



# Second Interim Fiscal Update

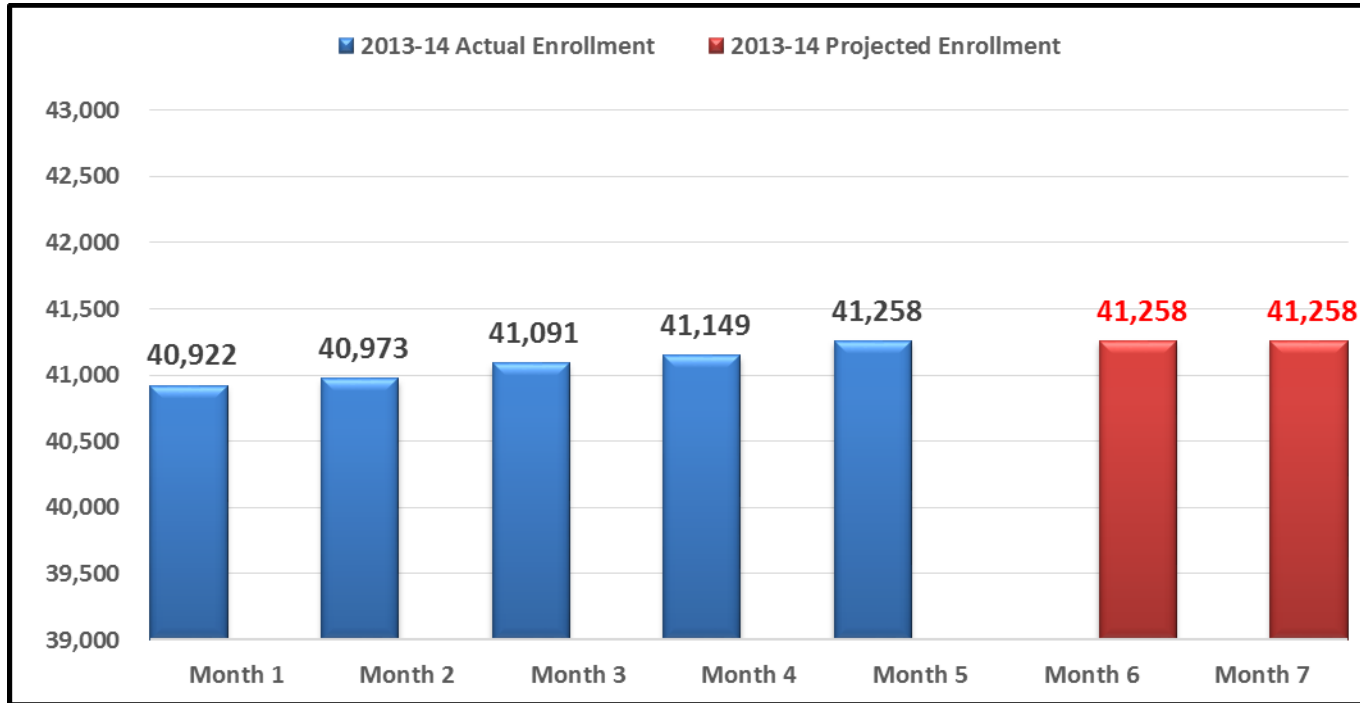
Presented By

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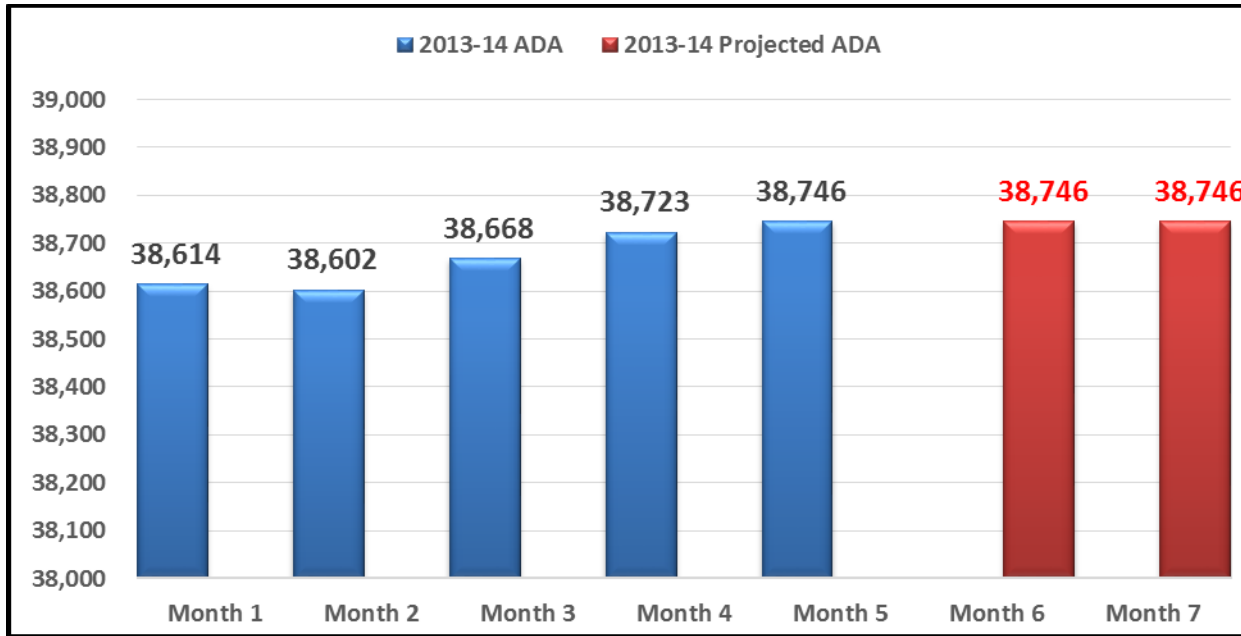


## Enrollment Appears To Be In Line With Projections



	2007-2013 Cumulative % of Total	FY2013-14 Actual Enrollment	Current Month Projection	FY2013-14 Projected Enrollment	Enrollment Used For Budget	Difference	Special Education Non-Public Schools Estimate	Net Difference
Month 1	101.86%	41,682	40,922					
Month 2	101.63%	41,639	40,973	40,973	41,405	-432	339	-93
Month 3	101.02%	41,510	41,091	41,091	41,405	-314	339	25
Month 4	100.70%	41,436	41,149	41,149	41,405	-256	339	83
Month 5	100.47%	41,451	41,258	41,258	41,405	-147	339	192
Month 6	100.40%			41,258	41,405	-147	339	192
Month 7	100.00%			41,258	41,405	-147	339	192

## Declining ADA Remains A Major Issue Current Projection



	2011-2013 Cumulative % of Total	FY2013-14 Actual ADA	Current Month Projection	FY2013-14 Projected ADA	ADA Used For FY 14- 15 Budget Projection	Difference	Special Education Non-Public Schools Estimate	Net Difference
Month 1	102.02%	39,393.37	38,614					
Month 2	101.78%	39,290.03	38,602	38,602	39,177	-575	308	-266
Month 3	101.36%	39,193.14	38,668	38,668	39,177	-509	308	-200
Month 4	100.93%	39,084.71	38,723	38,723	39,177	-454	308	-146
Month 5	100.62%	38,984.87	38,746	38,746	39,177	-431	308	-122
Month 6	100.34%			38,746	39,177	-431	308	-122
Month 7	100.00%			38,746	39,177	-431	308	-122

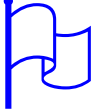
FY 2012-13 ADA	39,435	308	39,744
	Current ADA Difference		998

