



First Interim Financial Report

Board Item #9.2

**Board of Education
December 14, 2011**



First Interim Overview – Multiple Challenges

- First Interim Summary
- Trigger Cuts
- Deficit Spending
- Declining Fund Balance
- Cash Flow
- Fiscal Condition
- Time Line
- Next Steps



General Fund Summary First Interim



Beginning Balance July 1, 2011	\$34,399,424
REVENUES	\$391,708,037
EXPENDITURES	
Certificated Salaries	\$169,971,033
Classified Salaries	\$50,770,924
Employee Benefits	\$109,858,001
Books and Supplies	\$30,424,468
Services/Operational Expenses	\$52,068,362
Capital Outlay	\$2,280,662
Other Outgo	\$2,164,020
Direct/Indirect	-\$1,806,552
Total Expenditures	\$415,730,918
Interfund Transfers In/Out	\$2,930,254
Ending Fund Balance June 30, 2012	\$13,306,797



General Fund Summary First Interim Cont'd

Ending Fund Balance

- Reserves:

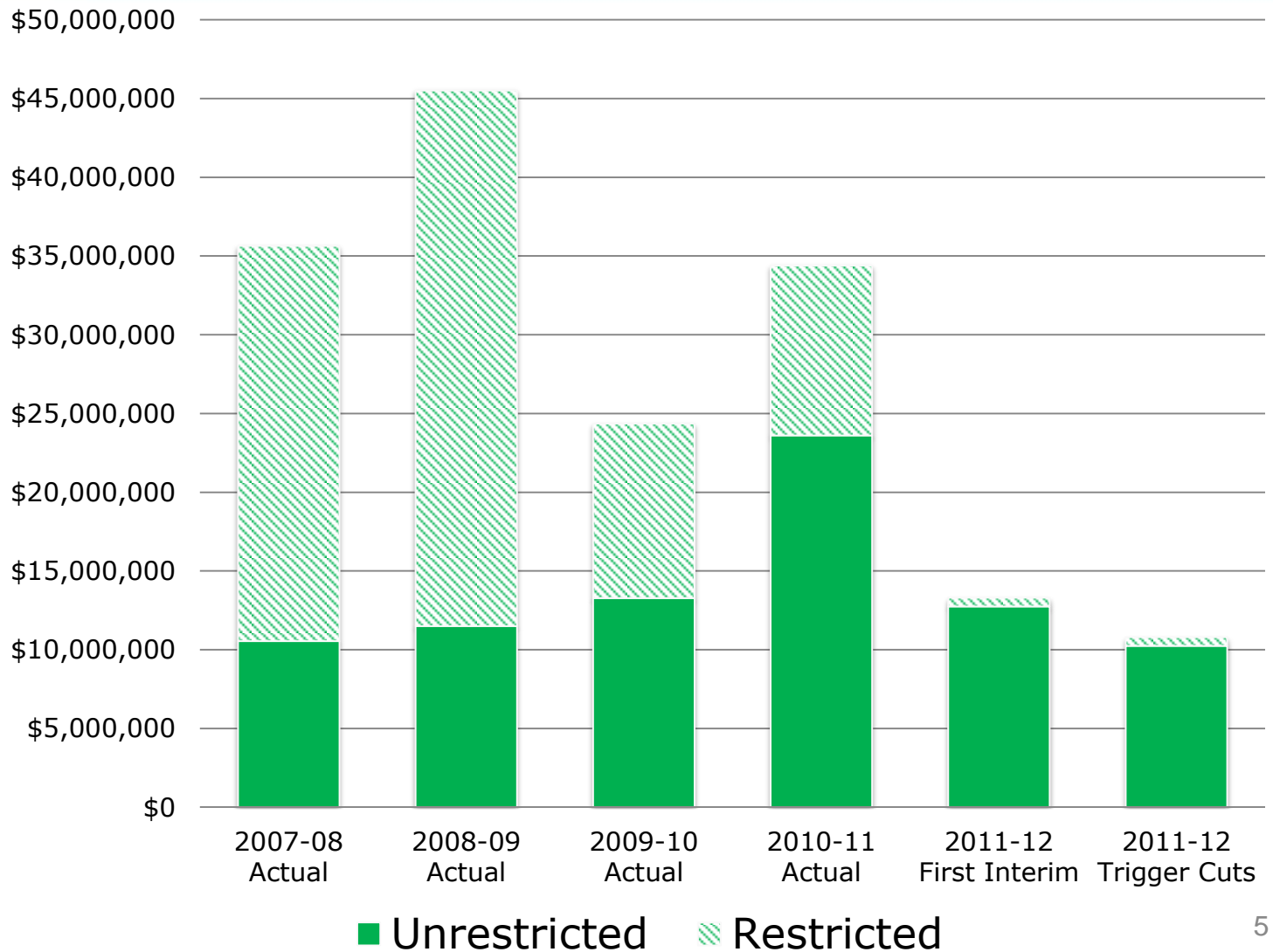
– Revolving Cash and Stores	\$.545 M
– Required 2% Reserve for Economic Uncertainties	\$ 8.589 M
– Reserve for Cash Deferrals	\$ 1.950 M
– Reserve for Restricted Carryover	\$.550 M
– Reserve for Revenue Reductions	\$.673 M
– Reserve for Unfunded Retiree Health Liability	<u>\$ 1.000 M</u>

