

**"Empowering
Students for
Success"**



Capistrano Unified School District

2012-2013

2nd Interim Report

March 13, 2013

Capistrano Unified School District

Vision

Educated, responsible, and confident citizens succeeding in a global society.



Mission

The Capistrano Unified School District, with support from our community, prepares students to achieve academic and personal success while becoming responsible citizens and lifelong learners.



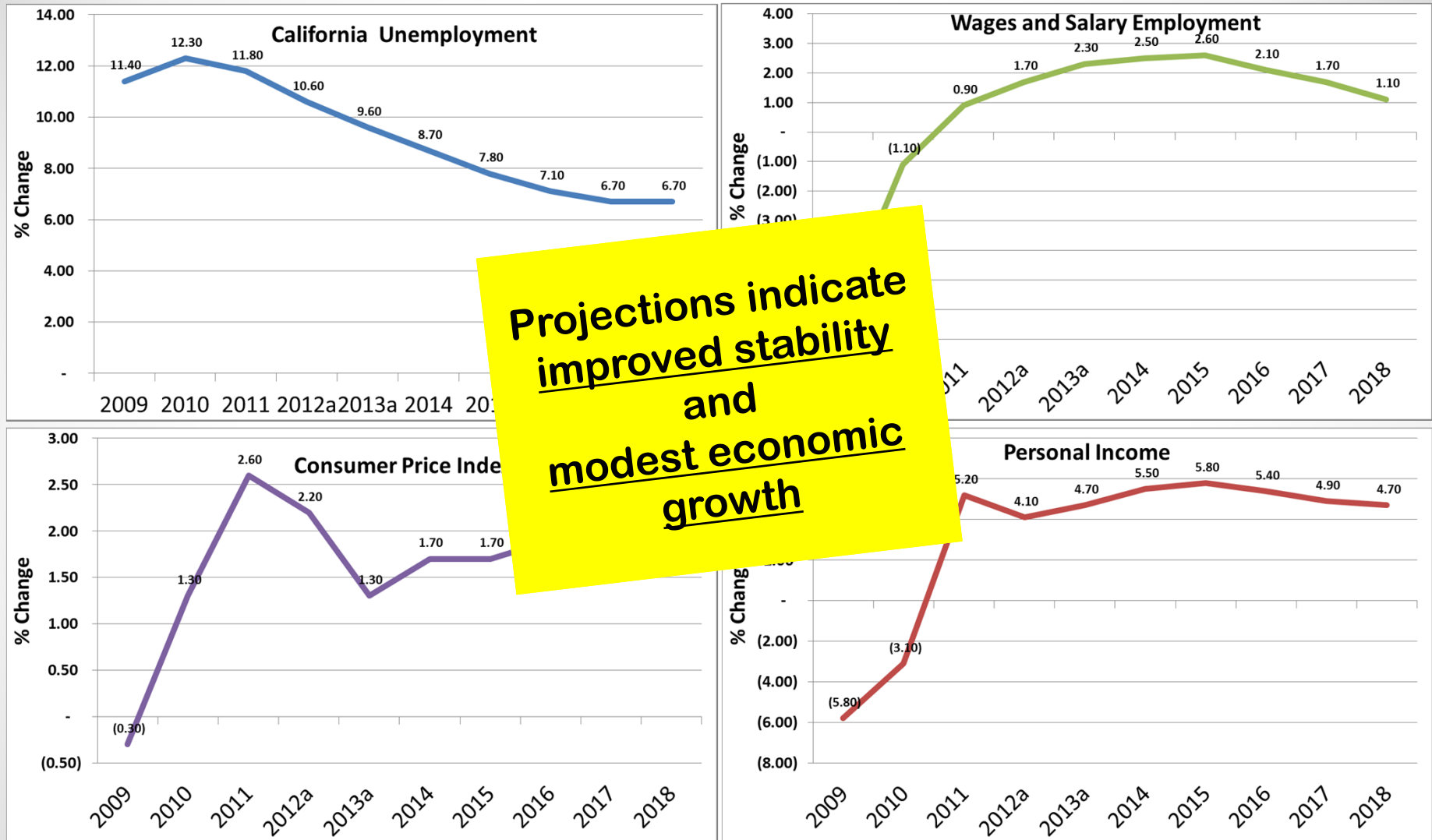
Economic Outlook

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State Economic Indicators



California Economic Indicators and Projections



^a Generally excludes extraordinary one-time personal income effects of Facebook, Inc. initial public offering. These effects will be displayed in future official economic data for 2012 and 2013.



Source: California Legislative Analysts Office, "The 2013-14 Budget: California's Fiscal Outlook"

Legislative Analyst Office Caution

- *“Despite Positive Outlook, Caution Is Appropriate.”*

“Our multiyear budget forecast depends on a number of key economic, policy, and budgetary assumptions. For example, we assume steady growth in the economy and stock prices.”

- “Changes in these assumptions could dramatically lower—or even eliminate—our projected out-year operating surpluses.”



State Budget

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Summary of latest information on California state budget

