

**"Empowering
Students for
Success"**



Capistrano Unified School District

2012-2013

1st Interim Report

December 10, 2012

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.



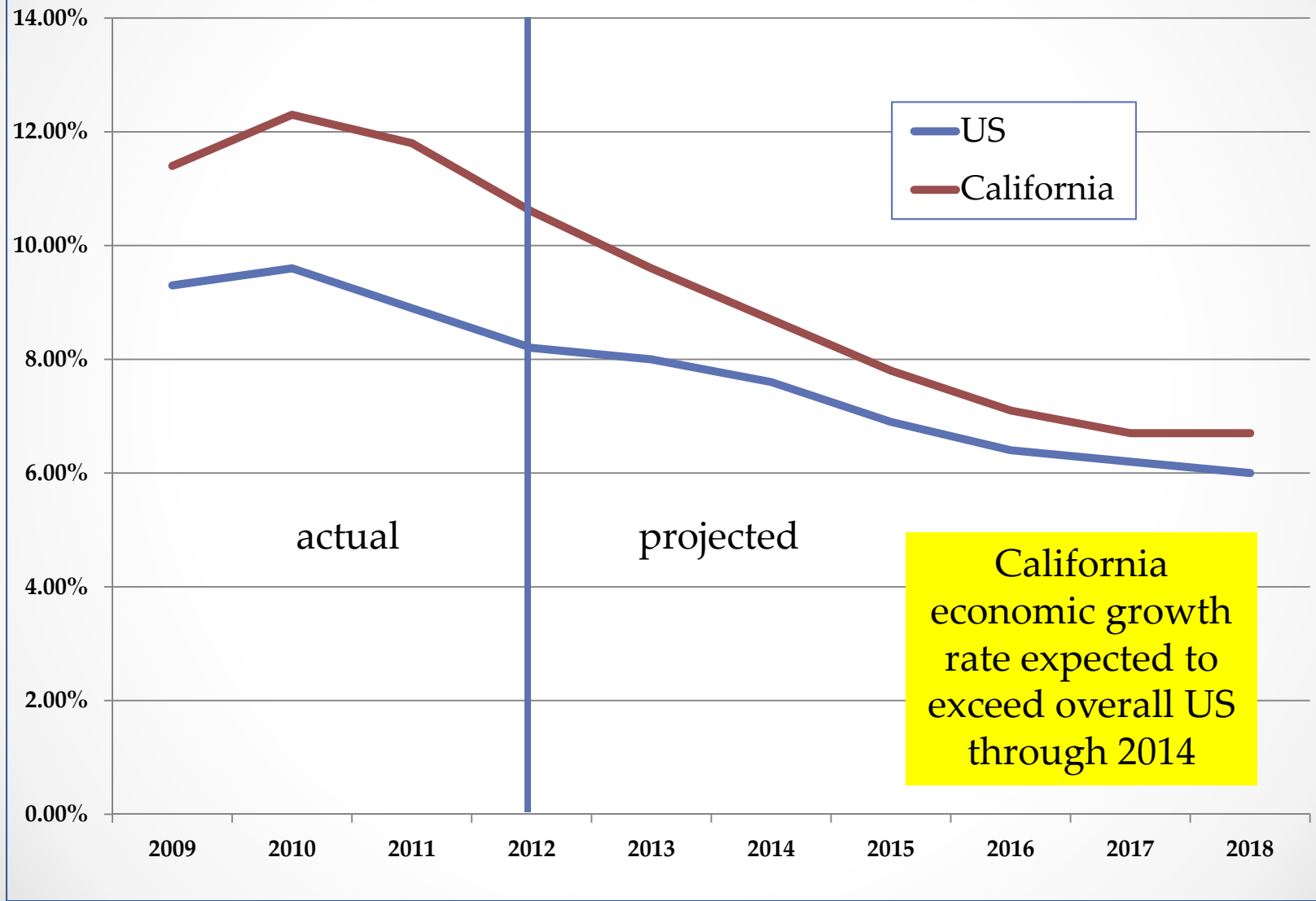
Economic Outlook

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Unemployment and Earnings Outlook



