

Capital Revenue Projections

Presented to the School Board
April 22, 2009



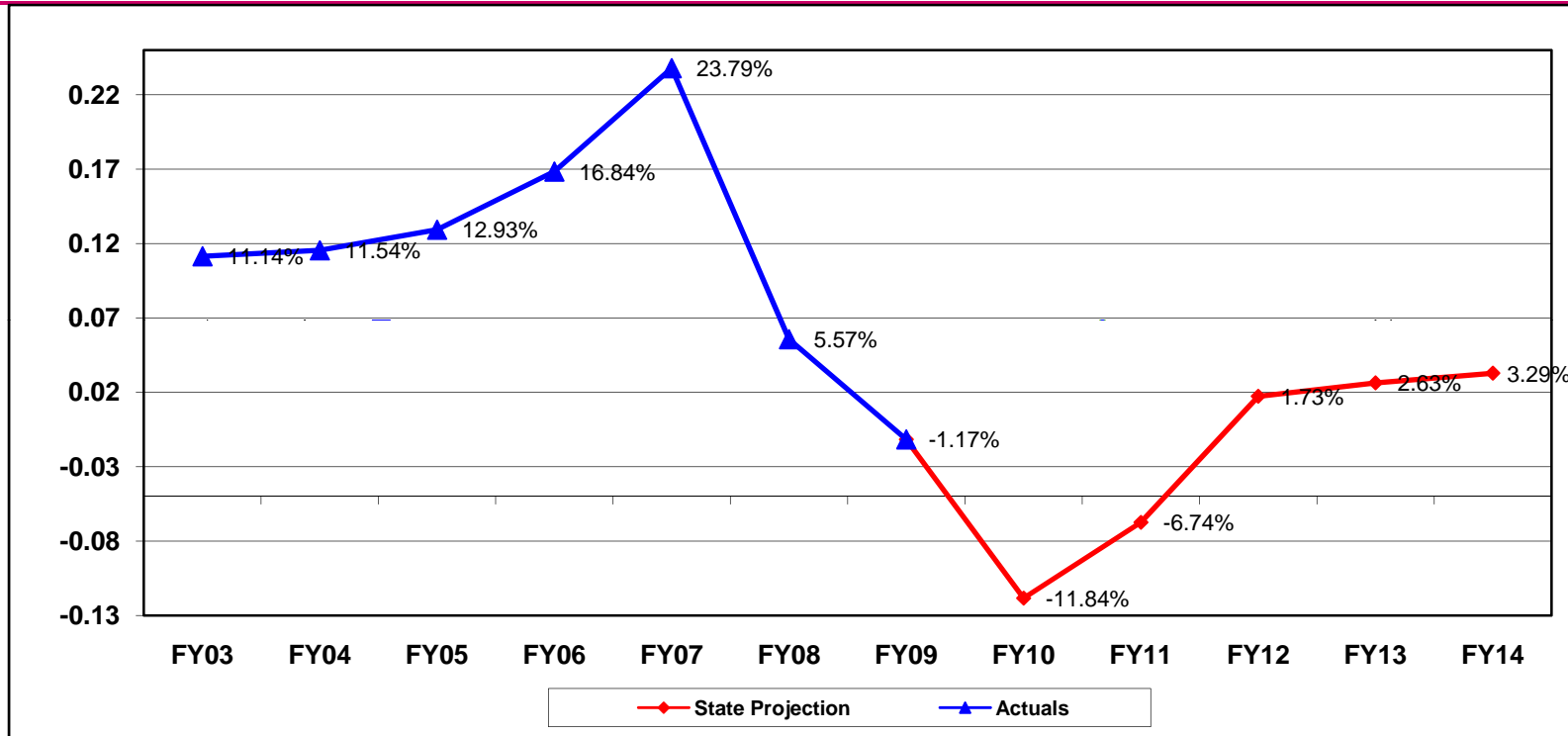


Capital Revenue Projections

- ❖ Since 1980, School Districts in Florida have been allowed to levy 2 mils of property taxes for capital projects for many years. Palm Beach Schools has done so since 1992.
- ❖ Based on that consistent revenue stream, Districts throughout the state have been building schools to deal with a growing population, the need to reduce class size and the need to replace aged facilities.
- ❖ The tax revenues were leveraged using Certificates of Participation with a guideline of using no more than half (50%) of the proceeds for debt service.
- ❖ During the last legislative session (2008), the law was changed and the taxing authority was reduced to 1.75 mils. The other .25 mils was levied for operating purposes.
- ❖ At the same time, many Districts, including Palm Beach, experienced the first decline in property values in many years.
- ❖ The latest projection for property values in Palm Beach County indicate a reduction of 11.84% for FY10 and a reduction of 6.74% for FY11.
- ❖ The legislature has proposed an additional decrease of the capital millage levy; from 1.75 mil to 1.50 mil and an increase of the discretionary millage (general fund). **At the School Board's discretion**, all or a portion of the funds could be transferred back to the capital budget.



Palm Beach County Tax Roll Growth



	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14
Gross Taxable Assessed Value	\$161,252,193,452	\$170,229,136,344	\$168,237,902,004	\$ 148,324,500,000	\$ 138,322,200,000	\$ 140,719,100,000	\$ 144,423,100,000	\$ 149,167,600,000
Change from prior year	23.79%	5.57%	-1.17%	-11.84%	-6.74%	1.73%	2.63%	3.29%



Capital Millage Estimates for FY 2010

(in millions)

Palm Beach County School Taxable Value	2008-2009	2009-2010	2009-2010
		at 1.75 mills	at 1.5 mills
August 2008 Projection	168,237.9	166,641.8	166,641.8
December 2008 Projection	168,237.9	154,605.2	154,605.2
March 2009 Projection	168,237.9	148,324.5	148,324.5

