



2011-12 Board Budget Workshop July 20, 2011

Board of Education

Gloria G. Romo , President

Jon S. Kim, Vice-President

Ruth V. Duarte, Clerk

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Antonio T. Valenzuela, Member





OVERVIEW

Outline for Presentation

- State budget recap
- District budget adoption
- District fiscal condition
- Proposed fiscal recovery plan
- Role of the ICOE
- Next Steps





STATE BUDGET RECAP

2011-12 State Budget

- No new or extended taxes
- \$4 billion in higher revenue assumed
- With higher revenue, Prop 98 should have provided more funding for education
- Proposition 98 manipulated to keep K-12 funding flat
 - Child care funding moved out
 - Redevelopment revenue counted as local funding to reduce state share



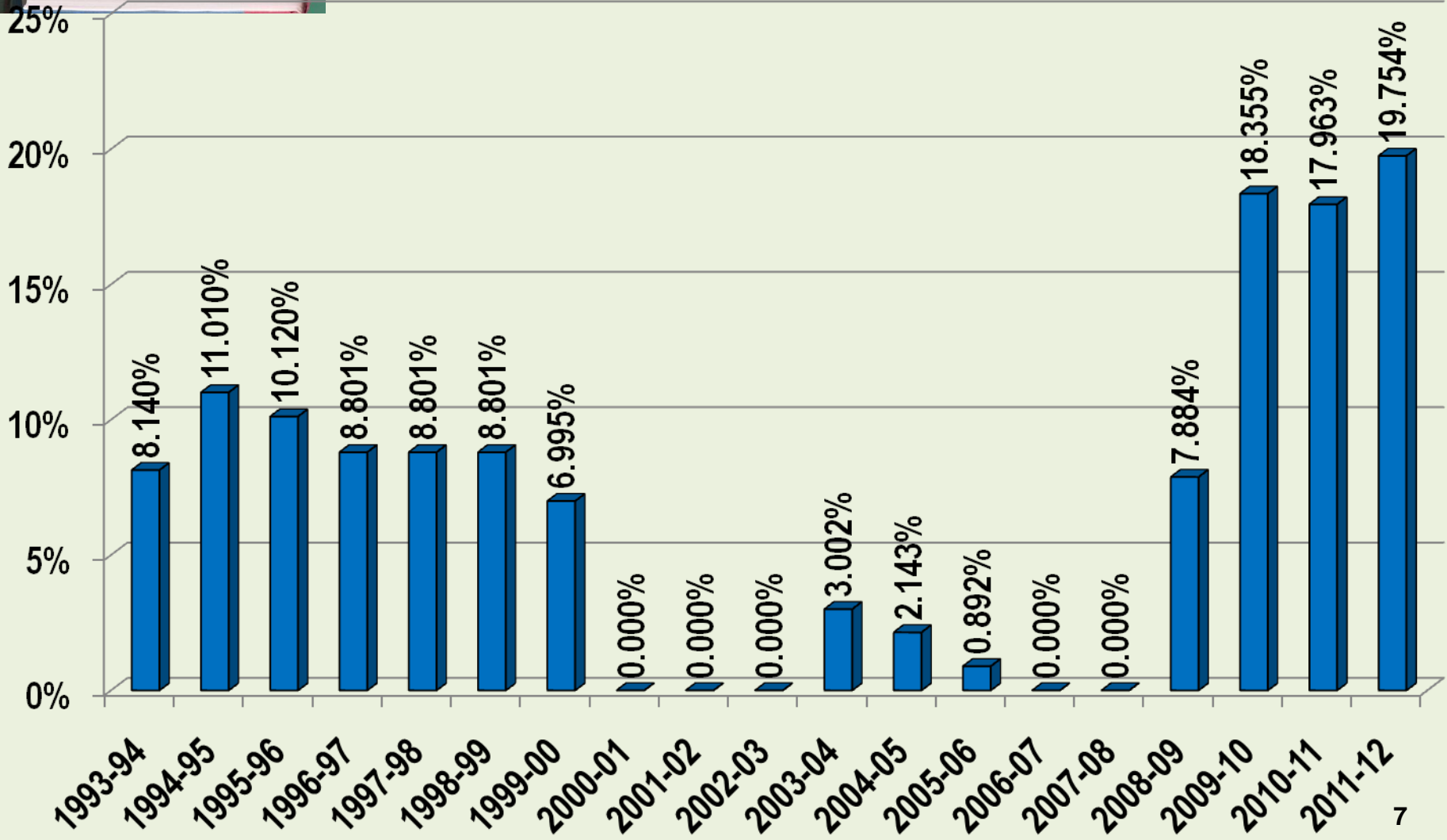
Revenue Limit

- COLA of 2.24%
- But deficit factor of 19.754%
- Net impact is 0% change from 2011-12





