State Controller's Conference with County Auditors

The Role of County Government in Addressing Cash Flow Needs of Schools

Government Financial Strategies

Presented by Lori Raineri and Jonathan Edwards

October 22, 2020

Presentation materials provided for distribution to meeting participants and not meant to stand alone without meeting discussion.

Introductions

Lori Raineri

- President and Founder
- 32 years with Government Financial Strategies

Jonathan Edwards

- Client Services Director
- 24 years with Government Financial Strategies

- Professional designations include:
  - Registered Municipal Advisor (both)
  - Registered Municipal Advisor Principal (Lori)
  - Certified Independent Professional Municipal Advisor (both)
  - Certified Fraud Examiner (Lori)

NAMA
National Association of Municipal Advisors

ACFE
Association of Certified Fraud Examiners

- Government Financial Strategies
  - Public finance consulting firm dedicated to helping public agencies meet their capital needs

Government Financial Strategies

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Agenda

- Relationship Between County and School Governance
- Budget and Cash Management
- Cash Flow Projections
  - Best Practices
  - Examples
- Options for Schools to Address Cash Flow Shortfalls
- Case Study
- Next Steps for County Auditors

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Tri-Party Relationship

County Treasuries Are Largely School $

COUNTY OF SISKIYOU
Combining Statement of Changes in Fiduciary Net Position
Investment Trust Funds
For the Yar Ended June 30, 2014

	Special Districts Governed by Local Boards	School Funds	Debt Service Funds	College Funds	Trial Court and PSA II
ADDITIONS					
Contributions:					
Contributions to investment pool	$ 391,660	$ 7,794,556	$ 517,618	$ 159,184	$ 94,625
Total Additions	391,660	7,794,556	517,618	159,184	94,625
DEDUCTIONS					
Distributions from investment pool	56,560	6,365,422	7,965	1,325,169	8,397
Total Deductions	56,560	6,365,422	7,965	1,325,169	8,397
Change in Net Position	335,100	1,429,134	509,653	(1,165,985)	86,228
Net Position - Beginning	3,006,301	34,838,044	4,204,530	2,931,653	136,159
Net Position - Ending	$ 3,341,401	$ 36,267,178	$ 4,714,183	$ 1,765,668	$ 222,387

LOS ANGELES COUNTY TREASURER AND TAX COLLECTOR
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 7 – Investment Pool Composition

As of June 30, 2019, the Investment Pool participants by percentage of net position consist of:

Participant Allocation	
Consolidated School Districts	52.11%
County of Los Angeles, including Superior Courts	38.94%
County Bond Proceeds and Repayment Funds	0.43%
Consolidated Sanitation Districts	3.29%
South Coast Air Quality Management District	2.53%
Los Angeles County Metropolitan Transportation Authority	1.05%
Other Municipal Agencies	1.65%
Total	100.00%

COUNTY OF SHASTA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
INVESTMENT TRUST FUNDS
YEAR ENDED JUNE 30, 2019

	School Districts	Special Districts	Total
ADDITIONS			
Contributions to Investment Pool	$ 568,128,627	$ 17,853,788	$ 585,982,415
DEDUCTIONS			
Distributions from Investment Pool	553,175,363	17,207,728	570,383,079
CHANGE IN NET POSITION	14,953,266	646,060	15,599,336
Net Position - Beginning	223,195,705	10,672,511	233,868,215
NET POSITION - ENDING	$ 238,148,971	$ 11,318,578	$ 249,467,549

TABLE 14: SAN DIEGO COUNTY INVESTMENT POOL NET POSITION BY MAJOR PARTICIPANT
(amounts rounded to nearest thousands, except percentages)

	06/30/18	
PARTICIPANT	AMOUNT	%
County	$ 3,768,251	37.83%
K-12 Schools	4,407,465	44.25%
Community Colleges	1,061,914	10.66%
Voluntary Deposits	787,998	7.91%
Undistributed and Unrealized Gains/(Losses)	(64,764)	-0.65%
TOTAL NET POSITION	$9,960,864	100.00%

Schools Are Usually Large Employers

CITY AND COUNTY OF SAN FRANCISCO

Principal Employers

Current Year and Nine Years Ago

	Year 2017 [1]			Year 2008		
Employer	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
City and County of San Francisco	31,038	1	5.59%	26,656	1	6.28%
University of California, San Francisco	25,522	2	4.60%	18,200	2	4.29%
San Francisco Unified School District	10,000	3	1.80%	-	-	-
Wells Fargo & Co.	7,838	4	1.41%	8,718	3	2.05%
Salesforce	7,000	5	1.26%	-	-	-
Sutter Health	6,447	6	1.16%	-	-	-
Uber Technologies Inc.	5,000	7	0.90%	-	-	-
Kaiser Permanente	4,517	8	0.81%	-	-	-
Gap Inc.	4,050	9	0.73%	4,172	9	0.98%
PG&E Corporation	3,800	10	0.68%	4,350	8	1.03%
California Pacific Medical Center	-	-	-	6,600	4	1.56%
State of California	-	-	-	6,021	5	1.42%
Charles Schwab & Co. Inc.	-	-	-	4,600	6	1.08%
United States Postal Service	-	-	-	4,571	7	1.08%
San Francisco State University	-	-	-	3,881	10	0.90%
Total	105,212		18.94%	87,719		20.67%

County of Fresno
Principal Employers
Comparison of 2018 and 2009

	2019			2010		
Employer	Number of Employees	Rank	Percentage of Total County Employment	Number of Employees	Rank	Percentage of Total County Employment
Fresno Unified School District	14,238	1	3.15%	8,400	2	1.87%
Community Medical Centers	8,500	2	1.88%	6,200	3	1.38%
County of Fresno	8,341	3	1.84%	8,654	1	1.92%
Clovis Unified School District	8,313	4	1.84%	5,000	4	1.11%
California State University Fresno	5,766	5	1.27%	-	0	0.00%
State Center Community College District	5,192	6	1.15%	-	0	0.00%
City of Fresno	4,556	7	1.01%	2,600	5	0.58%
Children's Hospital of Cental CA	4,140	8	0.92%	-	0	0.00%
Saint Agnes Medical	2,696	9	0.60%	-	0	0.00%
Kaiser Permanente Medical	2,300	10	0.51%	2,000	8 ~ 10	0.44%

COUNTY OF TULARE
Statistical Section
Principal Employers (unaudited)
June 30, 2019 and June 30, 2008

Fiscal Year 2019

Rank	Employer	Employees		Percentage of Total County Employment
1	County of Tulare	5,034	(1)	2.68%
2	Visalia Unified School District	3,014	(2)	1.60%
3	Kaweah Delta Health Care	2,000	(3)	1.06%
4	Sierra View District Hospital	1,800	(3)	0.96%
5	Ruiz Food Production, Inc.	1,800	(3)	0.96%
6	Wal-Mart Distribution Center	1,692	(3)	0.90%
7	Porterville Developmental Center	1,240	(4)	0.66%
8	College of the Sequoias	817	(5)	0.44%
9	Jostens	720	(3)	0.38%
10	City of Visalia	642	(6)	0.34%
	Total	18,759		9.98%

COUNTY OF SUTTER
Principal Employers (unaudited)
June 30, 2018 and June 30, 2009

June 30, 2018

Company or Organization	Type of Business	Jobs	Percent of Total County Employment
Yuba City Unified School District	Education	3,936	9.65%
Sutter County	Government	919	2.25%
Sunsweet Grower's Inc	Fruit Processor	550	1.35%
Walmart-Yuba City	Retail	530	1.30%
Sierra Gold Nurseries	Wholesale Plant Nursery	525	1.29%
City of Yuba City	Government	482	1.18%
Sysco Foods	Food Service	430	1.05%
Holt of California	Construction Equipment Supplier	250	0.61%
Legend Transportation, Inc	Transportation	250	0.61%
Sam's Club	Retail	190	0.47%

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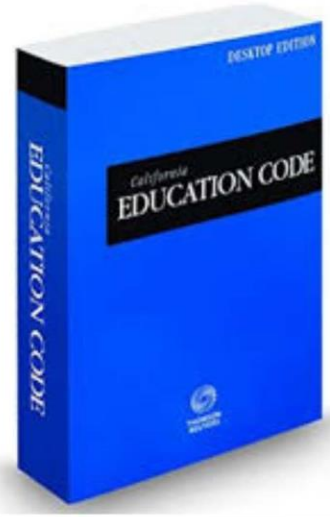
County Responsibility to Support Schools

- Responsibilities are described in the California Constitution, the Government Code, the Revenue and Taxation Code, the Elections Code and just in the California Education Code . . .
  - 205 sections refer to county board of supervisors
  - 102 sections refer to county treasurer
  - 113 sections refer to county auditor



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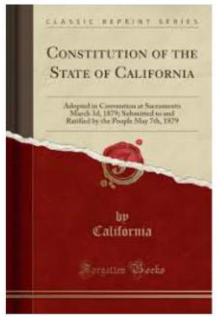
Temporary Borrowing

California Constitution, Article 16, Section 6

". . . And provided, still further, that notwithstanding the restrictions contained in this Constitution, the treasurer of any city, county, or city and county shall have power and the duty to make such temporary transfers from the funds in custody as may be necessary to provide funds for meeting the obligations incurred for maintenance purposes by any city, county, city and county, district, or other political subdivision whose funds are in custody and are paid out solely through the treasurer's office. Such temporary transfer of funds to any political subdivision shall be made only upon resolution adopted by the governing body of the city, county, or city and county directing the treasurer of such city, county, or city and county to make such temporary transfer. Such temporary transfer of funds to any political subdivision shall not exceed 85 percent of the anticipated revenues accruing to such political subdivision, shall not be made prior to the first day of the fiscal year nor after the last Monday in April of the current fiscal year, and shall be replaced from the revenues accruing to such political subdivision before any other obligation of such political subdivision is met from such revenue."



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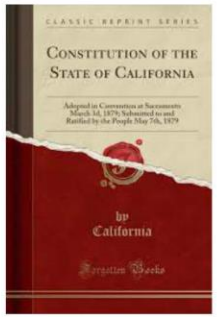
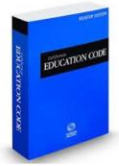
- ✔ *BOS directs county treasurer to make temporary transfer.*
- ✔ *Max. amount = 85% of anticipated revenues to local agency.*
- ✔ *Transfer window = July 1 through last Monday of following April.*
- ✔ *Funds must be replaced before any other obligation of LEA met from such revenue.*
- ✔ *Is interest chargeable and, if so, on what basis?*
- ✔ *Would county charge fees for this service and, if so, on what basis?*



Temporary Borrowing
Education Code Section 42620

"Whenever prior to the receipt by any school district or county school service fund of its state, county, city and county, or district funds, any school district or county school service fund of a county or city and county does not have sufficient money to its credit to meet current expenses of maintenance, the board of supervisors of the county or city and county shall order, and the auditor and treasurer of the county or city and county shall make a temporary transfer from any funds of the county or city and county not immediately needed to pay claims against them to the school fund of the district or county school service fund of the amount needed, not exceeding 85 percent of the amount of money which will accrue to the school district or county school service fund during the fiscal year. Upon the making of the transfer the auditor shall immediately notify the superintendent of schools of the county or city and county of the amount transferred. Each transfer of funds requested under this section shall be granted in order of receipt by the board of supervisors, regardless of whether sufficient county funds are available for transfer to meet pending or anticipated requests of school districts.

The funds transferred under this section to the credit of a school district or county school service fund shall be retransferred by the auditor and treasurer to the fund from which they were taken from the first moneys accruing to the school district or county school service fund and before any other obligation of the school district or county school service fund is paid from the money accruing."



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Temporary Borrowing - County Superintendent of Schools

- Education Code 42621 - 42622 enables school districts and charter schools to borrow from the County Superintendent of Schools.
  - Districts can borrow up to 85% of revenues accruing during the fiscal year.
  - While statutes for school districts and charter schools are parallel, charter school options are necessarily more specific to the charter school (independent vs. dependent, charter provisions, fiscal oversight, etc.)

- The County Superintendent of Schools may fund school districts' cash flow needs via pooled issuance of TRANs.

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Every Dime Counts

"Given COVID-19, people will be staying home and watching more TV. That means more time on the sofa and more coins under the cushions. To increase your cash flow, my advice is to buy more sofas."

- ✔ *With revenues tight and expected to get tighter, let's not overspend on a solution.*
  - *First step is understanding the timing and magnitude of the problem.*

Long Term vs. Short Term View

- School district budgets have to be sustainable over three years
  - Budgets are "published" three to four times a year
- Cash has to be available when needed
  - Cash flow projections should be prepared monthly

- Budget essentially balanced over three years

- Cash could be needed any minute of every day

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Lack of Cash = Insolvency

- Thus, it is possible for districts with a balanced budget to become insolvent
- Cash flow is a common concern, but not as much of a worry when surplus spending because reserves are being increased

NEWS // LOCAL NEWS

Insolvency threat to school districts

Business officials warn crisis is near as funds tapped, survey reveals

Rick Karlin

June 28, 2012 | Updated: June 28, 2012 11:43 p.m.