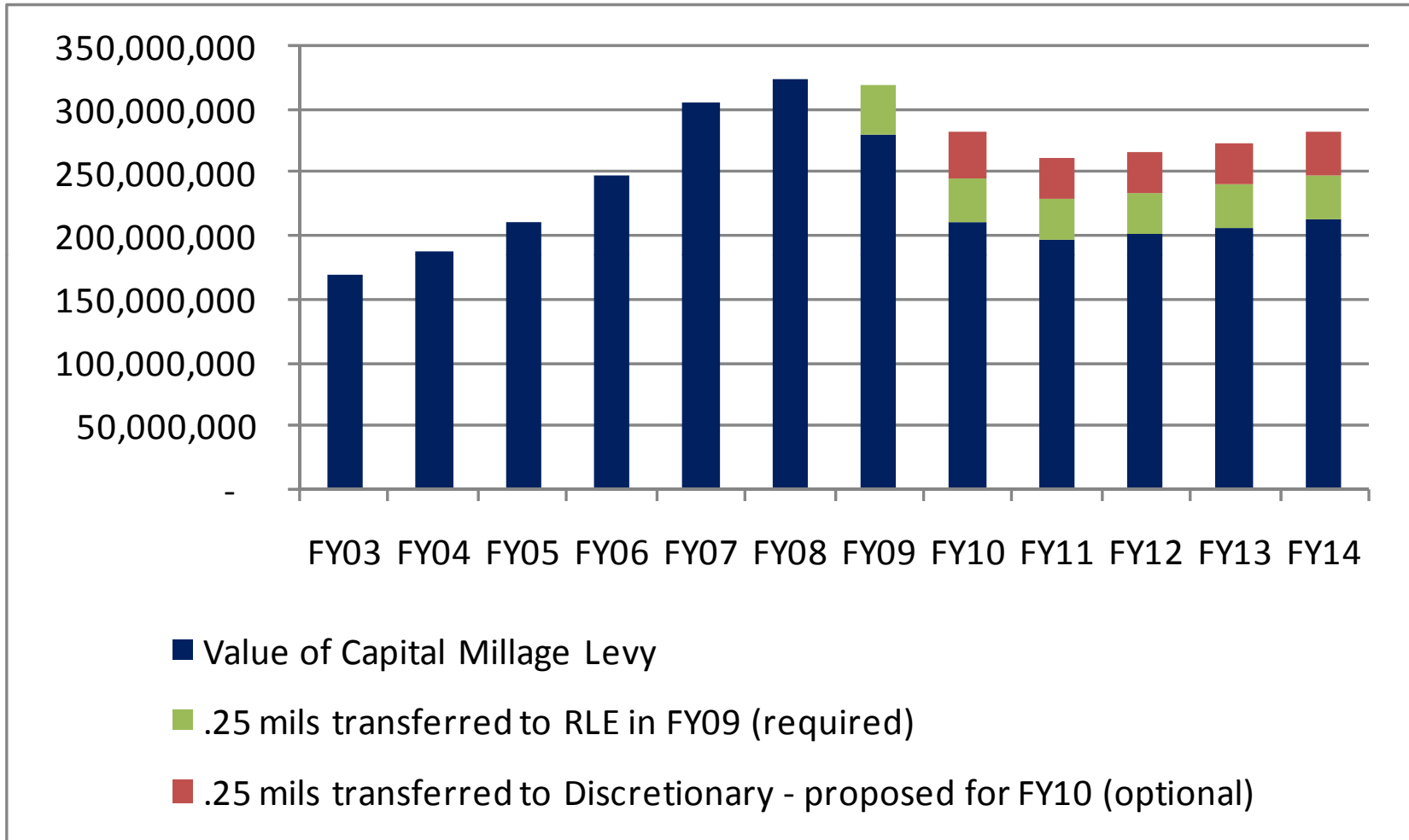
Projection of Capital Revenues

Capital Millage Levy

Special Millage	279.7	277.0	277.0
Loss - Tax Roll Estimates as of March 2009		(30.5)	(30.5)
Loss - 0.25 mills (Reduction to 1.5 mill)		-	(35.2)
		<i>Revenue Losses</i>	<i>(65.7)</i>
Projected Capital Millage Levy	279.7	246.6	211.4



Value of Capital Millage Levy





Other Capital Revenue Sources

- ❖ The capital millage levy is, by far, the largest revenue source for capital.
- ❖ Other sources and projected revenues are shown below.

<u>Fund Source</u>	<u>Projection for FY 2010</u>
Class Size Reduction	\$ -
CO&DS	\$ 1,043,974
PECO Maintenance	\$ 6,435,267
PECO Construction	\$ -
Impact Fees	\$ 2,739,310
Interest Income	\$ 2,500,000
Sales Tax*	\$ 46,000,000

