



**PMA**<sup>™</sup>  
SECURITIES

# Handling Cash Flow During COVID

**Steve Pumper**

Vice President  
PMA Financial Network

**Michael Hart**

Director, Public Finance  
PMA Securities

September 29, 2020



# Agenda

- How to Monitor a Cash Flow
- Possible Effects of COVID on Cash Flow
- Short Term Borrowing



## What is a Cash Flow?

- ▶ An estimate of how much cash the District will have on hand at the end of each day
  - ▶ Starting Balance of Cash on Hand
    - ▶ Add expected revenue
    - ▶ Subtract estimated expenses
  - ▶ Equals Ending Cash on Hand

# Sample Cash Flow



Sample ISD

Projections as of: September 22, 2020

Operating Cash Flow Schedule (Including Debt Service Funds)						
Date	Revenue	Payable	Payroll	Maturities	Investments	End-Balance
<b>July 2017</b>						
03-Jul-17		\$807,148.62		\$225.12 #coupon		<u>Month End Balance:</u> <b>\$17,315,591.95</b>
03-Jul-17						\$16,508,668.45
04-Jul-17						\$16,508,668.45
05-Jul-17	Dakota Co. Taxes	\$376,669.36	\$250,000.00	<--MN Retiree Payouts		\$15,881,999.09
06-Jul-17	\$1,858,161.33					\$17,740,160.43
07-Jul-17						\$17,740,160.43
10-Jul-17						\$17,740,160.43
11-Jul-17		\$376,669.36	\$250,000.00	<--Additional TRA exp's		\$17,113,491.07
12-Jul-17			\$3,473,451.23			\$13,640,039.84
13-Jul-17						\$13,640,039.84
14-Jul-17	\$2,077.69			\$1,505,625.00 #	\$1,505,625.00 #MNT	\$13,642,117.53
14-Jul-17	\$715,258.42		\$0.00			\$14,357,375.95
17-Jul-17		\$753,338.71				\$13,604,037.23
18-Jul-17						\$13,604,037.23
19-Jul-17	Dakota Co. Taxes					\$13,604,037.23
20-Jul-17	\$0.00					\$13,604,037.23
21-Jul-17	\$16,250.00	Lease Proceeds (from Int. 917 to Fund 7)				\$13,620,287.23
24-Jul-17				\$184.19 #coupon	\$184.19 #MNT	\$13,620,287.23
25-Jul-17		\$376,669.36				\$13,243,617.88
26-Jul-17				\$3,023,435.80 #	\$3,023,435.80 #MNT	\$13,243,617.88
27-Jul-17		\$731,831.25	Int. on '08A Alt. Fac.	\$2,666,498.75 #MNT		\$15,178,285.38
27-Jul-17		\$21,000.00	Int. on '09A OPEB			\$15,157,285.38
27-Jul-17		\$315,575.00	Int. on '11A Alt. Fac.			\$14,841,710.38
27-Jul-17		\$209,867.50	Int. on '12A Alt. Fac.			\$14,631,842.88
27-Jul-17		\$1,096,581.25	Int. on '15A G.O. Bond			\$13,535,261.63
27-Jul-17		\$150,175.00	Int. on '16A G.O. Bond			\$13,385,086.63
27-Jul-17		\$140,568.75	Int. on '16B Refunding			\$13,244,517.88
27-Jul-17		\$900.00	\$3,781,116.60			\$9,462,501.27
28-Jul-17	\$81.44	Paying Agent Fees				\$9,462,582.71
31-Jul-17	\$715,258.42	\$1,660,186.11	\$0.00	\$2,161.83 #coupons	\$2,161.83 #MNT	\$8,517,655.02
31-Jul-17		Preferred One Exp Above				\$8,517,655.02

© 2020 PMA Financial Network, LLC

Financial Strategies for Stronger Communities.

www.pmanetwork.com, 763-497-1490



## Reasons to Have a Cash Flow

- ▶ Identify IF you have enough cash to meet expenditures
- ▶ Maximize interest earnings
  - ▶ Identify maximum amount to invest
  - ▶ Identify maximum length of time to invest
- ▶ Identify if you will have a June 30<sup>th</sup> negative Operating Cash balance



## Revenue Data

- ▶ IDEAS Receipts (State Aid)
- ▶ SERVS Receipts (Special Ed and Federal Programs)
- ▶ County Receipts
- ▶ All Other
  - ▶ Food Service Income
  - ▶ Community Education Income
  - ▶ Athletic Event Receipts
  - ▶ Grants



