

Cotati-Rohnert Park Unified School District ---2008/2009

Unaudited Actuals Report Summary

Definitions:

- Unaudited Actuals: The complete financial report(s) of all District financial transactions for the period July 1, 2008 through June 30, 2009;
 - Included in the Unaudited Actuals Report is required information about the following:
 - Attendance
 - Debt – both short term and long term
 - Gann Limit calculations
 - Indirect cost rate calculations
 - Interfund transfers
 - Program cost calculations
 - Transportation cost calculations
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Deadlines

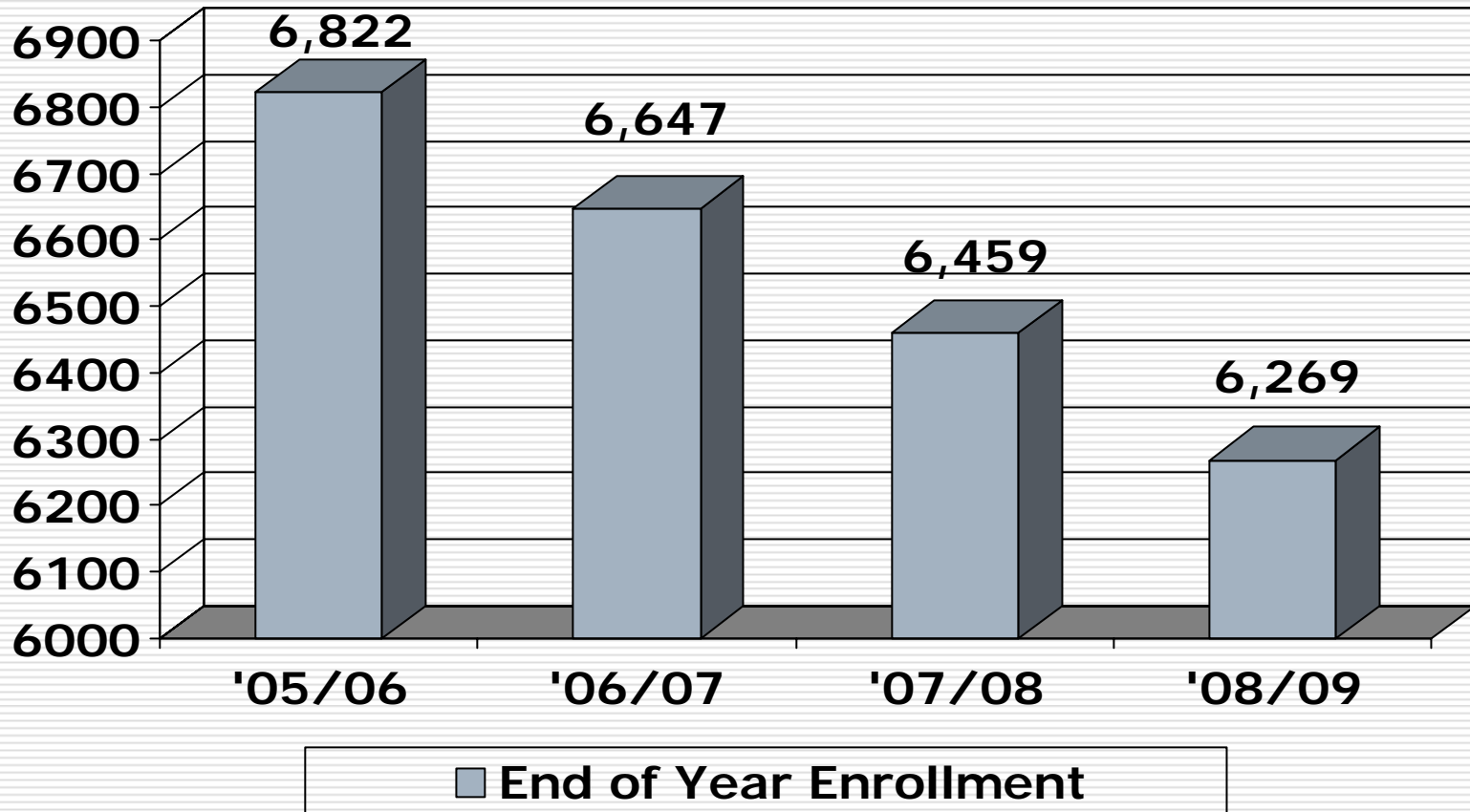
- ❑ The Board must accept and approve the Unaudited Actuals Report no later than September 15th each year;
 - ❑ The County Office of Education must review, approve the report and forward it to the California Department of Education for final approval by October 15th.
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Why “Unaudited”?

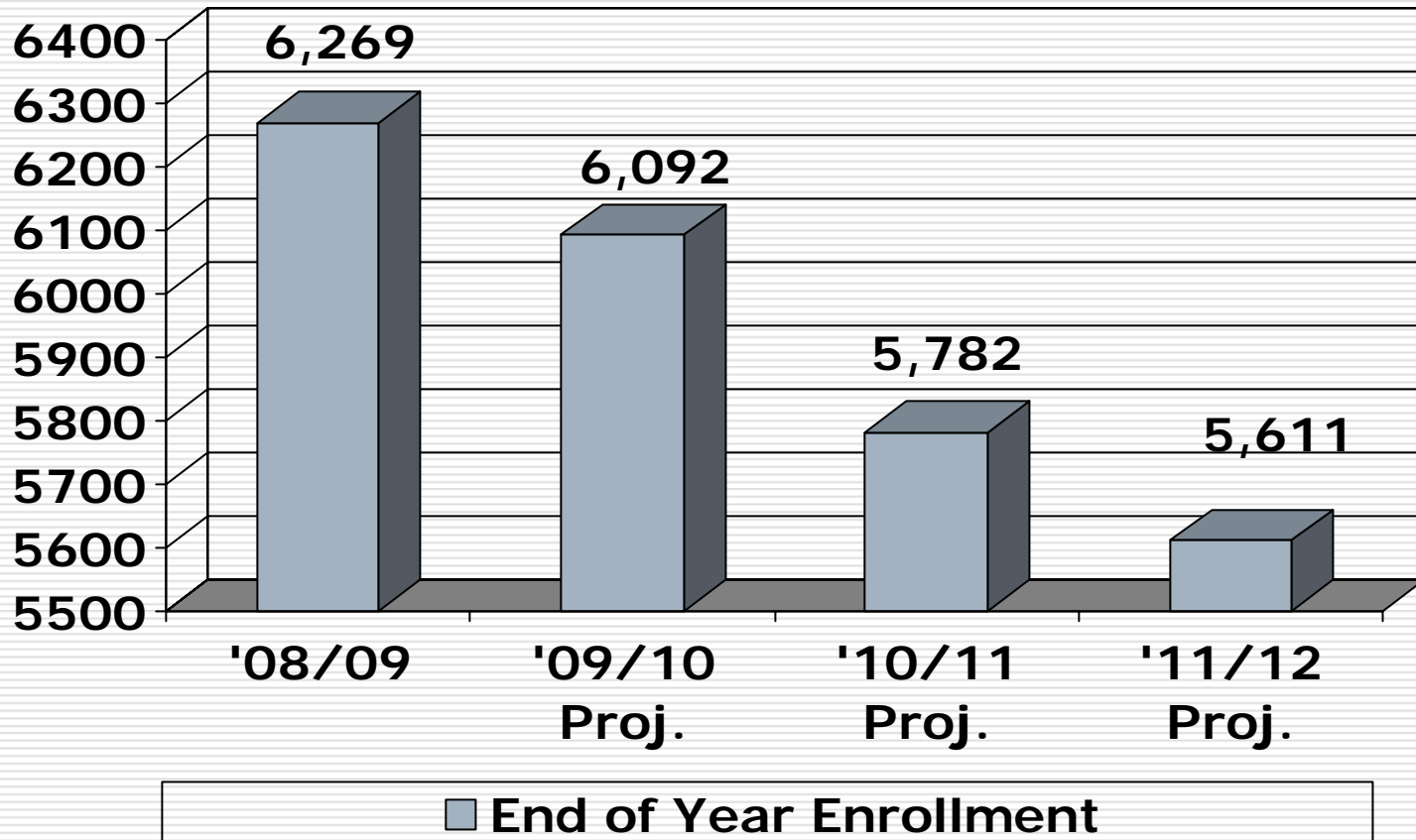
- Each school district in California is required to employ an independent third party audit firm and have that firm review the financial transactions for the year;
 - The auditor uses the Unaudited Actuals Report as their benchmark and if the auditor determines that the District should have reported an item in a different manner, then the auditor has the responsibility to issue an audit finding and/or require the district to reopen their books and make adjustments accordingly.
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A Year Like No Other.....

