

School Board Workshop:

April 11, 2011

Subject:

Cash Flow Projection

Presenter:

Gary Kawlewski

SUGGESTED SCHOOL BOARD ACTION:

Cash flow report. No action required.

DESCRIPTION:

In order to determine if the District should borrow short-term, a cash flow projection is created each school year. The cash flow projection predicts how the cash will flow in and out of the District for the next year and a half for our operating funds: General Fund, Food Service Fund, and Community Ed Fund. The cash flow projection does not include the Debt Service Fund or the Building Construction Fund. On this projection, a couple of assumptions were made:

- state revenues were based on the 2010-11 aid entitlement report which includes the property tax shift of \$2.7 million for 10-11 and the continuation of the 70/30 aid shift,
- federal revenues decrease slightly with stimulus funds out and Ed Jobs funds in,
- property tax revenue is according to the 2010 Payable 2011 report and increases 2.0% the following year,
- other revenues are the same and reflect a 0% change except for the OPEB transfer of approximately \$750,000 in June of 2012,
- payroll expenditures increase 2%,
- health insurance premiums increase 10%,
- accounts payable expenditures (supplies & utilities) increase 2%, and
- transportation expenditures remain flat

Current law states that the aid shift is to go back to 90/10 for FY11-12 and that the tax shift is to be paid back as well. A big portion of the state's \$5 billion deficit includes the funds for the payback of these shifts. It is unlikely, at this point, that current law will remain in place in paying these shifts back and it will probably move the 70/30 shift back into place for 11-12 and possibly beyond and extend the property tax shift as well. All charts and graphs presented here are predicated on the 70/30 aid shift and the current tax shift being in place.

The Cash Projection chart shows the detail of the monthly totals for revenues and expenditures and also shows the assumptions that are used. The chart goes through December of 2012. You will note that we are projecting a deficit in the operating funds in June of 2012 of about \$4.4 million which goes to about \$5.4 million in July of 2012.

I have also attached graphs that show the combined projected cash position of all funds for FY2010-11, FY2011-12, and FY2012-13. The top graph for each year shows our total cash position by month for that year. The bottom graph shows the breakdown between operating funds and the debt service fund for each year. When combining

operating funds with the debt service fund, we stay positive for the entire 2011-12 fiscal year. That is not the case for FY2012-13. At this point, our projections for that year show that we only have 5 months where our combined cash position is positive. Further, we only show 2 months of that year where our operating cash position is positive.

Needless to say, it is likely that we will be forced to borrow for cash flow needs toward the end of FY2012 or early in the beginning of FY12-13. We will continue to monitor our cash position as better numbers become available and the state funding plan is completed. As done in the past, we intend to send our cash flow projection to Ehlers for review and recommendation. We plan to have a revised cash flow projection in May or June.

Attachments:

- Attachment 1 – Cash Projection for 2011-12
- Cash Flow 10-11 graph
- Cash Flow 11-12 graph
- Cash Flow 12-13 graph