# IDEAS Reports

RUN DATE: 01/10/18 (IDEAS) MINNESOTA DEPARTMENT OF EDUCATION PAYMENT YEAR: 17-18  
 RUN TIME: 13:51 STATE AIDS PAYMENT SCHEDULE BASIS: C0715, F0715  
 \*\*\*\* NET AID PAYMENT \*\*\*\*

DISTRICT: 0271-01 BLOOMINGTON PUBLIC SCHOOL DISTRICT

THIS REPORT CONTAINS SUMMARY INFORMATION ON STATE AIDS CASH PAYMENTS TO YOUR DISTRICT FOR THE 17-18 PAYMENT YEAR. INCLUDED ARE THE FINAL PAYMENTS FOR 16-17 AND CURRENT PAYMENTS THROUGH JUNE 30 FOR 17-18. ACTUAL AMOUNTS ARE SHOWN FOR PAY PERIODS WITH A STATUS OF 'ACTUAL' OR 'CURRENT'. PROJECTED AMOUNTS ARE SHOWN FOR PAY PERIODS WITH A STATUS OF 'ESTIMATE'.

THE AMOUNTS SHOWN ARE TOTAL PAYMENTS FOR ALL STATE AID AND CREDIT PROGRAMS THAT ARE PAID ON THE IDEAS PAYMENT SYSTEM. BY NOT SHOWING THE PROGRAM DETAIL, WE ARE ABLE TO GENERATE THIS ONE PAGE SUMMARY REPORT AND MAIL IT TO YOU EACH PAY PERIOD. THIS REPORT WILL SUPPLEMENT THE DETAILED PAYMENT PROJECTION REPORT THAT IS PROVIDED PERIODICALLY. THE INTENT IS TO PROVIDE MORE CURRENT INFORMATION FOR YOUR USE IN MANAGING DISTRICT CASH FLOW... INFORMATION THAT REFLECTS CHANGES IN THE DATA ITEMS FOR YOUR DISTRICT AS THEY BECOME AVAILABLE AND ARE INCLUDED ON THE IDEAS DATABASE.

REMEMBER, AS THE PROJECTED PAYMENTS ARE SUBJECT TO CHANGE, THE DISTRICT'S CASH MANAGEMENT POLICY SHOULD ALLOW FOR SUCH POTENTIAL VARIATIONS IN ORDER THAT YOU WILL ALWAYS HAVE SUFFICIENT CASH RESOURCES AVAILABLE TO MEET CURRENT OPERATING EXPENSES.

PAY PERIOD	STATUS	OPERATING FUNDS	DEBT SERVICE	ALL FUNDS
JUL 15	ACTUAL	0.00	0.00	0.00
JUL 30	ACTUAL	0.00	0.00	0.00
AUG 15	ACTUAL	7,533,570.99	0.00	7,533,570.99
AUG 30	ACTUAL	6,924,530.20	49,221.27	6,973,751.47
SEP 15	ACTUAL	4,082,335.41	0.00	4,082,335.41
SEP 30	ACTUAL	5,363,516.27	65,625.22	5,429,141.49
OCT 15	ACTUAL	2,679,169.29	0.00	2,679,169.29
OCT 30	ACTUAL	2,852,859.50	15,809.13	2,868,668.63
NOV 15	ACTUAL	0.00	0.00	0.00
NOV 30	ACTUAL	2,462,081.69	3.77	2,462,085.46
DEC 15	ACTUAL	461,686.60	0.00	461,686.60
DEC 30	ACTUAL	4,037,555.54	1.89	4,037,557.43
JAN 15	CURRENT	6,737,007.46	0.00	6,737,007.46
JAN 30	ESTIMATE	5,452,751.74	32,799.49	5,485,551.23
FEB 15	ESTIMATE	5,414,462.92	0.00	5,414,462.92
FEB 28	ESTIMATE	6,703,674.98	0.00	6,703,674.98
MAR 15	ESTIMATE	6,902,434.04	0.00	6,902,434.04
MAR 30	ESTIMATE	8,086,633.54	0.00	8,086,633.54
APR 15	ESTIMATE	5,361,768.62	0.00	5,361,768.62
APR 30	ESTIMATE	9,721,028.71	0.00	9,721,028.71
MAY 15	ESTIMATE	6,702,174.98	0.00	6,702,174.98
MAY 30	ESTIMATE	4,306,205.70	0.00	4,306,205.70
JUN 20	ESTIMATE	3,000,668.81	1,506,968.79	4,507,637.60
JUN 30	ESTIMATE	0.00	0.00	0.00
TOTAL		104,786,116.99	1,670,429.56	106,456,546.55