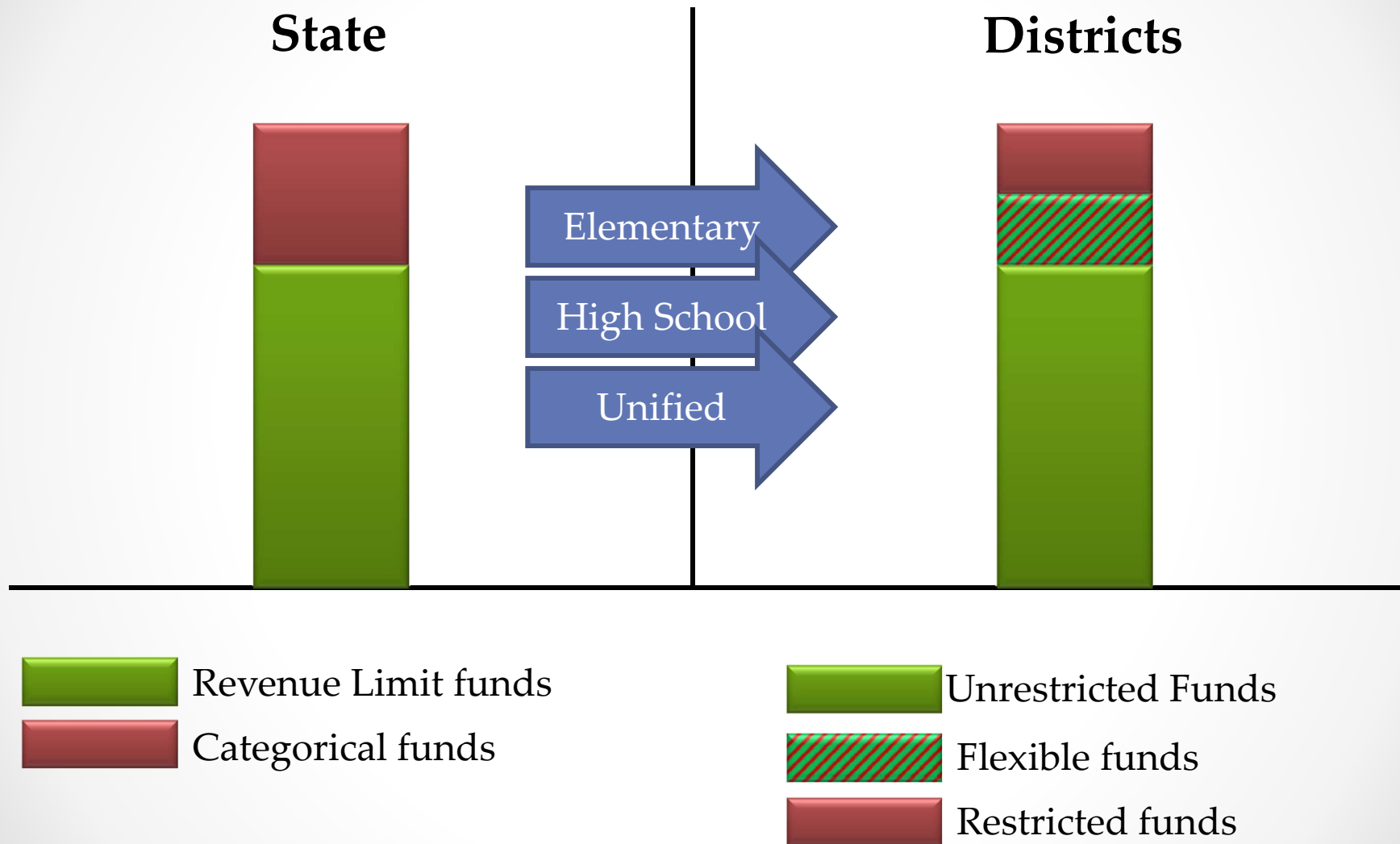


New Funding Model

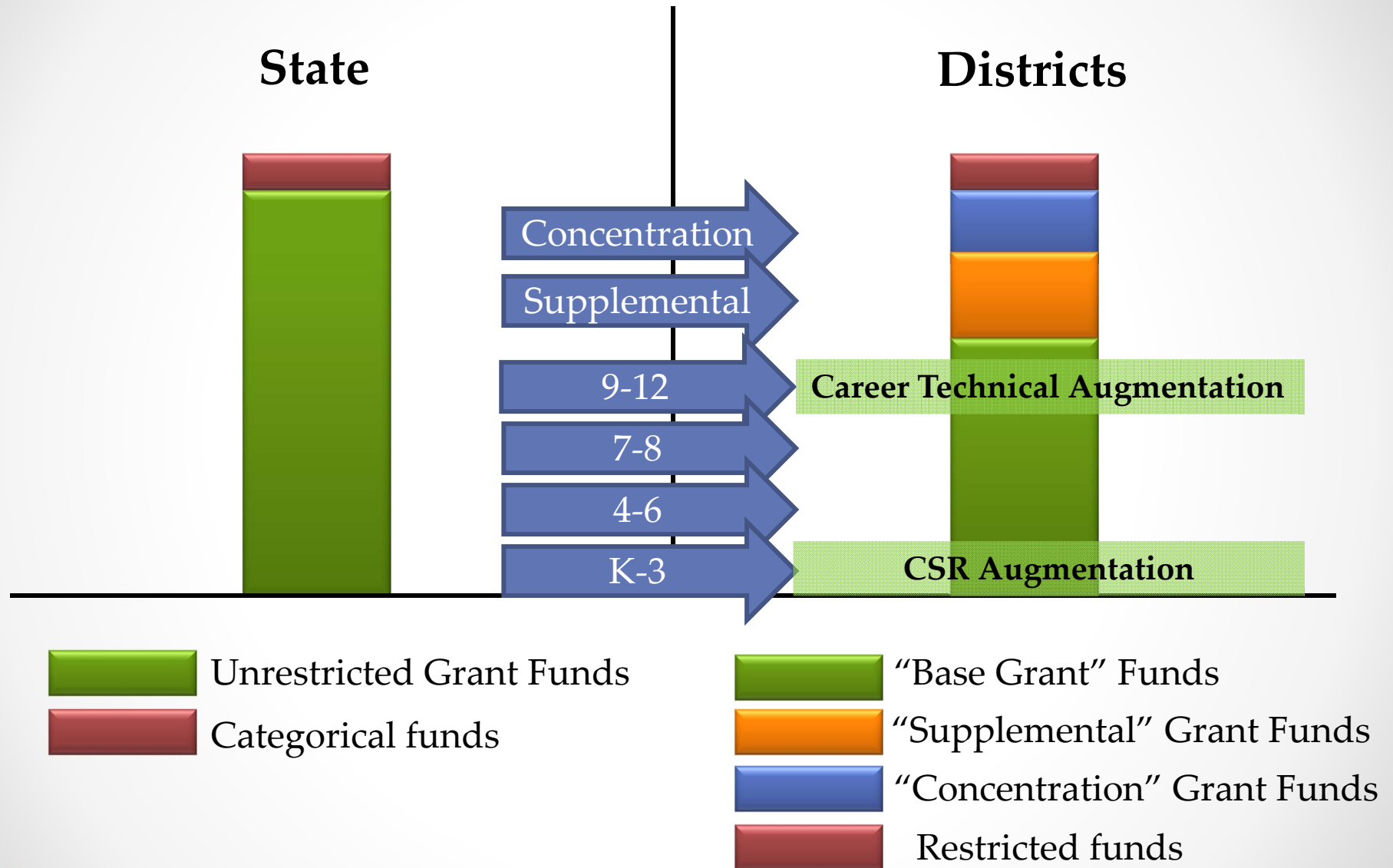
- Last year, Governor proposed the Weighted Student Funding Formula (WSFF)
 - The 2012-2013 budget was not adopted to include this new funding formula.
- This year, the Governor has resurrected his funding formula proposal and renamed it the **Local Control Funding Formula (LCFF)**



Current “Revenue Limit” Funding Model



Proposed “Local Control Funding Model”