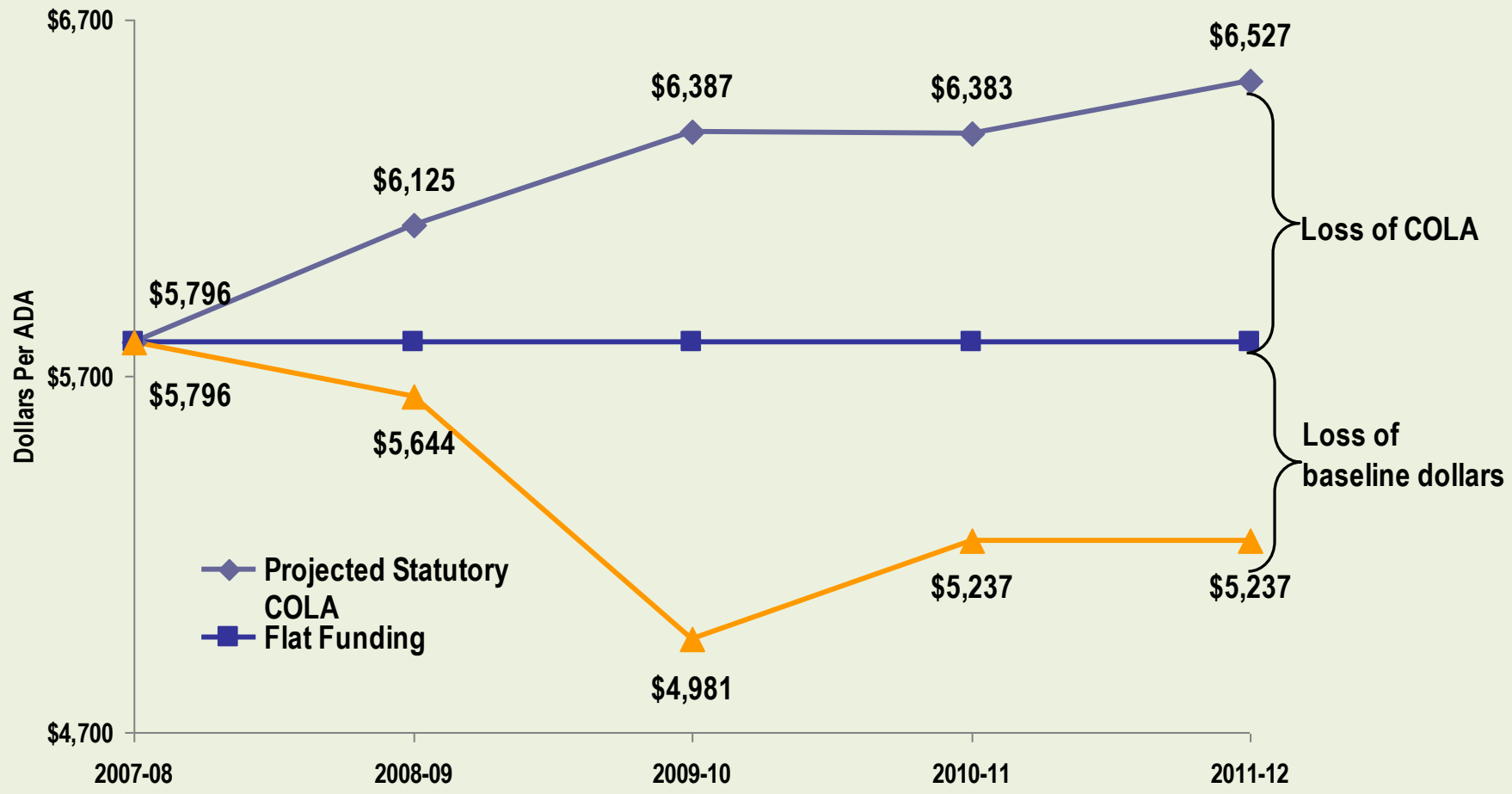
Deficit Factor History





Deficit Impact on Calexico

Calexico Unified School District



Triggers for Additional Cuts

- The budget plan includes several “triggers” for automatic cuts if the \$4B in new State revenues do not materialize:
- Revenues must be forecast by December 15, 2011
- Triggers
 - If state receives \$3 to \$4 billion, no mid-year cuts and the shortfall will roll to 2012-13



Tier I Cuts

- If \$2 to \$3 billion is received, \$600 million in cuts and the remaining shortfall will roll to 2012-13
 - \$23 million across-the-board cut to child care
 - \$30 million reduction to community colleges, \$10 increase to student enrollment fees
 - Reductions to other state-funded programs, including higher education, totaling \$548 million



Tier II Cuts

- If less than \$2 billion is forecast, all previous cuts are implemented, plus . . .
 - Up to 4% reduction to revenue limits – \$1.5 billion
 - 4% if revenues fall \$4 billion or more; proportionately less if revenue loss is \$2 billion to \$4 billion
 - \$248 million cut to school transportation
 - \$72 million reduction to community colleges



Impact on School Districts

- Amount of Revenue Limit Cut
 - Linked to the amount of the shortfall in the State Budget revenues
 - Could range from zero to 4% of the undeficitated revenue limit
- If the full revenue limit reduction is implemented, the average maximum cut would be about
 - \$260 per ADA for unified school districts
 - \$300 per ADA for high school districts
 - \$250 per ADA for elementary school districts
- Funding reductions begin in February



Impact on School Districts

- For the 2011-12 fiscal year, the school district shall:
 - Project the same level of revenue per ADA as it received in 2010-11 and shall maintain staffing and program levels commensurate with that level
 - School districts are not required to demonstrate the ability to meet financial obligations for the two subsequent fiscal years



Reduction in School Year

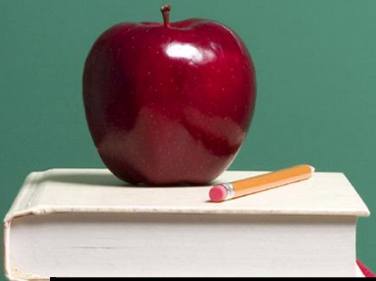
- If revenues fall short by more than \$2 billion, budget authorizes reduction in the 2011-12 school year of up to seven days, in addition to the five days authorized by current law
 - Goes into effect on February 1, 2012
 - Subject to collective bargaining



Cash Deferrals Continue

- New deferrals in March and April to August totaling \$2.1 billion
- Funding stream for principal apportionment shown on next slide
- 55% of funding will come from July to January
- Only 6.6% from Feb to June
- 38.4% of funding deferred to next fiscal year