1. 2017-18 AID ENTITLEMENT AMOUNTS ARE BASED ON THE BEST ESTIMATES AVAILABLE AT THIS TIME, BUT MAY BE "SOFT".
2. 2016-17 AID ENTITLEMENTS AND PROJECTED FINAL PAYMENTS ARE BASED PRIMARILY ON DATA AS OF THE FEBRUARY 2016 FORECAST AND WILL BE REVISITED THROUGH THE YEAR AS STUDENT, EXPENDITURE AND OTHER DATA ARE FINALIZED.
3. ESTIMATED PAYMENT AMOUNTS ON THIS REPORT REFLECT A 90/10 PAYMENT SCHEDULE. EARLY RECOGNITION ITEMS WITH NO CORRESPONDING AID ADJUSTMENT SPECIFIED IN STATUTE WILL CONTINUE TO BE RECOGNIZED EARLY.



# Taxes

LVYLIM02710118 MINNESOTA DEPARTMENT OF EDUCATION  
 DISTRICT NO. 0271 TYPE 01 LEVY LIMITATION AND CERTIFICATION  
 DISTRICT NAME BLOOMINGTON PUBLIC SCHOOL 2017 PAYABLE 2018  
 ECSU REGION 11 HENNEPIN

ED-00111-39

PAGE 30 OF 39  
 DATE OF RUN: 11/21/17

I. COMPUTATION OF 2017 PAYABLE 2018 LEVY LIMITATION BY FUND (BEFORE COUNTY AUDITOR ADJUSTMENTS):

FUND	INITIAL LEVY LIMITATION	LIMITATION ADJUSTMENTS	ABATEMENT ADJUSTMENTS	OFFSET ADJUSTMENTS	TAC/MAX EFF ADJUSTMENT	MAXIMUM LEVY LIMITATION
GEN-RMV VOTER-EXEMP	18,774,690.13	172,504.00-	N/A			18,602,186.13
GEN-RMV OTHER-EXEMP	8,912,800.76	114,014.54-	N/A			8,798,786.22
GEN-NTC VOTER-EXEMP	7,859,745.73		N/A			7,859,745.73
GEN-NTC OTHER-GENED	N/A	N/A	N/A	N/A	N/A	N/A
GEN-NTC OTHER-EXEMP	8,504,522.81	170,291.04-	561,177.59			8,895,409.36
<b>TOTAL GENERAL</b>	<b>44,051,759.43</b>	<b>456,809.58-</b>	<b>561,177.59</b>			<b>44,156,127.44</b>
COM SERV-EXEMP	1,770,846.29	30,519.38	22,797.23			1,824,162.90
DEBT-VOTER-NONEXEMP	7,150,343.00		172,831.92			7,323,174.92
DEBT-OTHER-NONEXEMP	2,926,487.00	1.25-				2,926,485.75
<b>TOTAL DEBT SERV</b>	<b>10,076,830.00</b>	<b>1.25-</b>	<b>172,831.92</b>			<b>10,249,660.67</b>
OPEB-VOTER-NONEXEMP						
OPEB-OTHER-NONEXEMP	767,186.00	10,293.26-	14,719.98			771,612.72
<b>TOTAL OPEB/PENSION</b>	<b>767,186.00</b>	<b>10,293.26-</b>	<b>14,719.98</b>			<b>771,612.72</b>
<b>TOTAL</b>	<b>56,666,621.72</b>	<b>436,584.71-</b>	<b>771,526.72</b>			<b>57,001,563.73</b>

II. COMPARISON OF 2016 PAYABLE 2017 LEVY LIMITATION WITH 2017 PAYABLE 2018 LEVY LIMITATION (BEFORE COUNTY AUDITOR ADJUSTMENTS):

FUND	2016 PAY 2017 LIMITATION	2017 PAY 2018 LIMITATION	INCREASE (DECREASE)	PERCENT CHANGE
GENERAL	40,059,936.53	44,156,127.44	4,096,190.91	10.23
COMMUNITY SERVICE	1,760,191.76	1,824,162.90	63,971.14	3.63
GENERAL DEBT SERVICE	8,896,001.34	10,249,660.67	1,353,659.33	15.22
OPEB DEBT SERVICE	829,121.09	771,612.72	57,508.37-	6.94-
<b>TOTAL</b>	<b>51,545,250.72</b>	<b>57,001,563.73</b>	<b>5,456,313.01</b>	<b>10.59</b>





