2011-12 Second Interim Financial Report

Board Item #9.3

Board of Education
March 15, 2012
Overview

- Second Interim Summary
- Fund Balance
- Deficit Spending
- LAO/Tax Initiative Update
- Cash Flow
- Approved Reductions
- Bargaining Update
- Timeline
- Next Steps
## General Fund Summary Second Interim

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Beginning Balance July 1, 2011</strong></td>
<td>$34,399,424</td>
</tr>
<tr>
<td><strong>REVENUES</strong></td>
<td>$391,633,130</td>
</tr>
<tr>
<td><strong>EXPENDITURES</strong></td>
<td></td>
</tr>
<tr>
<td>Certificated Salaries</td>
<td>$171,399,934</td>
</tr>
<tr>
<td>Classified Salaries</td>
<td>$51,607,671</td>
</tr>
<tr>
<td>Employee Benefits</td>
<td>$111,595,977</td>
</tr>
<tr>
<td>Books and Supplies</td>
<td>$24,962,361</td>
</tr>
<tr>
<td>Services/Operational Expenses</td>
<td>$54,837,941</td>
</tr>
<tr>
<td>Capital Outlay</td>
<td>$3,675,474</td>
</tr>
<tr>
<td>Other Outgo</td>
<td>$2,169,042</td>
</tr>
<tr>
<td>Direct/Indirect</td>
<td>-$1,810,410</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td>$418,437,990</td>
</tr>
<tr>
<td><strong>Interfund Transfers In/Out</strong></td>
<td>$2,930,254</td>
</tr>
<tr>
<td><strong>Ending Fund Balance June 30, 2012</strong></td>
<td>$10,524,818</td>
</tr>
</tbody>
</table>
Ending Fund Balance

• Reserves:
  – Revolving Cash and Stores $ .545 M
  – Required 2% Reserve for Economic Uncertainties $ 8.980 M
  – Reserve for Unfunded Retiree Health Liability $ 1.000 M

Total Reserves $ 10.525 M
Fund Balance (incl. required 2% reserve)

- 2007-08 Actual
- 2008-09 Actual
- 2009-10 Actual
- 2010-11 Actual
- 2011-12 First Interim
- 2011-12 Second Interim

- Unrestricted
- Restricted
Deficit Spending

Green – Revenues and Interfund Transfers IN
Red – Expenditures and Interfund Transfers OUT
Legislative Analyst Office Update

- Tax revenues may be down by $6.5 billion compared to January Governor’s State Budget estimates
  - $8.5 billion if Facebook-related revenues are omitted
- Job growth and economic confidence rising
- Persistent joblessness and high unemployment
- Housing market remains troubled
- Corporate profits are booming
- Mixed economic news
- More information in April for May Revision process
Tax Initiative Update

• Public Policy Institute of California – Polling for Governor’s Tax Initiative - March
  — 52% of likely voters would vote yes
  — 40% of likely voters would vote no
  — 8% are undecided

• Decline from Field Poll - February
  — 58% of likely voters would vote yes

• Possible merger of initiatives
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.

<table>
<thead>
<tr>
<th>Month</th>
<th>Percentage of Apportionment</th>
</tr>
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<tbody>
<tr>
<td>July</td>
<td>0.00%</td>
</tr>
<tr>
<td>August</td>
<td>0.00%</td>
</tr>
<tr>
<td>September</td>
<td>11.70%</td>
</tr>
<tr>
<td>October</td>
<td>0.00%</td>
</tr>
<tr>
<td>November</td>
<td>9.00%</td>
</tr>
<tr>
<td>December</td>
<td>9.00%</td>
</tr>
<tr>
<td>January</td>
<td>25.30%</td>
</tr>
<tr>
<td>February</td>
<td>1.10%</td>
</tr>
<tr>
<td>March</td>
<td>0.20%</td>
</tr>
<tr>
<td>April</td>
<td>5.35%</td>
</tr>
<tr>
<td>May</td>
<td>1.90%</td>
</tr>
<tr>
<td>June</td>
<td>0.00%</td>
</tr>
<tr>
<td>July</td>
<td>21.70%</td>
</tr>
<tr>
<td>August</td>
<td>14.75%</td>
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<tr>
<td></td>
<td>100.00%</td>
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</tbody>
</table>
General Fund Cash

2011-12 TRAN issued $75 million

2010-11 TRAN repaid $50 million
Approved Reductions – February 2, 2012

• PARS Payments Charged to Retiree Benefits Fund
• Reduce Contracts and Central Office Operating Budgets
• Use Reserve for Unfunded Liability
• Reduce Central Office Staff or Equivalent
• Five Furlough Days and Freeze Step and Column Increases for Unrepresented Management, Supervisors, Confidential (plus five furlough days for UPE pending board approval)
• 25% Reduction of Board Stipend (Calendar year 2012)
Approved Reductions – February 2, 2012 cont’d

- Eliminate Adult Education Funding
- Eliminate Deferred Maintenance Contribution
- Eliminate School Library Improvement Block Grant
- Eliminate Arts and Music Grant
- Reduce ROP and GATE by 5%
- Increase Class Sizes to Contract Maximums
- Eliminate 50% of Custodians and 50% of Plant Managers
- Eliminate Middle and High School Counselors
- Reduce Maintenance Staff by 20%
• Eliminate Co-Curricular Support
• Eliminate 50% of Assistant Principals
• Eliminate Home-to-School Transportation
• Eliminate Middle and High School Librarians
Bargaining Update

• Negotiation sessions continuing with partners
• Information sharing
• Quick resolution needed to avoid loss of enrollment/
  Average Daily Attendance
<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
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</table>
| March, 2012| 3-15-2012  
Second Interim Financial Report Conference/Action                     |
| April, 2012| Continued Review of State Budget Updates  
Provide Board Updates as Needed                                         |
| May, 2012  | Governor’s May Revise Report  
05-17-2012 Staff Analysis of Governor’s May Revise Report               |
| June, 2012 | 06-14-2012  
Third Interim Financial Report Conference/Action  
06-21-2012 Public Hearing and Adoption of 2012-13 Budget                  |
Next Steps

- Continue bargaining unit sessions
- Continue to closely monitor cash situation
- Continue to provide information to Board and stakeholders
- Continue to monitor state budget updates