



Tax Anticipation Notes: Bridging Low Cash Periods

Florida School Finance Officers Association | June 15, 2026

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Ford & Associates, Inc. is an Independent Municipal Advisor registered with the MSRB and SEC.

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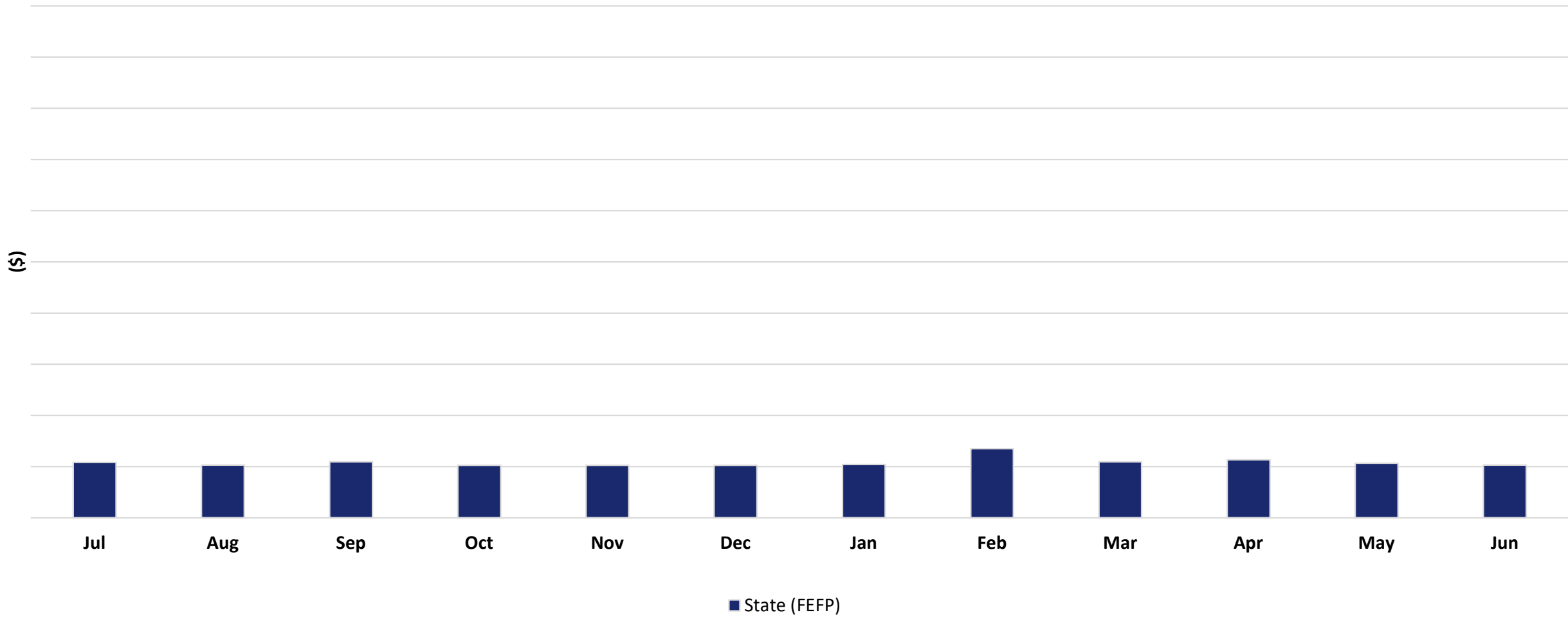
Florida Education Finance Program (FEFP)

Core Operational Funding: State & Local

- FEFP is the primary source of operating revenue for Florida school districts
- Goal: access to substantially equal educational programs and services
- Funding is adjusted to account for geographic, socioeconomic, and programmatic differences among school districts
- FEFP determines/dictates the amount of funding for each district, as well as the proportion of state and local:
 - Required Local Effort (RLE) – operating millage
 - State dollars (FEFP) – generated from state sales tax
- The average Florida school district generates 47% of FEFP revenue through RLE, 53% through State (FY 2025, 4th Calc)