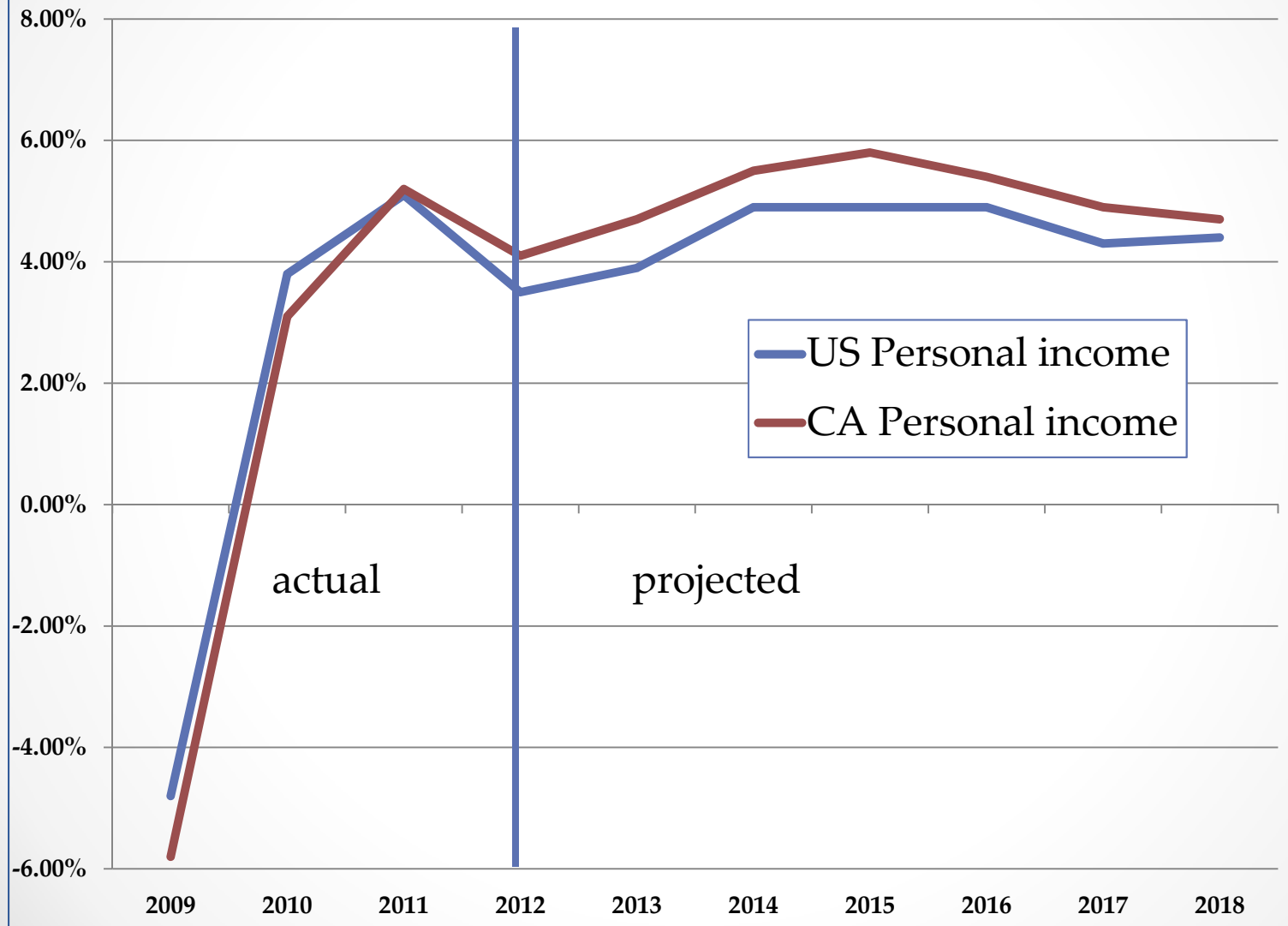
Unemployment Rate



Source: California Legislative Analysts Office



Percent Change in Personal Income



Source: California Legislative Analysts Office

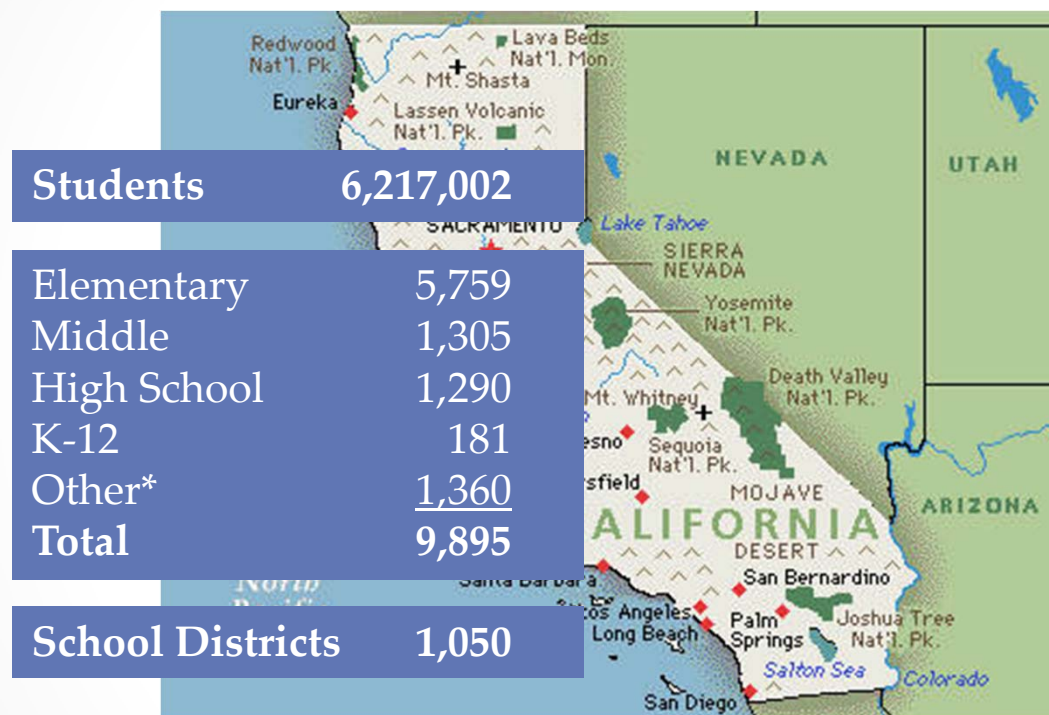
California Schools



School Funding



California Public Schools



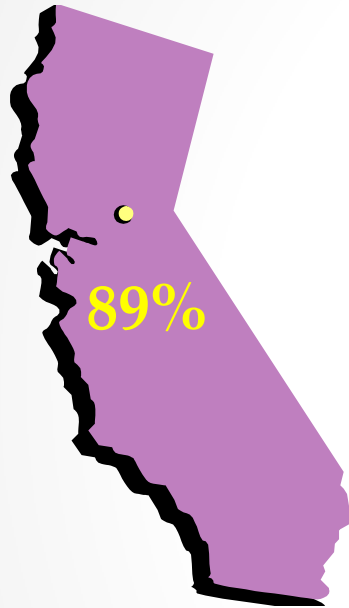
*Other includes: Special Education, Continuation, Community Day, Juvenile Court, County Community, Calif. Youth Authority, State Special Schools, Nonpublic, Nonsectarian schools serving districts, SELPA's, etc.

There are 3,369 private schools in California



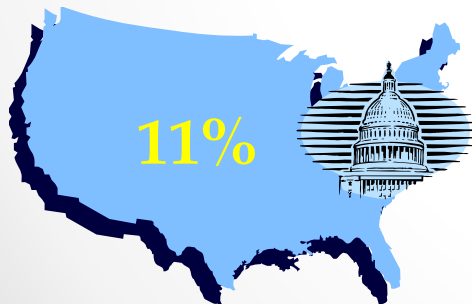
Source: Education Data Partnership

How are schools funded?



- State and Local Funding Sources

- Income tax
- Sales tax
- Fees
- Local Property Taxes
- Lottery

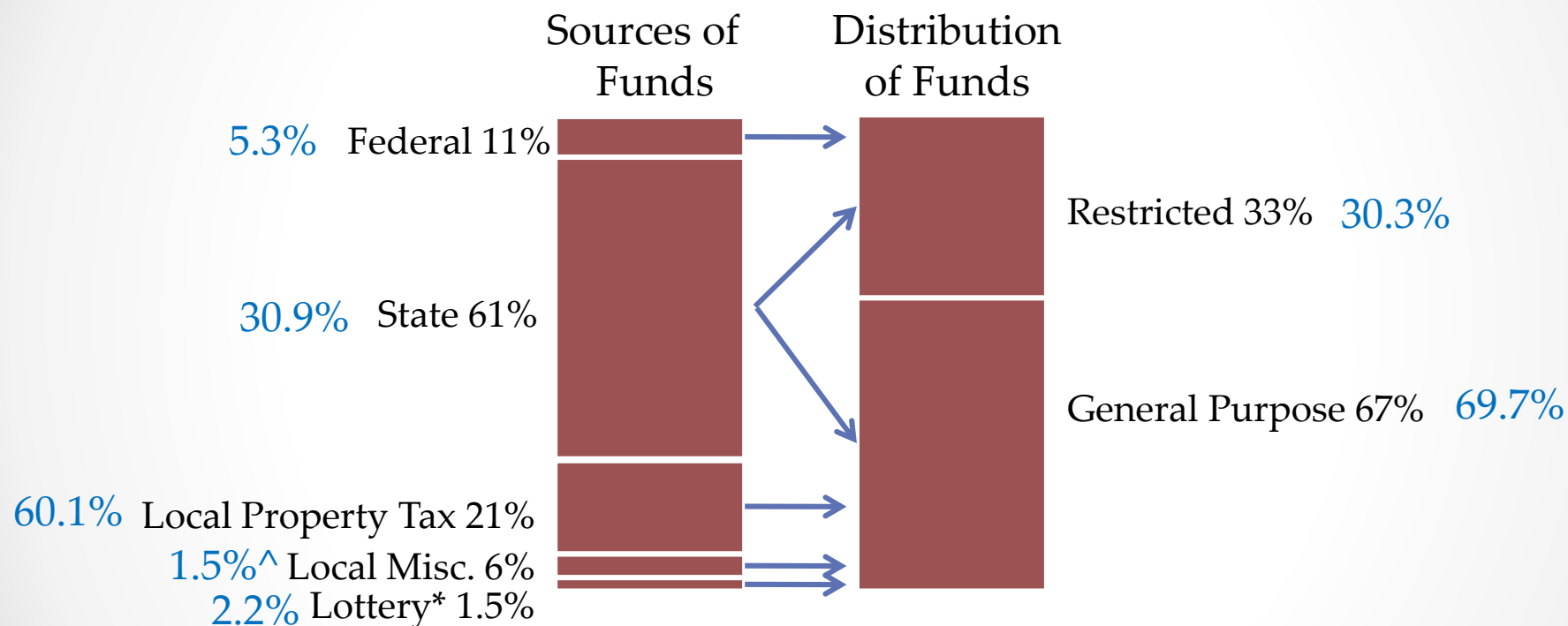


- Federal Department of Education Funding



Note: state wide averages

California School Funding



*Note: When the lottery passed, many in California were under the impression it provided a majority of school funding. Lottery revenue is the smallest portion. For CUSD, lottery is about 2.2% of total revenue. Percentages vary by district depending on total revenue.



Note: CUSD percentages in blue

[^]- local misc. percentage based on current 2012-2013 contributions. Prior year total 2.4%

