



Santa Ana
Unified School District

2010-11 Second Interim Report

March 8, 2011

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1. Second Interim Certification
2. TRANs Update
3. Second Interim Budget Report
4. Budget Reductions for 2011-12 and 2012-13
5. Next Steps



- Staff recommends a Qualified Certification
- Remaining budget reduction target for 2011-12 is approximately **\$14.4 million**
- Remaining budget reduction target for 2012-13 is approximately **\$28.1 million**
- Expenditure decrease of \$2 million ongoing that was recognized between 1st and 2nd Interim will be reflected at the 3rd Interim
- Available **one-time** resources are approximately \$37 million
- Health benefits negotiations have a huge upside potential
- Reduction in force is difficult due to preferential sub requirements
- Other forms of reductions will have to be identified, including negotiated reductions



Cash Flow Considerations



- **TRANS**

- District anticipates successfully closing on its \$10 million TRANS later in March
- Funds will be available if needed for cash flow purposes
- District obtained the highest possible bond rating of SP1
- TRANS funds will be repaid by January 2012



- “Fiscal/Budget crisis was not created by the District”
- It is due to several external factors:
 - Worldwide Recession
 - California Budget situation
 - Declining enrollment
- Establish reserves levels higher than State recommended minimums
- Conservative cash management - monitor cash flows
- Budget and plan for the most flexibility (this is the best case scenario)
- Use OCDE's 2nd Interim Common Message and guidance
 - Have a plan should the tax extensions not pass



- **Enrollment loss**
 - 2010-11 (767) students
 - 2011-12 on (767) students
 - **The district will adjust these assumptions at the 3rd Interim (May 24, 2011) after completing the P2 Attendance report (preliminary projections indicate a positive adjustment with a lesser drop in student ADA and enrollment)**
- **ARRA Funding (Stabilization & Title I)**
 - Stabilization: All funds spent out by end of 2010-11
 - Title I All funds spent out by end of 2010-11; minimal funds will remain at Elementary sites due to costs of CSR
- **ARRA-IDEA**
 - All funds spent out by end of 2010-11.
- **Jobs Bill**
 - \$2 million utilized for retirement incentive in 2010-11
 - \$8.3 million to be utilized one-time in 2011-12



- **State Revenue**
 - Increase of \$2.4 million due to one-time mandate cost reimbursement

- **Federal Revenue**
 - Increase of \$1.2 million due to EERP reimbursement
 - EERP funds will be transferred to Health & Welfare Benefits (Fund 69) and Retiree Fund (Fund 71)

- **Expenditures**
 - Certificated Salaries decrease of \$2.6 million due to class size monitoring
 - Employee Benefits decrease of \$2.1 million due to class size monitoring and employee plan changes
 - **Estimated ongoing savings of \$2.0 million will have the effect of reducing budget reductions needed for 2011-12 and will be applied at the Third Interim**
 - Books and Supplies decrease of \$1.1 million
 - **Estimated Tier III sweep of Instructional materials of \$2.0 million will have the effect of reducing budget reductions needed for 2011-12 and will be applied at the Third Interim**



- Revenues:

- Federal: (\$5.1 million) - Primarily Jobs Bill fund deferral

- Utilization of Jobs Bill in 2011-12 (\$8.3 million **one-time**)
 - Reduction in Title I funding (\$1.5 million **ongoing**)
 - Final 10% of ARRA Stabilization award (+\$2.5 million **one-time**)
 - Enhancing Education Through Technology (EETT) award (+\$1.0 million **one-time**)
 - Various programs' budget adjustments to match actual awards (+\$1.2 million)

- Expenditures

- Certificated Salaries: +\$1.9 million

- Early retirement incentives (+\$1.5 million **one-time**)
 - Summer school arbitration (\$+1.0 million **one-time**)
 - New EETT (+\$0.2 million **one-time**)
 - Various programs' budget adjustment categories (\$0.8 million)



- Expenditures (*continued*)

