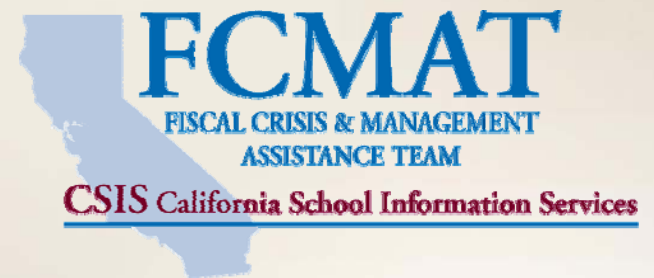


Stockton Unified School District Fiscal Review

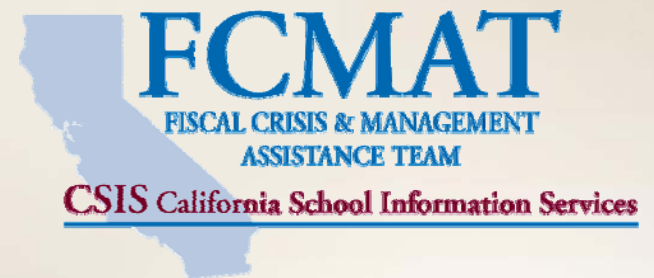
- **Presented by:**

Marisa Ploog, CPA
Fiscal Intervention Specialist



Fiscal Crisis & Management Assistance Team

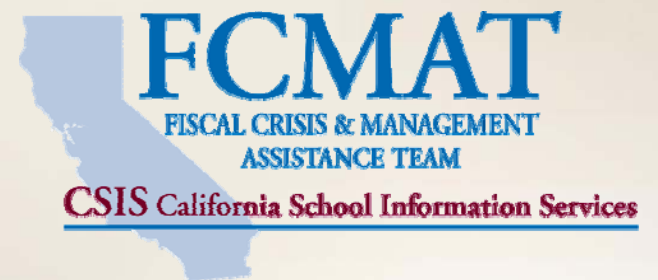
- FCMAT was established by legislation in accordance with Assembly Bill 1200 in 1992 as a service to assist local educational agencies in complying with fiscal accountability standards.
- FCMAT provides both management assistance and fiscal crisis intervention.
- FCMAT is a state funded agency. The Kern County Superintendent of Schools serves as the administrative agent.



Scope of Work

- Conduct an in-depth review of the District's 2010-11 general fund budget and complete a multiyear financial projection for the current and two subsequent fiscal years utilizing FCMAT's Budget Explorer Multiyear Financial Projection software.

Multi Year Financial Projection



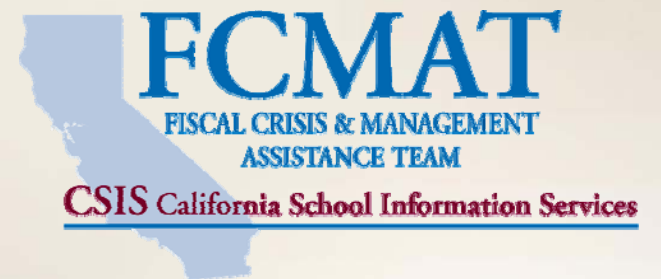
Multiyear Financial Projection

- Required by AB 1200 and AB 2756
- Required with the adoption budget and interim reports
- Produce accurately and timely with most current fiscal information available
- Projection of revenues and expenditures for the current and two subsequent fiscal years
 - Financial "Snapshot"
- District's primary objectives
 - Achieve and sustain a balanced budget
 - Improve academic achievement
 - Maintain local governance

Multiyear Financial Projection

- FCMAT Projection
 - Incorporates changes made due to Federal Education Jobs Funding
 - Includes cost of living adjustments and the latest deficit factors based on the State Adopted Budget for 2010-11
 - Includes the elimination of Class Size Reduction funding in fiscal year 2012-13
 - Includes staffing reductions due to declining enrollment in 2011-12 and 2012-13

Summary of Findings



MYFP Assessment

- The 2010-11 budget and multiyear financial projection as adopted by the district contained budget reduction measures that are not realistically achievable without significantly impairing the district's ability to deliver a sound educational program.
- Reliance on one-time revenue sources and short-term options create the need to identify new reduction measures.
- Reductions made during the 2010-11 fiscal year are insufficient to address the ongoing shortfall.

MYFP Assessment (continued)

- FCMAT's MYFP identifies a \$29.3 million dollar shortfall by 2012-13.
- Based on the state's enacted budget, reduction measures of 15 million are necessary to maintain a 2% reserve through 2012-13.
- A qualified certification should be expected for the first interim revised budget.
- The states economic circumstances continue to deteriorate increasing likelihood that districts will experience further reductions and/or cash deferrals in the future.