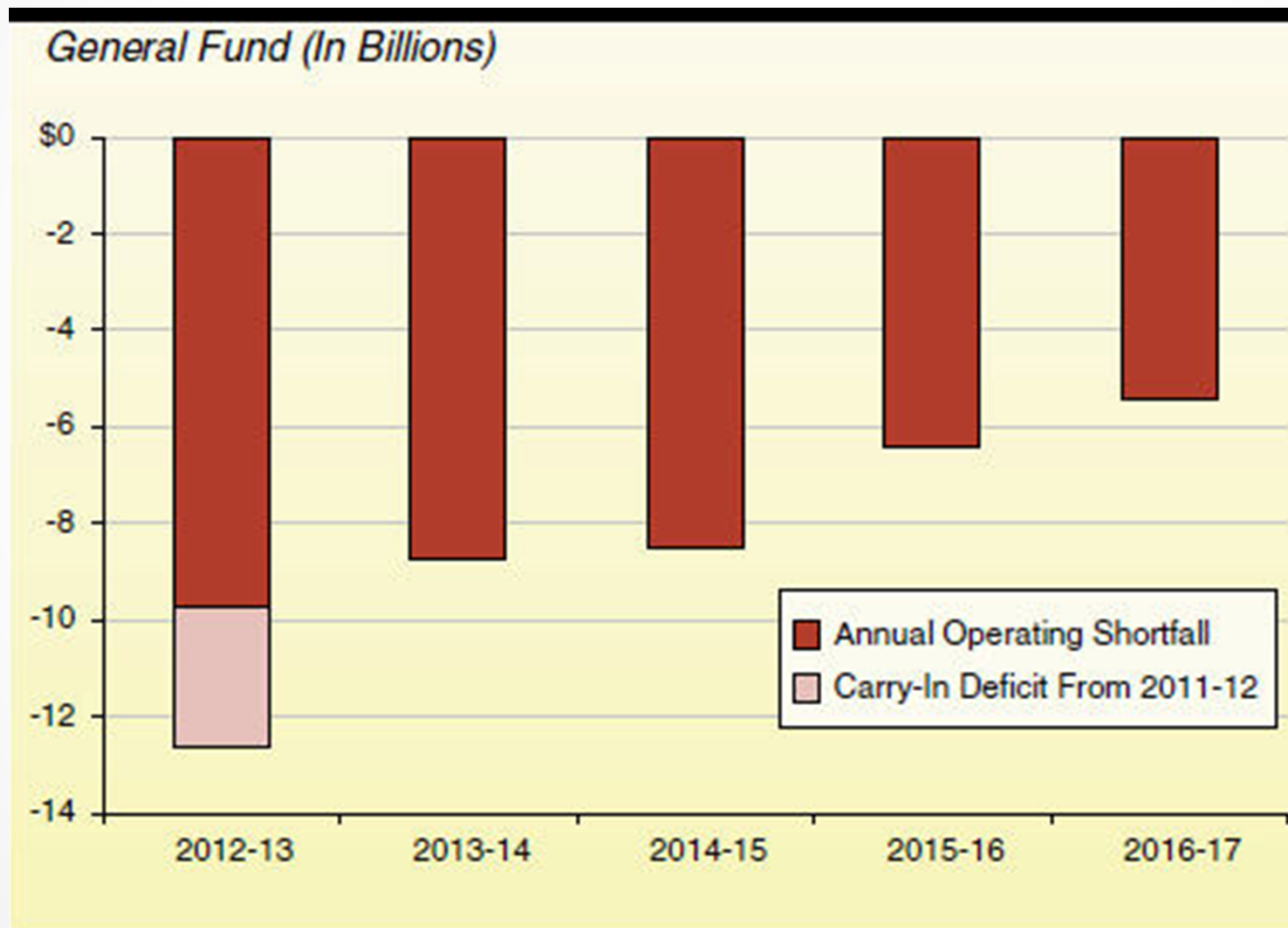
State Budget

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Summary of latest information on California state budget



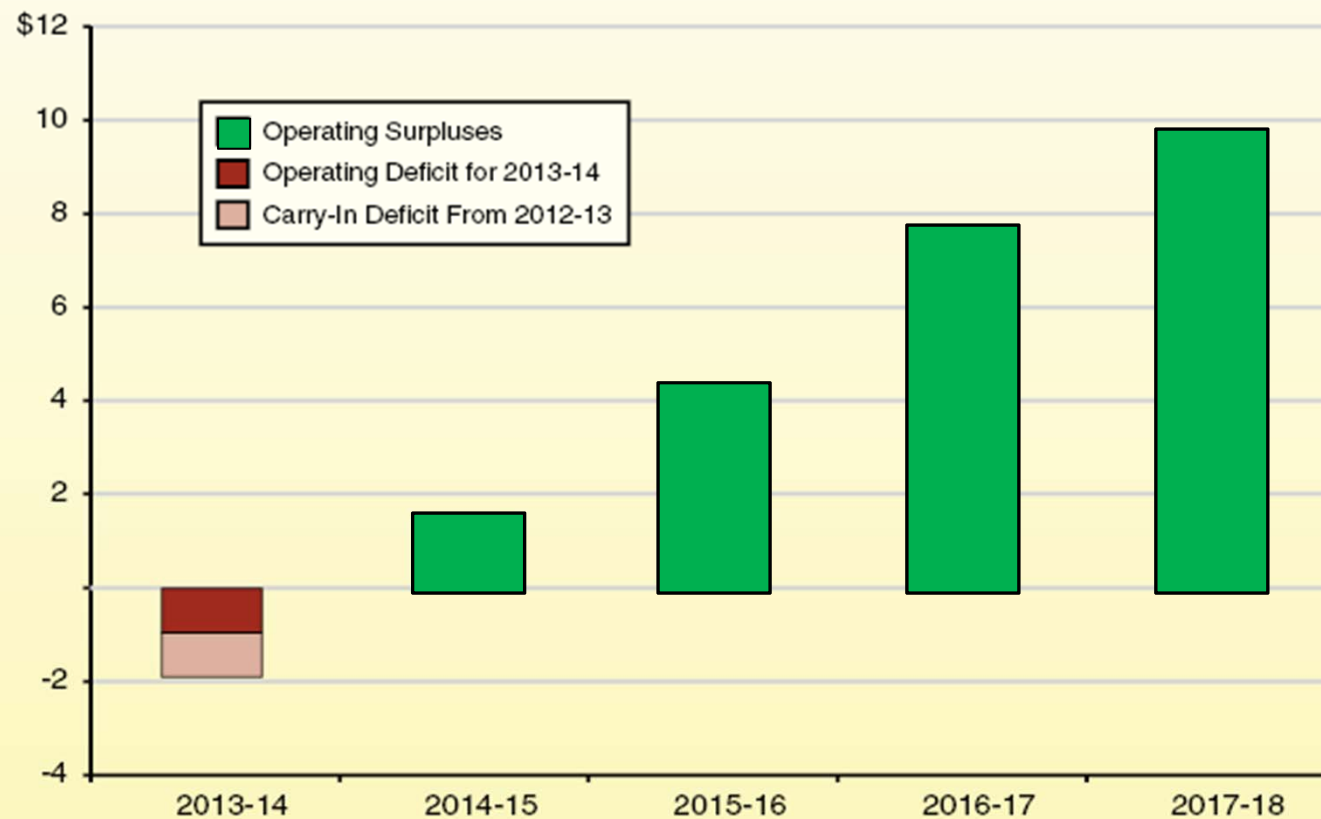
California Projections November 2011



Source: California Legislative Analyst Office

California Projections November 2012

General Fund and Education Protection Account Combined (In Billions)



Source: California Legislative Analyst Office



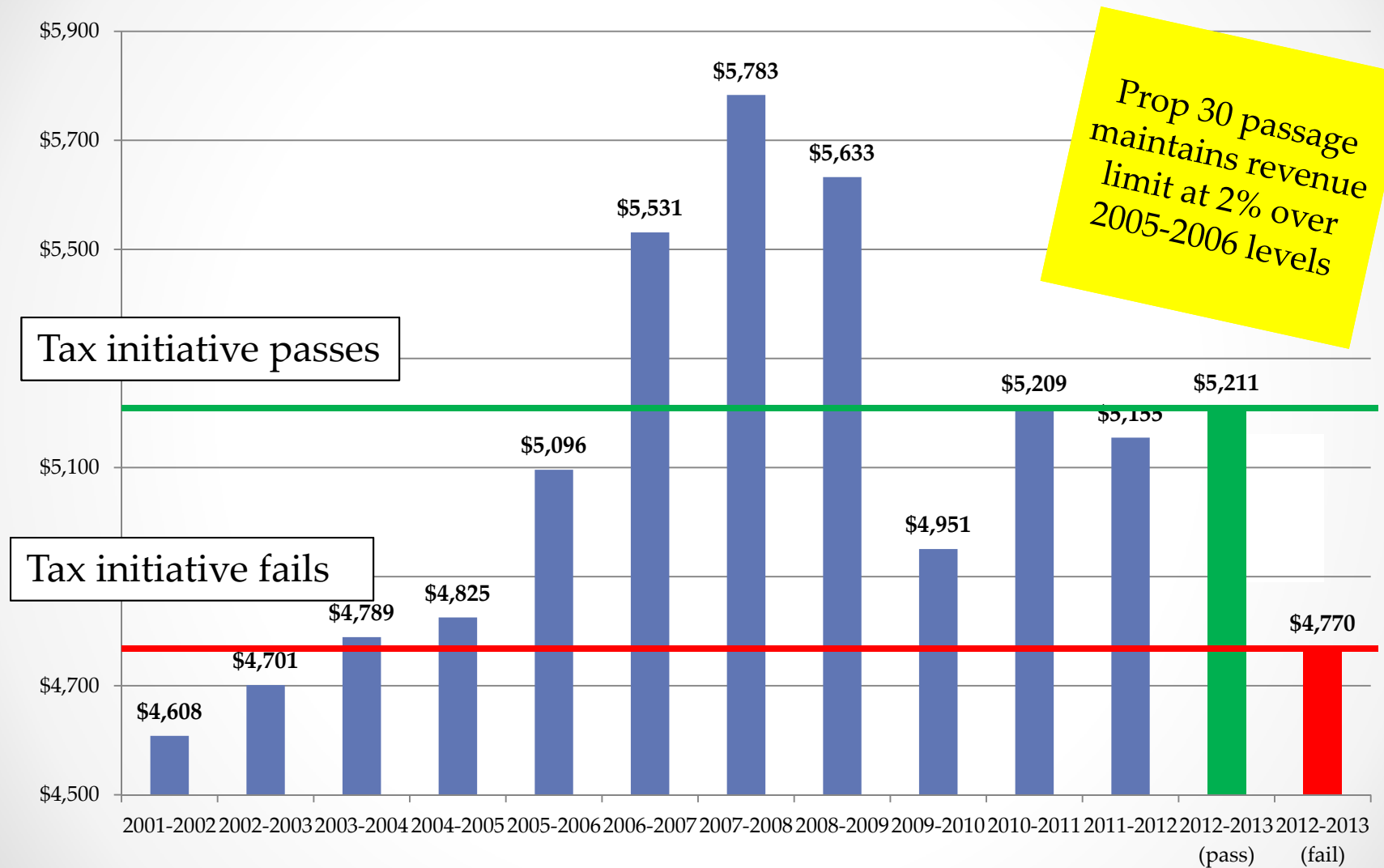
Proposition 30

- Maintains flat funding
 - prevents deficit factor from being increased from 22.3% to 28.8%
- Establishes the Education Protection Account (EPA)
- Funds generated as a result of Proposition 30 are kept in the EPA
- Funds not released until June 2013
- Cash flow for schools remains a concern

