

# Referendum Recommendation for the November 2, 2010 Ballot

Special Board of Education Meeting  
Monday, July 19, 2010

T. Ferrier, Director of Finance and Operations

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# 2008 McHenry County Elementary Levy Rates

Total Rank	District Number	Limiting Rate	Bond Rate	Total Rate
1	Fox River Grove SD 3	3.4935	0.3004	3.7939
2	Harrison SD 36	3.5930	0.1050	3.6979
3	Prairie Grove CSD 46	3.1468	0.0000	3.1468
4	McHenry CCSD 15	2.8836	0.0000	2.8836
5	Crystal Lake CCSD 47	2.5881	0.0863	2.6744
6	Cary CCSD 26	2.2579	0.4071	2.6650
7	Nippersink SD 2	2.5864	0.0000	2.5864
8	Riley CCSD 18	2.3043	0.0000	2.3043
9	Marengo-Union CSD 165	1.8357	0.0556	1.8913



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# Previously Presented

## Option 1 – Limiting & Bond

- Phased in the restoration of \$3.9M of programs
- Eliminated the need for future budget reductions
- Eliminated the need for short-term borrowing (TAWs)
- Restored Fund Balances
- Provided for future capital needs
- Provided a sustainable source of revenue

Cost: \$1,300 over 4 years  
\$27 per month

## Option 2 - Limiting

- Eliminated the need for future budget reductions
- Provided a sustainable source of revenue
- Did not eliminate the need for short-term borrowing (TAWs)
- Did not restore fund balances

Cost: \$1,133 over 4 years  
\$24 per month

## Option 3 - \$20M Bond

- Eliminated the need for short-term borrowing (TAWs)
- Restored Fund Balances
- Did not provide a sustainable source of revenue
- Did not eliminate budget reductions

Cost: \$166 over 4 years  
\$3 per month



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# Immediate Concerns

- Cash Flow
- Negative Fund Balances
- Increasing Cost of Short-term Borrowing (TAWs)
- Potential 2<sup>nd</sup> Year Short-term Borrowing (TAWs)
- State Board of Education Intervention

A \$15M Working Cash Bond question asked of voters effectively addresses the above issues.



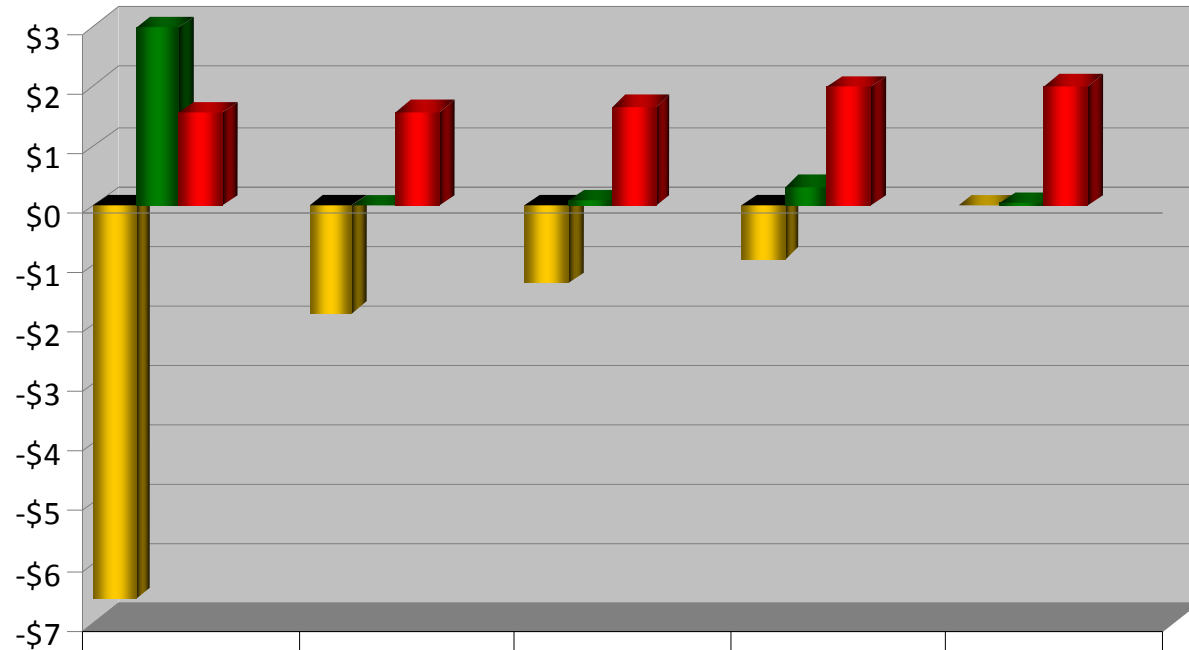
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# 5 Year Projection

