To: Board of Education

From: Erik Kass, Assistant Superintendent of Business Services

Date: August 26, 2009

Subject: Agenda item detail – Temporary Borrowing Resolution for Tax and Revenue Anticipation Notes of $68,500,000

1. **Project Title:** Temporary Borrowing using Tax and Revenue Anticipation Notes - $68,500,000.

2. **Project Description:** The district has historically used its authority under Wisconsin Statute Section 67.12(8)(a)1 to temporarily borrow funds to provide cash for current year expenditures in anticipation of property tax revenues received in January. Although we do receive a small portion of the current year’s revenue prior to that time, this borrowing allows us to maintain a positive cash balance.

3. **Analysis:** District accounting staff prepare a cash flow schedule, taking into account both anticipated revenue collection and anticipated expenditure payment. This schedule pinpoints the amount necessary for the district to maintain a positive cash balance. For fiscal year 2009-10, we anticipate the need for $68,500,000. As in past years, our projected shortfall reaches its peak just prior to the receipt of January property tax revenues. This schedule is reviewed by our bond counsel, Quarles and Brady, and our financial advisors, Robert W. Baird & Co. to assure compliance with statutory requirements and industry standards.

4. **Applicable Board Policies:** BOE Policy 1171(1)(a), “The Board shall exercise the powers which are granted by the Statutes of the State of Wisconsin.”

5. **Advertising:** The district’s financial advisor, Robert W. Baird & Co. compiles a prospectus to be distributed to a network of financial institutions and securities firms of the district’s demographics and financial position.

6. **Vendors:** The district’s above-mentioned financial advisor solicits bids nationwide.

7. **Bid Respondents:** To be provided at the September 21, 2009 Board of Education Meeting. Bids are to be received by 10 a.m. on this day with all respondents and the recommended bidder presented at the board meeting.
8. **Estimate:** The interest cost related to this borrowing will be calculated when bids are received.

9. **Previous Fiscal Year Expenditure:** Fiscal Year 2008-09 interest cost related to temporary borrowing was $1,060,693. Interest revenue from all investments for the same time period was budgeted at $2,259,884, with actual earnings of $1,515,267.

10. **Funding Source:** Fiscal Year 2009-10 general operating expenditure budget of $1,500,000 and interest revenue budget of $1,759,884. Adjustments to these budgets will be included in the October amendments presented to the Board of Education.

11. **Project Schedule:** N/A

12. **Contract Compliance:** N/A
Madison Metropolitan School District

2009 Cash-flow Borrowing Summary

$68,500,000 – Tax and Revenue Anticipation Promissory Notes “2009 TRAN”

Board Approval – September 21, 2009

Monday, September 14, 2009

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2009 Tax and Revenue Anticipation Promissory Notes – Overview

1. Financing Objective
   a. Provide an interim source of funding to bridge the periodic gaps in the timing of Operating Revenues and Expenditures

   **Issue Summary**

   **Description:** Tax and Revenue Anticipation Promissory Notes

   **Amount:** $68,500,000

   **Sale Date:** September 21, 2009

   **Settlement Date:** September 25, 2009

   **Maturity:** September 3, 2010

   **First Interest Payment:** At maturity

   **First Call Date:** Noncallable

   **Moody’s Rating:**
   - Short Term – ‘MIG-1’
   - Long Term – ‘Aa1’

   **Interest Rate Yield:** _____%