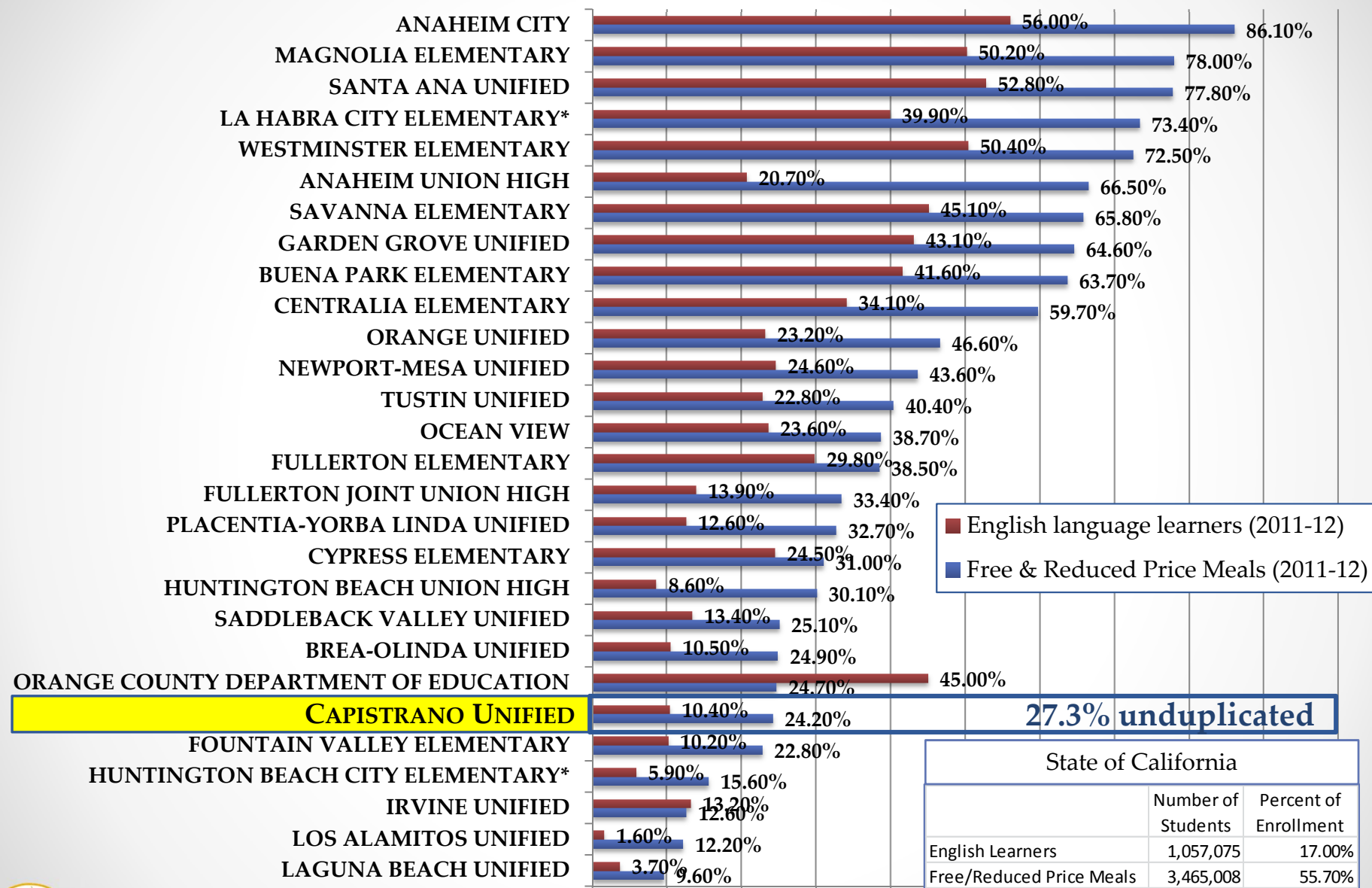


Governor's Proposed Local Control Funding Formula (LCFF) Summary

- **Base Grant** allocated by grade level to all districts equally
 - Plus augmentation funds allocated to grades K-3 for class size reduction and grades 9-12 for career technical education
- **Supplemental Grant** = 35% of Base Grant for each student qualifying for funds
- **Concentration Grant** = 35% of Base Grant for each student qualifying for funds
- There are currently insufficient details to allow a school district to determine its funding under implementation for LCFF for 2013-2014 or beyond.



Orange County Districts

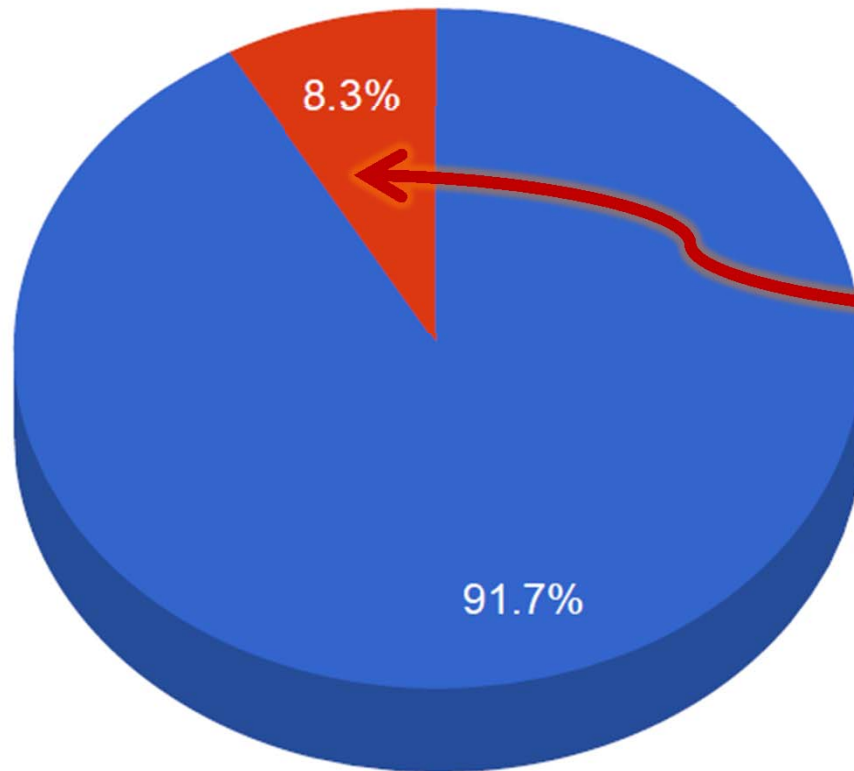


0.00% 10.00% 20.00% 30.00% 40.00% 50.00% 60.00% 70.00% 80.00% 90.00% 100.00%



Source: State Dept. of Education; Figures for La Habra and Huntington Beach elementary districts are from 2010-11; figures on the state site for 2011-12 were inaccurate.

