



**MEQUON-THIENSVILLE SCHOOL DISTRICT
BOARD OF EDUCATION**

EXECUTIVE SUMMARY

<u>Subject:</u> Action to Approve Temporary Borrowing in Amount Not to Exceed \$10,300,000 Pursuant to Section 67.12(8) (a) 1. Wis. Stats.	<u>Category:</u> <input checked="" type="checkbox"/> Action <input type="checkbox"/> Discussion <input type="checkbox"/> Information
<u>Attachments:</u> Cash Flow Worksheet	<u>Date for Consideration:</u> September 19, 2011

Background

The Mequon-Thiensville School District relies primarily on tax revenue to support the operational budget. The district fiscal year begins on July 1st but receives the first installment of tax money to support operations in mid-January. District reserves are insufficient to cover expenses until taxes are received. This creates a cash flow problem for the district and the need to borrow on a temporary basis to meet immediate expenses of the district.

The amount of borrowing proposed for 2011-12 is \$10,300,000 which is \$2,000,000 less than the previous year. This is consistent with the reduction in our budget and tax levy approved for 2011-12. The repayment schedule proposed is consistent with previous years. A payment of \$5.0 million is proposed in early February and the balance of \$5.3 million due in September, 2012.

Prior to borrowing each year, our rating is confirmed by Moody's through an intensive review of financial statements and interview with an analyst. The interview is scheduled for September 8th. The district rating will be confirmed prior to the bid date but not prior to mailing of board packets. Rating and bid results will be shared at the board meeting. In addition, a representative from R.W. Baird, our financial advisor, will be present to provide further information.

Highlights:

- District must borrow annually in anticipation of tax receipts to meet operational expenses for first few months of fiscal year.
- Borrowing is \$2.0 million less than previous year consistent with budget adopted for 2011-12.
- District rating review will be conducted by Moody's on September 8th and rating confirmed prior to borrowing.

Strengths	Needs Improvement/Concerns
<ul style="list-style-type: none"> • Amount of borrowing is \$2.0 million less than prior year. • Borrowing rates remain attractive. 	<ul style="list-style-type: none"> • Investment rates also remain low. • District Aaa rating may be impacted due to Federal Government downgrade and District fund reserves lower than average Aaa rated schools.

Recommendation

Bids for borrowing will be received until 9:30 a.m. on Monday, September 19, 2011. A summary of bid results will be at your place that evening along with a recommendation for approval.

Submitted By: Gail Grieger, Director of Business Services	
Board of Education Action:	<input type="checkbox"/> Approve <input type="checkbox"/> Reject <input type="checkbox"/> Research/Report Back

COMPUTATION SHEET

	Beg. Cash Position# #10 Fd Csh+Invs	(-) Estimated Expenditures	(+) Estimated Receipts	(=) Cumulative Surplus or (Deficit) at Month End		
July	\$6,861,234	0.0400	\$2,090,671	0.0130	\$577,158	\$5,347,721
Aug	5,347,721	0.0300	\$1,568,003	0.2400	\$10,655,223	14,434,942
Sept	14,434,942	0.1920	\$10,035,218	0.0120	\$532,761	4,932,484
Oct	4,932,484	0.0820	\$4,285,875	0.0100	\$443,968	1,090,577
Nov	1,090,577	0.0730	\$3,815,474	0.0130	\$577,158	(2,147,738)
Dec	(2,147,738)	0.0820	\$4,285,875	0.0160	\$710,348	(5,723,265)
Jan	(5,723,265)	0.0700	\$3,658,673	0.4350	\$19,312,592	9,930,654
Feb	9,930,654	0.0740	\$3,867,740	0.1840	\$8,169,004	14,231,918
Mar	14,231,918	0.0740	\$3,867,740	0.0180	\$799,142	11,163,319
Apr	11,163,319	0.0720	\$3,763,207	0.0100	\$443,968	7,844,080
May	7,844,080	0.0720	\$3,763,207	0.0050	\$221,984	4,302,856
June	4,302,856	0.1390	\$7,265,080	0.0440	\$1,953,458	(1,008,766)
Total	1.0000	\$52,266,763	1.0000	\$44,396,763	\$7,870,000	

	Beg. Cash Position	(-) Estimated Expenditures	(+) Estimated Receipts	(=) Cumulative Surplus or (Deficit) at Month End
Jul-12	\$4,291,234	\$2,300,000	\$500,000	\$2,491,234
Aug-12	2,491,234	\$1,300,000	\$9,500,000	\$10,691,234
Sep-12	\$10,691,234	\$8,000,000	\$600,000	\$3,291,234
Oct-12	\$3,291,234	\$4,000,000	\$400,000	-\$308,766
Total		\$15,600,000	\$11,000,000	

WEEKLY COMPUTATION FOR THE MONTH OF JANUARY

	Beg. Cash Position	(-) Estimated Expenditures	(+) Estimated Receipts	(=) Cumulative Surplus or (Deficit) at Month End
WEEK 1	(\$5,723,265)	\$1,829,337	\$0	(\$7,552,601)
WEEK 2	(7,552,601)	\$1,829,337	0	(9,381,938)
WEEK 3	(9,381,938)	0	19,312,592	9,930,654
WEEK 4	9,930,654	0	0	9,930,654
WEEK 5	9,930,654	0	0	9,930,654
Total		\$3,658,673	\$19,312,592	

Check \$3,658,673 \$19,312,592

Check *** \$52,266,763 \$44,396,763
 Working Capital Deficit
 PLUS Working Capital Reserve (5%)
 Max. Permissible Borrowing
 OR
 Safe Harbor (90%)

For Business Office Use		Revenue	
BUDGETED	Expenditures		
10	40,123,963	10	\$39,563,963
21	0	21	0
24	0	24	\$0
27	7,359,768	27	\$7,359,768
50	1,392,000	50	\$1,382,000
60	0	60	\$0
80	869,580	80	\$869,580
Total Expenditures	49,745,311		\$49,175,311
less Interfund	4,778,548		4,778,548
Plus Temp Borr	7,300,000		NA
Line of Credit	0		\$0
***	52,266,763		\$44,396,763