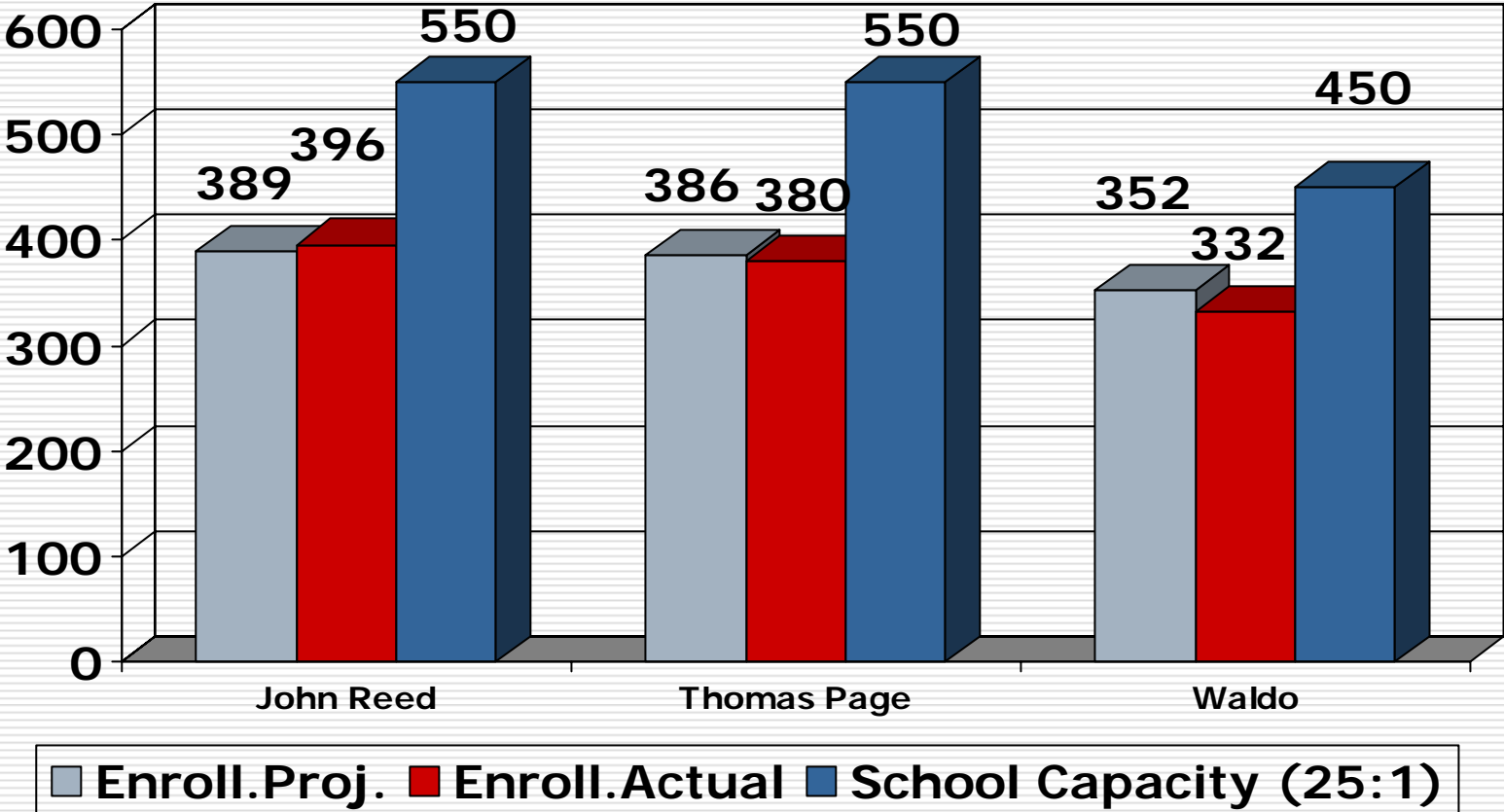
Enrollment Declines Continue



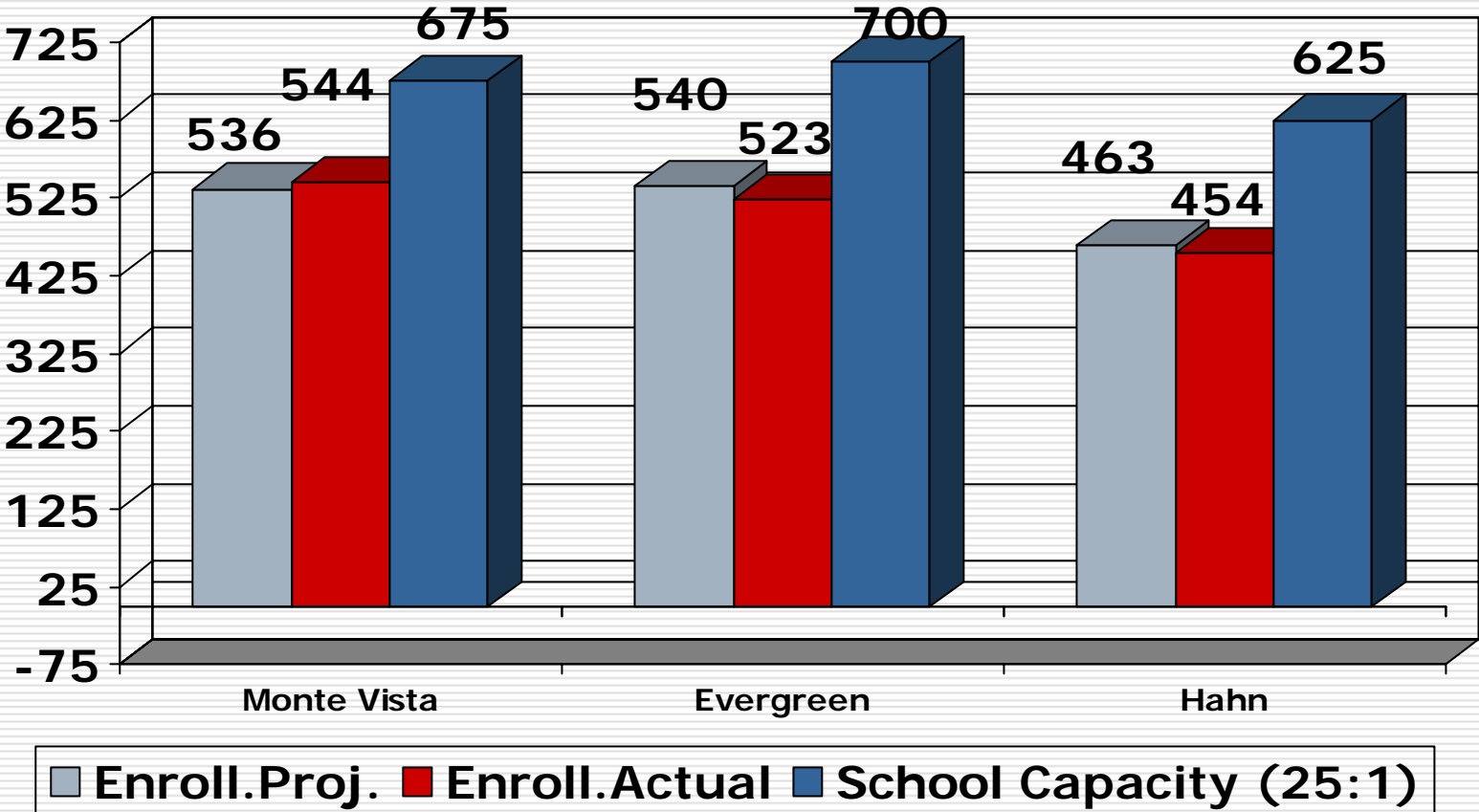
Trend Projected to Continue



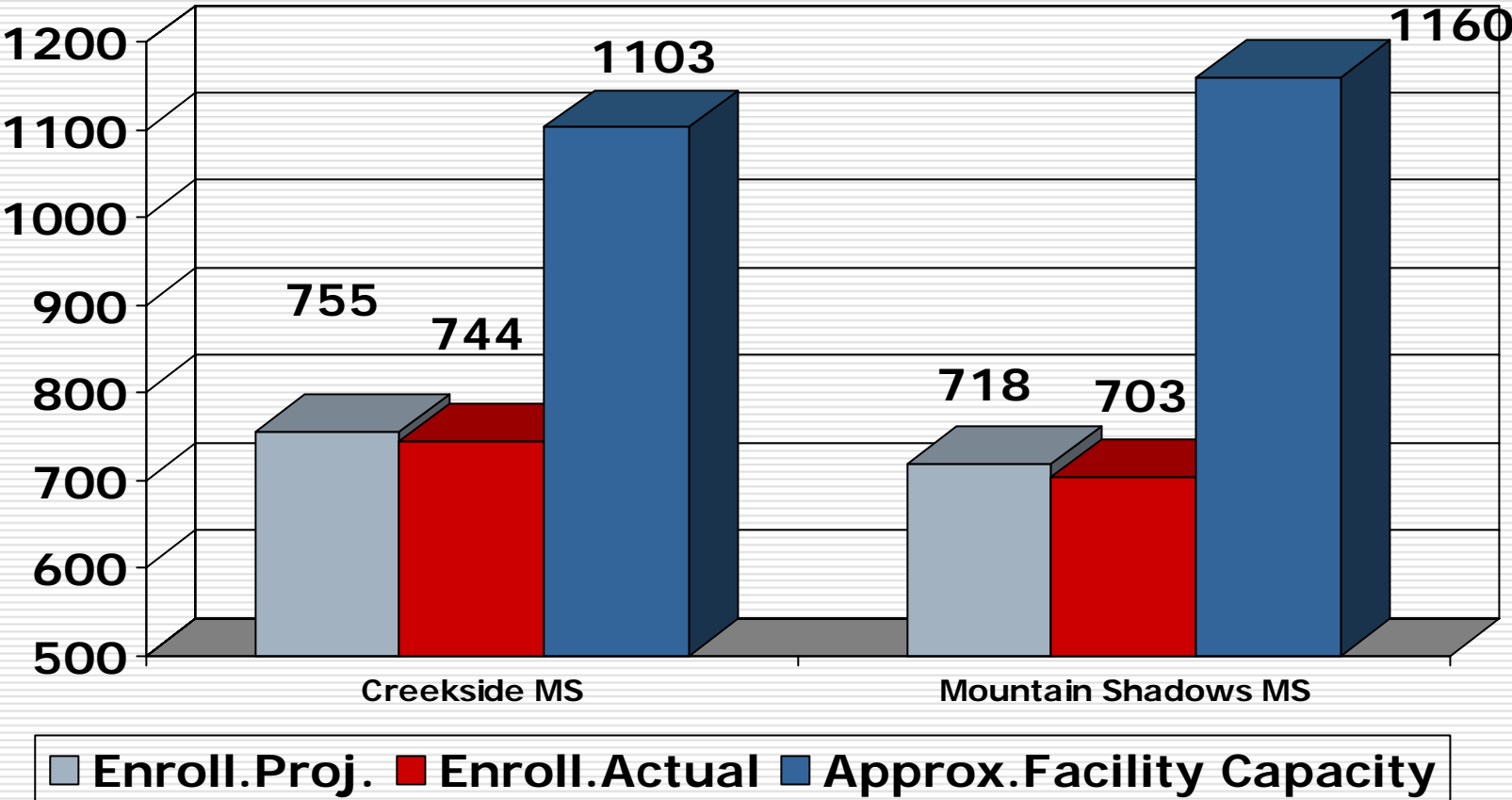
Enrollment as of 09/08/09



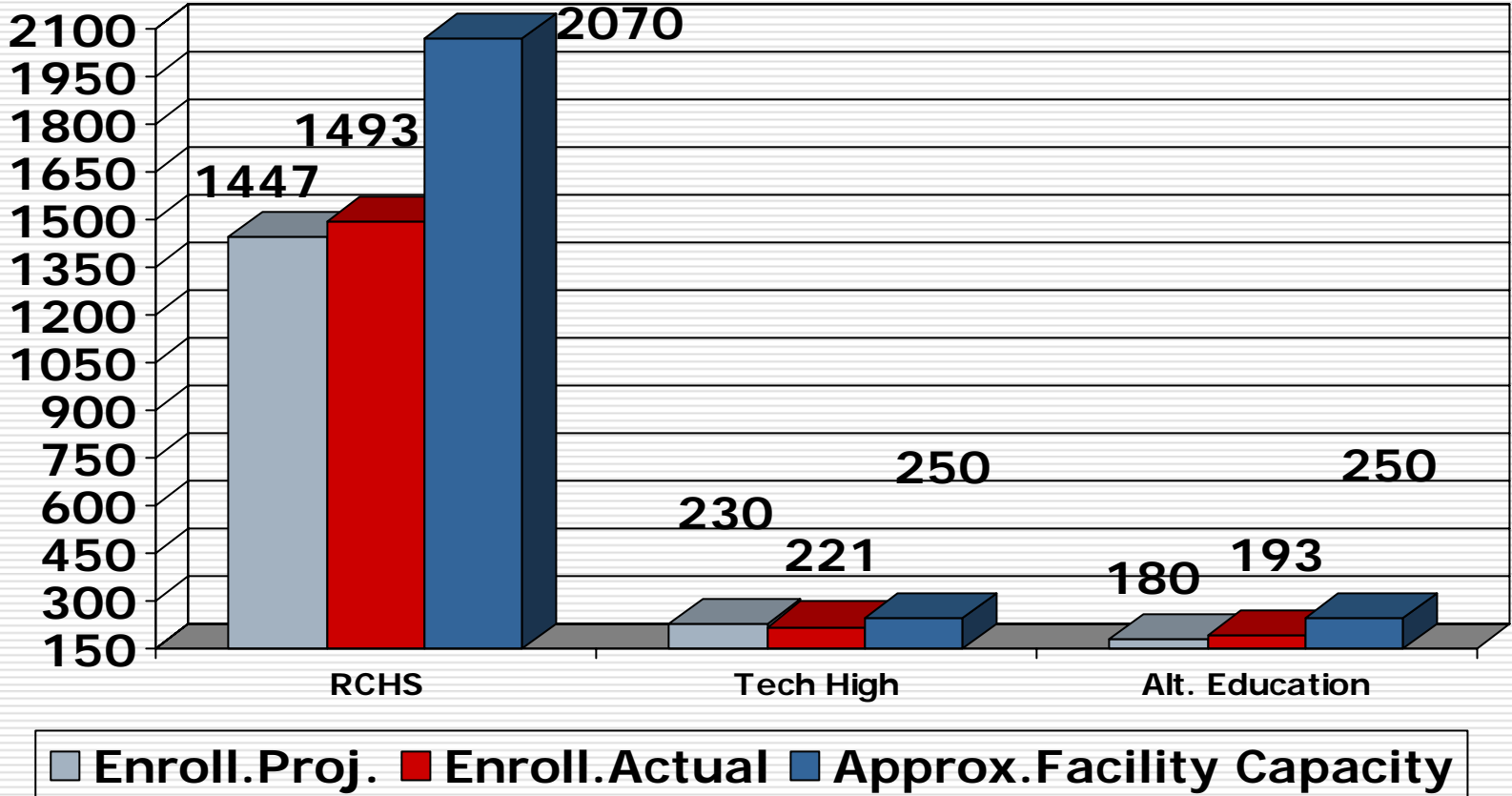
Enrollment as of 09/08/09