NEWS

Treasurer: Detroit schools on brink of payless pay days

Shawn D. Lewis The Detroit News

Published 12:25 p.m. ET Feb. 24, 2016

Future of Benton Harbor Area Schools at stake as cash flow dwindles

by Lauren Becker, WSBT 22 Reporter
Thursday, February 28th 2019

Chicago Public Schools faces cash crunch now, possible crisis in the fall

By JUAN PEREZ JR., HEATHER GILLERS and HAL DARDICK
CHICAGO TRIBUNE | JUN 21, 2015 AT 12:21 PM

Cash flow a concern for schools, too

By Tanner Kent
Free Press Staff Writer
Jan 22, 2010

The Coming Challenges for Schools

- Uncertainty due to triggers in the State Budget.

- Deferrals are a moving target.

Principal Apportionment Deferrals

The state has implemented several Kindergarten through Grade 12 (K-12) apportionment deferrals by deferring a portion of current year state aid payments to the subsequent fiscal year. The chart below provides information on the deferrals that impact the Principal Apportionment for the 2020–21 fiscal year. **Note: Deferral amounts and estimated impacts are based on current legislation and information available as of September 2020. The deferral impact estimates for February 2021 through May 2021 do not reflect the proposed ADA growth formula in Senate Bill 820.**

2020–21 Fiscal Year Deferrals

Month	Deferral Amount	Repayment Month	Principal Apportionment Deferral Impact *(Estimates are shown in italics)*	Authority
February 2021	$1,540,303,000	November 2021	*53% of 2020–21 P-1*	*EC* 14041.6
March 2021	$2,375,308,000	October 2021	*82% of 2020–21 P-1*	*EC* 14041.6
April 2021	$2,375,308,000	September 2021	*82% of 2020–21 P-1*	*EC* 14041.6
May 2021	$2,375,308,000	August 2021	*82% of 2020–21 P-1*	*EC* 14041.6
June 2021	$2,375,308,000	July 2021	100% of 2020–21 P-2	*EC* 14041.5

Information from California Department of Education.

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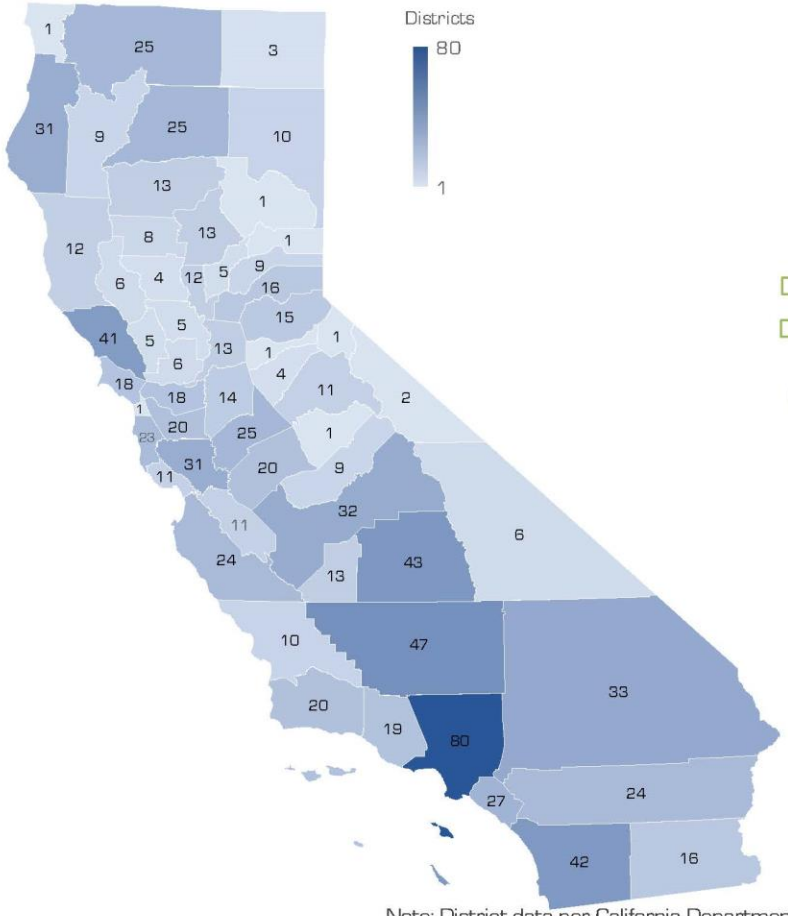
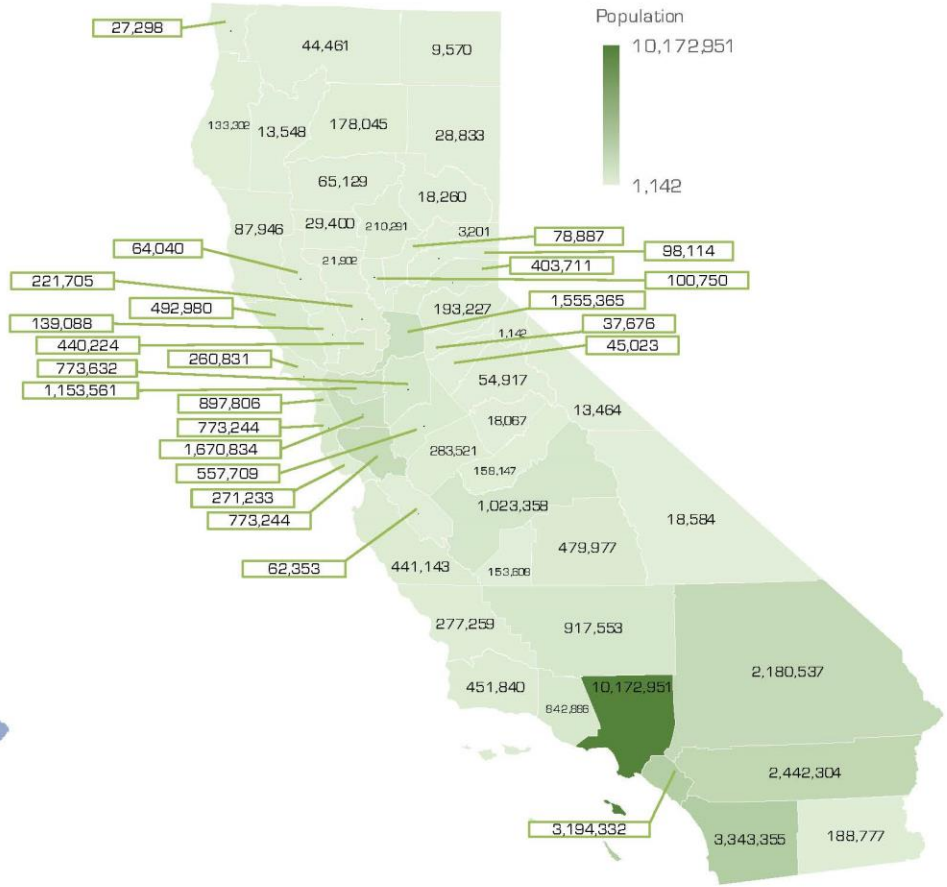
Budget Requires Cash Management

Population and Number of School Districts Don't Correlate

Number of K-12 Public School Districts by County



Total Population by County



Note: District data per California Department of Education Public Schools & Districts data file dated Aug 31, 2020
Population data per California Department of Finance Demographic Research Unit, data file dated May 1, 2020

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Quality Cash Projections Are Key

- The projections need to be:
  - Accurate
  - Flexible
  - Well-documented

- Not as easy as it sounds, especially given…
  - Complexity of funding
  - Limited need / experience preparing detailed cash projections
  - Timing concerns (e.g., layoff notices, adopted budget, adopted State budget)

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Cash Flow Projections - Best Practices for School Districts

- Beginning cash figures should tie to audit (or unaudited actuals until audit available).
- Projections should be flexible.
- Assumptions should be documented.
- Projections should be updated monthly.

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We Need to Plan for the Future Now

Investments and Financial Planning

"I retire on Friday and I haven't saved a dime. Here's your chance to become a legend!"

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What We Ask About - Example 1

		Object No.	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUNE	ACCRUALS	OTHER NON-CASH	Projected Total for the Fiscal Year	Current Year Budget
A.	**BEGINNING CASH**		388,486	545,119	455,843	518,327	477,398	383,964	543,876	486,993	365,817	82,975	226,286	123,944				
B.	**REVENUES**																	
	LCFF Sources: State Aid/ EPA/ transfers	8011-8099	231,113	(116,465)	177,957	103,183	103,183	177,957	103,183	-	(50,796)	-	-	20,918	651,787		1,402,020	1,402,020
	LCFF Sources: Property Taxes	802x-804x	-	-	-	-	-	121,634	-	(19,943)	3	90,961	6,103	18,579			217,337	217,337
	Federal Revenue	8100-8299	-	(29,958)	69,069					51,388				11,100	30,538		132,137	132,137
	Other State Revenue	8300-8599	18,096	-	11,829	(3,078)	1,094	-	1,555	324	-	3,939	202	4,545	**7,760**	82,829	129,095	129,095
	Other Local Revenue	8600-8792	3,468	3,468	11,052	40,439	(18,340)	50,076	13,565	22,156	21,081	16,304	64,850	16,155	43,107		287,382	287,382
	Interfund Transfer In	8900-8999															-	-
	TOTAL REVENUES		252,677	(142,955)	269,907	140,545	85,937	349,668	118,303	53,926	(29,711)	111,203	71,154	71,296	733,192	82,829	2,167,971	2,167,971
C	**EXPENDITURES**																	
	Certificated Salaries	1000-1999	10,965	70,627	85,834	85,834	85,834	85,834	85,834	85,834	85,834	85,834	85,834	69,707			923,805	923,805
	Classified Salaries	2000-2999	4,890	20,175	24,390	24,391	24,391	24,391	24,391	24,390	24,390	24,390	24,390	19,008			263,586	263,586
	Employee Benefits	3000-3999	5,459	33,082	41,933	41,933	41,933	41,933	41,932	41,932	41,932	41,932	41,932	33,792		82,829	532,553	532,553
	Books and Supplies	4000-4999	4,804	12,444	23,950	944	1,905	2,500	3,829	2,884	1,690	2,854	371	1,000	10,443		69,619	69,619
	Svcs/Other Oper Exps	5000-5999	42,689	41,545	31,086	36,414	25,308	35,098	19,201	28,734	43,839	12,882	20,969	28,061	**64,558**		430,384	430,384
	Capital Outlay	6000-6999															-	
	Other Outgo	7000-7999	-	-	-	-	-	-	-	-	55,445	25,000	-	6,341			86,786	86,786
	TOTAL EXPENDITURES		68,807	177,873	207,193	189,516	179,371	189,756	175,187	183,774	253,130	192,892	173,496	157,908	75,000	82,829	2,306,733	2,306,733
																	Net Change for the Year: Objects 9xxx	
D-1	**CHANGES IN CURRENT ASSETS: INCREASE/(DECREASE)**																	
	Revolving Cash	9130															-	
	Accounts Receivable	9210-9299	(92)	(320,591)		(7,665)				(8,673)					733,192		396,171	
	Due from Other Funds	9310-9319		(807,379)													(807,379)	
	Stores	932X															-	
	Prepaid Expenditures	9330															-	
	TOTAL CHANGES IN ASSETS		(92)	(1,127,970)	-	(7,665)	-	-	-	(8,673)	-	-	-	-	733,192		(411,208)	-
D-2	**CHANGES IN LIABILITIES: (INCREASE)/DECREASE**																	
	Accounts Payable/ Payroll/Due to Govt	9500-9599	27,329	100,390	230	(378)									(75,000)		52,571	
	Due to Other Funds	9610		796,029													796,029	
	Temporary Loans	9615										(225,000)					(225,000)	
	TRAN Payable	9641																
	Unearned Revenue	9650-9659															-	
	TOTAL CHANGE IN LIABILITIES		27,329	896,419	230	(378)	-	-	-	-	-	(225,000)	-	-	(75,000)		623,600	-
D-3	**AUDIT ADJUSTMENT**	97xx															-	
	NET INCREASE (DECREASE) IN CASH from changes in asssets, liabilities and audit adj		(27,237)	231,552	(230)	8,043	-	-	-	8,673	-	225,000	-	-	(658,192)		(212,392)	-
E.	**NET CHANGE IN CASH: INCREASE/(DECREASE)**		156,634	(89,276)	62,484	(40,929)	(93,434)	159,912	(56,883)	(121,176)	(282,842)	143,311	(102,342)	(86,612)			(351,153)	(138,762)
F.	**ENDING CASH (A +E)**		545,119	455,843	518,327	477,398	383,964	543,876	486,993	365,817	82,975	226,286	123,944	**37,332**		165,658		
G.	**ENDING CASH, PLUS ACCRUALS**																(313,821)	

- Beginning Cash - amount is bolded - is it tied to unaudited actuals? If so, will it be updated based on audited actuals?
- LCFF Sources - are deferrals assumed to begin in February? Are subsequent figures just adjustments?
- Federal Revenue - volatility in amounts, unexplained negatives, and relatively significant accruals.
- Other State Revenue and Other Local Revenue - unexplained negatives.
- Other State Revenue and Employee Benefits - assuming $82,829 shown under OTHER NON-CASH is STRS on-behalf payment, this is good way to handle since not cash expenditure.
- Certificated Salaries - why are monthly amounts mostly level? Compare to prior year.
- Assets line items - would be helpful if beginning cash balances shown so they could be tied to ending figures.
- Temporary Loans - would wish to clarify.

