



2012-13 Second Interim

(Financial Information as of January 31, 2013)

March 12, 2013

Getting to the Core



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Tonight's Goal



1. Approach to Mitigating Structural Deficit
2. Approve 2012-13 Second Interim Report
3. Cash Flow
4. Next Steps

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APPROACH TO MITIGATING STRUCTURAL DEFICIT FOR 2013-14



- Continue to maintain focus on Board Priorities
 - Maintain Fiscal solvency
 - Maintain integrity of programs
 - School safety
 - Maintain athletics and music programs
 - Find other ways to reduce expenditures
 - Preserve staff
 - Maintain 180 day instructional year
- Continue to focus on the Seven Building Blocks to SAUSD Success
- Continue to maintain emphasis on Common Core implementation, PBIS and School Climate and Secondary School Reform
- Continue to maintain collaborative relationships with labor organizations

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IMPACT OF GOVERNOR'S PROPOSED BUDGET



Additional Revenue

- **PLAN A - \$5.5 mil (~\$106/ADA):** includes 1.65% COLA + increase in Mandated Costs
- **PLAN B - \$10.0 mil (~\$193/ADA):** includes 1.65% COLA doubled + Mandated Costs
- **PLAN C - \$19.9 – 22.7 mil (~\$384 – 438/ADA):** *LCFF* year one projection

Budget Reduction Target

- **PLAN A - \$21.0 mil (\$26.5 – 5.5)**
- **PLAN B - \$16.5 mil (\$26.5 – 10.0)** working assumption for Second Interim
- **PLAN C - \$6.6 mil to \$3.8 mil** if *LCFF* becomes law, likely unknown before June Adoption

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Approach to Budget Reductions



FISCAL YEAR 2013-14 PROJECTIONS		Structural Deficit (in millions)
BEGINNING FUND BALANCE		\$36.5
DEFICIT SPENDING (includes exhaustion of \$20.4 mil + \$10 mil in new revenue)	(\$40.9)	(4.4)
NON-SPENDABLE RESERVES	1.2	(5.6)
OTHER DESIGNATED RESERVES	4.9	(10.5)
OTHER DESIGNATED RESERVES (QZAB Solar Energy Debt Payment)	1.0	(11.5)
RESERVE FOR ECONOMIC UNCERTAINTIES	9.8	(21.3)
ONE-TIME REDUCTIONS (SWEEP OTHER DESIGNATED TIER III RESERVES)	(4.9)	(16.4)
BUDGET REDUCTION OPTIONS IN 2012-13		
	(2.0)	(14.4)

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Current Year Budget Actions



BUDGET REDUCTIONS ACTIONS	2012-13	COMMENTS
Freeze extra duty and overtime	TBD	Require prior approval for any extra duty
Freeze vacancies and have each position reviewed by Cabinet prior to filling	TBD	Focus on school and safety positions that are mission critical or secure funded
Do not distribute Sites 2 nd Allocation (CBEDS true up)	\$400,000	Sites were allowed carryover from previous years.
Reduce Business Services department budgets	\$200,000	This could impact operational efficiencies and delays an essential Oracle software system upgrade.
Reduce Special Ed legal budget	\$100,000	Current trends show this to be a safe estimate of savings.
Reinstate purchase justification protocol to reduce spending	\$1,300,000	Provides institutional discipline and possibly additional savings at year-end close.
TOTAL	\$2,000,000	

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2012-13 Tier III Ending Fund Balance Sweep (Pushes cuts needed to 2014-15)



ONE-TIME BUDGET REDUCTIONS	2012-13	COMMENTS
Budget 2010-11 Mandate Payment to be received in current year (graduation requirements). \$484,000 included in updated projected revenue.	n/a	This source of revenue is budgeted on a cash basis.
Sweep Civic Center Balance	\$207,860	No effect on operations
Sweep Facilities preventative maintenance	\$272,762	This could impact the District if emergency repairs are required.
Sweep Cal-Safe Tier III balance	\$263,768	No effect on operations
Sweep Community Day Tier III balance	\$436,920	No effect on operations
Sweep Instructional Materials balance	\$3,727,664	Possible CCSS implications.
TOTAL	\$4,908,974	

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Multi Year Projection



MULTI-YEAR PROJECTIONS @ 2 ND INTERIM	2012-13	2013-14	2014-15
REVENUE	\$314,927,571	\$322,412,827 (2)	\$328,038,195
EXPENDITURES	296,629,036	305,988,487	315,488,668
OTHER FINANCING SOURCES/USES	(43,205,020)	(57,359,784)	(57,695,665)
NET INCREASE/DECREASE (DEFICIT SPENDING)	(\$24,906,485)	(\$40,945,444)	(\$45,146,137)
BEGINNING BALANCE	\$61,382,257	\$36,475,772 (1)	(\$4,469,672)
DEFICIT SPENDING	(24,906,485)	(40,945,444)	(\$45,146,137)
ENDING BALANCE	\$36,475,772 (1)	(\$4,469,672)	(\$49,615,809)
COMPONENTS OF ENDING BALANCE:			
NON SPENDABLE	\$1,150,000	\$1,150,000	\$1,150,000
OTHER DESIGNATED	4,908,974	1,020,039	\$1,056,241
ECONOMIC UNCERTAINTIES	10,004,220	9,849,653	\$9,965,546
PROP 30	20,412,578	0	0
COLA FOR 2014-15 PER SSC DARTBOARD	0	0	\$7,757,736
TOTAL	\$36,475,772	\$12,019,652	\$12,171,787
SHORTFALL	0	(\$16,489,363)	(\$69,545,333)

