

Memo

To: Board of Education

Through: Matt Degner, Superintendent

From: Curt Pratt, Chief Operating Officer

Date: April 1st, 2026

Subject: FY26-FY28 Cash Flow Narrative

FY26 General Fund Cash Flow

Cash flow for the General Fund for fiscal year 2025-2026 included an interfund loan from the health insurance fund for \$10 million in August of 2025. The ending cash balances for August 2025 and September 2025 show less than \$6 million, proving the necessity of the interfund loan. Additional concerns were raised for the March 15, 2026, payroll, and a \$3 million Revenue Anticipation Warrant was issued with MidwestOne to provide reserves for cash balances. This Revenue Anticipation Warrant was structured as a draw-down bond, meaning no interest would be paid unless the warrant was drawn upon. As of the end of March, there has been no cash drawn from the warrant.

Review of district cash flow after April 2026 indicates low reserves in June and July 2026. As stated above, there is also a need for additional cash to make the June 1, 2026, principal and interest payments on the SAVE bonds in addition to the necessity of repaying the \$10 million loan with interest to the health insurance fund. As stated above, the current recommendation is to issue a Revenue Anticipation Warrant in the amount of \$25 million for the General Fund in May 2026. These funds will be fully drawn upon (unlike the March 2026 warrant), with immediate disbursements of \$10 million to the health insurance fund (with interest) and approximately \$7.32 million to the SAVE fund for June 1st bond payments. The remaining cash (\$7.28 million) will remain in the General Fund for cash reserves. The projected ending cash balance for FY26 is \$29,376,303.06, which is 36.6 days cash on hand.

Matt Degner – Superintendent of Schools

FY26 SAVE, PPEL, and Debt Service Funds

With the interfund loan from Debt Service to SAVE & PPEL discussed above, the PPEL fund will utilize the April property tax receipt to repay the Debt Service fund so the General Obligation bond principal and interest payments can be made from the Debt Service fund. The interfund loan from the General Fund to the SAVE fund will provide enough cash to make the June 1, 2026, principal and interest payments for the SAVE bonds. FMP 2.0, FMP 2.3, and PPEL project costs will be expended as necessary to close projects out into FY27. The projected ending cash balance for SAVE & PPEL for FY27 is approximately \$3.2 million.

FY27 General Fund

The movement of state foundation aid payments to quarterly payments greatly benefits the FY 2026-2027 general fund cash flow. The assumptions for the FY27 revenues are flat state aid payments compared to FY26 due to the decline in enrollment and the budget guarantee. Property taxes will generate an additional \$8 million pending board approval of the FY27 certified budget. Other miscellaneous income (local revenues and federal revenues) is anticipated to be flat from FY26. Payroll and benefits are projected to be flat from FY26, pending staff reductions and anticipated wage increases. Other expenses show a \$1.5 million reduction with the board's approval of the budget reduction recommendations.

The interfund loan to the SAVE fund will be repaid by the SAVE fund in October 2026 with interest. The General Fund will subsequently issue another \$2.5 million interfund loan to the SAVE fund for cash flow purposes with an anticipated 4% interest rate. The General Fund will repay the entire \$25 million Revenue Anticipation Warrant issued in May 2026 in May 2027 with an anticipated \$1.5 million in interest, assuming a 6% interest rate for a total principal and interest repayment of \$26.5 million. Investment income from the elevated cash balances can offset a portion of the interest expense for the revenue anticipation warrant. This offset is discussed in more detail below. In June 2027, the cash flow projection indicates another Revenue Anticipation Warrant for \$10 million for cash flow purposes. The projected ending cash balance for the FY27 General Fund is approximately \$18.4 million, which is 23.2 days cash on hand.

Matt Degner – Superintendent of Schools

FY27 SAVE, PPEL, and Debt Service Funds

Anticipated revenues for SAVE and PPEL total \$33.3 million for FY27, and projected expenses total \$10.9 million, not including SAVE bond payments, which are \$14,236,818. The SAVE fund will repay the interfund loan to the General Fund with an assumed 6% interest in the amount of \$7,759,200 in October 2026. The SAVE fund will receive a \$2.5 million interfund loan from the General Fund in November 2026 for cash-flow purposes. The ending cash balance for the SAVE & PPEL is nearly \$3.2 million.

FY28 General Fund

Revenue assumptions for the FY 2027-2028 General Fund include 2% growth in state aid payments, property taxes level with FY27, and miscellaneous income sources level with FY26. Expense assumptions include a \$7.8 million reduction in salary and benefits and minor growth in general expenses. The General Fund will receive \$2.65 million from the SAVE fund for the interfund loan in FY27 in September 2027. The \$10 million Revenue Anticipation Warrant issued in May 2027 will be repaid with assumed 6% interest in May 2028. The current model does not indicate that an additional Revenue Anticipation Warrant will need to be issued. The ending cash position for the FY28 General Fund is approximately \$13.4 million, which is 16.9 days cash on hand.

