

# **Fullerton School District Second Interim Financial Report 2007/08**

March 11, 2008

Presented to the Board of Trustees by:

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# Objectives for This Session

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- ▶ 2nd Interim Budget 07/08
- ▶ How did we get here?
- ▶ Budget Reduction Options
- ▶ Multi-Year Projections
- ▶ Next Steps

**Fullerton School District**  
**2007/08 2nd Interim Budget Assumptions (Including Multi-Year)**

<b>Factors</b>		<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>
Revenue Limit COLA/State		4.53%	4.94%	3.00%
Revenue Limit Deficit		0.00%	-6.99%	-6.99%
Special Education COLA (State & Local Share)		4.53%	-6.50%	3.00%
Categorical Program COLA		4.53%	-6.50%	3.00%
California Lottery	Base	\$ 121.00	\$ 121.00	\$ 121.00
	Prop 20	\$ 22.00	\$ 22.50	\$ 22.50
Interest Rate for 10-Year Treasuries		4.20%	4.10%	4.80%
California Consumer Price Index (CPI)		3.20%	2.70%	2.50%
Other Expenses (supplies, services & equipment)		3.20%	0.00%	0.00%
Revenue Limit ADA (Due to declining enrollment, prior year ADA total is used for RL calculation)		13,213.64	13,176.78	13,031.53
CBEDS Growth/Decline(-)		-30	-150	-175
ADA Growth/Decline(-)		-36	-145	-169

<b>Footnote for 2007/08 Calculation:</b>		
	<b><u>CBEDS</u></b>	<b><u>ADA</u></b>
2006/07	13,613	13,166
2007/08	<u>13,583</u>	<u>13,130</u>
	-30	-36

# General Fund Summary – 2007/08

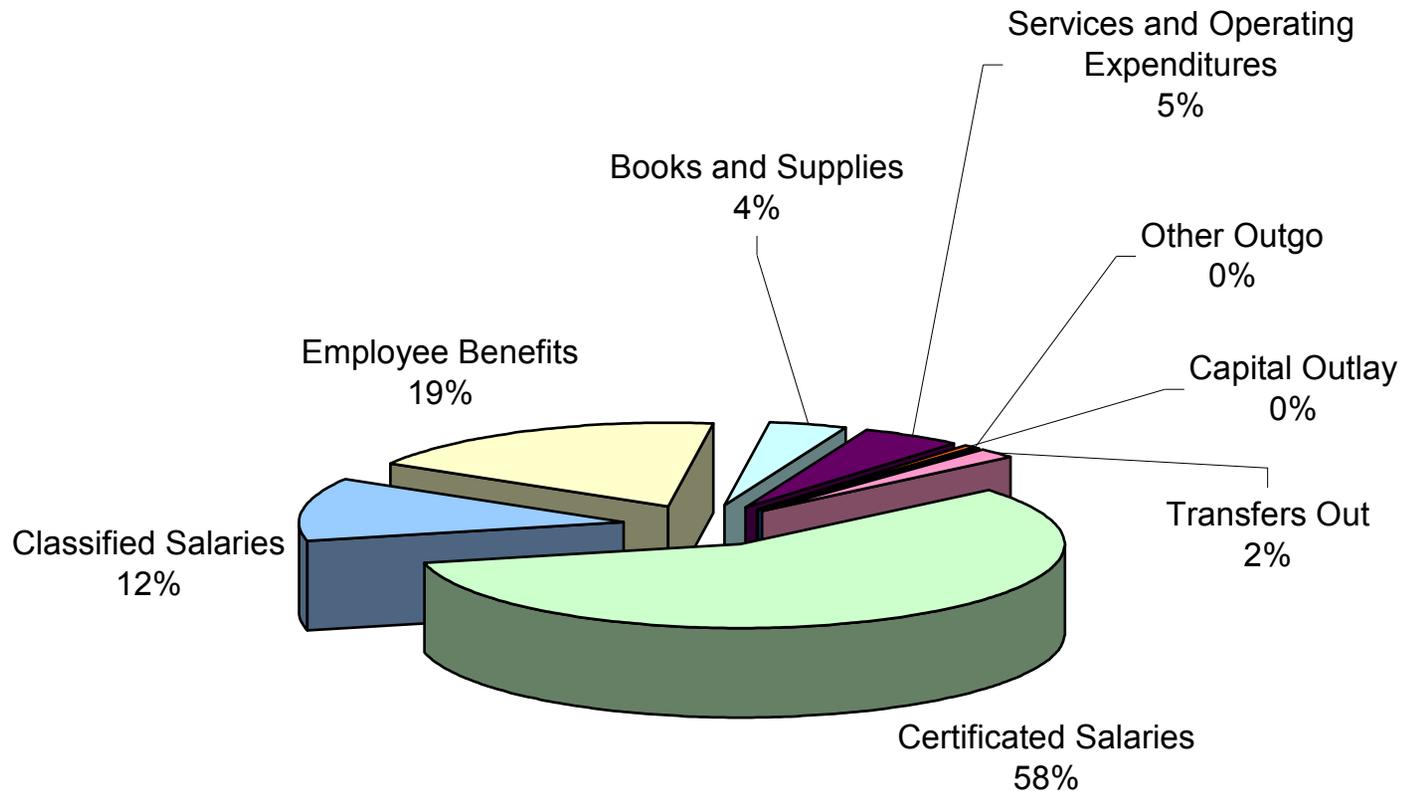
	<u>1st Interim</u>	<u>2nd Interim</u>
Revenue	\$ 111,113,843	\$ 111,071,050
Expenditure	\$ 118,530,235	\$ 117,733,464
Net Operating	\$ -7,416,392	\$ -6,662,414
Other Uses	\$ -1,385,526	\$ -1,439,804
Net Inc/Dec Fund Balance	\$ -8,801,918	\$ -8,102,218
Beginning Fund Balance	\$ 13,601,751	\$ 13,601,751
Ending Fund Balance	\$ 4,799,833	\$ 5,499,533