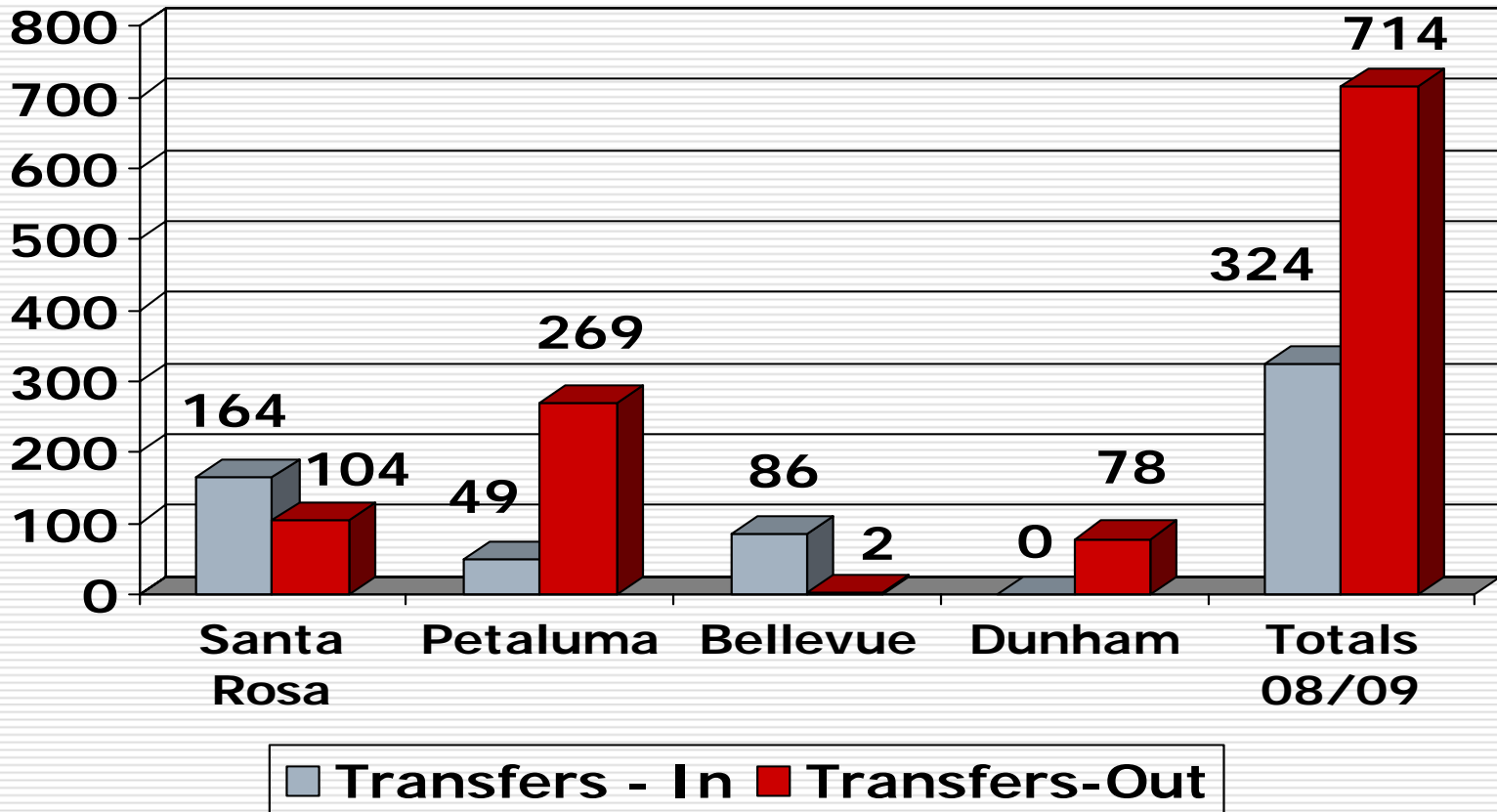
Enrollment as of 09/08/09



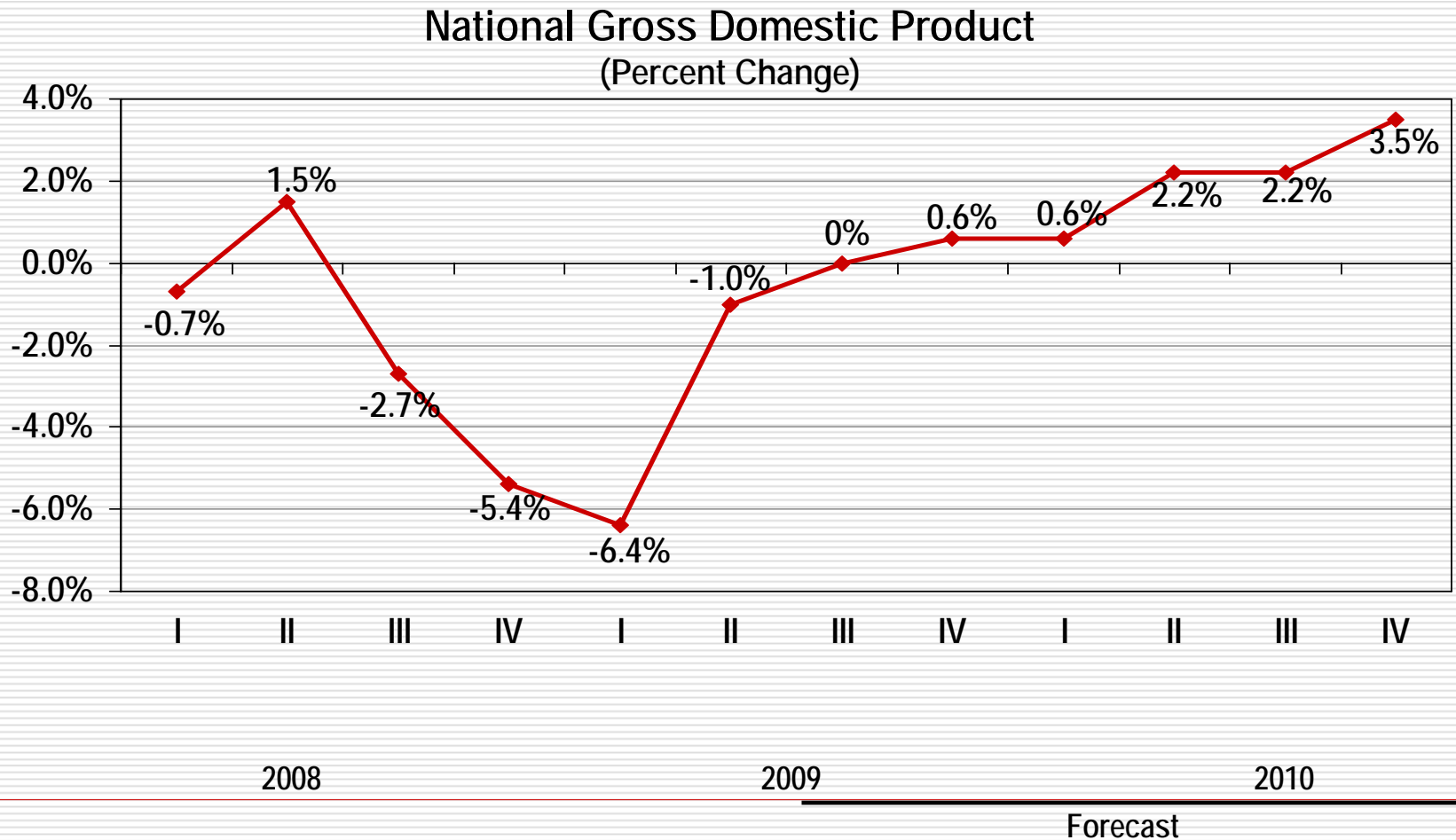
Enrollment as of 09/08/09



Inter-District Transfers 08/09



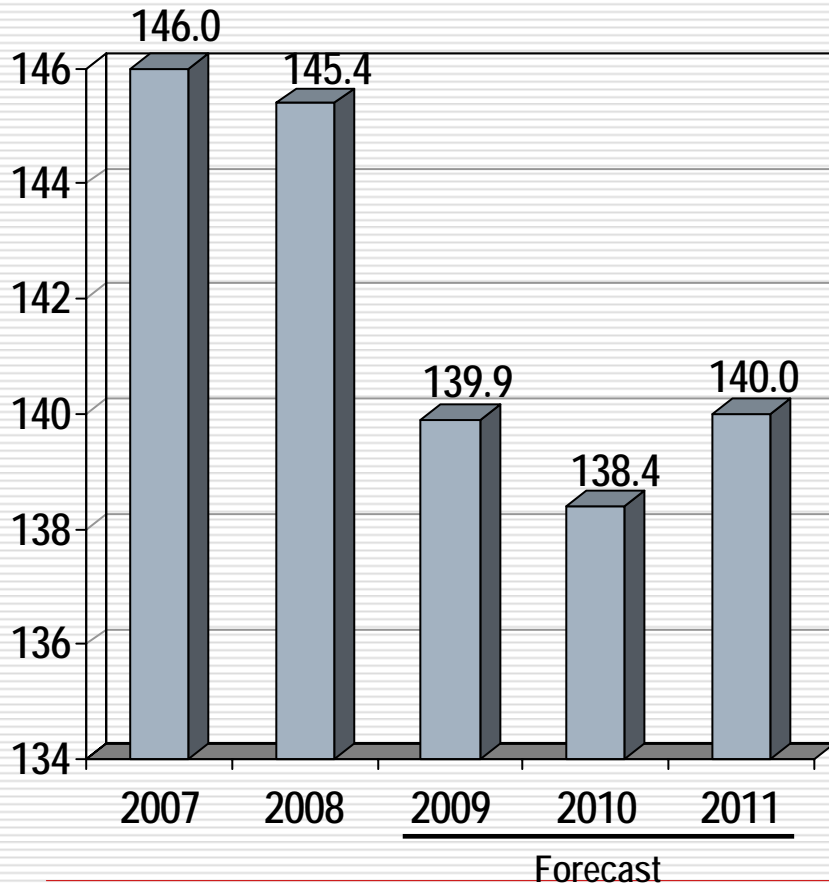
National Economy – End of the Recession?



