



**ESCONDIDO UNION
SCHOOL DISTRICT**

APRIL 28, 2011



CASH FLOW



- ❖ **FUND BALANCE AND CASH BALANCE NOT THE SAME**
- ❖ **BEFORE DEFERRALS, THERE WAS CONSIDERABLE CORRELATION BETWEEN A DISTRICT'S FUND BALANCE AND CASH BALANCE**
- ❖ **DEFERRALS, DEFINED AS DELAYED PAYMENTS, STARTED AS A BUDGET GIMMICK IN 2002-2003, WHEN PAYMENT OF THE JUNE APPORTIONMENT PAYMENT WAS POSTPONED UNTIL EARLY JULY**
- ❖ **CURRENT DEFERRALS HAVE TRIPLED, AND HAVE MOVED FROM DELAYS MEASURED IN DAYS TO DELAYS MEASURED IN MONTHS**
- ❖ **WITH INCREASING DEFERRALS, DISTRICTS CAN HAVE ADEQUATE FUND BALANCE AND RESERVE LEVELS
.....AND STILL RUN OUT OF CASH TO PAY THE BILLS!**

CASH FLOW



❖ LEGISLATIVE AUTHORITY FOR THE CURRENT DEFERRALS OF STATE FUNDING ARE FOUND IN ASSEMBLY BILL X8 14, SENATE BILL 70 (SB 70), AND SB 82

❖ THE 2011-2012 STATE BUDGET WILL INCLUDE AT LEAST \$9 BILLION IN INTER-YEAR DEFERRALS, ALONG WITH \$690 MILLION OF DELAYED CATEGORICAL PAYMENTS

❑ ANOTHER \$6.6 BILLION OF INTRA-YEAR DEFERRALS WILL DELAY ARRIVAL OF PAYMENTS BEYOND THEIR NORMAL TIMING WITHIN THE FISCAL YEAR

CASH FLOW



❖ BY THE END OF 2011-2012, THE STATE WILL STILL OWE THE DISTRICT ABOUT 31% OF STATE REVENUES – IN EXCESS OF \$20 MILLION FOR EUSD!

❖ THIS AMOUNTS TO ABOUT \$1,585 PER AVERAGE DAILY ATTENDANCE (ADA), ALONG WITH ANOTHER \$115/ADA IN CATEGORICAL FUNDS STILL OWED – TOTAL IS \$1,700 PER ADA

CASH FLOW



- ❖ THE DEFERRAL SITUATION WILL BE VERY DIFFICULT FOR THE STATE TO REVERSE, EVEN WHEN (IF) STATE REVENUES BEGIN TO RECOVER
- WILL REQUIRE INCREASED STATE REVENUES
- WILL REQUIRE IMPROVED STATE CASH FLOWS
- WILL REQUIRE DISCIPLINE FROM STATE LAWMAKERS TO DIRECT AVAILABLE FUNDING TO PAY FOR PRIOR COMMITMENTS, RATHER THAN ENACTING NEW PROGRAMS

CASH FLOW



- ❖ DISTRICTS THAT RUN SHORT OF CASH HAVE A FEW OPTIONS:
- ❖ REDUCE PLANNED EXPENDITURES – MISSION CRITICAL EXPENDITURES ONLY
- ❖ PERMANENT TRANSFERS FROM OTHER DISTRICT FUNDS (ONE-TIME SOLUTION)
 - NEED NOT BE REPAYED – EXAMPLE IS FUNDING FROM A SPECIAL REVENUE FUND
 - ❖ DISTRICT'S 2011-2012 BUDGET INCLUDES THE ONE-TIME USE OF PERMANENT TRANSFERS OF \$5.3 MILLION
 - \$2 MILLION FROM FUND 17-42 (GASB 45)
 - \$100,000 FROM FUND 17-35 (ARBITRAGE FUND)
 - \$3.2 MILLION FROM FUND 25-38 (REDEVELOPMENT – ASSUMES THAT THE CITY WILL HONOR AGREEMENT TO PAY AN ESTIMATED \$2.7 MILLION IN REDEVELOPMENT FUNDS IN OCTOBER, 2011)