## Declining ADA Remains A Major Issue

COMPARATIVE STATISTICS FOR  
ESTIMATED SCHOOL MONTH 10  
TOTAL ESTIMATED DECLINE FY 2013-14

SEGMENT	ENROLLMENT 2012-13 MONTH 5	ENROLLMENT 2013-14 MONTH 5	ENROLLMENT INCREASE OR DECREASE (YR/YR)	ESTIMATED DECREASE FEBRUARY THRU JUNE	TOTAL ESTIMATED DECREASE JUNE
KINDERGARTEN	3,472	3,293	-179	-20	-199
GRADES 1-6	20,677	20,399	-278	-95	-373
GRADES 7-8	6,609	6,484	-125	-110	-235
GRADES 9-12	10,328	10,211	-117	-340	-457
<b>Sub-Totals</b>	<b>41,086</b>	<b>40,387</b>	<b>-699</b>	<b>-565</b>	<b>-1,264</b>
<b>ALTERNATIVE SCHOOLS*</b>					
SUCCESS ACADEMY K-8	26	32	6		6
CAPITAL CITY K-8	83	95	12		12
CAPITAL CITY 9-12	604	581	-23		-23
AMERICAN LEGION	350	356	6		6
<b>Sub-Totals</b>	<b>1,063</b>	<b>1,064</b>	<b>1</b>	<b>0</b>	<b>1</b>
<b>TOTAL KINDERGARTEN THROUGH GRADE 12</b>	<b>42,149</b>	<b>41,451</b>	<b>-698</b>	<b>-565</b>	<b>-1,263</b>

\* Assume students transfer from regular schools to alternative programs

- **The Governor acknowledges the \$80.4 billion shortfall within the CalSTRS basic retirement plan**
    - ☑ **Assets may be exhausted in 30 years**
    - ☑ **Increased contributions: most likely solution.**
      - ❖ **This is bad news for our District.**
      - ❖ **The legislature is considering increased contributions this year.**
-  **Currently the District pays 8.25% and the employee pays 8.00% of an employee's salary amount towards CalSTRS.**