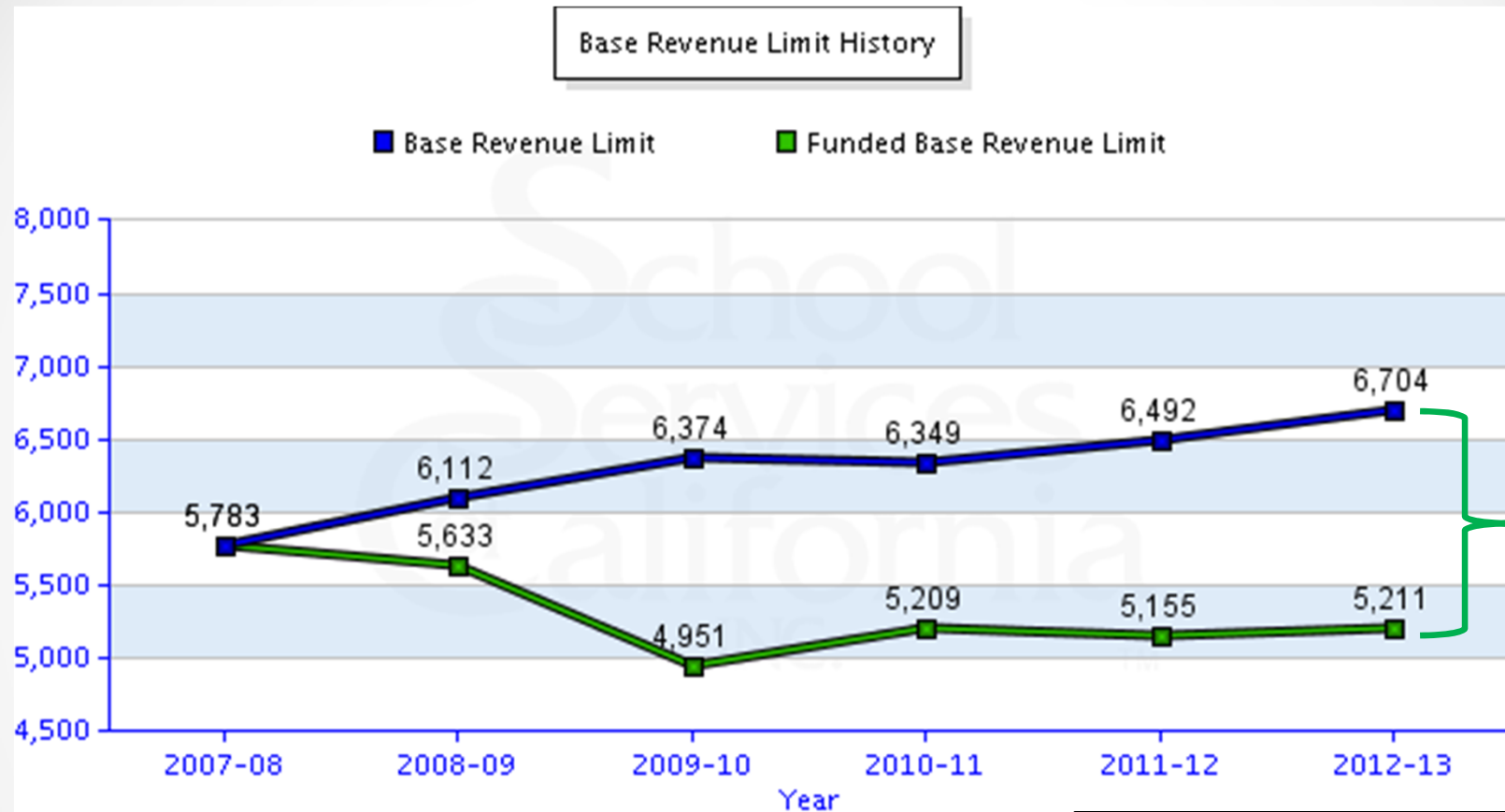


CUSD Historical Revenue Limit

Funded Base Revenue Amount



Funded vs. Statutory Revenue Limit

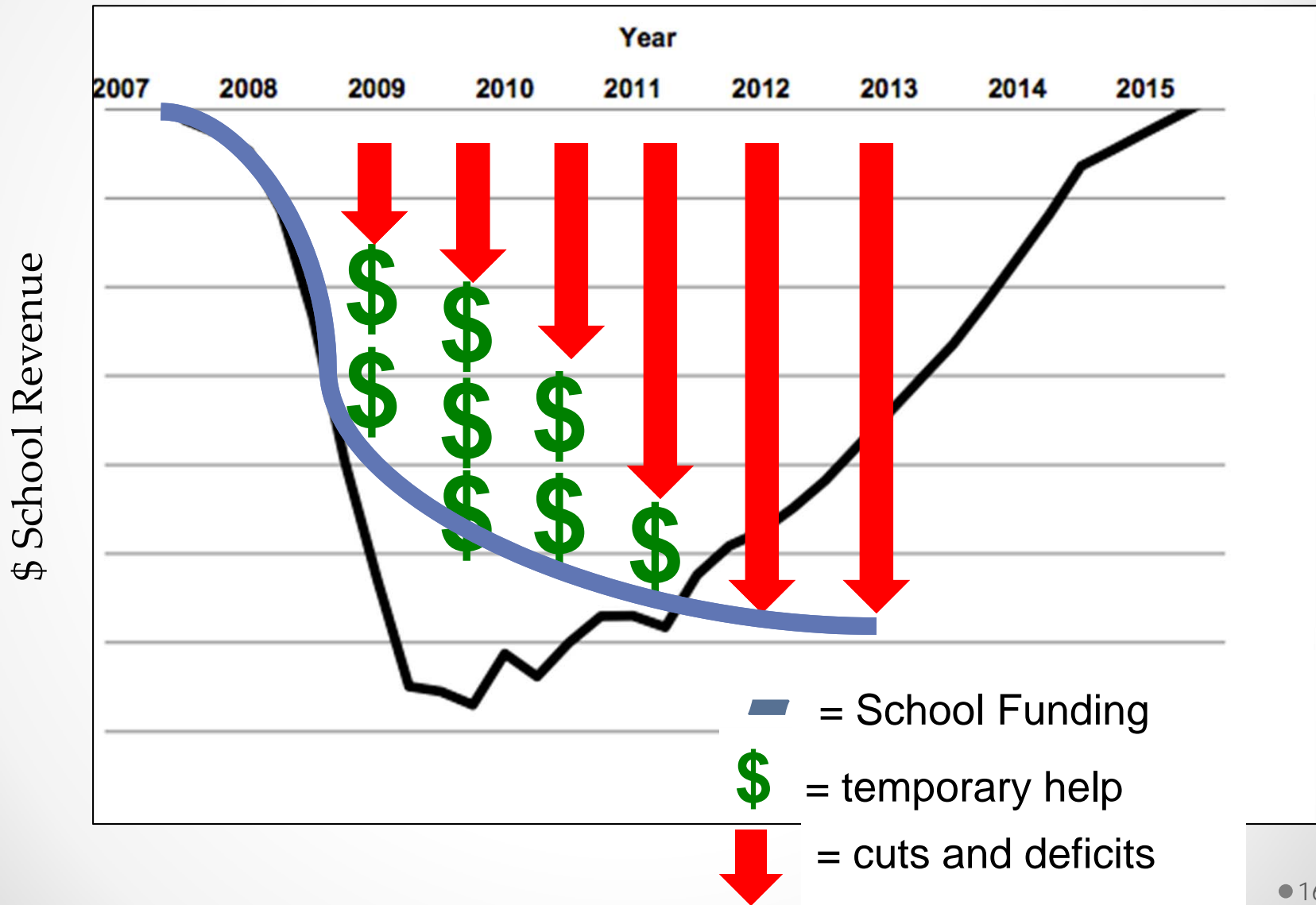


- Base Revenue per state calculations
- Base Revenue actually funded

About \$73,157,000 less
for CUSD

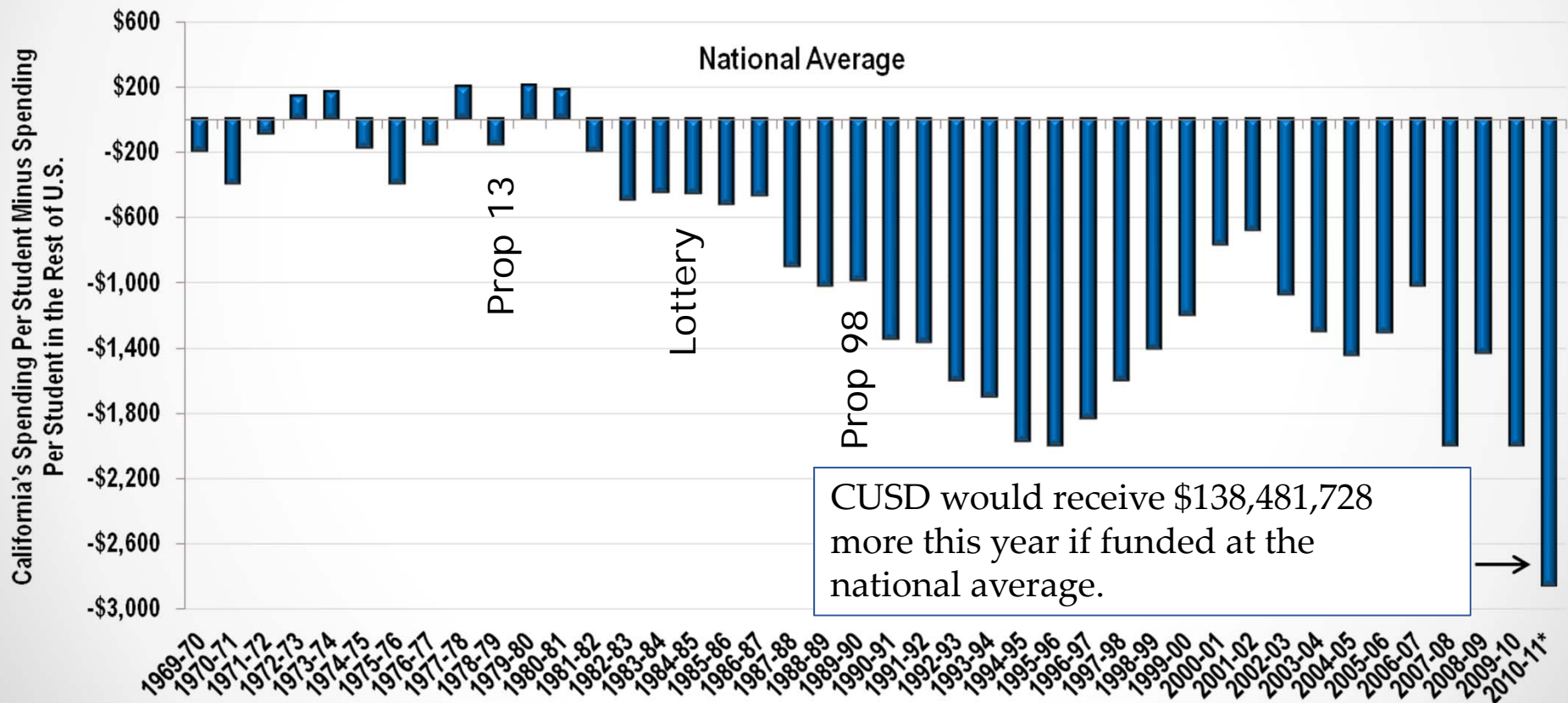


Slow Recovery



California Per Student Expenditure Compared to National Average

California's K-12 Spending Per Student Lags Behind
That of the Rest of the U.S. More Than at Any Time in 40 Years



* 2010-11 data estimated

Note: Rest of U.S. excludes the District of Columbia

Source: National Education Association

California, at its peak spending in last 12 years, compared to other states was last in critical services to students

Ratio of Staff to 1,000 Pupils by Position, Fall 2007-08				
	California Rank in U.S.	U.S. Ratio	California Ratio	% of U.S. Ratio
Total staff to students	49	128.1	93.2	73%
All professional (certified) staff to students	50	72.1	52.3	73%
