



Integrity. Commitment. Performance.

Cash Flow:

More Important Than Ever!

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Cash Flow – Purposes

More Important Than EVER!

- School Districts likely to see little if not zero or negative increases in funding - MAXIMIZE YOUR INVESTMENTS
- State Aid and Tax Shifts will greatly affect when cash arrives into your District – MAKE SURE YOU HAVE ENOUGH CASH TO MEET OBLIGATIONS
- Lack of funding and shift changes will likely cause borrowing needs for many districts – UNDERSTAND YOUR DISTRICT'S CASH NEEDS AND BE PREPARED



Cash Flow – Workload

- A good cash flow takes more than an hour to prepare
 - You can spend the time developing the cash flow, updating the data, and scheduling investments
 - You can have a company external to the District do this for you
 - Free up time at the District level
 - Tap into expertise on Cash Flow Analysis
 - Tap into expertise on investments



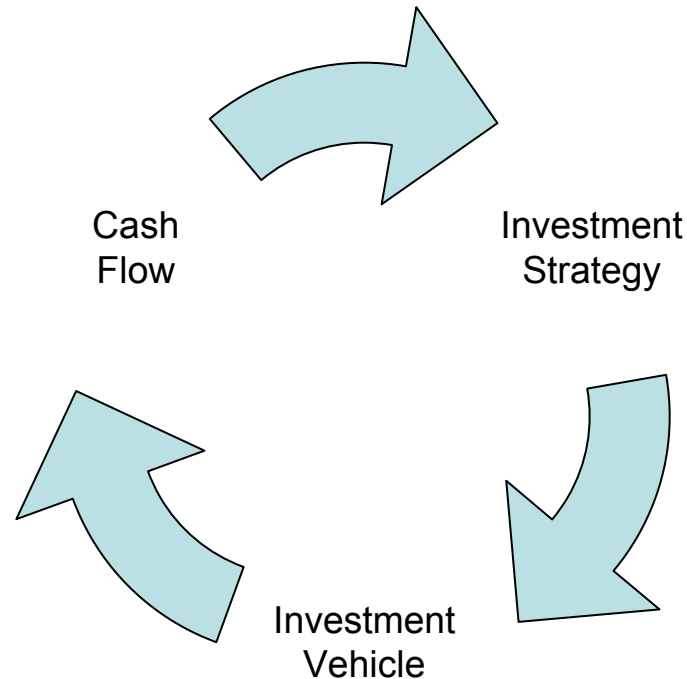
Cash Flow – Workload

- A good cash flow needs to be monitored regularly
- A good cash flow is the starting point to maximizing your investments