LCFF Revenue Mix When Fully Implemented



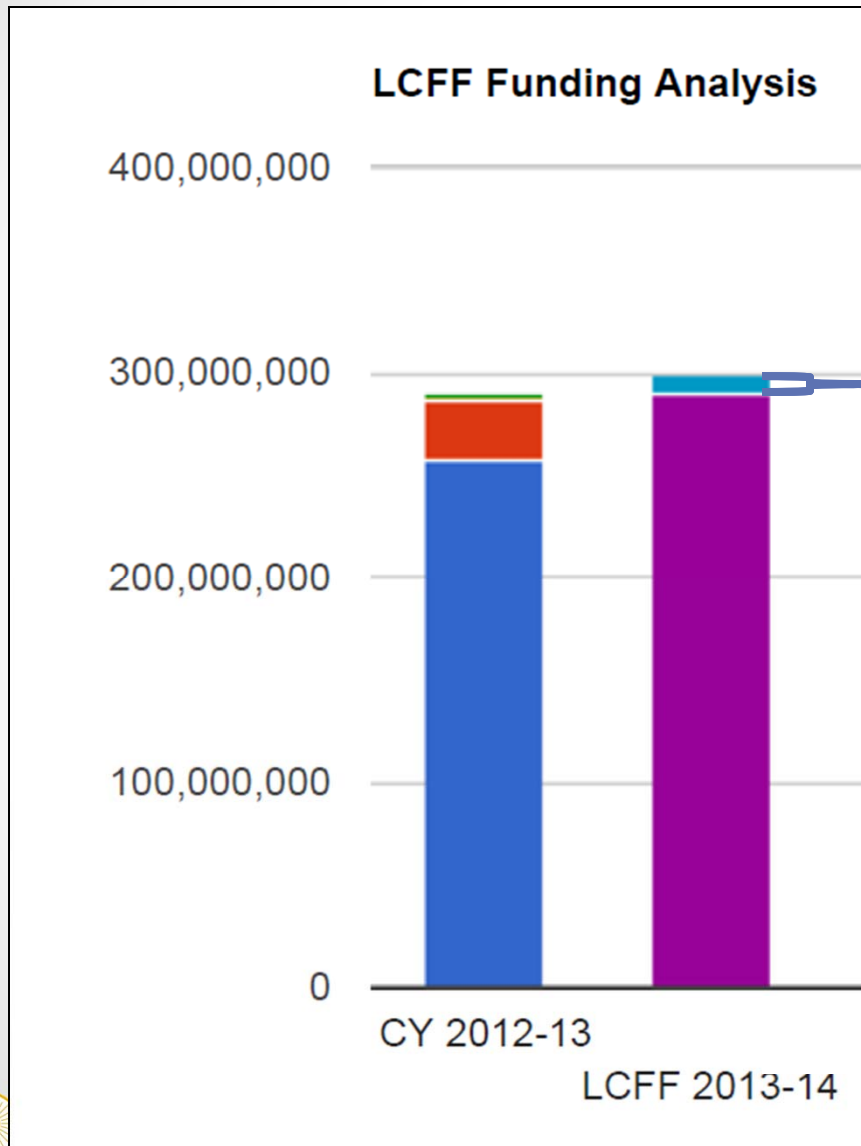
■ Base ■ Supplemental

Based on approximately 27.3% *unduplicated* students who are either economically disadvantaged or English language learners as “supplemental” grant

Capistrano Unified would not be eligible for the concentration grant funding

Based on estimates only.

LCFF CUSD Estimates



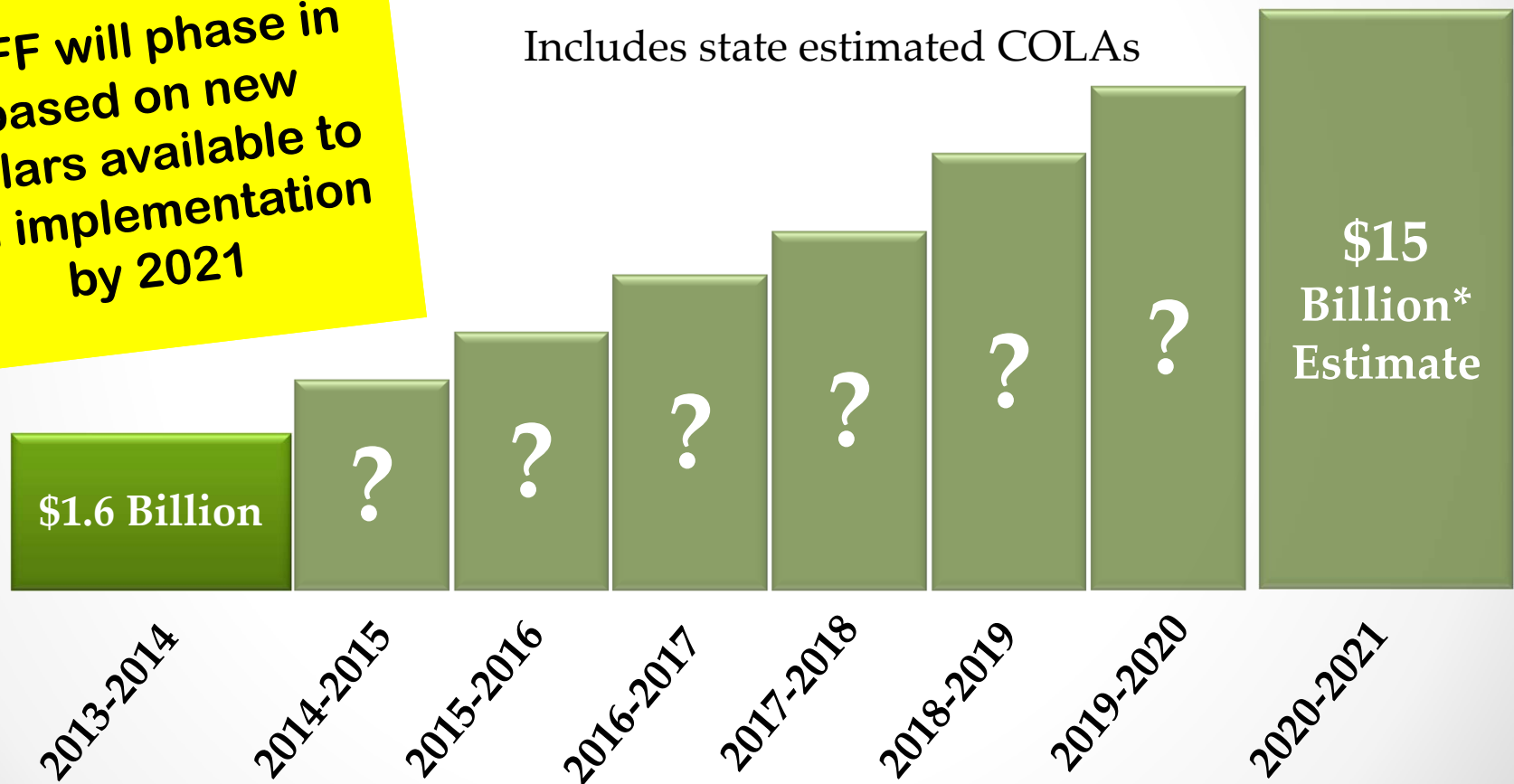
COLA \$4.2 million
LCFF Growth \$5.7 million*