## \$15M Working Cash Bond



	FY 11	FY 12	FY 13	FY 14	FY 15
■ Budget Reductions/Reinstatements	(\$6.6) M	(\$1.8) M	(\$1.3) M	(\$0.9) M	\$0.0 M
■ Revenues Less Expenditures	\$5.8 M	\$0.0 M	\$0.1 M	\$0.3 M	\$0.0 M
■ Year End Fund Balance	\$1.6 M	\$1.6 M	\$1.7 M	\$2.0 M	\$2.0 M
Projected Revenues	\$35.9 M	\$28.4 M	\$28.2 M	\$28.6 M	\$29.3 M
Projected Expenditures	\$30.1 M	\$28.4 M	\$28.1 M	\$28.3 M	\$29.2 M



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# What WILL a Working Cash Bond do for the District?

- It will allow the District to continue day to day operations.
- It will restore fund balances in FY11.
- It will eliminate the need for short-term borrowing (TAWs).
- It will decrease the need for budget reductions from \$6M to \$4M over the next 3 years.
- It will reduce the impact on student programs.
- It will extend bonded debt from levy year 2018 to 2024.



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# What WON'T a Working Cash Bond do for the District?

- It does not address capital needs (i.e. roof replacement, technology, etc.).
- It does not eliminate the need for future budget reductions through FY14 totaling \$4M.
- It does not provide revenue to fund salary increases.
- It does not change the financial responsibility for the State to fund the District.



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# Potential Effect on Taxpayers

- With voter approval of a \$15M Working Cash Bond referendum, the bond levy (for an average house value of \$300,000) would decrease the first year and increase on average \$22 each of the following four years, for a total projected increase (over the next five years) of \$85.

	2009	2010	2011	2012	2013	2014
<b>Cary 26 Bond Rate</b>	<b>0.409</b>	<b>0.408</b>	<b>0.433</b>	<b>0.454</b>	<b>0.478</b>	<b>0.499</b>
House Value	300,000	300,000	300,000	300,000	300,000	300,000
Assessment	99,990	99,990	99,990	99,990	99,990	99,990
Exemption	5,500	5,500	5,500	5,500	5,500	5,500
Taxable Assessment	94,490	94,490	94,490	94,490	94,490	94,490
Projected Taxes	\$ 386	\$ 385	\$ 409	\$ 429	\$ 451	\$ 471
<b>Yearly Increase from PY</b>		<b>\$ (1)</b>	<b>\$ 24</b>	<b>\$ 20</b>	<b>\$ 22</b>	<b>\$ 20</b>
<b>Cost Per Month</b>		<b>\$ (0)</b>	<b>\$ 2</b>	<b>\$ 2</b>	<b>\$ 2</b>	<b>\$ 2</b>