# Components of Ending Fund Balance 2007/08

	<u>1st Interim</u>	<u>2nd Interim</u>
Revolving Cash/Stores/Prepaid Expenses	\$ 1,200,000	\$ 1,200,000
Designated for Economic Uncertainties	\$ 3,599,833	\$ 4,299,533
<b>Total Ending Fund Balance</b>	<b>\$ 4,799,833</b>	<b>\$ 5,499,533</b>

# 2007/08 Operating Budget: Unrestricted

## Second Interim Budget Total: \$74,375,068



89% or \$65,679,748 of Unrestricted money goes toward total compensation.

# Revenue Changes

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- ▶ Unrestricted +\$0.4 million
  - + \$0.3 mil Donations, ASB/PTA Reimbursements
  - + \$0.1 mil MediCal Administrative Activities (MAA) Reimbursement
- ▶ Restricted - \$0.5 million
  - \$0.5 mil State Funded Pre-Kindergarten FLG Reallocated to Fund 12
  - + \$0.1 mil Increase Revenue for OC School Nursing Program, LEA MediCal Reimbursements and Special Education IDEA Basic Grant
  - \$0.1 mil Reduction to Categorical Programs Including Prop 49 After School Program and the Teacher Recruitment Grant

# Expenditure Changes

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- ▶ Unrestricted -\$0.1 million

- \$0.4 mil Adjustment to Salaries and Benefits
- + \$0.3 mil PTA/ASB Reimbursements and Donations

- ▶ Restricted -\$0.4 million

- \$0.5 mil State Funded Pre-Kindergarten FLG Reallocated to Fund 12
- + \$0.2 mil Total increase to the OC School Nursing Program, LEA MediCal Reimbursement, Special Education IDEA Basic Grant and the Special Education Entitlement
- \$0.1 mil Reduction to Categorical Programs Including Prop 49 After School Program and the Teacher Recruitment Grant

# Contributions to Restricted Programs 2007/08

Special Education	\$	-6,750,135
Home-to-School Transportation	\$	-6,899*
Special Education Transportation	\$	-16,924*
Routine Maintenance	\$	-2,836,475
<b>Total:</b>	<b>\$</b>	<b>-9,610,433</b>

\*\$700,000 is contributed from Restricted Programs in addition to the unrestricted General Fund contributions.