*** Districts are advised to include COLA in 2013-2014 projections but wait on LCFF until more definitive information is available**

Local Control Funding Formula Phased In Over Seven Years

LCFF will phase in
based on new
dollars available to
full implementation
by 2021

Includes state estimated COLAs

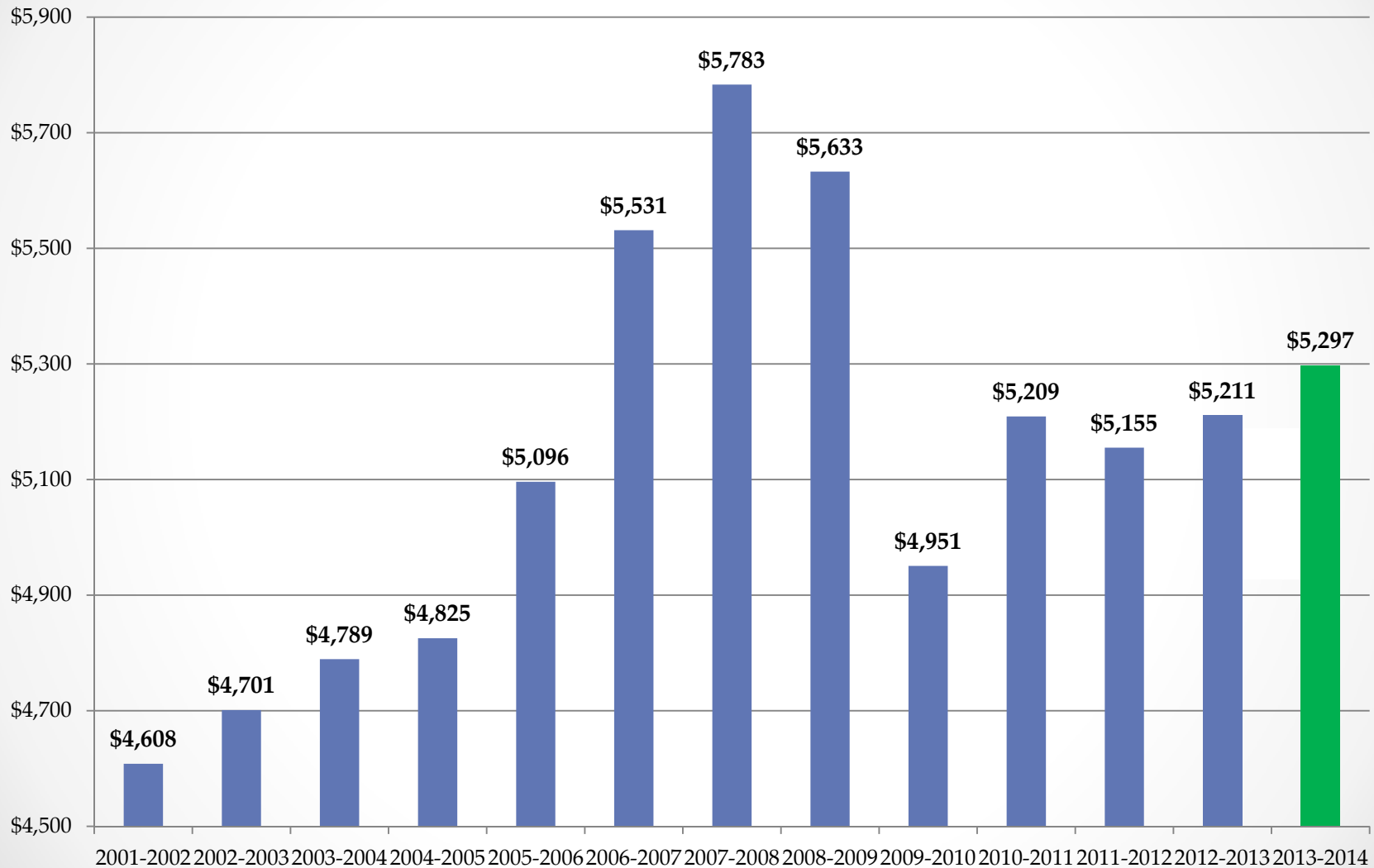


* - about \$2,500 more per student. ● 14



CUSD Historical Revenue Limit

Funded Base Revenue Amount



2012-2013 2nd Interim Report

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Due March 15th



Budget Calendar

Budgeting for schools is a continuous, year-round process.

- Adopted Budget June 30, 2012
 - 1st Interim December 15, 2012 (reporting data as of October)
 - **2nd Second Interim March 15, 2013** (reporting data as of January)
 - 3rd Interim* June 1, 2013 (reporting data as of April)
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- Note: Pursuant to Education Code (EC) Section 42131(e), a Third Interim Report is required to be filed by June 1 if the Second Interim certification is not positive.



Major Assumptions

- Current Year 2012-2013

- Average Daily Attendance (ADA) based on 2011-2012 P2 ADA.
- Cost-of-living adjustment (COLA) **+3.24 %** (*actual funded 0%*)
- Deficit factor increases to 22.272% which offsets COLA increase.
 - ***note:** Passage of Prop 30 prevented deficit factor increase to 28.814%*
- Continued Use of State flexibility
- Staffing according to formula. Adjusted based on actual enrollment.
- Implementation of collective bargaining agreements in place.