## Taxes

- ▶ Taxes are approximately received according to the following schedule:
  - ▶ 23% May
  - ▶ 23% June
  - ▶ 6% July
  - ▶ 22% October
  - ▶ 22% November
  - ▶ 2% December
  - ▶ 2% January



## Expenditure Data

- ▶ Payroll
- ▶ Debt Service Payments
  - ▶ New Issues
  - ▶ Refunded Issues
- ▶ Account Payable Check Runs
- ▶ Health Insurance



## Possible Cash Flow Effects of COVID

- ▶ Delayed Property Tax Payments
  - ▶ Many Counties took action this Spring/Summer allowing property taxes to be delayed by forgiving any penalties or interest on late payments
  - ▶ Resulted in lower amounts received by Districts in May and June than normally expected
  - ▶ This certainly is a possibility for the October and November payments



## Possible Cash Flow Effects of COVID

- ▶ State Aid Shifting

- ▶ Historically, in times of Budgetary Problems at the State, the Legislature has used the timing of State Aid (known as “shifting”) to balance the State’s Budget



## State Aid Shifting History

Fiscal Year	State Aid Shift
2009	90%/10%
2010	73%/27%
2011	70%/30%
2012	60%/40%
2013	86.4%/13.6%
2014 - 2020	90%/10%



## Possible Cash Flow Effects of COVID

- ▶ Expenses associated with COVID
  - ▶ PPE
  - ▶ Technology
  - ▶ Additional Staffing
  - ▶ Transportation
  - ▶ Food Service
  - ▶ School Age Child Care
  - ▶ Nursing



## Possible Cash Flow Effects of COVID

- ▶ CARES ACT Funding
  - ▶ Revenue received after the expenses have been incurred
- ▶ Can cause havoc with your cash flow



## Be Prepared

- What happens if there is a State Aid Delay?
- What happens if the County Delays Tax Collections?
- What happens if there is a reduction in the State Aid Formula?
  
- You NEED systems in place to help you identify what any of these mean to you.





# Positive Cash Flow Example



Sample ISD



Projections as of: September 22, 2020

Operating Cash Flow Schedule (Including Debt Service Funds)						
Date	Revenue	Payable	Payroll	Maturities	Investments	End-Balance
July 2017						
						Month End Balance: <b>\$17,315,591.95</b>
03-Jul-17		\$807,148.62		\$225.12 #coupon		\$16,508,668.45
03-Jul-17						\$16,508,668.45
04-Jul-17						\$16,508,668.45
05-Jul-17	Dakota Co. Taxes	\$376,669.36	\$250,000.00	<--MN Retiree Payouts		\$15,881,999.09
06-Jul-17	\$1,858,161.33					\$17,740,160.43
07-Jul-17						\$17,740,160.43
10-Jul-17						\$17,740,160.43
11-Jul-17		\$376,669.36	\$250,000.00	<--Additional TRA exp's		\$17,113,491.07
12-Jul-17			\$3,473,451.23			\$13,640,039.84
13-Jul-17						\$13,640,039.84
14-Jul-17	\$2,077.69			\$1,505,625.00 #	\$1,505,625.00 #MNT	\$13,642,117.53
14-Jul-17	\$715,258.42		\$0.00			\$14,357,375.95
17-Jul-17		\$753,338.71				\$13,604,037.23
18-Jul-17						\$13,604,037.23
19-Jul-17	Dakota Co. Taxes					\$13,604,037.23
20-Jul-17	\$0.00					\$13,604,037.23
21-Jul-17	\$16,250.00	Lease Proceeds (from Int. 917 to Fund 7)				\$13,620,287.23
24-Jul-17				\$184.19 #coupon	\$184.19 #MNT	\$13,620,287.23
25-Jul-17		\$376,669.36				\$13,243,617.88
26-Jul-17				\$3,023,435.80 #	\$3,023,435.80 #MNT	\$13,243,617.88
27-Jul-17		\$731,831.25	Int. on '08A Alt. Fac.	\$2,666,498.75 #MNT		\$15,178,285.38
27-Jul-17		\$21,000.00	Int. on '09A OPEB			\$15,157,285.38
27-Jul-17		\$315,575.00	Int. on '11A Alt. Fac.			\$14,841,710.38
27-Jul-17		\$209,867.50	Int. on '12A Alt. Fac.			\$14,631,842.88
27-Jul-17		\$1,096,581.25	Int. on '15A G.O. Bond			\$13,535,261.63
27-Jul-17		\$150,175.00	Int. on '16A G.O. Bond			\$13,385,086.63
27-Jul-17		\$140,568.75	Int. on '16B Refunding			\$13,244,517.88
27-Jul-17		\$900.00	\$3,781,116.60			\$9,462,501.27
28-Jul-17	\$81.44	Paying Agent Fees				\$9,462,582.71
31-Jul-17	\$715,258.42	\$1,660,186.11	\$0.00	\$2,161.83 #coupons	\$2,161.83 #MNT	\$8,517,655.02
31-Jul-17		Preferred One Exp Above				\$8,517,655.02