Maximize Your Investment

Strategy determines investment vehicles





Maximize Your Investment

- Investment Strategy
 - Safety
 - Liquidity
 - Amount
 - Time/Effort
 - Rate

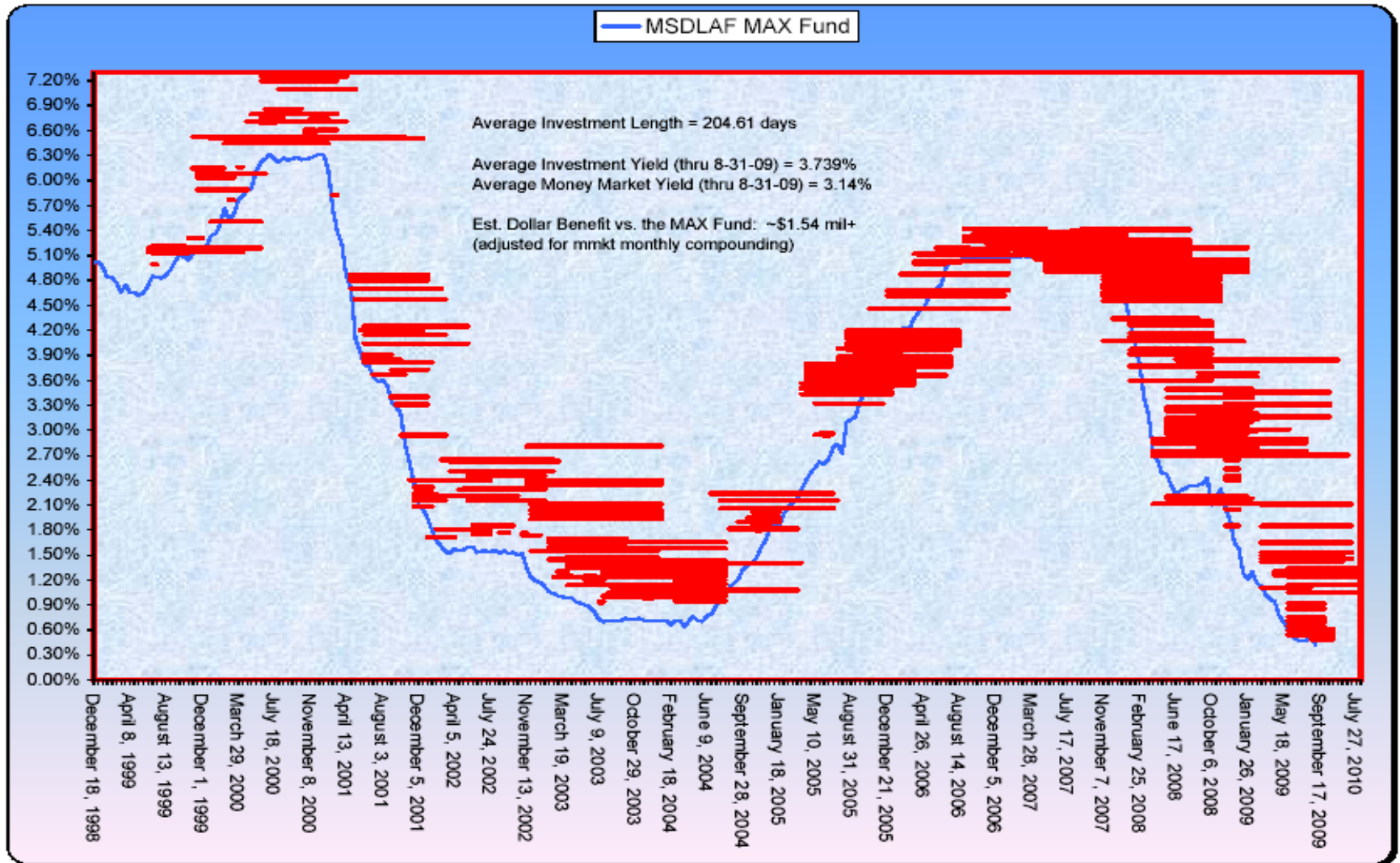


Maximize Your Investment

- Investment Vehicles
 - Money Market
 - Treasury & Agency Securities
 - Certificate of Deposits

“If it sounds too good to be true, it probably is.”

Actual MN ISD Cash Flow Performance from May 1999 - Aug 2009



MAX Rates from MSBA Boardcaster Bi-Weekly Newsletter or msdlaf.org **Yields represent past performance and are not indicative of future results**



Cash Flow – What Funds?

- No Construction Funds
- Debt Service (Fund 7) included in Investment Cash Flow, excluded from Borrowing Cash Flow
- OPEB Trust Transfers: A new variable to consider



Cash Flow – OPEB Trust \$

- Interplay with cash flow = added flexibility
 - Timing
 - Specific Months
 - Specific Years
 - Politically Strategic
- Redemption Options
 - Implicit rate portion?
 - Explicit amount?
 - Both?
 - Nothing?



Cash Flow – State Shifts

- State Aid Shifts
 - Not receiving 100% of the State Aid in the current year, with the balance given in the following year
 - The current “unallotment” aid shift from 90/10% to 73/27%