# How did we get here?

# Deficit Financing

- ▶ 1<sup>st</sup> Interim 2007/08 Deficit  
-\$8.8 million
- ▶ Recommended cuts for 08/09  
and 09/10 were \$4.7 million
- ▶ Why did we have the deficit?

# Effect of Declining Enrollment on Income

	<u>Loss of ADA</u>	<u>Percent</u>	<u>Revenue Limit \$</u>
2007/08 (259 ADA (x) RL \$5,557.24)	-259	-2.0%	\$ -1,439,325
2008/09 (36 ADA (x) RL \$5,424.57)*	-36	-0.3%	-195,285
2009/10 (145 ADA (x) RL \$5,587.34)*	-145	-1.1%	-810,164
2010/11 (169 ADA (x) RL \$5,732.43)*	-169	-1.3%	-968,781
Cumulative Impact	-609		\$ -3,413,555

\*Deficited COLA's

# Fullerton School District Budget Overview

## Revenue Limit Dollars

	<u>07/08</u>	<u>08/09</u>	<u>09/10</u>
Projected Revenue <u>AFTER</u> Governor's Budget	\$73,379,557	\$71,383,111	\$72,712,102
Projected Revenue <u>BEFORE</u> Governor's Budget	<u>\$73,381,339</u>	<u>\$76,329,045</u>	<u>\$77,348,543</u>
	-\$1,782	-\$4,945,934	-\$4,636,441

**Net Loss in Revenue Limit Over 3 Years      -\$9.584 mil**

## To Balance the 2nd Interim Budget and Multi-Year Budgets:

Budget Reduction in 08/09	-\$5.550 mil *
Budget Reduction in 09/10	-\$1.082 mil **
<b>Subtotal</b>	<b>-\$6.632 mil</b>

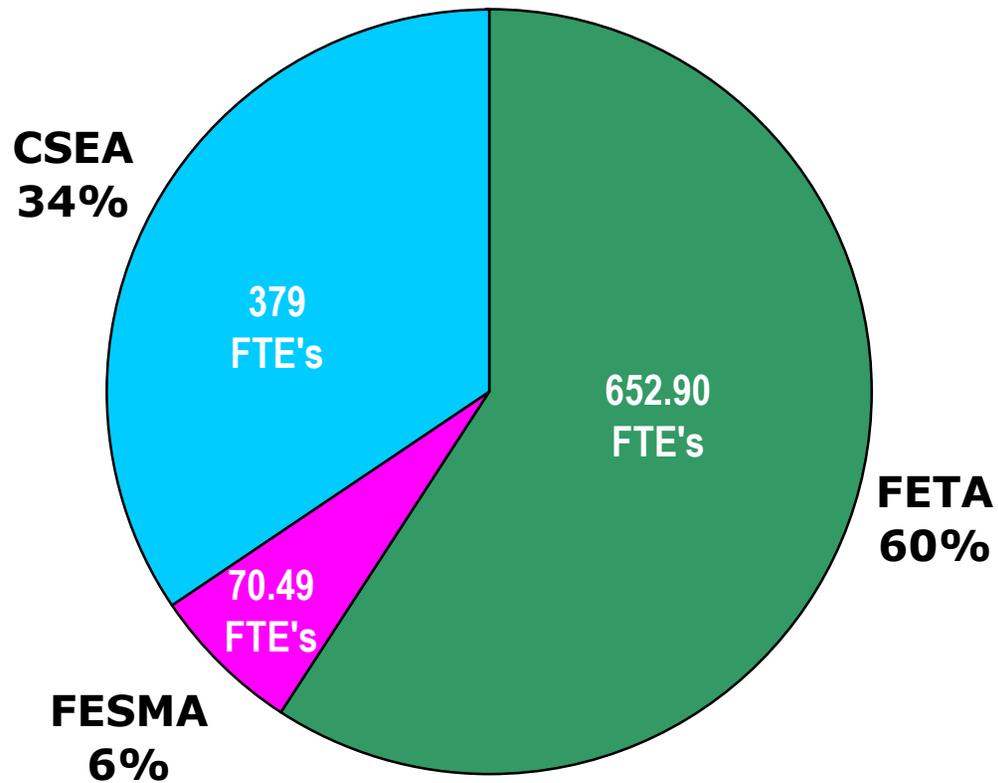
Adjustments to Federal, Other States and Local Revenues	-\$0.1 mil
and Expenditures	-\$0.5 mil

