



2008-09 Budget

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- State Economic Weakness
 - Sub-prime mortgage market collapse
 - Flat job growth
 - Gas prices above \$4/gallon
 - Personal income growth has slowed
 - Consumer confidence is down
- The long-term structural deficit remains
- State Deficit estimated at \$17+ billion
- The outlook for economic recovery has been delayed
 - The May Revision forecasts little growth in 2008 followed by continued weakness in 2009.

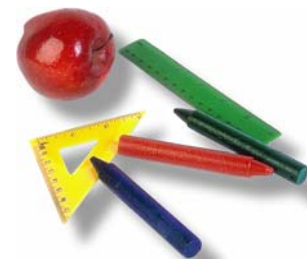




School Services of California, Inc.'s Assessment

If this proposal was issued in January, it would be considered a terrible budget.....

However, given the sad state of the economy, we appreciate that this could have been much worse.





- May Revise represents Governor's final recommended Budget
- Major elements of the May Revise (for K-12 Education)
 - No COLA (vs. a reduction of COLA)
 - No equalization funding
 - No funding for mandate claims
 - Elimination of proposed cuts to Special Ed
 - 6.5% cut to State categorical programs
 - No Deferred Maintenance State match
 - Various flexibility options that may be available.





- Tonight's Budget is presented utilizing the Multi-Year Projection (MYP) for the years 2008-09 thru 2010-11.
- Assumptions utilized are based on the most current information available and will undoubtedly change.
- Note: The Governor's May Revise is a proposal and subject to modifications and final approval by the Legislature.





- For the District to maintain its positive certification, AB1200 requires a 2% Reserve for the current year, and in each of the two future years. (Note: Reserve requirement could be temporarily reduced to 1% for 2 years per the Governor's May Proposal.)

- The MYP:
 - Does not include COLA salary increases for 2008-09 or for any future years
 - Includes salary increases related to step & column and longevity.
 - Includes revenues for all future years, increased by projected COLA. (i.e. Assumes no new deficits)



■ **General Fund (Unrestricted & Restricted)**

- **Total Revenue: \$482 million**

Unrestricted \$287 million/Restricted \$195 million

- **Total Expenditures: <\$486 million>**

- **Excess/Shortfall: <\$4 million>***

+\$3 million Revenues over Expenditures and <\$7 million> in Interfund Transfers

- **Ending Fund Balance: \$18 million / 3.0% Reserve**

■ **Total Student Enrollment: 54,369****

* **Deficit Spending after Interfund Transfers (Debt Service & Deferred Maint. Funds)**

** **Does not include Charter Schools.**





(\$s in 000s)	Revenue		Expenditures
Revenue Limit	\$306,700	Certificated Salaries (incl. Mgt)	\$242,428
Federal Revenue	\$49,481	Classified Salaries (incl. Mgt)	\$64,729
Other State Revenue	\$119,547	Employee Benefits	\$94,845
Other Local Revenue	\$5,889	Non-Salary Expenses	\$76,983
		Interfund Transfers	\$7,124
Total Revenues	\$481,617	Total Expenditures	\$486,109

Excess/Shortfall =
(\$4,492)



Governor's May Revise Proposals	SAUSD \$ Impact (\$s in millions)	Risk Level	Incorporated into SAUSD Budget
Elimination of -2.4% COLA Deficit Reduction	\$7.1	Lower	\$7.1
Special Education (Elimination of 6.5% in Cuts)	\$1.8	Lower	\$1.8
State Categorical Carryover Sweep (one-time)	\$8.3	Lower	One-time; Use for Cash Flow
Deferred Maintenance – SAUSD Contribution	\$2.4	High	May be Required for Cash Flow
Routine Restricted Maintenance	\$4.8	High	No
Categorical Programs - 2% of Revenue Limit	\$5.7	High	No
Reduce District Reserve Requirement of 2%	\$4.8	High	No
Total	\$34.9		\$8.9



- **The Revenue Limit is:**
 - The District's major source of income
 - Comprised of the following elements:
 - Enrollment
 - ADA (average daily attendance) factor
 - Previous Year's Base Revenue Limit (\$5,777.84)
 - **For 2008-09 No COLA** (cost of living of adjustment).



$$\text{Revenue Limit} = \text{Enrollment} \times \text{ADA factor} \times \text{Previous Year's Base Revenue Limit} \times (100\% + \text{COLA})$$





