

**"Empowering  
Students for  
Success"**



# Capistrano Unified School District

2014-2015 2<sup>nd</sup> Interim Report

March 11, 2015

# 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

# 2015-2016 State Budget

Governor's January Proposal and LAO Assessment



# Governor's Proposal

- Local Control Funding Formula (LCFF)
  - Fund 32.19% of the target funding gap
- Ending Revenue Deferrals
- Prior Year Mandated Cost Reimbursements
- Career Technical Education (CTE)
- Adult Education
- School Facilities
- Other Items
  - \$320 million in energy efficiency grants
  - A Proposition 98 reserve fund
  - \$100 million in one-time Internet connectivity and infrastructure funds
  - Full-Day Preschool funding



# Governor's Proposal

- California State Teachers' and California Public Employees' Retirement System

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
CalPERS Employer Rate	11.77%	12.60%	15.00%	16.60%	18.20%	19.90%	20.40%
CalSTRS Employer Rate	8.88%	10.73%	12.58%	14.43%	16.28%	18.13%	19.10%
Total Dollars (in millions)	\$23.6	\$28.1	\$33.6	\$38.9	\$44.3	\$49.9	\$53.9

- Promised target\* funding in 2020-2021 will not be realized with these additional expenditures

\*- Target = 2007-2008 funding levels plus inflation in 2020-2021



# Areas of Concern

- **Proposition 30 taxes are temporary**
  - Represents 12% of Prop 98 funding in 2015-2016
- **STRS/PERS Increases**
  - The added costs of STRS/PERS means the Governor's goal of the same purchasing power in 2021 as existed in 2007 is already offset by the higher STRS/PERS costs
- **Risk of Future Recession**
  - Recovery would be longest since the Civil War if some forecasts are accurate
  - It will be important to continue to build reserves with one-time savings
- **Increasing Electricity Costs**
  - Electric rates have increased over 40% in the last two years and are projected to increase further
- **Declining Enrollment**
  - District funding is based on average daily attendance (ADA). Enrollment declines means less revenue



# Legislative Analysts Office (LAO) Assessment of Governor's Proposal

- The LAO agrees with the Governor's revenue assumptions and spending plans, but notes that an additional \$1-2 billion in revenues will likely be available based on larger than anticipated tax receipts
  - "Any 2014-15 revenue above the administration's January estimate would result almost dollar for dollar in an increase in the 2014-15 Proposition 98 minimum guarantee, which, in turn, would increase the 2015-16 minimum guarantee regardless of whether 2015-16 revenues are higher. Given these dynamics, the Legislature could begin deciding how it might want to allocate additional one-time funding to schools and community colleges."
- Through Budget Subcommittees and Committee meetings the Legislature will consider the Governor's proposal and LAO's assessment in advance of the May Revision

# District Budget

2015-2016 Projections





# Road to Recovery Emphasis and Themes

Throughout this past year, as funding for schools has begun to improve, a “*Road to Recovery*” has been discussed that would:

- **Maintain efficient operations**
- **Build reserves**
  - Maintain service levels to students even during short-term economic downturns. Avoid “feast or famine” budgeting
  - Students and staff thrive in a stable environment
- **Rebuild Deferred Maintenance Funding**
- **Recover services within the following theme areas**
  - Safety
  - Student Services and Support
  - Curriculum and Instruction/Instructional Technology
  - Parent and Community Outreach
  - Operational Efficiency
- **Avoid deficit spending** when funding is improving



