TODAY’S PRESENTERS

- Dennis Meyers, Assistant Executive Director, Governmental Relations, CSBA
- Mark Farrell, Sr. Financial Advisor, Dale Scott & Co. mfarrell@dalescott.com
- Troy Flint, Chief Information Officer, CSBA
CASH FLOW
CASH FLOW - FLAT FUNDING OR NOT?

- Start with zero COLA / Prop. 98 down $10.6 billion
- State special education
  - $545 million to increase base rate to approximately $625. $100 million for low-incidence disabilities cost pool.
- Reduced employer contribution rates by 2 points
  - Lower cost on 80-90% of budget. All LEAs benefit. (1.6-1.8%).
- Federal CARES Act
  - $2.9 billion to all LEAs with unduplicated students. Varied benefit.
  - $1.5 billion to all LEAs with special education. Varied benefit.
  - $980 million per LCFF (worth about 1.8%). All LEAs benefit.
  - $1.5 billion to LEAs based on Title I funding (about 70% of entitlement)
CASH FLOW - DEFERRALS

- **Current Year (2019-20)**
  - $1.85 billion from June 2020 apportionment to July 2020
    - Equals about 55% of June apportionment

- **Budget Year (2020-21) - $11.06 billion total**
  - $1.54 billion from Feb. 2021 apportionment to Nov. 2021
    - Equals about 46% of February apportionment
  - $2.375 billion from March 2021 apportionment to Oct. 2021
    - Equals about 71% March apportionment
  - $2.375 billion from April 2021 apportionment to Sept. 2021
    - Equals about 71% of April apportionment
  - $2.375 billion from May 2021 apportionments to Aug. 2021
    - Equals about 71% of May apportionment
  - $2.375 from June 2021 apportionment to July 2021
    - Equals about 71% of June apportionment
Apportionment Deferrals
As of State Budget Adoption
Fiscal Year 2020/21

$11 Billion deferred from FY 2020/21 to FY 2021/22

$2.38B June to July 2021

$2.38B May to Aug 2021

$2.38B April to Sept 2021

$2.38B March to October 2021

$1.54B February to November 2021

Source: Capitol Advisors Budget Perspectives Workshops July 2020
CASH RESERVE PROGRAM
(POOLED TAX AND REVENUE ANTICIPATION NOTE PROGRAM)
CASH RESERVE PROGRAM

- Pooled issuance of tax and revenue anticipation notes (TRANs)
- Statewide program
- Open to school districts, county offices of education, and community college districts
- Multiple issuances during year to address differing cash flow needs
- No cost to apply, no obligation to issue after approving resolution
PROGRAM HISTORY

Issuances by Year

- Fiscal Year Pool
- Cross Year Pool
- Total Participants
WHAT ARE TRANS?

- Not lines of credit, they are more like a loan
- Typically sold as municipal securities in the municipal bond market
- Tax-exempt TRANs limited to 13-month term (15-months for taxable TRAN)
- State law only allows revenues from fiscal year in which TRAN issued to be pledged for repayment
- Ability to issue cross-fiscal year TRANs based on deferral language in Ed Code
- Solve cash flow shortfalls – not budget deficits
DETERMINING TRAN AMOUNT

- Reasonable cash flow projection
- Lowest cash balance on any date within six months of issuance
- Additional working capital reserve allowance
- Unrestricted funds outside of general fund must be included
Sample Cash Flow Projection

TRAN Issued

TRAN Repaid as Deferrals Repaid

Cash Balance without TRAN
Balance with TRAN
CREDIT FACTORS

- Cash balances on repayment dates
- Other reserves outside the general fund
- Cash & fund balance trends
- Accuracy of cash flow projections
- Interim report status (positive/qualified/negative)
- Long-term ratings
PROCESSES & SCHEDULE

- **Aug 2020**: Determine Resolution Amount
- **Sep**: District Board Approves Program Resolution
- **Oct**: District Provides Financials
- **Dec**: Determine TRAN Amount
- **Jan 2021**: TRAN Sold
- **Feb**: TRAN Closes
- **Jul**: Proceeds Available For Cash Flow
- **Aug**: Set Aside Payments
- **Sep**: TRAN Matures

Timeline:
- Aug 2020
- Sep
- Oct
- Dec
- Jan 2021
- Feb
- Jul
- Nov
- Dec
ROLES & RESPONSIBILITIES

- Board Members
  - Ensure staff brings resolution to board by end of December
  - Approve resolution to issue TRANs

- CBO / Director
  - Provide preliminary cash flow after 45-day budget to determine maximum borrowing amount for TRAN resolution
  - Provided financial documents & data
  - Work with Dale Scott & Co. on cash flow projections
PROGRAM BENEFITS

- Demonstrated Expertise
  - Consistent team
  - Covered deferrals during Great Recession

- Lower Costs
  - Economies of scale reduces issuance costs

- Less Staff Time
  - Standard documents
  - Simplified rating and disclosure process
  - Dedicated website
PROGRAM BENEFITS

- Competitive Rates
  - Issuers grouped with like issuers
  - Known by investors

- Benefits of Scale
  - Size attracts more investors
  - Statewide reach allows larger series of issuers

- Individualized Solutions
  - Tailored repayment dates

- Service
  - Cash flow development
  - Coordination with Counties
RESOURCES

[Website Screenshot with links to YouTube and CSBA website for coronavirus resources]
UPCOMING WEBINARS

Legal webinar: Reopening/reclosing public schools during the COVID-19 pandemic, Part 2

- July 29 at 11 a.m.
- This webinar will feature top education law attorneys discussing legal and equitable issues arising from reopening schools during the pandemic, including providing education and services to English learners and special education students. The panel will also discuss social distancing in schools and the new requirement for boards to adopt a Learning Continuity and Attendance Plan by Sept. 30, 2020.

Learn more and register at: www.csba.org/webinars
THANK YOU FOR JOINING US TODAY.

If you have any questions, please contact CSBA at csba@csba.org