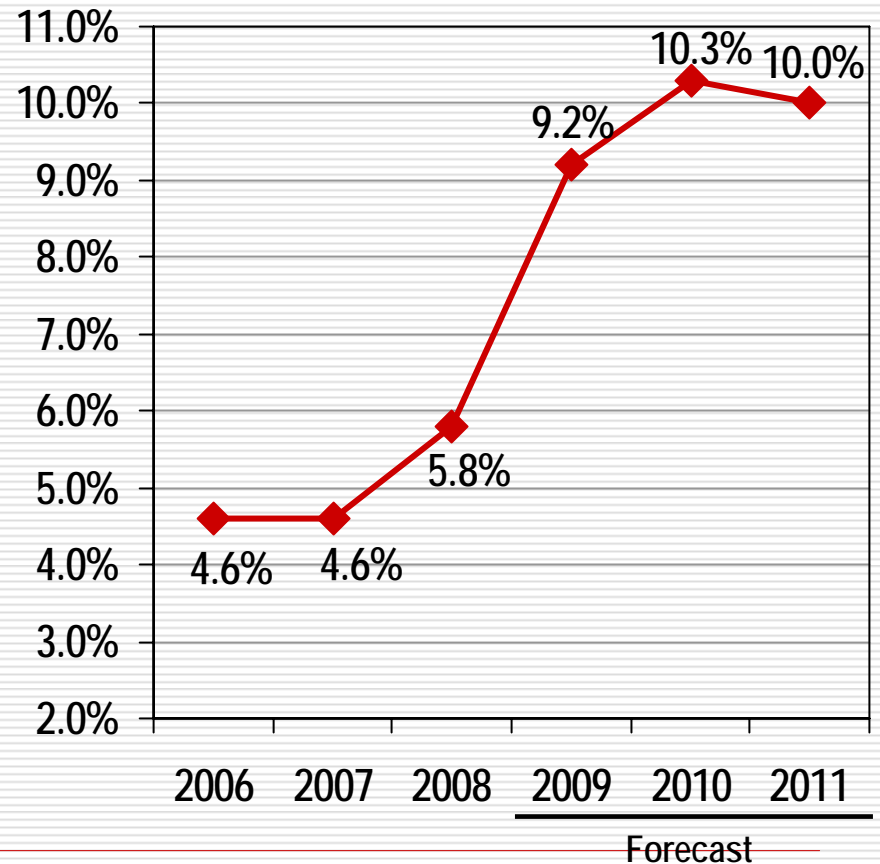
Source: National Bureau of Economic Analysis, July 31, 2009; UCLA Anderson Forecast, June 2009

U.S. Employment

U.S. Jobs (in millions)

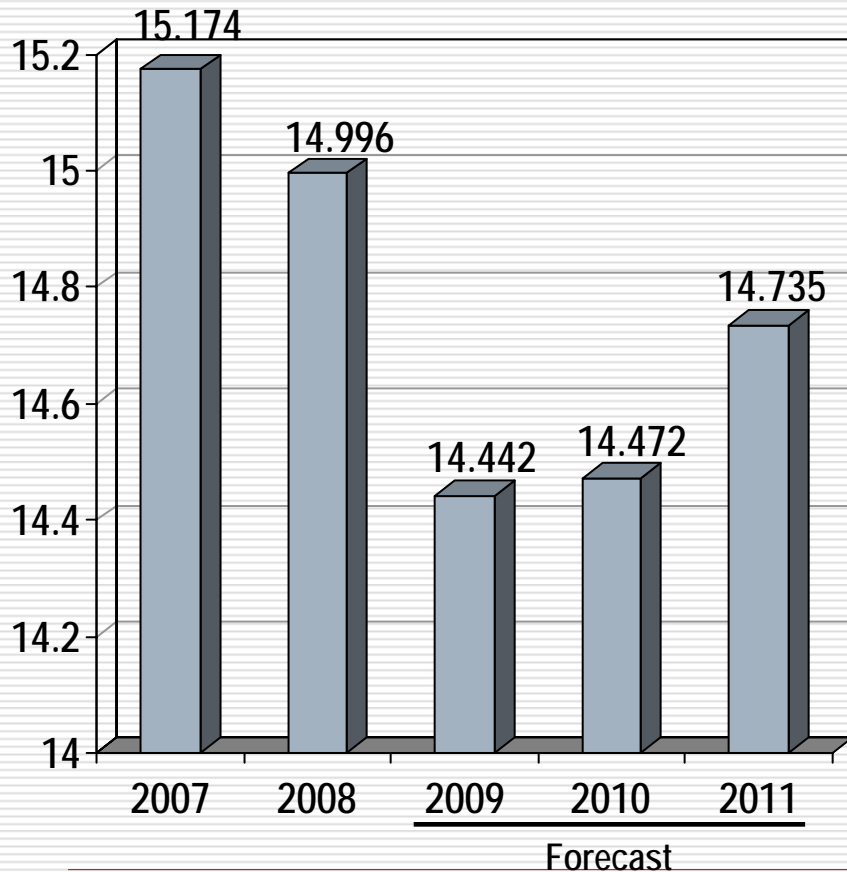


National Unemployment Rate

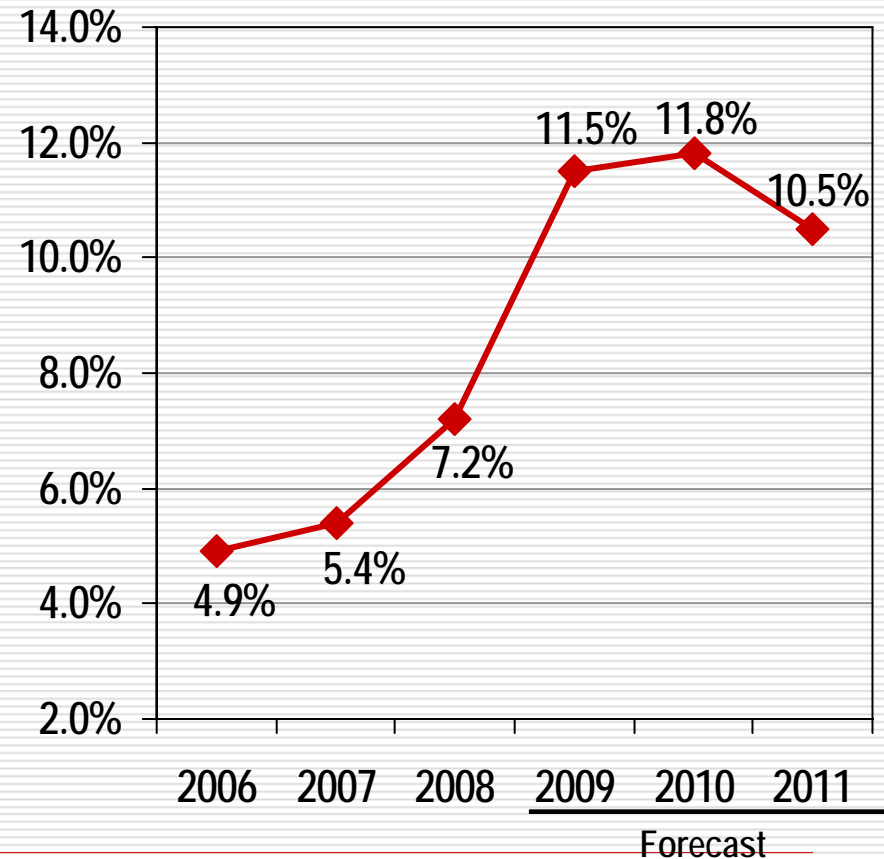


California Employment

California Jobs (in millions)



California Unemployment Rate



Unprecedented Impacts of the Economic Collapse.....

