

**"Empowering
Students for
Success"**



Capistrano Unified School District

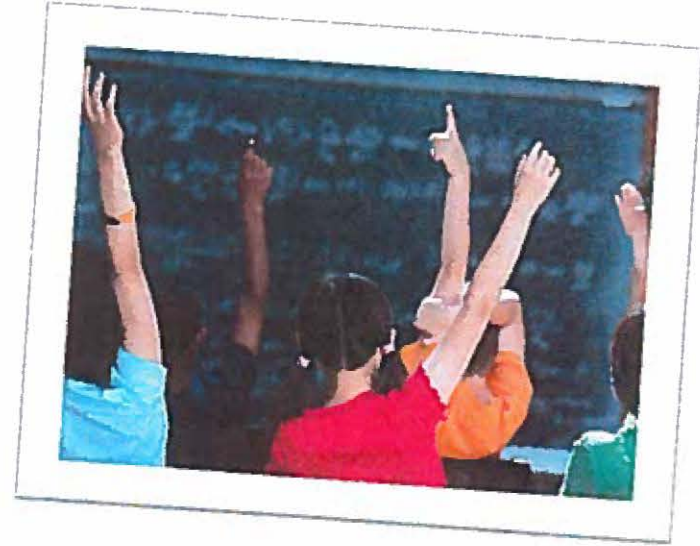
2013-2014 2nd Interim Report

March 12, 2014

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



2014-2015 State Budget

Governor's January Proposal



Governor's Proposed 2014-2015 Budget

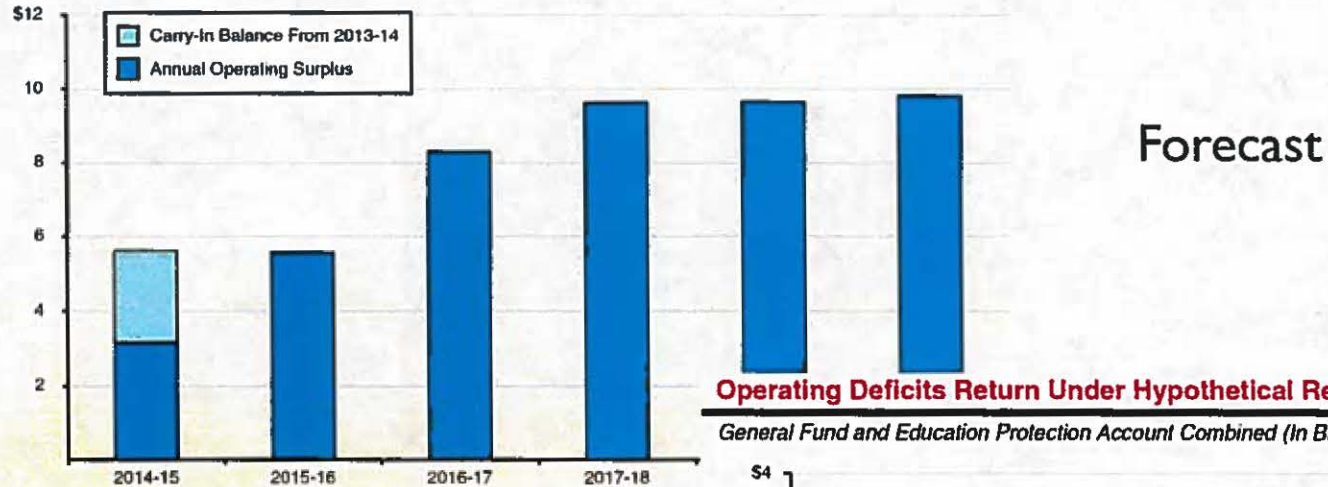
- ▶ Voter-approved temporary taxes and the improving economy produced revenues that exceeded the amount projected in the 2012–2013 and 2013–2014 budgets by \$4.7 billion
- ▶ These funds and the expected growth in 2014–2015 revenues allow the governor to balance the budget, create a \$2.3 billion reserve, and deposit \$1.6 billion into the state's "rainy day" fund
- ▶ The proposed budget increases funding for K–12 schools by \$4.6 billion, an increase of 9.9 percent or an average of \$788 per student
 - ▶ As in the current fiscal year, the new Local Control Funding Formula will provide varying increases to per student funding depending upon a district's demographics
- ▶ Overall, the state economy is expected to build on previous gains and expand over the next two years