# Recommended Primary Focus Themes for 2014-2015 and 2015-2016

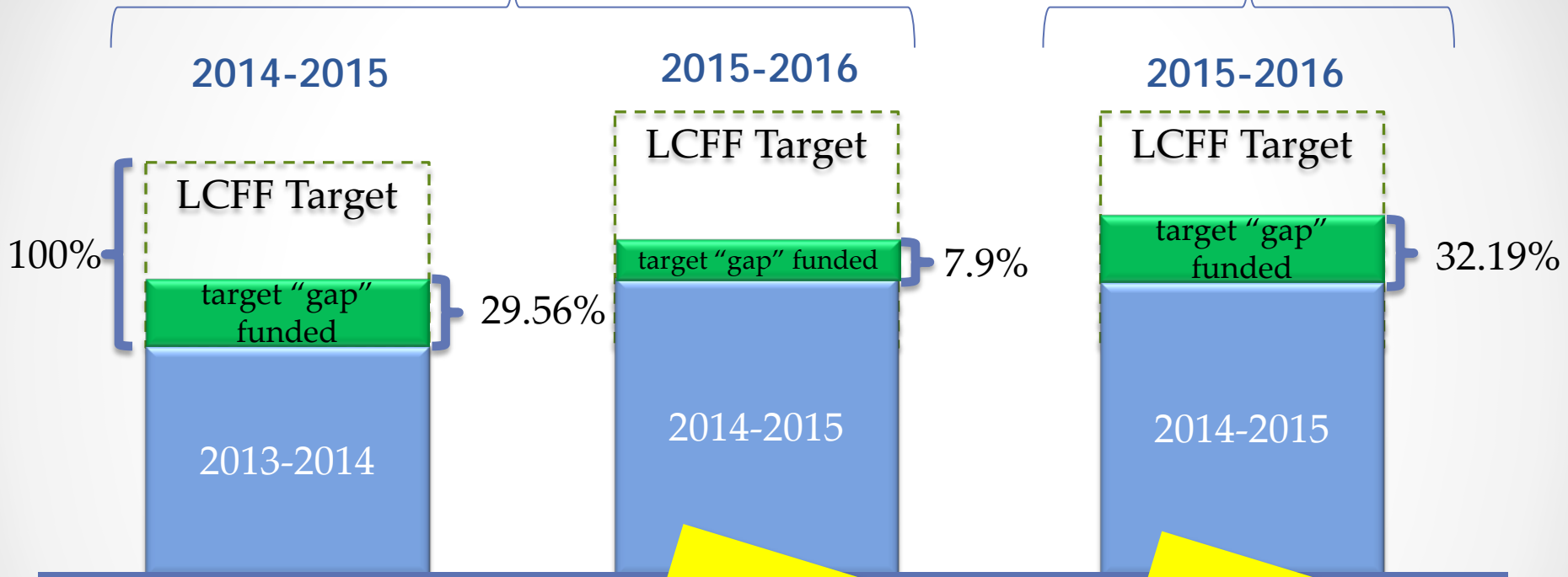
- **Safety**
  - Maintenance services
  - Grounds-keeping services
  - Campus supervision
  - Campus emergency supplies
- **Student Services and Support**
  - Counseling, social/emotional support, and guidance services
  - Library services
  - Student Interventions
- **Curriculum and Instruction/Instructional Technology**
  - Chromebooks
  - Textbook adoption
  - Assessment system
  - Professional development
- **Parent and Community Outreach**
  - Communications support systems
  - School Loop
  - School Messenger
  - Naviance
- **Operational Efficiency**
  - Maintenance and Operations coordination
  - Personnel systems
  - Business Systems
  - Vehicle/equipment replacement



# Funding Increases

At 1<sup>st</sup> Interim

Governor's Proposal



Recovery Plan based on this projection

Additional Recovery Plans will be brought to Board

LCFF Target based on 2007-2008 funding levels plus inflation  
 State expects to hit target in 2021



# 2014-2015 2<sup>nd</sup> Interim Report

Due March 15<sup>th</sup>



# Budget Calendar

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

- Adopted Budget June 30, 2014
- 1st Interim December 15, 2014 (reporting data as of October)
- **2nd Second Interim March 15, 2015** (reporting data as of January)
- 3<sup>rd</sup> Interim\* June 1, 2015 (reporting data as of April)

