



Irvine Unified School District
Orange County, California

First Interim Report

December 6, 2011

First Interim Report

Interim Report Purpose:

- ▶ The First Interim Report represents the District's first official revision to the Final Adopted Budget.
- ▶ The First Interim Report includes actual financial data through October 31, 2011 with revised projections for the remainder of the fiscal year.
- ▶ Each school district is required to certify its financial condition twice during the fiscal year. This certification addresses the District's ability to meet its financial obligations for the current year and two subsequent years.

Recap of 2011-12 State Education Budget



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- ▶ Final 2011-12 State Adopted Budget assumed the Department of Finance May Revision revenue estimates and added an additional \$4 billion to balance budget.
- ▶ Recognizing the optimistic nature of these projections, the Budget provided “trigger” reduction language as a contingency should the revenue fail to materialize.
- ▶ The Budget “trigger” language requires the use of the higher revenue projections between the Legislative Analysts Office forecast and the Department of Finance forecast as of December 15, 2011.
- ▶ If state revenue projections fall more than \$2 billion below estimates, the State will impose mid-year cuts to public education.
- ▶ The final cuts will be proportional and depend on the actual amount of the projected shortfall as of December 15, 2011.



Legislative Analysts Office

November 2011 Fiscal Outlook



- ▶ The Legislative Analysts Office presented their five year state economic forecast on November 16, 2011.
- ▶ Highlights of the forecast include:
 - ▶ Economic Recovery slower than expected
 - ▶ Prolonged weakness in housing market continues to negatively impact the construction and financial services sector.
 - ▶ LAO Revenue Forecast
 - ▶ **Projected state revenues <\$3.7 billion> below level assumed in the 2011-12 State Budget.**
 - ▶ **Pending the DOF revenue forecast in December, LAO projects “trigger” cuts will be implemented to K-12 education.**
 - ▶ Estimated 2012-13 State Budget Shortfall of \$13 billion....

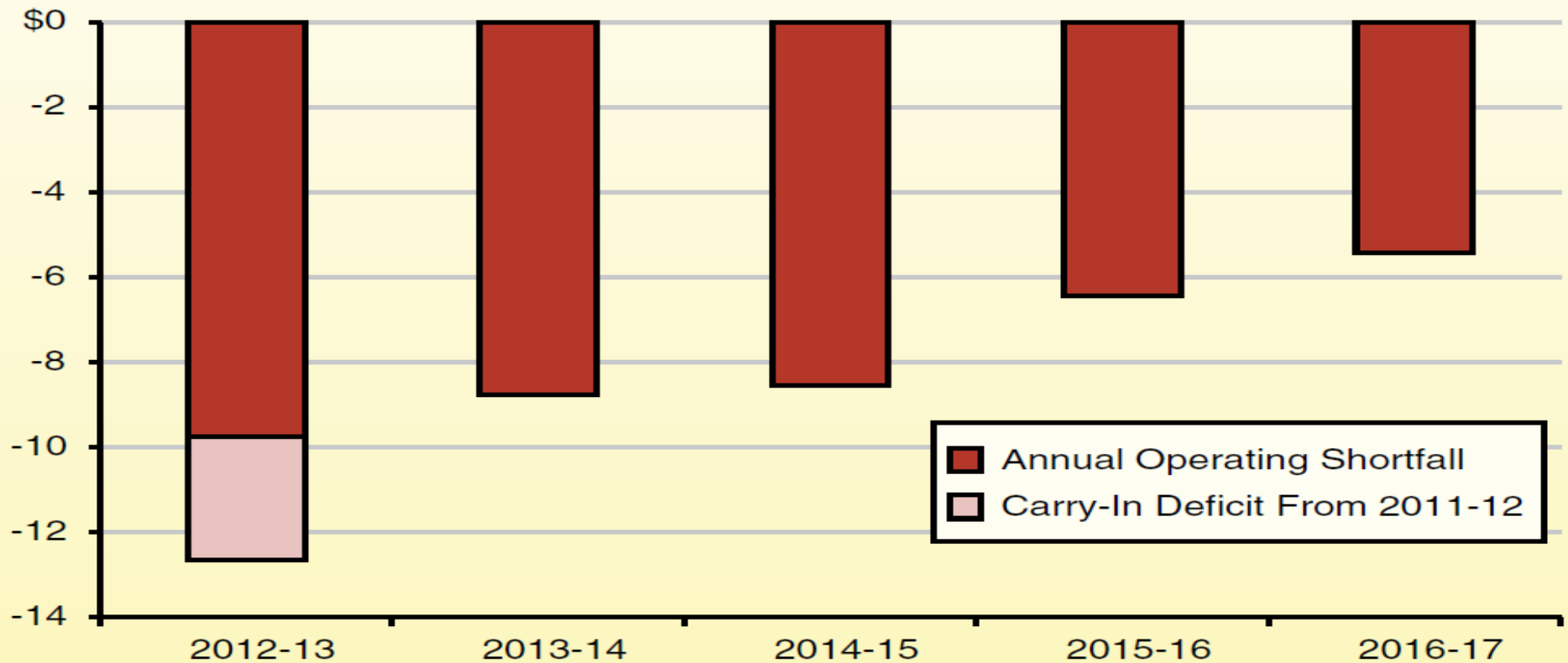


State Fiscal Outlook 2012-2017

Figure 3

Operating Shortfalls Decline Gradually Over the Forecast Period

General Fund (In Billions)



