levy 2012	Levy 2013	Levy 2014	Levy 2015	Levy 2016	Levy 2017
Beginning Balance	\$20,179,860	\$20,970,638	\$16,988,727	\$18,905,334	\$18,372,251	\$20,189,435	\$20,057,529
Revenues	58,440,420	58,210,098	59,444,704	62,045,814	63,831,919	65,569,687	67,259,460
Expenditures	52,698,642	56,260,371	57,439,370	58,673,563	58,642,484	60,512,158	62,432,051
Surplus/Deficit	5,741,778	1,949,727	2,005,334	3,372,251	5,189,435	5,057,529	4,827,409
Transfer to Debt Service	(4,990,000)	(5,931,638)	(1,988,727)	(3,905,334)	(3,372,251)	(5,189,435)	(5,057,529)
Other Transfers	0		1,900,000				
Ending Balance	\$20,931,638	\$16,988,727	\$18,905,334	\$18,372,251	\$20,189,435	\$20,057,529	\$19,827,409
Less: Minimum \$15M	\$15,000,000	\$15,000,000	\$15,000,000	\$15,000,000	\$15,000,000	\$15,000,000	\$15,000,000
Abatement Amount Surplus > \$15M	5,931,638	1,988,727	3,905,334	3,372,251	5,189,435	5,057,529	4,827,409
Additional Amount for Future Defeasance							

Notes:

Surplus amounts in the Education Fund are abated in the next fiscal year.

Assumes full Property Tax Limitation Law Levy allowing CPI + new Property is extended annually, except for levy year 2013 (1% increase).

Option I: Abate Thru 2016; Refund/Defeasance Fall of 2017

- Assumes current financial projection – no additional surpluses in FY2014 or thereafter
- Uses Educational fund surpluses over \$15M per current projection through FY2017
- Refund/defeasance takes place in Fall 2017
- Does not use prospective surpluses in FY2018 or FY2019
- Extends debt service payments by four years from current final maturity

Option I: Abate Thru 2016; Refund/Defeasance Fall of 2017

Levy Year	Debt Levy	Estimated Tax Rate for Debt	2011/2012 Levy Abate	2012/2014 Levy Abate	2014/15 Levy Abate	2015 Levy Abate	2016 Levy Abate	2016 Levy Abate	Less: Fall 2017 Ref/Defeased Debt Service	Plus: 2017 Refunding Debt Service	New Total Debt Service	Estimated Tax Rate for Debt Service	Annual (Savings)/Cost on \$315k Hom	
			w/ Ed Fund Surplus FY11	w/ Ed Fund Surplus FY12	w/ Ed Fund Surplus FY13	w/ Ed Fund Surplus FY14	w/ Ed Fund Surplus FY15	w/ Ed Fund Surplus FY16						Ed Fund Surplus FY17
2011	15,951,903	1.20	(1,220,895)								14,731,008	1.11	(9)	
2012	17,302,070	1.35	(2,003,934)	(298,136)							15,000,000	1.17	(18)	
2013	18,730,973	1.50		(3,230,973)							15,500,000	1.24	(27)	
2014	20,293,283	1.64		(1,460,891)	(2,532,392)						16,300,000	1.32	(33)	
2015	22,013,633	1.76			(3,399,246)	(1,685,000)					16,929,387	1.36	(42)	
2016	23,618,248	1.83				(303,727)	(3,905,334)	(2,409,187)			17,000,000	1.32	(53)	
2017	24,302,850	1.81							(11,461,108)	2,765,000	15,606,743	1.16	(68)	
2018	24,590,110	1.76							(11,746,108)	2,765,000	15,609,003	1.12	(67)	
2019	24,928,505	1.71							(12,083,608)	2,765,000	15,609,898	1.07	(67)	
2020	19,344,395	1.28							(6,502,108)	2,765,000	15,607,288	1.03	(25)	
2021	19,346,975	1.23							(6,505,208)	2,765,000	15,606,768	0.99	(25)	
2022	21,857,908	1.34							(9,019,170)	2,765,000	15,603,738	0.95	(40)	
2023	19,204,313	1.13							(6,359,750)	2,765,000	15,609,563	0.92	(22)	
2024	19,213,363	1.09							(6,372,250)	2,765,000	15,606,113	0.88	(21)	
2025	19,209,750	1.04							(6,368,250)	2,765,000	15,606,500	0.85	(20)	
2026										15,610,000	15,610,000	0.82	85	
2027										15,607,750	15,607,750	0.78	82	
2028										15,608,500	15,608,500	0.75	79	
2029										15,550,500	15,550,500	0.72	75	
2030														
2031														
Total	309,908,275		(3,224,829)	(4,990,000)	(5,931,638)	(1,988,727)	(3,905,334)	(3,372,251)	(5,189,435)	(76,417,558)	87,261,750	298,302,753	\$	(2,21)
							Remainder not Abated	963,064	5,189,435	Net Saving/(Costs)		(10,844,193)		
				Additional Set Aside for Defeasance						Net PV Saving/(Costs)		3,320,055		
							Total for Debt Payoff partial FY16 full FY17 abatement amounts	6,152,499		Less: Cash on Hand		(6,152,499)		
							Total Abatements	(22,449,715)		Net PV Saving/(Costs)		(2,832,444)		
									AIC as of Feb 20			3.98%		

