

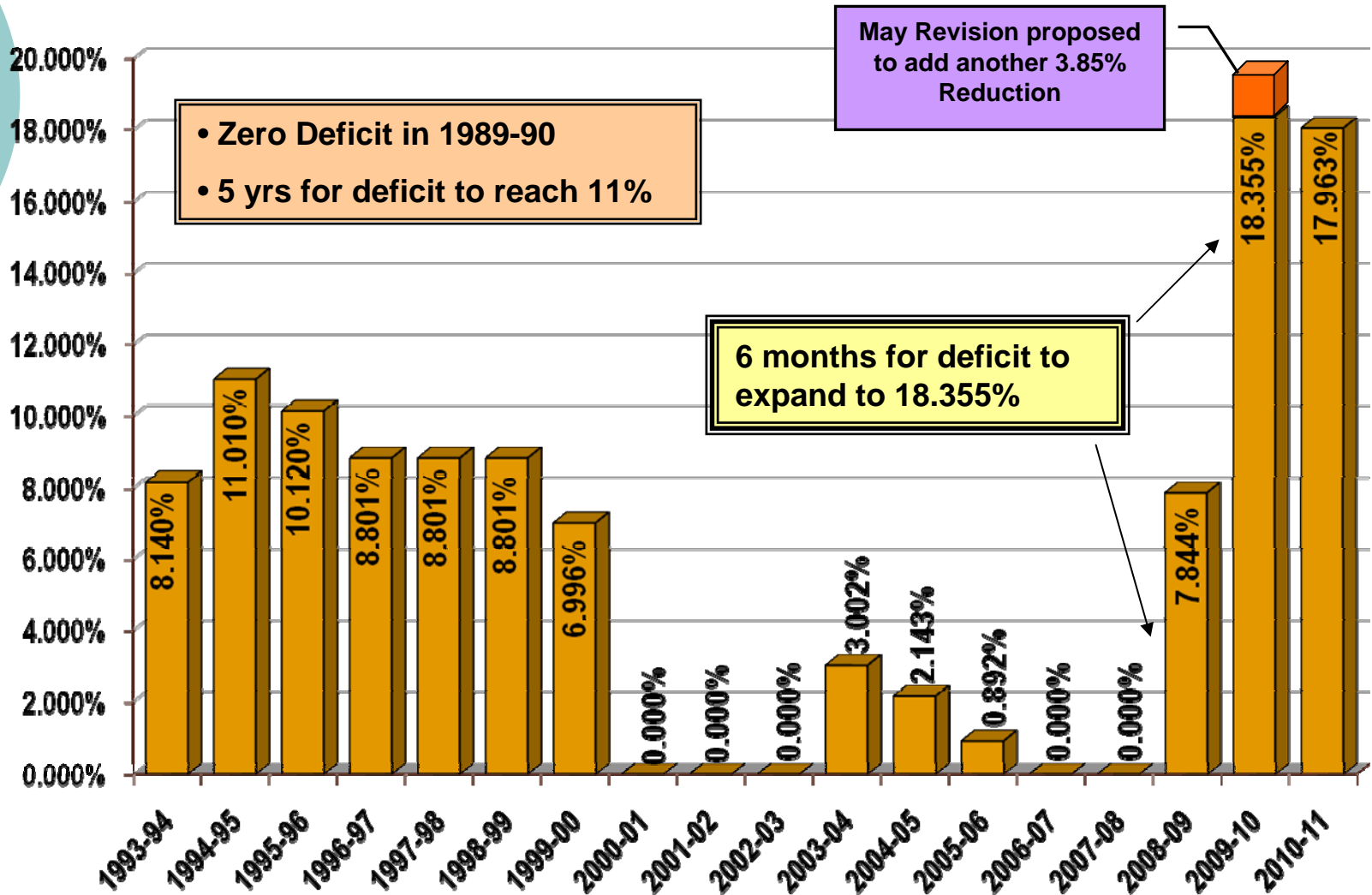
Financial Outlook

October 26, 2010



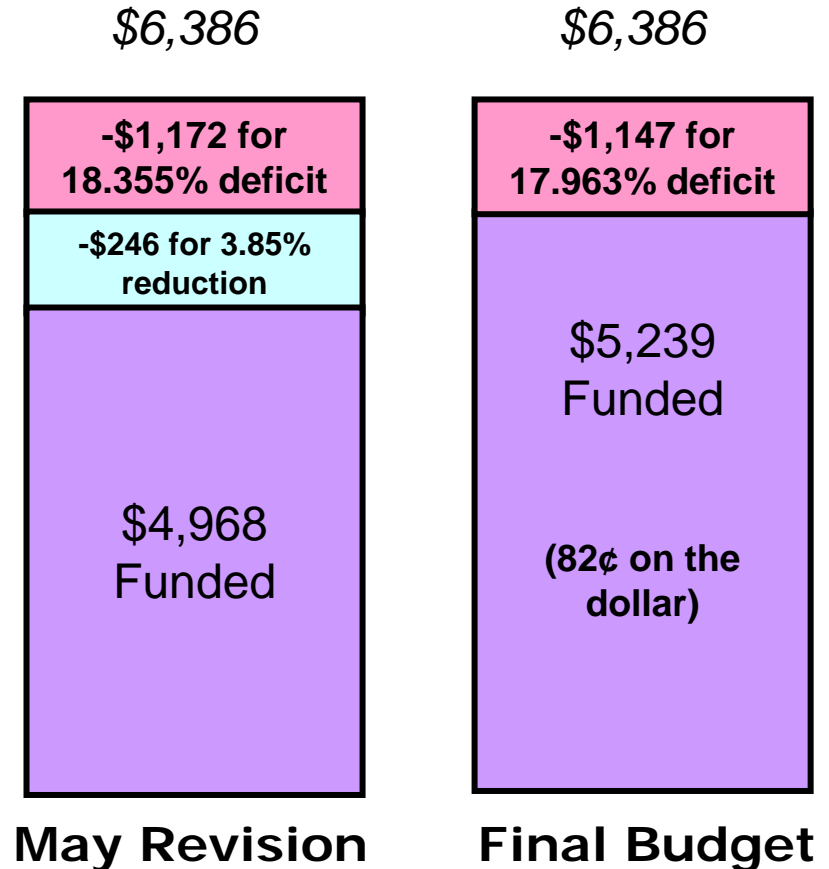
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- Summarize State's Budget for Education
 - Risky Assumptions
 - Potential Gain
 - District's Outlook
 - Cash Deferrals
 - Causes of Budget Imbalance
 - Recommendations