CASH FLOW



DISTRICTS CAN BORROW TEMPORARILY FROM OTHER AVAILABLE DISTRICT FUNDS

- ❖ FUNDS MUST BE REPAID WITH INTEREST
- ❖ LIMITED TO 75% OF AVAILABLE FUND BALANCE OF ANY INDIVIDUAL FUND
- ❖ IF BORROWED WITHIN 120 DAYS OF FISCAL YEAR END, MAY REPAY AT ANY TIME DURING NEXT FISCAL YEAR

❖ **BORROW FROM COUNTY TREASURY**

❖ **BORROW FROM COUNTY OFFICE OF EDUCATION**

- BOTH OPTIONS REQUIRE A DISTRICT TO HAVE FIRST EXHAUSTED OTHER BORROWING OPTIONS, INCLUDING TAX AND REVENUE ANTICIPATION NOTES (TRAN) BEFORE APPLYING FOR A COUNTY LOAN**

CASH FLOW



- DISTRICTS MAY BORROW FROM THE COUNTY UP TO 85% OF THE REMAINING PROPERTY TAXES AND STATE APPORTIONMENT DUE FOR THE YEAR**

- REPAYMENT WITH INTEREST IS REQUIRED TO COME FROM CURRENT-YEAR REVENUES – WHICH IS WHY THE COUNTY TREASURY REPAYS ITSELF BY DEDUCTING THE AMOUNT OWED FROM THE DEFERRED PAYMENTS DUE TO A DISTRICT IN THE SUMMER (JULY AND AUGUST IN 2012)**

- THIS OPTION MAY NOT BE BENEFICIAL FOR DISTRICTS THAT HAVE LARGE SUMMER PAYROLLS, DUE TO THE NEED TO MAKE PAYROLL AND REPAY THE LOAN SIMULTANEOUSLY**

CASH FLOW



❖ TAX AND REVENUE ANTICIPATION NOTE PROGRAM (TRAN)

- SHORT TERM LOAN WITHIN A GIVEN FISCAL YEAR
 - GIVEN CURRENT INTEREST RATE CLIMATE, THERE IS A COST TO BORROW MONEY - EXCESS EARNINGS MAY BE TAXABLE
 - MUST REPAY WITH CURRENT-YEAR REVENUES
 - TYPICAL REPAYMENT STRUCTURE IS JANUARY (100%), OR JANUARY AND APRIL REPAYMENTS (50% EACH)
- ❖ 2011-2012 SDCOE TRAN PROGRAM WOULD HAVE REQUIRED REPAYMENT BY APRIL 2012

CASH FLOW



❖ 2011-2012 CASH FLOW ESTIMATES WERE BASED ON SAN DIEGO COUNTY OFFICE OF EDUCATION (SDCOE) PROJECTIONS

- THE LATEST INFORMATION ON 2011-2012 DEFERRALS WAS TAKEN INTO CONSIDERATION
 - AMOUNTS WERE MODIFIED BASED ON THE DISTRICT'S UNIQUE PROGRAMS AND CIRCUMSTANCES
 - BUDGET SOLUTIONS APPROVED BY THE BOARD OF EDUCATION IN MARCH WERE INCLUDED
- ❖ TWO SCENARIOS WERE ASSUMED – REDUCTIONS OF \$349/ADA AND \$825/ADA

CASH FLOW



❖ **AFTER ANALYSIS BY GOVERNMENT FINANCIAL STRATEGIES, INC. (SDCOE TRAN POOL FINANCIAL CONSULTANTS), WE COLLECTIVELY AGREED TO FOREGO PARTICIPATION IN THE JULY 2011 TRAN POOL**

- FUNDS WOULD HAVE TO BE REPAID PRIOR TO OUR GREATEST NEED - JUNE 2012**
- WE HAVE THE ABILITY TO MODIFY WHEN WE WOULD MAKE THE PERMANENT TRANSFERS - \$5.3 MILLION OF APPROVED BUDGET SOLUTIONS**
- WE HAVE THE ABILITY TO BORROW AS MUCH AS \$5 MILLION TEMPORARILY FROM OTHER DISTRICT FUNDS (WOULD NEED TO REPAY)**