Option II: Abate Thru 2016; Refund/Defease Fall of 2017 Plus \$5M

Fiscal Year Levy Year	Actual	Budget		Projections			
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
	Levy 2011	Levy 2012	Levy 2013	Levy 2014	Levy 2015	Levy 2016	Levy 2017
Beginning Balance	\$20,179,860	\$20,970,638	\$16,988,727	\$16,905,334	\$15,372,251	\$16,189,435	\$15,057,529
Revenues	58,440,420	58,210,098	59,444,704	62,045,814	63,831,919	65,569,687	67,259,460
Expenditures	52,698,642	56,260,371	57,439,370	58,673,563	58,642,484	60,512,158	62,432,051
Surplus/Deficit	5,741,778	1,949,727	2,005,334	3,372,251	5,189,435	5,057,529	4,827,409
Transfer to Debt Service	(4,990,000)	(5,931,638)	(1,988,727)	(3,905,334)	(3,372,251)	(5,189,435)	(5,057,529)
Transfer to Working Cash Fund	0	0	(2,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	0
Other Transfers	0	0	1,900,000				
Ending Balance	\$20,931,638	\$16,988,727	\$16,905,334	\$15,372,251	\$16,189,435	\$15,057,529	\$14,827,409
Less: Minimum \$15M	\$15,000,000	\$15,000,000	\$15,000,000	\$15,000,000	\$15,000,000	\$15,000,000	\$15,000,000
Abatement Amount Surplus > \$15M	5,931,638	1,988,727	3,905,334	3,372,251	5,189,435	5,057,529	4,827,409
Additional Amount for Future Defeasance		2,000,000	1,000,000	1,000,000	1,000,000		

Notes:

Surplus amounts in the Education Fund are abated in the next fiscal year.

Assumes full Property Tax Limitation Law Levy allowing CPI + new Property is extended annually, except for levy year 2013 (1% increase).

Assumes FY 2014, 2015, 2016 and 2017 additional funds in the fund balance is dedicated to debt reduction in 2017.

Option II: Abate Thru 2016; Refund/Defeasance Fall of 2017 Plus \$5M

- Assumes current financial projection and additional surplus of \$2M in FY2014 AND lowering the fund balance to \$14M in the education fund to divert an additional \$1M to debt defeasance in FY2015-2017
- Refund/defeasance takes place in Fall 2017
- Does not use prospective surpluses in FY2018 or FY2019
- Extends debt service payments by four years from current final maturity