Potential Mid-Year Reductions Impact to IUSD



- ▶ 2011-12 District Adopted Budget assumed a potential \$349/ADA cut or approximately <\$9.4> million.
 - ▶ This was based on worst case scenario and assumed none of the \$4 billion in additional revenues would materialize and that K-12 would sustain a <\$2 >billion cut.
 - ▶ Based on the LAO's forecast, and assuming existing "trigger" language is enacted, the cut to K-12 education is now estimated at approximately <\$1.4> billion.
 - ▶ For IUSD this equates to a potential reduction of \$265/ADA or approximately <\$7.3> million.
 - Important to note that current language indicates that this is a one-time cut.....
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Financial Reporting Sequence

✓ 2010-2011 Unaudited Actuals	August
✓ State Budget Adoption	January / July
✓ First Interim Report	December
DOF 2011-12 Revised Revenue Projections.	December 15
Governor's 2012-2013 Budget Proposal	January
Second Interim Report	March
IUSD Budget Adoption	June
Final 2012-13 State Budget Adoption	????

First Interim Assumptions

	2011-12 1 st Interim	2012-13 Projected	2013-14 Projected
ADA Growth	750	500	500
Basic Aid Funding per student	\$5,440	\$5,446	\$5,610
CSR Income (net of penalties)	\$4,238,778	\$4,238,778	\$4,238,778
Fair Share State Reductions	\$6,326,623	\$5,237,848	\$776,772
Salary Increases	0%	0%	0%
Health Insurance Contributions	\$9,622	\$9,622	\$9,622
Retirement Incentive included	No	No	No
Utility Increases	5%	5%	5%
District Reserve Level	3%	3%	3%

IUSD's revenue limit was \$5,524 in 2006-07

Unrestricted Programs



Description	2011-12 1 st Interim	2012-13 Projected	2013-14 Projected
Total Revenues/Other Sources	\$145,103,820	\$147,974,949	\$158,612,422
Total Expenditures/Other Uses	<u>163,582,478</u>	<u>161,673,714</u>	<u>164,726,165</u>
NET INCREASE (DECREASE)	(18,478,658)	(13,698,765)	(6,113,743)
Beginning Balance, July 1	45,828,307	27,349,649	13,650,884
Ending Balance, June 30	<u>27,349,649</u>	<u>13,650,884</u>	<u>7,537,141</u>
Revolving Cash	150,000	150,000	150,000
Stores	250,000	250,000	250,000
Economic Uncertainties	7,157,000	6,890,005	7,019,056
Board Designated	<u>19,792,649</u>	<u>10,773,095</u>	<u>10,773,095</u>
Undesignated/Unappropriated	\$0	(\$4,412,216)	(\$10,655,010)

Unrestricted Programs



Detail of Board Designations	2011-12 1 st Interim	2012-13 Projected	2013-14 Projected
\$265 per ADA Reduction (1-Time)	\$7,273,095	\$7,273,095	\$7,273,095
ACLU Lawsuit	\$3,500,000	\$3,500,000	\$3,500,000
Designated for Future Shortfall	<u>\$9,019,554</u>	<u>\$0</u>	<u>\$0</u>
Total Board Designations	\$19,792,649	\$10,773,095	\$10,773,095

Restricted Programs

For the purposes of the 1st Interim Report, Restricted Programs are projected to spend their entire allocation.

Revenues	\$39.8 million
Contributions to Restricted	\$28.0 million
<u>Prior Year Carryover</u>	<u>\$ 5.8 million</u>
Total Available	\$73.6 million
<u>Expenditures</u>	<u>(\$73.6 million)</u>
Balance	\$ 0.0 million

First Interim Report

Observations/Challenges

- ▶ Although IUSD is fiscally solvent in 2011-12 there are challenges that lie ahead for future years.
 - ▶ There is great uncertainty surrounding mid-year cuts. Current law indicates that any mid-year cuts will be one-time in nature.
 - ▶ If there are mid-year cuts, the District will have to explore additional expenditure reductions and/or revenue enhancements to balance 2012-13.
- ▶ The California as well as the national economy remains sluggish and unpredictable....

1st Interim Report

Recommendation



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- ▶ Based upon the information included in the First Interim Report, staff is able to certify that IUSD can meet its obligations for the current fiscal year and 2012-13 as recommended by OCDE.
- ▶ Staff recommends a Positive Certification of the First Interim Report