What We Ask About - Example 2

	JULY Projected	AUGUST Projected	SEPTEMBER Projected	OCTOBER Projected	NOVEMBER Projected	DECEMBER Projected	JANUARY Projected	FEBRUARY Projected	MARCH Projected	APRIL Projected	MAY Projected	JUNE Projected	TOTAL ACT/PROJ	TOTAL BUDGET 17.18
Beg. Cash Balance	8,953,615	8,043,041	5,062,726	3,586,668	1,381,841	(1,119,767)	7,070,109	5,527,231	2,576,757	1,600,509	4,926,344	1,221,919	8,953,615	
RECEIPTS														
Revenue Limit:														
Property Tax	0	0	14,976	0	0	10,435,215	139,671	55,281	45,219	6,367,431	255,675	787,160	18,100,628	18,100,628
State aid	705,985	705,985	1,270,772	1,270,772	1,270,772	1,270,772	1,270,772	1,270,772	1,270,772	0	0	0	10,307,375	14,119,692
Federal Revenues	(890,882)	13,035	901,299	(76,781)	194,094	(147,235)	128,165	0	1,293,286	128,638	31,307	112,918	1,687,843	1,687,843
Other State Revenues	483,433	5,880	59,569	312,651	323,551	429,788	622,600	194,174	129,613	262,421	(55,351)	62,748	2,831,078	2,831,078
Other Local Revenues/Sources	240,521	222,589	625,303	585,066	538,611	593,812	559,709	264,166	684,210	1,081,202	538,159	227,984	6,161,333	6,161,333
TRANS		0	0	0	0	0	0	0	0	0	0	2,370,008	2,370,008	2,370,008
TOTAL RECEIPTS	539,058	947,488	2,871,919	2,091,708	2,327,028	12,582,353	2,720,917	1,784,394	3,423,100	7,839,692	769,789	3,560,818	41,458,265	45,270,582
DISBURSEMENTS														
Certificated Salaries	238,759	1,797,087	1,754,672	1,762,360	1,808,836	1,763,402	1,811,504	2,138,654	1,821,675	1,809,678	1,913,252	415,603	19,035,482	19,035,482
Classified Salaries	284,526	622,642	620,323	606,316	651,241	635,528	625,108	772,772	656,530	641,761	676,976	591,683	7,385,406	7,385,406
Benefits	557,067	1,276,031	1,255,611	1,280,026	1,293,399	1,284,450	1,291,345	1,393,572	1,303,492	1,300,848	1,317,621	554,114	14,107,575	14,107,575
Supplies	11,551	196,064	230,771	212,060	230,584	120,551	89,623	158,382	189,834	224,093	214,710	167,528	2,045,749	2,045,749
Services	129,292	319,001	686,155	410,650	423,097	648,252	382,481	330,891	436,546	471,421	384,974	567,175	5,189,934	5,189,934
Capital Outlays	0	0	0	0	28,000	0	0	0	17,500	0	28,000	7,000	80,500	74,000
Other Outgo	0	0	0	0	0	0	0	0	0	0	0	1,512,446	1,512,446	1,700,000
Interfund transfers Out	0	0	0	0	(474)	0	0	0	(17)	0	0	(344)	(834)	(834)
Other Uses	0	0	0	0									0	0
TRANS Repayment	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL DISBURSEMENTS	1,221,194	4,210,825	4,547,532	4,271,413	4,434,684	4,452,182	4,200,061	4,794,271	4,425,559	4,447,800	4,535,532	3,815,205	49,356,258	49,537,312
PRIOR YEAR & CLRG ACCTS														
Accts Rec/Due to Due from/Stores	0	478,190	101,609	42,268	649,550	3,724	616	0	50	(8,953)	11,281	(1,278,335)	0	
Accts Receivable from State - Deferre	0	0	0	0	0	0	0	0	0	0	0	0	0	
Accounts Payable/Clrg Accts/Def. Re	(228,437)	(195,169)	97,946	(67,391)	(1,043,502)	55,981	(64,351)	59,404	26,161	(57,105)	50,037	1,366,425	(0)	
Temporary Loan from Building Fund		0	0									0	0	
NET RECEIVABLES AND PAYABLE	(228,437)	283,021	199,555	(25,123)	(393,952)	59,705	(63,735)	59,404	26,211	(66,058)	61,318	88,090	(0)	
													0	
CHANGE IN CASH POSITION	(910,574)	(2,980,315)	(1,476,057)	(2,204,827)	(2,501,608)	8,189,876	(1,542,878)	(2,950,474)	(976,248)	3,325,834	(3,704,425)	(166,297)	(7,897,993)	(4,266,730)
NET ENDING CASH	8,043,041	5,062,726	3,586,668	1,381,841	(1,119,767)	7,070,109	5,527,231	2,576,757	1,600,509	4,926,344	1,221,919	1,055,622	1,055,622	

- Unlike example cash flow on previous page, which used terms "Revenues" and "Expenditures", this uses terms "Receipts" and "Disbursements".
- State aid - deferrals assumed to begin in April. Cash flow on previous page assumed February.
- Federal Revenues and Other State Revenues - why negatives? (helpful that negatives in red)
- Certificated Salaries - why spike in in February?
- Capital Outlays and Other Outgo - amounts in TOTAL ACT/PROJ column don't amounts in Total Budget column (and not clear why reference to "17.18" in Total Budget column header).
- Accts Rec/Due to Due from/Stores and Accounts Payable/Clrg Accts/Def. Rev - broken out line item detail would be helpful (e.g. to clarify negative $1,043,502 in November).
- Can't tell from cash flow how STRS on-behalf payment being handled..
- Projected negative ending balance in November before December Property Tax Receipts.

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What We Ask About - Example 3

DISTRICT A		2020-21 PROJECTIONS														
	MONTH OF:	JULY	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	TOTAL	DEFERRED REV/EXP JU-AU 21	BUDGET
DESCRIPT	ACCT #S															
A: BEGIN CASH	9110	2,500,000.00	2,485,316.00	2,256,914.00	2,119,738.00	1,718,394.00	1,428,133.00	2,979,910.00	2,243,975.00	1,944,654.00	1,447,002.00	2,287,658.00	1,584,201.00			
B: RECEIPTS																
Rev Limit Prop Taxes	8020-8079						2,000,000.00				1,500,000.00		500,000.00	4,000,000.00		4,000,000.00
LCFF State Aid	8010-8019	76,120.00	76,120.00	137,015.00	137,015.00	137,015.00	137,015.00	137,015.00	137,015.00	137,015.00	0.00	0.00	0.00	1,111,345.00	411,049.00	1,522,394.00
Basic Aid Supplement	8011	40,000.00	40,000.00	72,000.00	72,000.00	72,000.00	72,000.00	72,000.00	72,000.00	72,000.00	0.00	0.00	0.00	584,000.00	216,000.00	800,000.00
Education Protection Act	8012			113,458.00			113,458.00			113,458.00			113,458.00	453,832.00		453,832.00
Deferred Maintenance TF	8091						-50,000.00							-50,000.00		-50,000.00
In Lieu Property Tax	8080-8099		-157,673.00	-315,355.00	-210,236.00	-210,236.00	-210,236.00	-210,236.00	-210,236.00	-367,912.00	-183,956.00	-183,956.00	-183,956.00	-2,443,988.00	-183,959.00	-2,627,947.00
Federal	8100-8299				7,352.00	91,900.00	3,676.00	7,352.00			9,190.00			119,470.00	64,330.00	183,800.00
Other State - see below	8300-8599															
Mandated Block Grant							12,153.00							12,153.00		12,153.00
One Time Discretionary Funds														0.00		0.00
Lottery, Unrest+Rest								18,269.00			18,269.00			36,538.00	36,537.00	73,075.00
Special Ed: ERMHS											7,800.00			7,800.00	7,800.00	15,600.00
STRS on Behalf of / State Liability														0.00	195,328.00	195,328.00
Miscellaneous									1,650.00					1,650.00	1,350.00	3,000.00
Other Local	8600-8799															0.00
Interest					12,500.00			12,500.00			12,500.00			37,500.00	12,500.00	50,000.00
Rent, Util, SR MOU, Misc		3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	10,760.00	3,000.00	3,000.00	55,800.00	96,560.00	225,000.00	321,560.00
Special Ed		13,600.00	13,600.00	24,480.00	24,480.00	24,480.00	24,480.00	24,480.00	24,480.00	24,480.00	24,480.00	24,480.00	-47,520.00	200,000.00		200,000.00
Interfund TF in (MOUs TH+OV+ASP)	8910-8929					150,000.00			150,000.00				159,415.00	459,415.00	198,000.00	657,415.00
Contributions from Unrest.	8930-8979												100,000.00	100,000.00		100,000.00
Other Non-Revenue														0.00		0.00
TOTAL RECEIPTS		132,720.00	-24,953.00	34,598.00	46,111.00	268,159.00	2,105,546.00	64,380.00	177,909.00	-10,199.00	1,391,283.00	-156,476.00	697,197.00	4,726,275.00	1,183,935.00	5,910,210.00
C: DISBURSEMENTS																
Certificated Salaries	1000-1999	24,000.00	24,000.00	213,261.00	213,261.00	213,261.00	213,261.00	213,261.00	213,261.00	213,261.00	213,261.00	213,261.00	213,257.00	2,180,606.00		2,180,606.00
Classified Salaries	2000-2999	43,000.00	64,000.00	95,453.00	95,453.00	95,453.00	95,453.00	95,453.00	95,453.00	95,453.00	95,453.00	95,453.00	95,456.00	1,061,533.00		1,061,533.00
Employee Benefits	3000-3999	26,000.00	32,000.00	102,326.00	102,326.00	102,326.00	102,326.00	102,326.00	102,326.00	102,326.00	102,326.00	102,326.00	102,323.00	1,081,257.00	195,328.00	1,276,585.00
Books & Supplies	4000-4999	2,513.00	10,052.00	20,104.00	30,156.00	10,052.00	6,031.00	3,016.00	5,026.00	3,016.00	5,026.00	2,010.00	3,517.00	100,519.00		100,519.00
Services & Other Operational	5000-5999	48,931.00	73,397.00	85,630.00	171,259.00	122,328.00	36,698.00	171,259.00	61,164.00	73,397.00	134,561.00	48,931.00	125,725.00	1,153,280.00	70,000.00	1,223,280.00
Capital Outlay	6000-6599													0.00		0.00
Other Outgo	7000-7499						50,000.00							50,000.00		50,000.00
Interfund TF out (Cafet)	7600-7629					15,000.00		15,000.00				10,000.00	10,000.00	50,000.00		50,000.00
Interfund TF out (BAS/OPEB)	7600-7629						50,000.00	200,000.00					200,000.00	450,000.00		450,000.00
Other Non-Expenditures														0.00		0.00
TOTAL DISBURSEMENTS		144,444.00	203,449.00	516,774.00	612,455.00	558,420.00	553,769.00	800,315.00	477,230.00	487,453.00	550,627.00	471,981.00	750,278.00	6,127,195.00	265,328.00	6,392,523.00
D: PRIOR YR TRANSACTIONS																
Accounts Receivable	92x															
Prior year Clear Due To/From				345,000.00	150,000.00									495,000.00		
Prior year In Lieu property tax		-194,350.00												-194,350.00		
Prior year Federal		40,200.00												40,200.00		
Prior year LCFF/Other State/Local		221,190.00			15,000.00									236,190.00		
Temp Loans due to cash deferrals												-75,000.00	-110,000.00	-185,000.00		
Accounts Payable	95x													0.00		
Prior year Clear Due To/From and														0.00		
Prior year Books, Sup, Use Tax, etc. AP		-70,000.00												-70,000.00		
TOTAL PRIOR YR		-2,960.00	0.00	345,000.00	165,000.00	0.00	0.00	0.00	0.00	0.00	0.00	-75,000.00	-110,000.00	322,040.00		
E: NET INC/DEC	(B-C+D)	-14,684.00	-228,402.00	-137,176.00	-401,344.00	-290,261.00	1,551,777.00	-735,935.00	-299,321.00	-497,652.00	840,656.00	-703,457.00	-163,081.00	-1,078,880.00		
F: ENDING CASH BALANCE	(A+E)	2,485,316.00	2,256,914.00	2,119,738.00	1,718,394.00	1,428,133.00	2,979,910.00	2,243,975.00	1,944,654.00	1,447,002.00	2,287,658.00	1,584,201.00	1,421,120.00		918,607.00	

Notes: Amount expected in or after July of 2021 for all types of revenue is extimated at almost $1,000,000. This includes the anticipated state cash deferrals for April, May, June of over $627,000.
This amount also includes MOU payments due from charters and the after school program of $423,000. May and June show the temp loans to charters to cover the cash deferral issue.
STRS on Behalf of the State for their retirement liability is budgeted only as we will not receive dollars nor will we spend them, we are required, however, to report ($195,328).
Expenses to be made after June 30, 2021 shows the book entry amount for STRS on Behalf of State (will not be paid) and a services balance of $70k.