© 2020 PMA Financial Network, LLC

Financial Strategies for Stronger Communities.

www.pmanetwork.com, 763-497-1490



# Minor Shortage Cash Flow



Sample ISD

Projections as of: September 22, 2020

Operating Cash Flow Schedule (Including Debt Service Funds)							
Date	Revenue	Payable	Payroll	Maturities	Investments	End-Balance	
<b>July 2020</b>							
01-Jul-20		\$787,977.23		\$993.25 #SDA		\$4,873,482.95	
02-Jul-20				\$153.49 #coupon		\$4,873,636.44	
03-Jul-20						\$4,873,636.44	
06-Jul-20	\$2,311,540.01				\$8,000,000.00 #SDA	(\$814,823.55)	
07-Jul-20	Dakota Co. Taxes	\$367,722.71	\$250,000.00	←-MN Retiree Payouts		(\$1,432,546.26)	
08-Jul-20						(\$1,432,546.26)	
09-Jul-20						(\$1,432,546.26)	
10-Jul-20	\$8,000,000.00		\$250,000.00	←-Additional TRA exp's		\$6,317,453.74	
13-Jul-20			\$3,477,827.28			\$2,839,626.46	
14-Jul-20		\$367,722.71				\$2,471,903.75	
15-Jul-20	\$11,776.92					\$2,483,680.67	
15-Jul-20	\$815,267.44	\$889,474.18	←-Preferred One			\$2,409,473.94	
16-Jul-20		\$735,445.41				\$1,674,028.53	
17-Jul-20	Dakota Co. Taxes					\$1,674,028.53	
20-Jul-20	\$293,490.43					\$1,967,518.96	
21-Jul-20		\$183,861.35				\$1,783,657.60	
22-Jul-20						\$1,783,657.60	
23-Jul-20						\$1,783,657.60	
24-Jul-20				\$499,045.70 #h3		\$2,282,703.30	
24-Jul-20				\$249,756.66 #j3b		\$2,532,459.96	
24-Jul-20				\$2,498,290.46 #n2		\$5,030,750.42	
24-Jul-20						\$5,030,750.42	
27-Jul-20						\$5,030,750.42	
28-Jul-20		\$183,861.35				\$4,846,889.07	
29-Jul-20		\$285,775.00	Int. on '11A Alt. Fac.	\$716.30 #coupons		\$4,561,830.37	
29-Jul-20		\$182,517.50	Int. on '12A Alt. Fac.			\$4,379,312.87	
29-Jul-20		\$1,049,581.25	Int. on '15A G.O. Bond			\$3,329,731.62	
29-Jul-20		\$612,725.00	Int. on '16A G.O. Bond			\$2,717,006.62	
29-Jul-20		\$125,336.25	Int. on '16B Refunding			\$2,591,670.37	
29-Jul-20	\$2,000,000.00	\$950.00	Paying Agent Fees			\$4,590,720.37	
29-Jul-20			\$3,785,880.27			\$804,840.10	
30-Jul-20	\$39,745.62			\$4,187.50 #coupons		\$848,773.22	
31-Jul-20	\$815,267.44	\$889,474.18	←-Preferred One			\$774,566.49	
31-Jul-20						\$774,566.49	

© 2020 PMA Financial Network, LLC

Financial Strategies for Stronger Communities.