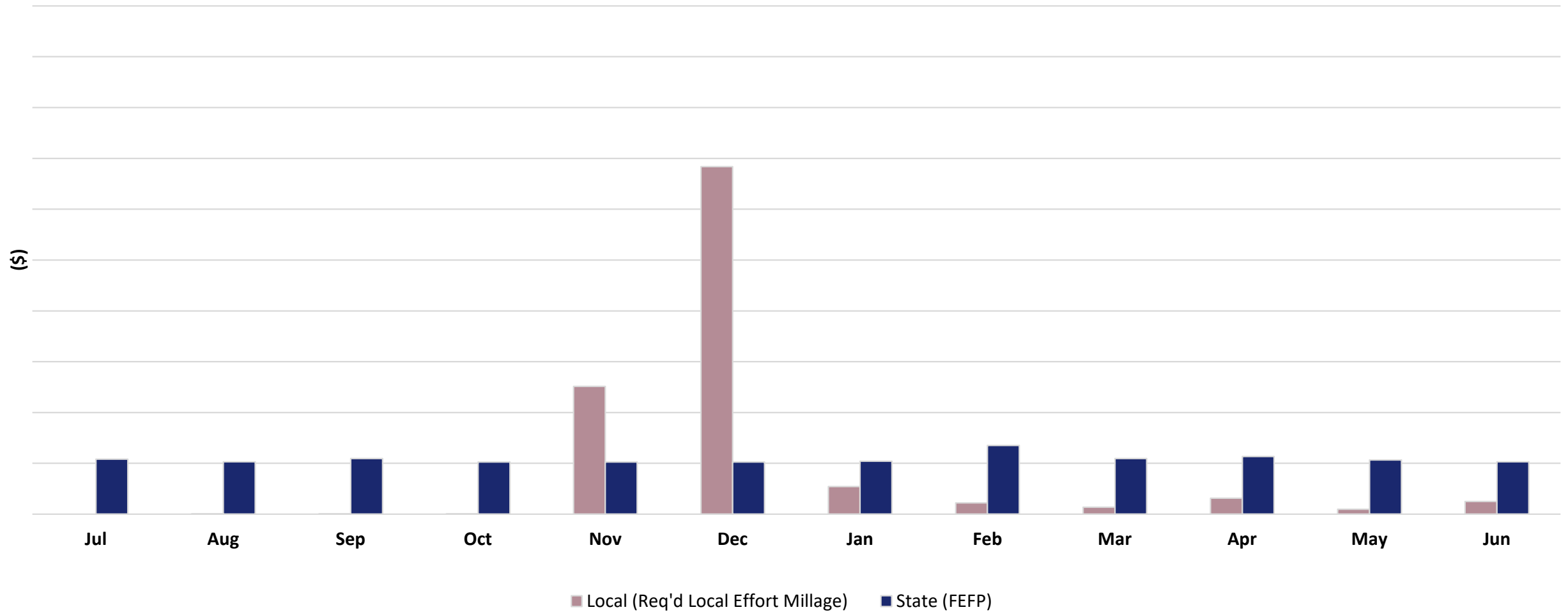
State/Categorical Receipts are Level

State FEFP revenues flow to school districts 1-2 times per month, creating a level incoming cashflow



Monthly Disbursements

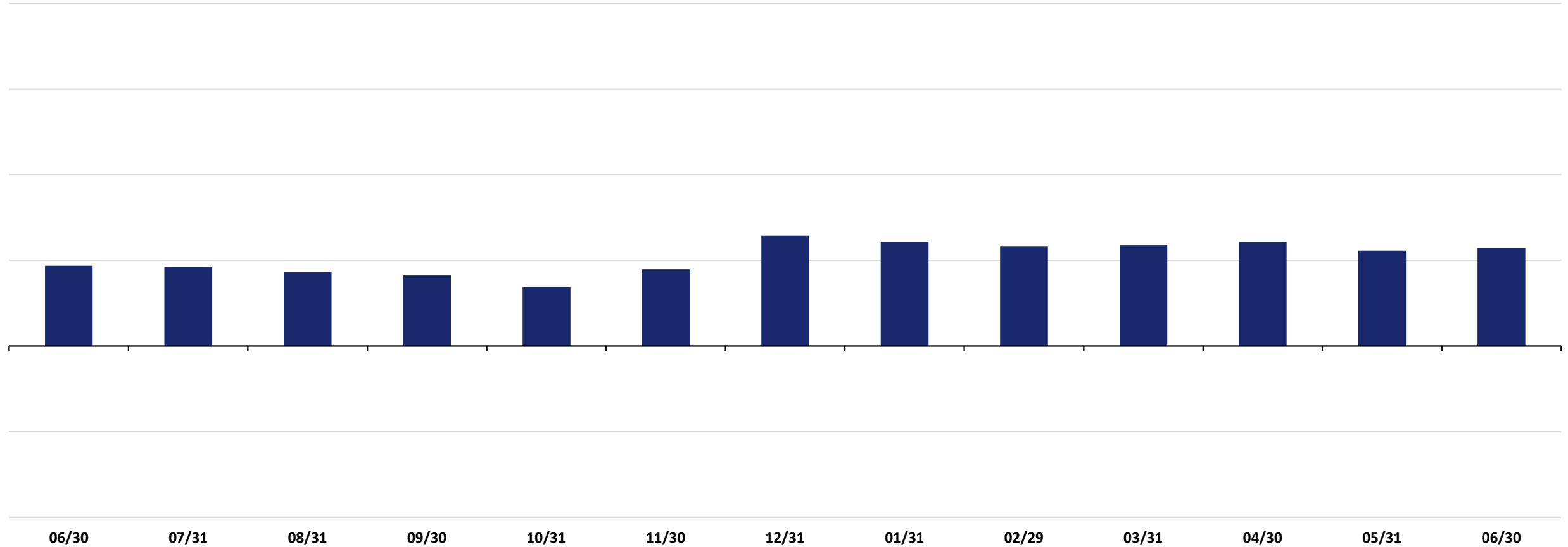
Property tax receipts are concentrated from late-November through December, creating a bulge of receipts mid-fiscal year



