

CALIFORNIA SCHOOL FINANCE AUTHORITY (CSFA) POOLED TRAN

As you are well aware, the negative impact on school districts has been a moving and uncertain target since the onset of the Coronavirus pandemic. Although the adopted State Budget did not have the dramatic cuts that the May Revise proposed, it included the possibility of \$11 billion in deferrals (or 41% of State Aid revenues), beginning in February 2021. The deferrals will result in a temporary negative cash balance prohibiting the district from paying bills or issuing payroll. The deferred revenues are currently projected to be paid back in monthly increments through November 2021.

Adoption of the resolution does not obligate the District to participate in the TRAN. The resolution simply delegates to the administration the right to decide on participation. By passing the resolution before the Board, administration will be able to proceed to the next step in the process and our District will have the opportunity to participate in the California School Finance Authority (CSFA) Pooled TRANs. Through participation in the CSFA Pooled TRANs, our District will be able to issue a tax and revenue anticipation note as part of this cost effective pooled structure.

An overview of this cash management concept is provided below:

Tax and Revenue Anticipation Notes (TRANs): TRANs are short-term debt instruments issued by school districts throughout the State to create an additional reserve to the general fund. In our District, this reserve will act as a cushion to the general fund in the event that we experience temporary cash flow needs due to deferred apportionments.

K-14 SCFA Districts Pool: (*Pooled financing plans are currently being finalized)

- Open to CA school districts, community college districts and county offices of education
- Low tax-exempt interest rates based on anticipated high credit ratings
- Low issuance costs with oversight provided by the State Treasurer's Office (STO)
- Financing for seasonal cash shortfalls & FY 2020-2021 apportionment deferrals
- Issuances planned for November, February, and April/May

CSFA Pooled TRAN Process:

- 1. Adoption of Resolution:** Adoption of the resolution does not obligate the District to participate. The resolution simply delegates to the administration the right to decide on participation.
- 2. Cash Flow and Credit Background Process:** Prepare monthly cash flows, determine cash flow deficit and size TRAN. Submit for rating agency and tax counsel. Draft resolutions and documents are distributed by the Bond Counsel for review and comment.
- 3. Preliminary Official Statement (POS) drafted:** The Preliminary Official Statement (POS) is drafted by Disclosure Counsel with assistance from LEAs and financing team. Resolutions, documents and draft POS are provided to LEAs and CSFA for Board actions. Credit ratings are received and the POS is posted.
- 4. Pricing:** The interest rate on the TRAN is set by the Underwriter with oversight from Montague DeRose and Associates and the State Treasurer's Office. At that time the interest rate on the notes will be locked-in.
- 5. Closing:** The Final Official Statement is posted and the TRAN proceeds are delivered to the LEAs. Our District will have access to the proceeds of the TRAN available to meet our temporary cash flow needs.