

CAPISTRANO UNIFIED SCHOOL DISTRICT
San Juan Capistrano, California

Budget Guidelines
2011-12

PURPOSE:

Budget guidelines provide the overarching set of instructions that staff will use in the creation of the fiscal year budget. Guidelines set consistent parameters and goals that drive the formation of the budget.

GENERAL:

1. At a minimum, the primary consideration in developing the budget is the provision of an effective and contemporary educational program, which meets District and State standards and regulations at all grade levels.
2. Budgeted expenditures shall not exceed income plus any carry over from prior years.
3. Budget assumptions shall be developed, reviewed, and updated on an on-going basis.
4. A budget calendar shall be created and used as a planning guide for budget development.
5. The Strategic Plan along with Board goals, directions, and priorities will be a driving force in the development of the budget, to the extent allowed within the available funding.
6. When the Board authorizes or approves a new goal, project, or program, it shall specify the allocation or reallocation of resources required to appropriately execute the new initiative.
7. When new projects, plans, or programs are presented to the Board for approval, the estimated fiscal impact of the project and available funding sources shall be included.
 - 7.1 Upon approval, the budget shall be adjusted as deemed appropriate based on the availability of funds and the Board's priorities.
8. The budget shall include a General Fund Reserve for Economic Uncertainty of no less than 2% of the total General Fund appropriations in classes 1000 through 7000.
9. Staffing shall be maintained so as to appropriately carry out Board policies, support future growth, and honor collective bargaining agreements.
10. The Cafeteria Fund, Child Care Fund, and Associated Student Body funds shall be self-supporting and, where allowable, shall include allocations for direct, indirect, and support costs.

11. The district will utilize a Multiple Year Projection tool in order to facilitate the compilation of the current and out year budgets.
12. The budget development process will include user friendly information that provides disclosure of anticipated beginning balances, revenues, expenditures and ending balances for all nine of the District's funds. This information will be provided to highlight the intended uses of these funds during the budget year.
13. In the event that closing or re-configuring schools is considered, associated savings and expenditures shall be identified and budgeted with adequate lead-time to allow for appropriate review, analysis and community input as well as adequate transitions.

REVENUE:

14. One-time sources of funding shall not be used to facilitate ongoing expenditures

EXPENDITURE:

15. Funds shall be made available in the budget to support current and anticipated collective bargaining commitments in accordance with AB 1285.
16. Within the context of negotiations and available resources, the district will endeavor to provide employees with competitive salary and benefits packages that reflect a level of incentive sufficient to continue to attract and retain qualified people.
17. Any/all debt service or leasing obligations shall be included in the budget.
18. All categorical programs shall be self-supporting and, where allowable, shall include allocations for indirect and support costs. Special Education, Transportation, and maintenance are not recognized as self-supporting at this time; however, a goal of self-support shall be maintained. Each of these programs shall be monitored to ensure minimal impact to General Fund.
19. Supply and equipment formulas in effect for the current year shall be reviewed, revised, adjusted, and/or frozen, as necessary.
20. Allowance shall be made for increases and/or decreases in the cost of services and supplies; e.g., gasoline, natural gas, electricity, insurance, water, postage, trash collection, telephone services, lease agreements, debt repayment, employee retirement contributions, or benefits mandated by law.
21. Furniture and equipment replacement will be funded to the extent that can be justified in relationship to available resources.

OTHER:

22. The Deferred Maintenance transfer shall be budgeted up to the maximum allowance to take full advantage of the statutory state match when funds allow.

22.1 As part of the multi-year Tier III flexibility provisions of SBX3 4, the Deferred Maintenance program has been designated as an unrestricted program. To take advantage of this provision, the transfer from the General Fund to Deferred Maintenance will be suspended during 2011-12.

23. All carryover funds in Federal categorical programs are considered restricted balances and will be continued as deferred income.

24. As part of the adoption and review of the District's fiscal year budget and related financial activity, the District is required to prepare specific reporting documents. These documents, and their associated filing deadlines, are indicated below.