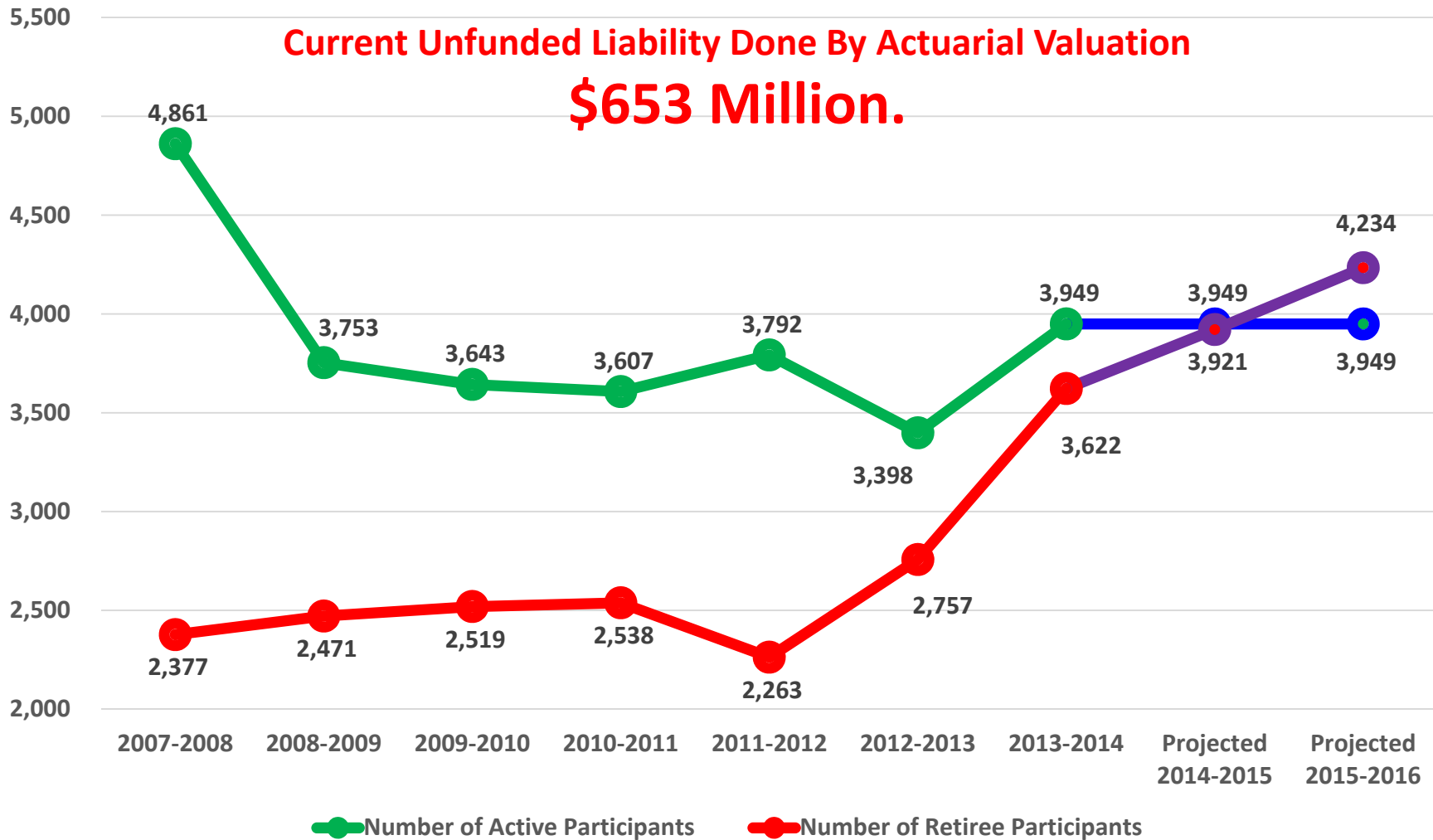


- **On February 18, 2014, in a move influenced by Governor Jerry Brown, the California Public Employees' Retirement System (CalPERS) Board approved new demographic assumptions based on member longevity.**
  - ☑ **A recent study by CalPERS found that men live two years longer and women 1.5 years longer; the study also showed higher rates of retirements in certain groups such as firefighters and police officers.**
  - ☑ **These new assumptions will raise employer pension costs in the future, again bad news for our District.**
- 📊 **Currently the District pays 11.442% and the employee pays 7.00% of an employee's salary amount towards CalPERS.**

- **Given the revenue gains in 2013-14 and the extraordinarily high level of funding proposed for 2014-15 through LCFF, most districts will be able to do something in terms of compensation increases and/or restoration of concessions.**
- **But we are not as fortunate:**
  - ☑ **We have heavy declining enrollment.**
  - ☑ **We have low reserves.**
  - ☑ **We have had high levels of deficit spending.**
- **Given our circumstances FY 2014-2015 and at least FY 2015-16 are going to be challenging budget years.**

## Our Benefit Costs Are Forecasted To Continue To Be An Issue

### Health Insurance Number of Participants





## Our Benefit Cost Are Forecasted To Continue To Be An Issue

<b>An Approximate Sample Of A Site Administrator (Not All Administrators Receive Benefits)</b>		
Description	Amount	Approximate % Above Salary
Health/Life/Dental Vision	\$ 7,730	7.30%
Post Retirement (Medical)	\$ 6,459	6.10%
Medicare	\$ 1,535	1.45%
Workers' Compensation	\$ 2,340	2.21%
Unemployment Insurance	\$ 66	0.06%
OASDHI (Social Security)	\$ -	0.00%
Retirement (STRS/PERS)	\$ 8,735	8.25%
<b>Approximate Cost of Benefits</b>	<b>\$26,865</b>	<b>25.37%</b>

<b>An Approximate Sample Of A Custodian Benefit Cost Breakdown</b>		
Description	Amount	Approximate % Above Salary
Health/Life/Dental Vision	\$ 18,319	59.17%
Post Retirement (Medical)	\$ 3,906	12.62%
Medicare	\$ 449	1.45%
Workers' Compensation	\$ 684	2.21%
Unemployment Insurance	\$ 19	0.06%
OASDHI (Social Security)	\$ 1,920	6.20%
Retirement (STRS/PERS)	\$ 3,542	11.44%
<b>Approximate Cost of Benefits</b>	<b>\$28,839</b>	<b>93.15%</b>

<b>An Approximate Sample Of An Average Teacher Benefit Cost Breakdown</b>		
Description	Amount	Approximate % Above Salary
Health/Life/Dental Vision	\$21,942	33.51%
Post Retirement (Medical)	\$ 6,496	9.92%
Medicare	\$ 949	1.45%
Workers' Compensation	\$ 1,447	2.21%
Unemployment Insurance	\$ 41	0.06%
OASDHI (Social Security)	\$ -	0.00%
Retirement (STRS/PERS)	\$ 5,402	8.25%
<b>Approximate Cost of Benefits</b>	<b>\$36,277</b>	<b>55.40%</b>