Total district staff (including classified staff)	37	6.4	5.3	83%
District officials/administrators only	47	1.2	0.5	40%
Total school staff (including classified staff)	50	96.5	71.0	74%
Certified school staff only	50	70.9	51.9	73%
School principals & asst. principals	48	3.2	2.3	72%
Guidance counselors	50	2.1	1.2	58%
Librarians	51	1.1	0.2	18%
All teachers	50	64.5*	48.1*	75%
Elementary teachers (grades 1-8)	33	49.8	48.4	97%
Secondary teachers (grades 9-12)	51	83.9	42.8	51%

Source: National Center for Education Statistics (NCES) Common Core of Data, 2007-08

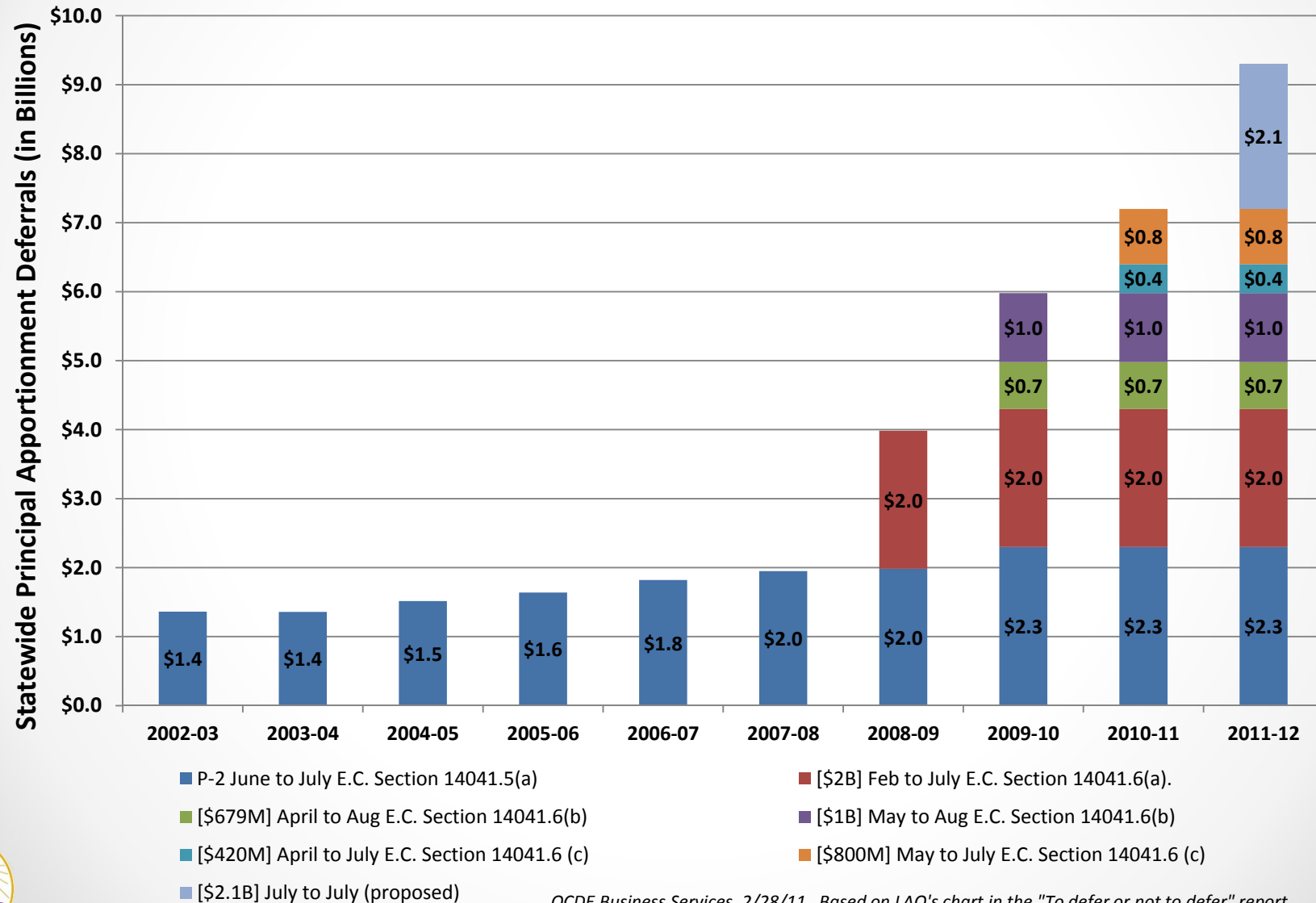


Cash Flow Challenges

- Cash flow will continue to be a struggle for school districts in 2012-2013.
- State continues to defer cash to future months causing districts to borrow money to meet cash flow needs.
- Because Capistrano Unified School District receives a larger portion of its funding from property taxes compared to the average district, and property taxes are paid twice a year, the District needs to borrow for cash flow purposes.