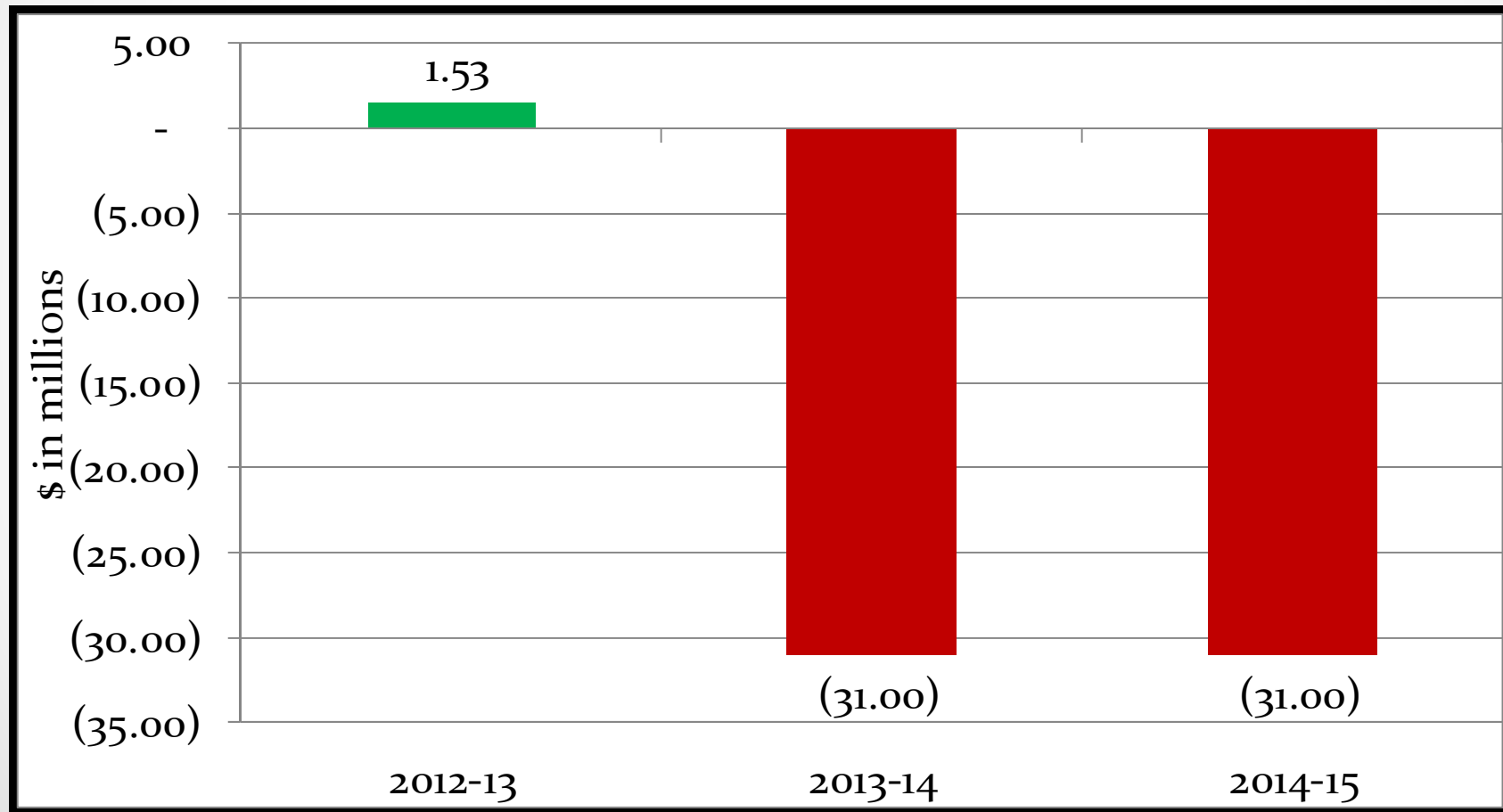
Major Assumptions

- Forecast Years 2013-2014 and 2014-2015

- ADA based on prior years due to declining enrollment.
- Projected funded COLAs:
 - 2013-2014 **+1.65%** (revised since 1st Interim)
 - 2014-2015 **+2.20%** (revised since 1st Interim)
- LCFF Growth funding not included because not yet finalized
- Use of State flexibility continued
- One time Federal funds exhausted
- Salary reductions are negotiated on a year-by-year basis, therefore future years reflect:
 - Return to 180 day school year
 - Changes to compensation per negotiated agreements
 - Step and Column increases based on negotiated agreements
 - Class size decrease based on negotiated agreement
- No other increases in salaries or benefits



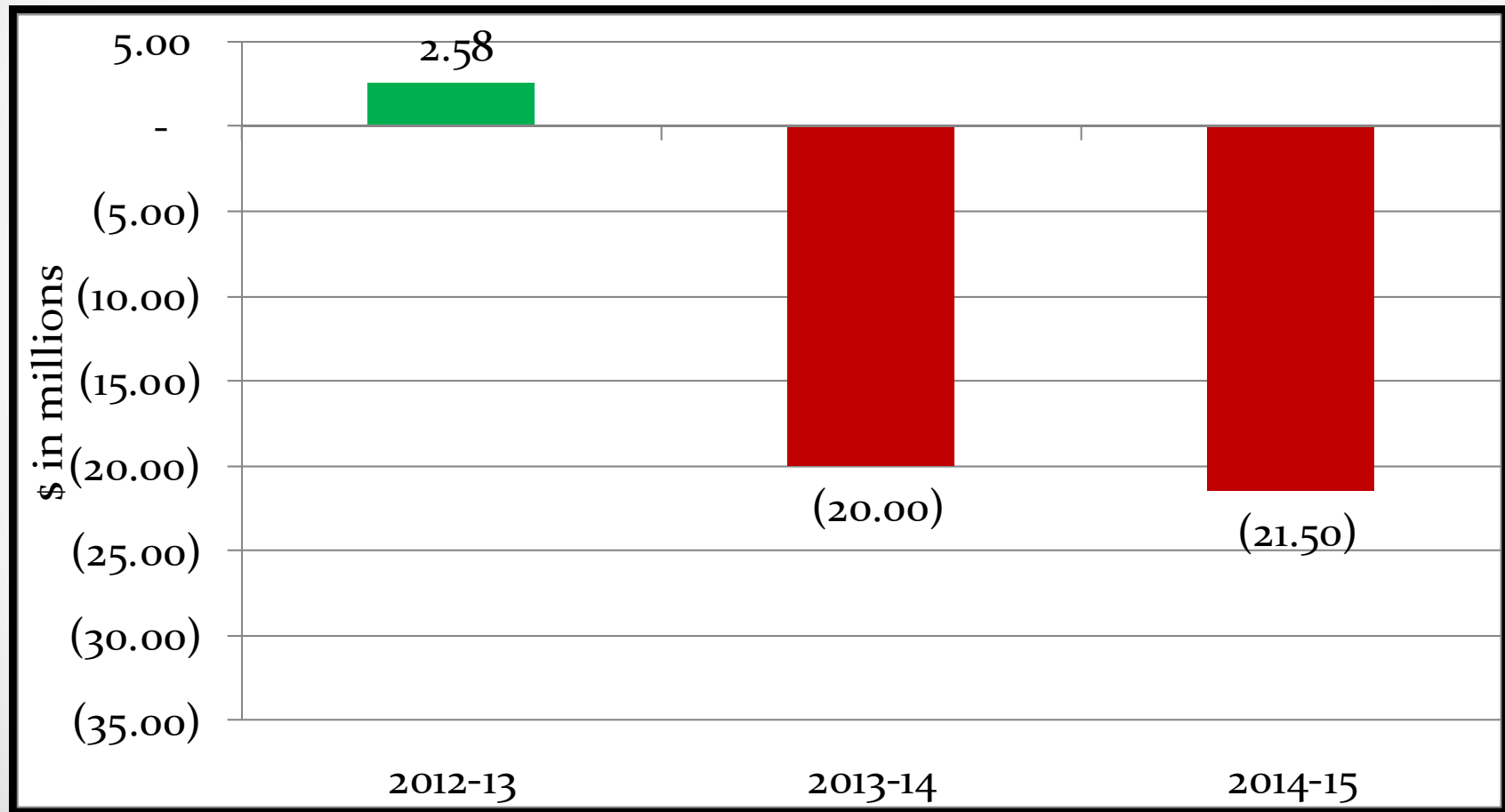
2012-2013 1st Interim Multi-Year Projection



