



Minnesota Service Cooperatives

MNTAAB
Minnesota Tax and Aid Anticipation Borrowing Program
Cash Flow Borrowing Information Materials
Winter 2011 Aid Anticipation Certificates

Sponsored by:
Minnesota School Boards Association
Minnesota Service Cooperatives

This program provides a cash flow borrowing opportunity for all Minnesota school districts. We anticipate funds will be available to Districts by December 15, 2011.

Application forms can be located on our website and are also available via email. Check www.springsted.com or contact Stacy (Seeland) Childers at schilders@springsted.com or (651) 223-3083 to request an Excel™ version of the application. After completing the application, email the file back to Springsted.

For questions or support, call 1-800-236-3033 or 651-223-3000 and ask for Stacy Childers, Patty Heminover, Don Lifto, John Will, or David Jaye.

Series 2011

Completed application due

See calendar of events

Money received by District

December 15, 2011

MNTAAB
Minnesota Tax and Aid Anticipation Borrowing Program
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THE MINNESOTA TAX AND AID ANTICIPATION BORROWING (MNTAAB) PROGRAM:

AID ANTICIPATION CERTIFICATES, SERIES 2011C

- The MNTAAB Program is for all Districts that expect to experience a temporary cash flow shortfall in the upcoming fiscal year.
- It is an easy and reliable way to address cash flow problems at a low cost and with minimal administrative effort.
- It offers a safe and inexpensive way to borrow for cash flow needs.
- The MNTAAB Program also offers an attractive investment option to leverage investment earnings.

Sponsorship

This program is sponsored by the **Minnesota School Boards Association** and your local **Service Cooperative**. These organizations believe that every District can benefit from group participation in the short-term debt market. They have combined their strengths to provide Districts with these quality services and they recommend participation in the pool if the District has cash flow borrowing needs.

A team of finance professionals has been selected with the expertise and professional standing to produce quality results for those who participate. This team has consistently delivered low-interest loans to borrowers under a variety of market conditions. Your finance professionals are:

- Springsted Incorporated—financial advisor;
- Piper Jaffray—underwriter;
- Dorsey & Whitney LLP and Faegre & Benson LLP—bond counsel; and
- Knutson, Flynn & Deans, P.A.—counsel to the sponsors.

Program Facts

1. Pricing will take place on or about December 1, 2011. Funds will be available December 15, 2011.
2. Action on pool participation will need to be taken at your September or October board meeting, but in any event prior to October 24, 2011. Applications are due three (3) weeks prior to the meeting at which your board will approve their participation resolution. This allows time for a borrowing amount to be calculated that falls within the federal and state rules and appropriate documentation to be provided for your board packet. We will make every effort to accommodate your district.

3. Application forms are available in Excel™ format from the Springsted website. An application packet will also be emailed to you upon request. Enter your cash flow into the Excel file or attach your own version and email the completed application to Springsted. Call for technical assistance.
4. Districts borrowing over \$5 million in a calendar year should review arbitrage and rebate requirements (See “Arbitrage/Rebate Considerations” below.) Springsted can assist with this and can also provide assistance in coordinating cash flow borrowing around any other district financing needs.

Reinvestment of Proceeds

MNTAAB Pool participants will need to decide how to invest Certificate proceeds.

There are two basic choices for Districts to invest Certificate proceeds:

- 1) the MSDLAF Liquid Asset Fund -- variable rate investment; and
- 2) other financial instruments (i.e., variable or fixed rate investment instruments that can be purchased through banks, broker/dealers, or with the assistance of your financial advisor).

Proceeds may be invested in one or all of the above choices. A fixed rate investment is a good choice if the District wants to match the term of their liability (the Certificates) with the term of their asset (reinvestment proceeds) and lock in a positive earning spread. A variable rate investment is a good choice if the District expects investment rates to remain the same or increase over the next year. Districts can invest in a combination of fixed and variable rate investments.

Borrowing Limits

Your District's issue size must comply with the following two legal requirements:

First, Minnesota law requires that your issue be no greater than 75% of school aids yet to be distributed by the Department of Education for the school year; and

Second, Federal law requires that your issue be no greater than the largest actual projected cumulative cash flow deficit in fund 1 (funds 2 and/or 4 can be included), plus 5% of the actual expenditures from these funds in the previous fiscal year.

Post Issuance Compliance

Federal arbitrage requirements may need to be considered for some borrowers. The Federal government does not allow Districts to keep the investment earnings on tax-exempt proceeds over and above the rate paid to Certificate holders unless either one of the following two rebate exceptions is met:

Small Issuer Exception - Your District will qualify for this exception if it does not issue more than \$5 million of tax-exempt obligations in the current calendar year, provided that if tax-exempt obligations are issued to finance the construction of public school facilities, an additional amount of tax-exempt obligations for such purpose, not to exceed \$10 million, may be issued.