•(1) 2012-13 ending balance includes \$20.4 mil resulting from passage of Prop 30

•(2) 2013-14 revenue increased by approximately \$10 mil to reflect Governor's January Proposal

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Projected Ending Balances (All other Funds)



Fund (all \$s in 000's)	2012-13 First Interim	2012-13 Second Interim	Difference
Fund 12 – Child Development	\$75	\$75	\$0
Fund 13 – Cafeteria	\$17,068	\$16,948	<\$120>
Fund 14 – Deferred Maintenance	\$337	\$0	<\$337>
Fund 17 – Special Reserve	\$0	\$0	\$0
Fund 21 – Building	\$13,330	\$14,482	\$1,152
Fund 25 – Capital Facilities	\$4,276	\$4,454	\$178
Fund 35 – School Facilities	\$47,483	\$38,170	<\$9,313>
Fund 40 – Special Reserve/Capital Outlay	\$2,936	\$32,362	\$29,426
Fund 49 – Capital Projects (COP)	\$1,099	\$1,082	<\$17>
Fund 51 – Bond Interest & Redemption	\$13,806	\$13,806	\$0
Fund 56 – Debt Service	\$8,158	\$8,158	\$0
Fund 67 – Self-Insurance Fund	\$8,057	\$8,124	\$67

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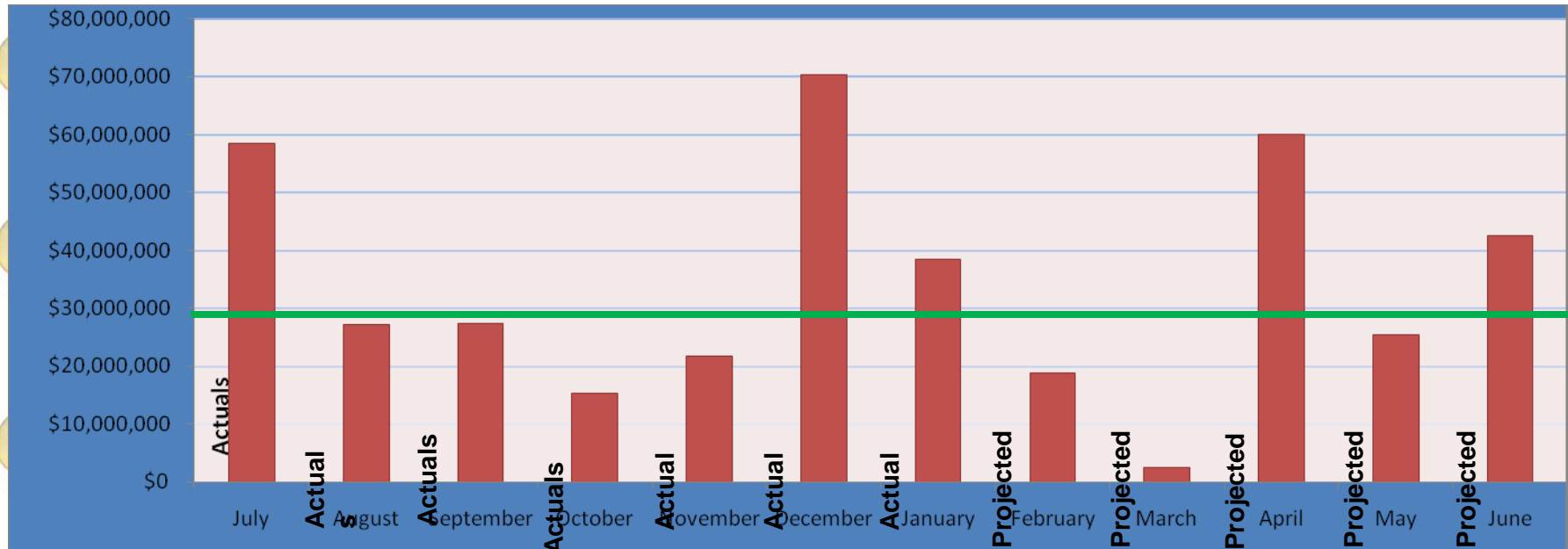
2012-13 Monthly Cash Balances as of January 2013



Cash Ending Balance for June 2013 is projected to be \$42 million positive. The projection is based on the following:

- Second Interim Budget
- **Borrowing from the Orange County Treasury- \$55 million**
- Education Protection Account (EPA) payment of \$39.8 million (additional \$9.9 million to be paid in 2013-14)
- Adjusted deferrals schedule including the buy down of \$2.065 in State deferrals (Prop 30)
- One time reserve transfer from Special Revenue Fund (Fund 17) of \$13.6 million

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Next Steps - Budget

Date	Event or Activity
March / April	Special meetings on Budget Reductions
May 28	Presentation of Third Interim Report
May ?	Budget Update on Governor's May Revise Budget
June 25	Presentation of 2013-14 Budget Adoption

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