Operational Funding and FEFP Implications

Illustrative Funding Ratio vs Monthly Cash Position

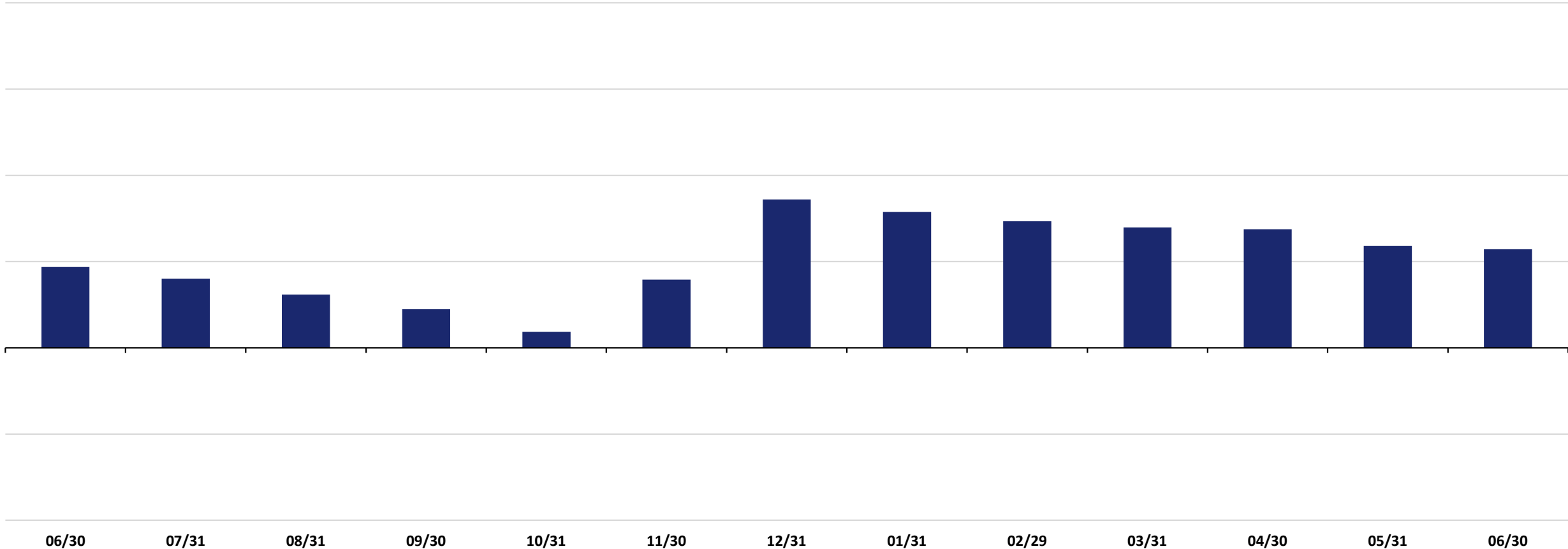
90% State, 10% Local



Operational Funding and FEFP Implications