(10)

- BEGIN CASH - $2,500,000 is very exact number. Is it plugged number?
- Rev. Limit Prop Taxes - Helpful to see line item detail.
- LCFF State Aid - deferrals assumed to begin in April.
- STRS on Behalf of/State Liability - helpful to see this broken out (and that $195,328 amount ties to Deferred Rev/Exp amount for Employee Benefits).
- Documented assumptions are helpful.

Other Options to Address Cash Flow Shortfalls

- Interfund Borrowing

- Registered Warrants (last resort)

- Tax & Revenue Anticipation Notes (TRANs)

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Interfund Borrowing

- Education Code 42603 enables a School District to borrow for the General Fund an amount up to 75% of the maximum amount of money held in a special fund during the fiscal year.
- Amounts borrowed must be repaid either in the same fiscal year, or in the following year if the transfer takes place within 120 days of the end of the fiscal year (after March 1st).
- County office of education (COE) and/or county typically require a board resolution with the transfer details (though not required by statute).
- New rules for FY 2020-21 and 2021-22…
  - *Temporary statute for temporary borrowing*

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Interfund Borrowing - New Option

(Temporary for FY 2020-21 & FY 2021-22 per Education Code 42603.1)

- Maximum amount General Fund can borrow from a special fund during the fiscal year:
  - From up to 75% → up to 85%

- Board Resolution with the transfer details:
  - From typically required → mandatory under 42603.1
- Public hearing required before Board action under 42603.1

✓ *Interfund borrowing can be the least expensive method to address General Fund cash flow needs and is generally the first place to look for a solution*

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Borrowing from Bond Proceeds

- Education Code 42603 and 42603.1 allow temporary borrowing from bond proceeds.
  - Bond proceeds are like other restricted funds.
  - Borrowed money is not spent.

"The transfer shall be accounted for as temporary borrowing between funds or accounts and shall not be available for appropriation or be considered income to the borrowing fund or account."

  - We recommend that school districts review this ahead of time with the County Superintendent of Schools, the District's external Auditor, and Bond Counsel, in this order, to receive guidance.
- Calls for a cautious approach.
  - Bond proceeds are usually subject to extra statutorily required citizen oversight.
  - Ultimately may be more of a community question.

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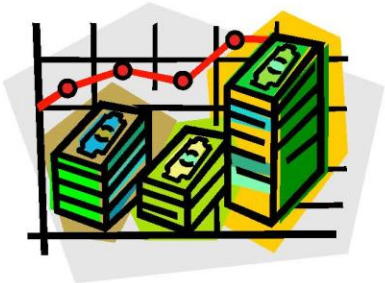
Is Interfund Borrowing . . .

- Sufficient?



- Feasible?

Registered Warrants

- Education Code 42670 - 42678 enables school districts to issue registered warrants (i.e., "IOUs") bearing an annual interest rate of 5% to creditors when the district does not have cash available to make payments.

- While the State issued registered warrants in 2009, there is no recent history of the use of registered warrants by California school districts.

- Considerations:
  - Can employees be paid with registered warrants?
  - Will banks cash or lend against registered warrants?
  - Community impact?

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Background on TRANs

- Tax and Revenue Anticipation Notes
  - Short term debt used to finance cash flow deficits in anticipation of receiving taxes and other revenues.
  - Authorized by Gov. Code 53850* et. seq.

  - No voter approval required.
    - However, per Education Code 42133, if district has had a qualified or negative certification in prior or current fiscal year, then TRANs cannot be issued unless county superintendent finds that repayment is probable.
  - Detailed rules on size of TRANs borrowing if tax-exempt.
    - Borrower wants to make sure size is at least sufficient.
    - IRS wants to make sure size is at most sufficient.

**Government Code section 53850(b) allows charter schools to issue notes.*

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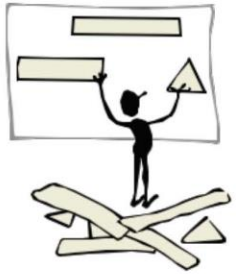
Ways to Issue TRANs

- Issue TRANs through a "pool."
  - Often economical for small issuers.
  - Minimizes costs to each agency, time and effort of participant school districts.



- Issue TRANs independently.
  - Often economical for large issuers.
  - Provides more flexibility.
    - Issuance timing and term.
    - Pledge and repayment dates.
    - ✓ *Customized sizing, timing, and term may be particularly needed this year.*

Pooled Financings Aren't Perfect

- Potential investors are scrutinizing participants much more closely than in the past.
  - One pooled participant considered "high risk" jeopardizes the pool.

- Consequently, pooled financings have often seen higher interest rates than "stand-alone" issues.

- Use of different series segregating participants by credit quality and/or repayment structure helps to address these concerns.

- County or county superintendent of schools can host a pool; there are also Statewide pools.

Statewide Pools

- The California School Boards Association (CSBA) offers a statewide TRANs pool known as the CA School Cash Reserve Program. Further information: https://www.csba.org/en/ProductsAndServices/AllServices/CashReserve

- The California School Finance Authority (CSFA) (a division of the State Treasurer) is planning two pooled TRANs programs, one for K-14 districts and one for charter schools. Further information: https://www.treasurer.ca.gov/csfa/k-14-trans/index.asp

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Case Study

Rochester City School District

Every student by face and name.
Every school, every classroom. To and through graduation.

- K – 12 District
- ~30,000 students
- 50 schools
- ~$770M GF budget
- ~$930M all funds

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May 2019: Budget Report

ROCHESTER BOARD OF EDUCATION

Special Meeting Minutes
May 14, 2019

Board Members in Attendance: President Van Henri White, Vice President Cynthia Elliott, Commissioner Judith Davis, Commissioner Elizabeth Hallmark, Commissioner Beatriz LeBron, Commissioner Willa Powell and Commissioner Natalie Sheppard.

Board Members Excused: None

Administration and Board Officers in Attendance: Interim Superintendent Daniel Lowengard, General Counsel Karl Kristoff, Interim Chief of Staff Linda Cimusz and District Clerk Francine Scott.

President White convened the meeting at 6:35 p.m.

I. The Pledge of Allegiance was led by Beth Mascitti-Millar, Deputy Superintendent of Administration.

II. **Acceptance of Minutes:** No minutes

III. **Speakers Addressing an Agenda Item** No speakers present.

Commissioner Sheppard arrived at 7:05 p.m.

IV. **Review of Financial Reports and Resolutions**
Chief Financial Officer, Everton Sewell presented on the 2018-19 Budget and Fiscal Update. CFO Sewell stated the overall 2018-19 budget increased by $3.3 million due to an increase in General Fund $1.6 million, Special Aid Fund increase by $1.3 million and School Food Service Fund increase of $.04million. CFO Sewell also outlined management actions taken with a hold on hiring for Central Office vacant positions, a review of all non-school position prior to hiring, reduction in non-essential maintenance. General fund appropriations are recoded to new grants when possible, and the current appropriation usage is reduced. CFO Sewell stated the 2018-19 budget is on track to be balanced at the end of the year.

V. **Data Warehouse Update SPA to ROC3D Upgrade Expansion**
Chief Information Officer, Annmarie Lehner presented on the Data Warehouse SPA ROC3D K-12 360. The upgrade will restructure and minimize current dashboards and newer technology offers enhanced pivoting and charting capabilities, new alerts and publisher features. The new dashboard additions include executive views of all key areas. Ms. Lehner lastly reported on the 1 Million Project Foundation where its' mission is to help one million high school students who do not have reliable home internet access, achieve their full potential by giving them devices and free high school mobile internet access. This

1

"CFO Sewell stated the 2018-19 budget is on track to be balanced at the end of year."

Budget Presentation: Appears Balanced

ROCHESTER CITY SCHOOL DISTRICT

2018-19 Budget Presentation and Fiscal Update

Board of Education Finance Committee
May 14, 2019

Total Revenue	$929,375,703	$932,698,733	$3,323,030	0.4%

4

Revenue Changes

Fund	Amended Budget 1-24-19	Adjusted Budget	Incr./(De
General Fund	$769,173,195	$770,724,090	$1,550
Fund Balance Appropriation	$15,000,000	$15,000,000	
Special Aid Fund (Grants)	$120,702,508	$122,074,643	$1,372
Food Services Fund	[illegible]	[illegible]	$400
Total Revenue	$929,375,703	$932,698,733	$3,323

9

Expenditure Changes – All Funds

Description	Amended Budget 1-24-19	Adjusted Budget	Increase/ (Decrease)	Percent Change
Staffing Salaries	$343,778,820	$342,009,997	-$1,768,823	-0.52%
Other Compensation	$41,505,652	$43,583,248	$2,077,596	4.77%
Employee Benefits	$156,906,903	$157,912,393	$1,005,490	0.64%
Fixed Obligations	$178,775,674	$179,175,674	$400,000	0.22%
Debt Service	$72,320,807	$72,320,807	$0	0.00%
Cash Capital Outlays	$13,460,489	$13,460,489	$0	0.00%
Facilities and Related	$46,633,213	$46,633,213	$0	0.00%
All Other Expenditures	$76,159,031	$78,650,763	$2,491,732	3.17%
Contingency Budget	-$164,886	-$1,047,851	[illegible]	84.26%
Total Expenditures	$929,375,703	$932,698,733	$3,323,030	0.36%

Total Expenditures Changes: staffing salaries and benefits, substitute teacher cost, agency temporary staff, stop loss reimbursement, BOCES SERVICES, [illegible]are – instructional, food service settlement.

Total Expenditures	$929,375,703	$932,698,733	$3,323,030	0.36%

Upon Closer Inspection…

- The "Contingency Budget" declined to over ($1 million).
- Contingency Budget appears to be substitute words for:
  - On SACS, "Net Increase (Decrease) in Fund Balance"
  - Commonly, "Deficit Spending"
- In actuality, expenditures were over $933 million (a $1 million deficit).
- Despite the accounting gimmick, a $1 million deficit on a $933 million budget may not be particular cause for concern.

9

Expenditure Changes – All Funds

Description	Amended Budget 1-24-19	Adjusted Budget	Increase/ (Decrease)	Percent Change
Staffing Salaries	$343,778,820	$342,009,997	-$1,768,823	-0.52%
Other Compensation	$41,505,652	$43,583,248	$2,077,596	4.77%
Employee Benefits	$156,906,903	$157,912,393	$1,005,490	0.64%
Fixed Obligations	$178,775,674	$179,175,674	$400,000	0.22%
Debt Service	$72,320,807	$72,320,807	$0	0.00%
Cash Capital Outlays	$13,460,489	$13,460,489	$0	0.00%
Facilities and Related	$46,633,213	$46,633,213	$0	0.00%
All Other Expenditures	$70,159,031	$73,650,763	$3,491,732	3.17%
Contingency Budget	-$164,886	-$1,047,851	-$882,965	84.26%
Total Expenditures	**$929,375,703**	**$932,698,733**	**$3,323,030**	**0.36%**

Total Expenditures Changes: staffing salaries and benefits, substitute teacher
mporary staff, stop loss reimbursement, BOCES SERVICES,
are – instructional, food service settlement.

Contingency Budget	-$164,886	-$1,047,851	-$882,965	84.26%
Total Expenditures	**$929,375,703**	**$932,698,733**	**$3,323,030**	**0.36%**

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August: District Borrows $50 Million

BOND ANTICIPATION NOTES
REVENUE ANTICIPATION NOTES

RATING: See "Ratings" herein

In the opinion of Woods Oviatt Gilman LLP, Bond Counsel to the City, under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Notes is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax imposed on individuals. In addition, in the opinion of Bond Counsel to the City, under existing statutes, interest on the Notes is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York. See "Tax Exemption" herein.