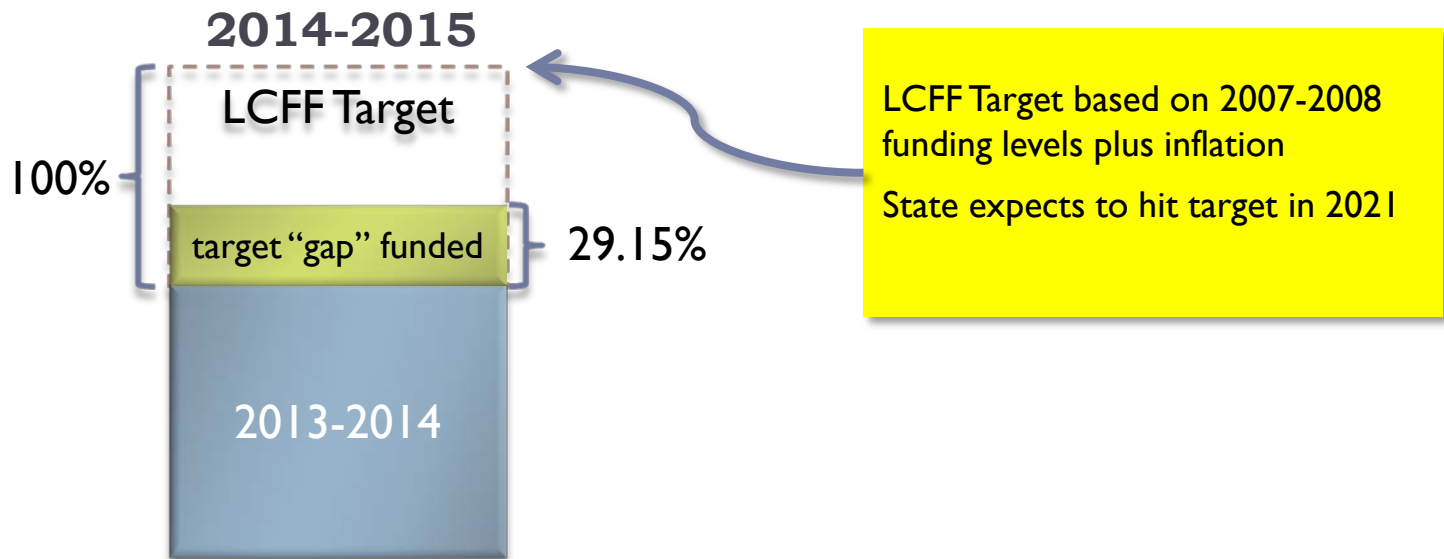
- Note: Pursuant to Education Code §42131(e), a Third Interim Report is required to be filed by June 1 if the Second Interim certification is not positive.



# Major Assumptions

## ▶ Current Year 2014-2015

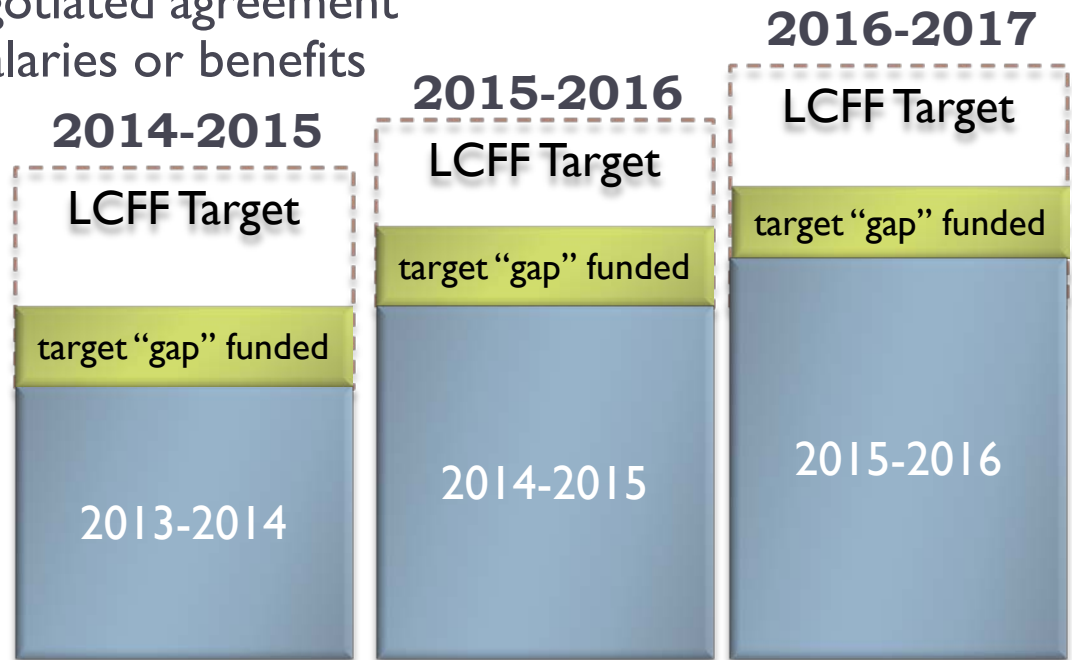
- ▶ Average Daily Attendance (ADA) based on 2013-2014 P2 ADA
- ▶ Cost-of-living adjustment (COLA)+ **LCFF target “gap” funding<sup>[1]</sup>**
- ▶ Staffing according to formula. Adjusted based on actual enrollment
- ▶ Implementation of collective bargaining agreements in place