California Outlook

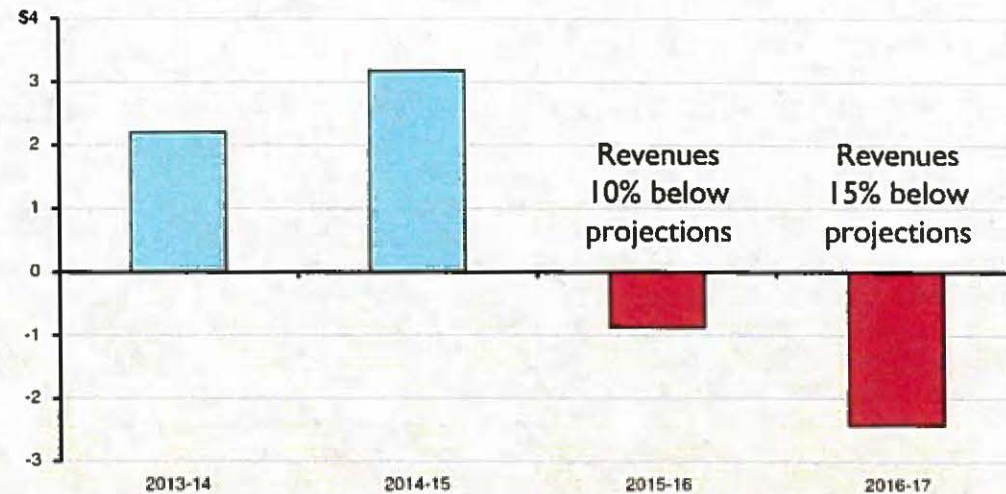
Operating Surpluses Projected Throughout Forecast Period

General Fund and Education Protection Account Combined (In Billions)



Operating Deficits Return Under Hypothetical Recession Scenario

General Fund and Education Protection Account Combined (In Billions)



Hypothetical Recession

Current economic expansion is now over four years old. Since World War II, the average expansion has been just under five years.