Illustrative Funding Ratio vs Monthly Cash Position

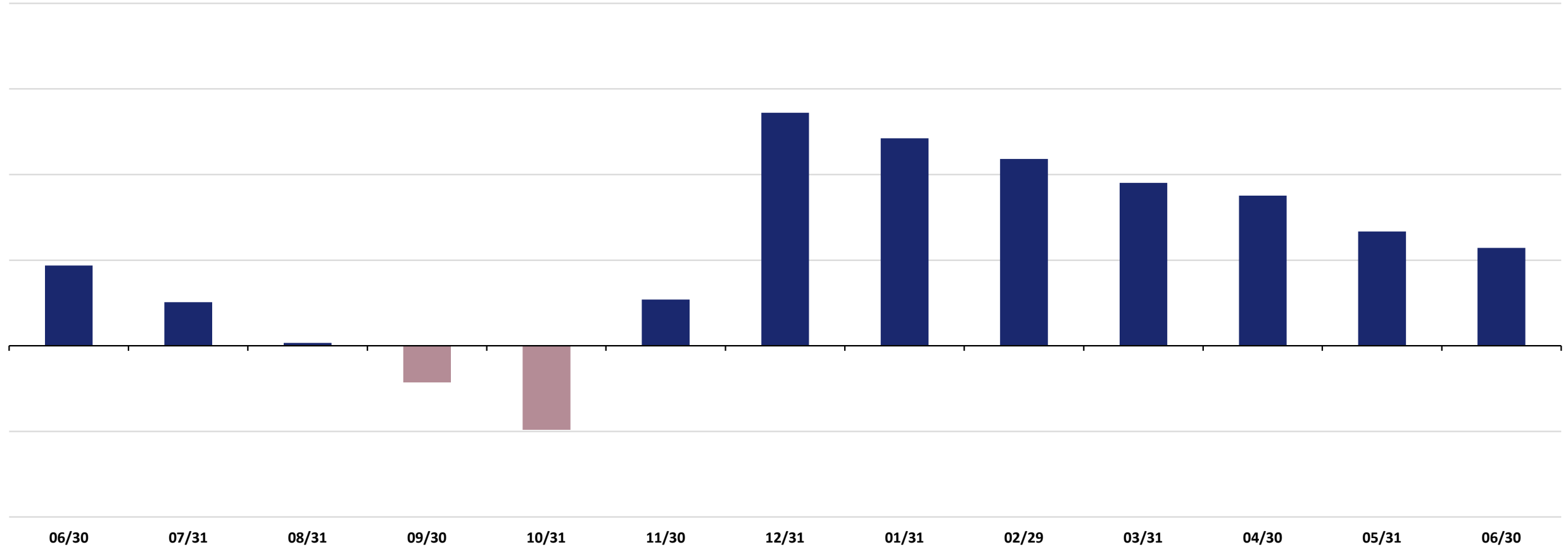
75% State, 25% Local



Operational Funding and FEFP Implications

Illustrative Funding Ratio vs Monthly Cash Position