**Total Reduction      -\$7.232 mil**

### Notes:

- \*\$5.177 million are on-going reductions and \$.373 million are one-time reductions
- \*\*\$1.082 million are new budget reductions

**Fullerton School District  
% FTE's by Bargaining Unit  
Based on 2nd Interim 2007/08**



**Note:** Graph does not include non-bargaining units, Food Services or contract employees.

# Fullerton School District 2-Year Budget Reduction Options

**Total: \$6,789,085**  
 • 2008-09: \$5,706,649  
 • 2009-10: \$1,082,436

- Laptop Collections
- False Alarms
- Conferences
- Recapture Insurance \$

**Other \$546,990**

**Program Costs**  
**\$648,483**

(Personnel/Supplies/  
Equipment)

**Utilize  
Categorical  
Flexibility**  
**\$158,839**

**Administrative  
Staff** **\$875,642**

- Reassignments
- Elimination of Tech Stipend
- Reduce Unrestricted Staff Development Funds
- Retirements
- Attrition
- Declining Enrollment

**Classified Staff**  
**\$1,850,712**

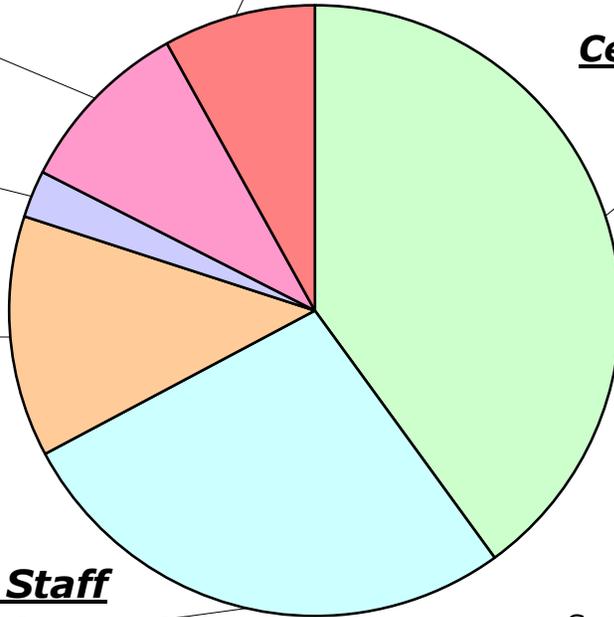
- Reassignments
- Retirements
- Attrition
- Declining Enrollment
- Site-Level Classified Support Staff \$959,636
- District-Level Classified Support Staff \$396,491

**Certificated Staff**

**Teaching Staff**  
**\$2,708,419**

- Maximize Student to Teacher Ratios
- Reassignments
- Retirements
- Attrition
- Declining Enrollment

- Custodial Services \$125,968
- Maintenance & Operations Services \$100,000 (Personnel/Supplies/Equipment)
- Minimize Home-to-School Transportation \$268,617 (Personnel/Supplies/Fuel)