Note: cumulative amounts.
Only ongoing reductions carry forward into future years



2012-2013 2nd Interim Multi-Year Projection



Note: cumulative amounts.
Only ongoing reductions carry forward into future years



2012-2013 1st Interim

Multi-Year Projection

(Unrestricted Fund)

COLA Calculated: 3.24% 2.00% 2.30%

COLA Actual/Projected: **0.00%** **0.00%** 2.30%

	2012-2013	2013-2014	2014-2015
Projected Revenue	\$292.63	\$291.41	\$297.19
Beginning Balance	16.64	8.50	7.71
Total Available Sources	309.27	299.91	304.89
Projected Expenditures	253.85	274.10	278.72
Contribution to Restricted Fund*	46.92	49.10	49.73
Required Reserves	6.98	7.71	7.44
Available Balance	\$1.53	(\$31.00)	(\$31.00)

* Special Education and Transportation encroachment and Routine Restricted Maintenance

Although COLA projected for 2013-2014, OCDE recommends using 0% projection.

2014-2015 assumes 2013-2014 reduction is one-time.



2012-2013 2nd Interim

Multi-Year Projection

(Unrestricted Fund)

COLA Calculated: 3.24% 1.65% 2.20%

COLA Actual/Projected: **0.00%** **1.65%** **2.20%**

	2012-2013	2013-2014	2014-2015
Projected Revenue	\$294.50	\$298.31	\$303.98
Beginning Balance	16.64	10.38	8.17
Total Available Sources	311.14	308.69	312.14
Projected Expenditures	252.32	270.48	274.73
Contribution to Restricted Fund*	48.44	50.05	50.69
Required Reserves	7.80	7.51	7.58
Available Balance	\$2.58	(\$19.35)	(\$20.85)

* Special Education and Transportation encroachment and Routine Restricted Maintenance OCDE recommended using 0% 2013-2014 COLA at 1st Interim and now recommends 1.65%. 2014-2015 assumes 2013-2014 reduction is one-time.



Changes Since 1st Interim

	2012-2013 Current Year	2013-2014 Next Year
Revenue Change	+\$1.12 million	+\$6.56 million
Expense Change	-\$0.59 million	-\$2.74 million
Net Change	+\$1.70 million	+\$9.30 million

- Lottery increase
- Budget revision to Tier III income
- Workers comp
- Other miscellaneous adjustments

- COLA expected to be funded
- Mandate block increase
- Lottery, Tier III revision, workers comp
- Other miscellaneous adjustments



2012-2013 Second Interim Report

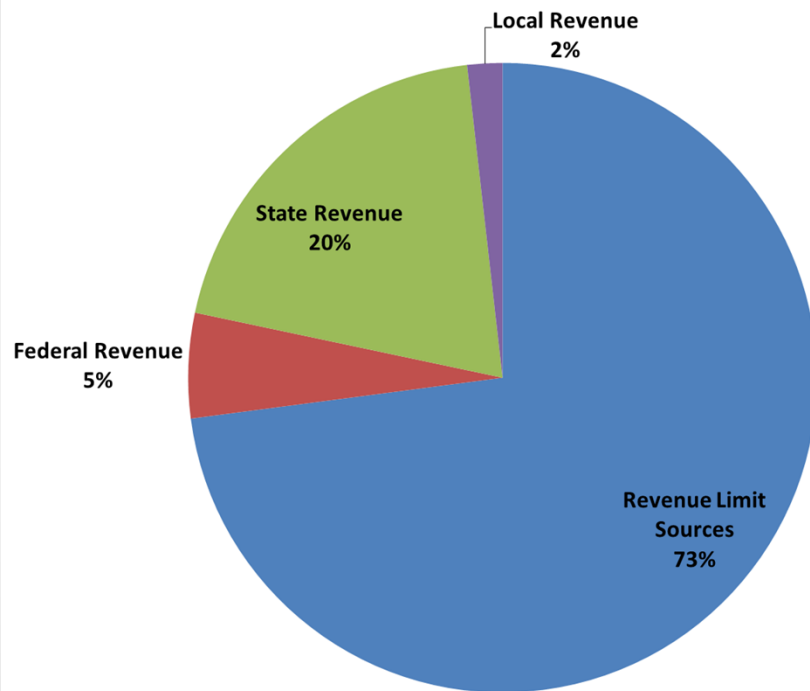
Combined Restricted & Unrestricted Funds

