



Santa Ana
Unified School District

2009-10 Budget Update

Unaudited Actuals & Revised Budget

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- 2008-09 Unaudited Actuals
- 2009-10 Revised Budget
- Cash Flow Update
- Next Steps



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2008-09 Unaudited Actuals



The district “closed” our financial records for 2008-09 with unrestricted ending fund balances +\$27 million favorable to projections. Ending balances were favorable due to 3 reasons:

1. State action: \$13 million in State Revenue Limit cuts, originally planned for 2008-09, was moved to 2009-10.
2. District implemented a mid year freeze and required justifications on expenditures & positions
 - The justification process is continuing in 2009-10
3. Aggressive district action to: (Impact \$14 million)
 - Utilize categorical dollars and conserve unrestricted dollars
 - Conserve Tier III program expenditures & sweep balances to unrestricted.

Note: This favorable ending balance is a one-time occurrence.



- District's 2008-09 Adopted Budget was based utilizing Governor's May/June Revise
- The Board (as required by the Legislature) approved its 2009-10 budget by June 30, 2009 utilizing above assumption
- On July 24, 2009, the State approved a State revised budget whereby \$13 million in revenue cuts were moved from 2008-09 to 2009-10.



- All purchase requests required:
 - Submission of purchase justification form
 - In addition to normal manager approval, formal approval by:
 - Director of Program Quality Analysis
 - Respective cabinet member
 - Associate Superintendent of Business Services
- Cabinet reviewed district positions and froze a total of 84 positions during 2008-09.



- The District maximized use of categorical dollars (wherever legally permitted) and conserved Tier III categorical dollars

Actions	Amount
Utilized more Title I & EIA dollars for the K-3 CSR Program	\$5.0 million
Utilized Title I & Title II dollars for costs normally charged to Tier III programs (Secondary School Counselor & the GATE program)	\$2.1 million
Conserved Tier III program expenditures. \$s to be swept to unrestricted reserves. (Programs include: CBET, High Priority, School Library Block Grant, Pupil Retention Block Grant, Math & Reading Training, etc.)	\$2.3 million
Conserved Tier III program expenditures. \$s to be reserved for the program's use in 2009-10. (Programs: Instructional Materials & CAHSEE)	\$4.4 million
Total	\$13.6 million



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2009-10 Budget Revisions

(since District Adopted Budget)





- Revisions due to State Adopted Budget (July 24, 2009) changes
 - Revenue Limit reduction due to the change in Revenue Limit Deferrals **<\$13 million>**
 - Revenue Limit reduction due to QEIA **<\$11 million>**
 - Update on QEIA relief legislation: Bill has been approved by the Legislature and is currently awaiting Governor's signature.



- District budget changes include:
 - Incorporates unaudited actuals for 2008-09 (including higher ending balances & sweep of Tier III categorical programs)
 - Continues management furlough days (10 days per year, beginning in 2008-09); **<4.6%>**
 - Reinstates the CSR program as approved by the Board
 - Grade 1 at **23:1*** / Grade 2 at **24:1*** / Grade 3 unchanged at 30:1
 - Elimination of 3 staff development days saving **\$4 million <1.5%>**

* Class sizes were incorrectly transposed on the presentation provided to the Board. These are the correct class sizes for Grades 1 & 2.



- District changes (cont'd)
 - Based on review of current enrollment trends, **a decline of <500> students is now projected for 2009-10** (previously enrollment growth of +240 was anticipated)
 - No financial impact due to this decline in 2009-10 as State legislation provides financial protection to declining enrollment districts (i.e. Revenue Limit for the year determined on higher of current or prior year's ADA)
 - Financial impact in 2010-11. **(-\$3 million)**
 - Enrollment is projected to be flat in 2010-11 and 2011-12.

Fiscal Year	Enrollment	CBEDS Change (from Prior Year)
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	54,584	+215
2009-10 Budgeted	54,824	+240
2009-10 Revised	54,084	(500)
2010-11	54,084	+0
2011-12	54,084	+0

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



- District changes (cont'd)
 - Substitute Cost Preferential Treatment: Education Code 44956(a)(5)
 - Provides laid off permanent, certificated a preferential right to be:
 - The first on the list to be called as a substitute
 - and if they serve as a certificated substitute for 21 or more days within a period of 60 days, will receive their per diem rate of pay (retroactive to the first day of substitute services).
 - 2009:10: Majority of the original, 158 permanent RIFed teachers eligible for preferential treatment have been brought back.
 - Consequently, substitute costs reduced from \$7.4 million to \$0.5 million
 - 2010-11: Further State Budget reductions this year or next may necessitate reductions of certificated and classified staff and other expenditures in 2010-11. Therefore substitute costs are budgeted to increase to \$4.7 million.