District Budget

2014-2015 Projections

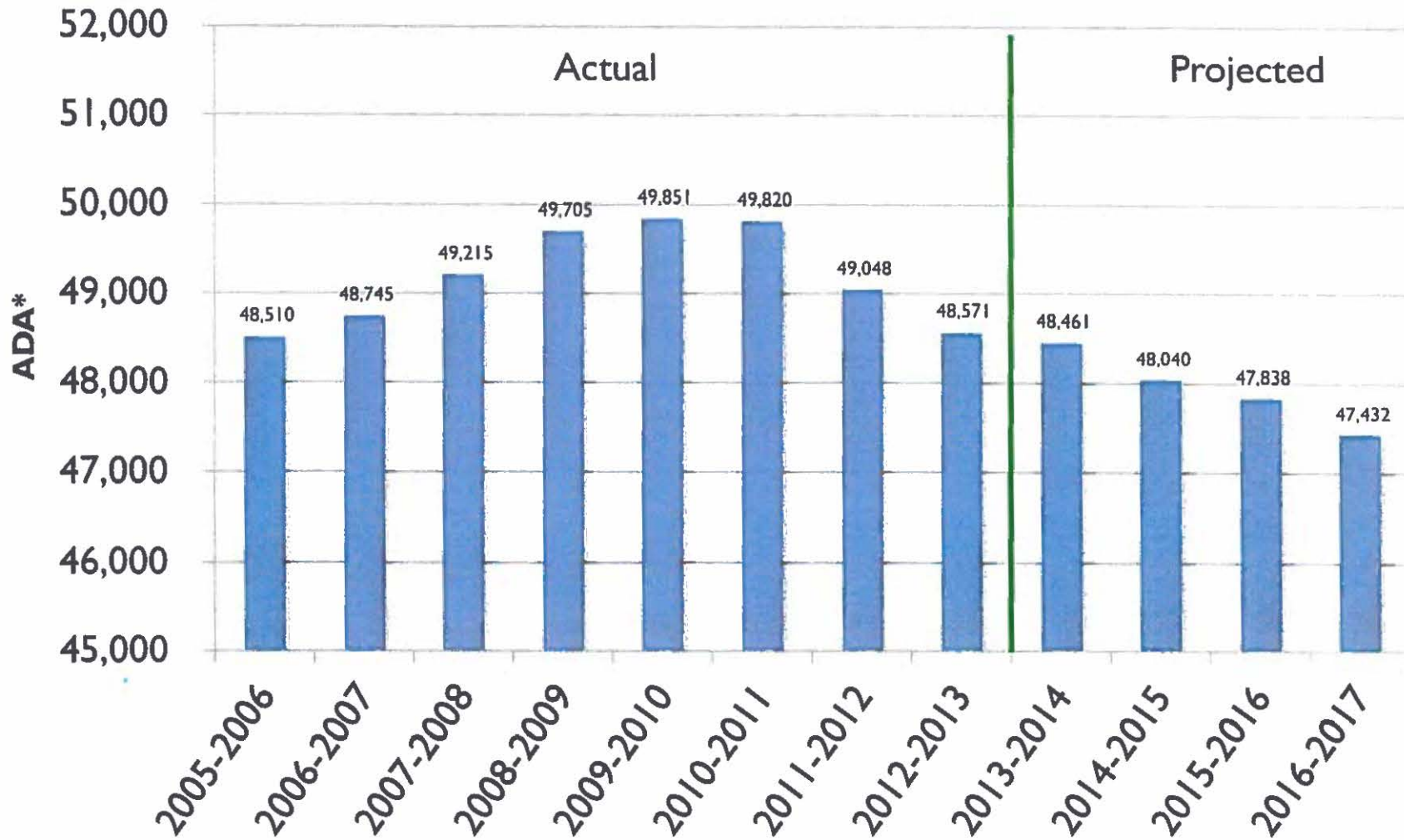


Cash Flow Improving

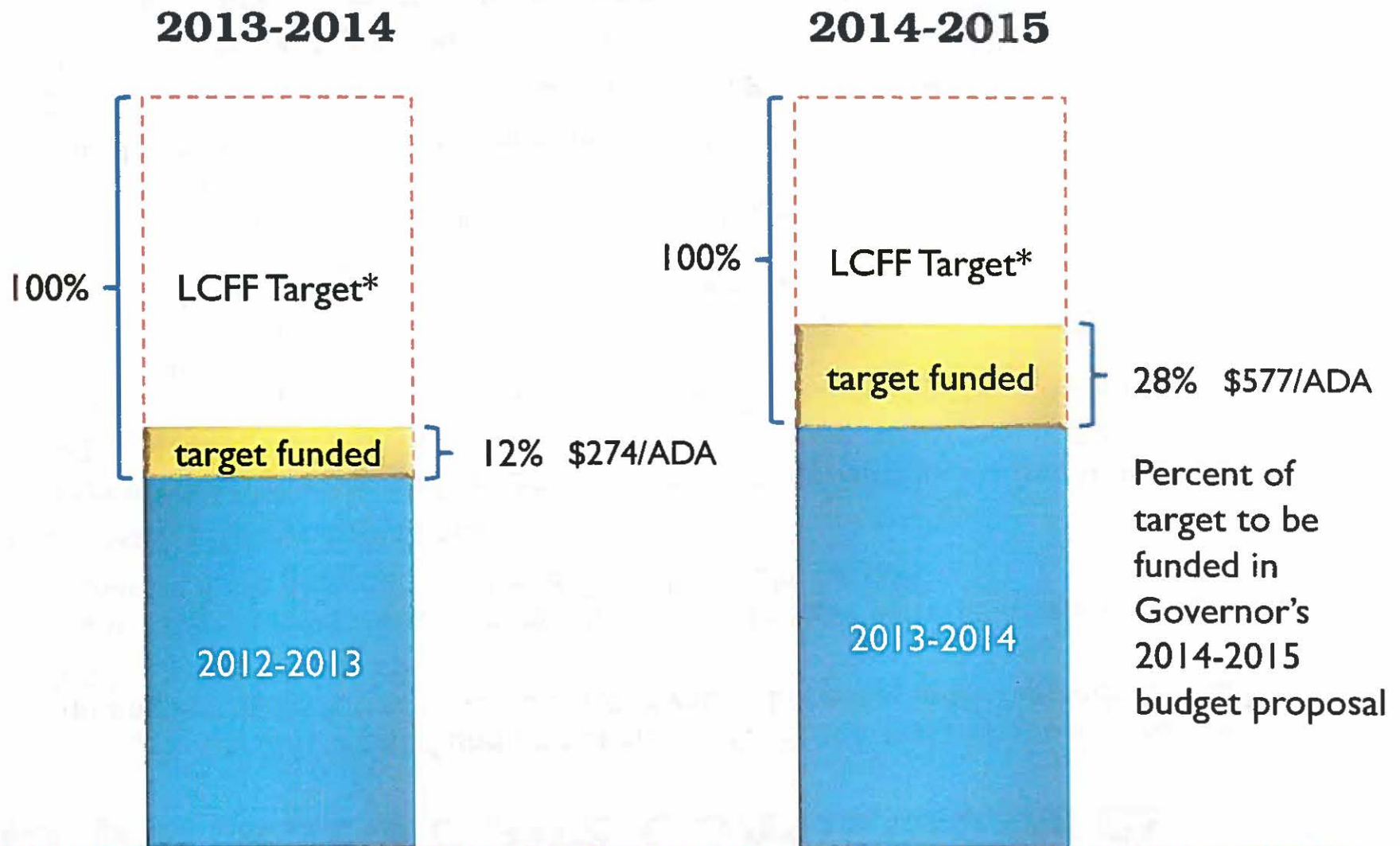
- ▶ State has eliminated all deferrals
- ▶ The District will only require cash flow borrowing for property tax revenue timing