The Notes will not be designated by the City as "qualified tax-exempt obligations" pursuant to section 265(b)(3) of the Code.

CITY OF ROCHESTER
NEW YORK

$68,905,000
3.00% BOND ANTICIPATION NOTES, 2019 SERIES II
(the "Series II Notes")
CUSIP # 771694 PH3
[Reoffered @ 1.10%]

Date of Issue: August 7, 2019 **Maturity Date: August 6, 2020**

$50,000,000
3.00% REVENUE ANTICIPATION NOTES, 2019 SERIES III (SCHOOL PURPOSE)
(the "Series III Notes" and together with the Series II Notes, the "Notes")
CUSIP # 771694 P39
[Reoffered @ 1.10%]

Date of Issue: August 7, 2019 **Maturity Date: May 29, 2020**

The Notes are general obligations of the City of Rochester, New York (the "City" and "State", respectively), for the payment of which the City has pledged its faith and credit. For the payment of such principal and interest, the City has the power and statutory authorization to levy ad valorem taxes on all taxable real property in the City subject only to the limitations imposed by Chapter 97 of the Laws of 2011 of the State of New York (the "Tax Levy Limit Law"). See "Legal Matters and the Tax Levy Limit Law" and "Tax Levy Limit Law," herein.

The Series II Notes are dated August 7, 2019 and will bear interest from that date until maturity at the annual rate or rates as specified by the purchaser of the Series II Notes, payable on maturity. The Series II Notes will mature on August 6, 2020. The Series III Notes are dated August 7, 2019 and will bear interest from that date until maturity at the annual rate or rates as specified by the purchaser of the Series III Notes, payable on maturity. The Series III Notes will mature on May 29, 2020. The Notes will not be subject to optional redemption prior to maturity. Interest on the Notes will be calculated on a 30-day month and 360-day year basis, payable at maturity.

The Notes will be issued as registered Notes, and will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), as book-entry notes.

The Notes are issued in book-entry form. The Notes will be registered to Cede & Co., a single note certificate will be issued for each note bearing the same rate of interest and CUSIP number. Individual purchases will be made in book-entry form only, in the principal amount of $5,000 or integral multiples thereof. Purchasers will not receive certificates representing their ownership interest in the Notes. Principal of and interest on the Notes will be paid in Federal Funds by the City to Cede & Co., as nominee for DTC.

The City will act as Paying Agent for such Notes.

The Notes are offered when, as, and if issued by the City, and subject to the receipt of the final approving legal opinions of Woods Oviatt Gilman LLP, Rochester, New York, and certain other conditions. It is expected that the Notes will be available for delivery on or about August 7, 2019.

THIS REVISED COVER DATED JULY 25, 2019 SUPPLEMENTS THE OFFICIAL STATEMENT DATED JULY 17, 2019 RELATING TO THE OBLIGATIONS DESCRIBED THEREIN BY INCLUDING CERTAIN INFORMATION OMITTED FROM SUCH OFFICIAL STATEMENT IN ACCORDANCE WITH SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12 (THE "RULE"). OTHER THAN AS SET FORTH ON THIS REVISED COVER PAGE THERE HAVE BEEN NO REVISIONS TO SUCH OFFICIAL STATEMENT. THE CITY WILL COVENANT TO PROVIDE NOTICE OF CERTAIN EVENTS AS DEFINED IN THE RULE. SEE "DISCLOSURE UNDERTAKING' HEREIN.

Dated: July 25, 2019

In August, the City issued $50 million of Revenue Anticipation Notes to the bond market for the school district.

"Proceeds of such Revenue Anticipation Notes will be used to offset the effects of timing differences between cash receipts and disbursements in the 2019-2020 fiscal year."

September: Letter to the State

Rochester City School District Board of Education

Board of Education

President
Van Henri White

Vice President
Cynthia Elliott

Members
Judith Davis
Elizabeth Harmark
Beatriz LeBron
Willa Powell
Natalie Sheppard

District Clerk
Marisol D. Ramos-Lopez

Superintendent of Schools
Terry J. Dade

September 19, 2019

Chancellor Betty Rosa
New York State Board of Regents
New York State Education
89 Washington Ave, EB110
Albany, NY 12234

Dear Chancellor Rosa:

The Rochester City School District learned late Wednesday evening there are concerns related to the preliminary findings in the District's 2018-19 internal year-end audit reconciliation. Early analysis of the 2018-19 budget shows that these concerns may be related to overspending in certain areas, such as increased health insurance costs due to our status of being self-insured and rising costs for required special education services and staff.

This certainly is not a final assessment, and we will continue with a full assessment of our financial status. However, in order to be transparent, we wanted to inform community stakeholders of the situation immediately. At the October Board Audit Committee Meeting, Superintendent Dade will provide a more detailed assessment.

In this regard, the Rochester Board of Education is committed to working closely with Superintendent Dade to thoroughly investigate and take the necessary actions to ensure financial stability as we move forward on behalf of our students and families.

Sincerely,

Van Henri White
President

"The Rochester City School District learned late Wednesday evening there are concerns related to the preliminary findings in the District's 2018-19 internal year end audit reconciliation."

The Story Hits the News

Sources: RCSD short by up to $50 million; layoffs coming

Justin Murphy, Rochester Democrat and Chronicle Published 4:56 p.m. ET Sept. 21, 2019 | Updated 6:08 a.m. ET Sept. 23, 2019

The nebulous financial hole in the Rochester City School District (/story/news/education/2019/09/20/rcsd-audit-overspending-letter-warren-white-budget-rochester-special-education/2387054001/) has now come into troubling detail, as district leaders are now saying they're short about $50 million just a few months into the budget year.

Overspending: Rochester city school district audit flags overspending, won't say how much (/story/news/education/2019/09/20/rcsd-audit-overspending-letter-warren-white-budget-rochester-special-education/2387054001/)

That is according to four people with direct knowledge of the situation. They requested anonymity to discuss an ongoing investigation into how the district managed to overspend its 2018-19 budget by 5% without anyone noticing.

The district cannot yet answer a number of questions: how and where the overspending came about; why it didn't surface earlier; and how it managed to keep paying its bills after having overspent by $50 million.

Investigation: Morelle asks federal government to investigate RCSD; Dade says "no plans" for layoffs (/story/news/education/2019/09/22/rcsdm-budget-investigation-morelle-lebron-audit-rochester-city-school-district-ny-william-barr/2411878001/)

The person who would know those answers best, Chief Financial Officer Everton Sewell, is out of town dealing with an unexpected death in his family.

BY TLC
Unsock the Shock
See more →
(https://eb2.3lift.com/pass?tl_clickthrough=true&redir=https%3A%2F%2Fpr-bucket.ybp.yahoo.com%2Fcj%2Fcd%2Fo
fbnjHPzSd3VtUMvx6iW8bMaXXk0nVZvJcwaqUPXwLhmBPJF8z3zoc8lUloT3K3P9Wb65fQ2Z9VvkljofLblnaeGh6hXmF

Annmarie Lehner, chief of staff to Superintendent Terry Dade, said Saturday the district is convinced it is not a matter of an employee stealing or redirecting money.

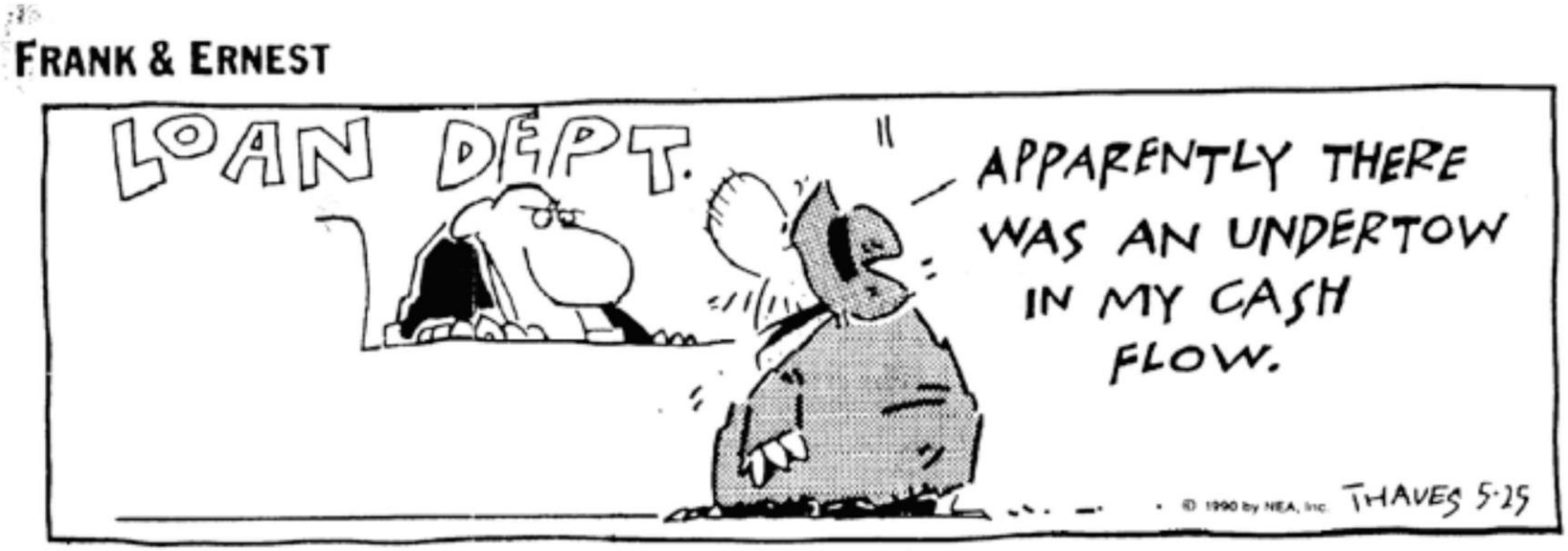
The district is still investigating the problem, which it first learned about last week from its contracted internal auditor. School Board President Van White said he felt obligated to inform the public because the city of Rochester recently went out to borrow money based on a representation of the city and district's combined finances.

ADVERTISEMENT

"… district leaders are now saying they're short about $50 million…"

"This is according to four people with direct knowledge of the situation. They requested anonymity to discuss an ongoing investigation…"

Financial Intermediaries Make Money When Borrowing Occurs . . .



. . . not necessarily if it's paid back.

State Response

Comptroller DiNapoli to review RCSD finances, reassign auditors to start early October

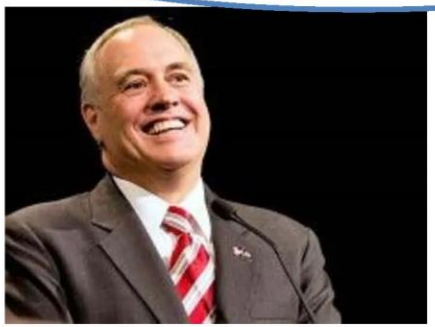
Justin Murphy, Rochester Democrat and Chronicle Published 11:01 a.m. ET Sept. 24, 2019 | Updated 4:33 p.m. ET Sept. 24, 2019

State Comptroller Thomas DiNapoli has agreed to conduct an audit of the Rochester City School District's finances in light of its recent budgetary disaster. (/story/news/education/2019/09/21/rcsd-rochester-school-district-short-50-million-budget-layoffs-warren-layoff/2402982001/) state Assemblyman Harry Bronson said.

Bronson said he spoke with DiNapoli Monday evening, after Bronson, state Sen. Rich Funke and other public officials called for various forms of state investigation. (/story/news/education/2019/09/23/rcsd-financial-crisis-rich-funke-says-district-needs-state-fiscal-monitor-bronson-morelle/2418937001/)

"He (DiNapoli) says it's very important to get answers as quickly as possible, so he's going to get his team together," Bronson said.

Jennifer Freeman, communications director for the Office of the State Comptroller said in a statement: "Given the serious nature of the matter, auditors will be redirected from other projects and will begin this work in early October. During the course of the audit, which will take several months to complete, the office will not comment on specifics until the audit is complete."



Comptroller Thomas DiNapoli

RCSD's own financial team was scrambling Tuesday to complete a preliminary review and present findings to Superintendent Terry Dade, who is still out of town at a state conference. Chief Financial Officer Everton Sewell has returned from his own personal absence.

For its part, the state Education Department said in a statement: "The Department is in contact with district officials to help assess the financial situation

1 of 2 12/18/19, 5:17 PM

"State Comptroller Thomas DiNapoli has agreed to conduct an audit of the Rochester City School District's finances..."