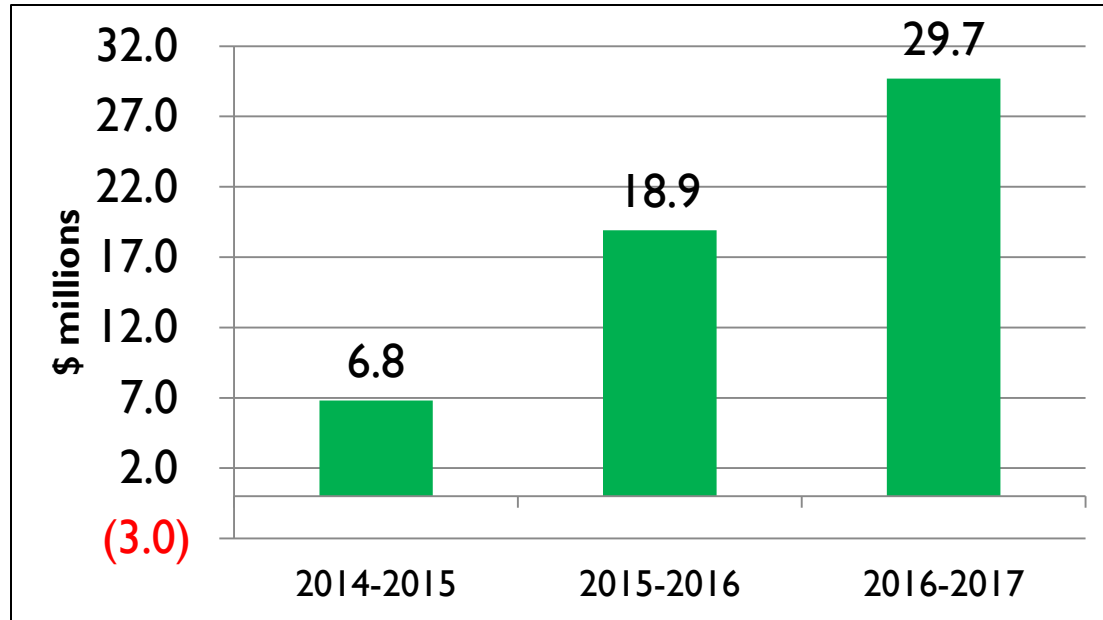
# Major Assumptions

## ▶ Forecast Years 2015-2016 and 2016-2017

- ▶ ADA based on prior years due to declining enrollment
- ▶ Projected funding based on School Services and Department of Finance estimates\*:
  - ▶ 2015-2016 **+32.19% LCFF target “gap” funding percentage**
  - ▶ 2016-2017 **+18.97% LCFF target “gap” funding percentage**
- ▶ Step and Column increases based on negotiated agreements
- ▶ Class sizes based on negotiated agreement
- ▶ No other increases in salaries or benefits



# District Multi-Year Projection



- State budget priorities can change from year to year with no guarantee that LCFF growth will be provided or that the LCFF will be fully funded
- Balance shown is ending balance above reserve for economic uncertainty



