CALIFORNIA SCHOOL CASH RESERVE PROGRAM
Sponsored by CSBA Finance Corporation

Board Agenda Item Description

By passing the resolution before the Board, our District will have the opportunity to participate in the California School Cash Reserve Program sponsored by California School Boards Association Finance Corporation. The Program is consistently the largest pooled TRAN financing for California school districts, community college districts, and county offices of education. The 2020-2021 Program will be the 33rd year of the Program.

Through participation in the Cash Reserve Program, our District will be able to issue a tax and revenue anticipation note as part of this cost-effective pooled structure. An overview of this cash management concept and the Program is provided below:

Tax and Revenue Anticipation Notes (TRANs): TRANs are short-term debt instruments issued by school districts throughout the State to create an additional reserve to the general fund. In our District, this reserve will act as a cushion to the general fund in the event that we experience temporary cash flow needs.

TRANs Economics: The proceeds from the sale of the TRANs will be invested while not needed for cash flow. This may result in a positive spread between the borrowing rate and the investment return on the TRAN proceeds to help offset the cost of issuing a TRAN.

Cash Reserve Program Benefits: The highlights of the Program are as follows:

- Participants benefit from a cost-effective and administratively simple method to issue their TRANs
- Issuers grouped into different series by their credit characteristics to ensure participants get best interest rates possible
- No sharing of risk, each issuers TRAN individually accounted for
- Participants benefit from year-round administrative assistance
- No cost to apply for issuance of TRANs

Cash Reserve Program Process:
The Cash Reserve Program involves the following key steps in order to participate:

1. ***Adoption of Resolution***: Adoption of the resolution does not obligate the District to participate in the Program. The resolution simply delegates to the administration the right to decide on participation.

2. ***Cash Flow and Credit Background Process***: Participants submit financial reports (including audits, budget, and cash flow reports) that are used to develop an initial pro-forma cash flow statement for 2020-2021. Participants review, revise, and approve their cash flow statement in consultation with Dale Scott & Company, the Program's Financial Advisor. The cash flows are reviewed by Orrick, Herrington & Sutcliffe, the Program's Bond Counsel.

3. ***Sale of TRANs***: The pricing of the issue is anticipated to occur in mid February. At that time the interest rate on the notes will be locked-in. Our District is not obligated to participate until it acknowledges issuance after the sale of the TRANs.

4. ***Closing***: Closing of the issue will occur in late February. Our District will have access to the proceeds of the TRAN available to meet our temporary cash flow needs.

We recommend that the Board adopt the resolution. This will allow administration to proceed to the next step in the process and take part in this beneficial Program for schools and community colleges. Once again, our District is not obligated to participate as a result of resolution adoption. The Resolution simply delegates to the administration the right to decide on participation prior to the time of TRAN issuance.