

2018-19 Tax Revenue Anticipation Notes (TRAN)

July 9, 2018

School District “Funds”

- **Operating Fund:** Includes basic operations of the School District, primarily consists of tax revenues, dedicated non-tax revenues, and pays for basic operations of the district including payroll, supplies, Charter school payments, debt service, etc. (Approximately \$3.2 billion)
- **Grant/Categorical Fund:** Includes funding received from Federal and State sources which is granted for specific purposes. Funds are usually spent dollar for dollar in the year they are received, except for multi-year grants, and some allowances exist to carry over limited funds for a limited period of time. (Approximately \$400 million)
- **Capital Fund:** Includes borrowed funds (bond proceeds) which are used to fund large infrastructure projects, purchase of vehicles, and certain long-term IT investments. Spending is guided by State and Federal rules on the uses of funds. (Recent borrowing of \$275 million)
- **Special Purpose/Internal Services Funds:** Smaller funds which are used to isolate the flow of funds related to certain specific activities, including the Health Fund and the Print Shop fund.

Cash Flow and Fund Balance – Operating Fund

- Revenues are received unevenly throughout the year, primarily because City Real Estate revenues (\$877 million projected in FY19) are received mainly in February and March.
 - Real Estate taxes make up 27% of total revenues
 - Revenues can fluctuate monthly between \$104m to \$655m a month
- Expenditures are more constant through the year, with scheduled payroll and charter payments.
 - Expenditures range from \$260m - \$340m a month
- The District's year-end fund balance is the total amount of funds remaining at the end of the year
- The projected year-end fund balance for FY18 is \$148.5 million
 - Equal to 4.9% of total revenues
 - Recommended figure is 10% of total revenues
 - \$148 million is less than three weeks of operating costs for the District

Short-Term Debt

- The \$148.5 million fund balance will not offset the District's low revenues through the first seven months of FY18-19 (July – January)
- The District will have negative fund balances (no cash) from October to January if it does not borrow money to cover cash flow
- To allow for regular cash flow throughout the year, the District borrows Tax and Revenue Anticipation Notes (TRANs)
 - Standard government practice to smooth cash flow
 - Funds must be borrowed and repaid within the same fiscal year
 - Under State law, the District must do a projected cash flow for the year, and use a formula to determine the maximum allowable amount for a TRAN borrowing
 - Under that formula, the maximum TRAN amount for FY2018-19 is \$512.5 million

2018-19 Projected Cash Flow – No TRAN

JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	TOTAL
333,014.6	178,788.6	201,609.8	24,908.2	(30,988.3)	(215,592.8)	(220,620.9)	(257,165.8)	128,007.4	215,716.2	223,677.8	64,357.2	333,014.6
21,948.0	165,519.9	61,630.0	170,040.3	30,912.0	214,260.0	20,911.0	163,711.9	72,966.0	153,529.3	7,973.0	356,191.0	1,439,592.4
0.0	(11,141.9)	0.0	(23,429.3)	0.0	0.0	0.0	(11,141.9)	0.0	(23,429.3)	0.0	0.0	(69,142.4)
21,948.0	154,378.0	61,630.0	146,611.0	30,912.0	214,260.0	20,911.0	152,570.0	72,966.0	130,100.0	7,973.0	356,191.0	1,370,450.0
254.7	45,594.0	9,595.0	0.0	4,927.0	9,445.0	23,118.0	2,276.0	10,209.0	0.0	23,312.0	9,005.0	137,735.7
52,284.3	42,310.2	48,676.8	47,796.1	48,299.3	59,988.3	110,484.9	457,451.0	299,486.0	95,697.7	62,026.5	230,704.9	1,555,206.0
18,601.5	31,067.2	44,539.3	24,744.6	25,136.8	43,609.3	69,250.9	33,401.1	32,035.6	30,536.1	33,203.1	31,664.1	417,789.6
10,958.2	10,030.0	9,415.0	1,560.2	9,938.9	15,847.2	10,028.2	8,981.6	17,704.0	9,761.2	10,415.5	13,770.6	128,410.6
104,046.7	283,379.4	173,856.1	220,711.9	119,214.0	343,149.8	233,793.0	654,679.7	432,400.6	266,095.0	136,930.1	641,335.6	3,609,591.9
93,638.6	90,815.6	99,459.5	84,112.2	108,971.2	91,533.3	88,288.5	82,718.7	82,718.7	82,858.5	108,639.7	83,032.5	1,096,787.0
0.0	0.0	86,737.0	0.0	0.0	85,374.6	0.0	0.0	92,282.9	0.0	0.0	78,925.0	343,319.5
20,617.5	33,495.1	19,658.1	45,611.0	20,166.5	20,170.6	21,180.5	30,225.9	20,940.5	44,418.3	21,750.7	19,462.3	317,696.9
0.0	(11,141.9)	0.0	(23,429.3)	0.0	0.0	0.0	(11,141.9)	0.0	(23,429.3)	0.0	0.0	(69,142.4)
144,016.6	147,389.4	144,703.1	170,314.5	174,680.8	151,099.4	160,868.9	167,703.8	148,749.7	154,285.9	165,860.4	157,910.0	1,887,582.6
258,272.7	260,558.2	350,557.7	276,608.4	303,818.5	348,177.9	270,337.9	269,506.6	344,691.8	258,133.4	296,250.7	339,329.9	3,576,243.6
178,788.6	201,609.8	24,908.2	(30,988.3)	(215,592.8)	(220,620.9)	(257,165.8)	128,007.4	215,716.2	223,677.8	64,357.2	366,362.9	366,362.9

- Without a TRAN, the District will have negative fund balances from October through January
- The District will not be able to meet payroll, charter, or contract obligations when it has a negative balance (no cash)
- Projections show that the District’s fund balance would be at its lowest point (-\$371M) on December 21, 2018.

