


# EVERGREEN SCHOOL DISTRICT

Enclosure No. 11  
Agenda Item 11.3  
Date 12/13/12

DATE: December 13, 2012

TO: Katherine Gomez, Superintendent and  
The Board of Trustees

FROM: Nelly Yang – Chief Financial Officer 

SUBJECT: Approval of First Interim Report – Fiscal Year 2012-13

The First Interim Report reflects a “Qualified Certification.” Based on current projections, Evergreen School District may not meet its financial obligations for FY 2014-15. There is a shortage of \$7.42 million to meet the minimum required 3% reserve in FY 2014-15. The successful passing of Proposition 30 stopped the additional reduction of \$420 per ADA (average daily attendance), but it did not allocate additional revenue to Evergreen School District. Considering the current year revenue limit per ADA, only \$4,992 is actually being funded instead of the \$6,422 the District should receive. The difference in total revenue for the District in FY 2012-13 is \$18.6 million.

The Santa Clara County Office of Education requested that school districts prepare the First Interim Report based on the School Services of California’s Financial Projection Dartboard (attached). The major assumptions of this report are:

## Revenue Assumptions

- Net Revenue Limit Change : FY 2012-13 at 1.08%; FY 2013-14 at 0%; and FY 2014-15 at 2.3%
- Mandated Block Grant of \$28 per ADA beginning in FY 2012-13
- Five year Parcel Tax expiring on June 30, 2014
- Continued utilization of State Tier III flexibility
- Federal sequestration cut of 8.2% not included
- Federal, State and Local allowed revenue carryovers (\$1.7 million) included in FY 2012-13

## Expenditure Assumptions

- Enrollments based on November 2012 demographer's report which indicates a reduction of 42 students in FY 2013-14 resulting in a reduction of 2 teachers and a reduction of 254 students in FY 2014-15 resulting in a reduction of 10 teachers
- \$1.15 million in Step/Column salary increases in all groups
- Savings from four teacher retirements
- Savings from leaves/resignations
- No salary increase for all groups
- Health benefits cost increase of 5.47%
- K-3 class size maintained at 1:24
- Home to school transportation maintained at FY 2012-13 level
- Library service maintained at FY 2012-13 level
- Assistant principals maintained at FY 2012-13 level

The District utilized all available one-time revenues in FY 2011-12 and started the 2012-13 school year with an available reserve of \$19.13 million. Based on the current projections, the District will use \$6.25 million in FY 2012-13 and \$7.95 million in FY 2013-14. With the additional projected deficit spending of \$10.06 million in FY 2014-15, the district will not have enough reserves to meet the minimum required 3% reserve. The budget shortfall will be \$7.42 million. In order to control deficit spending, the District must find additional revenues and/or control the cost increases.

### **RECOMMENDATION:**

It is recommended that the Board of Trustees approve the First Interim Report.

Attachment

## SSC School District and County Office Financial Projection Dashboard 2012-13 First Interim Reporting Period

This version of SSC's Financial Projection Dashboard is based on the 2012-13 First Interim Reporting Period. The statutory COLA, CPI, and ten-year T-bill planning factors reflect economic forecasts as of November 2012. We rely on various state agencies and outside sources in developing these factors, but we assume responsibility for them with the understanding that they are, at best, general guidelines.

| Factor   |                | 2011-12  | 2012-13  | 2013-14            | 2014-15  | 2015-16  | 2016-17  |
|--|----------------|----------|----------|--------------------|----------|----------|----------|
| Statutory COLA (applies to K-12 and COE Revenue Limits)              |                | 2.24%    | 3.24%    | 2.00% <sup>1</sup> | 2.30%    | 2.50%    | 2.70%    |
| K-12 Revenue Limit Deficit %   |                | 20.602%  | 22.272%  | 22.272%            | 22.272%  | 22.272%  | 22.272%  |
| COE Revenue Limit Deficit %  |                | 20.889%  | 22.549%  | 22.549%            | 22.549%  | 22.549%  | 22.549%  |
| SSC Planning COLA  |                | —        | 0.00%    | 0.00% <sup>1</sup> | 2.30%    | 2.50%    | 2.70%    |
| Net Revenue Limit Change:  | K-12           | -1.06%   | 1.08%    | 0.00%              | 2.30%    | 2.50%    | 2.70%    |
|  | COEs           | -1.06%   | 1.08%    | 0.00%              | 2.30%    | 2.50%    | 2.70%    |
| Special Education COLA (on state and local share only)               |                | 0.00%    | 0.00%    | 0.00%              | 2.30%    | 2.50%    | 2.70%    |
| State Categorical Funding COLA (including adult education and ROC/P) |                |          |          |                    |          |          |          |
|  | Tier I         | 0.00%    | 0.00%    | 0.00%              | 2.30%    | N/A      | N/A      |
|  | Tier II        | 0.00%    | 0.00%    | 0.00%              | 2.30%    | N/A      | N/A      |
|  | Tier III       | 0.00%    | 0.00%    | 0.00%              | 2.30%    | N/A      | N/A      |
| California CPI   |                | 2.39%    | 2.60%    | 2.30%              | 2.50%    | 2.60%    | 2.80%    |
| California Lottery <sup>3</sup>                                      | Base           | \$125.00 | \$124.25 | \$124.25           | \$124.25 | \$124.25 | \$124.25 |
|  | Proposition 20 | \$30.00  | \$30.00  | \$30.00            | \$30.00  | \$30.00  | \$30.00  |
| Interest Rate for Ten-Year Treasuries                                |                | 1.93%    | 1.75%    | 2.00%              | 2.30%    | 2.60%    | 2.90%    |

### ESTIMATED STATEWIDE AVERAGE BASE REVENUE LIMITS PER ADA "UNDEFICITED"

| Year                                    | Elementary | High School | Unified |
|---|------------|-------------|---------|
| 2011-12 Statewide Average (est.)        | \$6,247    | \$7,504     | \$6,536 |
| 2012-13 Inflation Increase @ 3.24% COLA | 202        | 243         | 212     |
| 2012-13 Statewide Average (est.)        | \$6,449    | \$7,747     | \$6,748 |

### 2012-13 BUDGET ACT ESTIMATED CHARTER SCHOOL RATES

|   | K-3     | 4-6     | 7-8     | 9-12    |
|---|---------|---------|---------|---------|
| General Purpose Block Grant (will change at each apportionment) | \$5,076 | \$5,153 | \$5,308 | \$6,141 |
| Categorical Block Grant (est.) <sup>2</sup>                     | 400     | 400     | 400     | 400     |
| Total   | \$5,476 | \$5,553 | \$5,708 | \$6,541 |

<sup>1</sup>While a positive statutory COLA is projected for 2013-14, the state's ability to fund it is suspect. Districts should have a contingency plan if the state decides not to fund this COLA percentage.

<sup>2</sup>The Charter School Categorical Block Grant rates do not include Economic Impact Aid funding, which is provided separately. In addition, for charter schools that began operation in or after 2008-09, there is an additional amount per ADA in supplemental categorical block grant funding.

<sup>3</sup>The forecast for Lottery funding per ADA includes both base (unrestricted) funding and the amount restricted by Proposition 20 (2000) for instructional materials. Lottery funding is initially based on prior-year annual ADA—and is ultimately based on current-year annual ADA—times the historic statewide average excused absence factor of 1.04446.