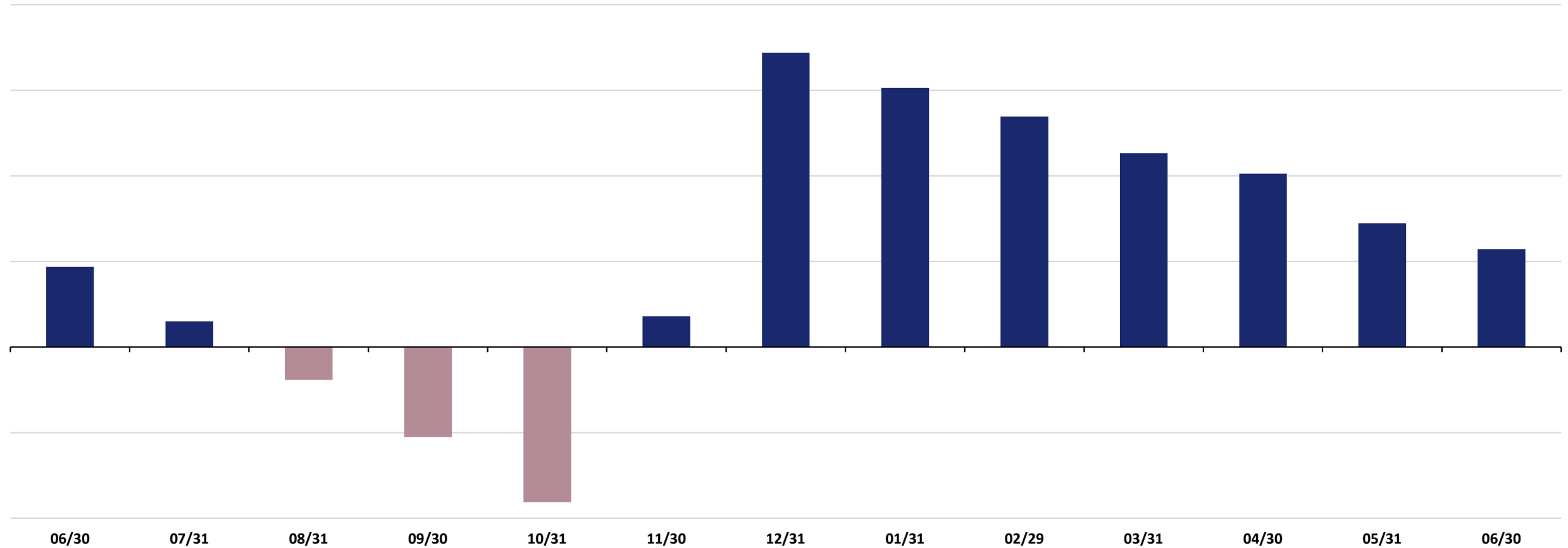
40% State, 60% Local



Operational Funding and FEFP Implications

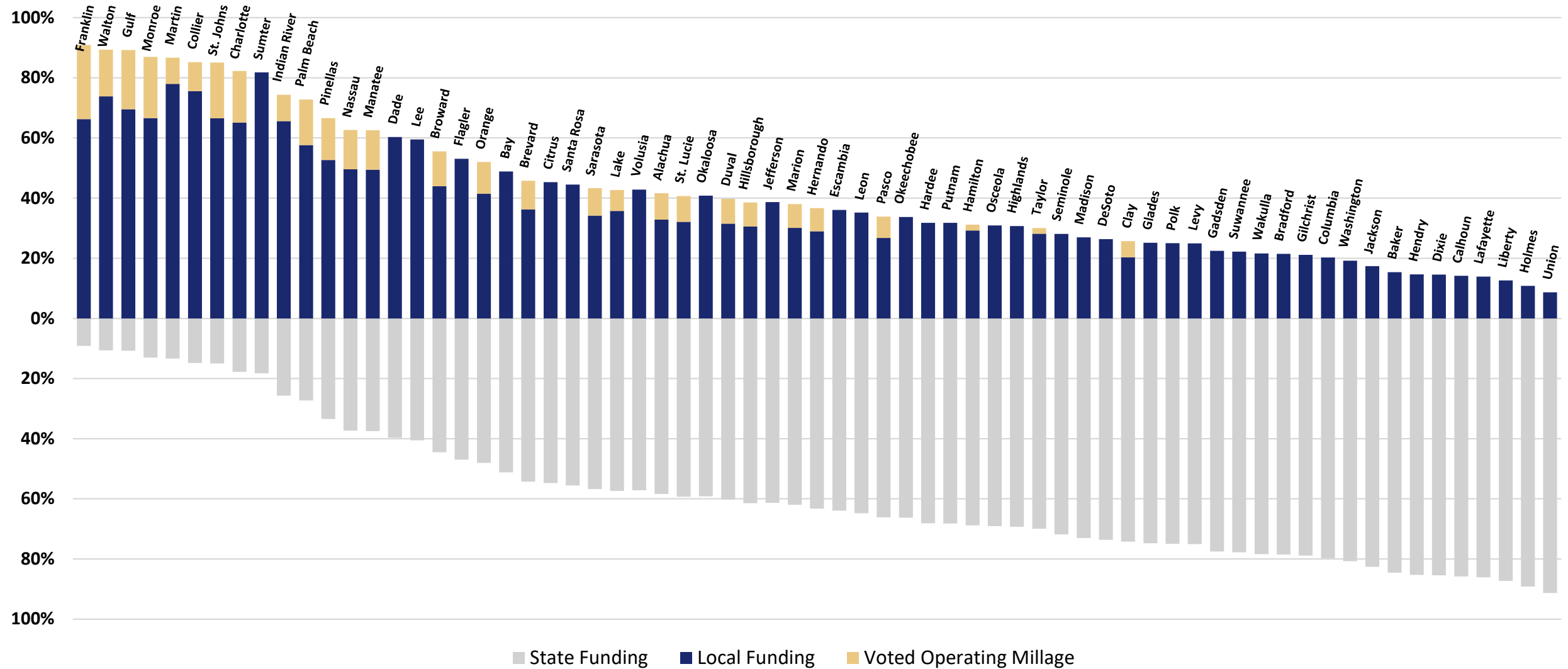
Illustrative Funding Ratio vs Monthly Cash Position

