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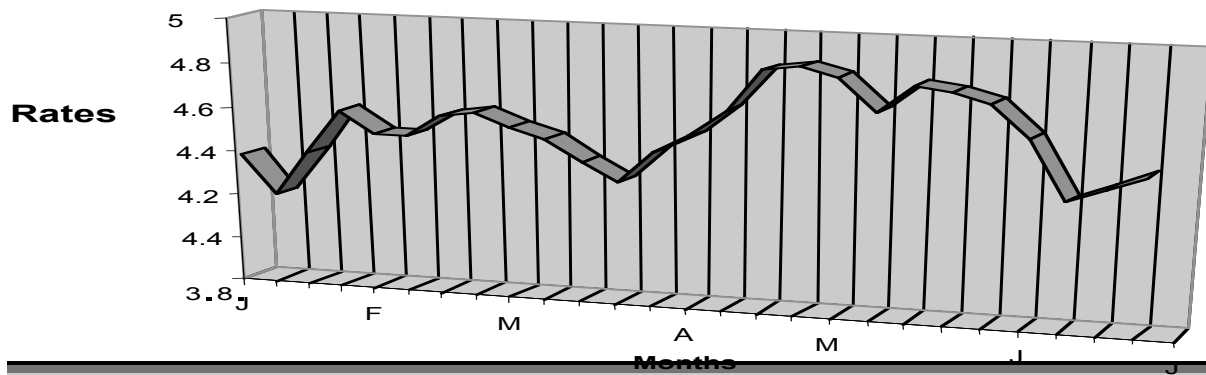
THE MARKET

The Bond Buyer Index for General Obligation Bonds (defined as the average tax-exempt market value, expressed in terms of yield, on general obligation bonds of twenty selected issuers with Moody's ratings ranging from Baa1 to Aaa, averaging A1, and maturing in twenty years) is shown below. The July 2nd rate is 4.51%. The comparable revenue bond rate is 4.99%. The Index is used as a market barometer.

20-Bond G.O. Index

Monthly Rate Average	Jan...4.90%	Feb ..4.81 %	Mar ..4.75%	Apr ..4.73%	May....4.40%	June...4.32%
Week 1	2 ...4.84	6...4.88	6...4.69	3...4.79	1...4.58	5...4.27
Week 2	9...4.94	13...4.83	13...4.67	10...4.76	8...4.50	12...4.21
Week 3	16...4.95	20...4.79	20...4.83	16...4.74	15...4.35	19...4.35
Week 4	23...4.89	27...4.74	27...4.84	24...4.66	22...4.30	26...4.47
Week 5	30...4.90				29...4.31	

20 G.O. Bond Buyer Index - 2003 Monthly Average



Debt Refunding Guidelines

As rates have dropped, many bonds have been refunded. Issues sold in 2000 and 2001 have sometimes been advantageous to refinance. However, unlike home mortgages which media ads suggest should be refinanced every several months to take advantage of "lower rates," government debt can only be refinanced a limited number of times. When a refunding is considered, the limits need to be kept in mind to achieve reasonable results.

The major legal limit is that a tax exempt bond may usually only be refunded once in advance of the call date, or date for early redemption. This limit on advance refundings applies to nearly all governmental purpose debt outstanding. Since the non-callable period is usually 7 to 10 years, this limitation suggests a policy of not rushing into an early refunding for a relatively low savings level.

A second market limitation is the need to invest the refunding bond proceeds in U.S. Treasuries or Agencies until the early redemption date on the refunded bonds. During many years this was not a real limit, as the funds could be invested at a rate approximating what they were borrowed at. Currently, Treasury rates are so low that significant investment losses often occur in the escrow, known as negative arbitrage. This amount is reflected in the refunding computations of saving. It is legally possible by some units of government to invest in other types of securities to achieve slightly higher yields; this is currently not overly advantageous compared to the assumed risk.

While there is no magic formula on evaluating a refunding, two general guidelines are useful. The first is that the savings to the issuer should be at least 2% of the bond issue, on a net present value basis. Net means that all costs are already accounted for and present value equates each dollar to be received over time to the value of dollars today. Secondly, the governmental issuer should always receive more savings from a refunding than all of the fees paid.