** needed to pay off commercial paper*

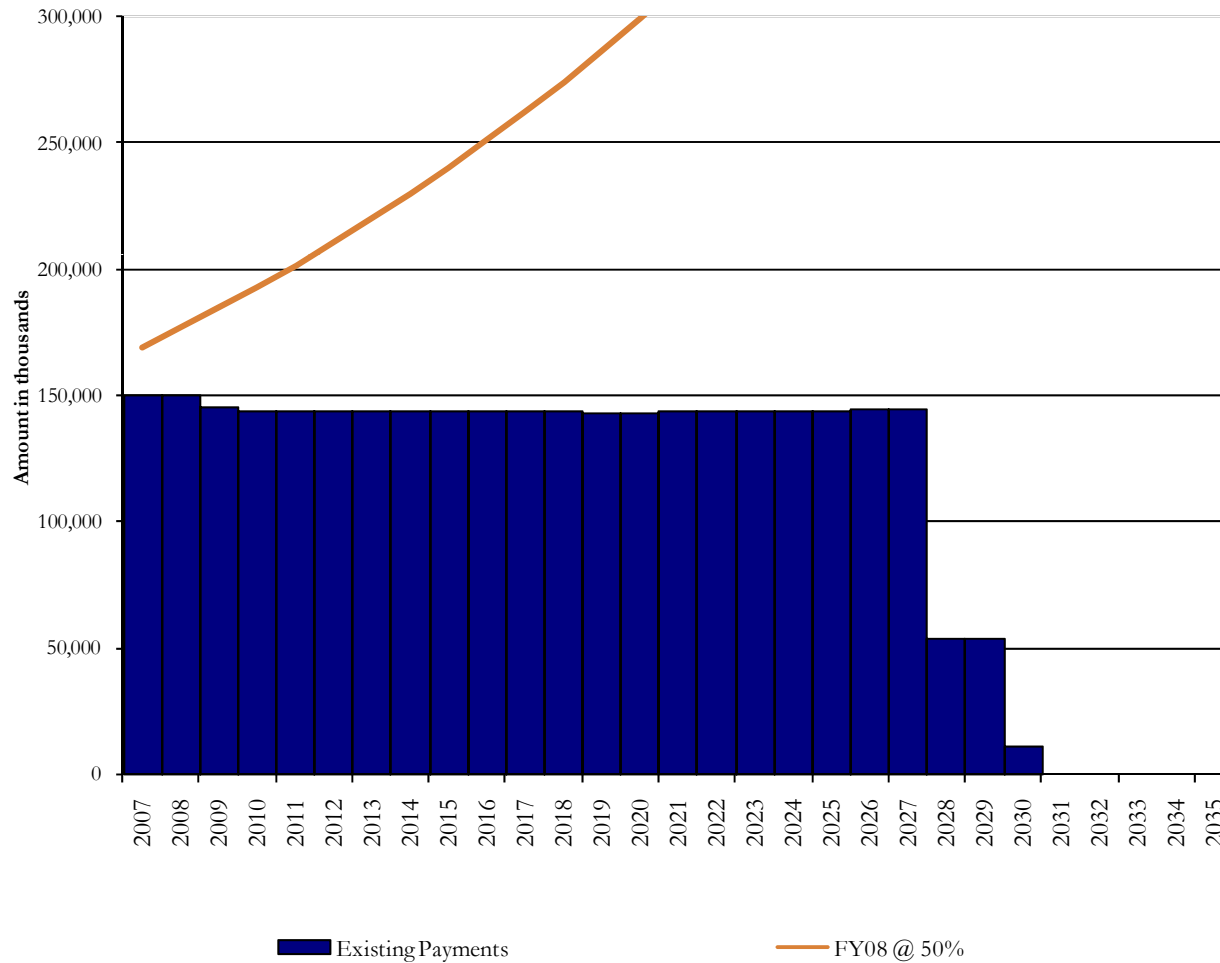


Use of Capital Millage for Debt Service

- ❖ The School District has used Certificates of Participation, commonly called COPs, to finance the construction of schools since 1994. The principal and interest is paid from the capital millage levy.
- ❖ The rule of thumb, established by the national rating agencies, has been to use no more than half of the capital millage levy, or 1 mil, for debt service. The logic behind the guidance is to ensure adequate debt coverage, in case there is a downturn of revenues, and to ensure funds are available for other capital items such as maintenance, technology and school busses.
- ❖ Based on that logic, the District's debt policy limited the issuance of COPS by stating that the debt service could not exceed half of the capital millage levy.
- ❖ In FY09, when the capital millage levy was reduced to 1.75 mils, the Debt Policy was amended to allow debt service to be up to 1 mil but should be within 50% of the capital millage levy within five years.
- ❖ The following charts compare the debt service for outstanding COPs to the millage revenues for FY08, FY09 and the projected millage revenues for FY10.