Average Daily Attendance (ADA)

Trend and Projection



2014-2015 Growth Toward Target



9 * LCFF Target will change each year based on COLA and District grade span mix. LCFF Target based on 2007-2008 funding levels plus inflation. State expects to hit target in 2021.

Important Future Considerations

- ▶ With the Local Control Funding Formula (LCFF), the state proposes phasing in funding increases for schools as state revenue becomes available with full LCFF funding estimated in 2021
- ▶ State budget priorities can change from year to year with no guarantee that LCFF growth will be provided or the LCFF will be fully funded
- ▶ Maintain efficient operations
- ▶ Recover lost services and programs within the current environment and future expectations
 - ▶ As funding improves, districts will need to plan for developing programs and services.
 - Examples include:

□ Deferred Maintenance	Routine Maintenance
□ Staffing Recovery	Staff Development
□ Instructional Materials	Technology
□ Discretionary Site Funding	Furniture Replacement
□ Vehicle/Bus Replacement	Etc.
- ▶ Avoid deficit spending when funding is stable
- ▶ Staff effectively to minimize impact of declining enrollment
- ▶ Use one-time savings to 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



2013-2014
2nd Interim Report

Due March 15th



Budget Calendar

Budgeting for schools is a continuous, year-round process

- Adopted Budget June 30, 2013
- 1st Interim December 15, 2013 (reporting data as of October)
- **2nd Second Interim March 15, 2014** (reporting data as of January)
- 3rd Interim* June 1, 2014 (reporting data as of April)

*With this positive
2nd Interim, a
3rd Interim is not
required*

*Note: Pursuant to Education Code §42131(e), a 3rd Interim Report is required to be filed by June 1 if the 2nd Interim certification is not positive.



Major Assumptions

▶ Current Year 2013-2014

- ▶ Average Daily Attendance (ADA) based on 2012-2013 P2 ADA
- ▶ New funding formula (LCFF)
- ▶ Staffing according to formula. Adjusted based on actual enrollment
- ▶ Implementation of collective bargaining agreements in place