Fiscal Year	Enrollment	CBEDS Change (from Prior Year)
2000-01	59,837	+1,794
2001-02	60,788	+951
2002-03	60,973	+185
2003-04	59,895	(1,078)
2004-05	58,884	(1,011)
2005-06	56,563	(2,321) *
2006-07	54,839	(1,724)
2007-08	54,369	(470)
2008-09 Budget	54,369	0

* Includes one-time loss of 343 SAUSD resident students to OCEEA Charter School



	Projected 2008-09	Projected 2009-10	Projected 2010-11
COLA	5.66%	4.83%	2.70%
2008-09 Deficit	(5.36%)	(5.36%)	(5.36%)
New Deficits (Future Years) **	---	0%	0%
Net Funded Revenue Limit	0.00%	4.83%	2.70%

* Per School Services of California Dartboard

** If National & State economies continue to slow, future deficits may occur.



- Revenue Limit ADA = 52,406
- Revenue Limit COLA = 0%
- Base Revenue Limit (deficited) = \$5,779.70 per ADA
- Revenue Limit* = \$295 million (Unrestricted)

* After Revenue Limit Transfer



- Revenues reflect adjustments for COLA. However, 2007-08 negotiations are on-going and as a result, COLA salary & statutory benefit expenditures currently reflect only previously negotiated salary increases. Salary increases related to Step & Column and longevity are included.





- 2008-09
 - COLA (5.66% but deficated to zero) +\$0 million
 - No Equalization +\$0 million
 - No Mandate Claim Revenues +\$0 million
 - Restoration of Special Ed Reductions +\$2 million
 - Sweep of State Categorical Programs +\$8 million
 - Categorical or Other Funds Related
 - State Categorical Programs, -6.5% <\$6 million> *
 - Federal Categorical Programs, -2.7% <\$1 million> *
 - No State match – Deferred Maintenance <\$2 million>

* For existing State or Federal awards.



- 2009-10
 - COLA (4.83%) * +\$15 million
 - ADA Loss of (0) <\$0 million>
- 20010-11
 - COLA (2.70%) * +\$9 million
 - ADA loss of (0) <\$0 million>

*** Assumes no new deficits are implemented. Given the National & State economic difficulties, the projected COLA increases may be at risk.**



**General Fund Revenue
Distribution**
(Combined Restricted/Unrestricted)

* Actual for first 10 months, projected for remaining 2 months.

(\$s in 000's)	2007-08 Actual/Projected*	2008-09 Budget	Difference
Revenue Limit	\$307,314	\$306,700	<\$614>
Federal Revenue	\$59,514	\$49,481	<\$10,033>
Other State Revenue	\$131,006	\$119,547	<\$11,459>
Other Local Revenue	\$8,973	\$5,889	<\$3,084>
Total	\$506,807	\$481,617	<\$25,190>

The Decrease in Revenues is Attributable to (1) Revenue reductions per Governor's May Revise and (2) Categorical Carryovers which will be re-budgeted in Fiscal Year 2008-09.



District Budget Reductions

- 2004-05, **\$29 million**
- 2005-06, **\$14 million**
- 2006-07, **\$15 million**
- 2007-08, **\$21 million**
- 2008-09 projected, **\$16.2 million**

(\$16.2 million in BRC cuts Board approved; \$14 million in additional cuts are pending)

Total Approved Cuts (2004-05 thru 2008-09): **\$95.2 million!**

Total Approved & Pending Cuts: **\$109.2 million!**





- 2008-09
 - Salary Related:
 - Salaries & Benefits constitutes 92% of District's Unrestricted Budget
 - Step & Column Increase = +2.1% +\$4 million
 - Heroes Staffing & Incremental Costs +\$0.6 million
 - Godinez 2nd Year Costs +\$0.3 million
 - Net Savings from Early Retirement Incentive <\$0.2 million>
 - Vacancy Credits <\$2 million>



- 2008-09 (cont'd)
 - Benefit Related:
 - Health Benefit +9.6% <\$0.4 million> *
 - Does not include Amortization of Accrued Retiree Benefits (GASB-45)
 - Liability reported on District Financials
 - Preliminary actuarial study reveals:
 - » Total Liability: \$94 Million
 - » Annual Required Contribution: \$14 million
 - » Actuarial Study being finalized
 - Current Retirees Coverage Cost: \$7 million (est.)

* Although premium rates increased, due to budget reductions related to staffing, Health Benefit expenditures declined.