These guidelines apply for advance refundings and current refundings, which are those at or after the call date. And, of course, exceptions occur. For instance, refunding \$5,000,000 of debt at a cost of \$75,000 with a 3%, or \$150,000, present value savings is right in line. However, if the bond issue has only two years until it's retired, savings of perhaps \$70,000 could be justified. In this case, \$70,000 is better than nothing.

A final observation is that in most cases, only the callable portion of a bond issue should be refunded for savings. Administratively, this is more cumbersome but is it usually economically better.

Iowa Citizens Petition To Stop Bond Sale After Bid Accepted Ruled Untimely

A group of electors in an Iowa school district attempted to stop a Bond issue by filing a petition objecting to the issuance of the Bonds and requesting a bond appeal hearing with the State of Iowa Appeal Board. The State Appeal Board is composed of the State Auditor, the State Treasurer and State Director of the Department of Management. As described more fully below, the State Appeal Board denied the bond appeal because the petition was untimely.

The Bonds were secured by a referendum approved local option sales and services tax. The District followed the usual procedures by setting a date for hearing, publishing notice of such date, and having the hearing on the noticed date. As part of the notice, the District stated that it would receive and consider oral or written objections to the Bonds on the hearing date and that “after all objections have been received and considered, the Board of Education of the District will take additional action for the issuance of the Bonds or will abandon the proposal to issue the Bonds.”

On the hearing date, one oral objection to the Bonds was offered and the District then unanimously approved a resolution to issue the Bonds. Notice of the Bond sale was published and bids were received for the Bonds. On the Bond sale date, the Board of Education for the District awarded the Bonds to the most favorable bidder. Immediately after such award, the District was presented with a petition opposing the project and issuance of the Bonds and requesting a bond appeal to the State Appeal Board. A rarely used Iowa statute permits this appeal procedure.

After a review of the petition, the State Appeal Board denied the petition for a number of reasons, including the fact that the petition was untimely. The State Appeal Board declared that in order for the petition objecting to the Bonds to be timely, it would have had to have been filed before the date of hearing on the Bonds and of District approval of the Bonds.

This State Appeal Board decision should help to assure bond issuers that a petition to appeal a bond issue to the State Appeal Board will not be accepted by the State Appeal Board unless it is filed with the bond issuer prior to the date of approval of the bonds, which is typically on the date of hearing. The decision also helps to assure the Iowa bond market that bonds will not be delayed or taken from investors once a bond issuer has approved the bonds.

Speer Financial, Inc. is pleased to provide additional information on this decision and to assist any bond issuers that may encounter such bond petitions and appeals.

Illinois Tax Caps – Small Adjustments, A Beginning

In 1991 the Illinois General Assembly tax capped the collar counties surrounding Cook County. In 1995, Cook County was tax capped and other counties were given the ability to hold a referendum to tax cap themselves. As of April 1, 2003, 39 of 101 counties were tax capped while 9 county tax cap referenda have failed. No changes in the tax cap for operating levies have been made since its inception in 1991, although Limited Tax G.O. Bonds were introduced in 1995, helping governments to raise funds.

After 12 years of inflexibility, a new Democratic majority in the Senate and a new Democratic Governor have joined with the Democratic House to take steps to tweak the tax cap. These bills are on the Governor's desk.

- 1. Special Recreation** - costs including federally mandated property and facility accessibility responsibility and program inclusion costs have been carved out of the other operating (non-debt) levies. Levies for special recreation purposes will not be included in the tax cap levy calculations for Illinois Park Districts. (SB 1881)
- 2. Bonds Restored** – 16 Park Districts that had non-referendum G.O. bond levies in 1991, but not in 1994, or whose 1994 levy was less than 50% of the 1991 non-referendum G.O. bond levy had their non-referendum G.O. bonding restored by the General Assembly. The Forest Preserve District of Cook County and the Botanic Gardens and the Brookfield Zoo also benefit (SB 83).

The “camel’s nose is under the tent”, making other situations more likely to be considered on their merits, versus blocked solely to adhere to the “if you correct one situation, then everybody will...” philosophy. This may lead to a “take a number and stand in line” for the next few years in the General Assembly as others seek relief from tax cap imposed inequities and hardships.

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