

# Cash Flow Management

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November 17, 2020

Board Meeting





# Budget vs. Cash Flow

## Budget

- Annual
- Anticipated revenue/source, expenditures/uses and resources
- Generally Accepted Accounting Principles regarding recognizing revenues, accruals
- 45-day and interim report updates
- Fund specific

## Cash Flow

- Monthly (sometimes weekly)
- Actual receipts, disbursements and available funds in the county treasury
  - ✓ Forecast: annual data with time factors such as apportionment schedules
- Cash and budget are equalized with accruals (e.g., receivables and payables)
- Monthly updates; first sign of fiscal distress
- All funds



# What is Cash and Cash Flow?

- Cash is the result of what actually happens – the real world
- Actual inflow and outflow of funds
- “Cash position” balance at the end of the period

# The Importance of Cash Flow

- Cash flow is an important factor in determining the fiscal health of the LEA under county office oversight.
- LEAs can have the required level of economic reserves and yet be out of cash or can be cash poor.





# Budget Deferrals

## What Are They?

- Budget deferrals allow the state to record a budget cut in one year and move the expense to the next year

## Impact to Proposition 98

- This entry then reduces the appropriated Proposition 98 amount in the deferral year and increases Proposition 98 appropriations in the next year

## You Can Have Both Budget and Cash Deferrals

- June to July deferrals are cash deferrals, part of which are budget deferrals
- February through May deferrals are both cash and budget deferrals

Deferrals in February – June 2021 will cause Districts to hit their low cash point sometime in June.