Impact of Cash Deferrals

Month	Education Code (E.C) 14041(a)(2)	2010-11 Deferrals Received in 2011-12	Share of 2011-12 Statutory Apportionment
July 2011	5.00%	9.10%	0.00%
August 2011	5.00%	12.10%	0.00%
September 2011	9.00%	7.10%	11.70%
October 2011	9.00%	0.00%	0.00%
November 2011	9.00%	0.00%	9.00%
December 2011	9.00%	0.00%	9.00%
January 2012	9.00%	0.00%	25.30%
February 2012	9.00%	0.00%	0.50%
March 2012	9.00%	0.00%	0.00%
April 2012	9.00%	0.00%	4.60%
May 2012	9.00%	0.00%	1.50%
June 2012	9.00%	0.00%	0.00%
July 2012			22.60%
August 2012			15.80%
Total Principal Apportionment	100.00%	28.30%	100.00%

55% thru Jan

6.6% Feb to Jun

38.4% deferred

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DISTRICT BUDGET ADOPTION

Highlights of Calexico 2011-12 Adopted Budget

- Included \$330 per ADA reduction
- Deficit spending
- Not meeting 3% reserve in 2011-12
- Negative fund balance in 2012-13 and 2013-14
- General Fund paying for debt service
- Contributions to restricted funds increasing
- ADA to Enrollment ratio is low
- Cash flow negative Spring 2012





Total General Fund Balance History and Projection

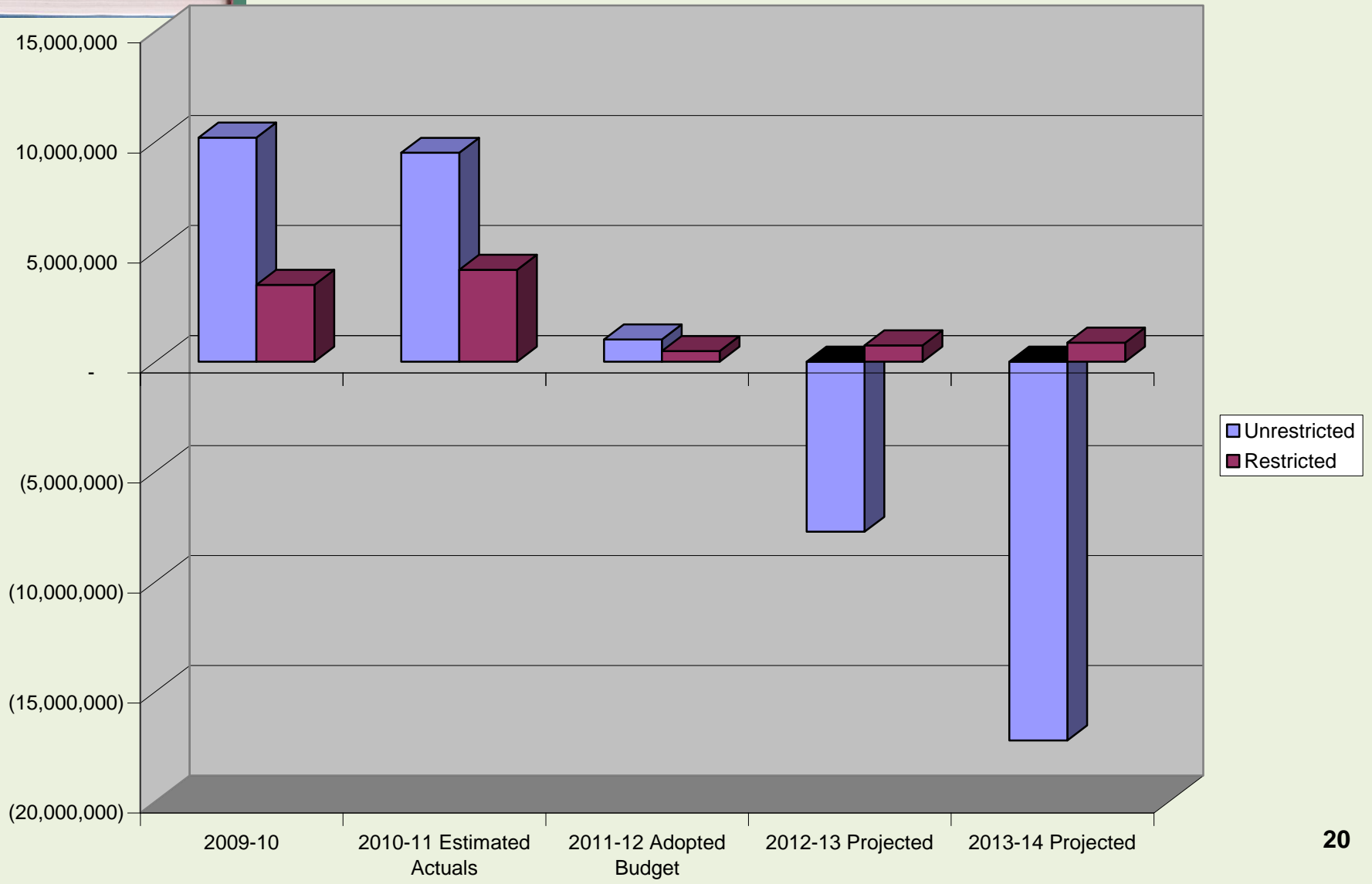
Description	2009-10 Unaudited Actuals	2010-11 Estimated Actuals	2011-12 Adopted Budget	2012-13 Projected	2013-14 Projected
Beginning Balance	11,803,971	14,037,918	9,974,493	1,620,957	(6,995,669)
Increase/ Decrease	2,556,603	(4,063,425)	(8,353,537)	(8,616,626)	(9,353,528)
Ending Balance	14,360,574	9,974,493	1,620,957	(6,995,669)	(16,349,197)