Total Reserves

\$ 13.307 M



Fund Balance (includes required 2% reserve)





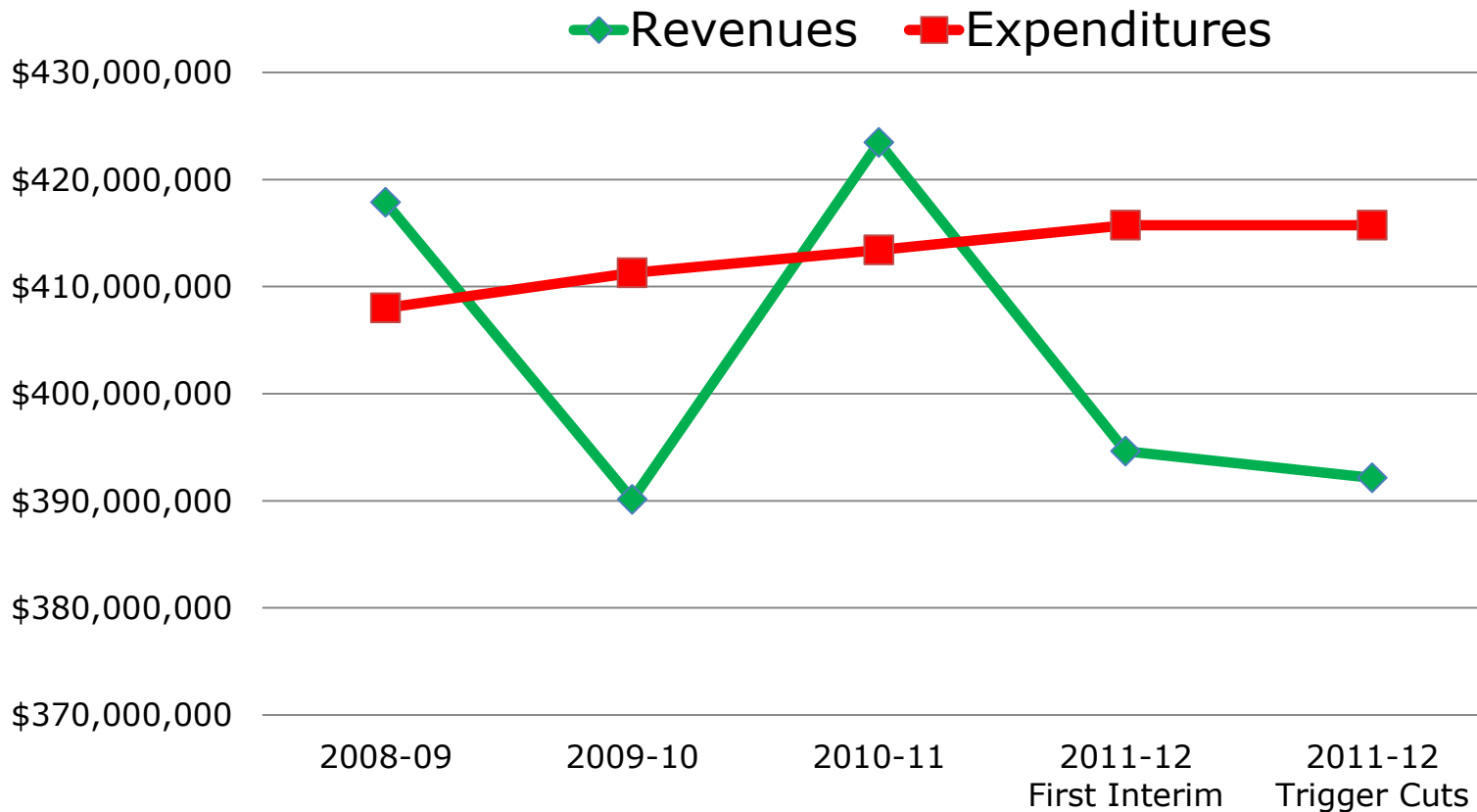
2011-12 Trigger Cuts



- Announced December 13
 - \$13 per ADA Reduction
 - \$13 * 41,848 \$.54 M
 - Transportation Revenue
 - 50% Reduction \$ 2.00 M
- Mid-Year Reductions to SCUSD \$ 2.54 M**



Deficit Spending



Green – Revenues and Interfund Transfers IN
Red – Expenditures and Interfund Transfers OUT