www.pmanetwork.com, 763-497-1480



# Major Problem Cash Flow



Sample ISD

Projections as of: September 22, 2020

Operating Cash Flow Schedule (Including Debt Service Funds)							End-Balance
Date	Revenue	Payable	Payroll	Maturities	Investments		
<b>July 2020</b>							
01-Jul-20		\$787,977.23		\$993.25 #SDA			\$4,873,482.95
02-Jul-20				\$153.49 #coupons			\$4,873,636.44
03-Jul-20							\$4,873,636.44
06-Jul-20	\$2,311,540.01						(\$814,823.55)
07-Jul-20	Dakota Co. Taxes	\$367,722.71	\$250,000.00	<--MN Retiree Payouts		\$8,000,000.00 #SDA	(\$1,432,546.26)
08-Jul-20							(\$1,432,546.26)
09-Jul-20							(\$1,432,546.26)
10-Jul-20	\$0.00		\$250,000.00	<--Additional TRA exp's			(\$1,682,546.26)
13-Jul-20			\$3,477,827.28				(\$5,160,373.54)
14-Jul-20		\$367,722.71					(\$5,528,096.25)
15-Jul-20	\$11,776.92						(\$5,516,319.33)
15-Jul-20	\$815,267.44	\$889,474.18	<--Preferred One				(\$5,590,526.06)
16-Jul-20		\$735,445.41					(\$6,325,971.47)
17-Jul-20	Dakota Co. Taxes						(\$6,325,971.47)
20-Jul-20	\$293,490.43						(\$6,032,481.04)
21-Jul-20		\$183,861.35					(\$6,216,342.40)
22-Jul-20							(\$6,216,342.40)
23-Jul-20							(\$6,216,342.40)
24-Jul-20				\$499,045.70 #i3			(\$5,717,296.70)
24-Jul-20				\$249,756.66 #j3b			(\$5,467,540.04)
24-Jul-20				\$2,498,290.46 #n2			(\$2,969,249.58)
24-Jul-20							(\$2,969,249.58)
27-Jul-20							(\$2,969,249.58)
28-Jul-20		\$183,861.35					(\$3,153,110.93)
29-Jul-20		\$285,775.00	Int. on '11A Alt. Fac.	\$716.30 #coupons			(\$3,438,169.63)
29-Jul-20		\$182,517.50	Int. on '12A Alt. Fac.				(\$3,620,687.13)
29-Jul-20		\$1,049,581.25	Int. on '15A G.O. Bond				(\$4,670,268.38)
29-Jul-20		\$612,725.00	Int. on '16A G.O. Bond				(\$5,282,993.38)
29-Jul-20		\$125,336.25	Int. on '16B Refunding				(\$5,408,329.63)
29-Jul-20	\$2,000,000.00	\$950.00	Paying Agent Fees				(\$3,409,279.63)
29-Jul-20			\$3,785,880.27				(\$7,195,159.90)
30-Jul-20	\$39,745.62			\$4,187.50 #coupons			(\$7,151,226.78)
31-Jul-20	\$815,267.44	\$889,474.18	<--Preferred One				(\$7,225,433.51)
31-Jul-20							(\$7,225,433.51)

© 2020 PMA Financial Network, LLC

Financial Strategies for Stronger Communities.

www.pmanetwork.com, 763-497-1480



## Cash Flow Borrowing Options

I'm Short. Now What?

- Line of Credit
- State Aid Certificates
- Tax Certificates
- Combination of the above



## Line of Credit

### Line of Credit

- ▶ Statute MN 123B.12
- ▶ Limited to 95% of average monthly operating expenditures from previous fiscal year
- ▶ Limited to 45 day terms



## Line of Credit

- ▶ Most effective for short gaps 1-3 months
- ▶ Quick turnaround time
- ▶ Higher interest rate can be offset by low cost of issuance
- ▶ Flexibility in changing amount you are borrowing to match your need over time





## Line of Credit Steps

- ▶ Pass a Board Resolution
  - Provides parameters on borrowing rate
  - Provides parameters on time period
- Enter into an agreement with a financial institution



## Line of Credit

### Advantages

- No cost to the District if there is no draw
- Flexibility on when to borrow
- Can be cheaper than other options if borrowing for a short time
- Quick turnaround
- No formal sale required





## Line of Credit

### Disadvantages

- Limit on amount may not be enough
- Need to find a financial institution that is willing to issue the LOC
- Can be more expensive for a lengthier time