90% Safe Harbor Exception - Your issue will qualify for this exception if, within 6 months of the delivery date, your District experiences a cumulative cash flow deficit that exceeds 90% of the sale proceeds of the issue (sale proceeds spent on costs of issuance are excluded for this purpose).

These exceptions are based on actual facts rather than reasonable expectations. The exceptions can be hard to meet and the consequences of not meeting the test can be substantial. Therefore, Districts should allow for a margin of error and should have arbitrage calculations performed or otherwise be able to demonstrate compliance.

If you have questions related to federal arbitrage requirements please contact Stacy Childers at Springsted, 1-800-236-3033 or 651-223-3083.

Borrowing Costs

The MNTAAB Program allows lower net borrowing costs due to economies of scale attainable from group borrowing and reinvesting. The following examples show the cost associated with borrowing in the MNTAAB Program. The pricing of this year's borrowing program remains unchanged from prior years.

	<u>Certificate Size</u>			
	<u>\$5,000 to \$300,000</u>	<u>\$300,001 to \$1 million</u>	<u>\$1,000,001 to \$5 million</u>	<u>Over \$5 million</u>
Costs of Issuance ^(a)	\$1,500 fee	.50% of borrowing size	\$5,000 fee	\$5,000 fee plus 0.035% over \$5,000,000
Transaction Cost ^(b)	.15%	.15%	.15%, capped at \$3,000	.075%
Underwriting ^(c)	.10%	.10%	.10%	.10%

Examples of actual certificate issues:

	<u>Certificate Size</u>			
	<u>\$225,000</u>	<u>\$800,000</u>	<u>\$4 million</u>	<u>\$10 million</u>
Costs of Issuance ^(a)	\$1,500	\$4,000	\$5,000	\$6,750
Transaction Costs ^(b)	<u>338</u>	<u>1,200</u>	<u>3,000</u>	<u>7,500</u>
	\$1,888	\$5,200	\$8,000	\$14,250
Underwriting ^(c)	<u>225</u>	<u>800</u>	<u>4,000</u>	<u>10,000</u>
Total Costs	\$2,063	\$6,000	\$12,000	\$24,250

^(a) Costs of issuance includes all legal fees, including Bond Counsel, printing costs, trustee/paying agent fees, bond record and advisory fee.

^(b) Transaction costs include fees paid to complete the issuance of the Certificates.

^(c) Includes brokers' commissions to market the Certificate. All underwriters receive compensation for their role in any bond transaction.

Participation in the MNTAAB Program vs. Stand-Alone Issues

Would you like to see how the MNTAAB Program can save your District money? Contact Patty Heminover, Don Lifo, John Will or Jim Schmitt at Springsted, 1-800-236-3033 or 651-223-3000, with inquiries.

MNTAAB Cash Flow Borrowing Program Calendar of Events

Deadlines and Procedures for Participation Winter 2011 Aid Anticipation Certificates

	Actions	Series 2011C	Responsible Party
Step 1	Applications mailed to School Districts by Springsted.	September 13, 2011	Springsted
Step 2	School Districts return completed application materials to Springsted.	2 weeks prior to meeting or no later than October 3, 2011	District Staff
Step 3	Springsted calculates School District's borrowing limits and determines borrowing amount in consultation with District officials.	After Receipt of Application	Springsted
Step 4	School Districts adopt resolution and complete the Minnesota School District Credit Enhancement Program Application. This Resolution, which sets a "not-to-exceed" interest rate and a maximum borrowing amount, is sent directly to the District from Bond Counsel by the date of the Board meeting as indicated on your application form.	From September 15 to October 24, 2011	District Staff Bond Counsel
Step 5	School Districts return Resolution and Closing Documents to Springsted.	October 28, 2011	District Staff
Step 6	Interest rate set. Signatures required. No formal Board action necessary, however a staff signature WILL be required.	December 1, 2011	District Staff Springsted Piper Jaffray
Step 7	2011 Certificate proceeds received.	December 15, 2011	District Staff Springsted Bond Counsel
Step 8	2011 Certificate Transcripts delivered to Districts.	April 2012	Springsted Bond Counsel
Step 9	Funds due to Trustee for repayment of 2011 Certificates.	September 6, 2012	District Staff
Step 10	2011 Certificates mature.	September 11 th , 2012	

**Board
Action
Required!** →

**Signatures
Required!** →

If you have concerns about these dates, please contact Springsted at 651-223-3000.