



2013-14 Preliminary Budget Adoption Update

June 11, 2013

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State Budget Update



- Continued discussion concerning the Governor's LCFF plan as well as the Senate and Assembly versions of the budget
- Concerns about the accountability provisions in the newest drafts that would make current revenue more restrictive

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Budget Development Assumptions



- **1.565% COLA and deficit reduction to 18.997%** (School Services of California Dartboard).
 - *The Governor's LCFF Proposal is NOT included in the SAUSD proposed adoption budget for 2013-14*
- **Common Core Block grant** of approximately \$9 million
 - *Funds to implement Common Core, focused on technology and instructional materials. Will require a plan for expenditures and must be expended over two years*
- Loss of Special Education funding due to **Federal Sequestration** is backfilled by the State as identified in the Governor's proposal (Approximately \$7,000,000)
- SIG and ROP Grant Funding are both expiring in 2013-14.
- 21st Century and ASES funding has been reduced

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2013-14 Budget Profile



- Assuming these budget factors:
 - The District maintains a structural deficit of over \$40 million going into the 2014-15 school year
 - The District will be adopting the 2013-14 budget with only a 2% statutory reserve
 - The District will certify a qualified budget status based on the MYP

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Review of July 1 General Fund Unrestricted Budget MYP



MULTI-YEAR PROJECTIONS @ July 1 Budget	2013-14	2014-15	2015-16
REVENUE	\$335,241,296	\$329,477,835	\$335,492,955
EXPENDITURES	\$303,386,541	\$319,372,573	\$317,376,481
OTHER FINANCING SOURCES/USES	(\$52,102,599)	(\$54,610,249)	(\$55,822,724)
NET INCREASE/DECREASE (DEFICIT SPENDING)	(\$20,247,844)	(\$44,504,987)	(\$37,706,250)
BEGINNING BALANCE			
BEGINNING BALANCE	\$39,769,987	\$19,522,143	(\$24,982,844)
DEFICIT SPENDING	(\$20,247,844)	(\$44,504,987)	(\$37,706,250)
ENDING BALANCE	\$19,522,143	(\$24,982,844)	(\$62,689,094)
COMPONENTS OF ENDING BALANCE:			
NON SPENDABLE	\$1,150,000	\$1,150,000	\$1,150,000
OTHER DESIGNATED	\$8,777,828	\$0	\$0
ECONOMIC UNCERTAINTIES	\$9,594,315	\$9,887,619	\$9,815,430
PROP 30	\$0	\$0	\$0
COLA PER SSC DARTBOARD	\$0	\$6,993,140	\$8,717,832
TOTAL	\$19,522,143	\$18,030,759	\$19,683,262
SHORTFALL	\$0	(\$43,013,603)	(\$82,372,356)

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Declining Reserves and 2%

- Finally, the District will be recommending adoption of a budget with the minimum 2% reserve beginning in the 2013-14 school year and a significant structural deficit of over \$40 million for 2014-15.
- District is utilizing multiple **one-time** solutions of over \$30 million to push the structural deficit one last time from 2013-14 to 2014-15.
- Ongoing budget reductions and monitoring of spending are required for 2013-14 and beyond to mitigate the structural deficit and work to rebuild a healthy reserve to mitigate any unexpected expenditures.
- A 2% reserve means that any new unplanned expenditure will require an immediate budget reduction in the current year.

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Projected Ending Fund Balances (All Other Funds)



Fund (all \$s in 000's)	2012-13 Estimated Actuals	2013-14 Adopted	Difference
Fund 11 – Adult Education	\$0	\$0	\$0
Fund 12 – Child Development	\$65	\$69	\$4
Fund 13 – Cafeteria	\$17,545	\$27,326	\$9,781
Fund 14 – Deferred Maintenance	\$0	\$0	\$0
Fund 17 – Special Reserve	\$0	\$0	\$0
Fund 21 – Building	\$15,328	\$15,308	(\$20)
Fund 25 – Capital Facilities	\$0	\$0	\$0
Fund 35 – School Facilities	\$15,354	\$4,147	(\$11,207)
Fund 40 – Special Reserve/Capital Outlay	\$20,221	\$0	(\$20,221)
Fund 49 – Capital Projects (COP)	\$1,082	\$1,080	(\$2)
Fund 51 – Bond Interest & Redemption	\$15,473	\$16,459	\$986
Fund 56 – Debt Service	\$8,158	\$8,829	\$671
Fund 67 – Self-Insurance	\$7,857	\$7,566	(\$291)

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Upcoming Expenditures



- Activity Supervisors
- Effect of the Patient Protection and Affordable Care Act (PPACA)
 - Districts will need to make plan changes as federal health care requirements are phased in –this is a real out year cost (July 2014)
 - Bargaining units need to know obligations, options, and timelines, particularly limiting overtime
 - Substitute working hours are impacted due to a maximum of 30 hours per week
- Other Issues

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“Cuts” alone is not the solution



- Identify factors that increase costs and inefficiencies. How?
 - Operational and/or program reviews, such as
 - Special Education
 - Cafeteria
 - Transportation
 - Maintenance and Operations
 - Health and Welfare Benefits
 - annual re-enrollment and dependent audit
- Consider pros and cons of reductions, i.e.,
 - Transportation linked to attendance
- What can you save and/or add vs. cutting

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2014-15 Mitigation Measures



- Ongoing budget reduction that are done sooner reduce the amount needed in future years.
 - Cuts of \$8 million in **2013-14** would reduce the cuts needed in 2014-15
 - 2014-15 expenditure reductions required would be reduced to less than \$20 million if early action is taken

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Potential Impact of LCFF - Unrestricted Funds

(Assumes \$6.2 million ongoing in 2013-14, \$20 million in 2014-15, and \$10 million in 2015-16)



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REVENUE	\$341,441,296	\$355,677,835	\$371,692,955
EXPENDITURES	\$303,386,541	\$319,372,573	\$317,376,481
OTHER FINANCING SOURCES/USES	(\$52,102,599)	(\$54,610,249)	(\$55,822,724)
NET INCREASE/DECREASE (DEFICIT SPENDING)	(\$14,047,844)	(\$18,304,987)	(\$1,506,250)
BEGINNING BALANCE	\$39,769,987	\$25,722,143	\$7,417,156
DEFICIT SPENDING	(\$14,047,844)	(\$18,304,987)	(\$1,506,250)
ENDING BALANCE	\$25,722,143(1)	\$7,417,156	\$5,910,906
COMPONENTS OF ENDING BALANCE:			
NON SPENDABLE	\$1,150,000	\$1,150,000	\$1,150,000
OTHER DESIGNATED	\$14,977,828	\$0	
ECONOMIC UNCERTAINTIES	\$9,594,315	\$9,887,619	\$9,815,430
PROP 30	\$0	\$0	\$0
COLA PER SSC DARTBOARD	\$0	\$6,993,140	\$8,717,832
TOTAL	\$25,722,143	\$18,030,759	\$19,683,262
SHORTFALL	\$0	(\$10,613,603)	(\$13,772,356)

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Summary-Next Steps



- June 25th - Public Hearing and Adoption of 2013-14 Budget
- August 1st - Revised Budget Adoption for Approval
- September 10th - Approval of 2012-13 Unaudited Actuals

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Questions?

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