

School Board Workshop:

April 13, 2009

Subject:

Cash Flow Projection

Presenter:

Tina Burkholder

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 the 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 assumptions were made: state and federal revenues remain flat, property tax revenue increase 2.5%, other revenues increase 1%, total accounts payable expenditures increase 3%, and total payroll expenditures increase 3% based on the FY2008-2009 totals. The payroll expenditures include employee benefits.

Another thing to consider for next year is the budget reductions. \$1,052,640 was reduced from the 2009-2010 payroll balances somewhat evenly over the year. \$524,760 was trimmed from the 2009-2010 accounts payable balances evenly throughout the school year. The increase in fee revenue was accounted for in the "Other" category on the revenue side. As of now, no assumptions have been made for the 2010-2011 school year regarding operating referendums or budget reductions.

If I stopped the cash flow assumptions here, the District's cash flow would have been fine for the next year and a half. However, the remaining unknown factor is the 2009 legislative session. How will the State balance its budget? The Governor has proposed both state aid and property tax shifts for school districts. Most of the District's revenue is received through State Aid and in monthly installments. For the past couple years, the District has received 90% of the entitlements during the year and only 10% after the school year is over. The Governor has proposed to switch the payment schedule to a 80/20 payment plan. By changing the State Aid payment schedule to 80/20, the District will receive \$4.5 million less during the 2009-2010 school year.

A 48% property tax shift has been proposed as well. The property tax shift takes funds away from the State Aid payments. It starts in the month of June and works backwards until the total property tax shift amount is reached. The 48% property tax shift will reduce our 2010 May and June State Aid payments by \$2.9 million. Once we include the state aid and property tax shifts into the cash flow projection, the District's cash flow changes dramatically and will have to borrow short-term.

Just like everything else, it's a waiting game to see what the legislature does this year to have a more accurate cash flow projection. In the meantime, I intend to send my cash flow projection to Ehlers. I plan to have a revised cash flow projection in May or June.