- 2008-09 (cont'd)
 - Non-Salary
 - Portable Rental Cost Shift to Unrestricted * **+\$2 million**
 - Budget Reductions **<\$16.2 Million Board Approved + \$14 Million Pending>**

* The District incurs portable rental costs of approx. \$3.4 million/year. In 2007-08, the bulk of rental costs were paid from Fund 25 (i.e. Developer's Fees). In 2008-09, the District will need to pay \$2 million in portable rental costs from Unrestricted funds due to reduced developer's fee collections. The passage of Measure G, and the resulting construction of new classrooms, should reduce portable rental costs in the near future.



- 2009-10
 - New School (Heroes) **+\$\$.4 million**
One-time & Recurring Costs
 - Unspecified Budget Reductions **\$0 million**
 - Vacancy Credit **<\$2 million>**
 - SERP Maturity (i.e. early retirement incentive premium) **<\$2 million>**
- 2010-11
 - Unspecified Budget Reductions **\$0 million**
 - Vacancy Credit **<\$2 million>**



General Fund Expenditure Distribution (Combined Restricted/Unrestricted)

* Actual for first 10 months, projected for remaining 2 months.

(\$s in 000's)	2007-08 Actual/Projected*	2008-09 Budget	Difference
Certificated Salaries (Incl. Mgmt.)	\$264,738	\$242,428	<\$22,310>
Classified Salaries (Incl. Mgmt.)	\$75,657	\$64,729	<\$10,928>
Employee Benefits	\$103,847	\$94,845	<\$9,002>
Non-Salary Expenses	\$109,557	\$84,107	<\$25,450>
Total	\$553,799	\$486,109	<\$67,690>

Bulk of the Decrease in Expenditures is Attributable to: (1) Board authorized reductions, (2) Reduction in categorical funding per the Governor's May Revise, & (3) Categorical carryovers which will be re-budgeted in Fiscal Year 2008-09.



<u>(\$s in 000's)</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
Revenues*	\$481,617	\$501,299	\$513,938
Expenditures*	\$486,109	\$496,572	\$513,236
Net Increase – Decrease	(\$4,492)	\$4,727	\$702
Unrestricted	(\$3,853)	\$1,670	\$264
Restricted	(\$639)	\$3,057	\$438
Reserves	3.0% **	3.3% **	3.2% **

* Includes Other Sources & Uses.

** COLA Salary increases for these years have not yet been negotiated and are thus not included. However, all revenues associated with COLAs for these years are included and the cost of step, column & longevity are budgeted.



The State mandates a 2% minimum reserve for SAUSD.

	2008-09	2009-10	2010-11
Reserve without Any Addt'l Board Reductions	-0.1%	-2.3%	-4.8%
Board Authorized Reductions (less one-time cuts)	\$16.2 million	---	---
Addt'l Reductions Recommended	\$14.0 million	\$0.0 million	\$0.0 million
Total Reductions (Unrestricted)	\$30.2 million	\$0.0 million	\$0.0 million
Shortfall after Reduction *	(\$4.5 million)	\$4.7 million	\$.7 million
Reserve after Budget Reduction	3.0% *	3.3% *	3.2% *

* COLA Salary increases for all years not yet negotiated and are thus not included but the cost of step, column & longevity are budgeted. Note: All revenues associated with COLAs for these years are included.



Projected Ending Balances (All Other Funds)

Fund (all \$s in 000's)	Est. Actuals 2007/08	Budget 2008/09	Difference
Fund 11 - Adult Education	\$17	\$17	\$0
Fund 12 - Child Development	\$123	\$123	\$0
Fund 13 - Cafeteria	\$6,519	\$3,736	(\$2,783)
Fund 14 - Deferred Maintenance	\$594	\$0	(\$594)
Fund 17 - Special Reserve	\$9,261	\$9,555	\$294
Fund 21 - Building	\$0	\$0	\$0
Fund 25 - Capital Facilities	\$14	\$39	\$25
Fund 30 - State Sch Bldg-Lease-Purchase	\$0	\$0	\$0
Fund 35 - School Facilities	\$0	\$0	\$0
Fund 40 - Special Reserve/Capital Outlay	\$8,245	\$471	(\$7,774)
Fund 49 - Capital Projects (COP)	\$1,430	\$200	(\$1,230)
Fund 51 - Bond Interest & Redemption	\$7,799	\$7,967	\$168
Fund 56 - Debt Service	\$17,517	\$17,502	(\$15)
Fund 67 - Workers' Comp/Self-Ins.	\$9,160	\$7,604	(\$1,556)



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