Resolution No. 2687: Authorizing the Issuance and Sale of the 2011-12 Tax and Revenue Anticipation Notes (TRAN)

Board Item #9.1

Board of Education
March 1, 2012
Overview

• Fall and spring cash flow deficits due to state deferrals (35% of our state revenue)

• Standard options for cash flow relief
  – Financing through County Treasurer
    • Allowable from July to last Monday in April (April 30th)
  – Borrow from other district funds
  – Short-term note borrowing
    • Tax Revenue and Anticipation Notes
      – Annual June TRAN or Cross year TRAN started in 2009-10
      – Tax exempt
      – Interest bearing note
Overview cont’d

• Projections indicate shortfall on June 30
  – April, May, June shortfall

• “Qualified” certification requires Sacramento County Office of Education approval to issue debt
  – Certify probability of repayment
## Cost of Issuance

- Based on maximum $80 million TRAN

<table>
<thead>
<tr>
<th>Costs of Issuance</th>
<th>Consultant</th>
<th>Total</th>
<th>Notes</th>
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<tr>
<td>Bond/Disclosure Counsel</td>
<td>Orrick, Herrington &amp; Sutcliffe LLP</td>
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<td>Quoted Fee</td>
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<td>Reimbursable Expenses</td>
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<td>DeLaRosa $1.25/note</td>
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<td><strong>Total Costs of Issuance</strong></td>
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<td><strong>$200,000.00</strong></td>
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### Cost to District Maximum $80 Million TRAN

- **Cost of Issuance**: $100,000
- **Plus Underwriter’s fee**: $100,000
- **Total Cost of Issuance**: $200,000
- **Gross Interest (as of 2/15/12)**: $924,444
- **Less Premium Received**: $344,000

**Net Cost to District:** $780,444

($70 million bond sale would cost $708,900)
Time Line

- Call with Rating Agency  March 6
- Post Preliminary Official Statement  March 15
- TRAN Pricing*  March 21/22
- Closing of TRAN  April 5

*Tentative
Next Steps

- Update of district cash flows
- Document preparation – Preliminary Official Statement
- Rating agency call