IOWA CITY COMMUNITY SCHOOL DISTRICT
All In for All Kids

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Memo

To: Board of Education

Through: Matt Degner, Superintendent

From: Curt Pratt, Chief Operating Officer

Date: March 24th, 2026

Subject: Clarification of October Property Tax Disbursement and Related Fund Activity

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The October property tax disbursement was received on October 10, 2025. Based on the district's bank records at the time of receipt, the funds were distributed to district accounts as follows:

- $5,209,609.40 to the Schoolhouse Fund (SAVE & PPEL combined)
- $4,187,713.50 to Capital Projects SAVE
- $1,031,302.68 to the Capital Projects Fund

Subsequent review of the county's official statement of disbursement indicates that the funds were intended to be allocated in the following manner:

- $5,209,609.40 segregated for the Debt Service Fund
- $4,187,713.50 to the Schoolhouse Fund as the district's voted PPEL disbursement
- $1,031,302.68 to the Schoolhouse Fund as the district's board-levied PPEL disbursement

Based on this comparison, it appears the funds were not segregated consistent with the county's intended allocation at the time the disbursement was processed. Importantly, a review of expenditures indicates that these funds were not used to support General Fund operations or increases in operating costs.

Use of Funds

During this same time period, the district was completing work associated with Facilities Master Plan (FMP) 2.0 and initiating preliminary work related to FMP 2.3 after board approval for this work in spring 2025.

Because the Debt Service revenues were not recorded in the intended accounts at the time of receipt, certain costs associated with these construction and design activities were paid from those revenues during this period, which has subsequently created a shortfall in district funds for general obligation and SAVE bond principal and interest payments due on June 1st, 2026. Contributing factors to this shortfall include the purchase of approximately $10 million in new computers and startup costs associated with FMP 2.3, which occurred prior to the implementation of a long-term bonding strategy to support those expenditures.

Borrowing Need

To address near-term cash flow constraints and ensure the district is able to meet all legally required financial obligations when due, the administration is recommending that the Board consider authorizing the issuance of a Revenue Anticipation Warrant. A Revenue Anticipation Warrant is a short-term financing instrument permitted under Iowa law that allows school districts to temporarily borrow against revenues that are expected to be received later in the fiscal year.

At present, the district has an outstanding interfund loan of $10 million from the Health Insurance Fund that was utilized to support district cash flow. While Iowa law permits temporary interfund borrowing, these loans must be repaid to ensure that restricted funds remain available for their intended purposes. The Health Insurance Fund is intended to maintain sufficient reserves to cover employee health claims and related obligations, and repayment of the interfund loan is necessary to restore the fund to its appropriate financial position. Issuance of a Revenue Anticipation Warrant for the General Fund would provide the district with the liquidity needed to repay this obligation and maintain the financial integrity of the Health Insurance Fund.

In addition, current projections indicate a shortfall of approximately $7.32 million associated with SAVE and General Obligation bond payment obligations. Debt service payments on these bonds are legally binding obligations of the district and must be made according to the established payment schedules. Ensuring the timely payment of these obligations is critical to maintaining the district's financial standing, compliance with bond covenants, and continued access to capital markets. A Revenue Anticipation Warrant would provide the necessary funds to meet these obligations while the district awaits the receipt of future SAVE revenues and other anticipated income sources.

Last, the district is projecting $7.28 million in additional cash flow need during the months of September and March in FY27. This is primarily the result of the typical timing mismatch between expenditures and revenues early in the fiscal year. During this period, the district must meet regular payroll, vendor payments, and operational costs before the majority of property tax revenues and other significant revenue streams are received later in the fall. Temporary financing through a Revenue Anticipation Warrant (RAW) would allow the district to meet these obligations in an orderly manner while maintaining normal operations.

For these reasons, the administration believes that the issuance of a Revenue Anticipation Warrant represents the most appropriate short-term financial tool to address the district's current liquidity needs. This action would allow the district to repay the interfund loan, meet required bond payment obligations, and maintain adequate operating cash flow while anticipated revenues are received over the course of the fiscal year. The use of a Revenue Anticipation Warrant is intended as a temporary cash management solution and will be structured so that the warrant is repaid as projected revenues are received. The Revenue Anticipation Warrant will need to be issued prior to June 1st.