- Books and Supplies: **(\$7.1 million)**

- This category is used as a holding account (for funds such as Jobs Bill, Title I, Prop 20, etc.) until funds are expended
 - Reduction in Jobs Bill expenditure for unspent amount (**\$8.3 million one-time**)
 - Reduction in Title I funding (**\$1.6 million ongoing**)
 - Utilization of Prop 20 Lottery for textbook purchases instead of Tier III IMFRP (+\$2.2 million ongoing)
 - Other various programs' budget adjustment categories (+\$0.6 million)

- Services & Other Operating Expenditures: **+\$2.2 million**

- Utilization of new EETT funding for software purchases (+\$0.6 million)
- Utilization of Ed Tech K-12 Voucher funding for Learning Management/site license software (+\$0.4 million)
- Other various programs' budget adjustment categories (+\$1.2 million)



Santa Ana

Unified School District

2010–11 Second Interim MYP

(including unspecified cuts)

<u>(\$s in millions)</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>
Beginning Fund Balance	\$93.2	\$95.3	\$75.8	\$51.1
Adjustment to Beginning Fund Balance	(\$11.4)	---	---	---
Revenues	\$475.0	\$497.4	\$441.6	\$435.2
Expenditures (including Budget Reductions)	\$461.5	\$516.9	\$466.3	\$437.6
Net Increase/(Decrease)	\$ 13.5	(\$19.5)	(\$24.7)	(\$2.4)
Proj. Ending Fund Balance	\$ 95.3	\$75.8	\$51.1	\$48.7
Less: Other Designations (incl. Rev. Cash, etc.)	(\$3.1)	(\$3.0)	(\$3.0)	(\$3.0)
Unrestricted Reserves: Future State Cuts	---	(\$13.8)	---	---
Others (Instr Mat'l, etc.)	(\$9.9)	(\$10.3)	(\$12.4)	(\$14.4)
One-time cuts/Budget shifts & TRANS	(\$32.0)	---	---	---
Restricted Reserves	(\$15.0)	(\$1.8)	---	---
Desig. for Economic Uncertainties	\$35.3	\$46.9	\$35.7	\$31.3
Desig. for Economic Uncertainties %	7.7%	9.1%	7.6%	7.2%
Addt'l Budget Cuts Needed	---	---	(\$31.5)	(\$30.5)



- **District Reserves**
 - The projected reserves are **+\$75.8 million**
 - The designation for economic uncertainties is \$46.9 million which is 9.1%
- **Budget Reductions are assumed to occur**
 - \$31.5 million for 2011-12 and \$30.5 for 2012-13
 - **AFTER** making cuts unrestricted reserve for economic uncertainties will drop approximately \$11 million (to \$35.7 million) in 2011-12 and another \$4 million (to \$31.3 million) in 2012-13 reflecting a continuing structural imbalance within the budget
- **One-time reserves are the District's only security against further loss of State revenue**
 - The best case scenarios for 2011-12 and 2012-13 require the district to identify ongoing expenditure reductions and significantly diminish reserves

To maintain fiscal solvency the District must approach the budget through a multi-year approach and cannot look at only one year in isolation



Projected Ending Balances (All Other Funds)

Fund (all \$s in 000's)	2010-11 First Interim	2010-11 Second Interim	Difference
Fund 11 - Adult Education	\$0	\$0	\$0
Fund 12 – Child Development	\$277	\$90	<\$187>
Fund 13 – Cafeteria	\$13,506	\$13,258	<\$248)
Fund 14 – Deferred Maintenance	\$89	\$88	<\$1>
Fund 17 – Special Reserve	\$9,621	\$9,577	<\$44>
Fund 21 – Building	\$0	\$0	\$0
Fund 25 – Capital Facilities	\$342	\$342	\$0
Fund 35 – School Facilities	\$0	\$0	\$0
Fund 40 – Special Reserve/Capital Outlay	\$1,272	\$1,248	<\$24>
Fund 49 – Capital Projects (COP)	\$0	\$0	\$0
Fund 51 – Bond Interest & Redemption	\$16,587	\$16,587	\$0
Fund 56 – Debt Service	\$6,527	\$6,527	\$0
Fund 67 – Workers' Comp/Self-Ins.	\$4,127	\$5,244	\$1,117