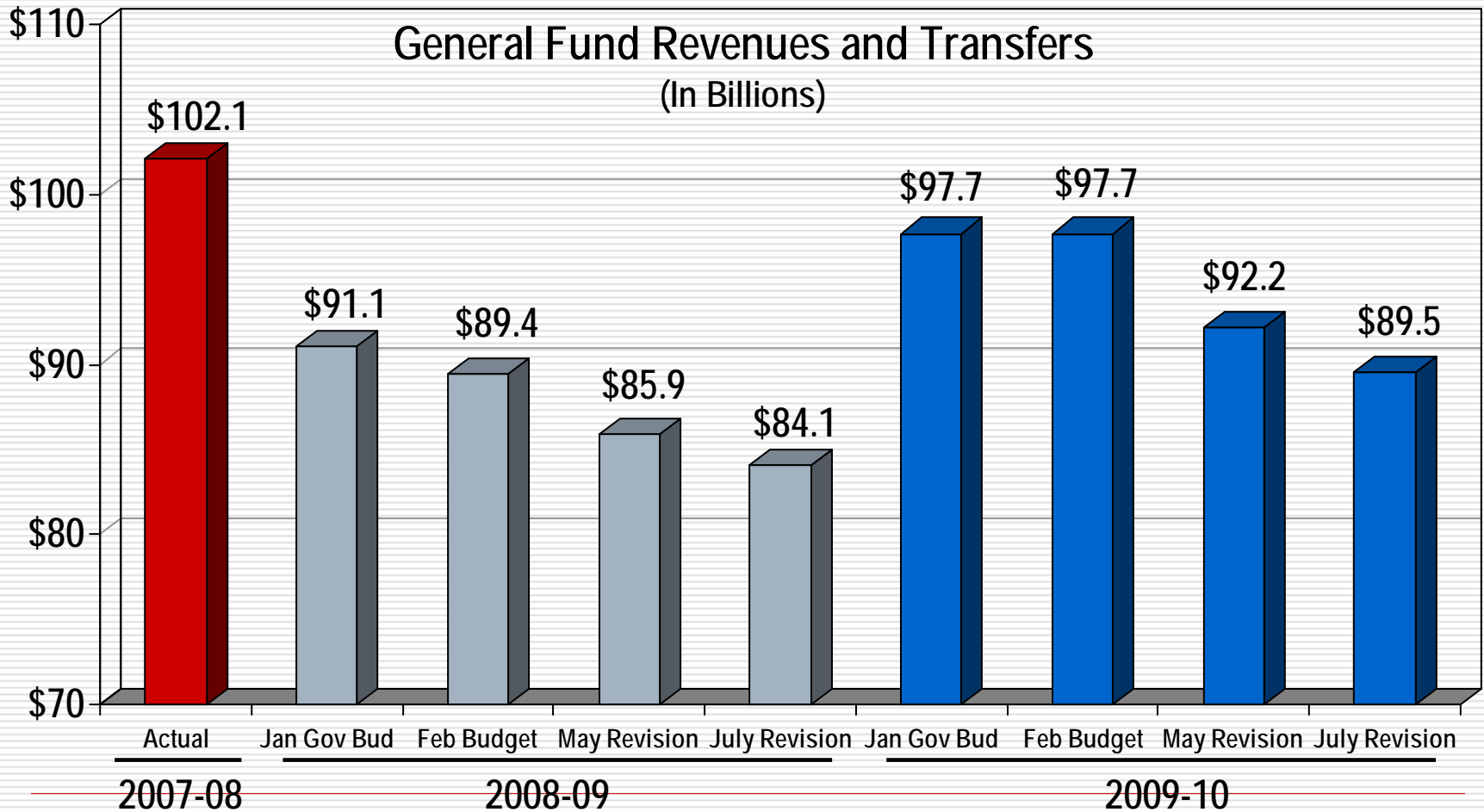
2008-09 Budget – Storm Begins

- California economy collapses, revenues decline leading to the latest State Budget in history – three months after the constitutional deadline
 - Revenues continue to decline
 - Budget is out of balance before the ink is even dry
 - Governor calls multiple special sessions as legislators struggle to bring the Budget back into balance
 - Five months later, in February 2009, lawmakers and the Governor cobble together a combination of tax increases, borrowing, and cuts
 - As revenues decline, so does the Proposition 98 minimum funding guarantee
 - Legislators and the Governor cut Proposition 98 down to the minimum . . . chasing the rock rolling downhill
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2009-10 Budget Storm Continues

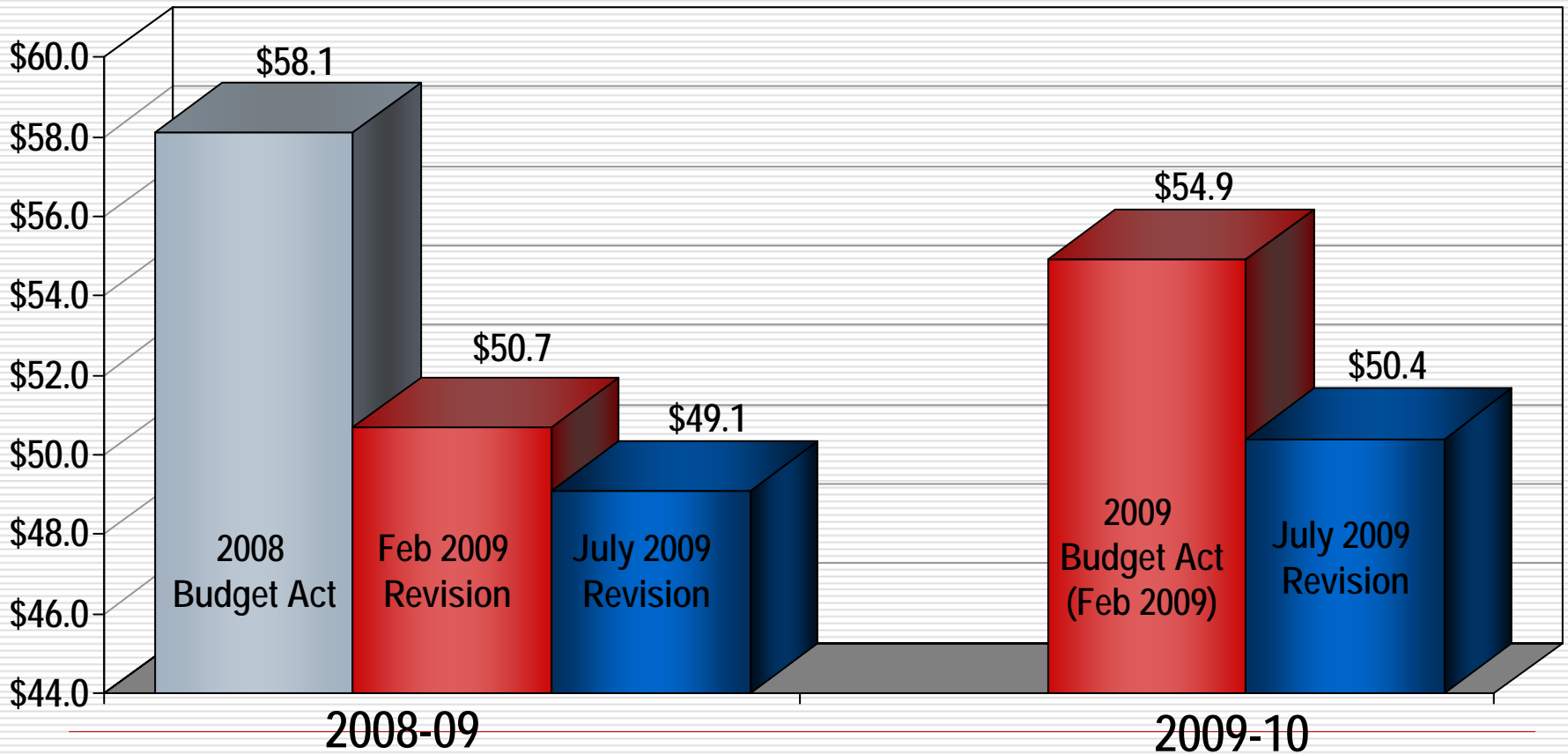
- ***State lawmakers, in conjunction with revisions to the 2008-09 Budget, passed the 2009-10 Budget five months early – the earliest Budget in state history – in fact, what was passed for the first time ever was an 18 month budget***
 - Voters reject special election propositions that would have helped to balance the Budget
 - Revenues continue to fall
 - Budget is immediately out of balance
 - Governor calls a special session
 - Budget imbalance is solved by cuts and borrowing
 - Legislators and the Governor cut Proposition 98 to the continually eroding minimum level and they continue to chase the rock rolling downhill
-