Annual Deficit Spending beginning in 2011-12

Negative fund balance in 2012-13 and 2013-14

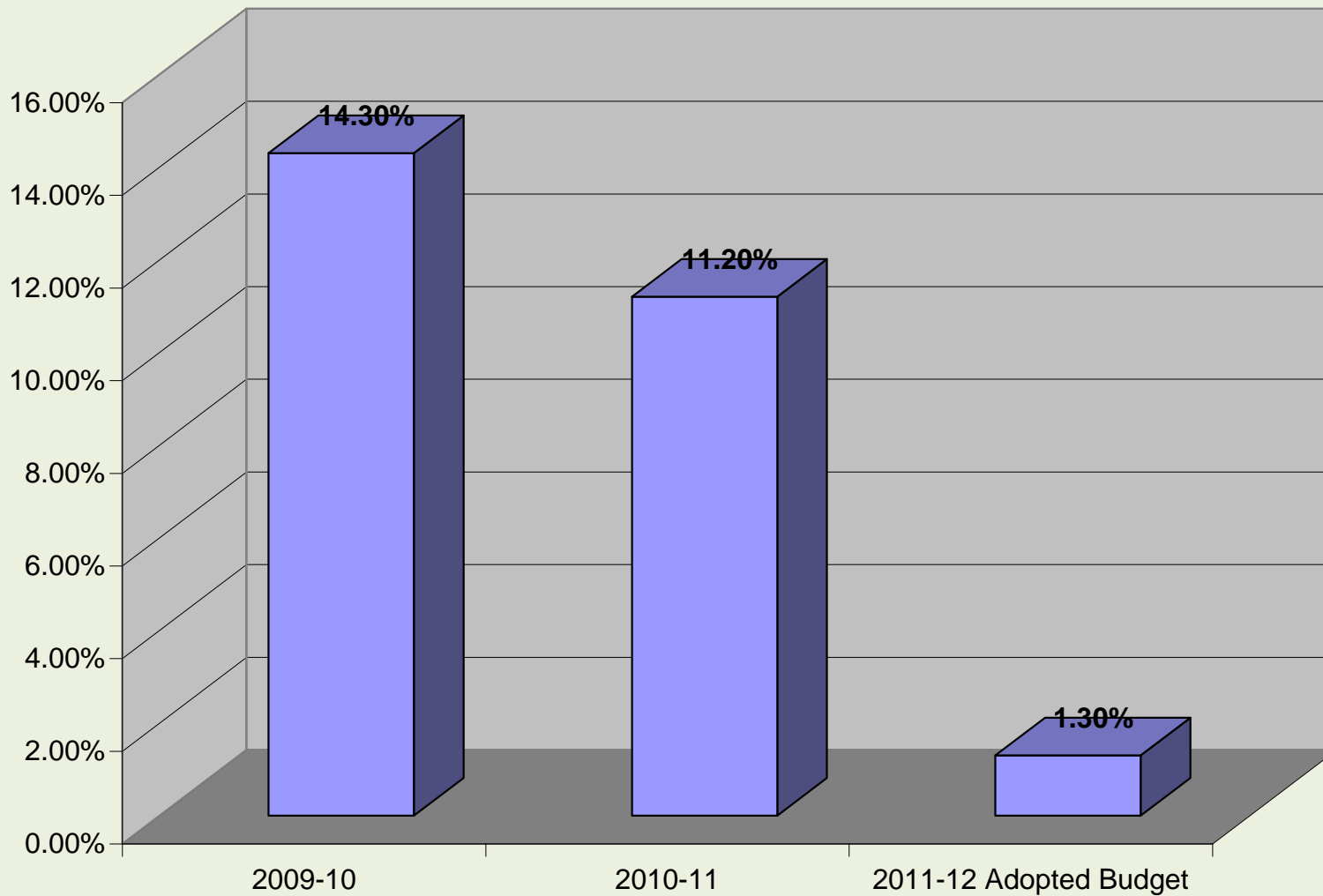


Total General Fund Balance History and Projection





Unrestricted Balance as % of Total Expenditures





General Fund Revenue History

Description	2009-10 Unaudited Actuals	2010-11 Estimated Actuals	2011-12 Adopted Budget
Revenue Limit	44,619,546	42,549,336	39,818,757
Federal Revenue	8,396,514	15,414,746	6,811,420
Other State Revenue	14,066,331	14,384,289	13,896,897
Other Local Revenue	3,345,863	4,515,032	2,556,277
Other Sources	3,176,858	-	-
Total Revenues	73,605,112	76,863,403	63,083,351