2018-19 Projected Cash Flow – with TRAN

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
Balance, Beginning of Month	333,014.6	178,788.6	201,609.8	24,908.2	(30,988.3)	(215,592.8)	(220,620.9)	(257,165.8)	128,007.4	215,716.2	223,677.8	64,357.2
Receipts												
Gross Commonwealth												
Subsidies	21,948.0	165,519.9	61,630.0	170,040.3	30,912.0	214,260.0	20,911.0	163,711.9	72,966.0	153,529.3	7,973.0	356,191.0
Less: Debt Service Withheld	0.0	(11,141.9)	0.0	(23,429.3)	0.0	0.0	0.0	(11,141.9)	0.0	(23,429.3)	0.0	0.0
Net Commonwealth Subsidies	21,948.0	154,378.0	61,630.0	146,611.0	30,912.0	214,260.0	20,911.0	152,570.0	72,966.0	130,100.0	7,973.0	356,191.0
Intermediate Unit	254.7	45,594.0	9,595.0	0.0	4,927.0	9,445.0	23,118.0	2,276.0	10,209.0	0.0	23,312.0	9,005.0
Local Receipts	52,284.3	42,310.2	48,676.8	47,796.1	48,299.3	59,988.3	110,484.9	457,451.0	299,486.0	95,697.7	62,026.5	230,704.9
Categorical Grants	18,601.5	31,067.2	44,539.3	24,744.6	25,136.8	43,609.3	69,250.9	33,401.1	32,035.6	30,536.1	33,203.1	31,664.1
Other	10,958.2	10,030.0	9,415.0	1,560.2	9,938.9	15,847.2	10,028.2	8,981.6	17,704.0	9,761.2	10,415.5	13,770.6
Total Receipts	104,046.7	283,379.4	173,856.1	220,711.9	119,214.0	343,149.8	233,793.0	654,679.7	432,400.6	266,095.0	136,930.1	641,335.6
Disbursements												
Salaries	93,638.6	90,815.6	99,459.5	84,112.2	108,971.2	91,533.3	88,288.5	82,718.7	82,718.7	82,858.5	108,639.7	83,032.5
Retirement - employer	0.0	0.0	86,737.0	0.0	0.0	85,374.6	0.0	0.0	92,282.9	0.0	0.0	78,925.0
Debt Service - Deposits	20,617.5	33,495.1	19,658.1	45,611.0	20,166.5	20,170.6	21,180.5	30,225.9	20,940.5	44,418.3	21,750.7	19,462.3
Debt Service - Withheld	0.0	(11,141.9)	0.0	(23,429.3)	0.0	0.0	0.0	(11,141.9)	0.0	(23,429.3)	0.0	0.0
Accounts Payable	144,016.6	147,389.4	144,703.1	170,314.5	174,680.8	151,099.4	160,868.9	167,703.8	148,749.7	154,285.9	165,860.4	157,910.0
Total Disbursements	258,272.7	260,558.2	350,557.7	276,608.4	303,818.5	348,177.9	270,337.9	269,506.6	344,691.8	258,133.4	296,250.7	339,329.9
Balance, End of Month	178,788.6	201,609.8	24,908.2	(30,988.3)	(215,592.8)	(220,620.9)	(257,165.8)	128,007.4	215,716.2	223,677.8	64,357.2	366,362.9
Notes, outstanding end of month	450,000.0	450,000.0	450,000.0	450,000.0	450,000.0	450,000.0	450,000.0	450,000.0	450,000.0	450,000.0	450,000.0	0.0
Sinking Fund Deposits/Principal												450,000.0
Balance, End of Month, Including Notes	628,788.6	651,609.8	474,908.2	419,011.7	234,407.2	229,379.1	192,834.2	578,007.4	665,716.2	673,677.8	514,357.2	366,362.9

With a TRAN, the District will :

- have positive fund balances throughout the year
- The District will be able to meet all payroll, charter, or contract obligations

December 21 projects to have the lowest daily fund balance, \$79.5 million

2018-19 TRAN Details

- TRAN borrowing amount of \$450 million
- Closing date July 12, 2018
- Banks: Bank of America Merrill Lynch - \$225 million and PNC Bank NA - \$225 million
- The borrowing will be split 50/50 by both banks
- Estimated Interest Rate of 2.52% (as of June 18, 2018). Finally rate will be set on date of sale.
- Final Maturity of June 28, 2019 – payment for full principal will be made to Trustee on June 1, 2019.