Credit Rating Goes Under Review

City taxpayers could take hit for RCSD financial woes as credit rating goes under review

Brian Sharp, Rochester Democrat and Chronicle Published 9:25 a.m. ET Sept. 27, 2019 | **Updated 4:46 p.m. ET Sept. 27, 2019**

An early sign of the **potential fallout** from **the Rochester City School District's budget woes** came late Thursday as Moody's Investors Service placed **the city's stellar credit rating** under review for possible downgrade.

The national credit rating agency attributed the action solely to the school district's recent realization that it overspent its fiscal 2019 budget by between **$30 million** and $50 million.

That is a Rochester concern because the city levies taxes for the school district, and backs all borrowing. A downgrade of the city's Aa3 credit rating would make it more expensive for the city to borrow money.

"If accurate, this development raises questions about the possibility of a large gap in the school district's 2019-2020 budget," Moody's wrote. "Additionally, the city has asked the State of New York to separate the district from the city, raising questions about the ongoing governance between the city and the district."

A $10 million to $15 million decline in reserves had been expected, according to Moody's.

In a statement Friday, city spokesman Justin Roj said:

"Unfortunately, the concerns stated by Mayor (Lovely) Warren earlier this week regarding the failures of RCSD have already been realized. While the city has been consistently praised by the rating agencies for its strong fiscal leadership, the well-being of our taxpayers is now threatened by the district's mismanagement."

This is a developing story. Check back later for updates.

BDSHARP@Gannett.com

Budget Gap: RCSD budget gap is about $30 million, Terry Dade says (/story/news/education/2019/09/26/rochester-school-superintendent-terry-dade-rcsd-budget-gap-audit-details/3776145002/)

More details here: RCSD financial crisis: what you need to know (/story/news/education/2019/09/23/rcsd-financial-crisis-what-you-need-know-50-m-budget-hole-rochester-schools/2417101001/)

Read or Share this story: https://www.democratandchronicle.com/story/news/2019/09/27/rochester-city-schools-moodys-credit-rating-under-review-taxpayers-rcsd-budget-gap/3782309002/

8 free articles left. Create your account.

1 of 2 12/18/19, 3:29 PM

MOODY'S INVESTORS SERVICE

"The national credit rating agency attributed the action solely to the school district's recent realization that it overspent its fiscal 2019 budget by between $30 million and $50 million."

October: Disclosure to the Market

CITY OF ROCHESTER, NY

VOLUNTARY NOTICE REGARDING ROCHESTER CITY SCHOOL DISTRICT FINANCIAL DISCLOSURES

This Voluntary Notice is filed by the City of Rochester, NY (the "City") to provide notice of a discrepancy between financial information provided by the Rochester City School District (the "School District") to Moody's Investors Service and the estimated actual information subsequently received. In a Credit Opinion issued by Moody's on February 12, 2019, Moody's stated that a School District official had indicated that the School District expected its reserves to decline by $10 million in Fiscal Year 2018-2019 (ending June 30, 2019). However, the School District, as reported in its unaudited financial schedules dated as of September 16, 2019, incurred an estimated operating loss of approximately $42 million in its General Fund, well beyond its previous estimates. The amount of the loss is subject to verification by the School District's 2018-2019 Fiscal Year audit. The City became aware of this discrepancy on or about September 20, 2019. As a result of these events, Moody's placed the City's debt ratings on review for a sixty (60) day period commencing September 26, 2019.

The City is filing this information as a voluntary filing on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") system. The City is not required to make this filing pursuant to any formal continuing disclosure undertaking. The City makes no commitment to update this information.

The information provided herein is the City's good faith estimation as of the date hereof. The posting of this information is not intended to offer, sell or endorse any security. No representation is made as to whether this information is material to any particular outstanding debt issued by the City or whether this or other events have occurred with respect to any City debt outstanding which may be material to owners of any City debt. Any questions concerning this Notice should be directed to the City Director of Finance at (585) 428-7151.

This Voluntary Notice is dated as of October 3, 2019.

"Moody's stated that a School District official had indicated that the School District expected its reserves to decline by $10 million… However… estimated operating loss of approximately $42 million".

November: Now, a Fraud Investigation

SEC launches investigation into Rochester City School District

democratandchronicle.com/story/news/2019/11/29/rochester-city-school-district-sec-starts-investigation-

Brian Sharp, Rochester Democrat and Chronicle Published 5:51 a.m. ET Nov. 29, 2019 | Updated 5:52 a.m. ET Nov. 29, 2019

Federal authorities have launched an investigation into Rochester City School District finances, and **potentially false statements RCSD officials made** when seeking short-term financing earlier this year.

The U.S. Securities and Exchange Commission subpoenaed the city this week for information related to both issues.

While not unexpected, the SEC's arrival significantly ramps up potential implications for current and former RCSD officials. Auditors from the state Comptroller's Office already have been onsite at district offices, digging into these and other matters, and a district spokesman said they are expected to share an initial report as early as next month.

Questions appear focused on what the district told Moody's Investors Services this past spring when seeking $50 million in short-term financing to help with the current fiscal year. In written responses, **RCSD officials claimed that finances were trending positively**, and they would rely less on reserves than anticipated. **In reality, the district was in the red**, and would finish the year over budget by $30 million.

More: RCSD layoff notices coming next week: district also targeting subs

The city — which is responsible for district borrowing — relied on that information when authorizing the notes in June. And Moody's would have shared it with stakeholders in the financial markets.

"It is important to note that the **RCSD is a separate corporate entity** ultimately responsible for its own management and finances," city Corporation Counsel Timothy Curtin said in a statement Friday.

"The City will comply with this subpoena and fully cooperate with the SEC's investigation into the RCSD financial situation," Curtin continued. "The RAN (Revenue Anticipation Note) that was issued was based on information for investors prepared and provided solely by RCSD."

There are **implications for city taxpayers**, however. Moody's has placed the Rochester's credit rating under review, potentially impacting what interest rate the city can obtain on future borrowing.

1/3

U.S. SECURITIES AND EXCHANGE COMMISSION

"Federal authorities have launched an investigation into Rochester City School District finances, and potentially false statements RCSD officials made when seeking short-term financing earlier this year."

December: Moody's Downgrades City

U.S. PUBLIC FINANCE

MOODY'S
INVESTORS SERVICE

CREDIT OPINION
9 December 2019

Rate this Research

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CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

Rochester (City of) NY

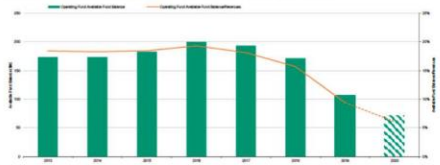
Update to credit analysis following downgrade to A2

Summary

Rochester (A2 negative) benefits from a large regionally important tax base with significant institutional presence. However, the city's financial position, which includes the City School District (BOE), has declined significantly and will like decline further as the BOE struggles to bring its financial operations into structural balance. The city's long-term unfunded liability profile is high, but a substantial amount of debt is backed by state aid, which offsets the debt burden.

On December 9, we downgraded the city's long-term rating to A2 from Aa3 and assigned a negative outlook. Concurrently, we also downgraded the city's bond anticipation notes to MIG 2 and affirmed the MIG 1 rating on the revenue anticipate note we currently have outstanding.

Exhibit 1
Financial flexibility materially impacted following significant decline in BOE



2020 - projections based on budget gaps
Source: audited financial statements; City and BOE Budget documents; Moody's Investors Service

Credit strengths

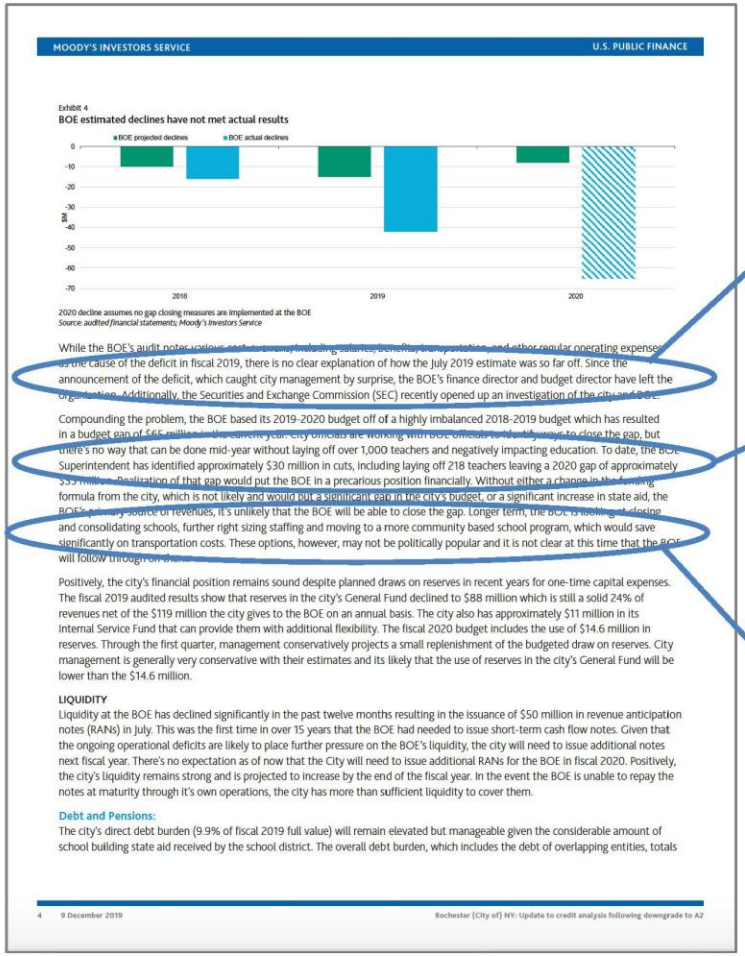
- Large institutional presence
- Regionally important tax base

Credit challenges

- Large budget gap in 2020 and future budget years
- Elevated long-term unfunded liabilities

"…the city's financial position, which includes the City School District (BOE), has declined significantly and will likely decline further…"

The Immediate Aftermath



MOODY'S INVESTORS SERVICE U.S. PUBLIC FINANCE

Exhibit 4
BOE estimated declines have not met actual results

2020 decline assumes no gap closing measures are implemented at the BOE
Source: audited financial statements; Moody's Investors Service

While the BOE's audit notes various costs, including salaries, benefits, transportation, and other regular operating expenses as the cause of the deficit in fiscal 2019, there is no clear explanation of how the July 2019 estimate was so far off. Since the announcement of the deficit, which caught city management by surprise, the BOE's finance director and budget director have left the organization. Additionally, the Securities and Exchange Commission (SEC) recently opened up an investigation of the city and BOE.

Compounding the problem, the BOE based its 2019-2020 budget off of a highly imbalanced 2018-2019 budget which has resulted in a budget gap of $65 million in the current year. City officials are working with BOE officials to find ways to close the gap, but there's no way that can be done mid-year without laying off over 1,000 teachers and negatively impacting education. To date, the BOE Superintendent has identified approximately $30 million in cuts, including laying off 218 teachers leaving a 2020 gap of approximately $35 million. Realization of that gap would put the BOE in a precarious position financially. Without either a change in the funding formula from the city, which is not likely and would put a significant gap in the city's budget, or a significant increase in state aid, the BOE's primary source of revenues, it's unlikely that the BOE will be able to close the gap. Longer term, the BOE is looking at closing and consolidating schools, further right sizing staffing and moving to a more community based school program, which would save significantly on transportation costs. These options, however, may not be politically popular and it is not clear at this time that the BOE will follow through on them.

Positively, the city's financial position remains sound despite planned draws on reserves in recent years for one-time capital expenses. The fiscal 2019 audited results show that reserves in the city's General Fund declined to $88 million which is still a solid 24% of revenues net of the $119 million the city gives to the BOE on an annual basis. The city also has approximately $11 million in its Internal Service Fund that can provide them with additional flexibility. The fiscal 2020 budget includes the use of $14.6 million in reserves. Through the first quarter, management conservatively projects a small replenishment of the budgeted draw on reserves. City management is generally very conservative with their estimates and its likely that the use of reserves in the city's General Fund will be lower than the $14.6 million.

LIQUIDITY

Liquidity at the BOE has declined significantly in the past twelve months resulting in the issuance of $50 million in revenue anticipation notes (RANs) in July. This was the first time in over 15 years that the BOE had needed to issue short-term cash flow notes. Given that the ongoing operational deficits are likely to place further pressure on the BOE's liquidity, the city will need to issue additional notes next fiscal year. There's no expectation as of now that the City will need to issue additional RANs for the BOE in fiscal 2020. Positively, the city's liquidity remains strong and is projected to increase by the end of the fiscal year. In the event the BOE is unable to repay the notes at maturity through it's own operations, the city has more than sufficient liquidity to cover them.

Debt and Pensions:

The city's direct debt burden (9.9% of fiscal 2019 full value) will remain elevated but manageable given the considerable amount of school building state aid received by the school district. The overall debt burden, which includes the debt of overlapping entities, totals

4 9 December 2019 Rochester (City of) NY: Update to credit analysis following downgrade to A2

"Since the announcement of the deficit… the BOE's finance director and budget director have left the organization.