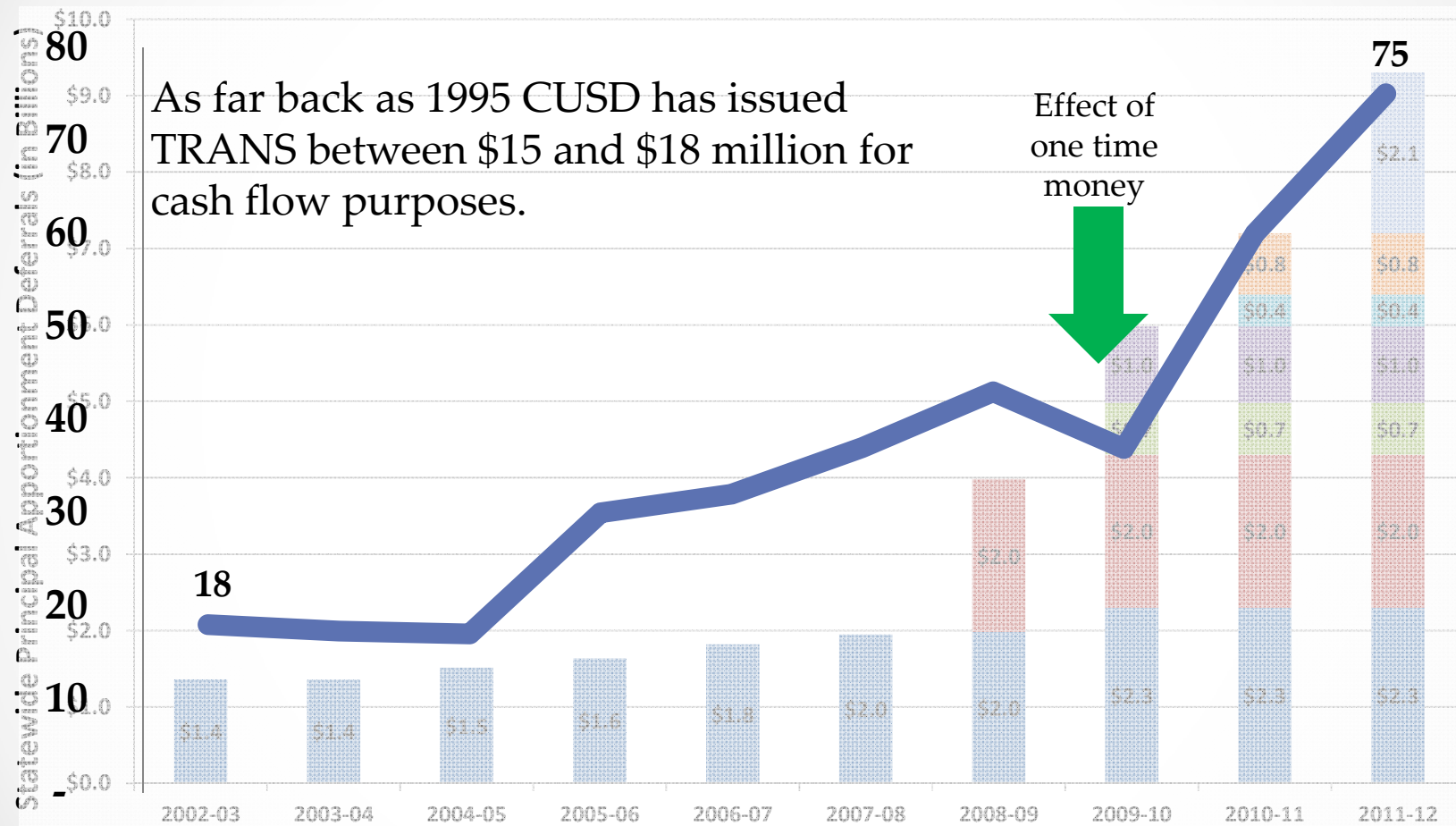
State Increasingly Relying on K-12 Payment Deferrals to Balance Budget



OCDE Business Services. 2/28/11. Based on LAO's chart in the "To defer or not to defer" report.



Tax Revenue Anticipation Notes Issued by CUSD



■ P-2 June to July E.C. Section 14041.5(a)

■ [\$679M] April to Aug E.C. Section 14041.6(b)

■ [\$420M] April to July E.C. Section 14041.6 (c)

■ [\$2.1B] July to July (proposed)

■ [\$2B] Feb to July E.C. Section 14041.6(a).

■ [\$1B] May to Aug E.C. Section 14041.6(b)

■ [\$800M] May to July E.C. Section 14041.6 (c)

OCDE Business Services. 2/28/11. Based on LAO's chart in the "To defer or not to defer" report.



2012-2013 1st Interim Report

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Due December 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.



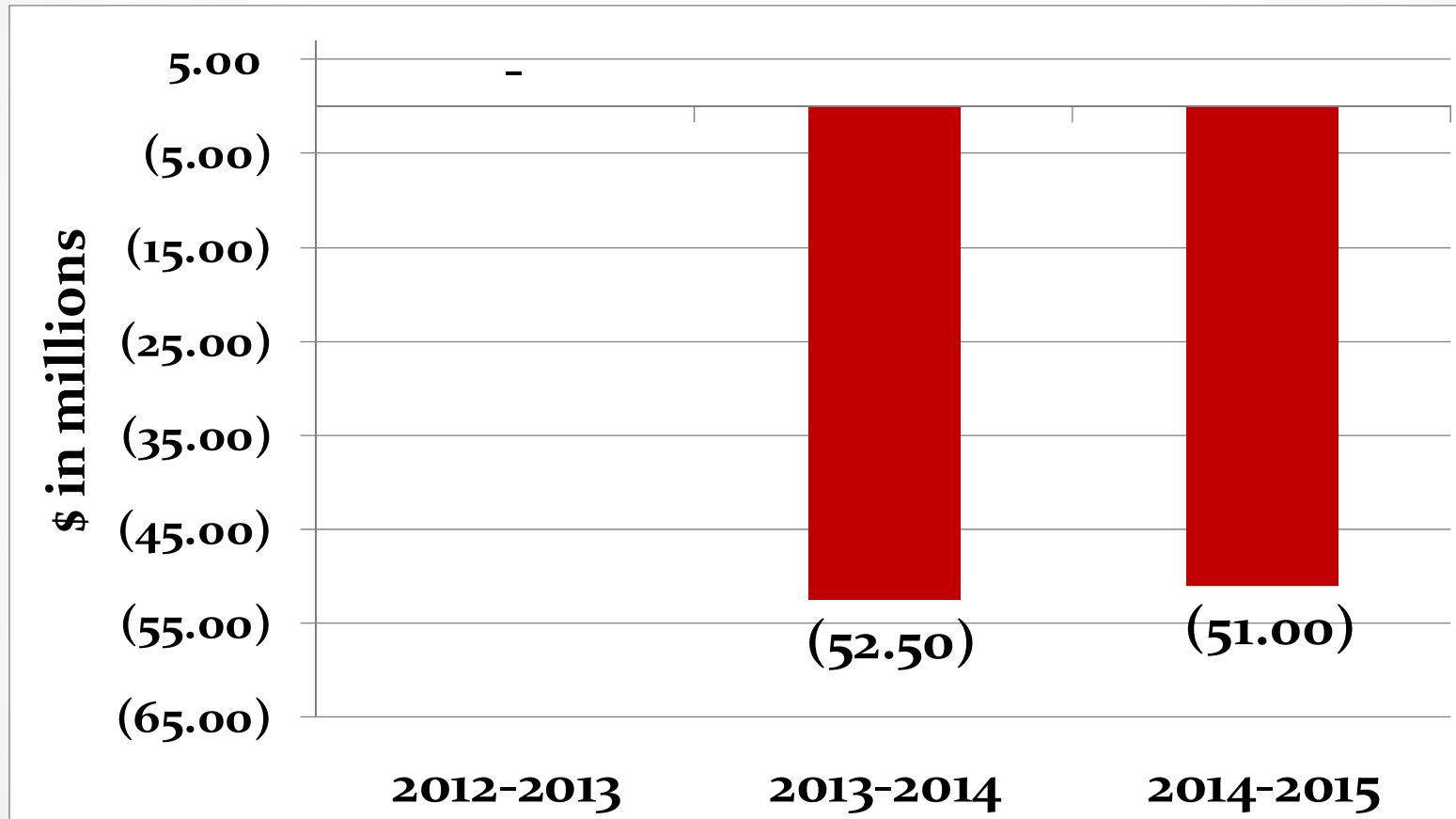
Major Assumptions

- Forecast Years 2013-2014 and 2014-2015

- ADA based on prior years due to declining enrollment.
- Projected funded COLAs:
 - 2013-2014 **+2.0%** (OCDE recommends districts use **0%**)
 - 2014-2015 **+2.3% ??**
- 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