<b>An Approximate Sample Of A Clerk I Benefit Cost Breakdown</b>		
Description	Amount	Approximate % Above Salary
Health/Life/Dental Vision	\$ 18,319	75.79%
Post Retirement (Medical)	\$ 3,906	16.16%
Medicare	\$ 350	1.45%
Workers' Compensation	\$ 534	2.21%
Unemployment Insurance	\$ 15	0.06%
OASDHI (Social Security)	\$ 1,499	6.20%
Retirement (STRS/PERS)	\$ 2,766	11.44%
<b>Approximate Cost of Benefits</b>	<b>\$27,389</b>	<b>113.31%</b>

- **Costs of all Special Education Services Provided: \$82,988,756**  
**General Fund Encroachment is 40% consisting of:**
  - **Programs & Services**            **\$25,910,641**
  - **Transportation**                    **\$ 7,373,851**
  - \$33,284,492**
- **Medi-CAL (MAA) Revenue of \$1.4 million for FY 2014-2015 remains uncertain at this time.**
- **Transitional Kindergarten is still under discussion in the Legislature.**
- **We are still uncertain as to the anticipated mandatory increases for employee benefits.**
- **ALL PROJECTIONS ARE PRELIMINARY – AWAITING THE OUTCOME OF THE LEGISLATIVE PROCESS.**

## Multi-Year Projection (Not Reconciled To LCAP) Revenue

Multi-Year Forecast - Reconciled To 2nd Interim - January 31st For FY 2013-14 February 28th For FY 2014-16							
<b>Funded*</b> <b>Enrollment</b> <b>Average Daily Attendance</b>	FY 2013-14	FY 2014-15			FY 2015-16		
	41,405	40,205			39,005		
	40,449	39,177			38,042		
Revenue Description	Amount	Amount	% of Revenue	% Change	Amount	% of Revenue	% Change
LCFF Sources [8010-8099]	\$ 289,181,719.00	\$ 315,119,024.90	71.4%	9.0%	\$ 316,761,882.78	72.8%	0.5%
Loss Due To Declining Enrollment LCFF Sources	\$ (4,807,170.00)	\$ (9,909,385.24)	-2.2%	106.1%	\$ (9,909,385.24)	-2.3%	0.0%
Federal Revenue [8100-8299]	\$ 52,306,676.54	\$ 47,304,850.54	10.7%	-9.6%	\$ 47,304,850.54	10.9%	0.0%
Other State Revenue [8300-8599]	\$ 56,588,892.21	\$ 63,132,427.21	14.3%	11.6%	\$ 59,294,327.21	13.6%	-6.1%
Other Local Revenue [8600-8799]	\$ 9,414,019.55	\$ 9,438,426.36	2.1%	0.3%	\$ 9,438,426.36	2.2%	0.0%
Transfers In [8900-8929]	\$ 1,617,168.00	\$ 776,168.00	0.2%	-52.0%	\$ 776,168.00	0.2%	0.0%
All Revenue Objects and Transfers In	\$ 404,301,305.30	\$ 425,861,511.77	96.5%	5.3%	\$ 423,666,269.65	97.4%	-0.5%
Beginning Fund Balance	\$ 19,409,344.80	\$ 15,568,154.77	3.5%	-19.8%	\$ 11,465,485.14	2.6%	-26.4%
<b>Total Anticipated Revenue &amp; Beginning Fund Balance</b>	<b>\$ 423,710,650.10</b>	<b>\$ 441,429,666.54</b>	<b>100.0%</b>	<b>4.2%</b>	<b>\$ 435,131,754.79</b>	<b>100.0%</b>	<b>-1.4%</b>