Cash Flow

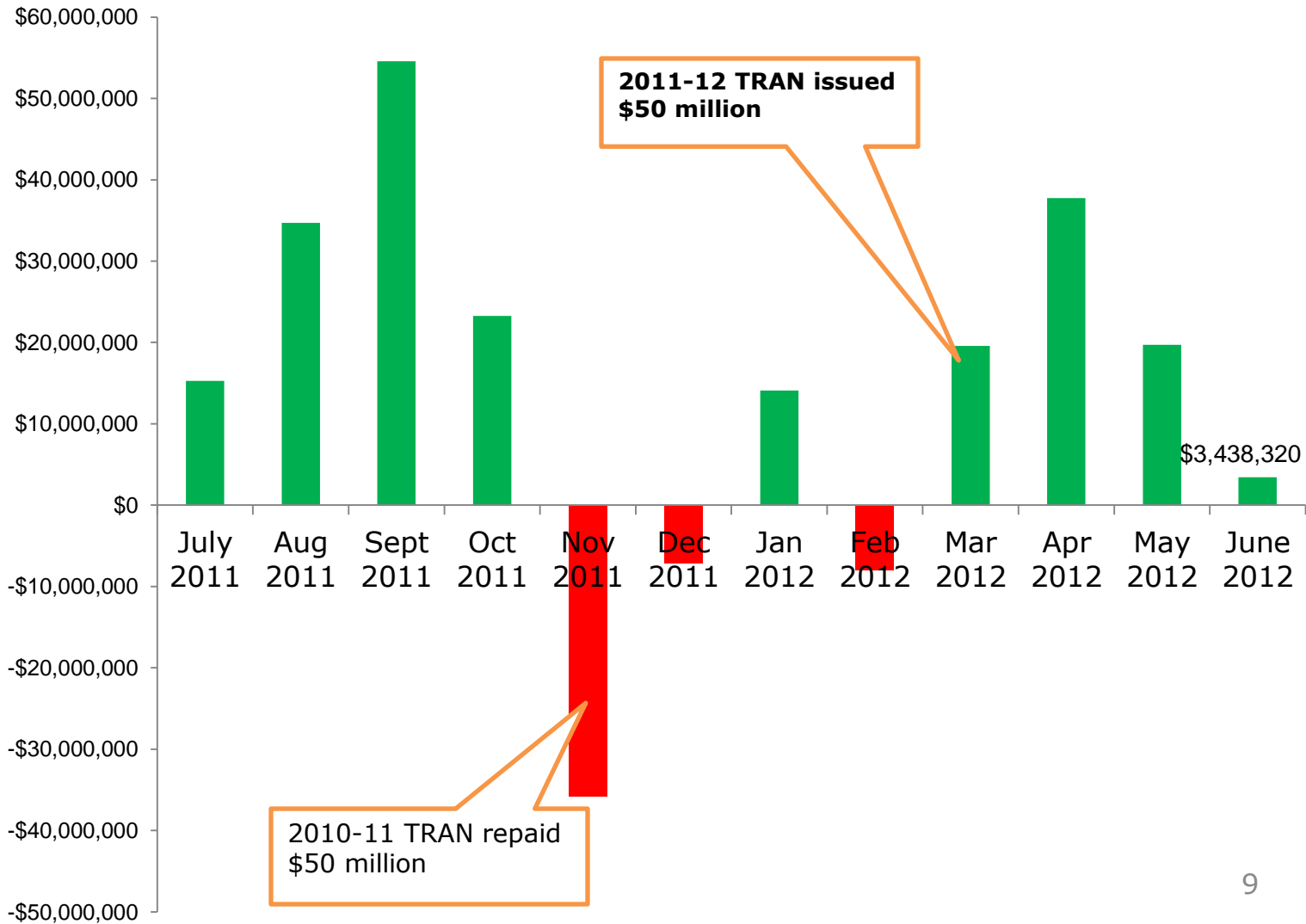


The state of California, in an effort to manage its own cash flow issues, has imposed numerous intra-year and inter-year deferrals of principal apportionment funding.

2011-12	Percentage of Apportionment
July	0.00%
August	0.00%
September	11.70%
October	0.00%
November	9.00%
December	9.00%
January	25.30%
February	0.50%
March	0.00%
April	4.60%
May	1.50%
June	0.00%
July	<u>22.60%</u>
August	<u>15.80%</u>
	100.00%



General Fund Cash





Cash Flow and Budget



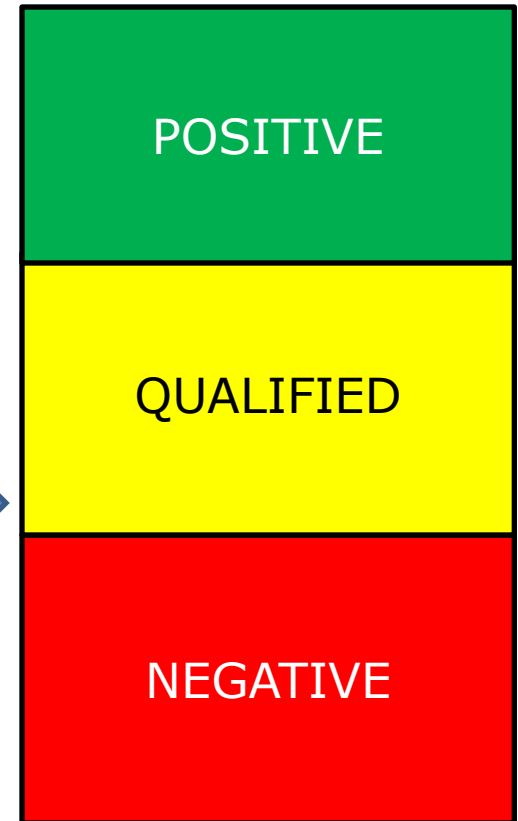
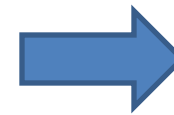
- The state's 2011-12 budget defers an additional \$2.1 billion in apportionments to schools.
- The district needs other sources of cash, including internal and external borrowing.
- As the district borrows funds for cash flow, it must demonstrate the ability to repay those monies.



Fiscal Condition



SCUSD is certifying the 2011-12 First Interim as **qualified**, with the understanding of the fiduciary responsibility to maintain fiscal solvency for the current or two subsequent years.