Deficit Factors



May Revision vs Final Budget

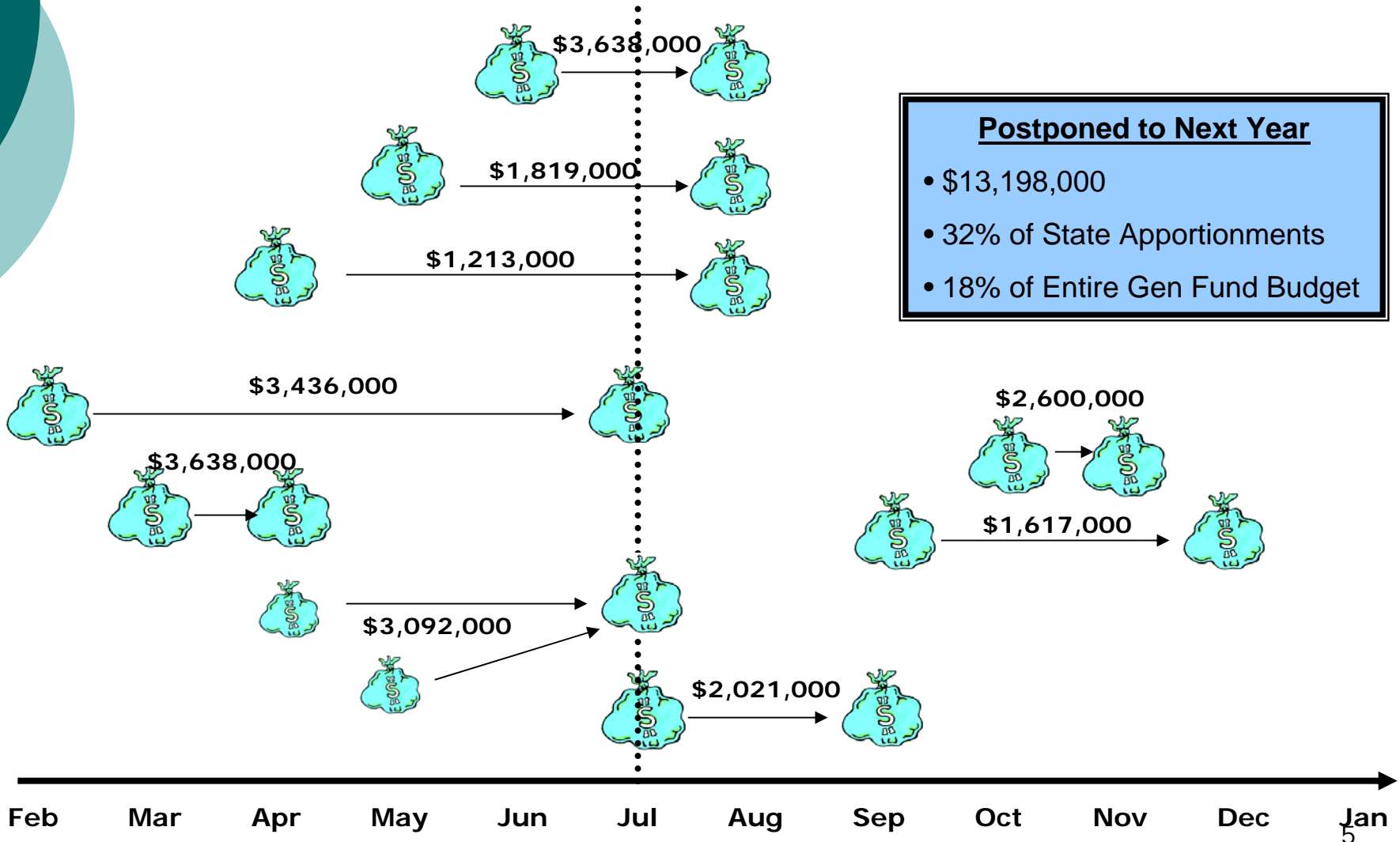
- \$6,386 per ADA funding if Proposition 98 is fully funded
- \$271 per ADA or 5.4% increase from May Revision
 - Eliminated 3.85% reduction
 - Reduced deficit by .39%
- Yields \$2.4M to YCJUSD
- Final Budget Shaky
 - Suspends Prop 98