**Preliminary Projections:  
Legislature & Governor  
Have A Long Way To Go**

## Multi-Year Projection (Not Reconciled To LCAP) Expenses

Multi-Year Forecast - Reconciled To 2nd Interim - January 31st For FY 2013-14 February 28th For FY 2014-16							
<b>Funded*</b> <b>Enrollment</b> <b>Average Daily Attendance</b>	FY 2013-14	FY 2014-15			FY 2015-16		
	41,405	40,205			39,005		
	40,449	39,177			38,042		
Expenditure Description	Amount	Amount	Budget	Change	Amount	Budget	Change
Certificated Salaries	\$ 170,694,265.40	\$ 175,312,795.71	40.7%	2.7%	\$ 175,428,161.88	40.7%	0.1%
Classified Salaries	\$ 51,170,736.50	\$ 54,068,470.83	12.5%	5.7%	\$ 54,497,192.14	12.7%	0.8%
Employee Benefits	\$ 90,162,600.67	\$ 94,045,989.19	21.8%	4.3%	\$ 98,083,463.10	22.8%	4.3%
OPEB - Current Year Payments	\$ 21,427,289.18	\$ 22,053,064.32	5.1%	2.9%	\$ 22,714,656.25	5.3%	3.0%
Books & Supplies	\$ 24,843,590.63	\$ 22,941,359.05	5.3%	-7.7%	\$ 23,156,635.58	5.4%	0.9%
Services & Other Operating Expenses	\$ 53,557,717.96	\$ 54,077,857.13	12.5%	1.0%	\$ 53,777,856.53	12.5%	-0.6%
Capital Outlay	\$ 413,221.31	\$ 413,221.31	0.1%	0.0%	\$ 413,221.31	0.1%	0.0%
Other Outgo/Indirect Costs/Other Adjustments	\$ 1,473,073.68	\$ 451,423.86	0.1%	-69.4%	\$ 451,423.86	0.1%	0.0%
Two-Year One-Time Common Core Carry Over	\$ (5,600,000.00)	\$ 5,600,000.00					
Dedicated Amount Towards OPEB	\$ -	\$ 1,000,000.00	0.2%		\$ 1,000,000.00	0.2%	0.0%
Dedicated Amount Towards Operating Reserve	\$ -	\$ 1,000,000.00	0.2%		\$ 1,000,000.00	0.2%	0.0%
<b>Total Adopted Budget Expenditures</b>	<b>\$ 408,142,495.33</b>	<b>\$ 430,964,181.40</b>	<b>100.0%</b>	<b>5.6%</b>	<b>\$ 430,522,610.65</b>	<b>100.0%</b>	<b>-0.1%</b>
<b>Anticipated Ending Fund Balance</b>	<b>\$ 15,568,154.77</b>	<b>\$ 10,465,485.14</b>	<b>2.4%</b>	<b>-32.8%</b>	<b>\$ 4,609,144.14</b>	<b>1.1%</b>	<b>-56.0%</b>

