

Southwestern Illinois Flood Prevention District Council

Financial Capacity Analysis

May 2011

Introduction

- Sales tax revenues \$11.0 million in 2010.
- 2011 operating budget included \$600,000 for administrative and professional services costs. These expenses will increase as scale of operations rises with levee infrastructure.
- The difference - tax revenues minus expenses – is available to fund design and construction of levees and/or pay debt service on bonds. This financing plan lays out a strategy for funding construction from revenues.

Construction Draw Schedule - Still Developing

A full schedule of construction draws is not known at this time.

- project is in design phase
- future financing details not known

Estimated draws through April 2013 shown below. Can be paid from current balance in construction fund.

Six Months Ending...	Capital Need	Comment	Cumulative Draw
10/15/2011	10,000,000	Design & Other Costs	10,000,000
4/15/2012	20,000,000	Acquire Materials, initiate construction	30,000,000
10/15/2012	29,000,000	Continue construction	59,000,000
4/15/2013	28,332,000	Continue construction	87,332,000
10/15/2013	?		
4/15/2014	?		
10/15/2014	?		
4/15/2015	?		
10/15/2015	?		
4/15/2016	?		

Sources of Financing

- Future bond issuances of the Council (scheduled for 2013 and 2015)
- Surplus after debt service and Council expenses
- Investment earnings from Reserve Fund and Construction Fund

Supplemental Sources of Financing

- Additional debt capacity from Wood River and Metro East districts
- Corps of Engineers

Surplus Revenue and Bonding Capacity of the Council

- In approximately 2013, the Council will likely need additional construction funds
- Financing strategy will change over time:
 - Interest rate changes
 - Construction fund requirements
 - Etc.
- An optimization model to identify strategies that produce a maximum amount of construction funds in 2013 – 2015

Optimization Model

- Tax Revenue Assumptions
 - 2010 (\$11.047 mn) + 3% annual growth
- Administrative & Professional Services Costs
 - \$600,000 per year + 3% annual growth
- Base Case Financing Assumptions
 - Dates: April, 2013 & 2015
 - Coverage: 1.25x net coverage
 - Rating: A (Subordinate bonds)
 - Market: current interest rates (April 2011) + 50 bp
 - Reserve Fund funded at maximum annual debt service
- Total construction draws through April 2013: \$87.3 million.
- Objective:
 - Model maximizes equal semi-annual draws from November 2013 – April 2015

Optimization Results

- Maximum semiannual draw from 10/13 through 4/15 is \$14.0 mn.
- Total draws come to \$161.4 mn.
- Breakdown by Source (millions)
 - Net proceeds 2010 \$87.4
 - Net proceeds 2013 (see below) 7.0
 - Net proceeds 2015 37.8
 - Draws from surplus revenues 26.4
 - Construction fund earnings 1.7
 - Reserve earnings 1.1
- The Council can issue \$7.0 million in subordinate bonds in 2013 using surplus revenues. Delaying monetization of future tax revenues to 2015 saves two years' interest on borrowing and increases total capacity, all other things (e.g. interest rates) being equal.

Financing Results & Surplus Revenues

Southwestern Illinois Flood Prevention District Council
Capacity Analysis for Levee Construction

5/17/2011

Results

2010 Net Proceeds	87,409,570
2013 Net Proceeds	7,075,733
2015 Net Proceeds	37,782,217
Construction Fund Earnings	1,735,405 (4/15/16)
Reserve Fund Earnings	1,053,672 (4/15/16)
Surplus Draws	26,361,246
MESD & WRDD Net Proceeds	0
Total Capital Improvement Fund Draws	161,417,844