	2012-13 1st Interim	2012-13 2nd Interim	Change from 1st Interim 2nd Interim	Comments
Revenue				
Revenue Limit Sources	\$257,379,804	\$257,350,277	(\$29,527)	
Federal Revenue	\$18,562,428	\$19,023,228	\$460,800	New NCLB Prog Improvement grant plus additional Special ed. revenue
State Revenue	\$68,236,069	\$70,151,327	\$1,915,258	Additional EIA revenue, Lottery revenue and Tier III revenue
Local Revenue	\$5,380,898	\$6,358,821	\$977,923	Gifts budgeted as received. Other local income budgeted as received
Total Revenue	\$349,559,199	\$352,883,653	\$3,324,454	
Expenditures				
Certificated Salaries	\$177,117,758	\$178,250,131	\$1,132,373	Position control adjustments for Prop 30 - minimal net change
Classified Salaries	\$54,917,837	\$53,480,619	(\$1,437,218)	Position control adjustments for Prop 30 - minimal net change
Benefits	\$75,895,082	\$75,109,124	(\$785,958)	Position control adjustments for Prop 30 - minimal net change
Books and Supplies	\$12,782,774	\$13,081,405	\$298,631	Extra gift revenue budgeted
Services & Operating Expenses	\$32,126,528	\$33,961,774	\$1,835,246	Extra gift revenue budgeted. Copier lease coding adjustment
Capital Outlay	\$557,732	\$556,994	(\$738)	
Other Outgo/Debt Service	\$10,055,799	\$10,403,740	\$347,941	County tuition for special ed. students
Trnsfrs of Indirect/Direct Support	(\$650,123)	(\$650,123)	\$0	
Total Expenditures	\$362,803,387	\$364,193,664	\$1,390,277	
Other Sources and Uses				
Other Funding Sources	\$2,761,057	\$2,711,057	(\$50,000)	Bldg C lease costs
Interfund Transfers Out	\$0	\$0	\$0	
Total Sources and Uses	\$2,761,057	\$2,711,057	(\$50,000)	
Beginning Fund Balance	\$19,348,709	\$19,348,709	\$0	
Audit Adjustments	\$0	\$0	\$0	
Net Incr (Decr) in Fund Balance	(\$10,483,131)	(\$8,598,954)	\$1,884,177	
Ending Fund Balance	\$8,865,578	\$10,749,755	\$1,884,177	
Components of Ending Fund Balance				
Revolving Cash, Stores, Prepaid	\$325,000	\$325,000	\$0	
Legally Restricted	\$365,125	\$365,125	\$0	Medi-Cal and EIA
Economic Uncertainties (2% Reserve)	\$7,256,067.74	\$7,283,873.28	\$27,806	2% of total expenditures
Other Designations/Assignments			\$0	
- Teacher Staff Development	\$0	\$180,000	\$180,000	Locally restricted funds
Undesignated	\$919,385	\$2,595,757	\$1,676,371	
Total Ending Fund Balance	\$8,865,578	\$10,749,755	\$1,884,177	

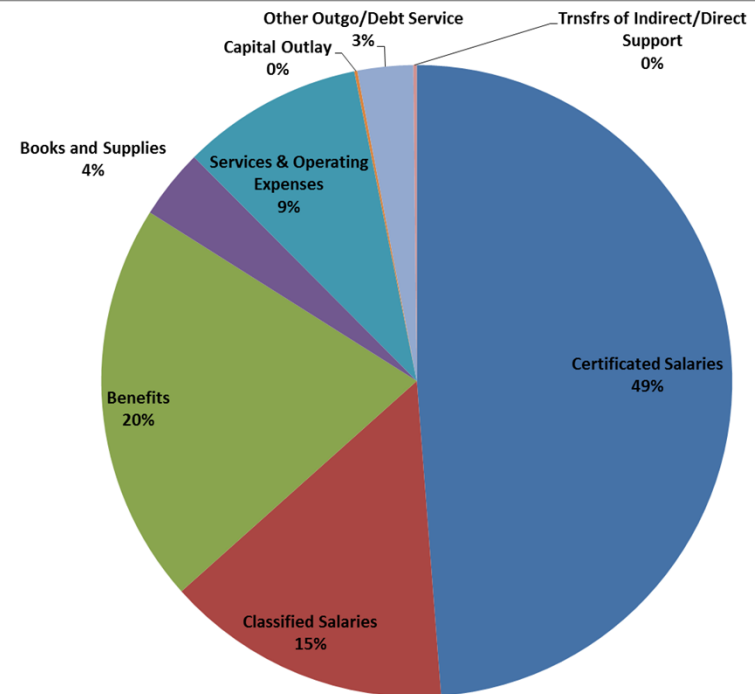


2012-2013 2nd Interim Combined Unrestricted & Restricted Budget

Revenue



Expenditures



Closing the 2013-2014 Shortfall

- Continue with Multi-pronged approach
- Wait for May Revised budget
- Current 2013-2014 Reduction Target \$20 Million



- FEMA reimbursement
- Amount above 2% in 2013-2014
- Reduce utility budget
- Reduce textbook budget
- Cut computer replacement and asset management budget
- Election costs savings

- Status quo negotiated reductions.



\$ in millions

Certification Definition

- **Positive** = A school district that, based on current projections, **will** be able to meet its financial obligations for the current fiscal year and subsequent two fiscal years.
- **Qualified** = A school district that, based on current projections, **may not** meet its financial obligations for the current fiscal year or subsequent two fiscal years.
- **Negative** = A school district that, based on current projections, **will be unable** to meet its financial obligations for the current fiscal year or for subsequent two fiscal years.

Current Projections based on 1st Interim and Multi-Year Projection (MYP)



Ramifications of Qualified Report

- ***Qualified Certification*** - If the district has a qualified certification, the county superintendent **shall do at least one of the following** and all actions that are necessary to ensure that the district meets its financial obligations:
 - **Offer a fiscal expert to advise the district on its financial problems.**
 - Conduct a study of the financial and budgetary conditions of the district. If expertise is needed for the study, the county office of education may hire staff with the approval of the Superintendent of Public Instruction. The school district shall pay 75% and the county office of education shall pay 25% of those staff costs.
 - Direct the district to submit a financial projection of all fund and cash balances of the district as of June 30 for the current and subsequent fiscal years.
 - Require the district to encumber all contracts and other obligations, to prepare appropriate cash-flow analyses and monthly or quarterly budget revisions, and to appropriately record all receivables and payables.
 - Direct the district to submit a proposal for addressing the fiscal conditions of the district.
 - Withhold the compensation of governing board members and the district superintendent for failure to provide the requested financial information.
 - Assign the Fiscal Crisis and Management Assistance Team (FCMAT) to review teacher hiring practices, teacher retention rate, percentage of provision of highly qualified teachers, and the extent of teacher mis-assignment in the school district and provide the district with recommendations.

Under the qualified certification, the Board retains all authority.



Evaluating the Budget

Criteria and Standards

- District's financials are evaluated within each criteria or standard.
 - Met/Not Met
 - Yes/No
- District provides additional detail to yes/no questions or an explanation for each criteria or standard not met.



Agenda Item 8

Recommendation

- 2nd Interim Report With Qualified Certification
Staff recommends approval of 2012-2013
2nd Interim report

Questions?