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# Existing Bonded Debt

Levy Year	E.A.V.	chg.	Referendum New Money Series 1992 Bond and Interest Levy	Referendum New Money Series 2001 Bond and Interest Levy	Referendum Refunding Series 2003 Bond and Interest Levy	Referendum Refunding Series 2004 Bond and Interest Levy	Referendum Refunding Series 2005 Bond and Interest Levy	Total Bonded Debt Service	Bond & Int Tax Rate
2009	\$ 801,527,183		\$1,280,000	\$ 235,013	\$ 871,741	\$ 356,300	\$ 531,345	\$ 3,274,399	\$ 0.4085
2010	761,450,824	-5.00%	1,280,000	-	871,366	588,900	549,595	3,289,861	0.4321
2011	776,679,840	2.00%	-	-	2,150,116	593,663	552,075	3,295,854	0.4244
2012	792,213,437	2.00%	-	-	585,623	1,307,525	1,384,263	3,277,411	0.4137
2013	808,057,706	2.00%	-	-	-	1,385,600	1,907,863	3,293,463	0.4076
2014	824,218,860	2.00%	-	-	-	1,384,650	1,909,363	3,294,013	0.3997
2015	840,703,237	2.00%	-	-	-	1,385,485	1,907,113	3,292,598	0.3916
2016	857,517,302	2.00%	-	-	-	1,388,423	1,901,113	3,289,536	0.3836
2017	874,667,648	2.00%	-	-	-	873,180	1,581,363	2,454,543	0.2806
2018	892,161,001	2.00%	-	-	-	-	1,147,012	1,147,012	0.1286
Totals			\$ 2,560,000	\$ 235,013	\$ 4,478,846	\$ 9,263,726	\$ 13,371,105	\$ 29,908,690	

A very rapid retirement of the District's current bonded debt remains, as the District issued a great deal of its debt during the higher growth period of the mid to late 1990's.

Most of the District's bond structure has been refunded once, which limits its near term ability to efficiently refund again due to IRS restrictions.



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# \$15M with Refinancing

Levy Year	E.A.V.	chg.	Referendum \$15 Million Series 2011B				Total Bonded Debt Service	Bond & Int Tax Rate
			Existing Bonds	Refunding 92/03/04/05	Refunding Series 2011A	Bond and Interest Levy		
2009	\$ 801,527,183		\$3,274,399	\$(3,000,000)	\$ -	\$ 3,000,000	\$ 3,274,399	\$ 0.4085
2010	761,450,824	-5.00%	3,289,861	(1,000,000)	155,000	661,000	3,105,861	0.4079
2011	776,679,840	2.00%	3,295,854	(750,000)	155,000	661,000	3,361,854	0.4328
2012	792,213,437	2.00%	3,277,411	(500,000)	155,000	661,000	3,593,411	0.4536
2013	808,057,706	2.00%	3,293,463	(250,000)	155,000	661,000	3,859,463	0.4776
2014	824,218,860	2.00%	3,294,013	-	155,000	661,000	4,110,013	0.4987
2015	840,703,237	2.00%	3,292,598	-	155,000	661,000	4,108,598	0.4887
2016	857,517,302	2.00%	3,289,536	-	155,000	661,000	4,105,536	0.4788
2017	874,667,648	2.00%	2,454,543	-	155,000	1,700,000	4,309,543	0.4927
2018	892,161,001	2.00%	1,147,012	-	155,000	3,100,000	4,402,012	0.4934
2019	910,004,221	2.00%	-	-	155,000	2,405,000	2,560,000	0.2813
2020	928,204,305	2.00%	-	-	155,000	2,405,000	2,560,000	0.2758
2021	946,768,391	2.00%	-	-	155,000	2,405,000	2,560,000	0.2704
2022	965,703,759	2.00%	-	-	155,000	2,405,000	2,560,000	0.2651
2023	985,017,834	2.00%	-	-	3,780,000	-	3,780,000	0.3837
2024	1,004,718,191	2.00%	-	-	3,780,000	-	3,780,000	0.3762
2025	1,024,812,555	2.00%	-	-	-	-	-	-
2026	1,045,308,806	2.00%	-	-	-	-	-	-
2027	1,066,214,982	2.00%	-	-	-	-	-	-
2028	1,087,539,282	2.00%	-	-	-	-	-	-
Totals, LY10 - 28			\$ 26,634,291	\$ (2,500,000)	\$ 9,575,000	\$ 19,047,000	\$ 52,756,291	

A \$15,000,000 Working Cash Bond would produce an initial tax rate increase of zero in taxes paid during 2011 (levy year 2010), with a \$.025 tax rate increase in 2012, and with additional \$.02 increases in the 2013 and 2014.