General Fund Revenue Trends

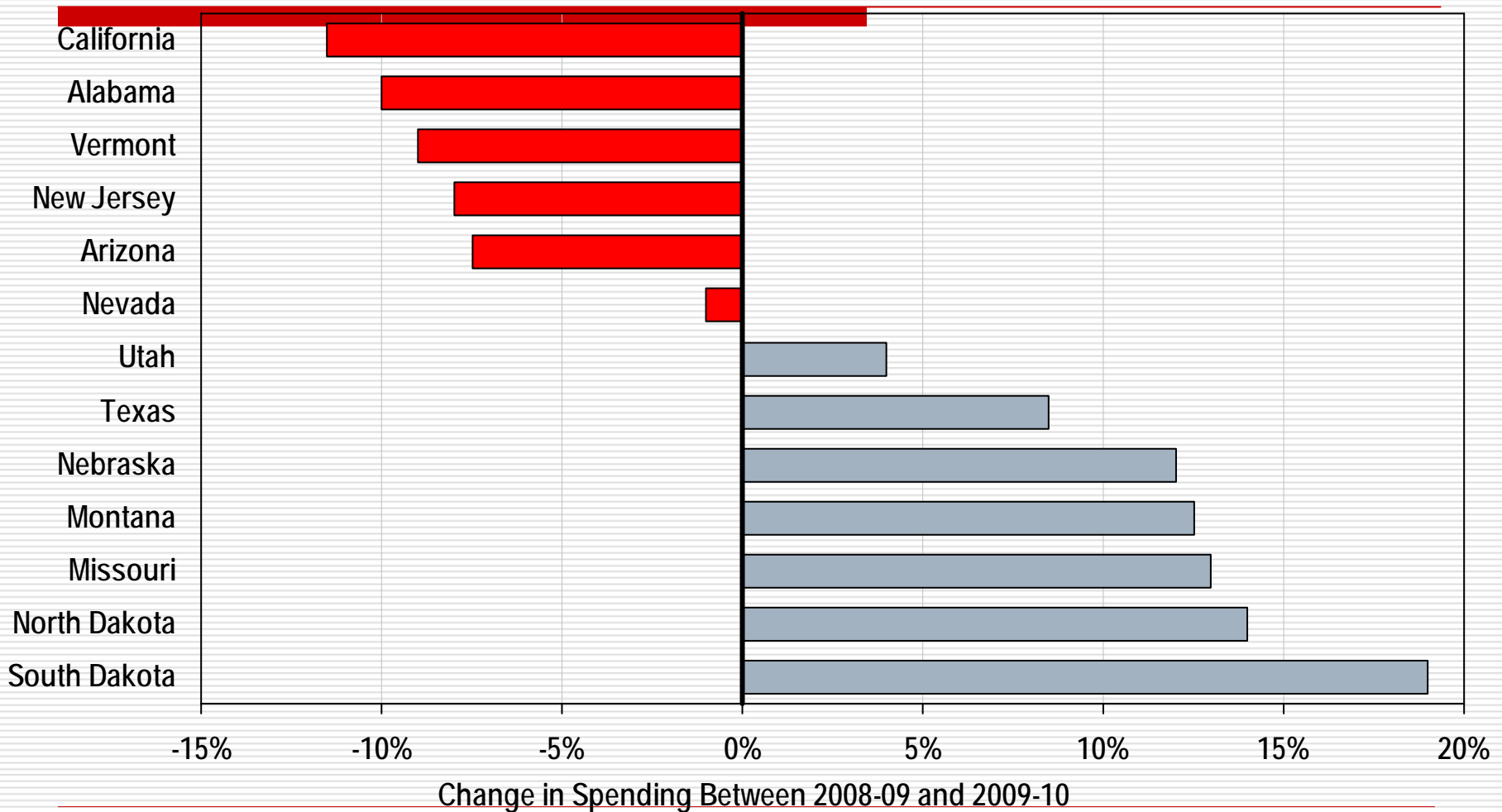


Proposition 98 – School District Funding Mechanism

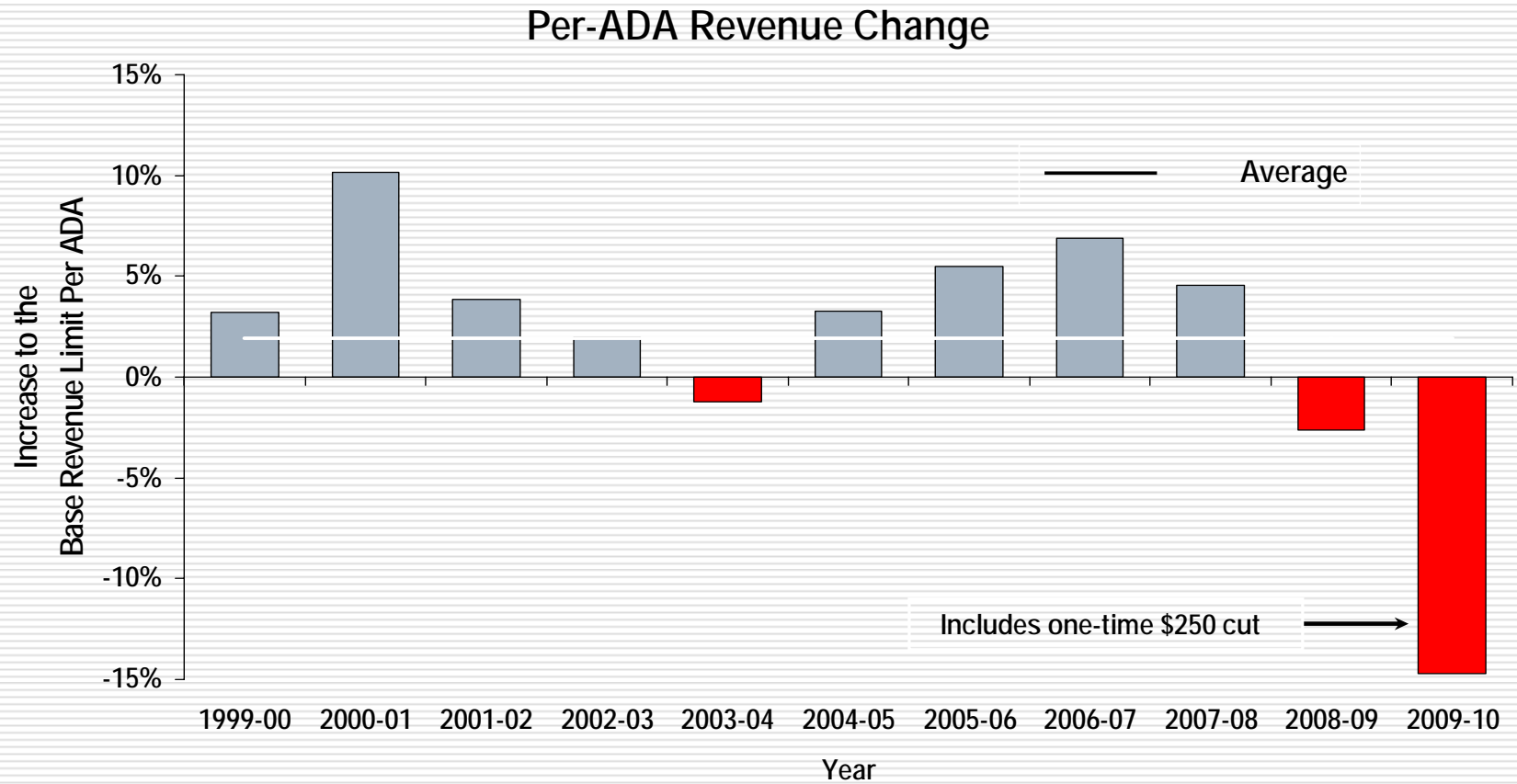
Proposition 98 Guarantee
(In Billions)



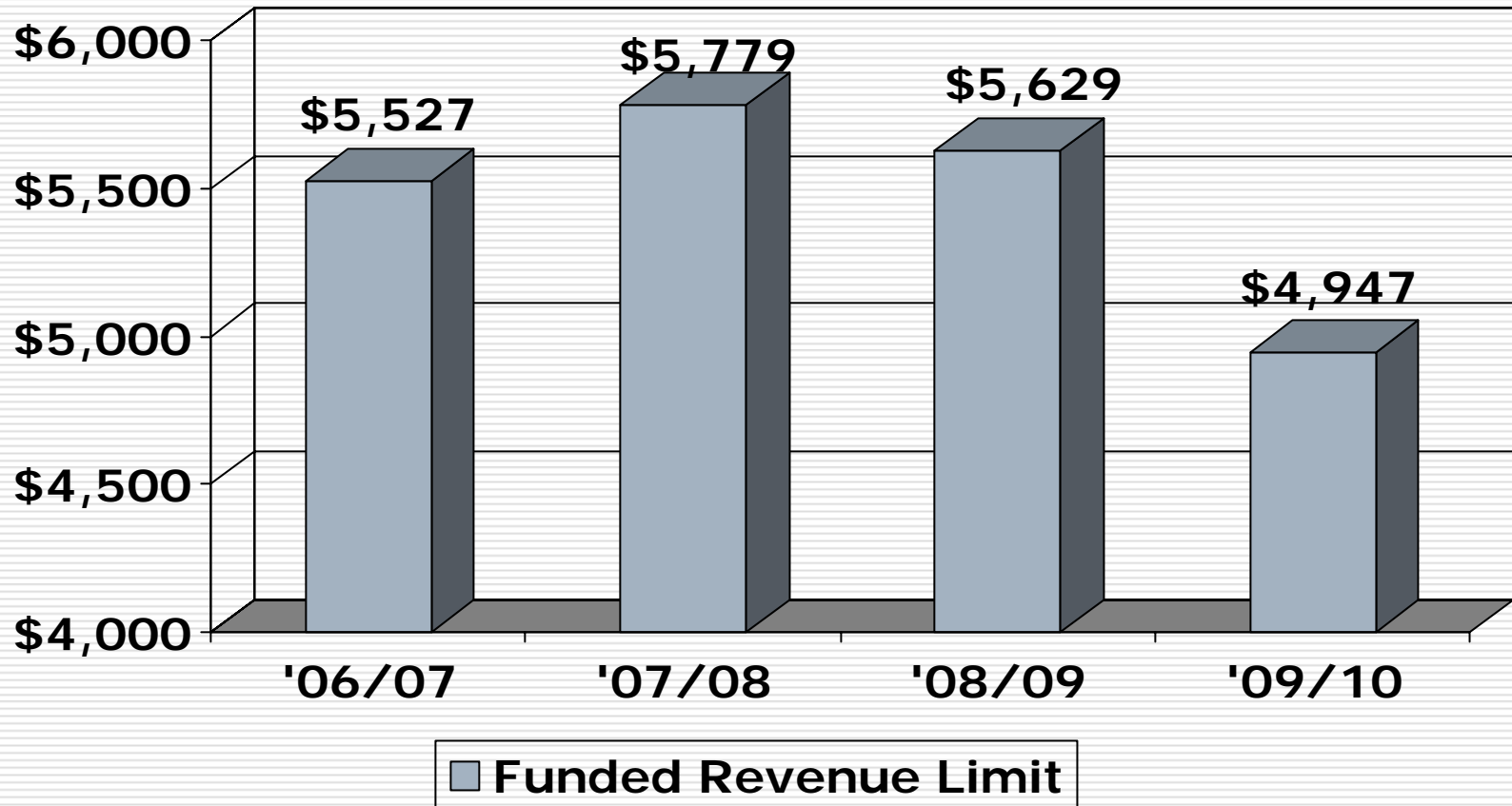
Education Funding in Other States



Per-ADA Revenue Volatility



CRPUSD Revenue Limit Decline



Quick Review – Revenue Limit (RL)

- ❑ Comprises 90% of unrestricted revenue;
 - ❑ Based on Average Daily Attendance (ADA) – CRPUSD ADA = 95% of enrollment;
 - ❑ Two components-
 - Local Property Tax = 42% of RL
 - State's General Fund = 58% of RL
-

Quick Review – Revenue Limit (RL)

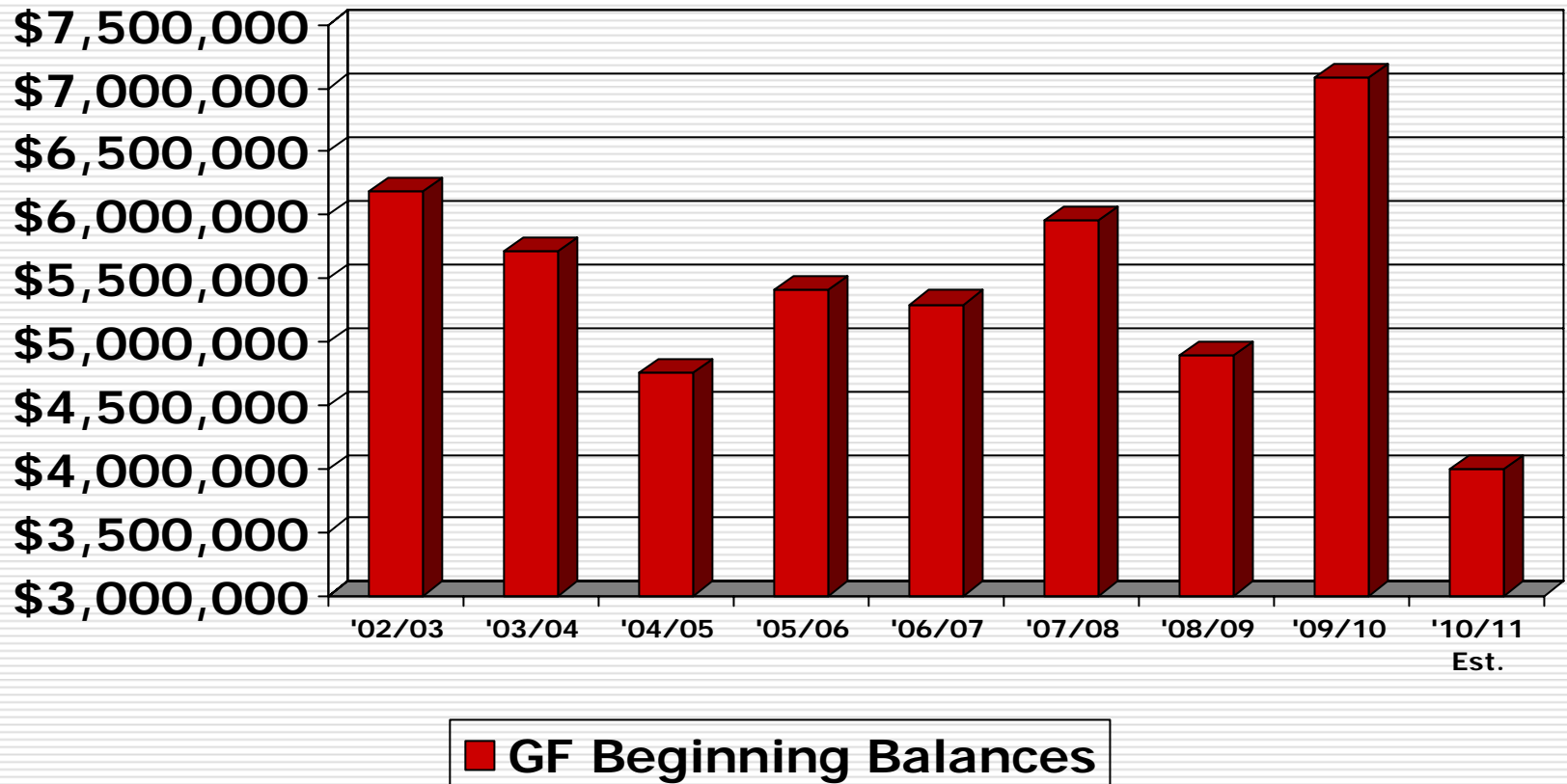
- Revenue Limit for 2009/2010
 - \$4,947
 - $\$4,947 \times 95\% = \$4,700$
 - Source of \$4,700 ---
 - \$2,726 from State General Fund (known as our principal apportionment)
 - \$1,974 from Local Property Taxes (December, April and June)
-

