

SONOMA COUNTY OFFICE OF EDUCATION



Bulletin No. 17-12

April 28, 2017

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To: District Business Officials
From: Judy Thomson, Director Business Services
Subject: **Cash Borrowing for Next Fiscal Year**

Planning for 2017-18

As always, the monitoring of cash and projection of any anticipated deficiencies of cash for next fiscal year are essential. **Currently, it is anticipated that approximately 27% of the June 2017 apportionment payment will be deferred to July 2017 and that the LEAs will receive 2 apportionment payments in July (the deferred portion of the June apportionment payment and the full July apportionment payment).**

Obtaining **outside financing often takes time**, thus analyzing cash flow for the current and next fiscal year will identify future cash needs and allow district operations to run without disruption. If your district projects any fund to be in negative cash status during the next fiscal year, please consider one of the following options:

Option A – County Treasurer (Line of Credit)

- Recommend **Board approval of a Resolution**, which should be **submitted by your Board prior to June 30** for the fiscal year requested. **The amount requested should not exceed 85% of projected current year property taxes.** The Resolution allows the district to remain in a negative cash status for any fund. Negative interest will accrue to any monthly negative cash fund balance. Total of all funds should not have a negative cash balance for any single month. The LOC **expires the last Monday of April in any given year.** If a negative cash balance is anticipated subsequent to the last Monday in April, other financing options must be utilized.
- **Send the original the Board Resolution, cashflow, and signature page to Judy Thomson at SCOE.**
- **I will send the original Board Resolution, cashflow, and signature page to the County of Sonoma, Donna Dunk, County Auditor-Controller-Treasurer-Tax Collector.**
- The district should **receive a signed confirmation from the County Treasurer's office affirming the District's request and indicating their approval.**

Option B – TRAN (tax and revenue anticipation notes)

- According to Government Code Sections 53854, an LEA may issue a TRAN payable up to 15 months after the date of issuance. Such a note is payable only from revenues received or accrued during the fiscal year in which it was issued. There is no voter approval necessary.
 - Tax-Exempt short-term note often used by LEAs during the year when cash is short.
 - Taxable – "Midyear" TRAN
- **A Qualified or Negative Certification requires COE approval.**
- **TRAN agreements may contain language that relate to LEAs Interim Certifications. If an LEA is determined to be Qualified or Negative after the TRAN agreement is signed, the document may state that no further funds will be made available for cash flow purposes.** To assure the consequences of interim report submissions are fully understood, SCOE is recommending that all TRAN agreements are carefully reviewed for such language. The timing should look something as follows:
 - January 201x: Issuance resolution and board agenda package available
 - February 201x – April 201x: Adopt issuance resolution at board meeting
 - March 201x – April 201x: Provide financial data for TRAN sizing
 - May 201x: Finalize cash flow projections for TRAN sizing
 - June 201x: Sell TRAN to investors
 - July 201x: Deliver TRAN proceeds for general fund cash flow use

Option C - Interfund Borrowings

Interfund borrowings are authorized by Education Code Section 42603. It allows LEAs to borrow between funds temporarily. There are limitations which are noted below:

- No more than 75% of the money held in any fund during the current fiscal year may be transferred.
- The funds must be repaid by June 30th of the current fiscal year if the transfer was completed prior to the last 120 days of the fiscal year.
- If the funds were transferred within the last 120 days of the fiscal year, repayment of the funds must be made prior to June 30th in the subsequent fiscal year.
- **If borrowing from Fund 21, does your bond agreement allow it?**