Included one-time revenue

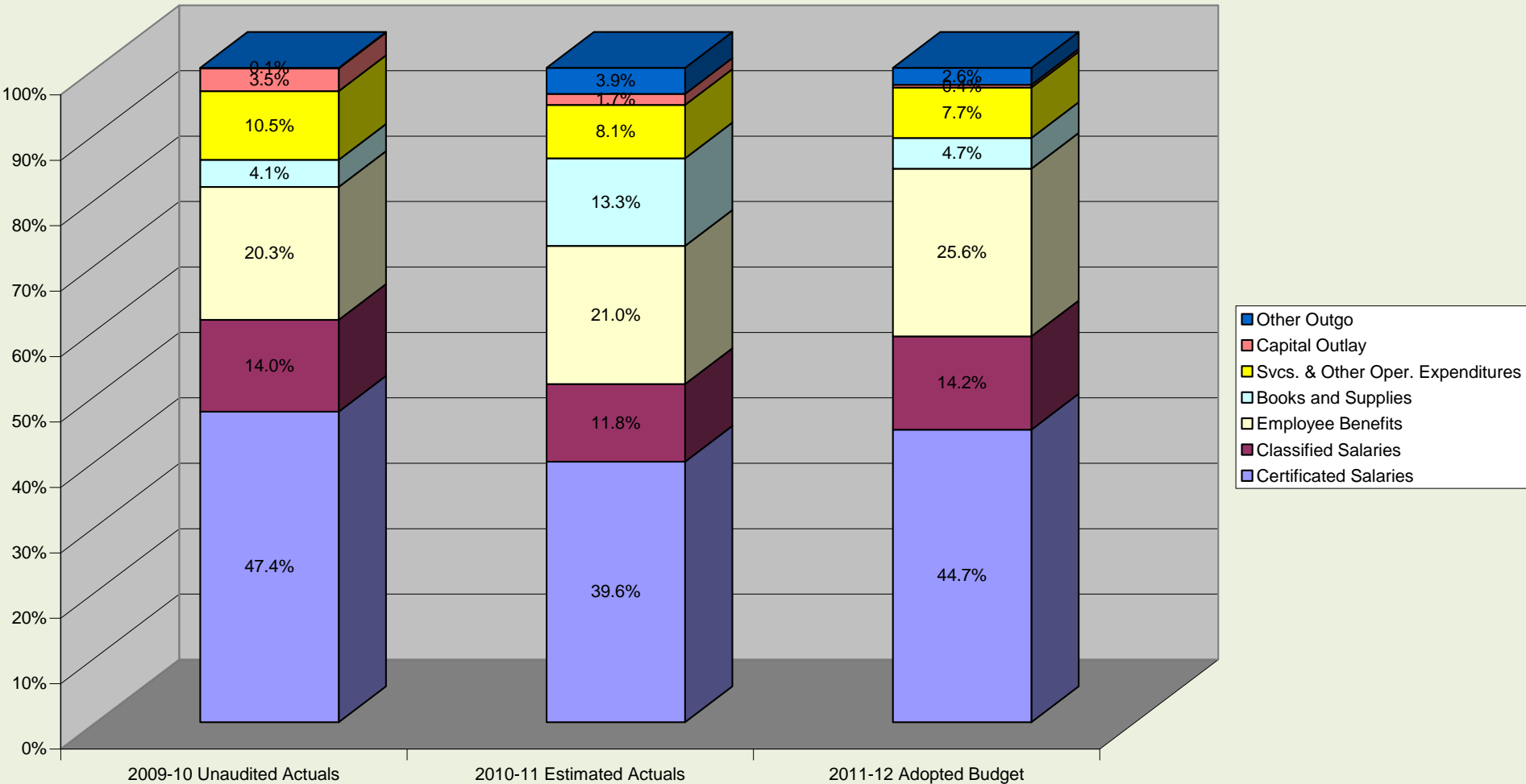


General Fund Expenditure History

Description	2009-10 Unaudited Actuals	2010-11 Estimated Actuals	2011-12 Adopted Budget
Certificated Salaries	33,709,425	33,485,434	33,556,825
Classified Salaries	9,973,775	10,459,084	10,687,894
Employee Benefits	14,444,654	17,772,447	19,236,483
Books and Supplies	2,930,767	11,257,270	3,529,458
Svcs. & Other Oper. Expenditures	7,455,824	6,856,098	5,782,978
Capital Outlay	2,475,538	1,426,240	300,185
Other Outgo	58,527	3,340,744	1,946,329
Total Expenditures	71,048,509	84,597,317	75,040,152