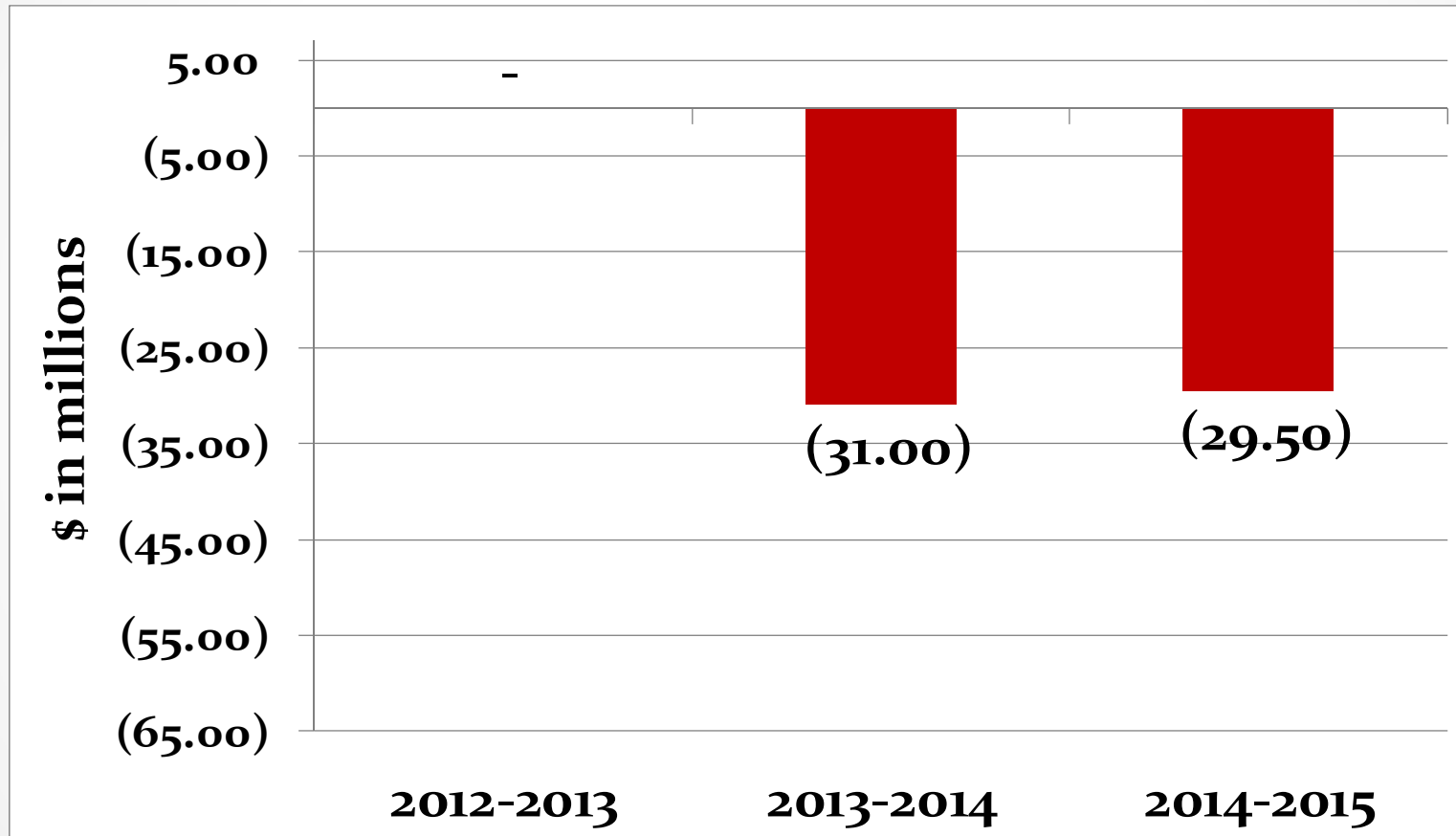


2012-2013 Adopted Budget Multi-Year Projection (Governor's tax initiative fails)



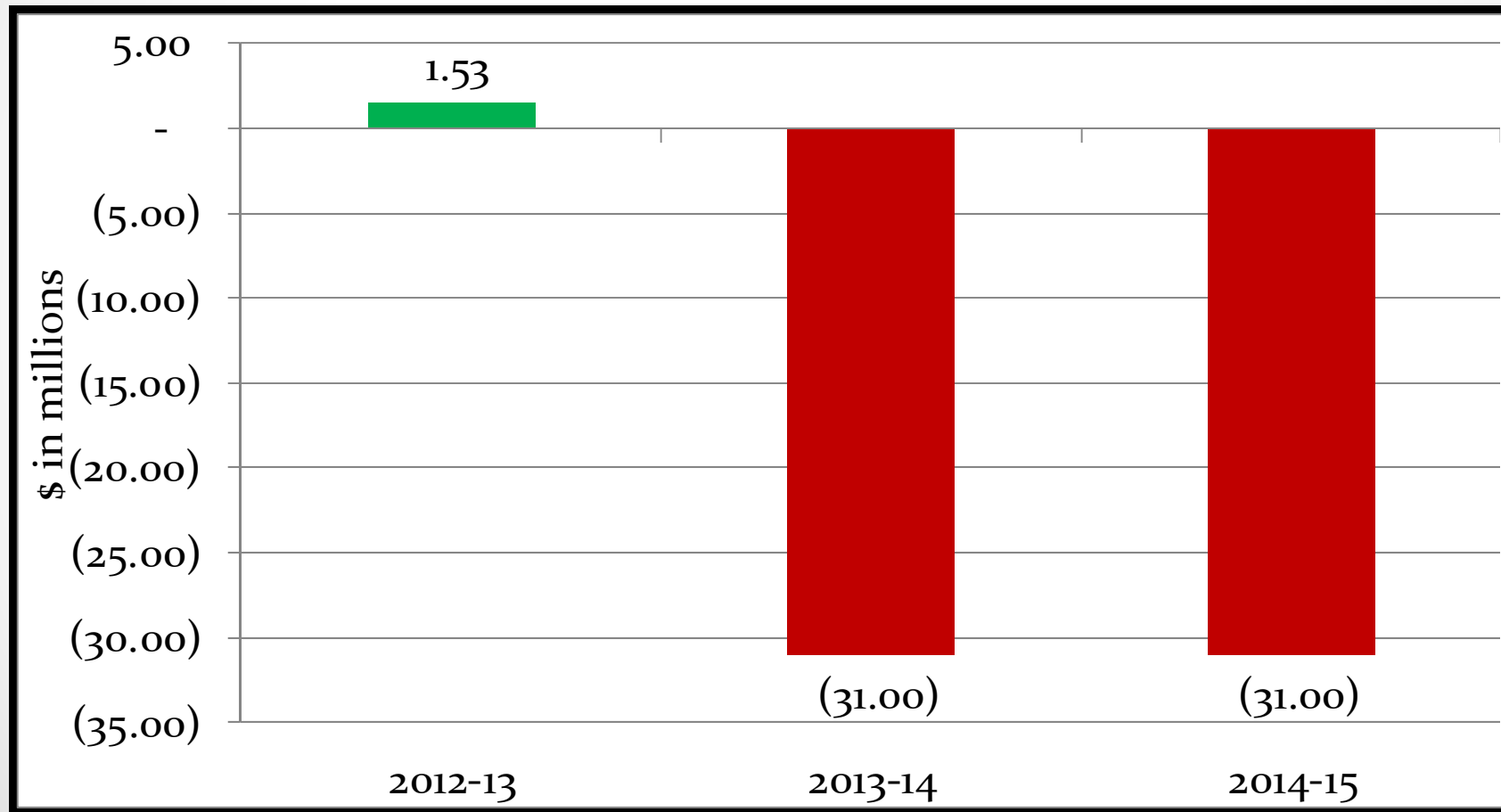
Unassigned/Unappropriated Ending Fund Balance

2012-2013 Adopted Budget Multi-Year Projection (Governor's tax initiative passes)



Unassigned/Unappropriated Ending Fund Balance

2012-2013 1st Interim Multi-Year Projection (reflects passage of Prop 30)