CRPUSD Financial Summary and Preliminary Projections

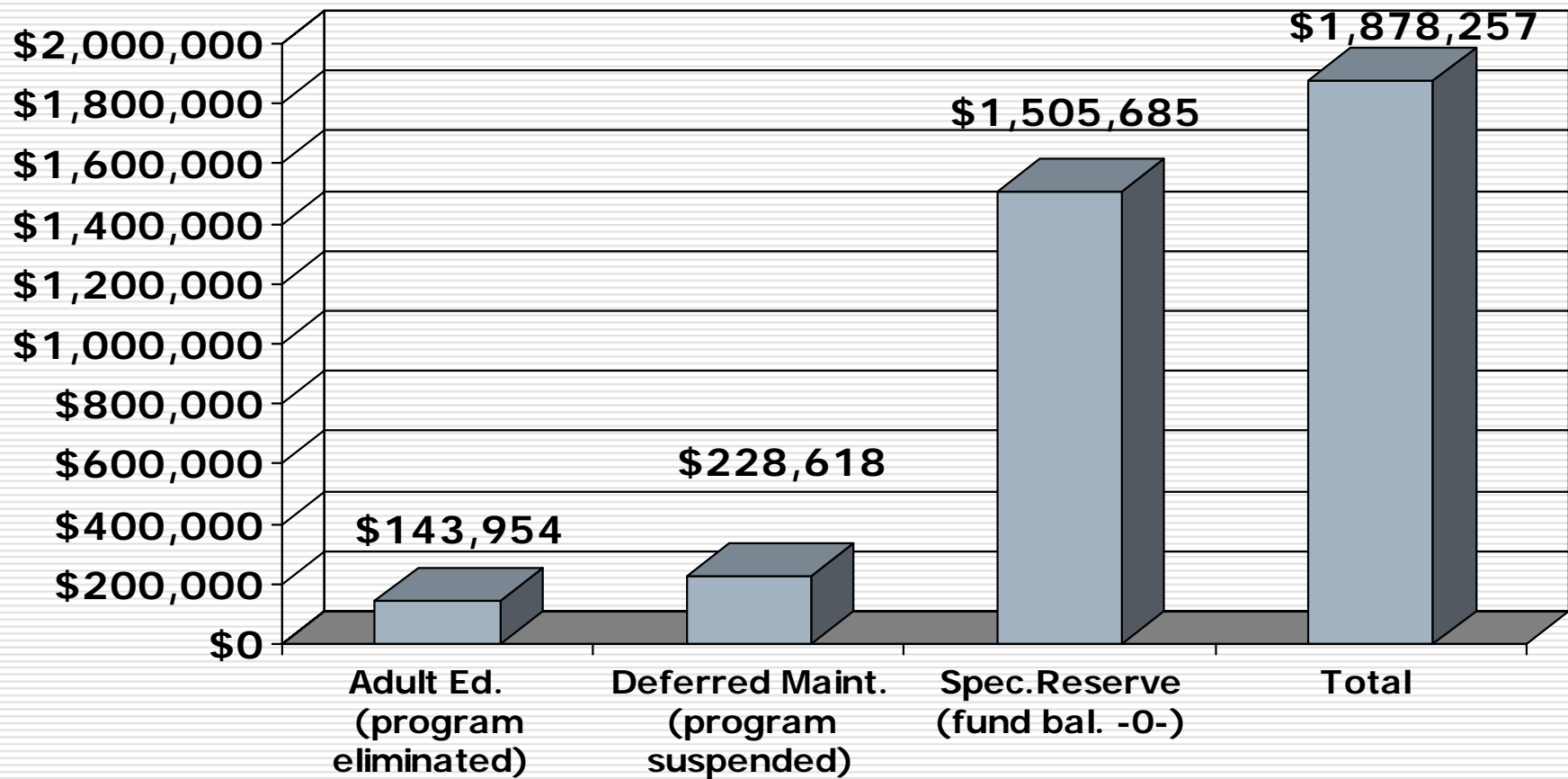
08/09 General Fund Summary

<p>Beginning Balance: \$4,888,596</p> <p>Revenues:</p> <p>Local- \$ 5,489,603 State- \$44,532,561 Federal- \$ 4,712,314 Transfers In- \$ 2,948,374</p> <p>Total Funds Available: \$62,571,447</p>	<p>2008/2009</p> <p>Expenses:</p> <p>Cert.- \$24,430,128 Class.- \$ 6,125,861 Ben.- \$12,091,793 Books- \$ 1,576,668 Serv.- \$11,473,076 Capital - \$ 37,853 Transfers/Other: <\$ 245,533></p> <p>Total Funds Utilized: \$55,489,845</p>	<p>Fund Balance:</p> <p>\$7,081,603</p>

Beginning General Fund Balances

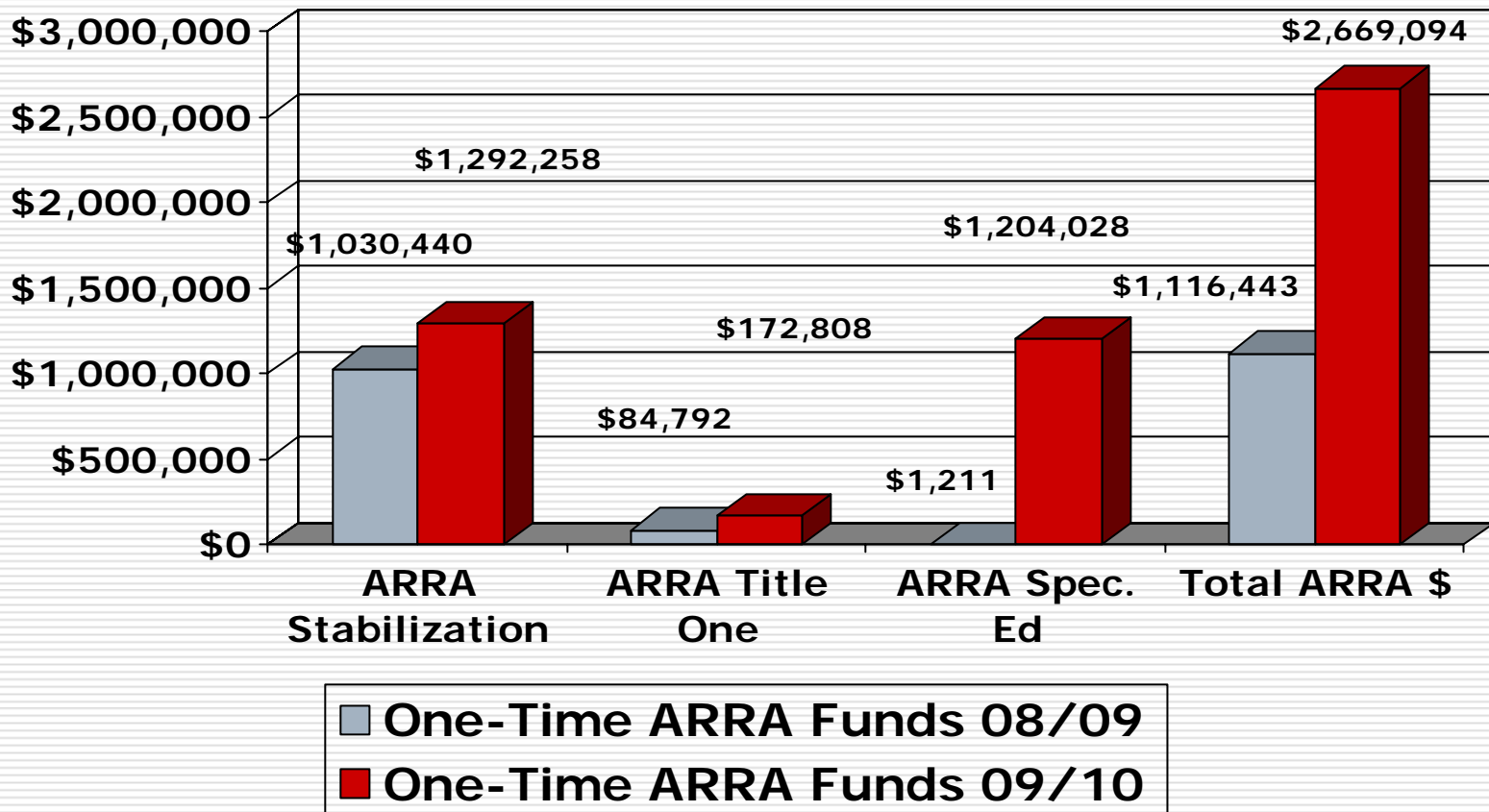


One Time Revenues and "Sweeps"



■ Transfers From Other Funds in 08/09

One Time Revenues and "Sweeps"



08/09 General Fund Summary

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Beginning Balance and Revenues – General Fund

2008/2009	2009/2010	2010/2011
Beginning Bal. \$4,888,596	Beginning Bal. \$7,081,603*	Est.Begin.Bal. \$3,995,900
Local: \$5,489,603	Est.Local: \$3,629,291	Est.Local: \$3,571,098
State: \$44,532,561	Est.State: \$38,694,692	Est.State: \$39,548,415
Federal: \$4,712,314	Est.Federal: \$3,660,533	Est.Federal: \$2,063,103
Total Revenues: \$54,734,478	Est.Total Revenues: \$45,984,216	Est.Total Revenues: \$45,182,616
	<i>= 16% Decline From Prior Year</i>	

Expenditures and Transfers – General Fund

2008/2009	2009/2010	2010/2011
Expenses: Cert.- \$24,430,128 Class.- \$ 6,125,861 Ben.- \$12,091,793 Books- \$ 1,576,668 Serv.- \$11,473,076 Capital- \$ 37,853	Estimated Expenses: Cert.- \$21,265,801 Class.- \$ 5,672,395 Ben.- \$10,978,567 Books- \$ 1,597,153 Serv.- \$9,838,943 Capital - \$ -0-	Estimated Expenses: Cert.- \$20,977,203 Class.- \$ 5,803,093 Ben.- \$11,158,388 Books- \$ 997,812 Serv.- \$ 9,790,608 Capital-\$ -0-
Transfers/Other: <\$245,533>	Transfers/Other: \$ 735,360	Transfers/Other: \$ 17,074
Total: \$55,489,845	Estimated Total:\$50,088,219	Estimated Total:\$48,744,178
	<i>= 10% Decline From Prior Year</i>	

08/09 Closing the Books - Implementation of “**Survival Transfers**”

- The State, understanding the severity of the reduction in unrestricted general fund revenues, has authorized and now requires the transfer of the following previously restricted funds into the unrestricted general fund:
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Programs Eliminated – Funds Swept to Unrestricted General Fund

- Community Based English Tutoring
 - School Safety
 - Arts/Music Grant
 - Arts/Music/PE Grant
 - Supplemental Counseling
 - GATE
 - Professional Development Grant
 - School and Library Improvement Grant
-

Other State Authorized Options for Districts to Consider---

- ❑ The State does not currently have the financial resources to rescue the nearly 1,000 school districts in California;
 - ❑ As such, ABX4 1, grants school boards unheard of authority and flexibility in dealing with the ongoing fiscal crisis.
-

New Fiscal Flexibility

- ❑ The sale of district property and, if certain criteria are met, the deposit of these funds into the General Fund for one time expenses;
 - ❑ The reduction of minimum reserve levels by 50% for two years (not recommended given our declining enrollment and inability to restore minimum reserves);
 - ❑ The continued categorical program sweep with limited exceptions for programs targeting students in poverty and students with Special Education needs;
 - ❑ The reduction of the school year and corresponding instructional minutes by up to 5 days, creating a 175 day school year.
-

And It Could Get Worse Before It
Gets Better.....