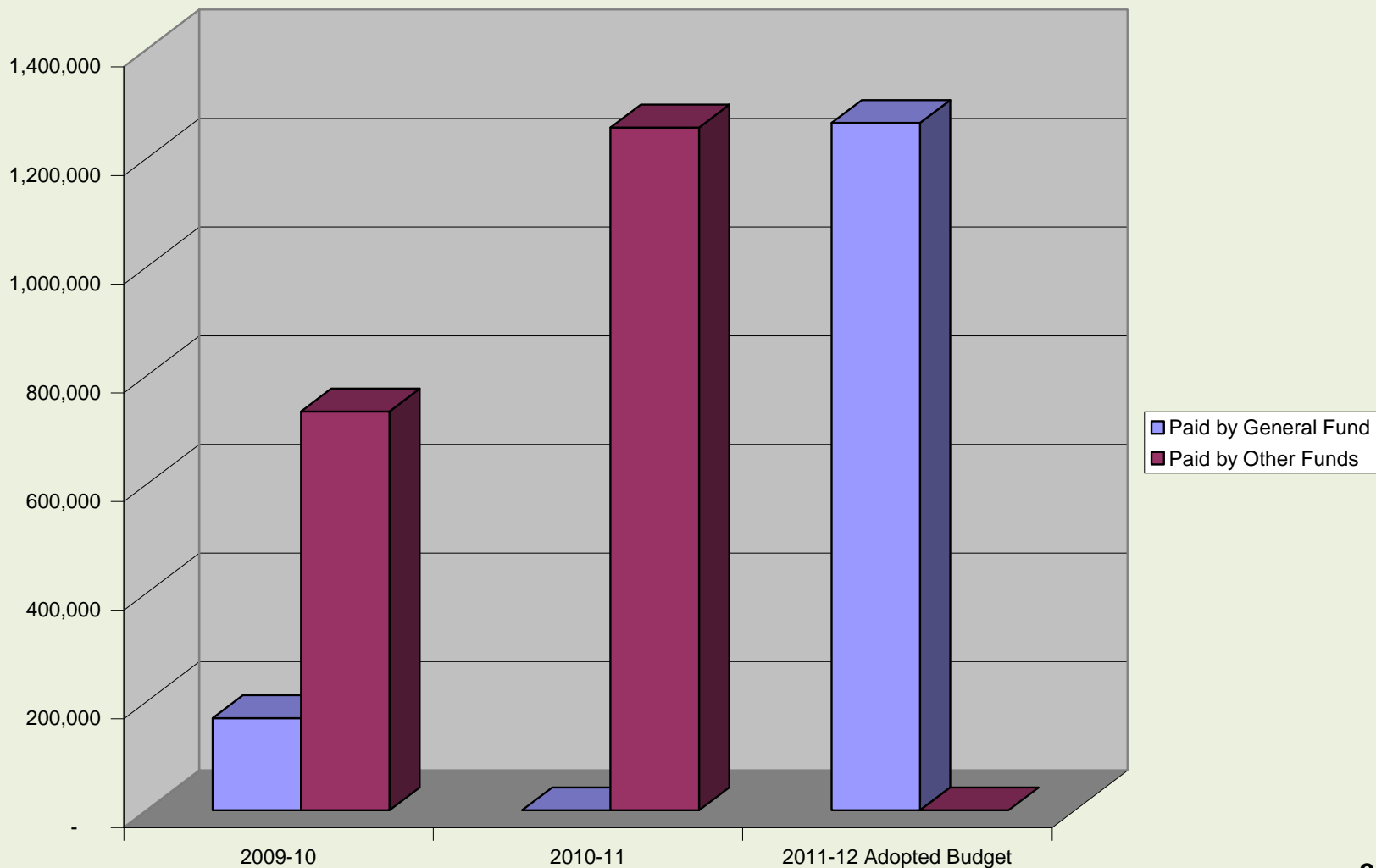


Expenditure Distribution History



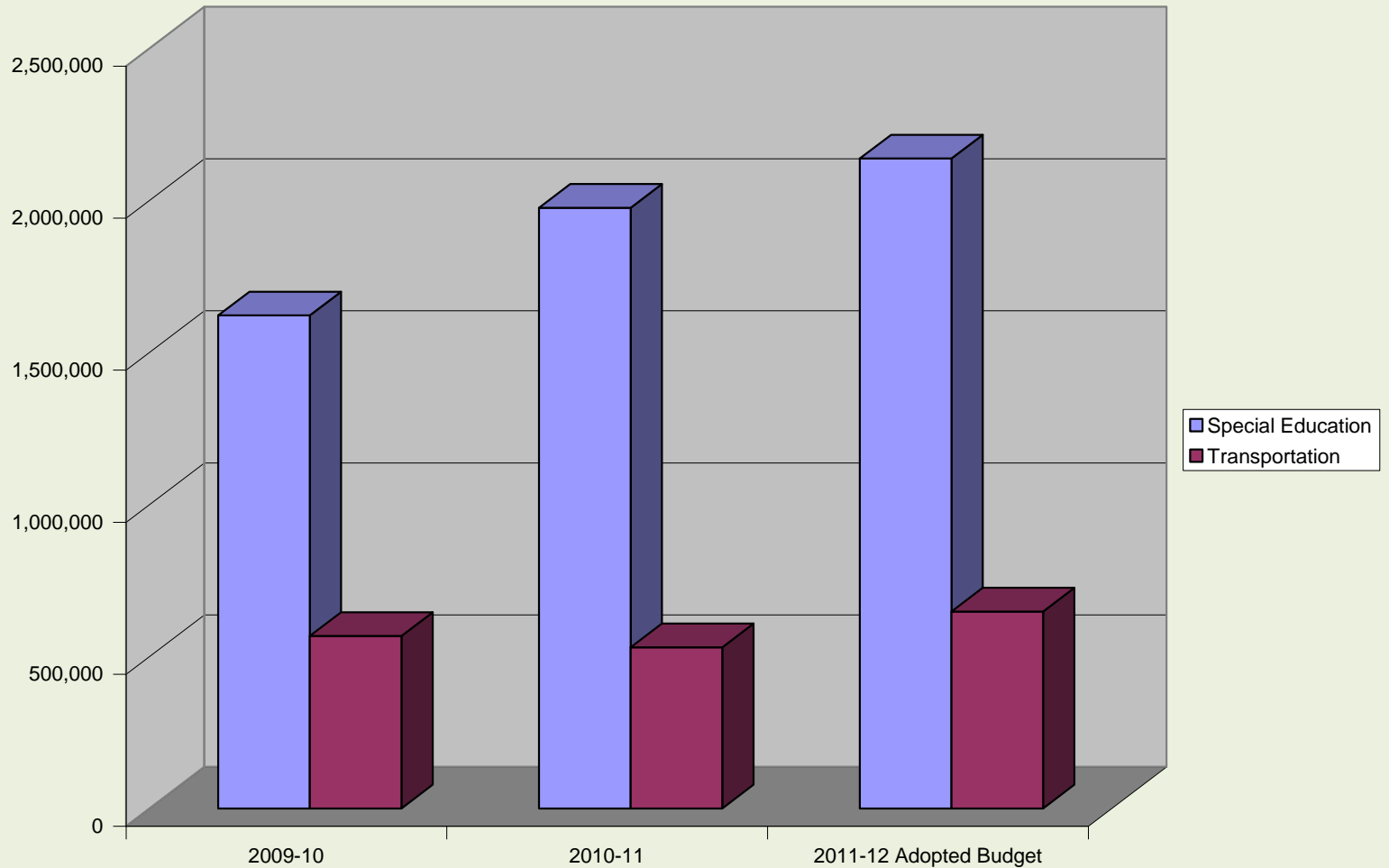


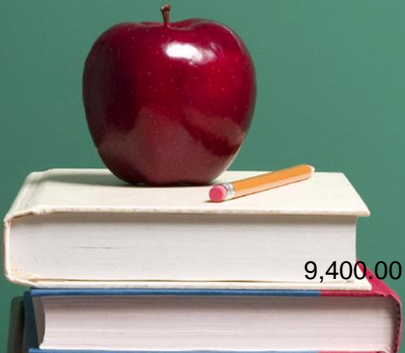
Impact of Debt on General Fund



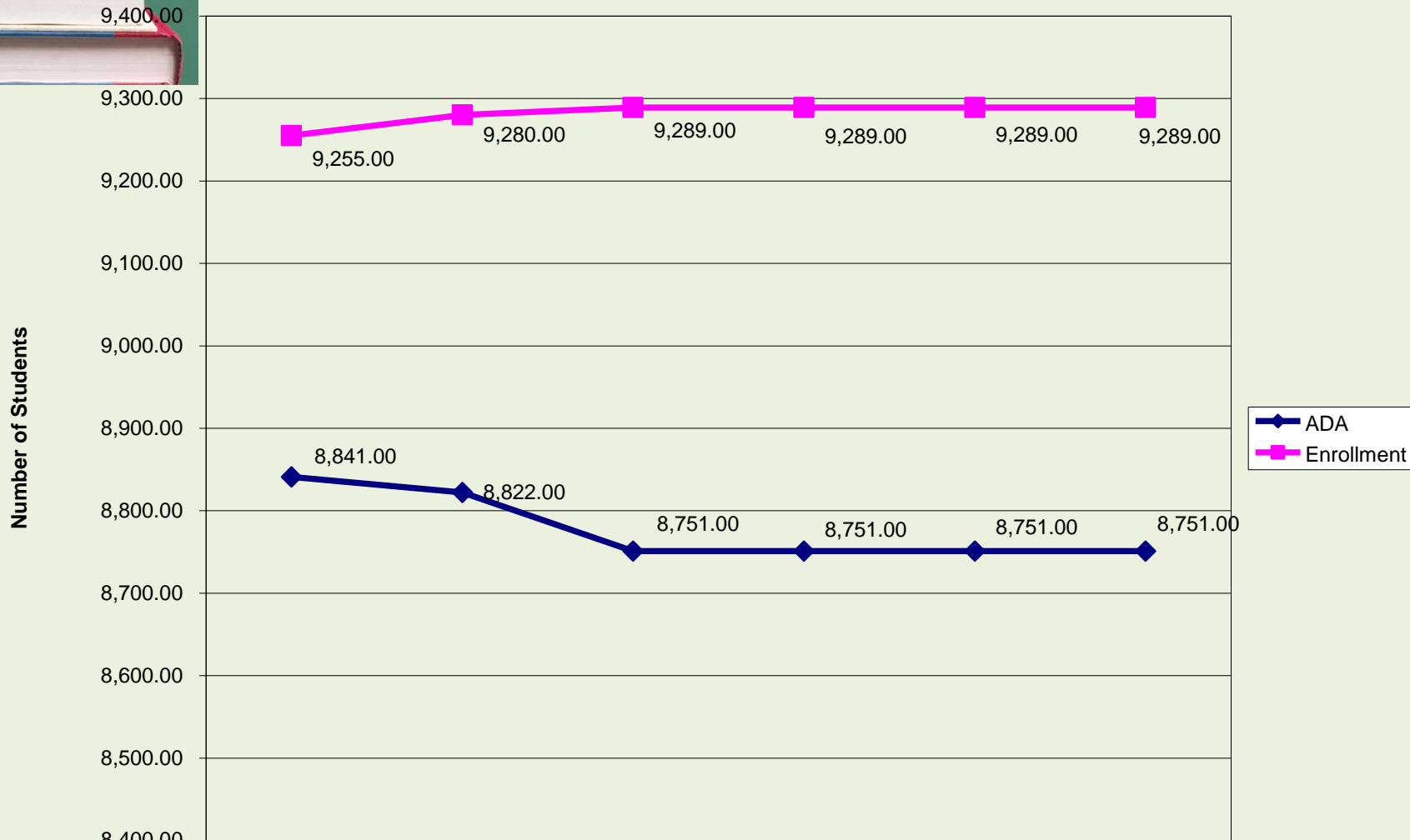


Contributions to Restricted General Fund Increasing





ADA to Enrollment



	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
ADA	8,841.00	8,822.00	8,751.00	8,751.00	8,751.00	8,751.00
Enrollment	9,255.00	9,280.00	9,289.00	9,289.00	9,289.00	9,289.00
Percentage	95.5%	95.1%	94.2%	94.2%	94.2%	94.2%

Impact of 2011-12 State Budget

- Calexico Unified Adopted Budget
 - Assumed revenue limit cut of \$2.9 million
- State Adopted Budget
 - No revenue limit cut
 - Increase in revenue of \$2.9 million compared to Calexico adopted budget
- Budget with 4% cut
 - \$2.3 million cut
 - Increase in revenue of \$600,000 compared to adopted budget





Impact of 2011-12 State Budget on Unrestricted General Fund

	2011-12 Adopted	2011-12 Revised per State Adopted Budget
Revenue	47,031,190	49,949,235
Expenditures	55,512,220	55,512,220
Deficit Spending	(8,481,030)	(5,562,985)
Beginning Balance	9,491,999	9,491,999
Ending Balance	1,010,969	3,929,014
Reserve	960,969	3,879,014
Reserve%	1.28%	5.17%



DISTRICT FISCAL CONDITION

Fiscal Condition

- Second Interim qualified
- Third interim- ICOE has taken negative
- Adopted Budget
 - Approval not yet determined
 - ICOE must take action by August 15th