DISTRICT - SCHOOL DISTRICT

	CURRENT				FINAL	
	METER OPER	NON-METER OPER	NON OPER	SUB TOTAL	ACCOUNT	TOTAL
JUL 15	0.00	197,317.57	0.00	197,317.57	0.00	197,317.57
JUL 30	0.00	0.00	19,252.41	19,252.41	0.00	19,252.41
AUG 15	2,682,607.86	0.00	0.00	2,682,607.86	52,037.67	2,734,645.53
AUG 30	1,486,684.12	129,360.70	19,223.55	1,635,268.37	1,669,501.06	3,304,769.43
SEP 15	1,486,684.13	147,163.61	0.00	1,633,847.74	0.00	1,633,847.74
SEP 30	1,486,684.12	17,816.58	19,252.40	1,523,753.10	2,459,344.82	3,983,097.92
OCT 15	1,189,347.29	0.00	0.00	1,189,347.29	0.00	1,189,347.29
OCT 30	0.00	111,199.71	19,252.41	130,452.12	1,597,930.47	1,728,382.59
NOV 15	0.00	0.00	0.00	0.00	0.00	0.00
NOV 30	0.00	17,816.58	19,223.55	37,040.13	0.00	37,040.13
DEC 15	0.00	0.00	0.00	0.00	0.00	0.00
DEC 30	1,139,210.85	17,816.56	19,252.40	1,176,279.81	0.00	1,176,279.81
JAN 15	2,973,368.25	0.00	0.00	2,973,368.25	0.00	2,973,368.25
JAN 30	2,378,694.59	202,404.00	19,252.42	2,600,351.01	28,281.72	2,628,632.73
FEB 15	2,378,694.59	0.00	0.00	2,378,694.59	0.00	2,378,694.59
FEB 28	2,973,368.25	17,816.56	19,223.53	3,010,408.34	40,908.75	3,051,317.09
MAR 15	2,973,368.24	151,962.48	0.00	3,125,330.72	0.00	3,125,330.72
MAR 30	3,568,041.89	17,816.58	19,252.42	3,605,110.89	6,281.91	3,611,392.80
APR 15	2,378,694.60	0.00	0.00	2,378,694.60	0.00	2,378,694.60
APR 30	4,162,715.54	100,562.64	19,252.40	4,282,530.58	0.00	4,282,530.58
MAY 15	2,973,368.24	0.00	0.00	2,973,368.24	0.00	2,973,368.24
MAY 30	1,997,018.86	17,816.58	18,271.03	2,033,106.47	174,794.77	2,207,901.24
JUN 15	2,082,678.14	0.00	0.00	2,082,678.14	0.00	2,082,678.14
JUN 30	0.00	17,816.56	0.00	17,816.56	0.00	17,816.56
				\$41,686,624.79	\$6,029,081.17	\$47,715,705.96

Note: Current Year Would Have Been Around \$9.5 million higher at 90/10%.