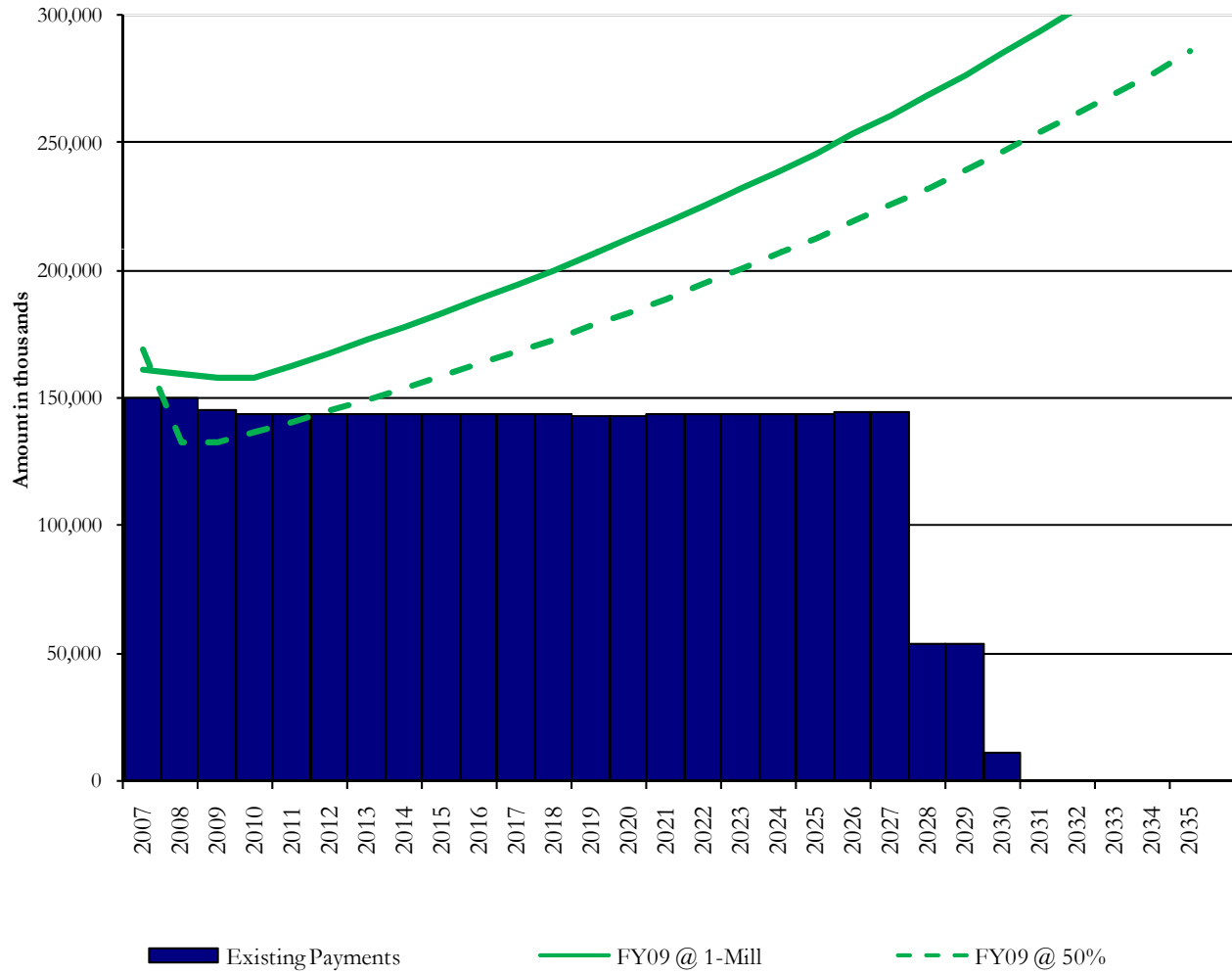


COP Debt Service with FY08 Millage



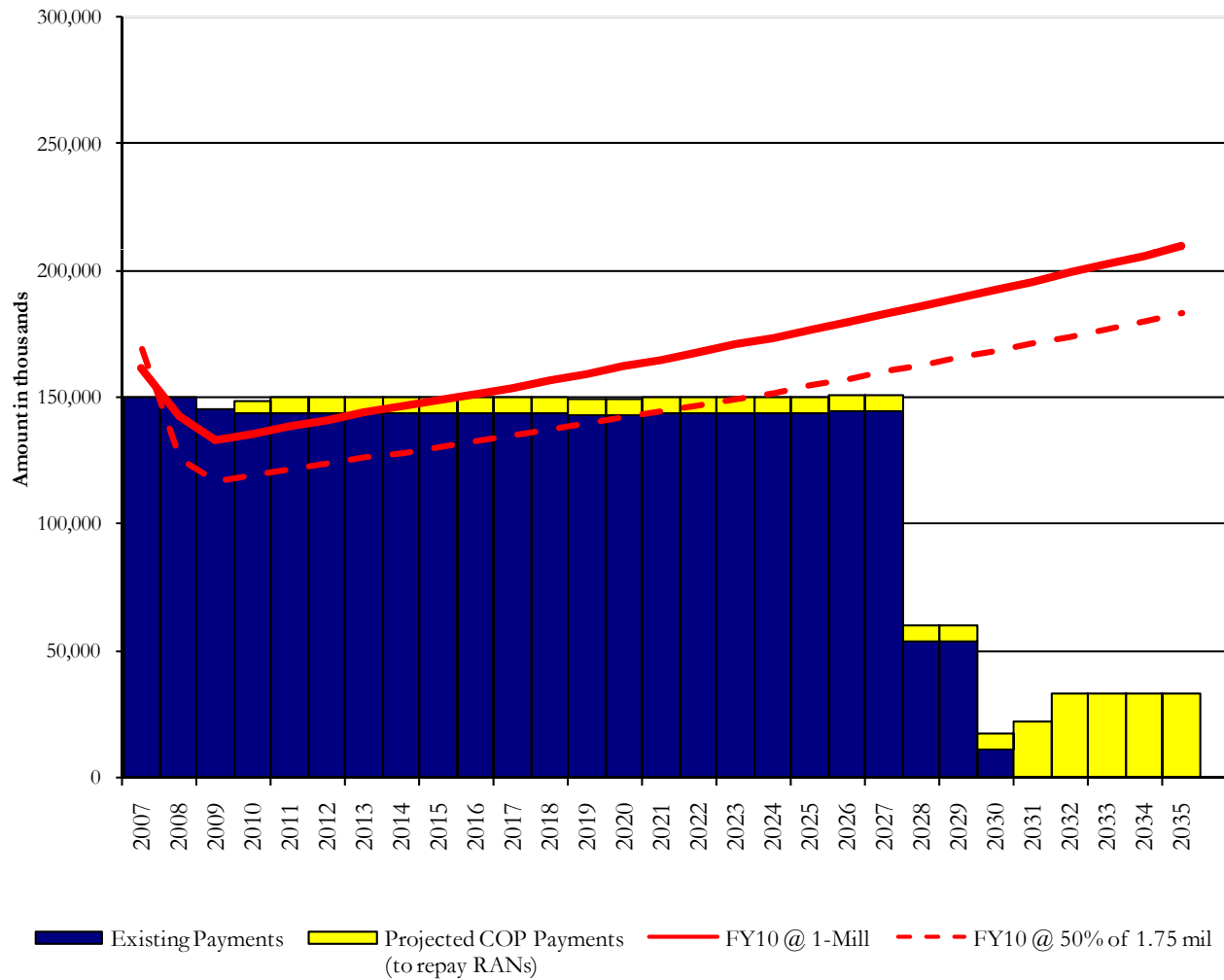


COP Debt Service with FY09 Millage





COP Debt Service with FY10 Millage





Recent Rating Actions

- ❖ 2009-04-07 Moody's has assigned a negative outlook to all local governments.
- ❖ 2009-03-22 Fitch reduced the rating for Hillsborough Schools from A-plus to A- with a negative outlook based on declining debt service coverage.
- ❖ 2009-04-10 Fitch reduced the rating for Volusia Schools from A+ to BBB+ for their sales tax revenue program and from A+ to A for their COP program. Both have a negative outlook. Action based on declining debt service coverage, reduced financial flexibility, and potential declines in state funding.
- ❖ Rating actions are usually taken when an entity is issuing debt, but the actions listed above were made during a regular review.
- ❖ Ratings are based on many factors including fiscal management, ability to react to changing environments, fund balance and debt coverage ratios.



Discussion