15% State, 85% Local



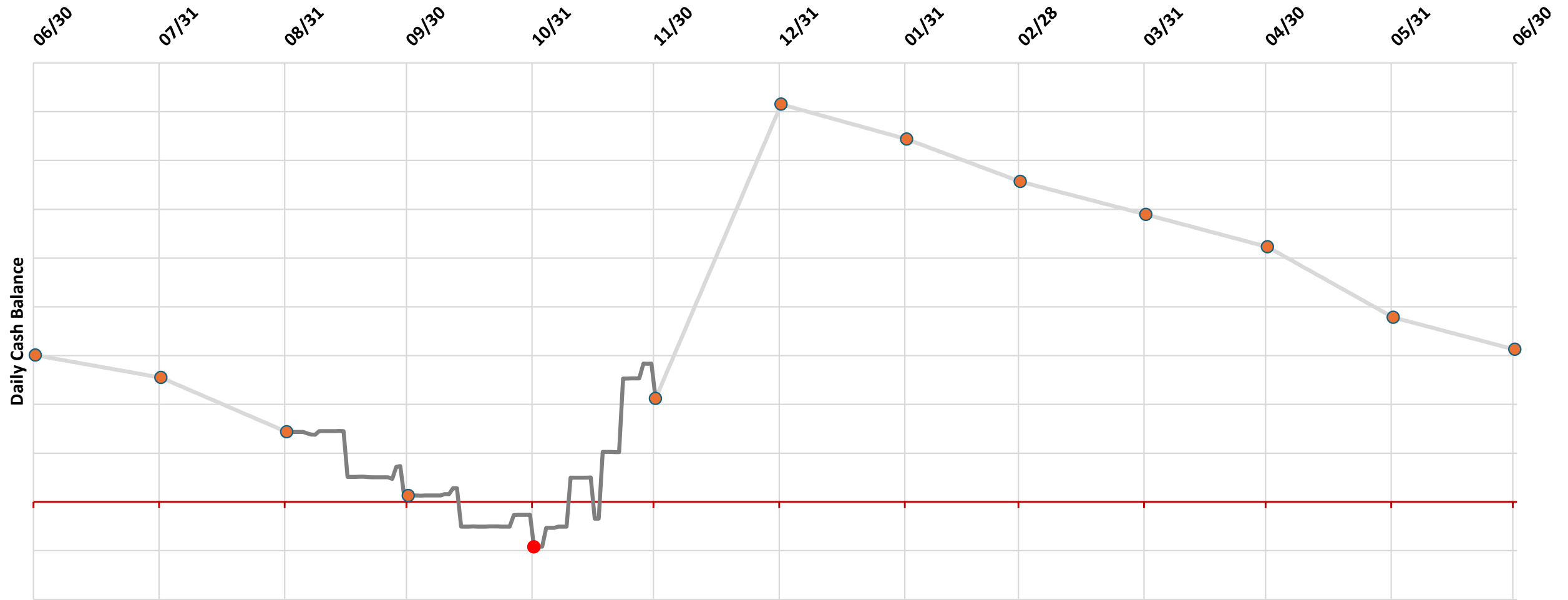
FEFP vs RLE Around the State

State vs Local Funding: 2025-26 FEFP Third Calculation



Fiscal Year General Fund Cash Flow

Actual General Fund Cash Flows (Monthly, with Daily Tracking September through November)



A Surplus of Aggravating Factors

Deficits are exacerbated by factors within and outside of a school district's control

Gradual shift to local funding

- Most (57) Florida school districts have seen a proportional increase in Required Local Effort (RLE) over the past five years
- Shifting from monthly State revenue to mid-year ad valorem revenue worsens early fiscal year deficits

Voted Operating Millages

- More than half of Florida's school districts have passed operating millages for new and much-needed revenue
- Revenue is received in November/December, along with other ad valorem revenue

Charter Schools

- School districts must transfer operating (and capital) revenues to charter schools monthly
- Requiring transfers before the supporting revenues have been received has transformed school districts into liquidity vehicles for charters

Overview of Tax Anticipation Notes (TANs)

Mechanics

- Short-term notes used to alleviate General Fund intra-year cash flow pressure
- Issued in advance of General Fund low point and repaid following property tax receipts
- May be issued via competitive public offering or a bank loan / line of credit

Legal Framework

- Authorized by Florida Statute 1011.13
- Tax-exempt borrowing limitation (IRS):
 - Maximum projected operating deficit, plus
 - Working Capital Reserve (5% of prior FY operating expenses)
- When borrowing tax-exempt, District must present detailed and reliable historical and projected General Fund cash flows (monthly or more granular)
 - Failure to meet projected deficit may result in a penalty payment to the IRS
- Exemption from arbitrage restrictions helps alleviate interest cost

Preparing for TANs: Looking Back

Determining Historical Cash Flows

- Review accounting records to determine weekly or monthly General Fund cash receipts, disbursements, and balances over the last several years
- Implement and maintain a practice to record these cash flows and balances going forward
- Differentiate between cash and non-cash expenses and their timing
 - Example: The District may incur an expense via invoice in March, but not pay the invoice until April – the cash outflow occurred in April
- Calculate relevant ratios against these historical cash flow figures
 - Examples: Percentage of expense line items incurred each month;
 - Percentage of total property tax receipts collected by month;
 - Any year over year trends in these ratios
- Identify key considerations and policies
 - Example: Are teachers paid monthly over the summer?