Risky State Assumptions

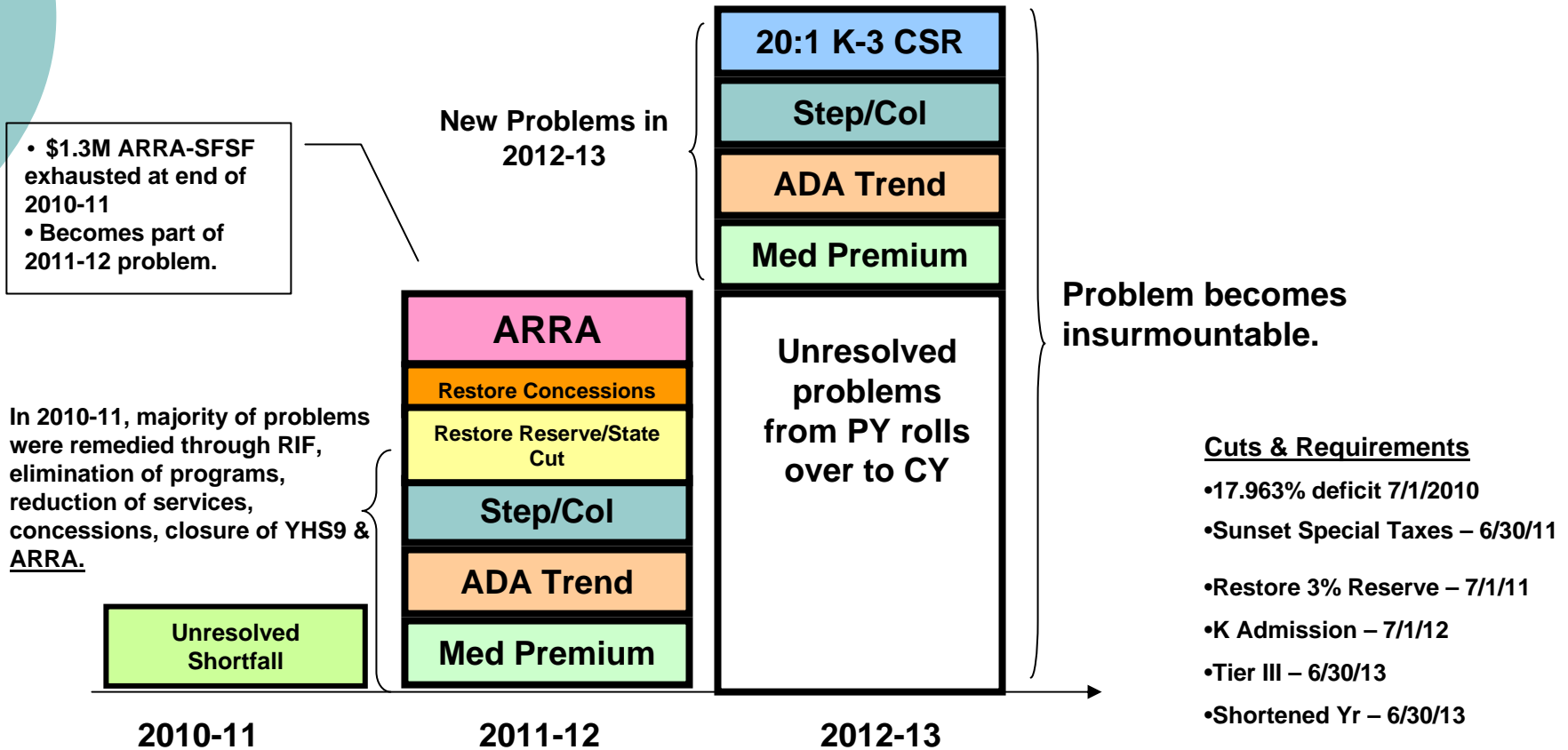
- Boosted Revenue Assumptions by \$1.4B
 - 5.7% on top of May Revision
 - Actual July & August revenues on track w/ May Revision
- Federal Reimbursement: \$5.3B (one-time)
 - \$1.6B more from May Revision
- \$7.5B Cuts to Other Areas of Budget
 - 1/3 of the fiscal year already lapsed
- Expiration of temporary taxes/fees in 2011-12
 - 1¢ sales tax
 - Increased withholdings
 - .5% increase in Vehicle License Fee
- Economy continues to sag
 - Unemployment hovers around 12.4%
 - Home sales and construction remain sluggish
- Relies upon deferrals
 - Deferral of corporate tax reduction: \$1.2B (one-time)
 - Defers another \$1.7B from schools for total of \$7B deferred
- Estimated \$10B structural deficit (despite optimistic assumptions)
- Suspends Proposition 98