FY28 SAVE, PPEL, and Debt Service Funds

Anticipated revenues for SAVE and PPEL total \$33.8 million for FY28, and projected expenses total \$10.4 million, not including SAVE bond payments, which are \$14,322,319. The SAVE fund will repay the interfund loan to the General Fund with an assumed 6% interest in the amount of \$2,637,500 in September 2027. No interfund loan will be needed for FY29. The ending cash balance for the SAVE & PPEL is approximately \$9.6 million.

Matt Degner – Superintendent of Schools

It is the policy of the Iowa City Community School District not to discriminate on the basis of race, color, national origin, sex, disability, religion, creed, age, marital status, sexual orientation, gender identity and socioeconomic status in its educational programs, activities, or employment practices. There is a grievance procedure for processing complaints of discrimination. If you have questions or a grievance related to this policy, please contact Laura Cottrell for programming at cottrell.laura@iowacityschools.org or Nick Proud for employment at proud.nick@iowacityschools.org, 2255 N. Dubuque Rd, Iowa City, IA 52245, (319) 688-1000. If you are unsure how to proceed or would like assistance in discussing your options, you may also contact Janet Abejo-Parker at ombuds@iowacityschools.org or (319) 688-1312.

Projected Interest Expense

The table below is a summary of the projected interest paid by each fund and the receiving entity.

Paying Fund	Projected Interest Payment	Receiving Fund/Entity	Year
General Fund	400,000	Health Insurance Fund	FY26
SAVE Fund	439,200	General Fund	FY27
General Fund	1,500,000	Bond Issuer	FY27
SAVE Fund	150,000	General Fund	FY28
General Fund	800,000	Bond Issuer	FY28

Interest Totals	
General Fund Revenue	589,200
General Fund Expense	2,700,000
SAVE Fund Expense	589,200
Health Insurance Revenue	400,000
Borrowing Costs (Bond Issuer)	2,300,000

The total borrowing costs the district will incur will be approximately \$2.3 million dollars. All other interfund transactions will be an expense for one fund and a revenue for another.

Matt Degner – Superintendent of Schools

It is the policy of the Iowa City Community School District not to discriminate on the basis of race, color, national origin, sex, disability, religion, creed, age, marital status, sexual orientation, gender identity and socioeconomic status in its educational programs, activities, or employment practices. There is a grievance procedure for processing complaints of discrimination. If you have questions or a grievance related to this policy, please contact Laura Cottrell for programming at cottrell.laura@iowacityschools.org or Nick Proud for employment at proud.nick@iowacityschools.org. 2255 N. Dubuque Rd, Iowa City, IA 52245, (319) 688-1000. If you are unsure how to proceed or would like assistance in discussing your options, you may also contact Janet Abejo-Parker at ombuds@iowacityschools.org or (319) 688-1312.



Projected Investment Revenue

Higher cash reserve balances will generate more investment income for the district, which will help offset the interest expense on the Revenue Anticipation Warrants.

	Average Monthly Cash Balance	Monthly Interest Rate (Assumed 3% Annual)	Projected Interest Revenue (12 Months)
FY27 General Fund	33,615,575	0.0025	1,008,467
FY28 General Fund	33,418,924	0.0025	1,002,568
			2,011,035
FY27 SAVE & PPEL Fund	5,425,937	0.0025	162,778
FY28 SAVE & PPEL Fund	11,034,887	0.0025	27,587
			190,365

With the additional cash reserves for both the General Fund and SAVE & PPEL Funds, the earnings on investments will offset the interest rate, assuming a 3% interest rate on investments and a 6% interest rate on borrowing. The current ISJIT 7 Day Yield is 3.422%.

Matt Degner – Superintendent of Schools

It is the policy of the Iowa City Community School District not to discriminate on the basis of race, color, national origin, sex, disability, religion, creed, age, marital status, sexual orientation, gender identity and socioeconomic status in its educational programs, activities, or employment practices. There is a grievance procedure for processing complaints of discrimination. If you have questions or a grievance related to this policy, please contact Laura Cottrell for programming at cottrell.laura@iowacityschools.org or Nick Proud for employment at proud.nick@iowacityschools.org. 2255 N. Dubuque Rd, Iowa City, IA 52245, (319) 688-1000. If you are unsure how to proceed or would like assistance in discussing your options, you may also contact Janet Abejo-Parker at ombuds@iowacityschools.org or (319) 688-1312.