Preparing for TANs: Looking Ahead

Techniques for Developing Projections

- Apply relevant historical ratios to corresponding budgeted line items to estimate budget at a monthly or weekly level
- Use budgeting techniques to extend these projections through the later of the next twelve months or the expected TANs maturity date
- Account for extraordinary cash flows that may lead to variance between historical and projected period
 - Examples: Grant funding that may not be extended;
 - Unexpected one-off expenses;
 - Changes in State or Federal funding

Other Considerations

- General Fund investment balances and revenues must be included
- If planning on issuing on a tax-exempt basis, the more granular the cash flows (weekly), the greater the maximum General Fund drawdown, allowing for greater borrowing / lower likelihood of not meeting projected deficit
- Determine level of certainty in each projection

Preparing for TANs

Example of Cash Flow Projections in an Official Statement

	July-25 Projected	August-25 Projected	September-25 Projected	October-25 Projected	November-25 Projected	December-25 Projected	January-26 Projected	February-26 Projected	March-26 Projected	April-26 Projected	May-26 Projected	June-26 Projected	Total -
Beginning Balance	\$46,497,575	\$24,179,398	\$(38,677,842)	\$(108,884,758)	\$(18,839,778)	\$25,102,454	\$398,791,889	\$342,626,616	\$294,023,010	\$246,331,000	\$217,793,096	\$128,701,356	\$46,497,575
Receipts:													
FEFP	12,501,379	12,916,577	12,882,426	12,916,577	12,882,426	16,675,996	13,461,606	13,245,065	12,856,184	13,234,136	12,856,184	20,023,358	166,451,914
Class Size Reduction	6,768,102	6,768,102	6,768,102	6,768,102	6,768,102	6,768,102	6,768,102	6,654,004	13,708,215	6,654,004	6,654,004	(400,208)	80,646,734
Ad Valorem Tax	91,612	148,317	74,558	51,254	140,273,086	437,213,578	19,920,456	19,070,912	11,629,478	27,820,804	7,691,603	36,567,202	700,552,859
Other Revenue	1,173,251	2,723,988	3,926,548	7,028,261	2,770,940	7,314,145	4,832,929	4,843,366	3,289,881	6,386,147	5,335,127	10,527,147	60,151,730
Transfers In	0	690,844	351,407	6,043,988	1,404,302	393,104	757,702	325,615	510,523	7,641,078	4,156,313	61,940,134	84,215,009
Note Proceeds	0	0	0	150,000,000	0	0	0	0	0	0	0	0	150,000,000
Total Receipts	20,534,344	23,247,828	24,003,042	182,808,182	164,098,855	468,364,925	45,740,794	44,138,962	41,994,280	61,736,169	36,693,231	128,657,633	1,242,018,246
Disbursements:													
Salaries	7,334,408	38,889,856	56,116,385	53,131,578	77,328,504	57,238,899	59,209,766	53,948,304	53,709,041	52,028,002	74,438,308	24,848,022	608,221,072
Benefits	12,200,954	18,265,616	21,654,142	22,524,529	27,098,191	22,307,895	24,155,501	22,650,148	22,545,885	22,761,662	27,568,016	12,124,318	255,856,856
Vendors	23,317,159	28,949,596	16,439,431	17,107,096	15,729,928	15,128,696	18,540,801	16,144,117	13,431,364	15,484,410	23,778,648	21,825,005	225,876,249
Transfers Out	0	0	0	0	0	0	0	0	0	0	0	0	0
Note Sinking Fund	0	0	0	0	0	0	0	0	0	0	0	154,360,417	154,360,417
Total Disbursements	42,852,521	86,105,068	94,209,958	92,763,203	120,156,623	94,675,489	101,906,068	92,742,568	89,686,290	90,274,073	125,784,972	213,157,762	1,244,314,594
Ending Balance	\$24,179,398	\$(38,677,842)	\$(108,884,758)	\$(18,839,778)	\$25,102,454	\$398,791,889	\$342,626,616	\$294,023,010	\$246,331,000	\$217,793,096	\$128,701,356	\$44,201,227	\$44,201,227

Sizing TANs

Review of actual (prior Fiscal Year) and projected (budget year) cash flows

- General Fund only
- Includes all cash and investments (short AND long term)
- Can exclude interfund transfers if required to pay back to other fund
- Historical Working Capital Reserve
 - 5% of prior year expenditures (not including repayment of prior year's TAN, if any)
 - Less than average beginning fund balance for prior Fiscal Year
- Break up November in projected cash flows to find max deficit
 - Max deficit generally occurs in 2nd or 3rd week in November
 - Daily cash flows are helpful, but not required