# 2014-2015 Second Interim Report

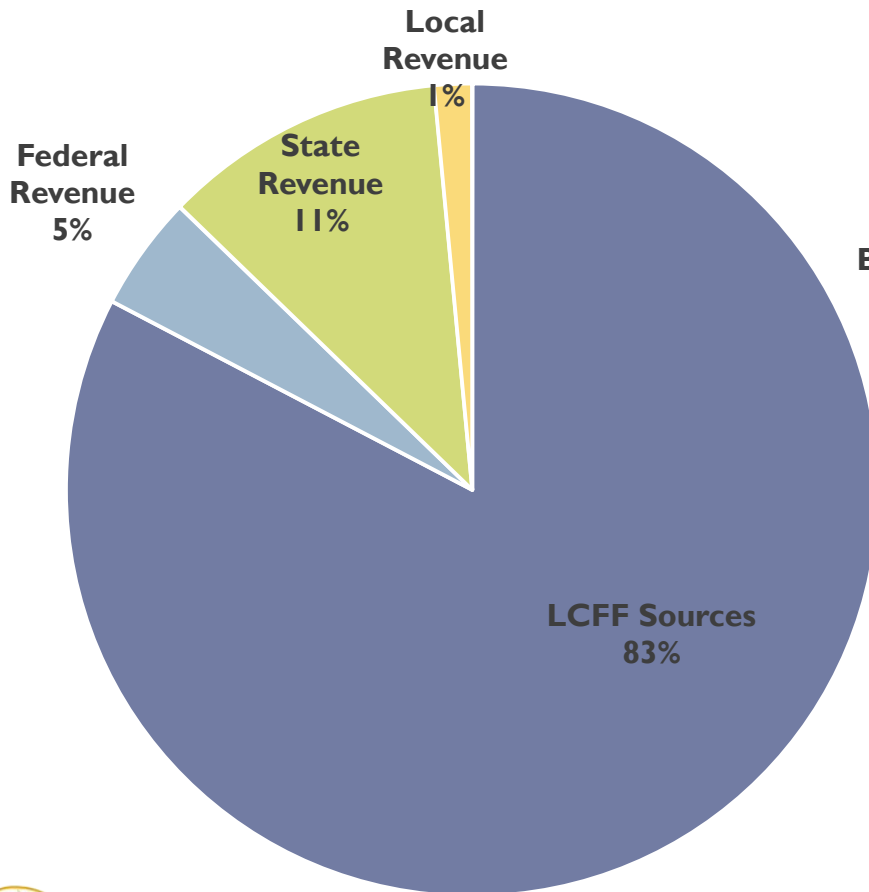
## Combined Restricted & Unrestricted Funds

	2014-15 1st Interim	2014-15 2nd Interim	Change from 1st Interim	Comments
<b>Revenue</b>				
LCFF Sources	\$334,220,040	\$333,714,342	(\$505,698)	Adjustment to LCFF gap rate of 29.15%
Federal Revenue	\$18,012,244	\$18,393,457	\$381,213	Increased Federal grant revenue Special Education
State Revenue	\$41,603,274	\$45,436,101	\$3,832,827	One time mandate reimbursement revenue
Local Revenue	\$4,400,491	\$6,093,592	\$1,693,101	Gift revenue budgeted as received. Other local income budgeted as received
<b>Total Revenue</b>	<b>\$398,236,049</b>	<b>\$403,637,492</b>	<b>\$5,401,443</b>	
<b>Expenditures</b>				
Certificated Salaries	\$198,649,902	\$197,540,588	(\$1,109,314)	Common core grant allocation adjustment
Classified Salaries	\$58,505,246	\$58,479,610	(\$25,636)	
Benefits	\$78,933,527	\$78,791,921	(\$141,606)	Common core grant allocation adjustment
Books and Supplies	\$14,866,934	\$17,294,529	\$2,427,595	Gift revenue budgeted; recovery plan implementation
Services & Operating Expenses	\$34,097,793	\$36,838,769	\$2,740,976	
Capital Outlay	\$5,590,191	\$11,198,398	\$5,608,207	Recovery plan implementation
Other Outgo/Debt Service	\$13,512,202	\$13,526,896	\$14,694	
Trnsfrs of Indirect/Direct Support	(\$636,716)	(\$636,716)	\$0	
<b>Total Expenditures</b>	<b>\$403,519,079</b>	<b>\$413,033,995</b>	<b>\$9,514,916</b>	
<b>Other Sources and Uses</b>				
Other Funding Sources	\$0	\$0	\$0	
Interfund Transfers Out	\$0	\$0	\$0	
<b>Total Sources and Uses</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	
<b>Beginning Fund Balance</b>	<b>\$33,377,613</b>	<b>\$33,377,613</b>	<b>\$0</b>	
<b>Audit Adjustments</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	
<b>Net Incr (Decr) in Fund Balance</b>	<b>(\$5,283,030)</b>	<b>(\$9,396,503)</b>	<b>(\$4,113,473)</b>	
<b>Ending Fund Balance</b>	<b>\$28,094,583</b>	<b>\$23,981,110</b>	<b>(\$4,113,473)</b>	
<b>Components of Ending Fund Balance</b>				
Revolving Cash, Stores, Prepaid	\$325,000	\$325,000	\$0	
Legally Restricted	\$6,460,504	\$6,460,504	\$0	Mental Health and Common Core
Reserve for Economic Uncertainties	\$10,300,000.00	\$10,300,000.00	\$0	
Other Designations/Assignments			\$0	
- Library Abatement	\$0	\$0	\$0	
- Site Carryover including Gifts	\$0	\$0	\$0	
- Teacher Staff Development	\$0	\$100,000	\$100,000	Locally restricted funds
Undesignated	\$11,009,079	\$6,795,606	(\$4,213,473)	
<b>Total Ending Fund Balance</b>	<b>\$28,094,583</b>	<b>\$23,981,110</b>	<b>(\$4,113,473)</b>	

