



Cypress School District

...A Great Place To Make A Difference

1st Interim Report

2011-12

December 7, 2011

Purpose

1st Interim Report:

- Presents information on the District's current financial position as of October 31, 2011.
- Projects anticipated revenues & expenditures (known to date)
- Certifies District's financial status to the County (Positive/Qualified/Negative)

Budget Calendar

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

- Adopted Budget June 30, 2011
- First Interim December 15, 2011 (using data thru October 31st)
- Second Interim March 15, 2012 (using data thru January 31st)

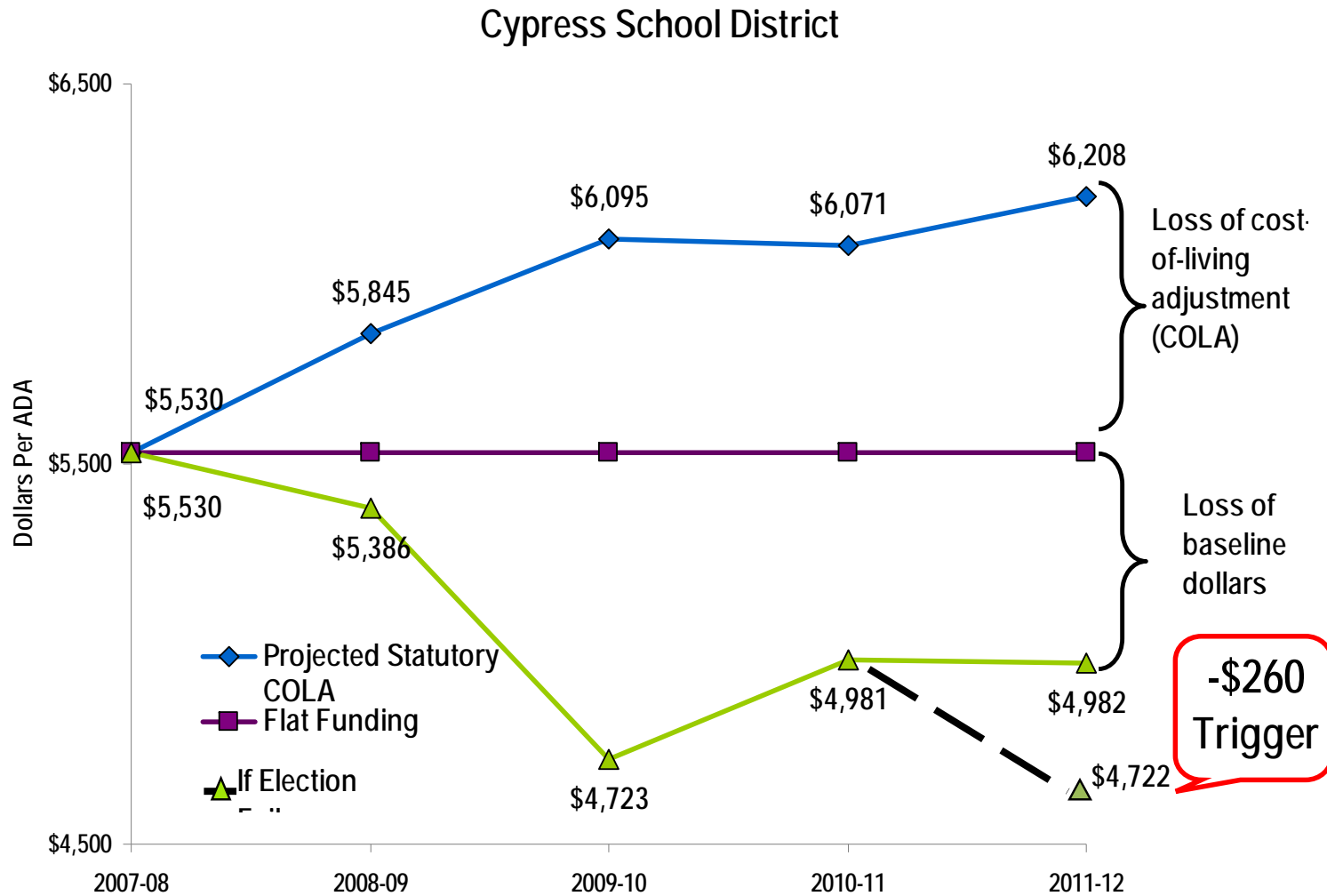
State Revenue Uncertainties...