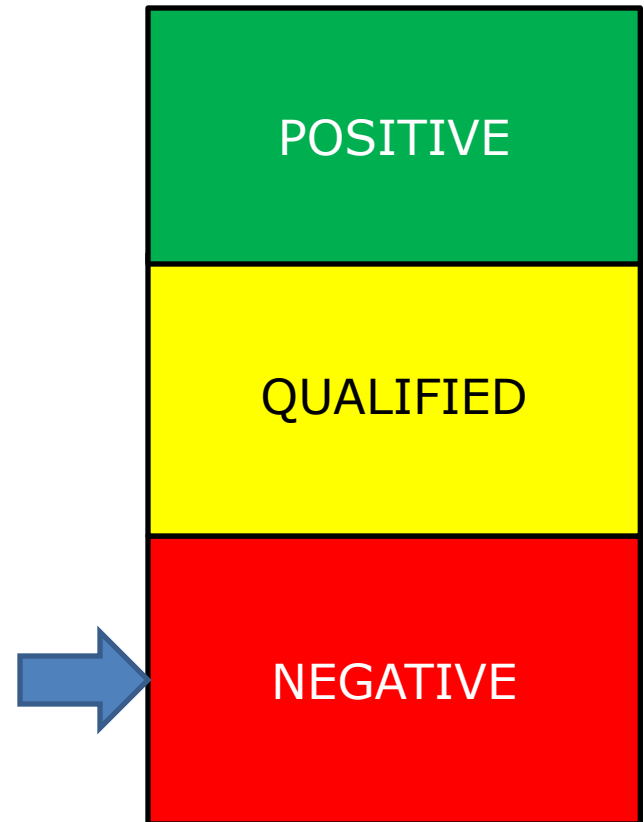


Fiscal Condition cont'd



If the district does not take appropriate action according to outlined time lines, the district's fiscal condition would go to negative.

Specifically, due to cash needs (TRAN) in the current fiscal year and the need to repay in 2012-13.





2012-13 Budget



- Revenue Reduction
 - Reduction in 475 average daily attendance/enrollment decline \$ 2.48 M
 - Special Education \$.86 M
 - Declining enrollment
 - Charters pulled out of Special Education Local Plan Area
 - Use of one-time funds to balance 2011-12 from fund balance \$ 10.31 M

- Total Revenue Reduction \$13.65 M**



2012-13 Budget cont'd



• Expenditure Increases	
– Step/Column/Attrition	\$ 2.50 M
– Estimated 10% increase on Health & Welfare benefits	\$ 6.04 M
– Furlough/Salary reduction agreements end June 2012	<u>\$ 3.07 M</u>
Total Expenditure Increase	\$11.61 M



2012-13 Budget cont'd

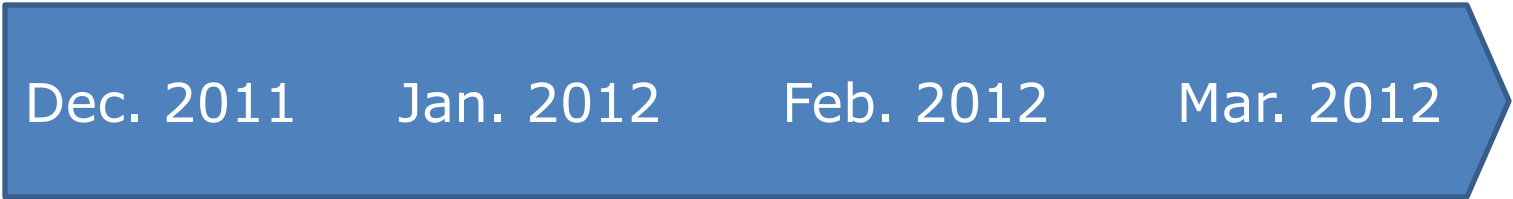


• Revenue Decrease	\$ 13.65 M
• Expenditure Increase	<u>\$ 11.61 M</u>
Total Estimated Shortfall	\$25.26 M
• 2011-12 Trigger Cuts	<u>\$ 2.54 M</u>
Total Potential Impact	\$27.80 M

(Amount of budget shortfall may change throughout the budget process. There are still many unknowns such as the governor's January budget projection, utility increases and other potential cost increases.)



Time Line



12-14-2011
First Interim
Financial
Report Action



01-12-2012
Phase One
Budget
Reductions
Conference

01-19-2012
Phase One
Budget
Reductions
Action



02-02-2012
Certificated
Notices (PKS)
and Classified
Notices
Conference

02-16-2012
Certificated
and Classified
Notices Action

Phase Two
Budget
Reductions
Conference



03-01-2012
Phase Two
Budget
Reductions
Action

03-15-2012
Second
Interim
Financial
Report
Conference/
Action



Next Steps



- Meet with bargaining unit partners on solutions
 - Meetings scheduled to begin in January
- Continue to closely monitor cash situation
- Provide information to Board and stakeholders
 - Community budget information meetings
- Continue to monitor state budget updates