To date… $30 million in cuts, including laying off 218 teachers leaving a 2020 gap of approximately $35 million.

Longer term, the BOE is looking at closing and consolidating schools, further right sizing staffing…"

Warning Signs?

- The budget was not flashing warning signs.
- The audit had yet to even be started.
- Let's look at cash to see if we can identify any red flags.

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Monthly Financial Report to Board

Rochester City School District
Every student by face and name
Every school, every classroom. To and through graduation.

Everton Sewell, CPA
Chief Financial Officer
Rochester City School District
Phone: (585) 262-8460
Everton.Sewell@rcsdk12.org

To: Rochester City School District Board of Education Finance Committee
From: Everton Sewell, Chief Financial Officer
Subject: August Reports for Fiscal Year 2019-2020-Unaudited
Date: September 17, 2019

Attached are the RCSD unaudited financial reports for the period ending August 31, 2019. The District's financials are being prepared based on the State reporting requirements and RCSD management reporting requirements.

REVENUES

Total District Revenue and Fund Balance Appropriation (Page 1)
The 2019-20 overall District adjusted budget of **$932,728,860** includes:

- General Fund adopted budget revenue of **$782,571,815**, and the adjusted budget revenue of **$783,307,815,**
- Appropriated Fund Balance usage of **$8,000,000**,
- Grants and Special Aid Fund adopted budget revenue is **$116,027,260** and the adjusted budget revenue is **$116,721,045**,
- School Food Service Fund adopted budget revenue is **$24,700,000**.

The changes in the General Fund and Grants and Special Aid Fund will be present for approval at the Board Business Meeting in October 2019.

General Fund Revenue (Page 1, Page 2, and Page 21-22)
As of August 31, 2019, the overall General fund adjusted budget revenue of **$783,307,815** is the result of a local revenue of **$736,000** from premium of a Revenue Anticipation Note (RAN) bond issuance.

Grants & Special Aid Revenue Summary (Page 1, Page 3, and Pages 21-22)
As of August 31, 2019, the overall Grants and Special Aid adjusted budget revenue of **$116,721,045,** which is **$693,785** or **0.60%** over the adopted budget of **$116,027,260** resulting from additional funding of **$406,117** for preschool, **$9,448** for Greater Rochester Health activities, and **$278,220** for Adult and Career Education Services.

The detail of the grants' increases and decreases are shown in the amended columns of the Special Aid Fund Summary Budget Status Report and Special Aid Fund Revenue Report **(Page 3 and Pages 8-10)**.

School Food Service Fund Revenue Summary (Page 1, Page 4 and Pages 21-22)
As of August 31, 2019, the overall School Food Service Fund budget revenue remains at **$24,700,000**.

EXPENDITURES

Appropriations by Major Account Report: General, Special Aid, and Food Services Funds (Pages 23-26)
The Appropriations by Major Account for the General Fund, Special Aid, and Food Services Funds Reports as of August 31, 2019 shows an original budget of **$931,299,075** and total adjusted budget appropriations of **$932,742,981**. Pre-encumbrances and encumbrances total **$174,794,106** with an available balance of **$677,318,102.**

Expenditure Reports (Page 1 and Pages 5-11)-Based on the August 31, 2019 year-to-date actuals:

- The adjusted General Fund expenditure budget is **$783,307,815,** which is **$736,000** or **0.09%** over the May 7, 2019 adopted budget of **$782,571,815** resulting from a RAN premium. The premium will be used to offset the interest expense associated with the bond. The Fund Balance adopted appropriation usage is **$8,000,000.**
- The Special Aid Fund Summary Budget Status report provides a listing of all the grants by Project ID, with an adjusted expenditure budget of **116,707,906,** which is **$707,906** or **0.60%** over the adopted budget of **$116,027,260** resulting from new grant funds. Expenditures associated with these grants will be added and in some instances relieve the General Fund.
- The Food Services Fund (SFS) expenditures are categorized by function/program codes with an adopted expenditure budget of **$24,700,000**.

Capital and Bond Funds (Pages 12-16)– The Capital Fund report shows projects that are funded with Cash Capital (H) and Bond Capital (K) from prior and current year's budget. Cash Capital (H Fund) has a balance of **$ 22,872,601** and Bond Capital (K-Fund) has a balance of **$7,608,295.** It should be noted that these projects are funded from different years' budgets. These capital projects are not part of the Facilities Modernization Plan.

Cash Balance Report (Page 27) – Shows by bank account, the cash balance on hand at the beginning of the month, total receipts and disbursements during the month, and the cash balance at the end of the month, with a comparison to the reconciled bank statements. As of August 31, 2019, the District general ledger shows a cash balance of **$56,934,697** and a bank balance of **$75,107,286.** The primary difference of **$18,172,589** is mostly due to outstanding vendor and payroll checks that were issued. See attached *Cash Balance and General Ledger Reports*.

Cash Flow Report (Page 28) – The Cash Flow Projection Report shows the monthly summarization of the actuals for July 1, 2019 to August 31, 2019, and the projections for the remainder of the 2019-20 school year. The report also includes the summarization of the actual cash flow for the 2017-18 school year.

Prepared by: Rodney Asse, Director of Budget
XC: Board of Education
Superintendent's Executive Cabinet
Kallia Wade

Cash flow report was page 28 of 29 in financial report. No analysis of cash in the two page summary letter.

Prior Fiscal Year's Cash Balances

July 2018 cash balance: $121.6M

($4.2M)

July 2017 cash balance: $125.8M

Rochester City School District
Cash Flow Projection Report
October 2018

2018 - 19 Fiscal Year

	ACTUAL			PROJECTED								
	July	August	September	October	November	December	January	February	March	April	May	June
Beginning Balance	121,633,233	43,854,213	32,972,357	53,022,732	(5,354,810)	(4,557,834)	(7,657,252)	73,575,414	39,012,881	166,299,908	125,781,367	79,348,330
City Revenue	0	20,000,000	20,000,000	0	20,000,000	0	20,000,000	0	20,000,000	0	0	19,100,000
State & Federal Aid	2,461,308	14,709,366	40,376,336	5,681,635	77,924,438	62,293,799	106,697,127	53,372,009	167,274,190	22,233,559	51,507,454	42,214,788
Grant Receipts	3,497,403	15,114,838	12,321,103	5,126,165	9,063,806	10,543,697	9,816,419	5,750,792	14,498,277	5,135,135	10,391,936	7,598,174
Other Receipts	184,612	2,218,719	1,300,482	593,237	1,816,508	672,883	691,386	769,402	1,302,080	1,963,855	3,830,607	1,974,817
Cash -in Time Deposits	0	5,495,052	4,325,842	0	0	3,272,852	1,588,511	0	0	0	2,657,446	0
Total Receipts and Deposits	6,143,323	57,537,975	78,323,763	11,401,037	108,804,752	76,783,232	138,793,443	59,892,203	203,074,547	29,332,549	68,387,443	70,887,779
Accounts Payable	58,801,744	35,485,442	27,208,322	33,921,275	68,032,418	48,277,747	26,424,449	49,114,488	27,878,055	38,529,960	51,626,594	23,376,882
Payroll	25,120,599	24,546,080	31,065,066	31,076,871	31,708,197	31,604,903	31,136,327	32,111,662	47,909,465	30,922,510	33,541,726	34,312,218
Debt Payments	0	8,388,309	0	4,780,434	8,267,161	0	0	13,228,586	0	398,620	29,652,161	0
Total Disbursements	83,922,343	68,419,831	58,273,388	69,778,579	108,007,776	79,882,650	57,560,776	94,454,736	75,787,520	69,851,089	114,820,480	57,689,100
Ending Balance	43,854,213	32,972,357	53,022,732	(5,354,810)	(4,557,834)	(7,657,252)	73,575,414	39,012,881	166,299,908	125,781,367	79,348,330	92,547,009

2017 - 18 Fiscal Year

	ACTUAL											
	July	August	September	October	November	December	January	February	March	April	May	June
Beginning Balance	125,806,512	74,195,538	52,428,012	75,740,051	36,988,955	39,927,198	22,604,525	104,944,612	84,359,474	181,887,113	143,125,448	116,764,798
City Revenue	0	20,000,000	20,000,000	0	20,000,000	0	20,000,000	0	20,000,000	0	0	19,100,000
State & Federal Aid	2,144,900	13,245,392	38,587,565	4,876,869	73,665,547	54,547,913	99,679,454	50,881,822	157,034,065	19,415,959	46,633,844	35,488,211
Grant Receipts	3,132,356	8,630,014	15,770,673	7,609,696	10,752,774	12,333,979	11,070,911	3,425,111	16,559,289	5,486,686	12,316,333	10,471,483
Other Receipts	2,308,876	703,590	1,439,924	14,669,491	3,420,768	5,174,525	3,295,192	1,072,315	3,517,086	3,803,325	8,164,010	5,399,228
Cash -in Time Deposits	0	5,307,784	2,975,247	2,079,980	0	3,272,852	1,588,511	0	0	0	2,657,446	0
Total Receipts and Deposits	7,586,132	47,886,780	78,773,409	29,236,036	107,839,089	75,329,269	135,634,068	55,379,248	197,110,440	28,705,970	69,771,633	70,458,922
Accounts Payable	34,857,383	38,635,723	25,709,992	33,045,263	68,288,271	61,980,551	23,658,687	31,840,979	53,235,082	37,068,595	42,043,336	33,528,755
Payroll	24,339,724	22,102,559	29,751,378	30,063,831	31,061,538	30,671,391	29,635,294	31,064,890	46,347,719	29,914,502	32,448,337	32,061,732
Debt Payments	0	8,916,024	0	4,878,038	5,551,036	0	0	13,058,517	0	484,538	21,640,609	0
Total Disbursements	59,197,107	69,654,306	55,461,370	67,987,132	104,900,845	92,651,942	53,293,981	75,964,386	99,582,801	67,467,635	96,132,282	65,590,487
Ending Balance	74,195,537	52,428,012	75,740,051	36,988,955	39,927,198	22,604,525	104,944,612	84,359,474	181,887,113	143,125,448	116,764,798	121,633,233

Page 26 of 26

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Current Fiscal Year's Cash Balances

July 2019 cash balance: $63.1M

($58.5M)

July 2018 cash balance: $121.6M

Rochester City School District
Cash Flow Projection Report
AUGUST 2019

2019 - 20 Fiscal Year

	ACTUAL		PROJECTION									
	July	August	September	October	November	December	January	February	March	April	May	June
Beginning Balance	63,060,870	6,392,048	40,063,878	85,166,140	16,425,632	22,634,025	8,031,872	66,189,513	58,139,762	199,721,613	159,539,494	55,632,757
City Revenue	0	20,000,000	20,000,000	0	20,000,000	0	20,000,000	0	20,000,000	0	0	19,100,000
State & Federal Aid	13,906,531	17,912,630	44,168,343	5,703,968	86,914,816	61,031,501	109,577,238	56,755,667	176,503,780	27,220,447	53,743,466	39,930,965
Grant Receipts	3,174,374	12,393,263	23,600,000	4,000,000	5,000,000	6,800,000	9,600,000	13,200,000	10,900,000	10,800,000	4,900,000	5,800,000
Other Receipts	730,735	1,756,403	1,533,947	4,379,860	1,160,125	522,305	476,665	979,293	4,380,567	2,359,086	746,485	1,021,242
Cash -in Time Deposits	0	3,898,472	7,525,842	0	3,264,831	0	2,470,000	0	2,151,491	0	620,645	712,411
RAN	0	50,736,000	0	0	0	0	0	0	0	0	0	0
Total Receipts and Deposits	17,811,640	106,696,768	96,828,132	14,083,828	116,339,772	68,353,806	142,123,903	70,934,960	213,935,838	40,379,533	60,010,596	66,564,618
Accounts Payable	39,287,629	48,703,869	22,305,014	48,656,243	66,519,761	53,334,370	38,120,108	35,355,760	41,461,595	49,996,744	38,470,425	37,361,662
Payroll	35,192,833	14,595,850	29,420,857	29,488,767	30,946,706	29,621,589	45,846,154	31,737,091	30,892,391	30,251,903	29,388,072	30,858,871
Debt Payments	0	9,725,219	0	4,679,326	12,664,911	0	0	11,891,860	0	313,006	44,842,169	0
RAN payment	0	0	0	0	0	0	0	0	0	0	51,216,667	0
Total Disbursements	74,480,462	73,024,938	51,725,871	82,824,336	110,131,379	82,955,959	83,966,262	78,984,711	72,353,987	80,561,653	163,917,333	68,220,533
Ending Balance	6,392,048	40,063,878	85,166,140	16,425,632	22,634,025	8,031,872	66,189,513	58,139,762	199,721,613	159,539,494	55,632,757	53,976,842

