

June 15, 2020

Executive Summary

Resolution No. 20-112 - Tax Anticipation Notes, Series 2020

June 23, 2020 RSBM

Summary of Explanation and Background (continued):

The resolution provides the Board's authorization for the District to enter into agreements necessary to carry out the sale of the Tax Anticipation Notes (TANs), and it includes the Board's covenant to provide sufficient funds in fiscal year 2020-21 to repay the TANs.

The TANs are being sold via competitive bid to ensure the lowest possible net interest cost. Once the sale of the TANs has occurred, this resolution authorizes the Superintendent or his authorized designee to award the sale of the TANs to the bidder offering the lowest bid.

District staff is then authorized to take the necessary steps to close the sale and receive said funds. The authorizing resolution requires net interest cost to be below 3.00 percent. The expected closing date for the TANs will be on or about July 28, 2020.

In order to fully optimize the TANs issuance this year, the resolution allows for a maturity up to June 2021. At the time of pricing, if market conditions are no longer favorable, a shorter maturity will prevail.

Typically, the TAN was issued around September. However, in order to optimize investment income, the TAN, Series 2020 is scheduled to price and close in July 2020, providing the District a longer timeframe to make additional investment income that would off-set interest expense.

The amount of \$160M for last year's Series 2019 will remain the same for the upcoming fiscal year Series 2020. This will continue to ensure appropriate funding for continuity of hiring school resources officers and District school security staff, and the recruiting and retaining of highly qualified District teachers, etc., until funding from the ½ mill operational levy (approved by referendum on August 28, 2018) is received by the District at the end of November 2020.

With the current volatility of the market with the COVID-19 pandemic and the impending political and geopolitical climate which can adversely affect the financial markets, and in an abundance of caution, the last paragraph under Section 5 of the TAN resolution was added. This paragraph allows the Superintendent the ability to enter a negotiated private sale (i.e., a bank loan) if the municipal market becomes unfavorable to the District at the time of the sale of the bonds. It is another "tool in the toolbox" to ensure a successful financial outcome for the District.