CASH FLOW



❖ **BOTH SCENARIOS INDICATE THAT OUR MOST SERIOUS CASH NEED WILL COME AT THE END OF 2011-2012, AFTER ANY TRAN WOULD BE REPAID**

❖ **MOST DISTRICTS ARE IN A SIMILAR POSITION**

❖ **CURRENTLY, THERE IS NO SOLUTION TO THE PROBLEM, THOUGH THE COUNTY OFFICE AND GOVERNMENT FINANCIAL STRATEGIES CONTINUE TO WORK ON THIS ISSUE**

❖ **A TRAN PROGRAM THAT SPANS TWO FISCAL YEARS IS A POSSIBILITY, BUT IS HINDERED BY THE REQUIREMENT TO REPAY IT WITH FUNDS FROM THE SAME YEAR THE BORROWING TAKES PLACE**

- EXAMPLE: UNDER CURRENT LAW, TRAN FUNDING BORROWED IN MAY OR JUNE 2012 WOULD NEED TO BE REPAID WITH STATE FUNDING EARNED IN 2011-2012, AND PAID TO DISTRICTS IN JULY AND AUGUST 2012 (DEFERRED)**

	10-Jul	10-Aug	10-Sep	10-Oct	10-Nov	10-Dec
BEGINNING BALANCE	\$10,724,763	\$9,930,752	\$9,233,782	\$9,032,652	\$4,538,257	\$3,700,683
REVENUES	\$125,433	\$5,322,773	\$9,655,489	\$6,481,669	\$9,857,799	\$29,144,759
OTHER INFLOWS (ACCRUALS)	\$9,175,687	\$4,295,745	\$3,247,758	\$2,510,157	\$596,219	\$256,297
SALARY/BENEFITS	\$7,436,744	\$8,576,867	\$9,998,768	\$10,071,020	\$10,123,632	\$10,034,810
OTHER CASH						
OUTFLOWS	\$2,658,387	\$1,738,621	\$3,105,609	\$3,415,201	\$1,167,960	\$2,340,122
2010-2011						
ENDING BALANCE	\$7,585,211	\$17,001,435	\$11,711,478	\$20,517,578	\$14,085,400	\$4,676,264

	11-Jan	11-Feb	11-Mar	11-Apr	11-May	11-Jun
BEGINNING BALANCE	\$20,726,807	\$24,585,211	\$17,001,435	\$11,171,478	\$20,317,679	\$14,085,400
REVENUES	\$14,091,309	\$3,033,300	\$4,862,691	\$21,368,218	\$5,870,668	\$5,090,976
OTHER INFLOWS (ACCRUALS)	\$11,027,063	\$599,436	\$628,899	\$1,284,526	\$340,472	\$1,299,594
SALARY/BENEFITS	\$10,113,969	\$10,070,330	\$10,048,216	\$10,359,153	\$10,215,780	\$10,292,280
OTHER CASH						
OUTFLOWS	\$11,145,999	\$1,146,182	\$1,273,331	\$3,147,390	\$2,227,639	\$3,507,426
ENDING BALANCE	\$24,585,211	\$17,001,435	\$11,171,478	\$20,517,578	\$14,085,400	\$4,676,264

	11-Jul	11-Aug	11-Sep	11-Oct	11-Nov	11-Dec
BEGINNING BALANCE	\$6,676,264	\$9,084,551	\$5,001,555	\$9,845,070	\$1,959,790	\$1,211,300
REVENUE & OTHER INFLOWS (ACCRUALS)	\$13,065,237	\$6,620,305	\$15,924,656	\$3,810,223	\$9,572,543	\$17,955,842
TEMPORARY BORROWING FROM OTHER FUNDS						
			2011-2012 \$349/ADA			
SALARY/BENEFITS	\$7,381,087	\$8,058,572	\$9,384,190	\$9,720,911	\$9,656,318	\$9,549,579
OTHER CASH OUTFLOWS	\$3,275,863	\$2,644,729	\$1,696,951	\$1,974,592	\$1,664,715	\$1,417,714
ENDING BALANCE	\$18,844,546	\$10,562,562	\$1,938,249	\$5,104,316	\$2,523,001	\$2,523,001