- Economy in decline since 2007
 - As a result, school budgets have been cut every year since this time
- Current year (2011/12) State budget still uncertain
 - “Trigger” Language calls for school budgets to be cut mid-year...***again!***
- Full economic recovery not expected until 2015 ...***or later!***

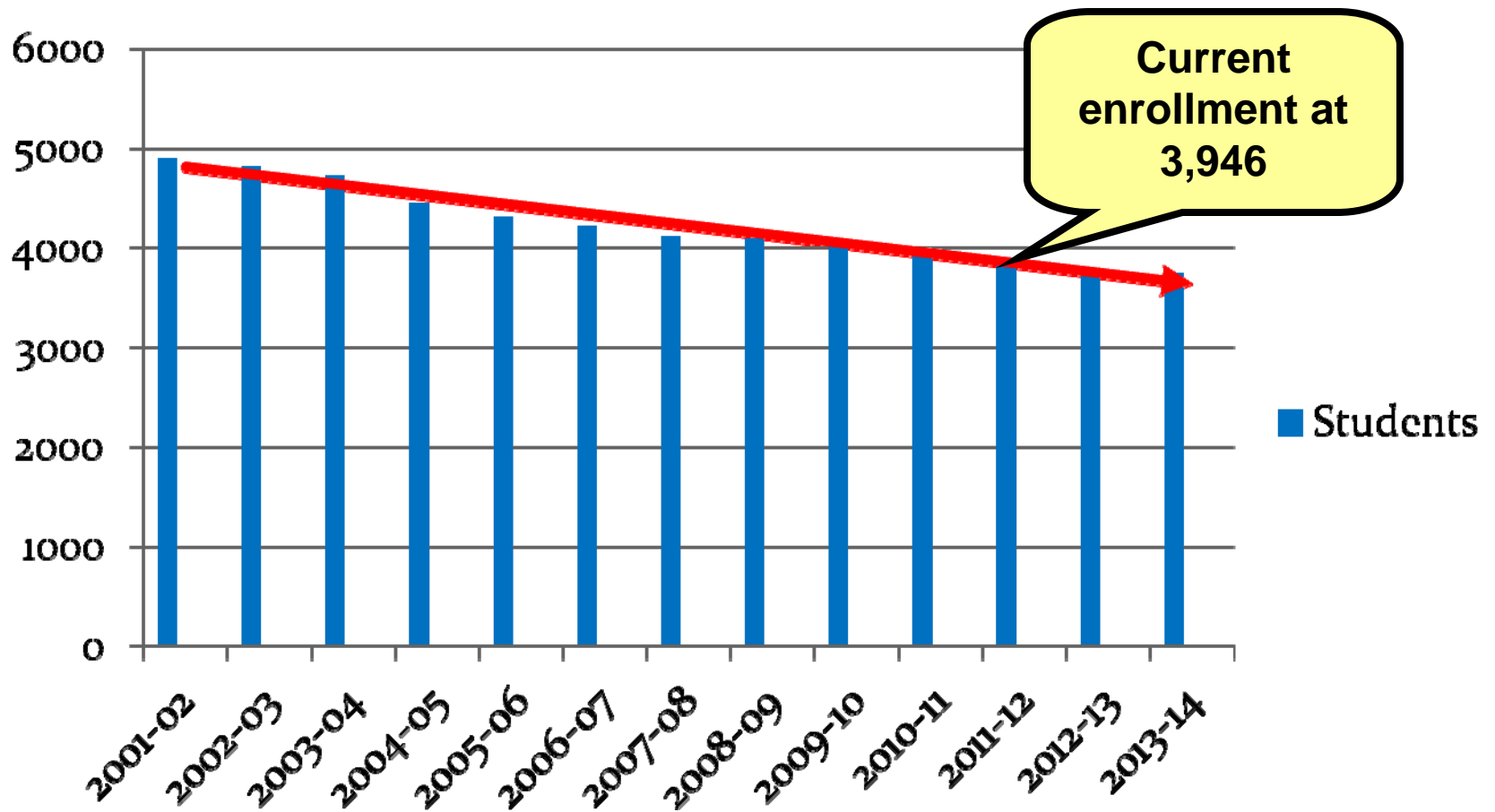
Revenue Limit

- It state revenues are not as strong as expected, **automatic spending reductions are triggered which could equal a 4% cut to the Revenue Limit**
 - Equal to (\$260 per ADA) = \$958,293 in Cypress School District.
- On November 16th, the Legislative Analyst Office (LAO) released its forecast that there is a state budget shortfall of \$3.7 billion.
- The Dept. of Finance (DOF) is predicted to make their forecast no later than December 15th.
- **The 1st Interim budget has established a contingency plan in the event of this midyear cut.**

Per Student Revenue Limit Funding (Statutory vs. Actual) Cypress School District



Cypress School District Trend of Declining Enrollment



1st Interim Budget Assumptions

Current Year 2011-12

- Average Daily Attendance (ADA) based on 2010-11 P2 ADA.
- Cost of Living adjustment (COLA) = 2.24%
- Deficit Factor = 19.754%
 - District receives from the state **only 80-cents** on the dollar.
- Two furlough days have been restored.
- Certificated staffing implemented to formula and meets collective bargaining agreements in place.
- Anticipated encroachment amount for Special Education & Transportation (in excess of state and federal funding) for 2011-12 of **\$2.8 million** has been factored.

