

MEMORANDUM

TO: Dr. Albert G. Roberts, Superintendent of Schools

FROM: Therese M. O'Neill, Asst. Supt. Finance & Operations

SUBJECT: Referendum Materials

DATE: January 14, 2011

Please find attached two scenarios created by Steve Miller, following the meeting Bob Spatz and I had on Wednesday, January 12. These PMA scenarios are to assist the Board in sizing the referendum, whether as a Working Cash Bond or a Limiting Rate referendum. The expense assumptions specific to each of these are as follows:

- 1) Scenario A – Full reinstatement of state revenues, no DSEB use for operating expenses, and introduction of 1.25% decrease of expense growth in FY2014 and every year after.
- 2) Scenario B – Full reinstatement of state revenues, no DSEB use for operating expenses, introduction of 1.25% decrease of expense growth in FY2014 and every year after, and a reduction in FY2012 of approximately \$925,000 (immediate efficiencies previously identified by Superintendent Roberts) from current growth.

A secondary PMA modeled Scenario B includes the Limiting Rate Ballot dollars superimposed into the revenue assumptions solely to demonstrate the impact this referendum amount would have on the District's fund balance through FY2018.

These scenarios are premised upon spreadsheets created by Bob (also attached) extending revenues and expenses beyond the current PMA model through FY2018 so we could determine a 25% fund balance to expenditure ratio in FY2018, thus the basis for the limiting rate referendum dollar amount needed on the ballot question. The third spreadsheet (Scenario B-No Other) demonstrates how the annual lease payments, if paid with DSEB (Funding Bonds), could reduce the overall amount requested on the ballot.

Also, the CPI for FY2012 has been adjusted with the announced CPI this morning of 1.5%, rather than the projected 1.3% utilized in mid-December, 2010.

Also attached are samples of the proposed question, depending upon which amount is superimposed from the above two scenarios.

Attention has been given to any potential loss of General State Aid but because the law changed in September 2010, it has been determined that with a limiting rate referendum, District 97 will not lose any of its General State Aid due to the referendum increase, but will, as usual, lose approximately \$0.52 for every dollar of taxes increased until PTELL (Property Tax Extension Limitation Law).

Also attached are two new resolution packets:

- 1) Resolution, similar to the one adopted this past Tuesday evening, in the event the Board chooses to change the amount of a Working Cash Bond referendum.
- 2) Resolution, similar to the one adopted this past Tuesday evening, in the event the Board chooses to change from a Working Cash Bond to a Limiting Rate referendum.

Both incorporate rescinding the action taken this past Tuesday evening.

Additionally enclosed is an article from today's Wall Street Journal as well as Elizabeth Hennessy's comments regarding the current market and the potential impact a Working Cash bond issue will have now given the recent changes in the bond market. Bob Spatz found this article this morning and wanted to include it along with Liz's reaction in this packet so that the Board was as informed as possible when comparing the Working Cash Bond issuance to the Limiting Rate referendum strategy.

Recognizing that we are now meeting on Sunday, neither Steve nor Liz is available; however, Liz has made it clear she can communicate by telephone if we need any clarifications from her on Sunday. Steve and his brother are attending the Bears playoff game but Steve is bringing our files home with him in the event any changes need to be made between receipt of these materials and our meeting on Sunday .

tmo

enclosures