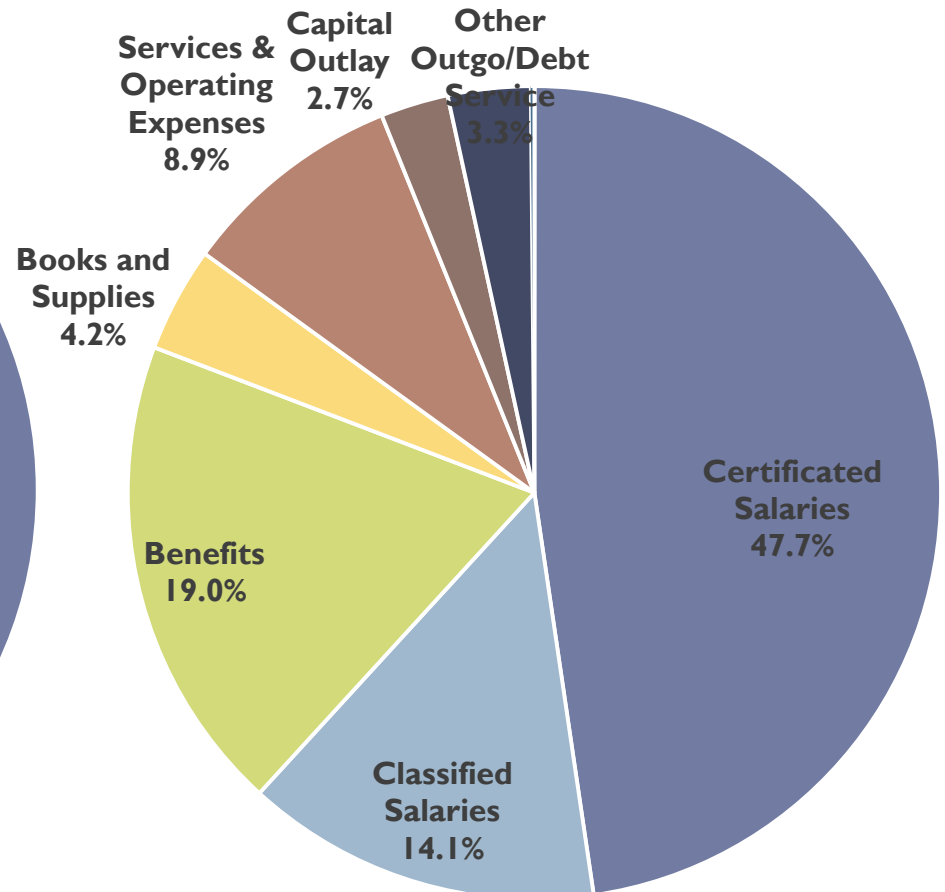


# 2014-2015 2<sup>nd</sup> Interim Combined Unrestricted & Restricted Budget

## Revenue



## Expenditures



# Certification Definition

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- **Positive** = A school district, 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, based on current projections, **may not** meet its financial obligations for the current fiscal year or subsequent two fiscal years.
- **Negative** = A school district, 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 2<sup>nd</sup> Interim and Multi-Year Projection (MYP) using conservative estimates.

# Evaluating the Budget

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## 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

# 2<sup>nd</sup> Interim Report Recommendation

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- ▶ 2<sup>nd</sup> Interim Report with Positive Certification

Staff recommends approval of 2014-2015  
2<sup>nd</sup> Interim Report

## Questions?