## Aid Anticipation Certificates

### Aid Anticipation Certificates (AAC)

- ▶ Statute MN 126C.50 – 126C.54
- ▶ Limited to 75% of remaining state aids from present date through June 30
- ▶ Excludes debt service aid



## Aid Anticipation Certificates

- ▶ Certificates cannot close until after July 1
- ▶ Certificates must be paid back by September 30 of the following fiscal year



## Aid Anticipation Certificate Steps

- ▶ Determine Amount you **NEED** to borrow and for how long
- ▶ Determine Amount Eligible to borrow
- ▶ Produce Borrowing Cash Flow
- ▶ Submit Letter to MDE verifying remaining aids receivable
- ▶ Submit State Credit Enhancement Application to MDE



## Aid Anticipation Certificates

### Advantages

- Generally greater borrowing amount
- Could be up to a 13 month time period
- Cheaper than a LOC if for a longer period of time



## Aid Anticipation Certificates

### Disadvantages

- Amount the District is able to borrow decreases as the year goes on
- Lengthier process than LOC
- Less flexibility in changing the amount throughout the year to match your need
- Higher costs of issuance



## Tax Anticipation Certificates

### Tax Anticipation Certificates

- ▶ Statute MN 126C.50 – 126C.54
- ▶ Limited to 75% of remaining taxes receivable from present date to December 31
- ▶ Excludes debt service levy



## Tax Anticipation Certificates

- ▶ Certificates cannot close until after January 1
- ▶ Certificates must be paid back by March 30 of the following calendar year





## Tax Anticipation Certificate Steps

- ▶ Same as AAC steps, with the exclusion of having your State Aid receivables verified by MDE



## Tax Anticipation Certificates

### Advantages

- Generally greater amount to borrow against than LOC, but less than State Aids
- Could be up to a 13 month time period
- Cheaper than an LOC if for a longer period of time



## Aid Anticipation Certificates

### Disadvantages

- Amount you are able to borrow decreases as the year goes on
- Lengthier process than LOC
- Less flexibility in changing the amount throughout the year to match your need
- Higher costs of issuance
- Lesser amount to borrow against for Districts without operating referendum authority