1st Interim Budget Assumptions

Forecast Years 2012/13 & 2013/14

- **Declining enrollment trend has been factored:**
 - 2012/13 = reduced by 70 ADA
 - 2013/14 = reduced by 50 ADA
- **Projected funded COLAs:**
 - 2012/13 = +3.10% (advised to use 0%)
 - 2013/14 = +2.80%
- **Deficit factor of 19.754% is expected to continue and has been included for both 2012/13 & 2013/14.**
- **Step and Column costs for both Certificated & Classified salaries have been factored.**
- **No other negotiated salary/health benefit changes have been included.**
- **Class Size Reduction program flexibility through 2012/13. No other new state or federal funding is expected.**

General Fund Overview

> Unrestricted / Multi-Year

	2011/12	2012/13	2013/14
Projected Revenue	\$ 21,034,887	\$ 20,801,995	\$ 20,970,951
Beginning Balance	\$ 5,973,092	\$ 6,107,214	\$ 5,632,044
Total Available Sources	\$ 27,007,979	\$ 26,909,209	\$ 26,602,995
Projected Expenditures	\$ 20,900,765	\$ 21,277,165	\$ 21,662,545
Contributions to Restricted Fund*	\$ 4,021,733	\$ 4,491,028	\$ 4,602,974
Required Reserves	\$ 883,000	\$ 900,000	\$ 912,000
Difference of Revenues to Expenditures	+ \$ 134,122	- \$ 475,170	- \$ 691,594

* Includes Special Education & Transportation encroachment. Also Redevelopment Fund transfer.

Certification Definition

- **Positive** = A school district that, based on current projections, **will be able** to meet its financial obligations for the current 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)

Item 8.E.2 - Recommendation

- Staff respectfully recommends a **Positive Certification** of the 2011/12 Interim Report