TAN Tax Considerations

Sizing and Tax Considerations

- Max borrowing amount needs to be less than amount below to be tax-exempt:
 - Cash flow deficit;
 - Plus working capital reserve;
 - Less bond issuance premium (if publicly offered);
 - Plus estimated interest earning on invested proceeds
- To avoid positive arbitrage / having to make a rebate to the IRS:
 - Must hit projected deficit;
 - Consider working capital reserve “unavailable” for such purpose;
 - Safe harbor – working capital reserve treated as “available”

Post Issuance

Positive Arbitrage / Avoiding Rebate

- Statutory 6-month spending exception to rebate
 - Safe harbor – Cumulative cash flow deficit exceeds 90% of gross proceeds
 - Proceeds-spent-last rule (i.e., exhaust other “available amounts” first)
 - “Available amount” – cash, investments, and other amounts held in accounts or otherwise by an issuer if those amounts may be used by the issuer for working capital expenditures of the type financed without legislative or judicial action, and without a legislative, judicial or contractual requirement that those amounts be reimbursed; does not include TAN proceeds
 - Working capital reserve treated as “available” under Safe Harbor
- Regulatory 6-month exception
 - Cumulative cash flow deficit exceeds 100% of gross proceeds
 - Consider working capital reserve “unavailable” for such purpose

TAN Resolution

Resolution Basics

- Operative Document – unlike COPS, no other financing documents
 - Constitutes a contract between District and Noteholders
- Authorized by Section 1011.13, F. S.
- Legislative Findings
 - Tracks requirement of statute
- Pledge and lien upon operating millage (excluding voter-approved debt service millage or 1.5 capital outlay millage)
 - Also payable but not secured by Non-Ad Valorem revenues
- Delegates to Chair or Superintendent
 - Publication of Summary Notice of Sale – 10-day notice requirement per 218.385, F. S.
 - Tax and Other Covenants

TAN Resolution

Resolution Financing Points

- Approves Not to Exceed (“NTE”) Amount of TAN based on cash flow analysis and discussion
- Method of Sale
- Establishes Note Payment Fund – often funded 21 days prior to maturity
- Approves form of Preliminary Official Statement
- Approves form Official Notice of Sale
 - Bidding specifications
 - Date/time of sale
 - Lowest net interest cost
 - Tie-breaker provisions
 - Good faith deposit
- Appoints paying agent
 - Internal or external
- Approves NTE Amount of TAN based on cash flow analysis and discussion

Loans vs Public Offerings

Selecting the Method of Sale

	Bank Loan	Competitive Bond Issuance
Pros	<ul style="list-style-type: none"> <input type="checkbox"/> No ratings required <input type="checkbox"/> No offering documents and minimal disclosure requirements <input type="checkbox"/> Lower issuance costs <input type="checkbox"/> Usually shorter timeframe to close financing 	<ul style="list-style-type: none"> <input type="checkbox"/> Lowest interest cost <input type="checkbox"/> Future tax law change risk is with holders of bonds <input type="checkbox"/> Able to reach a broad market of investors <input type="checkbox"/> Flexible schedule
Cons	<ul style="list-style-type: none"> <input type="checkbox"/> Higher interest cost <input type="checkbox"/> Some banks require gross-up language if tax laws change <input type="checkbox"/> Call Provisions are sometimes not available or are costly, can vary greatly between banks 	<ul style="list-style-type: none"> <input type="checkbox"/> Ratings would be recommended <input type="checkbox"/> Issuance costs much greater than Bank Loan <input type="checkbox"/> Additional time to complete financing due to additional documents and ratings process <input type="checkbox"/> Continuing disclosure required after bonds are sold

Short-Term Credit Ratings

The Municipal Investment Grade (MIG) scale is used by Moody's to rate US short-term obligations. MIG ratings expire at maturity of the obligation. The issuer's long-term rating is only one consideration when assigning a MIG Rating.

MIG Scale

MIG-1	This designation denotes superior credit quality. Excellent protection is afforded by established cash flows, highly reliable liquidity support, or demonstrated broad-based access to the market for refinancing.
MIG-2	This designation denotes strong credit quality. Margins of protection are ample, although not as large as in the preceding group.
MIG-3	This designation denotes acceptable credit quality. Liquidity and cash-flow protection may be narrow, and market access for refinancing is likely to be less well-established.
SG	This designation denotes speculative-grade credit quality. Debt instruments in this category may lack sufficient margins of protection.

Thank You

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