	12-Jan	12-Feb	12-Mar	12-Apr	12-May	12-Jun
BEGINNING BALANCE	\$8,199,849	\$18,844,546	\$10,562,562	\$1,938,249	\$5,104,316	\$2,523,001
REVENUE & OTHER INFLOWS (ACCRUALS)	\$22,023,763	\$4,426,430	\$3,072,113	\$14,958,896	\$6,192,909	\$3,266,820
TEMPORARY BORROWING FROM OTHER FUNDS						\$5,500,000
SALARY/BENEFITS	\$9,612,958	\$9,816,531	\$9,933,705	\$10,137,352	\$9,947,811	\$10,210,381
OTHER CASH OUTFLOWS	\$1,766,108	\$2,891,883	\$1,762,721	\$1,655,477	\$1,826,413	\$3,699,033

	11-Jul	11-Aug	11-Sep	11-Oct	11-Nov	11-Dec
BEGINNING BALANCE	\$6,676,264	\$9,084,551	\$5,001,555	\$8,830,504	\$1,945,224	\$502,450
REVENUE & OTHER INFLOWS (ACCRUALS)	\$13,065,237	\$6,620,305	\$14,910,090	\$3,810,223	\$8,778,259	\$17,161,558
TEMPORARY BORROWING FROM OTHER FUNDS	2011-2012 \$825/ADA					
SALARY/BENEFITS	\$7,381,067	\$8,058,572	\$9,384,190	\$9,720,911	\$9,656,318	\$9,549,579
OTHER CASH OUTFLOWS	\$3,275,863	\$2,644,729	\$1,686,951	\$1,974,592	\$1,664,715	\$1,417,714
	12-Jan	12-Feb	12-Mar	12-Apr	12-May	12-Jun
BEGINNING BALANCE	\$6,696,715	\$15,090,203	\$6,759,606	\$1,388,293	\$4,125,697	\$3,900,170
REVENUE & OTHER INFLOWS (ACCRUALS)	\$19,772,554	\$4,377,817	\$3,072,113	\$14,530,233	\$6,048,697	\$3,266,820
TEMPORARY BORROWING FROM OTHER FUNDS					\$5,500,000	
SALARY/BENEFITS	\$9,612,958	\$9,816,531	\$9,933,705	\$10,137,352	\$9,947,811	\$10,210,381
OTHER CASH OUTFLOWS	\$1,766,108	\$2,891,883	\$1,762,721	\$1,655,477	\$1,826,413	\$3,699,033

2010-2011 PROJECTED CASH FLOW

	10-Jul	10-Aug	10-Sep	10-Oct	10-Nov	10-Dec	11-Jan	11-Feb	11-Mar	11-Apr	11-May	11-Jun
BEGINNING BALANCE	\$10,724,763	\$9,930,752	\$9,233,782	\$9,032,652	\$4,538,257	\$3,700,683	\$20,726,807	\$24,585,211	\$17,001,435	\$11,171,478	\$20,317,679	\$14,085,400
REVENUES	\$125,433	\$5,322,773	\$9,655,489	\$6,481,669	\$9,857,799	\$29,144,759	\$14,091,309	\$3,033,300	\$4,862,691	\$21,368,218	\$5,870,668	\$5,090,976
OTHER INFLOWS (ACCRUALS)	\$9,175,687	\$4,295,745	\$3,247,758	\$2,510,157	\$596,219	\$256,297	\$11,027,063	\$599,436	\$628,899	\$1,284,526	\$340,472	\$1,299,594
SALARY/BENEFITS	\$7,436,744	\$8,576,867	\$9,998,768	\$10,071,020	\$10,123,632	\$10,034,810	\$10,113,969	\$10,070,330	\$10,048,216	\$10,359,153	\$10,215,780	\$10,292,280