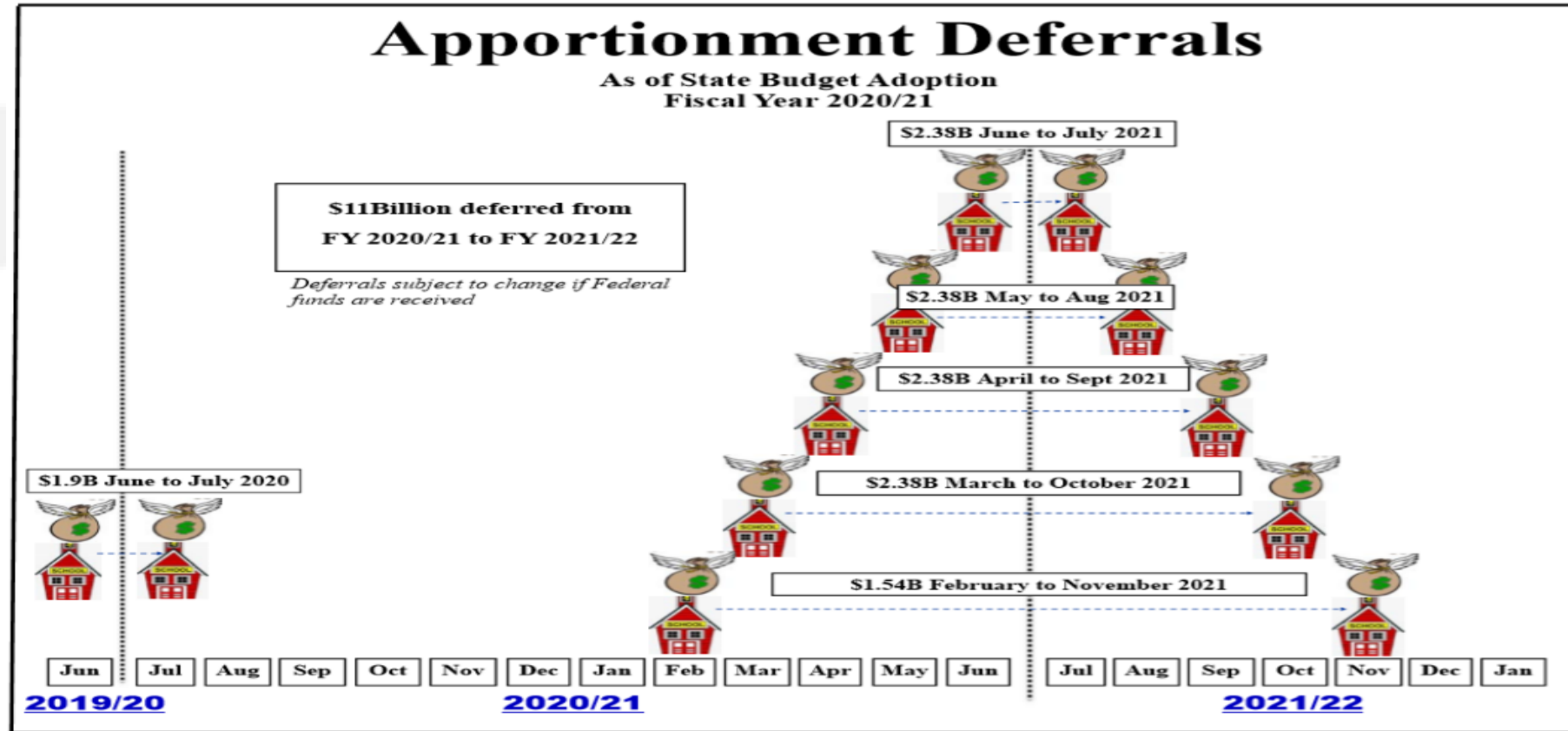
# Cash Deferrals



Cash deferrals are changes in law (Education Code Section [EC §] 14041) to delay the schedule of apportionments allowing the state to retain cash for a period of time—the burden of borrowing lies with the LEA to ensure adequate cash for operations. Should additional funding from the federal government materialize, the deferrals will be paid in the order issued.



# Cash Flow - Deferrals



Source: Capitol Advisors Budget Perspectives Workshops July 2020



# Deferrals and Cash Flow

The effects of these cash deferrals on the typical apportionment schedule are as follows:

Month	Normal Share of Annual Apportionment	Proportion Deferred
July	5%	0%
August	5%	0%
September	9%	0%
October	9%	0%
November	9%	0%
December	9%	0%
January	9%	0%
February	9%	45% (\$588,174)
March	9%	70% (\$914,939)
April	9%	70% (\$914,938)
May	9%	70% (\$914,938)
June	9%	100% (\$1,307,054)

**LEAs will receive only about 68% of the state aid apportionment during the year. For LCUSD this equals approximately \$4.6M being deferred.**