IOUs (YCJUSD) - Shifts & Deferrals



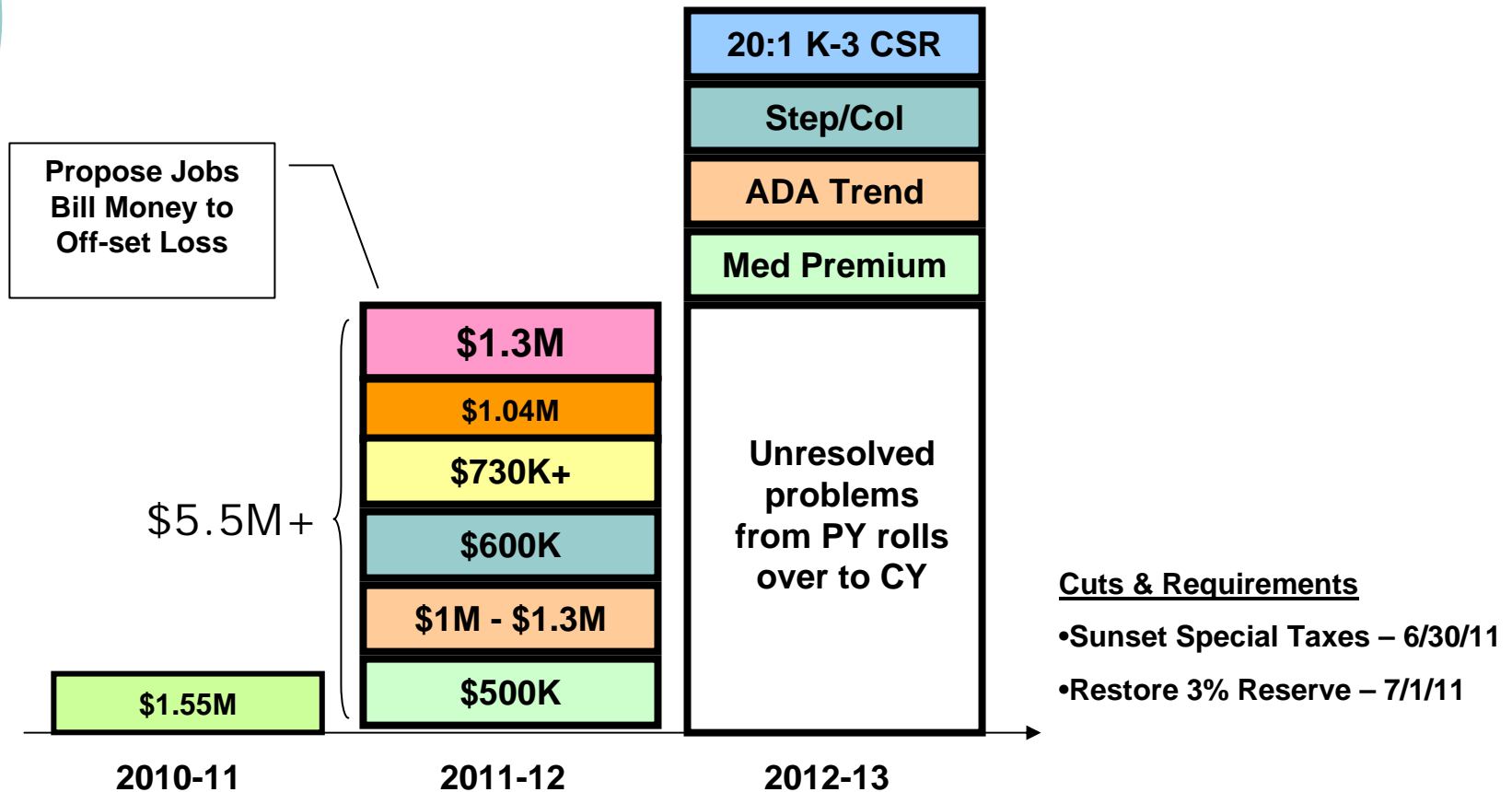
Causes of Budget Imbalance (YCJUSD)

Unresolved Imbalance Compounds



Quantifying the Problems (YCJUSD)

Causes of Budget Imbalance



Summary

- Be Cautious of New Money
 - Basis for State Budget is Shaky
 - Based on politics not economics
 - Suspends Prop 98
- District's Problems Persist
 - Necessitate (\$6.6M) County Loan due to State Deferrals
 - Expenditure exceeds Revenues
 - 17.936% deficit on State allocation (underfunded)
 - Enrollment Trend
 - Increase in H/W Premium
 - One-time concessions
 - Step/Column Advancements
 - Improve reserve to 3%
- Jobs Bill may off-set loss of ARRA-SFSF money
 - Sustain certain positions for another 15 months

Recommendations

- Develop plans to trim cost
- Spend potential new money when certain of State's disposition in 2011-12
 - Potential new money may be off-set by new waves of cuts due to shaky State budget (*Dejavu -- 2008*)
 - If new money is on-going or one-time, spend 2010-11 allocation for one-time purposes *such as fix 2010-11 shortfall, replenish Deferred Maintenance, improve reserve, or minimize cash borrowing.*
 - If new money is on-going, use allocation for on-going purposes starting in 2011-12

Only genuine and steady improvements in the economy will yield increased funding for education.