

# **Livonia Public Schools**

## ***Assistant Superintendent of Business Services***

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Date: August 2, 2016

To: Andrea Oquist Superintendent

From: Lisa Abbey, Assistant Superintendent of Business Services

Re: Discussion of Cash Flow Borrowing

We would like to discuss cash flow borrowing at the Monday, August 8, 2016 Finance Committee meeting. As you know, for the past several years we have had cash flow needs during the year that require the District to borrow funds at the beginning of the year to meet those obligations.

We have reviewed the options for borrowing including participating in the state borrowing program, a direct state aid note with a local bank and a line of credit with a local bank. The state program requires that we borrow funds for a full year, while the local banks provide more options as to the duration of the loan. Based on our cash flow estimates for this fiscal year, we have determined we will only need these funds for approximately three to four months.

We analyzed both a state aid note and a line of credit at a local bank. Please see the attached memo and analysis from Nick Armelagos, Administrator of Finance. The most cost effective method of borrowing for 2016/17 would be a state aid note for four months. The amount needed this year is \$3.5 million to meet payroll and other payment obligations on a timely basis. The cost for borrowing is estimated at \$15,232. For your information, in 2015/16 we borrowed \$6,500,000 at a total cost of \$66,950.

Please let me know if you have any questions. Thank you.

LA/kp

Attachments

c: Board of Education