General Fund Structural Deficit

2009/2010

Estimated Revenues:

\$45,984,516

Estimated Expenses:

\$50,088,219

Excess/Deficiency:

<\$4,103,703>

Cover revenue deficit with:

- 1) Unallocated Fund Balance
- 2) Transfer In – Fund 21 Bond Interest (final transfer) and Fund 40 Redevelopment Funds
- 3) Balance of ARRA funds

2010/2011

Estimated Revenues:

\$45,182,616

Estimated Expenses:

\$48,744,178

Excess/Deficiency:

<\$3,561,562>

We plan to cover excess costs with:

- 1) Unallocated Fund Balance
- 2) Transfer In – Fund 40 Redevelopment Funds \$425,000

Est. Additional Reductions exceed \$1,143,981

Impact on 2009-10-11 Budgets

- State revenues continue to come in below projections leading to possible midyear cuts for 2009-10
 - The economy continues to cause concern
 - Tax revenues are below projections
 - Assessed valuations (property taxes) dropped 2.4% from 08/09 to 09/10 – the 09/10 budget is based on an increase of 2.2%
 - Governor's last minute budget reductions utilized to establish a \$500 million budget reserve have been challenged in court
 - The sale of the State Compensation Insurance Fund (SCIF), which was budgeted to net the State \$1 billion has also been challenged in court
 - We are not seeing a likely increase in revenue in the near future
 - Will California's economy turn around in 2010, 2011 or later?
 - Will Proposition 98 – K-12 funding stabilize?
-

Additional Budget Adjustments Before First Interim For 09/10

- Increase in Certificated Staffing:
 - 1.00 FTE – Elementary Prep. Time Equalization
 - .40 FTE Creekside Middle School
 - .60 FTE El Camino High School
 - 1.80 FTE Rancho Cotate High School

 - 3.8 Est.Total Increase = \$268,880
-

Additional Budget Adjustments Before First Interim

- Adjustments to ARRA Funding:
 - If District is deemed ineligible by the CDE to utilize 50% of ARRA IDEA funds to offset General Fund encroachment:
 - Increase in Special Education encroachment \$602,620
 - Final determination on additional Fiscal Stabilization Funds – dependent now upon impact on Prop. 98 calculation and legal actions pending to restore funding to QEIA schools.
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Additional Budget Adjustments Before First Interim

- If economy fails to stabilize and California revenues do not meet projections, there is still the possibility of additional budget reductions for K-12 education in the current fiscal year;
 - Likewise, the cash flow projections will need to be amended as it becomes more likely than not that additional cash deferrals will be imposed on school districts.
-

Staff Recommended Level of Additional Reductions

- Probable Structural Deficit without additional State Budget reductions:
 - \$1,143,981
 - Plus impact of 65 fewer students than projected...65 x \$4,947 = \$321,555;
 - Budget increase required to address additional teacher preparation time and class size overages.... \$268,880
 - Equals **\$1,734,416** shortfall in 10/11.
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2009-10 Apportionment Deferrals

- Apportionment deferrals for LEAs have become the solution to the state's cash flow problem
- We can expect these deferrals to continue indefinitely

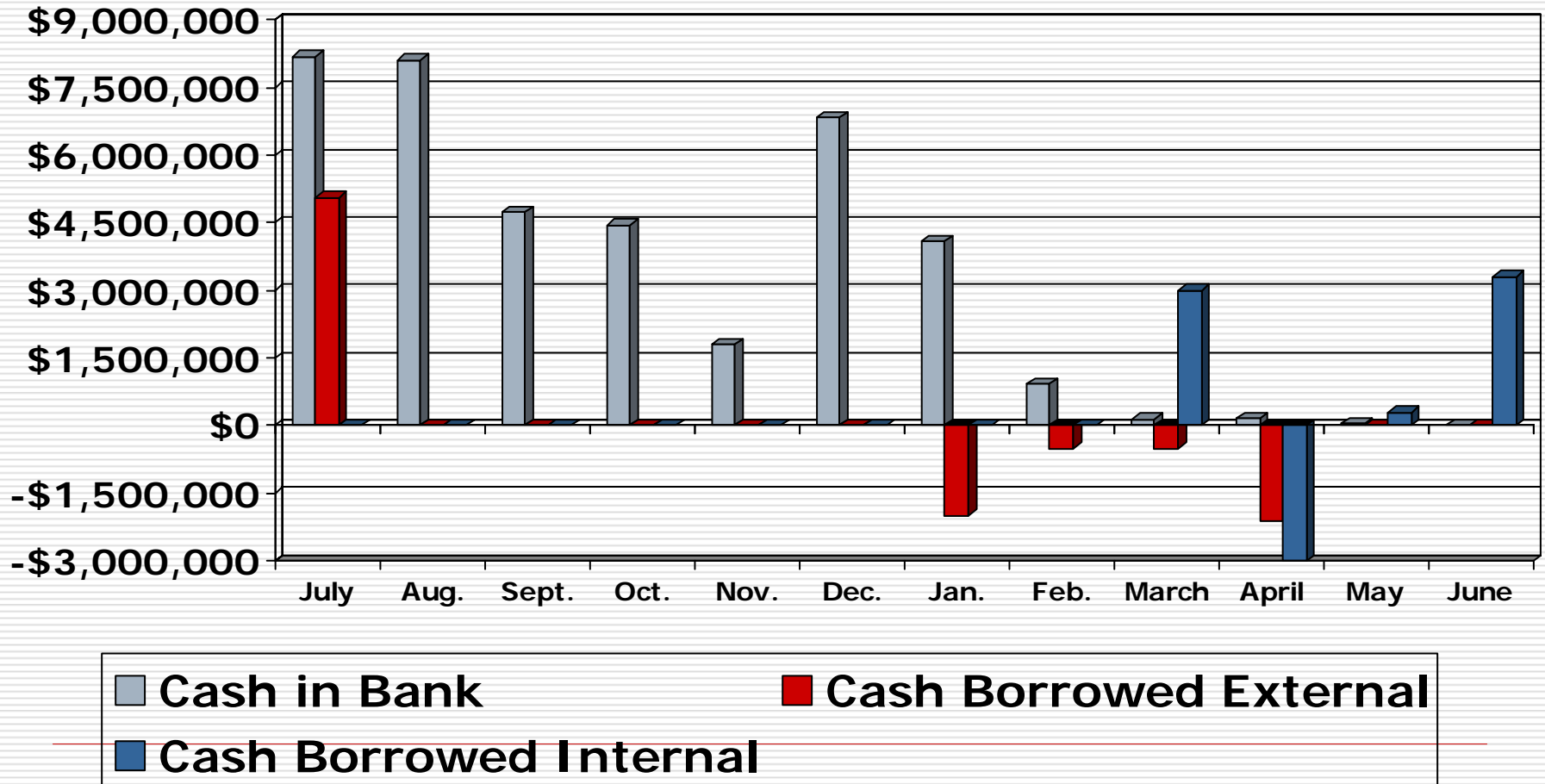
Month From	Month To	Dollar Amount
New		
November 2009	January 2010	\$1 billion
April 2010	August 2010	\$679 million
May 2010	August 2010	\$1 billion
Amended		
July 2009	December 2009	\$1 billion
Existing		
August 2009	October 2009	\$1.5 billion
February 2010	July 2010	\$1 billion
Total		\$7.18 billion

2009-10 Apportionment Deferrals - CRPUSD

- ❑ The State is planning ANOTHER deferral of revenue due March 2010 – deferred until May 2010 – impact on CRPUSD, another \$1.3 million
- ❑ We can expect these deferrals to continue indefinitely

Month From	Month To	Dollar Amount
New		
November 2009	January 2010	\$1,308,624
April 2010	August 2010	\$1,308,624
May 2010	August 2010	\$1,308,624
Amended		
July 2009	December 2009	\$727,013
Existing		
August 2009	October 2009	\$727,013
February 2010	July 2010	\$1,308,624
Total (Approx. 25% of apportionment deferred into the next fiscal year !!)		Over \$6.6 million

09/10 General Fund Cash Balance



District Operates On Thin Margin!!

- ❑ CRPUSD is currently borrowing “At Our Limit” from external financial markets;
 - ❑ The General Fund can borrow up to 75% of the fund balance available from other District funds:
 - Without any additional deferrals or budget reductions, we need to borrow approximately \$3.6 million to pay our bills and make general fund payroll;
 - Each month, payroll expenses cost the District approximately \$3.6 million.
-

District Operates On Thin Margin!!

□ Projected Availability of Borrowed Funds:

■ Fund 13 – Cafeteria	\$ 208,343
■ Fund 14 – Def.Maintenance	\$ 414,467
■ Fund 21 – Bond	\$3,921,328
■ Fund 25 – Developer Fees	\$ 797,380
■ Fund 35 – School Facilities	\$ 46,175
■ Fund 40 – Redevelopment	\$ 139,415
□ Total:	\$5,527,108

If State defers one additional month of apportionment, District will not have access to sufficient internal funds to fund our monthly payroll and health benefit costs.

District's Fiscal Solvency Depends on Actions Taken in Next Few Months

- Discuss the consolidation of school sites and possible sale of vacant District property – Updated demographic report has been requested and the Superintendent is appointing an Advisory Committee which is currently scheduled to report to the Board in December 2009;
 - Negotiating a reduction of the school year by 5 days as authorized under current law, saving the District approximately \$550,000 each year;
 - Gauging community appetite for a local parcel tax measure.
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Required Action By Governing Board

- ❑ Approve the 2008/2009 Unaudited Actuals Report for submission to the County Office of Education;
 - ❑ Staff will move forward with contingency plans based on consolidation of sites, disposition of District property, shortening of the school year and possible parcel tax campaign;
 - ❑ Additional budget options, including but not limited to increasing class sizes, the elimination of the remaining library hours, reductions in counseling services, elimination of high school athletics and elimination of non-mandated home to school transportation will be brought forward for the Board's consideration in the near future.
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