OTHER CASH OUTFLOWS	\$2,658,387	\$1,738,621	\$3,105,609	\$3,415,201	\$1,167,960	\$2,340,122	\$11,145,999	\$1,146,182	\$1,273,331	\$3,147,390	\$2,227,639	\$3,507,426
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2011-2012 PROJECTED CASH FLOW - IF REDUCTIONS LIMITED TO \$349/ADA

	11-Jul	11-Aug	11-Sep	11-Oct	11-Nov	11-Dec	12-Jan	12-Feb	12-Mar	12-Apr	12-May	12-Jun
BEGINNING BALANCE	\$6,676,264	\$9,084,551	\$5,001,555	\$9,845,070	\$1,959,790	\$1,211,300	\$8,199,849	\$18,844,546	\$10,562,562	\$1,938,249	\$5,104,316	\$2,523,001
REVENUE & OTHER INFLOWS (ACCRUALS)	\$13,065,237	\$6,620,305	\$15,924,656	\$3,810,223	\$9,572,543	\$17,955,842	\$22,023,763	\$4,426,430	\$3,072,113	\$14,958,896	\$6,192,909	\$3,266,820

TEMPORARY BORROWING FROM OTHER FUNDS												\$5,500,000
SALARY/BENEFITS	\$7,381,087	\$8,058,572	\$9,384,190	\$9,720,911	\$9,656,318	\$9,549,579	\$9,612,958	\$9,816,531	\$9,933,705	\$10,137,352	\$9,947,811	\$10,210,381

OTHER CASH OUTFLOWS	\$3,275,863	\$2,644,729	\$1,696,951	\$1,974,592	\$1,664,715	\$1,417,714	\$1,766,108	\$2,891,883	\$1,762,721	\$1,655,477	\$1,826,413	\$3,699,033
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2011-2012 PROJECTED CASH FLOW - IF REDUCTIONS \$825/ADA

	11-Jul	11-Aug	11-Sep	11-Oct	11-Nov	11-Dec	12-Jan	12-Feb	12-Mar	12-Apr	12-May	12-Jun
BEGINNING BALANCE	\$6,676,264	\$9,084,551	\$5,001,555	\$8,830,504	\$1,945,224	\$502,450	\$6,696,715	\$15,090,203	\$6,759,606	\$1,388,293	\$4,125,697	\$3,900,170
REVENUE & OTHER INFLOWS (ACCRUALS)	\$13,065,237	\$6,620,305	\$14,910,090	\$3,810,223	\$8,778,259	\$17,161,558	\$19,772,554	\$4,377,817	\$3,072,113	\$14,530,233	\$6,048,697	\$3,266,820

TEMPORARY BORROWING FROM OTHER FUNDS												\$5,500,000
SALARY/BENEFITS	\$7,381,087	\$8,058,572	\$9,384,190	\$9,720,911	\$9,656,318	\$9,549,579	\$9,612,958	\$9,816,531	\$9,933,705	\$10,137,352	\$9,947,811	\$10,210,381