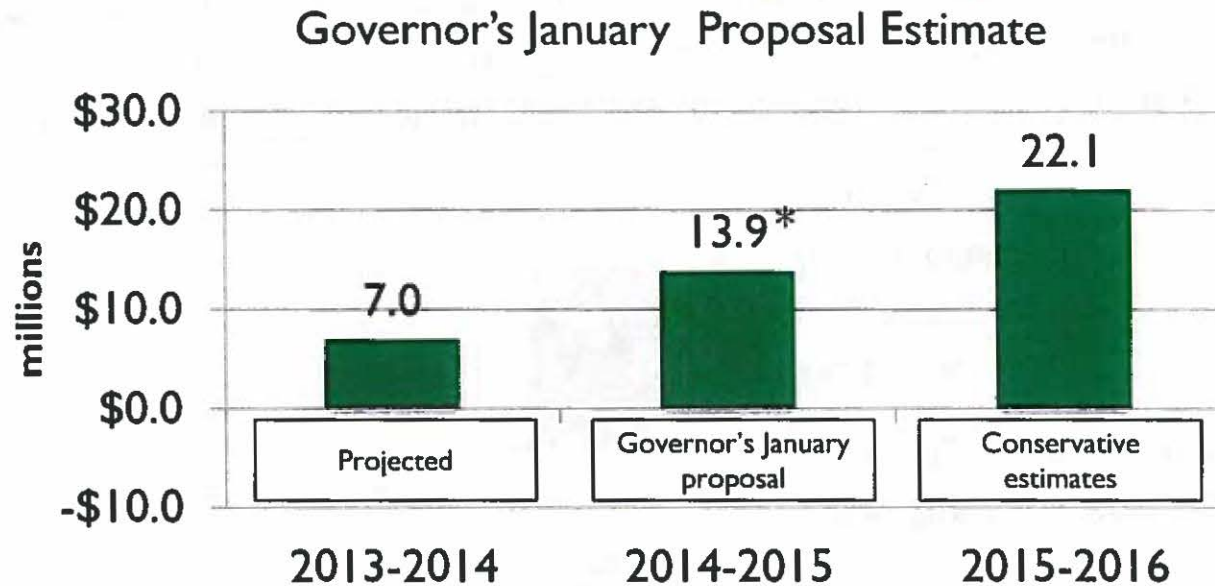


Major Assumptions

- ▶ **Forecast Years 2014-2015 and 2015-2016**
 - ▶ ADA based on prior years due to declining enrollment
 - ▶ Projected funding based on School Services conservative estimates except where noted:
 - 2014-2015 **based on Governor's 2014-2015 proposed budget**
 - 2015-2016 **+2.12% projected COLA (conservative projection)**
 - ▶ Return to 180 day school year
 - ▶ Class sizes revert back to contract
 - ▶ Compensation per contract
 - ▶ Step and column increases per contract
 - ▶ No other increases in salaries or benefits
- ▶ Staff is following developments with state discussions regarding CalPERS and CALSTRS contributions and will reflect any changes to the budget when known
 - ▶ There are no changes expected for next (2014-2015) fiscal year