Adopted Budget	(Prior to June 30)
Revised Budget	(Within 45 days of the Governor signing the State Budget)
First Interim Report	(Within 45 days of October 31, or by December 15)
Second Interim Report	(Within 45 days of January 31, or by March 17)
Third Interim Report*	(Within 31 days of April 30, or by June 1)
Independent Audit Report	(Prior to December 15 after the close of the fiscal year)

*A third interim report becomes necessary with the filing of a qualified budget or first or second interim report.

CAPISTRANO UNIFIED SCHOOL DISTRICT
San Juan Capistrano, California

Budget Assumptions
2011-2012

PURPOSE:

The purpose of this budget assumption document is to provide the District with a framework for preparing the budget. The overarching influence to the following assumptions is the budget for the State of California. Other assumptions will be based upon District input and prior year trends, as well as external sources or conditions when appropriate.

OVERALL ASSUMPTIONS:

1. Enrollment projections for 2011-2012 assume that enrollment will be in decline as compared to 2010-2011. The projected enrollment for revenue limit funding during 2011-2012 is 50,644.

Funding received from the State is based on the district's Average Daily Attendance (ADA). ADA is calculated by dividing the total number of days of *student attendance* by the number of *days of school taught* during the same period. Funding for 2011-2012 is projected to be 49,475. This figure is based on the submitted P-2 ADA amounts, which are as of April, 2011.

Currently, the net funded base revenue limit is projected to be \$5,209.71 per unit of ADA, which is an increase of \$1.03 per ADA compared to FY 2010-2011. This amount includes information as detailed in the Governor's May Revise. This calculation is detailed further in item 3.

CUSD previously prepared projections based upon the Governor's January Budget Proposal, which included two (2) budget proposals. The District was planning to budget for 2011-2012 based on the Option II scenario, which was consistent with guidance from the Orange County Department of Education (OCDE).

Option II: Reduction of \$348 per ADA

This option assumed the proposed State cuts are fully implemented, and that additional reductions are made to offset the elimination of current temporary taxes.

2. Site supply budgets and staffing allocations will be determined using the following formulas:

2.1 Site Supply Budget Formula ¹:

K-5	\$15.75 / student
6-8	\$18.75 / student
9-12	\$24.75 / student

¹ Site supply budgets are exclusive of copier allocation, which is centrally funded

2.2 Staffing Formula:

K - 3	=	30.5 : 1	
4 - 5	=	31.5 : 1	
6 - 8	=	32.5 : 1	(includes prep periods and electives)
9 - 12	=	34.5 : 1	(includes prep periods and electives)

Class sizes in grades K, and 4-12 will be staffed as per Article 8.3 of the current contract with CUEA. Staffing in grades 1-3 will differ with the current contract due to restrictions outlined in California Education Code §41376 and 41378. For grades 1-3, these restrictions limit the maximum size of individual classes at 32:1, and the district-wide average at 30:1.

REVENUE ASSUMPTIONS:

- The 2011-2012 revenue limit will be based upon the 2010-2011 revenue limit with a projected 2.24% cost of living adjustment (COLA), as well as the increased accumulated deficit factor of 19.754%. The District’s 2011-2012 deficiated revenue limit per ADA is projected to be \$5,209.71 per unit of ADA. This is in comparison to the 2010-2011 Revenue Limit of \$5,208.68, as shown below.

3.1 The District’s Revenue Limit calculation is included below for reference.

		Base Revenue Limit per ADA (A)	Proration Factor (B)	Funded Base Revenue Limit (C) = (A) X (B)
1.	2010-2011 Base Revenue Limit	6,349.18	0.82037*	5,208.68
2.	2011-2012 COLA per ADA	143.00	-	-
3.	2011-2012 Base Revenue Limit	6,492.18	0.80246**	5,209.71
4.	Net 2010-2011 Funded Revenue Limit			5,208.68
5.	Dollar Change (Line 3, Column C Minus Line 4, Column C)			1.04
6.	Percent Change (Line 5, Column C Divided by Line 4, Column C)			0.00%

*0.82037 = 1 - .17963 (deficit factor)

**0.80246 = 1 - .19754 (deficit factor)

- There is no equalization aid planned for 2011-2012.
- State categorical program funding is expected to receive a 0.0% COLA for Tier I – III programs.
 - The District will utilize the flexibility of the Tier III programs afforded through SBX3 4. Currently, the District plans to utilize flexibility amounts of approximately \$15.1 million. These programs are proposed to remain flexible through 2014-2015, as outlined in the Governor’s January Budget Proposal.

