

DATE: March 3, 2008

ITEM: **INFORMATION:** Review Cash Flow Short-Term Financing – TRAN

RECOMMENDATION(S):

That the Governing Board direct staff to proceed with gathering required financial statistics and other pertinent documents in order to issue Tax & Revenue Anticipation Notes (TRAN) to offset cash shortages that may occur during periods, when monthly expense exceeds monthly income during 2008-2009. It is anticipated that final Board action for the issuance of TRAN takes place at the meeting of April 7, 2008.

DISCUSSION

The Education Code and the Monterey County Office of Education require that school districts maintain positive cash balances at the end of each month throughout the fiscal year. However, with local taxes distributed only twice during the year (December and April), many districts begin to run short of cash during the period of July-December of each year.

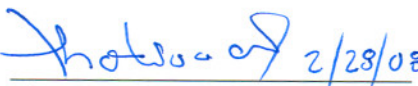
The California Government Code (Section 53850) provides relief by allowing districts to borrow operating cash prior to their first installment of tax or other large revenue receipts. The borrowing method used by most school districts, and the one recommended by county officials, are the issuance of Tax & Revenue Anticipation Notes (TRAN). In this process, the District issues a TRAN underwritten by banks or other financial institutions specializing in governmental securities. Because the TRAN is issued by tax-exempt government agencies, interest paid to the buyer is significantly reduced compared to regular market rates. The buyer receives favorable income tax advantages when dealing with tax-exempt agencies. The allowable TRAN for the Monterey Peninsula Unified School District for 2008-2009 should be approximately \$8 million dollars (\$8,000,000).

The issuance of a TRAN is especially important for next year. The State is considering a one-time deferral of the 2008-2009 Advance Apportionment for the month of July 2008 to September 2008. This would help the State with its own cash shortages.

Approximately 150 districts will form a pool, with each issuing its separate TRAN. The notes for all participants will be aggregated and purchased by the California School Boards Association Finance Corporation, a nonprofit corporation formed by the California School Boards Association for its financial programs and underwritten by Piper Jaffray Incorporated. Proceeds from the sale of the notes will be invested on behalf of the districts in an investment agreement that is secure and is permitted under California law.

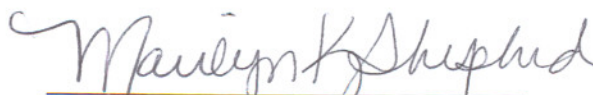
FISCAL IMPACT: N/A

Prepared by:

 2/28/08

Thomas Woodruff
Chief Business Officer

Approved for Submission to the
Board of Education



Marilyn Shepherd, Ed. D.
Superintendent