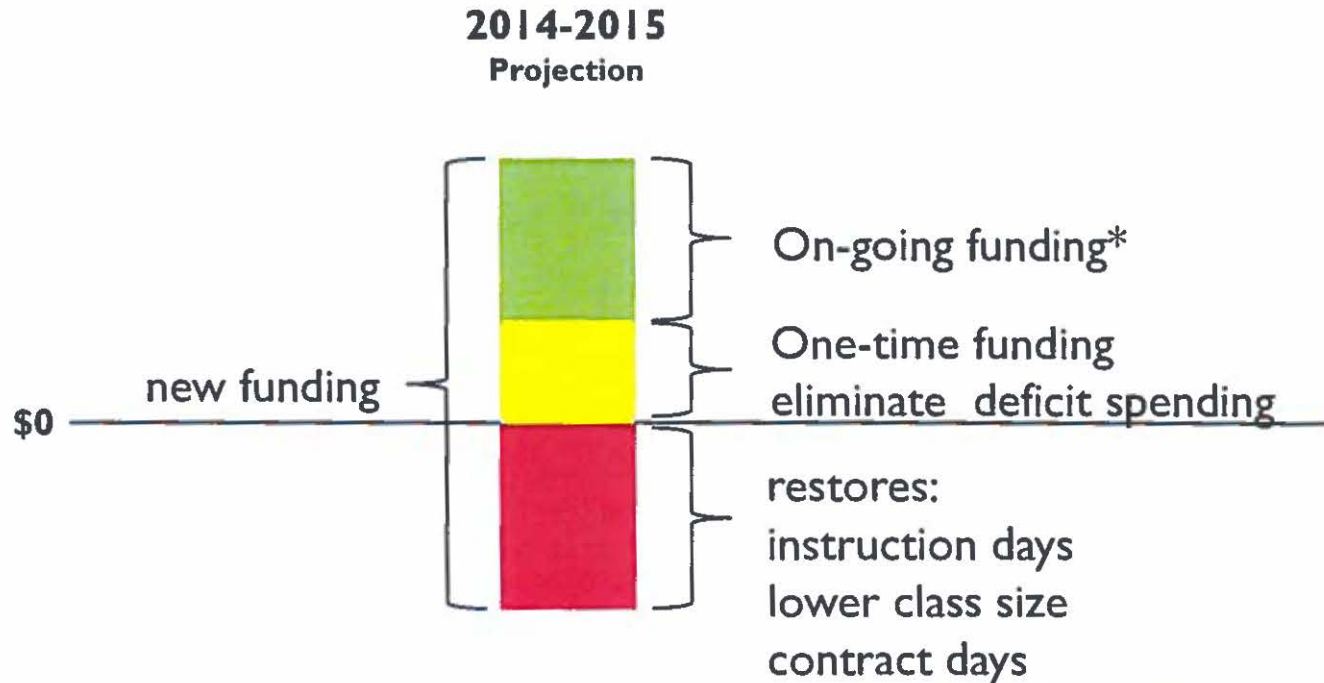
District Multi-Year Projection



* \$5.9 million of 2014-2015 is one-time money

- 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.
- Capture some one-time savings to improve reserve balances. Plan for being ready to absorb next economic downturn while at the same time maintaining services for students.

New Funding Impact 2014-2015



*With the LCFF, although most of the former state categorical funds are now “unrestricted,” districts must still show that funds received for targeted needs are being spent to improve or increase services to eligible students.

2013-2014 First Interim Report

Combined Restricted & Unrestricted Funds

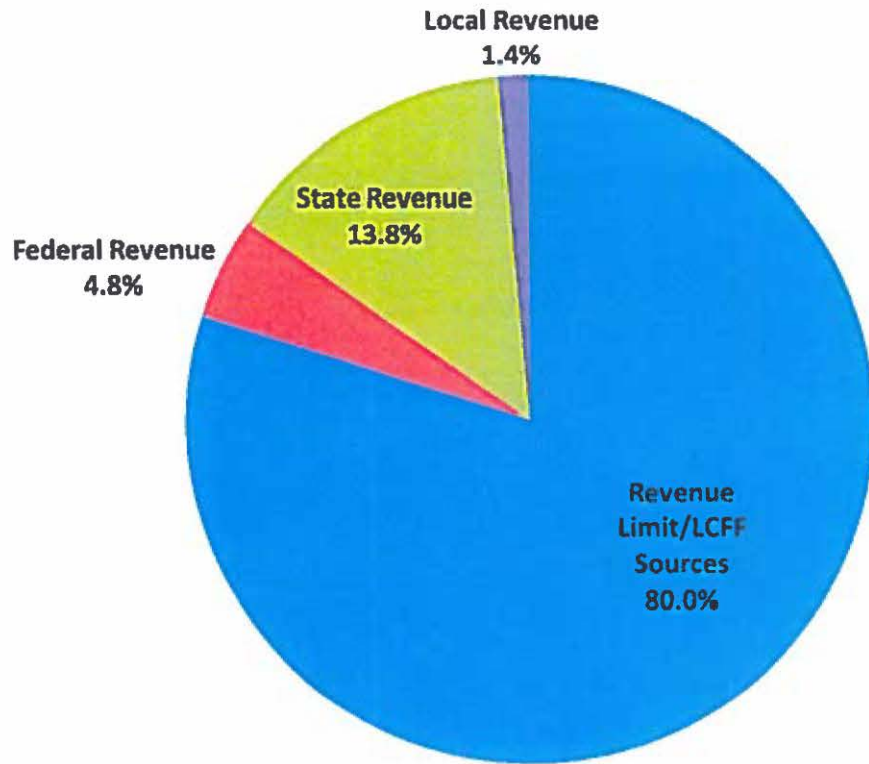
	2013-14 1st Interim	2013-14 2nd Interim	Change from 1st Interim 2nd Interim	Comments
Revenue				
Revenue Limit Sources	\$301,684,840	\$302,217,440	\$532,600	Adjustment to net charter shift
Federal Revenue	\$18,159,643	\$18,201,328	\$41,685	
State Revenue	\$49,452,199	\$52,060,265	\$2,608,066	Prop 39 Energy Grant
Local Revenue	\$4,641,294	\$5,399,654	\$758,360	Gifts budgeted as received. Other local income budgeted as received
Total Revenue	\$373,937,976	\$377,878,687	\$3,940,711	
Expenditures				
Certificated Salaries	\$188,484,737	\$188,501,212	\$16,475	
Classified Salaries	\$55,053,517	\$55,020,196	(\$33,321)	
Benefits	\$74,688,849	\$74,373,084	(\$315,765)	Health and welfare adjustment
Books and Supplies	\$13,696,593	\$13,633,945	(\$62,648)	
Services & Operating Expenses	\$33,883,317	\$31,403,707	(\$2,479,610)	Adjustment to special ed. costs
Capital Outlay	\$292,000	\$115,523	(\$176,477)	
Other Outgo/Debt Service	\$9,995,097	\$9,615,681	(\$379,416)	County tuition for special ed. students
Trnsfrs of Indirect/Direct Support	(\$607,532)	(\$607,532)	\$0	
Total Expenditures	\$375,486,578	\$372,055,816	(\$3,430,762)	
Other Sources and Uses				
Other Funding Sources	\$0	\$0	\$0	
Interfund Transfers Out	\$0	\$0	\$0	
Total Sources and Uses	\$0	\$0	\$0	
Beginning Fund Balance	\$21,393,515	\$21,393,515	\$0	
Audit Adjustments	\$0	\$0	\$0	
Net Incr (Decr) in Fund Balance	(\$1,548,602)	\$5,822,871	\$7,371,473	
Ending Fund Balance	\$19,844,913	\$27,216,386	\$7,371,473	

