

SCOE BIZ

Business Services

Bulletin No. 24-17

May 16, 2024

To: District Business Officials
From: Sarah Lampenfeld, Director, External Fiscal Services
Subject: **Cash Borrowing for Next Fiscal Year**

Planning for 2024-25

As always, the monitoring of cash and projections for any anticipated deficiencies in cash for the next fiscal year is essential. Currently, there are no scheduled deferrals of revenues from fiscal year 2023-24 to 2024-25.

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), Districts only

- Recommend **Board approval of a Resolution**, which should be **submitted to your Board prior to June 30** for the fiscal year requested. **The amount requested should not exceed 85% of projected current year secured 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 on 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 Board Resolution, cash-flow, and signature page to Sarah Lampenfeld at SCOE.
 - ✚ SCOE will send the original Board Resolution, cash flow, and signature page to the County of Sonoma, Erick Roeser, 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.*
- Please use the current resolution, cash flow and signature page template titled: LOC application from County Treasurer (Roeser) found at <https://www.scoe.org/pub/htdocs/fiscal-forms.html>

Option B – TRAN (tax and revenue anticipation notes), Districts only

- According to Government Code Section 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 relates 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 ensure 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 like this:
 - January 20xx: Issuance resolution and board agenda package available
 - February 20xx – April 20xx: Adopt issuance resolution at board meeting
 - March 20xx – April 20xx: Provide financial data for TRAN sizing
 - May 20xx: Finalize cash flow projections for TRAN sizing
 - June 20xx: Sell TRAN to investors
 - July 20xx: 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.
- A governing board resolution authorizing the temporary borrowing is required.
 - This has not been specifically required by statute in the past, but some county offices of education or county treasurers may have always required it.
- A public hearing is required to be held before the governing board adopts the resolution.
 - This has not been required by statute in the past.
- 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 of the subsequent fiscal year.
- **If borrowing from Fund 21, does your bond agreement allow it? Have you checked with your auditor?**