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 First Interim Report

Combined Restricted & Unrestricted Funds

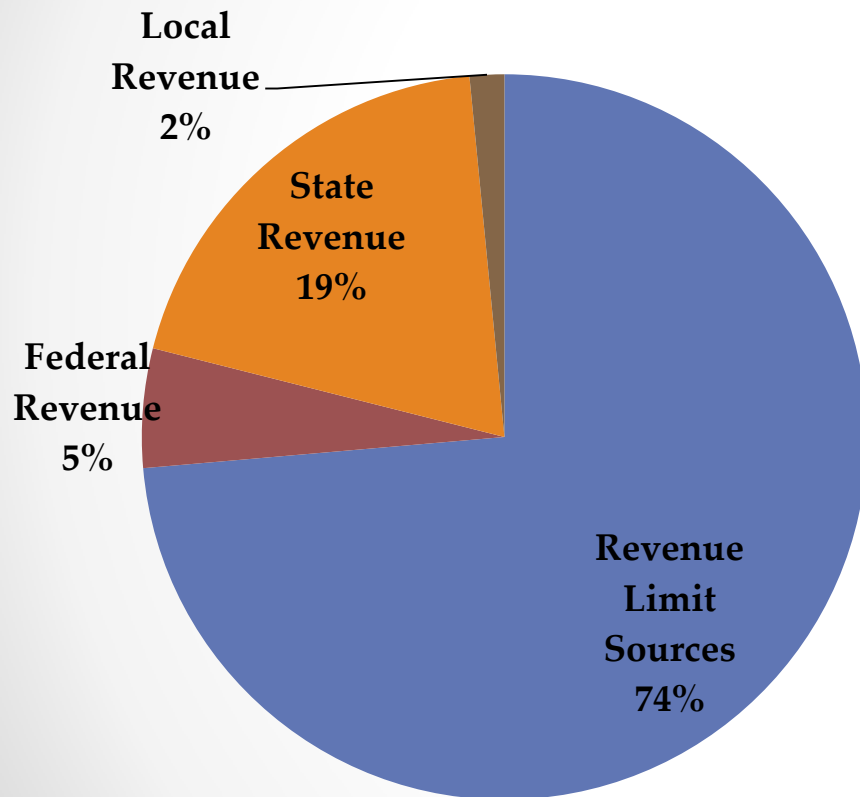
	Unaudited Actuals 2011-2012	1st Interim 2012-2013	Variance	Comments
Revenue				
Revenue Limit Sources	\$257.90	\$257.38	(\$0.52)	Declining ADA
Federal Revenue	\$30.06	\$18.56	(\$11.50)	Loss of Ed Jobs Funds of \$10 million. Loss of Spec Ed. ARRA
State Revenue	\$69.57	\$68.24	(\$1.33)	Reduction in CSR revenue and Special Education revenue
Local Revenue	\$8.88	\$5.38	(\$3.50)	Gifts budgeted as received. Other local income budgeted as received
Total Revenue	\$366.41	\$349.56	(\$16.85)	
Expenditures				
Certificated Salaries	\$192.44	\$177.12	(\$15.33)	Furlough day and salary reduction
Classified Salaries	\$57.02	\$54.92	(\$2.11)	Furlough day and salary reduction
Benefits	\$79.14	\$75.90	(\$3.24)	Furlough day and salary reduction
Books and Supplies	\$8.95	\$12.78	\$3.83	Site carryover funds budgeted
Services & Operating Expenses	\$28.16	\$32.13	\$3.97	Increases in utilities and mental health expenditures
Capital Outlay	\$4.46	\$5.56	\$1.10	Technology infrastructure and fueling system upgrade
Other Outgo/Debt Service	\$11.47	\$10.06	(\$1.41)	Reduction of special education revenue passed through to charters; ROP
Trnsfrs of Indirect/Direct Support	(\$6.11)	(\$6.55)	(\$0.44)	Change in indirect cost rate
Unidentified Budget Cuts			\$0.00	
Total Expenditures	\$377.03	\$362.80	(\$14.23)	
Other Sources and Uses				
Other Funding Sources	\$2.52	\$2.76	\$0.24	Increased contribution from building C lease
Interfund Transfers Out	\$0.00	\$0.00	\$0.00	
Total Sources and Uses	\$2.52	\$2.76	\$0.24	
Beginning Fund Balance	\$27.45	\$19.35	(\$8.10)	
Audit Adjustments	\$0.00	\$0.00	\$0.00	
Net Incr (Decr) in Fund Balance	(\$8.10)	(\$10.48)	(\$2.38)	
Ending Fund Balance	\$19.35	\$8.87	(\$10.48)	
Components of Ending Fund Balance				
Revolving Cash, Stores, Prepaid	\$0.33	\$0.33	\$0.00	
Legally Restricted	\$2.71	\$0.37	(\$2.34)	Categorical funds are budgeted to be fully expended
Economic Uncertainties (2% Reserve)	\$7.54	\$7.26	(\$0.28)	2% of total expenditures
Other Designations/Assignments			\$0.00	
- Library Abatement	\$0.08	\$0.00	(\$0.08)	Site funds are budgeted to be fully expended
- Loss of EIA fund flexibility	\$3.45	\$0.00	(\$3.45)	Site funds are budgeted to be fully expended
- Site Carryover including Gifts	\$2.12	\$0.00	(\$2.12)	Site funds are budgeted to be fully expended
- Teacher Staff Development	\$0.18	\$0.00	(\$0.18)	Site funds are budgeted to be fully expended
Undesignated	\$2.95	\$0.92	(\$2.03)	
Total Ending Fund Balance	\$19.35	\$8.87	(\$10.48)	



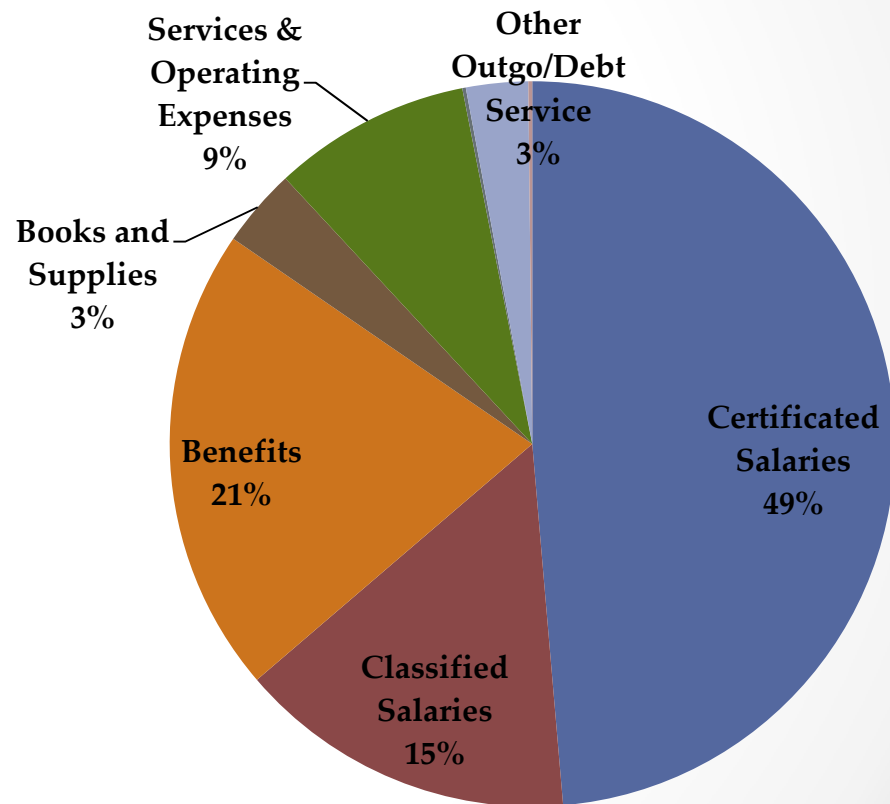
2012-2013

Combined Unrestricted & Restricted Budget

Revenue



Expenditures



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.



2012-2013 1st Interim Fiscal Solvency Statement

In submitting the 2012-2013 First Interim Report, the Board of Trustees understands its fiduciary responsibility to maintain fiscal solvency for the current and subsequent two fiscal years.

Due to the volatility of California's economic recovery and uncertainty with education funding, it is recognized that, if necessary, the District plans to implement **\$31.0 million** in ongoing budget reductions in 2013-2014

With the 2012-2013 Second Interim Report submission, the Board of Trustees will provide a detailed 2013-2014 budget reduction plan along with an implementation timeline.



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 5

Recommendation

- 1st Interim Report With Qualified Certification
- Including Fiscal Solvency Statement

Staff recommends approval of 2012-2013
1st Interim report

Questions?