PROPOSED FISCAL RECOVERY PLAN

Five Areas for Fiscal Recovery

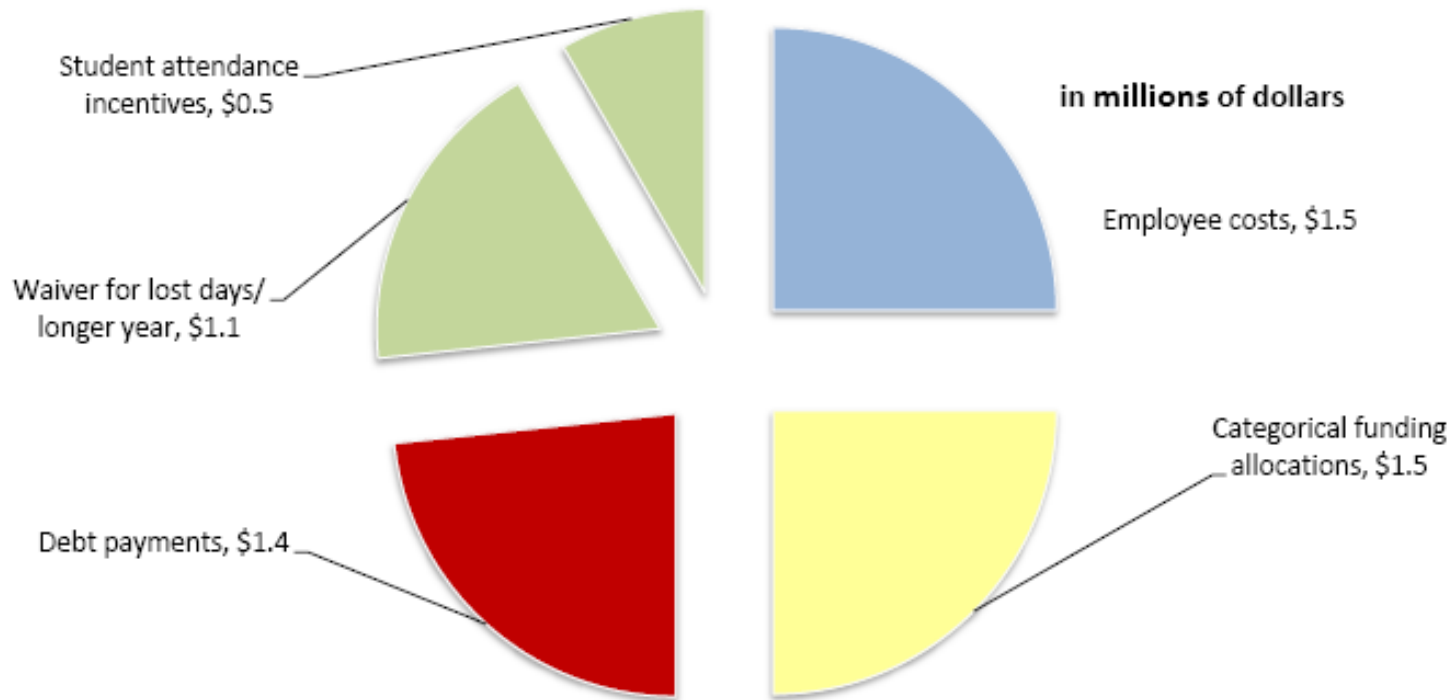
- \$6 million in recommendations to turn the ship and lead the district towards fiscal recovery
 - Debt Restructuring & Capital Projects
 - Attendance Waiver/ Appeals Process
 - Student Attendance Improvement
 - Strategic Categorical Implementation
 - Employee Compensation & Staffing





Fiscal Recovery Plan

Calexico Unified School District "Big Five" Fiscal Recovery Plan: Reducing Costs by \$6.0 million





Fiscal Recovery Plan

Budget Item	Amount	Percent
Employee costs	\$1.5	25%
Categorical funding allocations	\$1.5	25%
Debt payments	\$1.4	23%
Waiver for lost days/ longer year	\$1.1	18%
Student attendance incentives	\$0.5	8%
Total	\$6.0	

This \$6 mil deficit assumes the governor's budget with flat funding and without \$330/per student reduction (\$2.9 mil)



ROLE OF THE IMPERIAL COUNTY OFFICE OF EDUCATION

Traditional AB 1200 Role for Adopted Budget

- Adopted budget
 - Approve
 - Conditionally Approve
 - Disapprove
 - Analyze current and two subsequent years
 - ICOE must take action by August 15th



New Role for Adopted Budget with AB 114

- For the 2011-12 fiscal year, the County Superintendent shall not:
 - Require a school district to project a lower level of revenue per unit of ADA than it received in 2010-11 as a condition of budget approval
 - Require the school district to demonstrate that it is able to meet its financial obligations for the two subsequent years
 - This applies only to adopted budget



Possible ICOE Action- Disapproved Budget

- Develop and impose, in consultation with the Superintendent of Public Instruction (SPI) and the district board, a revised budget that will enable the district to meet its financial obligations in the current year
- Stay or rescind any action of the district's board that is inconsistent with the ability of the school district to meet its obligations
- Assist in developing, in consultation with the district's board, a financial plan that will enable the district to meet its obligations
- Assist in developing, in consultation with the district's board, a budget for the fiscal year
- Appoint a fiscal advisor to perform any or all of the above duties on the Coe's behalf



Interim Reports

- Positive
 - Can meet obligations in current and two subsequent years
- Qualified
 - May not be able to meet obligations in current or two subsequent years
- Negative
 - Will not be able to meet obligations in the current or subsequent year
- No change due to AB 114



Implications of Qualified Second Interim Report

- District had to do an End of Year Report, also called “Third Interim”
- ICOE must approve issuance of non-voter approved debt such as TRANS
- ICOE must issue a report to district
- No impact from AB 114



Action Taken on Third Interim Report

- Not a Going Concern
 - Can be done at any time
 - County determined that district will be unable to meet its financial obligations in the current (2010-11) or subsequent fiscal year (2011-12)
- Reasons for determination
 - Negative ending cash balance projection for 2011-12
 - Negative reserve for economic uncertainties in 2011-12 and 2012-13



Actions Required by District

- Submit a proposal addressing the fiscal conditions that resulted in the determination that the district is not a going concern
- Approve budget reductions resolution
- Fiscal Advisor has been appointed
 - 75% paid by district
 - 25% paid by county
 - Stay and rescind authority



Next action by ICOE will be budget approval

- ICOE can only consider 2011-12 when approving the budget due to AB 114
- ICOE will need to take into account impact of flat funding
- Even if budget is approved, ICOE could take district as not a going concern at any time





NEXT STEPS

Next Steps

- Adopt Budget Reduction Resolution required by ICOE
- Submit Fiscal Recovery Plan to ICOE
- Amend budget to take into account Adopted State Budget
- Develop contingency plan for trigger cuts
- Work with fiscal advisor





Questions