Cash Flow – State Shifts

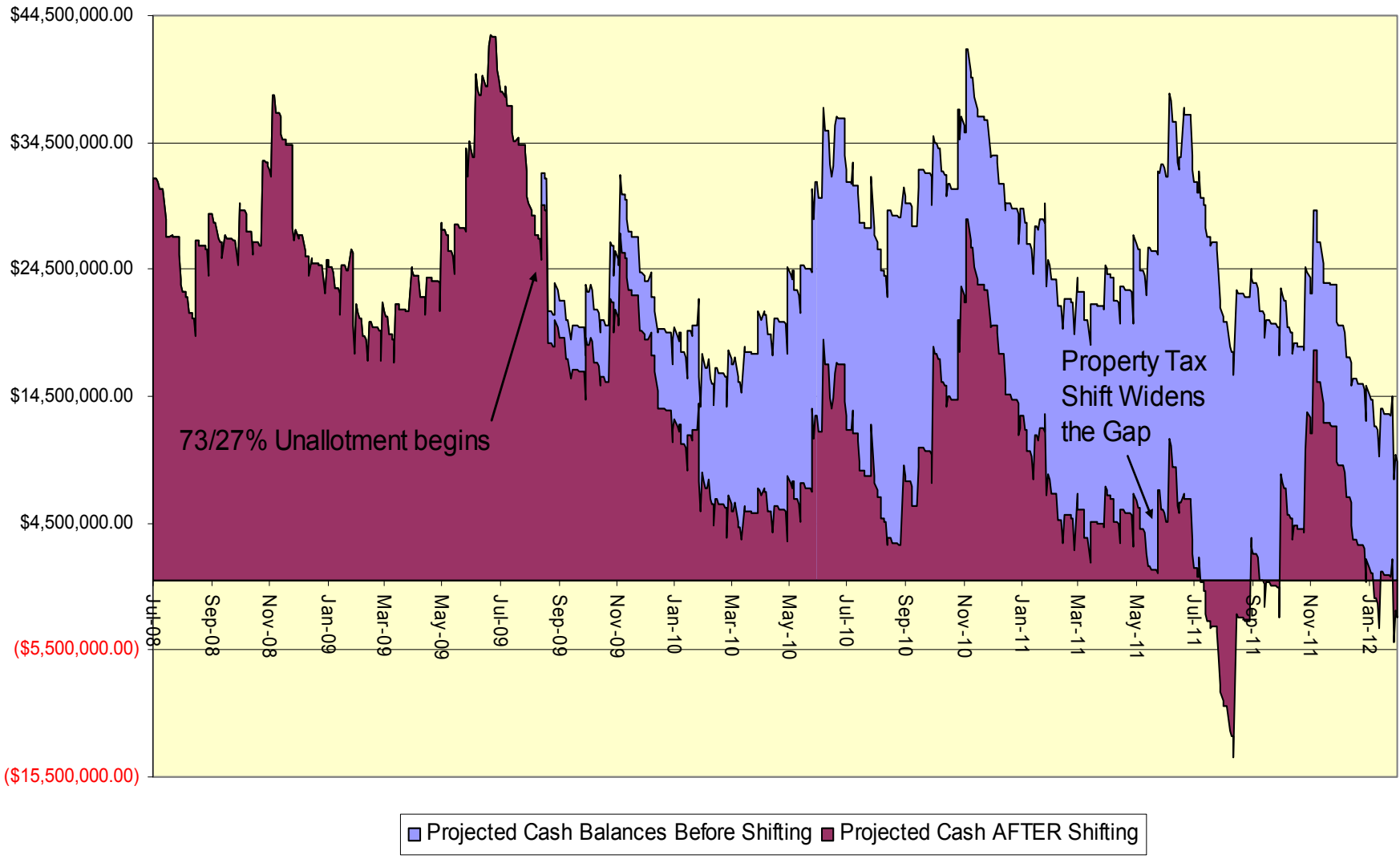
- Property Tax Shifts
 - Advanced recognition of Levy receipts results in delay of Aid payments
 - Cash Flow “hit” will come at the end of FY 11

DISTRICT - SCHOOL DISTRICT

	CURRENT				FINAL	
	METER OPER	NON-METER OPER	NON OPER	SUB TOTAL	ACCOUNT	TOTAL
JUL 15	0.00	196,081.00	0.00	196,081.00	0.00	196,081.00
JUL 30	0.00	0.00	18,657.59	18,657.59	0.00	18,657.59
AUG 15	1,108,799.50	0.00	0.00	1,108,799.50	134,950.42	1,243,749.92
AUG 30	1,681,679.88	158,644.56	18,629.63	1,858,954.07	4,329,619.19	6,188,573.26
SEP 15	1,681,679.87	147,163.61	0.00	1,828,843.48	0.00	1,828,843.48
SEP 30	1,681,679.88	18,471.35	18,657.60	1,718,808.83	6,188,789.38	7,907,598.21
OCT 15	1,345,343.91	0.00	0.00	1,345,343.91	0.00	1,345,343.91
OCT 30	0.00	114,574.41	18,657.59	133,232.00	3,793,433.18	3,926,665.18
NOV 15	0.00	0.00	0.00	0.00	0.00	0.00
NOV 30	0.00	18,471.36	18,629.63	37,100.99	0.00	37,100.99
DEC 15	0.00	0.00	0.00	0.00	0.00	0.00
DEC 30	1,359,476.20	18,471.36	18,657.60	1,396,605.16	0.00	1,396,605.16
JAN 15	3,363,359.76	0.00	0.00	3,363,359.76	0.00	3,363,359.76
JAN 30	2,690,687.80	201,901.97	18,657.60	2,911,247.37	61,835.65	2,973,083.02
FEB 15	2,690,687.81	0.00	0.00	2,690,687.81	0.00	2,690,687.81
FEB 28	3,363,359.75	18,471.34	18,629.61	3,400,460.70	117,904.34	3,518,365.04
MAR 15	3,363,359.76	151,962.48	0.00	3,515,322.24	0.00	3,515,322.24
MAR 30	4,036,031.71	18,471.36	18,657.60	4,073,160.67	17,941.12	4,091,101.79
APR 15	2,690,687.80	0.00	0.00	2,690,687.80	0.00	2,690,687.80
APR 30	3,260,873.22	100,698.88	18,657.60	3,380,229.70	0.00	3,380,229.70
MAY 15	52,979.77	0.00	0.00	52,979.77	0.00	52,979.77
MAY 30	0.00	18,471.36	17,706.53	36,177.89	509,823.45	546,001.34
JUN 15	13,354.70	0.00	0.00	13,354.70	0.00	13,354.70
JUN 30	0.00	18,471.35	0.00	18,471.35	0.00	18,471.35
				\$35,788,566.29	\$15,154,926.73	\$50,942,863.02