**Preliminary Projections:  
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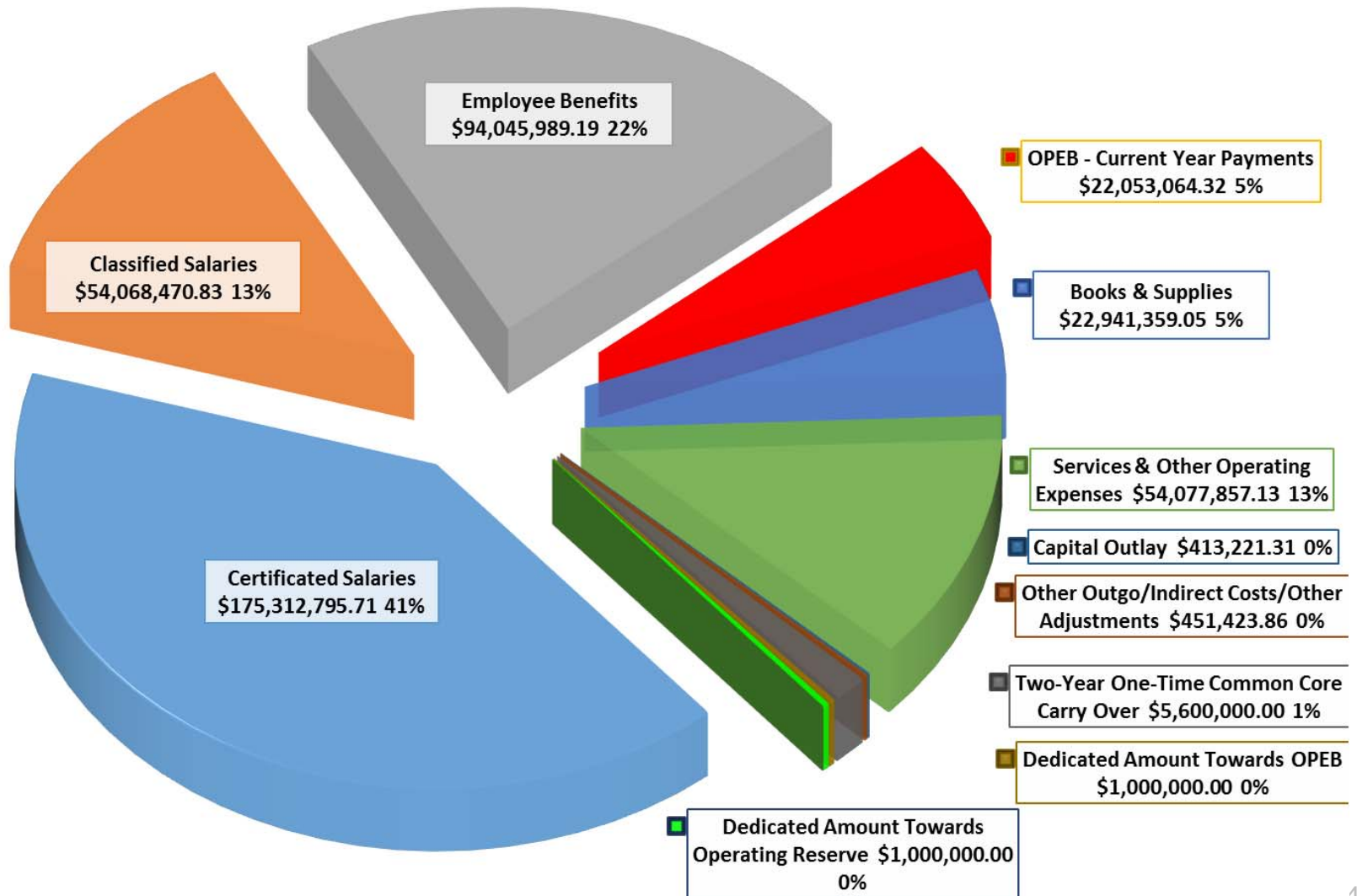
## Multi-Year Projection (Not Reconciled To LCAP) Reserves

Multi-Year Forecast - Reconciled To 2nd Interim - January 31st For FY 2013-14 February 28th For FY 2014-16							
<b>Funded*</b>	FY 2013-14	FY 2014-15			FY 2015-16		
Enrollment	41,405	40,205			39,005		
Average Daily Attendance	40,449	39,177			38,042		
Required Reserves	Amount	Amount	% of Budget	% Change	Amount		% Change
Reserve For Economic Uncertainties	\$ 8,162,849.91	\$ 8,619,283.63	2.0%	5.6%	\$ 8,610,452.21	2.0%	-0.1%
Revolving Cash	\$ 225,000.00	\$ 225,000.00	0.1%	0.0%	\$ 225,000.00	0.1%	0.0%
Stores Inventory	\$ 320,000.00	\$ 320,000.00	0.1%	0.0%	\$ 320,000.00	0.1%	0.0%
Two-year One-Time Common Core Carry Over	\$ 5,600,000.00						
Dedicated Ending Fund Balance Reserve	\$ -	\$ 1,000,000.00	0.2%		\$ 2,000,000.00	0.5%	100.0%
<b>Total Required Reserves</b>	<b>\$ 14,307,849.91</b>	<b>\$ 10,164,283.63</b>	<b>2.4%</b>	<b>-29.0%</b>	<b>\$ 11,155,452.21</b>	<b>2.6%</b>	<b>9.8%</b>
<b>Anticipated Unreserved Ending Fund Balance</b>	<b>\$ 1,260,304.86</b>	<b>\$ 301,201.51</b>	<b>0.1%</b>	<b>-76.1%</b>	<b>\$ (6,546,308.07)</b>	<b>-1.5%</b>	<b>-2273.4%</b>
Cumulative Increase In Ending Fund Balance	\$ -	\$ 1,000,000.00	0.2%		\$ 2,000,000.00	0.5%	
Total Ending Fund Balance / As A % Of Expenditures	\$ 15,568,154.77	\$ 11,465,485.14	2.7%		\$ 6,609,144.14	1.5%	1.5%
Estimated Total On Deposit For OPEB / As A % Of Obligation	\$ 14,000,000.00	\$ 15,000,000.00		2.3%	\$ 16,000,000.00		2.5%
Estimated Contingent Liability Based On Actuarial Study	\$ 653,000,000.00						
					<b>Projected Deficit With No Expenditure Reductions</b>		
Salaries include step and column increase for FY 2014-15 and FY 2015-16							
Health Benefits are projected to increases by 2% for FY 2014-15 and FY 2015-16 Plus \$1 Million Into OPEB Reserve.							
Utilities increase by 10% for FY 2014-15.							
<b>*In accordance with existing statute declining enrollment districts may use previous year ADA if it is higher.</b>							