Multiyear Financial Projection

UNRESTRICTED - FCMAT	2010-11	2011-12	2012-13
Beginning Fund Balance	\$ 25,077,286	\$ 18,624,863	\$ 5,493,818
Revenue	\$ 205,788,211	\$ 201,870,287	\$ 193,538,757
Expenses	185,654,121	186,418,735	193,372,057
Excess / (Deficiency) before Other Sources & Uses	\$ 20,134,090	\$ 15,451,552	\$ 166,699
Interfund Transfers Out	\$ (315,383)	\$ (315,383)	\$ (315,383)
Contributions	(26,271,130)	(28,267,214)	(28,498,449)
Total Other Financing Sources, Uses & Contributions	\$ (26,586,513)	\$ (28,582,597)	\$ (28,813,832)
Net Increase/(Decrease) in Fund Balance	\$ (6,452,423)	\$ (13,131,045)	\$ (28,647,132)
Ending Fund Balance	\$ 18,624,863	\$ 5,493,818	\$ (23,153,315)
Unrestricted Reserve %	5.56%	1.77%	-7.47%
2% Minimum Reserve Requirement	\$ 6,697,312	\$ 6,199,277	\$ 6,195,655
Excess/(Shortfall) in Unrestricted Resources	\$ 11,927,551	\$ (705,459)	\$ (29,348,970)

- Identifies ongoing deficit spending in all three fiscal years that will continue unless new and significant revenues are identified and/or expenditure reductions made.
- Requires \$15 million in ongoing budget reduction measures beginning 2011-12 to maintain the 2% minimum reserve.

MYFP – Alternative Scenarios

Table 2 - FCMAT MYP Modified For State Budget Revisions and District Budget Reduction Level

UNRESTRICTED - FCMAT	2010-11	2011-12	2012-13
Beginning Fund Balance	\$ 25,077,286	\$ 10,316,784	\$ 16,007,660
Revenue	\$ 205,788,211	\$ 201,870,287	\$ 193,538,757
State Budget Change from May	(8,308,079)	(8,308,079)	(8,308,079)
	\$ 197,480,132	\$ 193,562,208	\$ 185,230,678
Expenses	185,654,121	186,418,735	193,372,057
Additional Necessary Budget Revisions		(27,130,000)	(27,130,000)
	\$ 185,654,121	\$ 159,288,735	\$ 166,242,057
Excess / (Deficiency) before Other Sources & Uses	\$ 11,826,011	\$ 34,273,473	\$ 18,988,620
Interfund Transfers Out	\$ (315,383)	\$ (315,383)	\$ (315,383)
Contributions	(26,271,130)	(28,267,214)	(28,498,449)
Total Other Financing Sources, Uses & Contributions	\$ (26,586,513)	\$ (28,582,597)	\$ (28,813,832)
Net Increase/(Decrease) in Fund Balance	\$ (14,760,502)	\$ 5,690,876	\$ (9,825,211)
Ending Fund Balance	\$ 10,316,784	\$ 16,007,660	\$ 6,182,448
Unrestricted Reserve %	3.09%	5.17%	2.00%

- Reflects the reductions necessary if funding is reduced by an amount reflective of the additional amount of Revenue Limit funding included in the state's 2010-11 enacted budget.

Qualified or Negative Budget Certification

- The county superintendent may invoke Education Code 42127.6 and direct the District to:
 - ✓ Submit a proposal for addressing the fiscal conditions that resulted in the determination that the District may not be able to meet its financial obligations

Education Code Section 42126 - 42127

Disapproved Budget Process

- The county superintendent may disapprove a district's budget and request revisions that address specific concerns, which may include:
 - ✓ Overly optimistic assumptions, including those related to reductions
 - ✓ Inadequate reserve levels and cash balances
 - ✓ Continued deficit spending

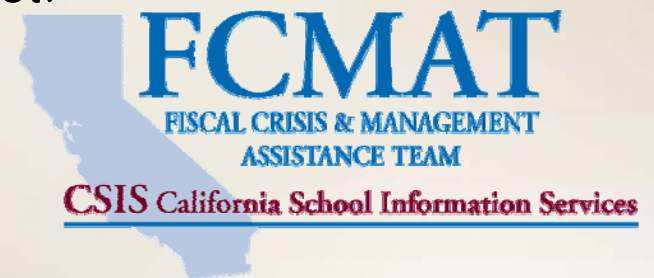
What Happens Next?

- Keep in mind that state intervention occurs when the District runs out of money.
- Running out of money is a function of long-term indicators of fiscal distress and deficit spending.
- The FCMAT team will prepare an updated cash flow projection that will enable the District to determine when it will deplete cash reserves in all funds barring any action by the governing board.

State Intervention Process

The recovery process can take up to 20 years.

- The governing board will lose local control and the District Superintendent position is eliminated.
- The district will be responsible to pay the state loan with interest and the cost of a State Administrator.
- The FCMAT team will make periodic assessments of the District's progress – an additional cost to the district.



Questions & Answers