Note: Prior Year (Final Account) up to 27% now, but Current Year down again by around \$5.9 million due to the Property Tax Shift.

Actual MN ISD - Projected Op. Cash Before and After Shifting of Receipts





Cash Flow – Data

- Generally, more detail = better projections
- Budget does not equate exactly to cash
- Levy Certification information
- IDEAS reports
- The State’s “Cash Simulation” reports – take the totals with a grain of salt



Cash Flow – Data

- Debt Service Schedules
- Common Data problems:
 - accrual reports
 - incomplete information
 - double counting (too much info)
 - including construction funds



Cash Flow – Assumptions

- Levy Collection % for large payments
- Federal Stabilization & AARA collections
- Capital and Health & Safety expenditures
- Retro and Severance Outlays



Cash Flow – Assumptions

- Negotiations Assumptions
- Direct Deposit for payroll needs
- Growth rates on receipts and expenditures



Cash Flow – Assumptions

The downside of being too conservative:

- Opportunity Cost (lower interest earned)
- Borrowing too much (unnecessary Arbitrage, possibly losing more on the Borrowing in recent years)
- ‘Cry wolf’ accusations from your stakeholders



Cash Flow – Assumptions

Suggestions:

- Grow your projections by %'s instead of arbitrary \$ amounts
- Try to match reality
 - A/P and Health Insurance payments
 - Payroll (direct deposit needs?)
 - Miscellaneous receipts
 - Account appropriately for holidays/weekends



Cash Flow – Assumptions

Suggestions (Continued):

- Monitoring your receipts is imperative
 - Changing IDEAS (State Aid) reports
 - Federal “Non-IDEAS” and Stabilization/AARA receipts
 - County Property Taxes (amounts, wired/check?)



Cash Flow – Safety Net

- Be sure that you are slightly conservative with your assumptions
- Maintain a minimum cash balance
 - Money Markets and/or NOW accts
 - Have a goal of $\frac{1}{2}$ of a normal payroll
 - Dependent on quality of data
 - Dependent on variability of assumptions



Cash Flow – Safety Net

- Liquid fixed-rate investments can provide added security (ie, Government Securities)
- Accounts Payable Float
- Special request to the County for an advance in Property Taxes
- Other sources of money? (District-specific)



Cash Flow – Borrowing

- Aid Anticipation Certificates (AAC's)
 - Limited to 75% of non-Debt Aid (verify with Bond Counsel)
 - Proceeds cannot be received before July 1
 - Must be repaid by Sept 30 of the following year
 - Tax Anticipation Certificates (TAC's)
 - Limited to 75% of non-Debt Levy (verify with Bond Counsel)
 - Proceeds cannot be received before Jan 1
 - Must be repaid by March 30 of the following year
- *Note: Both may be subject to Arbitrage restrictions depending on amount borrowed and other debt issuances in the same calendar year



Cash Flow – Borrowing

- Borrowing Cash Flow Details
 - No Construction Funds
 - No Fund 7 (cash, receipts, or debt service)
 - Can borrow maximum low point within the term of the borrowing + 5% of prior year's non-debt expenditures
 - Can show the start/end of each month on any day, as long as you are consistent throughout



Cash Flow

Questions/Comments?

Thank you.

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