Preliminary Projections:  
Legislature & Governor  
Have A Long Way To Go

# Projection Not Reconciled To The Local Control Accountability Plan

## PROJECTED EXPENDITURE DISTRIBUTION FY 2014-2015



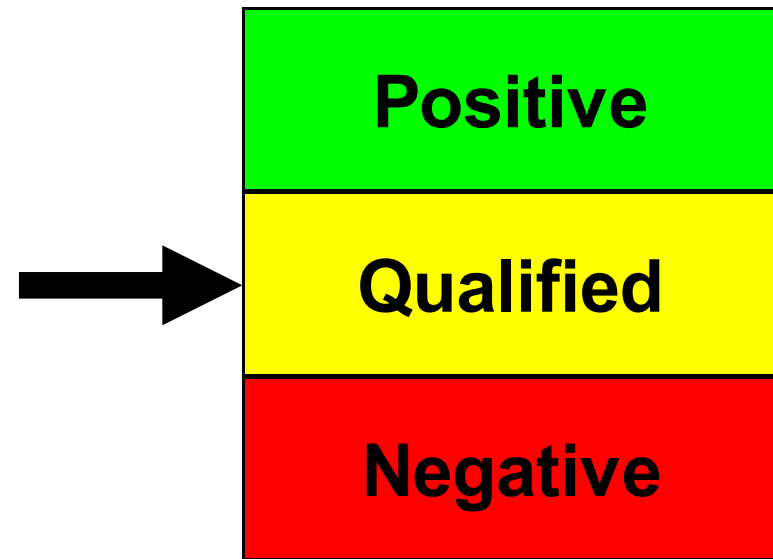
- **When a school district files an interim budget report with the county office of education (COE), that report is required to indicate one of three levels of certification:**
  - **"Positive," meaning that the district is able to meet its financial obligations for the remainder of the fiscal year and subsequent two fiscal years**
  - **"Qualified," meaning that the district may not be able to meet its financial obligations for the current year or two subsequent fiscal years**
  - **"Negative," meaning that the district will not be able to meet its financial obligations for the remainder of the current year or the subsequent year**

## Fiscal Condition Reported To The County

Currently we continue to project that we can meet both our current year and next years obligations.

During FY 2014-15 the District must complete the process of reducing ongoing expenditures by approximately \$6.8 Million in order to begin the process of recovering from years of deficit spending.

Current Condition Qualified



Failure to address our requirement to reduce expenditures will result in the District moving to a "Negative" fiscal status.



## Next Steps

- **Continue to monitor the legislative process and how that may impact our forecasted revenues.**
- **Begin collaborative talks with our bargaining groups.**
- **Await the outcome of the Local Control Accountability Plan. In accordance with recommendations provided by the plan:**
  - **Narrow our focus through the prioritization of programs and services that are offered to enable the District to address the forecasted revenue / expenditure imbalance.**



# Questions?