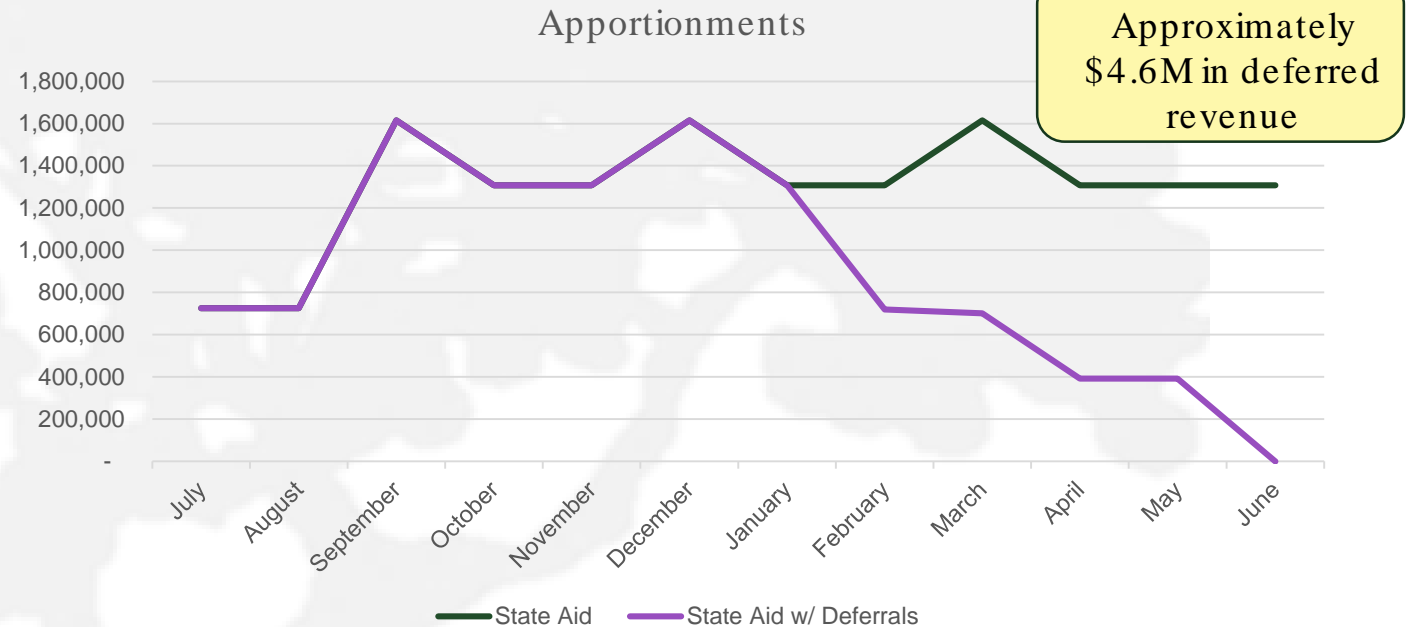
# Deferral Impact on State Aid

- **State Aid (\$15,449,211)**

Received at a fairly standard pace per apportionment schedule

- **State Aid with Deferrals (\$10,809,168)**

February through June Deferrals





# Minding the Gap

## ■ District Expenditures

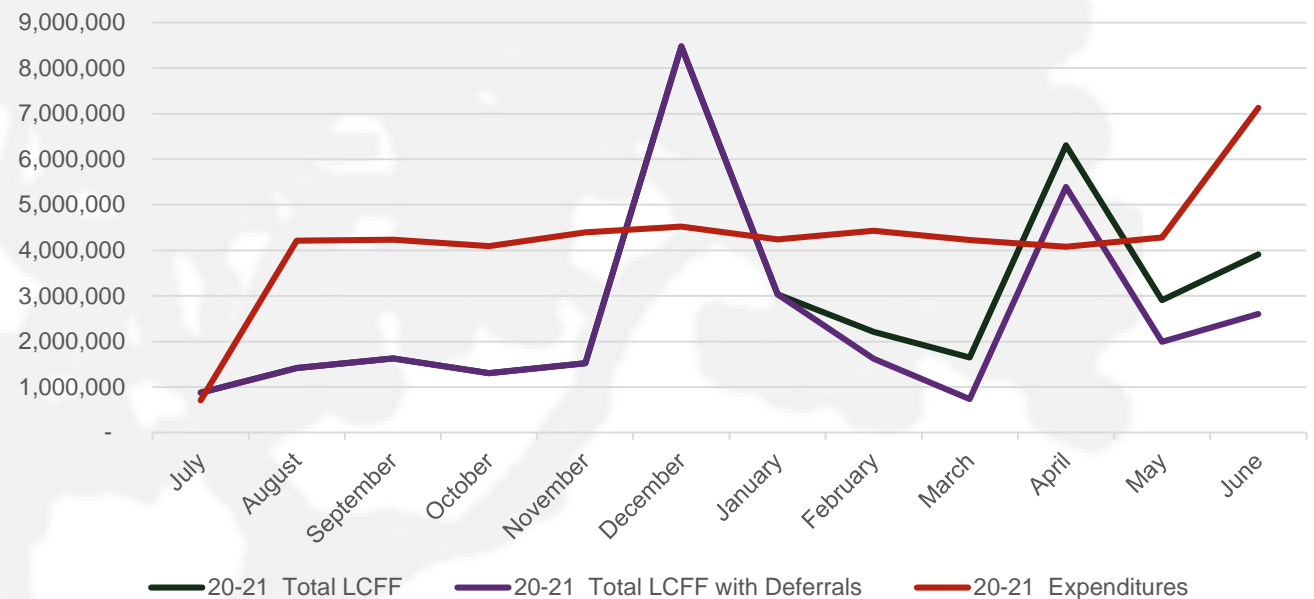
Fluctuate at beginning and end of fiscal year, but typically match prior year patterns

## ■ LCFF Cash– No Deferrals (\$35,247,620)

State aid received at a fairly standard pace per apportionment schedule. Local property taxes received throughout the year, but the majority comes in December and April.

## ■ LCFF Cash with Deferrals (\$30,607,577)

Apportionments vs Expenditures





# Options to Meet Cash Needs

- Temporary Interfund Borrowing
- Tax and Revenue Anticipation Notes (TRANS)
- Borrowing from the County Office of Education
- Borrowing from the County Treasurer



# Internal Cash Borrowing

- Alternative liquidity
- Satisfy temporary shortfalls in operating cash is common practice
- Shall not be available for appropriation or considered income – not about budget deficits, but cash shortfalls.
- Borrowing limits and timelines apply

Needing Temporary Loan	Funds to Borrow From	Funds Restricted from Use
Fund 01 – General	Fund 14 – Deferred Maintenance	Fund 21 – Building GO Bond
Fund 13 - Cafeteria	Fund 17 – Special Reserve (Lease Interruption)	Fund 71 – Retiree Benefits
	Fund 20 – Special Reserve (Post-Employment Benefits)	
	Fund 25 – Developer Fees	
	Fund 40 – Special Reserve (Capital Outlay)	



# Tax and Revenue Anticipation Notes (TRANS)

- Short-term cash management tool for the General Fund, typically issued on tax-exempt basis.
- Characteristics of tax-exempt TRANS:
  - ✓ Issued to even out temporary cash deficits (a) in advance of property tax receipts or (b) due to deferred State payments or LCFF revenue (not “structural” budget deficits)
  - ✓ Monthly cash flows prepared for past, current and projected FYs
  - ✓ Projected cash deficit must be within six months of issuance
  - ✓ TRANS sized to cover maximum cash deficit plus minor capital reserve (up to 5% of last FYs expenditures)
  - ✓ Repaid within 13 months of issuance from same FY’s revenue with set-aside dates in advance of final maturity

# Timeline

- Complete Cash Flow Schedules Dec
- Work with TRANS Financial Team Dec/Jan
- Determine Requested Amount Jan-March
- Create Resolution for Board Approval March



# Thank you!