Components of Ending Fund Balance				
Revolving Cash, Stores, Prepaid	\$325,000	\$325,000	\$0	
Legally Restricted	\$6,647,373	\$12,180,904	\$5,533,531	Mental Health and Common Core
Economic Uncertainties (2% Reserve)	\$7,525,000.00	\$7,525,000.00	\$0	
Other Designations/Assignments			\$0	
- Library Abatement	\$0	\$0	\$0	
- Site Carryover including Gifts	\$0	\$0	\$0	
- Teacher Staff Development	\$150,000	\$195,000	\$45,000	Locally restricted funds
Undesignated	\$5,197,540	\$6,990,482	\$1,792,942	
Total Ending Fund Balance	\$19,844,913	\$27,216,386	\$7,371,473	

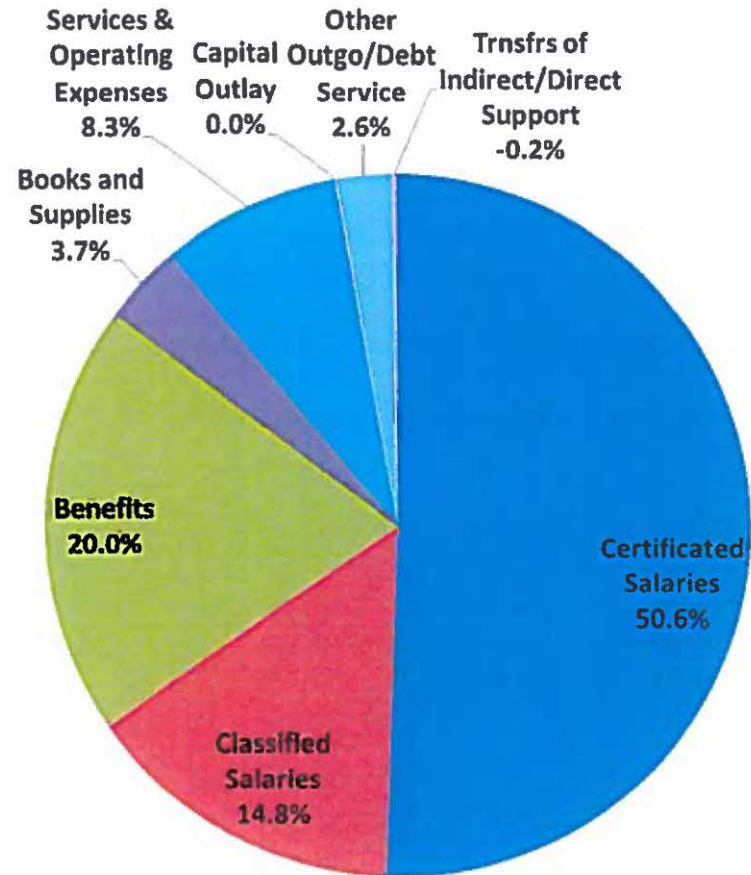


2013-2014 1st Interim Combined Unrestricted & Restricted Budget

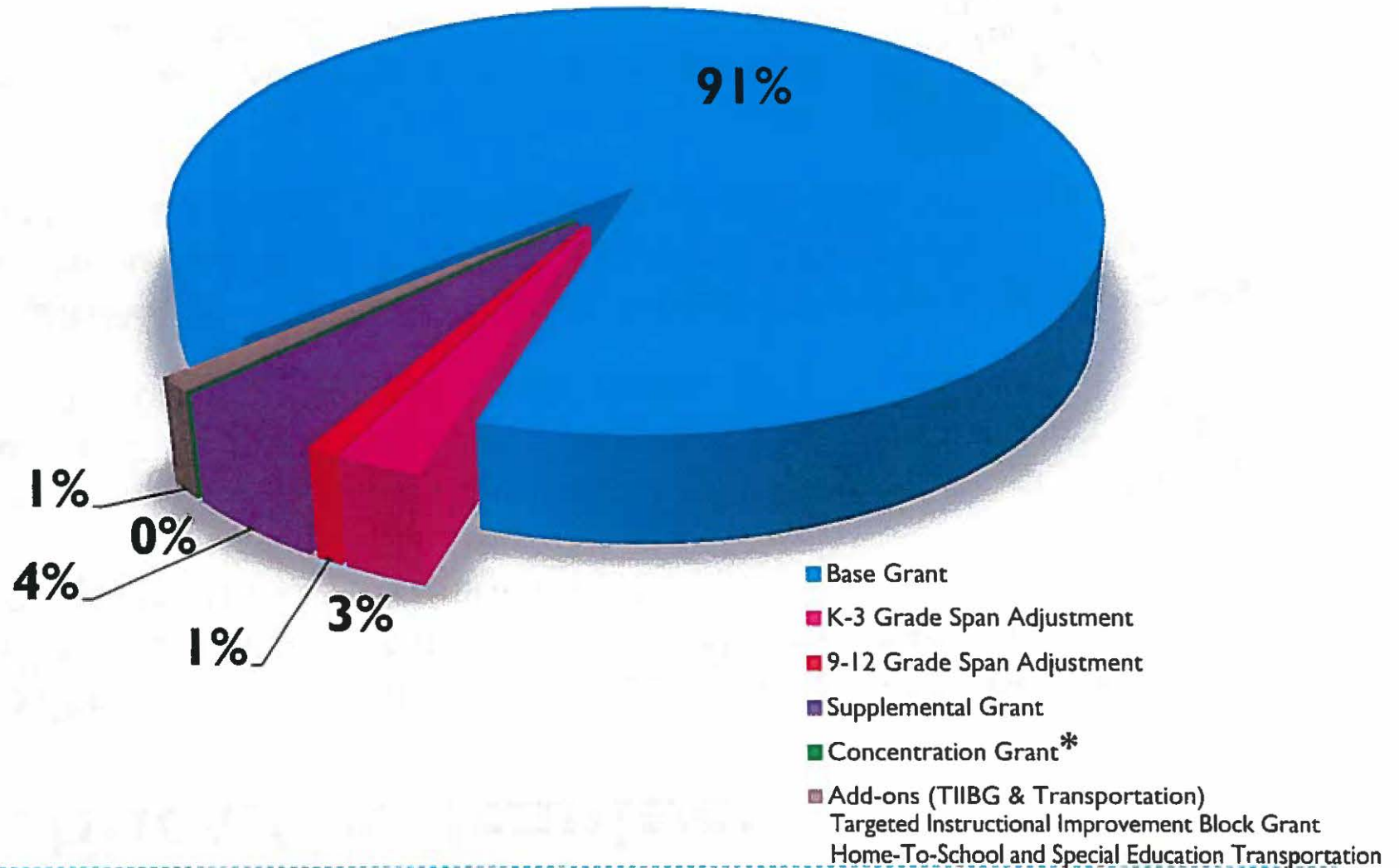
Revenue



Expenditures



CUSD LCFF Funding Components



* CUSD does not receive a Concentration Grant

Certification Definition

- **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 1st Interim and Multi-Y
using most conservative estimates from School Ser

Last Positive
Certification
2010-2011
1st Interim



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



2nd Interim Report Recommendation

- ▶ 2nd Interim Report with Positive Certification

Staff recommends approval of 2013-2014
2nd Interim Report

Questions?

