

# Cash Flow Borrowing

## 2016 Minnesota Tax and Aid Anticipation Borrowing (MNTAAB)

### Top Questions

**1. What is the MNTAAB pool program? The MNTAAB pool is:**

- A tool designed to meet the temporary cash flow needs of Districts of all sizes.
- A low cost, easy and reliable way to access cash funds with minimal administrative effort.
- A program that offers Districts a safe and flexible reinvestment of cash at competitive interest rates.

**2. Why should I participate in the pool rather than borrow on my own?**

Borrowing costs for participating school districts are reduced since expenses of issuance are shared. Reinvestment options are also enhanced through the pool versus borrowing individually. Due to the streamlined process, school boards need only take a single action. Nearly all the necessary documentation is available for signature at that time, eliminating the need to track down signatures during popular summer vacation months. MSBA and the Regional Service Cooperatives, sponsors of the MNTAAB pool program, benefit as well by your participation.

**3. How did the pool perform in past years?**

Pool	Participants	Par Amount	TIC
Summer 2015	10	\$13,235,000	0.365%
Summer 2014	15	\$18,830,000	0.247%
Summer 2013	26	\$48,230,000	0.314%
Summer 2012	46	\$177,130,000	0.328%
Summer 2011	59	\$212,920,000	0.365%

*Note: True Interest Cost (TIC) is similar to the interest rate on a mortgage; it is the actual cost of issuing a bond, taking into account the present value (time value) of money.*

**4. Our audit showed an adequate fund balance. Why should I consider borrowing for cash flow needs?**

Remember, cash flow and fund balance are two entirely different things. Your District may have a large fund balance at the end of the school year, but may encounter cash flow problems sometime during the school year.

**5. Am I limited in how much I can borrow?**

Districts are limited on the amount they can borrow based on the lesser of the two following formulas: (i) 75% of State aid the district will receive in the school year in which the certificates are issued, or (ii) the lowest projected cash balance (deficit) for the school year in which the certificates are issued plus 5% of the previous fiscal year's cash expenditures for the General Fund 01 and the Operating Funds 02 and/or 04.

**6. What type of action is required of the School Board?**

School Boards will be required to adopt a resolution, which will be provided to you by the MNTAAB pool attorneys. On the day of sale two signatures will be required via fax to sign additional documentation. The Board Chair or Clerk as well as the Superintendent or Business Manager should be available by fax to sign. Typically this documentation is a single page.

**7. How much cash will it cost me to borrow?**

When compared to an individual borrowing issuance, costs are lower due to how the pool program is structured and the number of both large and small districts that are participating. Fees include legal fees, printing costs, trustee/paying agents fees, County Auditor certificates, the transaction costs to issue the Certificates and the underwriter's commissions to remarket the Certificates.

**8. What do I do with my money if I do not need it right away?**

The District can choose to invest the proceeds in the following ways;

- The MSDLAF Liquid Asset Fund, a variable rate investment.
- The District's local financial institutions, typically banks, which offer both variable and fixed rate instruments.

**9. How do I sign up?**

Simply complete the electronic application, including a cash flow projection, by the deadlines included in the application materials.

If you are interested in receiving information, please email Stacy Childers at [schilders@springsted.com](mailto:schilders@springsted.com) or call her at 1-800-236-3083.

**Or you may contact a Springsted Client Representative:**

Stacy Childers	<a href="mailto:schilders@springsted.com">schilders@springsted.com</a>	651-223-3083
Jerry Dudzik	<a href="mailto:jdudzik@springsted.com">jdudzik@springsted.com</a>	651-223-3033
Patty Heminover	<a href="mailto:peminover@springsted.com">peminover@springsted.com</a>	651-223-3058
Don Lifo	<a href="mailto:dlifo@springsted.com">dlifo@springsted.com</a>	651-223-3067
Kelly Smith	<a href="mailto:ksmith@springsted.com">ksmith@springsted.com</a>	651-223-3099