2018 - 19 Fiscal Year

	ACTUAL											
	July	August	September	October	November	December	January	February	March	April	May	June
Beginning Balance	121,633,233	43,854,213	32,972,357	53,022,732	(4,379,574)	948,181	(10,939,125)	56,969,113	21,609,859	136,147,974	103,453,345	68,941,522
City Revenue	0	20,000,000	20,000,000	0	20,000,000	0	20,000,000	0	20,000,000	0	0	19,100,000
State & Federal Aid	2,461,308	14,709,366	40,376,336	5,009,200	81,796,959	56,502,535	102,450,091	52,938,074	166,380,009	25,578,528	52,665,977	30,096,528
Grant Receipts	3,497,403	15,114,838	12,321,103	7,944,104	6,580,532	7,096,572	10,312,991	14,033,507	10,802,006	11,068,439	5,010,370	11,262,976
Other Receipts	184,612	2,218,719	1,300,482	1,164,385	1,152,735	496,988	2,684,274	1,002,634	1,643,032	2,217,112	519,025	609,101
Cash -in Time Deposits	0	5,495,052	4,325,842	0	3,264,831	0	0	2,470,567	3,143,796	0	0	765,800
City Loan	0	0	0	6,510,000	(5,770,000)	18,749,729	(19,489,729)	0	0	0	0	0
Total Receipts and Deposits	6,143,323	57,537,975	78,323,763	20,627,689	107,025,057	82,845,824	115,957,627	70,444,782	201,968,843	38,864,079	58,195,372	61,834,405
Accounts Payable	58,801,744	35,485,442	27,208,322	41,479,258	60,558,008	62,928,171	17,535,569	44,242,753	55,907,627	39,097,975	31,842,623	35,348,245
Payroll	25,120,599	24,546,080	31,065,066	31,770,303	32,872,133	31,804,959	30,513,821	48,501,492	31,523,100	32,062,113	31,212,411	32,366,812
Debt Payments	0	8,388,309	0	4,780,434	8,267,161	0	0	13,059,791	0	398,620	29,652,161	0
Total Disbursements	83,922,343	68,419,831	58,273,388	78,029,995	101,697,302	94,733,130	48,049,390	105,804,036	87,430,727	71,558,708	92,707,195	67,715,057

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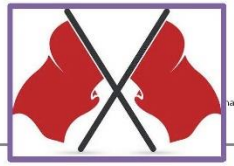
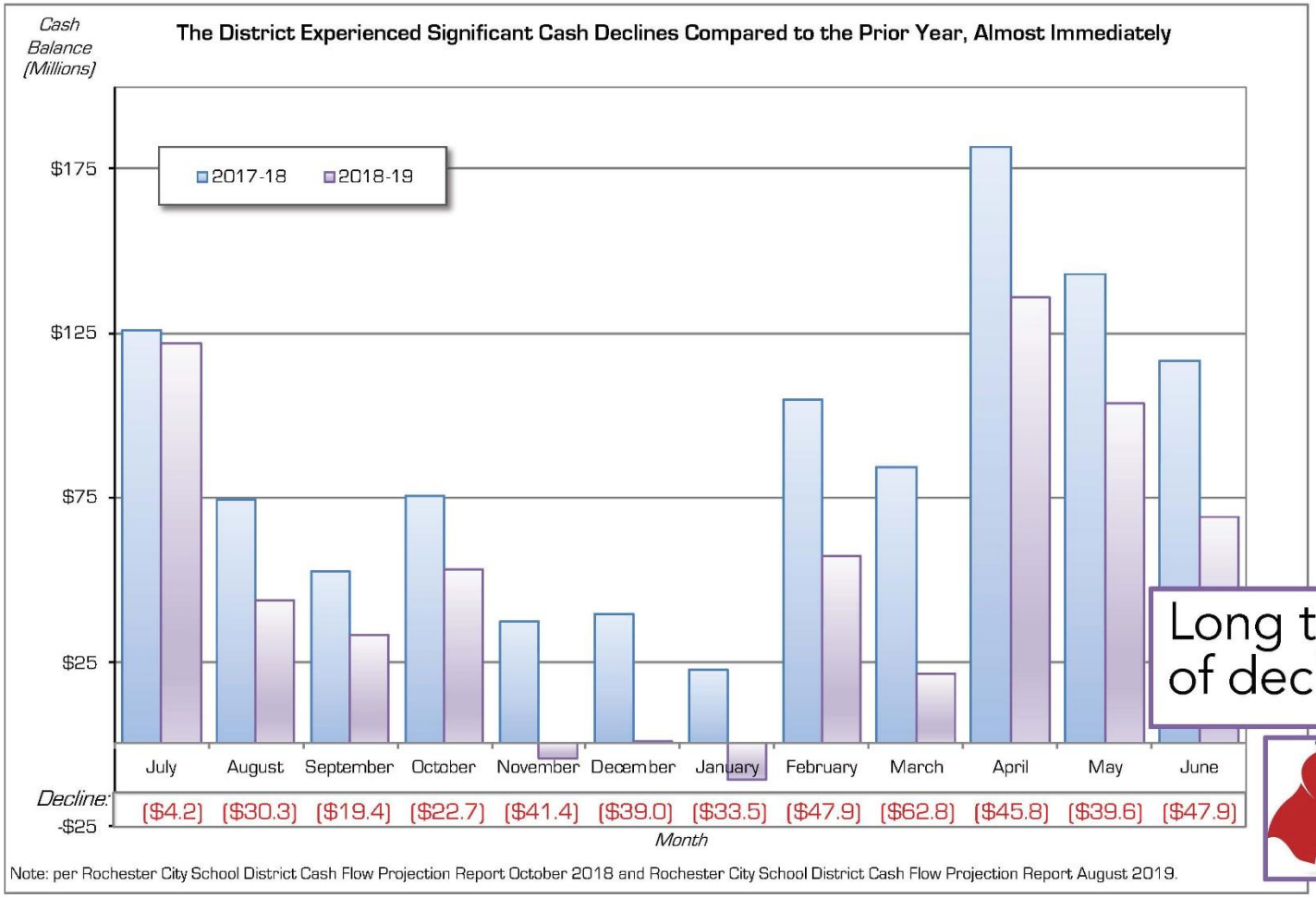
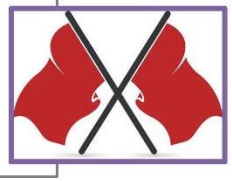
Cash balances declined by $58.5 million despite a reported "balanced budget".



Comparison of Actual Cash Balances



Long trend of declines



Was Anyone Paying Attention?

- Cash flow reports were produced every month and provided to the Board of Education.
- The cash flow balance projected for June compared to the prior June had been a long trend of decline:

Monthly Cash Flow Report	*Presented at BOE Meeting*	*June 2019 Balance ($M)*	*June 2018 Balance ($M)*	*Cash Balance Decline*	
August 2018	Sep. 25, 2018	$89.4	$116.8	($27.4)	Projected
September 2018	Oct. 18, 2018	$79.3	$116.8	($37.5)	
October 2018	Nov. 15, 2018	$75.2	$116.8	($41.6)	
November 2018	Dec. 20, 2018	$77.3	$116.8	($39.5)	
December 2018	Jan. 24, 2019	$51.8	$116.8	($65.0)	
January 2019	Feb. 28, 2019	$57.5	$116.8	($59.3)	
February 2019	Mar. 28, 2019	$63.9	$116.8	($52.9)	
March 2019	Apr. 25, 2019	$57.4	$116.8	($59.4)	
April 2019	May 25, 2019	$58.1	$116.8	($58.7)	
May 2019	Jun. 25, 2019	$68.9	$116.8	($47.9)	
Aug. 2019	Sep. 17, 2019	$68.9	$116.8	($47.9)	Actual

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What Was Going On With the Budget?

CITY NEWSPAPER

News & Opinion » News

[UPDATED] Behind the RCSD budget crisis: pressure and gimmicks

by Mary Anna Towler

October 07, 2019

Auditors from the state Comptroller's Office have begun scrutinizing the Rochester City School District's 2018-19 budget to figure out how the district spent an estimated $30 million it didn't have – an endeavor the state predicts could take six months to a year to conclude.

Meanwhile, on Tuesday Superintendent Terry Dade is expected to update the school board on what the district's own investigation has found so far.

It may be some time before the public learns just what happened, and why apparently so few people inside the system knew about the overspending until last month. But research by a local education analyst provides some insight into how the shortfall happened.

The fundamental cause of the shortfall is easy to spell out: "too much spending in too many places" and fewer opportunities to save money, said the researcher, Eamonn Scanlon, education analyst with The Children's Agenda. At the core, Scanlon said, is a long-standing district problem: its structural deficit. Costs are increasing at a faster rate than revenue.

Eamonn Scanlon, education analyst at The Children's Agenda: The district's spending paid for things it had to provide, but it didn't budget enough for them.

Urban school districts like Rochester's serve thousands of poor children, and many education advocates insist those districts need more money than they get. Nevertheless, when school districts spend beyond their means, they jeopardize not only themselves but also their city governments, which are charged with raising local revenue for education. The Rochester district's latest problems have broadened appeals for state involvement in the district's operations.

The district's financial records, Scanlon wrote, indicate that (the budget deficit) went for things the district has to provide: transportation, employee benefits, substitute teachers, and charter school tuition. The district didn't budget enough for them, though. "Cost projections for those areas were too low, sometimes by more than $10 million," Scanlon wrote.

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Recommendations

- Cash flow projections should be prepared regularly.
- Cash flow projections can be compared to the budget.
- Trends and ratios can help identify red flags for more detailed review.
  - Compare trends over time.

- Cash in particular should be monitored carefully.
  - Can be an early warning signal that allows for a course correction.

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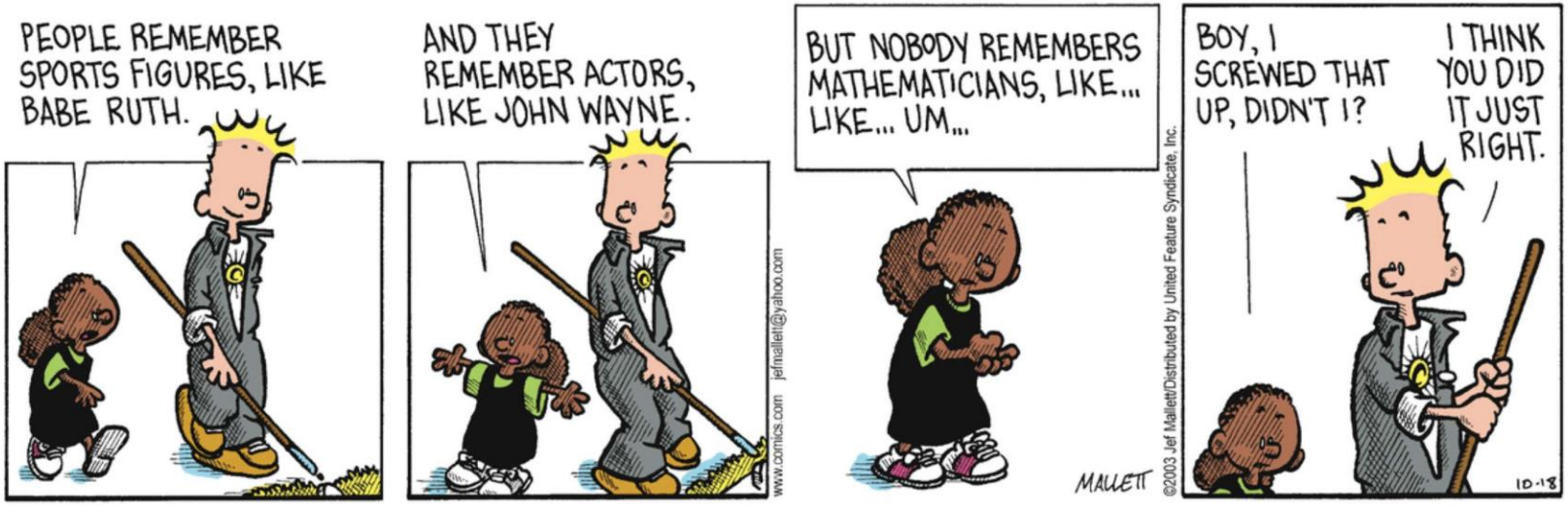
Next Steps for County Auditors

- Review historical practices and refresh on statutes
- Meet with County Superintendent of Schools' staff
  - and then with them and school districts together
  - use a programmatic approach
  - be prepared to be flexible
  - consider what assistance is helpful based on the needs in your county

It May Often Be A Thankless Job . . .



. . . though not today! We <u>thank you</u> for your commitment to serving your communities with good fiscal practices and for your attention today.