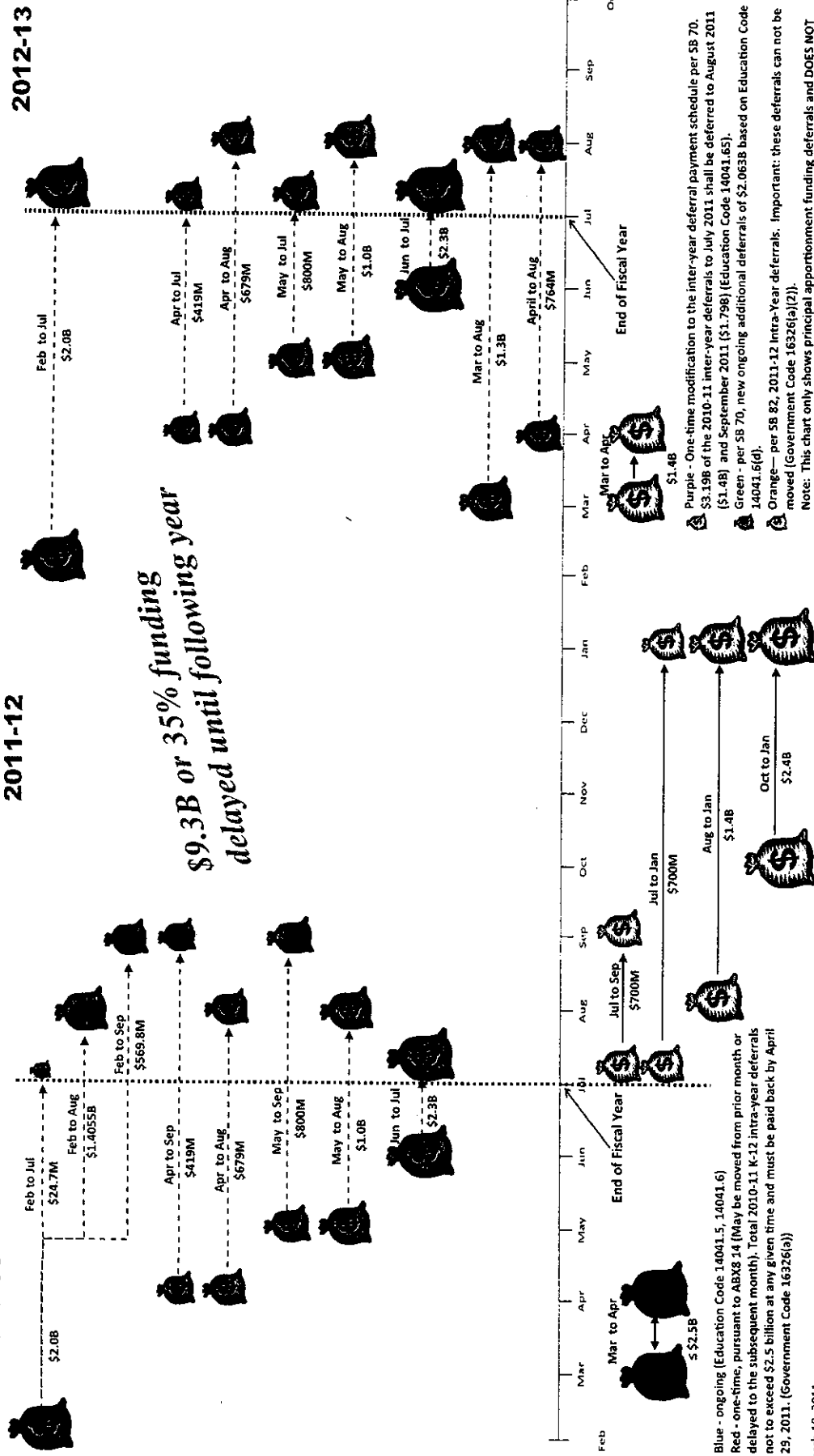
OTHER CASH OUTFLOWS	\$3,275,863	\$2,644,729	\$1,696,951	\$1,974,592	\$1,664,715	\$1,417,714	\$1,766,108	\$2,891,883	\$1,762,721	\$1,655,477	\$1,826,413	\$3,699,033
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Delayed Principal Apportionment Funding

2010-11

2012-13

2011-12



Blue - ongoing (Education Code 14041.5, 14041.6)
 Red - one-time, pursuant to ABX8 14 (May be moved from prior month or delayed to the subsequent month). Total 2010-11 K-12 intra-year deferrals not to exceed \$2.5 billion at any given time and must be paid back by April 29, 2011. (Government Code 16326(a))
 Purple - One-time modification to the inter-year deferral payment schedule per SB 70. \$3.19B of the 2010-11 inter-year deferrals to July 2011 shall be deferred to August 2011 (\$1.4B) and September 2011 (\$1.79B) (Education Code 14041.65).
 Green - per SB 70, new ongoing additional deferrals of \$2.063B based on Education Code 14041.6(d).
 Orange - per SB 82, 2011-12 Intra-Year deferrals. Important: these deferrals can not be moved (Government Code 16326(a)(2)).
 Note: This chart only shows principal apportionment funding deferrals and DOES NOT include the \$570M K-3 CSR deferral.