Projected Revenues, Debt Service, Expenses, and Surplus

Date	Tax Revenues	BAB Subsidy	Senior Debt Service	Remaining Revenues	Subordinate Debt Service	Remaining Revenues	Administrative Expenses	Surplus
11/23/2010								
4/15/2011	5,420,374	359,000	1,835,129	3,944,245	0	3,944,245	300,000	3,644,245
10/15/2011	5,420,374	455,070	2,326,220	3,549,224	0	3,549,224	300,000	3,249,224
4/15/2012	5,582,985	455,070	4,781,220	1,256,836	0	1,256,836	309,000	947,836
10/15/2012	5,582,985	455,070	2,301,670	3,736,386	0	3,736,386	309,000	3,427,386
4/15/2013	5,750,475	455,070	4,806,670	1,398,875	0	1,398,875	318,270	1,080,605
10/15/2013	5,750,475	455,070	2,276,620	3,928,925	199,870	3,729,055	318,270	3,410,785
4/15/2014	5,922,989	455,070	4,831,620	1,546,439	199,870	1,346,569	327,818	1,018,751
10/15/2014	5,922,989	455,070	2,251,070	4,126,989	199,870	3,927,119	327,818	3,599,301
4/15/2015	6,100,679	455,070	4,936,070	1,619,679	199,870	1,419,809	337,653	1,082,156
10/15/2015	6,100,679	455,070	2,210,795	4,344,954	1,425,192	2,919,762	337,653	2,582,109
4/15/2016	6,283,699	455,070	4,965,795	1,772,974	1,425,192	347,782	347,782	0
Totals	63,838,702	4,909,699	37,522,874	31,225,527	3,649,865	27,575,662	3,533,264	24,042,399

Assumptions & Construction Draws

Case: Sales Tax Only

Assumptions			
Bonds	2010	2013	2015
Tax Revenues	10,840,748	11,719,810	12,433,546
Net Coverage	1.75x	1.25x	1.25x
Gross Coverage	1.5x	1.1x	1.1x
Rating	AA-	A	A
Spread to Market		0.50%	0.50%
2010 & Future Rev Growth		3%	3%
Surplus Fund Balance 11/23/2010		1,500,000	
Annual Administrative Expenditures		600,000	
Ann. Exp Growth		3.00%	
Construction Fund Earnings		0.87%	
Surplus Earnings		2.00%	
Reserve Earnings		2.32%	
Fixed Costs per Issuance		100,000	
Per bond costs of issuance		\$7	
Minimum Surplus Fund Balance		25,000	
Reserve Percentage		100%	

Date	Surplus Fund Balances		Projected Bond Proceeds, Construction Fund Balances, Earnings, and Draws									
	Surplus Before Construction	Construction Draws from Surplus	Surplus Fund Earnings	Surplus Fund Balance	Bond Proceeds	Earnings on Construction Fund	Earnings on Debt Service Reserve	Capital Improvement Plan	Construction Draws from Surplus	Construction Fund Draws	Construction Fund Balance	
11/23/2010				1,500,000	87,409,570							87,409,570
4/15/2011	5,144,245	0	11,753	5,155,998		297,935	57,442			0		87,764,946
10/15/2011	8,405,223	0	51,701	8,456,924		382,823	72,813	8,000,000	-	8,000,000		80,220,583
4/15/2012	9,404,760	0	84,801	9,489,560		349,916	72,813	17,000,000	-	17,000,000		63,643,311
10/15/2012	12,916,946	0	95,156	13,012,102		277,607	79,464	24,000,000	-	24,000,000		40,000,382
4/15/2013	14,092,707	0	129,765	14,222,471	7,075,733	173,525	79,464	28,332,000	-	28,332,000		18,997,104
10/15/2013	17,633,256	0	142,614	17,775,871		82,864	79,464	14,014,307	-	14,014,307		5,145,124
4/15/2014	18,794,622	8,767,399	177,272	10,204,494	0	22,320	79,464	14,014,307	8,767,399	5,246,908		0
10/15/2014	13,803,795	13,881,120	102,325	25,000		0	133,187	14,014,307	13,881,120	133,187		0
4/15/2015	1,107,156	0	249	1,107,406	37,782,217	0	133,187	14,014,307	-	14,014,307		23,901,097
10/15/2015	3,689,515	0	11,104	3,700,619		104,255	133,187	14,014,307	-	14,014,307		10,124,232
4/15/2016	3,700,619	3,712,727	37,108	25,000		44,161	133,187	14,014,307	3,712,727	10,301,580		0
Totals		26,361,246	843,848		132,267,520	1,735,405	1,053,672	161,417,844	26,361,246	135,056,597		