- 5.2 The District will also utilize the flexibility afforded to the Class Size Reduction (CSR) program. The Governor’s January Budget Proposal has proposed to extend the CSR program’s flexibility provisions through the 2013-2014 fiscal year.
- 6. State Special Education funding is expected to receive 0.0% COLA.
- 7. Lottery unrestricted revenue will be calculated at \$111.00 per unit of annual attendance. Unrestricted revenue is projected to be approximately \$5.5 million.
- 8. Lottery restricted revenue for instructional materials will be calculated at \$17.50 per unit of annual attendance. Restricted revenue is projected to be approximately \$0.9 million.
- 9. The District will budget a further allocation of \$2.3 million from the American Recovery & Reinvestment Act (ARRA) funds for 2011-2012. This is the final allocation of ARRA funds.
- 10. CUSD has been allocated a total of approximately \$9.6 million in federal Education Jobs Bill funding. This amount will be budgeted completely in 2011-2012. Of this amount, approximately \$8.6 million has been received, and the approximate remaining \$1.0 million is projected to be received early in the 2011-2012 fiscal year.
- 11. Redevelopment Agencies (RDAs) are one of the areas within the Governor’s January Budget Proposal where significant modifications to future funding streams have been proposed for 2011-2012. CUSD currently has negotiated agreements with the RDAs in Mission Viejo and San Juan Capistrano, which are projected to be unchanged by the budget proposal. The following amounts are projected to be received from the RDAs during 2011-2012.

Mission Viejo RDA	\$1.6 million
San Juan Capistrano RDA	\$1.0 million

EXPENDITURE ASSUMPTIONS:

12. Salaries

12.1 Step and column increases will be reflected for those certificated, classified and administrative employees who qualify for movement based upon their longevity with the District, earned education credits, and negotiated agreements.

12.1.1 Salary costs estimated for employee groups will increase by the following percentages due to employee movement across the salary schedule.

CUEA	2.25%
CSEA	2.00%
CUMA	1.50%
Teamsters	2.00%

12.2 Vacancies created due to retirements or those employees indicating the intent not to return will be budgeted as follows:

Certificated:	Column C, Step 11
Classified:	Step 3, Range per Classification
Administrative:	Step 3, Range per Classification

12.3 2011-2012 salary agreements have been reached with all represented groups.

13. Actual costs for special education are dependent on the type of services the District is required to provide to each individual student. For the purposes of budgeting expenditures, the District is projecting increases of between 2% and 5% in the costs of non-salary expenditures for operating the program during 2011-2012.

14. There are no costs budgeted in 2011-2012 resulting from earlier golden handshake commitments.

15. For categorically funded programs, the positions allocated will reflect the funding available.

16. Benefits:

16.1 The District will utilize the following employer rates for statutory benefits for the 2011-2012 budget year, based upon currently available information from various State agencies.

STRS	8.25 %
PERS	10.923 %
PERS Reduction	2.097 %
OASDI	6.20 %
Medicare	1.45 %
Workers Comp	1.60 %
Unemployment	1.61 %

16.2 The District will utilize the following rates to contribute towards the Other Post-Employment Benefits (OPEBs). The District is utilizing the pay-as-you-go method of contributing towards its OPEB liability.

OPEB – Active	0.45 %
OPEB – All	0.27%

16.3 The Public Employees Retirement System (PERS) revenue limit reduction transfer is estimated at \$425,275, which matches the amount to be budgeted as income.

17. Health and welfare insurance costs for the district for the 2011-2012 fiscal year are not budgeted to increase, due to the negotiated benefit caps.