A substantial drop would occur in taxes to be paid beginning in 2019, enabling future capital raising ability to fund life safety projects and other needs of the District.



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# \$15M without Refinancing

Levy Year	E.A.V.	chg.	Referendum		Total Bonded Debt Service	Bond & Int Tax Rate
			Existing Bonds	\$15 Million Series 2011		
<b>2009</b>	<b>\$ 801,527,183</b>		<b>\$3,274,399</b>	<b>\$ -</b>	<b>\$ 3,274,399</b>	<b>\$ 0.4085</b>
2010	761,450,824	-5.00%	3,289,861	550,000	3,839,861	0.5043
2011	776,679,840	2.00%	3,295,854	750,000	4,045,854	0.5209
2012	792,213,437	2.00%	3,277,411	825,000	4,102,411	0.5178
2013	808,057,706	2.00%	3,293,463	900,000	4,193,463	0.5190
2014	824,218,860	2.00%	3,294,013	925,000	4,219,013	0.5119
2015	840,703,237	2.00%	3,292,598	975,000	4,267,598	0.5076
2016	857,517,302	2.00%	3,289,536	1,000,000	4,289,536	0.5002
2017	874,667,648	2.00%	2,454,543	1,906,000	4,360,543	0.4985
2018	892,161,001	2.00%	1,147,012	2,470,000	3,617,012	0.4054
2019	910,004,221	2.00%	-	2,470,000	2,470,000	0.2714
2020	928,204,305	2.00%	-	2,470,000	2,470,000	0.2661
2021	946,768,391	2.00%	-	2,470,000	2,470,000	0.2609
2022	965,703,759	2.00%	-	2,470,000	2,470,000	0.2558
2023	985,017,834	2.00%	-	2,470,000	2,470,000	0.2508
2024	1,004,718,191	2.00%	-	2,470,000	2,470,000	0.2458
2025	1,024,812,555	2.00%	-	-	-	-
2026	1,045,308,806	2.00%	-	-	-	-
2027	1,066,214,982	2.00%	-	-	-	-
2028	1,087,539,282	2.00%	-	-	-	-
Totals, LY10 - 28			<b>\$ 26,634,291</b>	<b>\$ 25,121,000</b>	<b>\$ 51,755,291</b>	

A \$15,000,000 Working Cash Bond would produce an initial tax rate increase of \$.10 in taxes paid during 2011 (levy year 2010), with an additional \$.01 tax rate increase in 2012, and remaining flat to declining thereafter.

A substantial drop would occur in taxes to be paid beginning in 2019 and again in 2020, enabling future capital raising ability to fund life safety projects and other needs of the District.



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# What about the long-term?

- The District's 5 Year Projection identifies the need for additional revenue, in order to restore programs.
- The District has many future needs which the \$15M Bond does not address:
  - Capital needs
  - Operational expenses not in the District's control
  - Uncertainties regarding State of Illinois funding



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# Recommendation

- Administration recommends that the Board of Education approve the following question be placed on the November 2, 2010 ballot:
  - Shall the Board of Education of Cary Community Consolidated School District Number 26, McHenry and Lake Counties, Illinois, be authorized to issue \$15 million bonds for a working cash fund as provided for by Article 20 of the School Code?



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# Ballot Question

## Placement/Passing of Question

- Allows the community to have a voice
- Eliminates Cash Flow problems
- Eliminates the need and expenses associated with TAWs
- Restores Fund Balances
- Lessens the impact on future budget reductions and student programs
- Has the least impact on the taxpayers while addressing the District's immediate needs
- Prevents State Involvement, maintaining local control

## Non-Placement of Question

- Eliminates the community's ability to have a voice
- Cash Flow problems will compound
- TAW expenditures will continue to snowball
- Future budget reductions will need to provide surpluses to eliminate negative Fund Balances
- Financers indicate this will reduce the ability to obtain October, 2010 TAWs (resulting in insolvency)
- Risk State Intervention and loss of local control – State Takeover
- State could take legislative action to increase tax rates



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