Board Priorities 2011-12 through 2015-16



- Ensure fiscal solvency (*legally required*)
- **Preserve staff**
 - Continue to provide Elementary support staff
- Maintain integrity of programs
 - Continue to protect services to the most vulnerable students
- Find other ways to reduce expenditures
- School Safety
- Maintain athletics and music programs
- **Reduced class sizes in grades 1 & 2**



\$ in millions





	Description of Reduction Actions	Proposed Amount of Reduction/ Increase	Reductions Required
			Plan B
	Reductions required for 2011-12		\$31.5
	10-11 Base Revenue Limit <u>(one-time)</u>	\$13.8	\$17.7
	Jobs Bills <u>(one-time)</u>	\$8.3	\$9.4
	Health and Welfare negotiations	\$3.0	\$6.4
	Increase expenditures for 2011-12	<\$4.0>	\$10.4
	Loss of \$79/ADA 2011-12 Base Revenue Limit (Plan B)	<\$4.0>	\$14.4

Recommended solution: Temporarily utilize reserves (one-time) and work with associations to identify ongoing cuts for 2011-12 by June 2011 (Third Interim)



Assumes \$14.4 million in unidentified reductions are made in 2011-12 (Slide 14)

\$ in millions

	Description of Reduction Actions	Proposed Amount of Reduction/ Increase	Reductions Required
	New Reductions required for 2012-13		\$30.5
	10-11 Base Revenue Limit (one-time from 2011-12)	\$13.8	\$44.3
	Jobs Bills (one-time from 2011-12)	\$8.3	\$52.6
	CSR Penalty Flexibility continues	\$11.0	\$41.6
	One-time Utilization of District Reserve funds (Fund 17)	\$13.5	\$28.1







- Utilizing one-time solutions in both 2011-12 (Jobs bill & unexpected base revenue limit increase from 10-11) and 2012-13 (Fund 17 reserve balances) SAUSD will still be required to make additional unidentified budget reductions of:
 - **\$14.4** million for 2011-12 (by May 24, 2011)
 - **\$28.1** million for 2012-13 (by December 13, 2011)



- Utilizing one-time solutions in both 2011-12 (**Jobs bill & unexpected base revenue limit increase from 10-11**) and 2012-13 (**Fund 17 reserve balances**) SAUSD will still be required to make additional unidentified budget reductions of:
 - ~~\$14.4 million for 2011-12~~
 - **\$30.9 - \$41.9** million for 2011 – 12
 - **\$14.4 million** to be identified by May 24, 2011
 - **\$28.1** million for 2012-13 (by December 13, 2011)



\$ in millions

	Description of Reduction Actions	Proposed Amount of Reduction/ Increase	Reductions Required
			Plan C
	Reductions required for 2011-12 Additional expenditures Loss of \$79/ADA Additional Loss of Revenue (Plan C) Elimination of QEIA (LAO letter to Senate)	<\$31.5> <\$4.0> <\$4.0> <\$16.5> <\$11.0>	\$67.0
	10-11 Base Revenue Limit <u>(one-time)</u>	\$13.8	\$53.2
	Jobs Bills <u>(one-time)</u>	\$8.3	\$44.9
	Health and Welfare negotiations	\$3.0	\$41.9



\$ in millions

Activity / Program	One-time	Ongoing
Tier III Instructional Materials – utilize Prop 20 restricted funds and sweep ongoing funds currently designated	\$5.5	\$2.0
Tier III Summer School – eliminate unrestricted funding for comprehensive high schools. GSP and SAC-Bridge can support credit recovery and SIG sites have funding for extended learning time		\$1.0
Tier III ending balances – sweep ending fund balances currently designated	\$1.0	
Second Interim decrease in expenditures – reduces needed reductions		\$2.0
Enrollment and ADA adjustments – reduce needed reductions based upon P2 attendance report (April 2011)		TBD
TOTALS	\$6.5	\$5.0



Date	Event or Activity
On-going until Settled	Negotiations with our certificated & classified associations (SAEA & CSEA respectively) for <u>ongoing reductions</u> and utilization of Jobs Bill funds
March 22 April 12, 26 May 10	Board Meetings
May 24	Presentation of Third interim Report Identification of remaining 2011-12 Budget Reduction measures
June 28	Approval of 2011 – 12 Adopted Budget Approval of remaining 2011-12 Budget Reduction measures