- 17.1 Health and welfare expenditures for 2011-2012 are projected to be approximately \$40.6 million.
18. Liability insurance premiums for the 2011-2012 fiscal year will be budgeted to increase by 3%.
- 18.1 Property & Liability insurance costs for 2011-2012 are projected to be approximately \$2.3 million.
19. Utilities are expected to increase by 1.7% over the 2010-2011 year based upon California CPI as forecasted for 2011-2012.
20. Transfers & Capital Outlay:
- 20.1 The District will not contribute to the Deferred Maintenance Fund during the 2011-2012 fiscal year.
- 20.2 A total of \$550,000 will be allocated for capital outlay as follows:
- \$200,000 for E-Rate technology infrastructure match
 - \$250,000 for general technology infrastructure replacement
 - \$50,000 for furniture replacement
 - \$50,000 for vehicle replacement
- 20.3 The District will transfer a total of approximately \$2.8 million from the following funds to the General Fund to help offset revenue limit reductions.
- | | | |
|----------------------------|------------|-------------------|
| Fund 40 (Special Reserve): | \$ 650,000 | “C” Building Rent |
|----------------------------|------------|-------------------|
- The following amounts will be transferred annually through 2014-15, based upon the Governor’s January Budget Proposal:
- | | |
|---------------------------------|-------------|
| Fund 11 (Adult Education): | \$ 900,000 |
| Fund 14 (Deferred Maintenance): | \$1,200,000 |
21. Indirect / Direct Costs:
- 21.1 Inter-program direct and indirect costs will be calculated at the maximum allowable rate per program. The estimated rate, based upon 2009-2010 unaudited actuals, is 3.57% for 2011-2012.
- 21.2 The Cafeteria Fund will be charged a 3.57% indirect cost for the 2011-2012 fiscal year. Ed. Code § 38101(c) and 52616.4(a)(3) specify that the indirect cost charge for Cafeteria Funds is the lesser of the approved school district rate, or the statewide average rate. In addition to indirect charges, the District charges applicable direct costs including telephone, electricity, natural gas, waste disposal, and laundry services.

- 21.3 The Child Development Fund will be charged based on direct staff time used to support the childcare program, utility costs, rent, insurance, and maintenance and warehouse services.
- 22. Debt Service and Major Lease Payments:
 - 22.1 The District is projected to incur approximately \$500,000 in debt service payments from the General Fund in 2011-2012. The amount consists primarily of lease payment obligations.
 - 22.2 The District currently does not plan to enter into significant additional lease obligations during the 2011-2012 fiscal year.
- 23. At a minimum, the Reserve for “Economic Uncertainty” will be maintained at the 2% mandated level.
- 24. New textbooks, consumables, and the costs of rebinding will be budgeted at \$1.6 million, and will be funded from the following:
 - 24.1 Restricted Lottery Funding

\$900,000 (including carryover), which may only be spent on instructional materials.
 - 24.2 Instructional Materials Funding Realignment Program (IMFRP)

\$700,000 will be allocated to instructional materials. IMFRP is a Tier III categorical program, and is projected to receive a total 2010-2011 appropriation of \$2.8 million. The remaining balance of approximately \$2.1 million will be contributed to the unrestricted general fund.
- 25 Summer School, which includes credit recovery and legally mandated activities, during Summer 2012, is currently budgeted at \$50,000.

ADDITIONAL ASSUMPTIONS:

- 26. Interest earnings on funds in custody will be budgeted at 0.75%.
- 27. Charter Schools
 - 27.1 The District currently has executed contracts with five charter school groups. The charter schools receive a combination of property tax revenue and State aid, including a categorical block grant. The District provides general financial review for the charters and their respective budgets.
 - 27.2 The District receives fees from the charter school groups for administrative oversight, which are projected to be approximately \$131k.

27.3 Charter schools within CUSD will be offered facilities in accordance with Proposition 39 regulations.

27.3.1 The District will incur one-time additional costs of approximately \$500,000, resulting from providing facilities due to Proposition 39 regulations. The amounts are outlined below.

- \$500,000 one-time furniture and equipment purchases

Presented for Board Approval: February 8, 2011
Revised: June 10, 2011