# Multi-Year Projections

			2008/09		2009/10
<b>Revenue</b>		\$	107,558,887	\$	109,205,182
Transfer In			70,924		72,697
	<b>Total Revenue</b>	\$	<b>107,629,811</b>	\$	<b>109,277,879</b>
<b>Expenditures</b>		\$	118,414,001	\$	120,266,011
Adjustment to Current Year			-6,035,190		-6,111,190
Budget Reduction			-5,550,192		-6,259,021
Transfer Out			1,462,284		1,300,837
	<b>Total Expenditures</b>	\$	<b>108,290,903</b>	\$	<b>109,196,637</b>
Surplus/Deficit(-)			-661,092		81,242
Beginning Fund Balance			5,499,533		4,838,441
<b>Ending Fund Balance</b>		\$	<b>4,838,441</b>	\$	<b>4,919,683</b>

# Multi-Year Projections

Components of Ending Fund Balance:		2008/09		2009/10
Reserve for Revolving Cash	\$	100,000	\$	100,000
Reserve for Stores		300,000		300,000
Prepaid Expenses		800,000		800,000
Backfill Teachers (5 FTEs)		335,855		351,385
<b>Designated for Econ. Uncertainties (3%)</b>	<b>\$</b>	<b>3,248,727</b>	<b>\$</b>	<b>3,275,899</b>
<b>Above 3% Reserve</b>	<b>\$</b>	<b>53,859</b>	<b>\$</b>	<b>92,399</b>
Total Ending Fund Balance	\$	4,838,441	\$	4,919,683

## Fullerton School District Multi-Year Projections

	06/07 Unaudited	07/08 Second Interim	08/09 Projection	09/10 Projection
Income	\$113,550,252	\$111,139,050	\$107,629,811	\$109,277,879
Expenditures	105,640,713	117,733,464	106,828,619	107,895,800
Net Operating	7,909,539	-6,594,414	801,192	1,382,079
Other Sources/Uses	-6,028,197	-1,507,804	-1,462,284	-1,300,837
<b>Net Fund Balance/Change</b>	<b>1,881,342</b>	<b>-8,102,218</b>	<b>-661,092</b>	<b>81,242</b>
Beginning Balance 7/1	11,720,409	13,601,751	5,499,533	4,838,441
<b>Ending Balance 6/30</b>	<b>\$13,601,751</b>	<b>\$5,499,533</b>	<b>\$4,838,441</b>	<b>\$4,919,683</b>

Fund Balance Components				
Revolving Cash/Stores/Prepaid Expense	1,284,992	1,200,000	1,200,000	1,200,000
Restricted Funds – Categoricals	4,852,823	0	0	0
Unrestricted – School Site C/O	1,019,302	0	0	0
Backfill Teachers (5 FTE's)	0	0	335,855	351,385
<b>Designated for Economic Uncertainties</b>	<b>6,444,634</b>	<b>4,299,533</b>	<b>3,302,586</b>	<b>3,368,298</b>
Amount Needed to meet AB 1200 3% Reserve	3,352,293	3,577,238	3,248,727	3,275,899
<b>Amount Above (Below) AB 1200 3% Reserve</b>	<b>\$3,092,341</b>	<b>722,295</b>	<b>\$53,859</b>	<b>\$92,399</b>

# State Outlook for the Future:

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- ▶ Projected COLA for 2008/09 5.43%  
Deficit 7.48%
- ▶ \$16.5 – \$20.0 billion State deficit (projected)
- ▶ Housing downturn continues
- ▶ May Revise
- ▶ Suspension of Prop 98?
- ▶ Tax/Fee Increases
- ▶ Late budget
- ▶ Recession? “On the Verge”

## Next Steps:

- ▶ Follow legal and contractual requirements for all reductions.
- ▶ Continue to work with all staff toward fiscal solvency.
- ▶ Prepare budget packages for 2008/09
- ▶ Implement plan to submit a balanced budget by June '09 for 2009/10

# Recommendations:

- ▶ We are recommending approval of a Positive Certification indicating that the District will be able to meet its financial obligations for the current and two subsequent years.