Option II: Abate Thru 2016; Refund/Defeasance Fall of 2017 Plus Additional \$5M

Levy Year	Debt Levy	Estimated Tax Rate for Debt	2011/2012 Levy Abate w/ Ed Fund Surplus FY11	2012/2014 Levy Abate w/ Ed Fund Surplus FY12	2014/15 Levy Abate w/ Ed Fund Surplus FY13	2015 Levy Abate w/ Ed Fund Surplus FY14	2016 Levy Abate w/ Ed Fund Surplus FY15	2016 Levy Abate w/ Ed Fund Surplus FY16	Ed Fund Surplus FY17	Less: Fall 2017 Ref/Defeased Debt Service	Plus: 2017 Refunding Debt Service	New Total Debt Service	Estimated Tax Rate for Debt Service	Annual (Savings)/Cost on \$315k Home
2011	15,951,903	1.20	(1,220,895)									14,731,008	1.11	(97)
2012	17,302,070	1.35	(2,003,934)	(298,136)								15,000,000	1.17	(188)
2013	18,730,973	1.50		(3,230,973)								15,500,000	1.24	(272)
2014	20,293,283	1.64		(1,460,891)	(2,532,392)							16,300,000	1.32	(339)
2015	22,013,633	1.76			(3,399,246)	(1,648,064)						16,966,323	1.36	(425)
2016	23,618,248	1.83				(340,663)	(3,905,334)	(2,372,251)				17,000,000	1.32	(539)
2017	24,302,850	1.81								(11,865,708)	2,680,750	15,117,893	1.13	(719)
2018	24,590,110	1.76								(12,155,708)	2,680,750	15,115,153	1.08	(712)
2019	24,928,505	1.71								(12,493,208)	2,680,750	15,116,048	1.04	(709)
2020	19,344,395	1.28								(6,906,708)	2,680,750	15,118,438	1.00	(293)
2021	19,346,975	1.23								(6,911,408)	2,680,750	15,116,318	0.96	(282)
2022	21,857,908	1.34								(9,419,720)	2,680,750	15,118,938	0.92	(433)
2023	19,204,313	1.13								(6,767,850)	2,680,750	15,117,213	0.89	(252)
2024	19,213,363	1.09								(6,774,750)	2,680,750	15,119,363	0.85	(243)
2025	19,209,750	1.04								(6,772,500)	2,680,750	15,118,000	0.82	(234)
2026											15,120,750	15,120,750	0.79	830
2027											15,118,750	15,118,750	0.76	798
2028											15,120,750	15,120,750	0.73	767
2029											15,120,000	15,120,000	0.70	738
2030														
2031														
Total	309,908,275		(3,224,829)	(4,990,000)	(5,931,638)	(1,988,727)	(3,905,334)	(3,372,251)	(5,189,435)	(80,067,558)	84,607,000	292,034,939		\$ (2,604)
						Remainder not Abated		1,000,000	5,189,435	Net Saving/(Costs)		(4,539,443)		
					Additional Set Aside for Defeasance	2,000,000	1,000,000	1,000,000	1,000,000	Net PV Saving/(Costs)		8,281,323		
					Total for Debt Payoff partial FY16 full FY17 abatement amounts Plus \$5M set aside FY14-17				11,189,435	Less: Cash on Hand		(11,189,435)		
								Total Abatements	(22,412,779)	Net PV Saving/(Costs)		(2,908,112)		
										AIC as of Feb 20		3.98%		

Notice and Disclaimer

The accompanying information was obtained from sources which William Blair & Company, L.L.C. believes to be reliable but does not guarantee its accuracy and completeness.

The material has been prepared solely for informational purposes and is not a solicitation of an offer to buy or sell any security or instrument or to participate in any trading strategy.

Historical data is not an indication of future results.

The opinions expressed are our own unless otherwise stated.

Per Rule G-23 we are providing the information contained in this proposal for discussion purposes in anticipation of serving as an underwriter . In our capacity as underwriter, our primary role will be to purchase the Bonds as a principal in a commercial, arms' length transaction and we will have financial and other interests that differ from yours. We will not be acting as a municipal advisor, financial advisor or fiduciary.

	Buget 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Revenue	58,210,098	61,344,704	62,045,814	63,831,919	65,569,687	67,259,460
Expenses	56,260,371	57,439,370	58,673,563	58,642,484	60,512,158	62,432,051
Surplus/Deficit	1,949,727	3,905,334	3,372,251	5,189,435	5,057,529	4,827,409
Begin Fund Balance	20,970,638	16,988,727	16,905,334	15,372,251	16,189,434	15,057,527
Abatement Transfer	(5,931,638)	(1,988,727)	(3,905,334)	(3,372,252)	(5,189,436)	(5,057,529)
Transfer to Debt Reduction		(2,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)
End Fund Balance	16,988,727	16,905,334	15,372,251	16,189,434	15,057,527	13,827,407

	Budget 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Revenue	58,210,098	61,344,704	62,045,814	63,831,919	65,569,687	67,259,460
Expenses	56,260,371	57,439,370	58,673,563	58,642,484	60,512,158	62,432,051
Surplus/Deficit	1,949,727	3,905,334	3,372,251	5,189,435	5,057,529	4,827,409
Begin Fund Balance	20,970,638	16,988,727	16,905,334	14,372,251	14,189,434	12,057,527
Abatement Transfer	(5,931,638)	(1,988,727)	(3,905,334)	(3,372,252)	(5,189,436)	(5,057,529)
Transfer to Debt Reduction		(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)
End Fund Balance	16,988,727	16,905,334	14,372,251	14,189,434	12,057,527	9,827,407