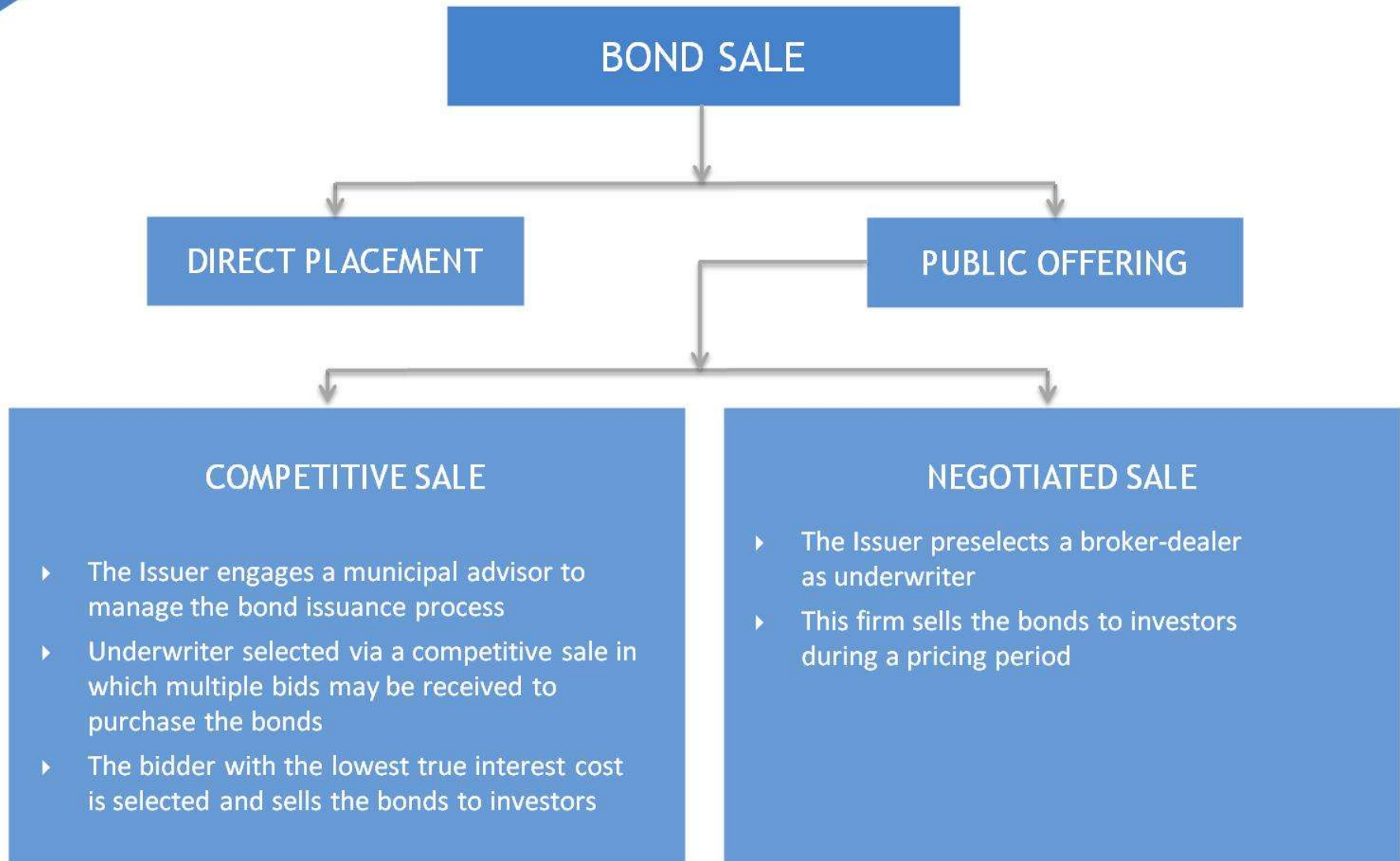
## Cash Flow Borrowing

Analyze and recommend the option  
that is best for you

- Build your cash flow
- Determine amount and length of time
- Review LOC, AAC, TAC



# Types of Sales





## Cash Flow Borrowing

### Factors to consider when selecting method of sale for short term borrowing

- Timing
- Size of borrowing
- Market conditions
- Availability/relationship with local lenders

*The method of sale must be evaluated given specific circumstances to choose the route that is likely to produce the most efficient results.*



## Cash Flow Borrowing

### Execute your plan

- Board Resolutions
- Access the Market
- Receive funds into your account



## Contact Us



### **Steve Pumper**

Vice President

612-509-2565

[spumper@pmanetwork.com](mailto:spumper@pmanetwork.com)



### **Michael Hart**

Director, Public Finance

612-509-2565

[mhart@pmanetwork.com](mailto:mhart@pmanetwork.com)

Website:

[www.pmanetwork.com](http://www.pmanetwork.com)





# Disclosure

PMA Asset Management, LLC. ("PMA") is an investment adviser registered with the U.S. Securities and Exchange Commission. The information presented herein is for general information purposes only and is not a specific/buy sell recommendation. The analysis or information presented in this presentation is based upon hypothetical projections and/or past performance that may have certain limitations and is solely intended to suggest/discuss potentially applicable financing applications or investment strategies with you. Any terms discussed herein are preliminary until confirmed in a definitive written agreement.

Investment in securities involves risks, including the possible loss of the amount invested. In addition, past performance is no indication of future performance and the price or value of investments may fluctuate. Asset allocation does not assure or guarantee better performance and cannot eliminate the risk of investment losses. You should consider certain economic risks (and other legal, tax, and accounting consequences) prior to entering into any type of transaction with PMA Asset Management, LLC Prudent Man and its employees do not offer tax or legal advice. You should consult with your tax and/or legal advisors before making any tax or legal related investment decisions.

Securities, public finance and institutional brokerage services are offered through PMA Securities, LLC, PMA Securities, LLC is a broker-dealer and municipal advisor registered with the SEC and MSRB, and is a member of FINRA and SIPC. PMA Asset Management, LLC, an SEC registered investment adviser, provides investment advisory services to separately managed accounts and local government investment pools. All other products and services are provided by PMA Financial Network, LLC PMA Financial Network, LLC., PMA Securities, LLC and PMA Asset Management (collectively "PMA") are under common ownership. Securities and public finance services offered through PMA Securities, LLC are available in CA, CO, FL, IL, IN, IA, MI, MN, MO, NE, OH, OK, PA, SD, TX and WI. This document is not an offer of services available in any state other than those listed above, has been prepared for informational and educational purposes and does not constitute a solicitation to purchase or sell securities, which may be done only after client suitability is reviewed and determined.

©2020 PMA Asset Management, LLC. All rights reserved. For institutional use only.