- District changes (cont'd):
 - SAUSD is/was projected to receive ARRA dollars as follows:

(\$s in millions)	Estimated Total Award	June 2009	July 2009	Aug. 2009	Sep. 2009	Oct. 2009
Title I Restricted (site based)	\$11.3	\$5.1 *	---	---	---	\$6.2
IDEA Restricted (Special Ed)	\$11.3	\$2.3 *	\$1.1 **	\$1.1**	\$1.1 **	\$5.7
Stabilization	\$19.2	\$14.3 *	\$4.9*	---	---	---
Total	\$41.8	\$21.7	\$5.8	\$1.1	\$1.1	\$11.9

* Denotes funds that the district has already received.

➤ Funds received to date were originally promised in the April/May timeframe.

** Denotes funds that are either past due or soon will be past due.



Inadequate State funding of our schools has resulted in Educational program reductions. The latest, unspecified projected budget reductions for 2010-11 & 2011-12 are **-\$31 million** & **-\$12.5 million** respectively.

- 2004-05, **<\$29 million>**
- 2005-06, **<\$14 million>**
- 2006-07, **<\$15 million>**
- 2007-08, **<\$21 million>**

- 2008-09, **<\$41.6 million>**
- 2009-10, **<\$11.6 million>**
- 2010-11, **<\$31.0 million>** (previously **<\$33 million>**)
- 2011-12, **<\$12.5 million>** (previously **<\$4 million>**)



Total Budget Cuts (2004-05 thru 2011-12): <\$175.7 million>



- Elimination of COLA
 - COLA for 2010-11 & 2011-12 statutorily projected by School Services of California (SSC) at 0.5% and 2.3% respectively
 - However, per SSC, the State's ability to fund these COLAs are suspect and recommends that districts have a contingency plan
 - Given State financial outlook and SSC's recommendation, the district assumed COLA for both years at 0% with no additional increase to the revenue limit deficit.



<u>(\$s in millions)</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
Revenues *	\$436.0	\$448.5	\$448.5
Expenditures **	\$487.9	\$460.6	\$454.6
Net Increase – Decrease ***	(\$51.9)	(\$12.1)	(\$6.1)
Unrestricted	(\$40.6)	(\$4.3)	(\$0.6)
Restricted	(\$11.3)	(\$7.8)	(\$5.5)
Projected Reserve	3.6%	2.9%	2.8%

* Includes Other Sources & Uses. 2010-11 figures includes **\$31 million** in unspecified budget reductions and the 2011-12 figures includes an add'l **\$12.5 million** in unspecified cuts.

** COLA Salary increases for these years (with the exception of 2009-10 for SAEA) have not yet been negotiated and are thus not included. However, all revenues associated with COLAs for these years are included as is the cost of step, column & longevity are budgeted.

*** Assumes no mid-year State budget cuts.

Note: The QEIA Revenue Limit Reduction (of \$11 million) is for 2009-10 only and the cut is restored beginning 2010-11. There is concern that the reduction may become an on-going reduction.



BREAKING NEWS! - AGAIN



- There is an estimated new State **budget shortfall** for this year (09-10) of between **\$7 - \$10 billion**
- Education is approximately 50% of the State Budget
 - Mid-year reductions are a strong probability
 - \$1 Billion in State reductions equals \$9 million in SAUSD reductions
 - **A potential \$45 million loss to SAUSD this school year!**



- What would reserves look like if:
 - Scenario #1: Governor authorizes QEIA Revenue Limit cut relief
 - Scenario #2: State implements mid-year State budget cuts with an impact to SAUSD of \$45 million in additional cuts
 - **All scenarios assumes that <\$31 million> and <\$12.5 million> in budget reductions in 2010-11 and 2011-12, respectively will be made.**

	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
Current Projections:			
Projected Reserve	3.6%	2.9%	2.8%
Identified Budget Reductions to date	n/a	\$0 million	\$0 million
Scenario #1 QEIA Revenue Relief:			
Projected Reserve with district cuts	5.9%	5.3%	5.2%
Projected Reserve <u>without</u> district cuts	5.9%	(1.3%)	(10.2%)
Scenario #2 Addt'l State Budget Cuts:			
Projected Reserve with district cuts	(5.6%)	(16.7%)	(26.9%)
Projected Reserve <u>without</u> district cuts	(5.6%)	(21.9%)	(39.5%)



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Cash Flow



The State will pay the District, not on Tuesday but several months later, for money they owe us!

They will pay us late even though we have obligations such as payroll, vendor invoices that must be paid on a timely basis.



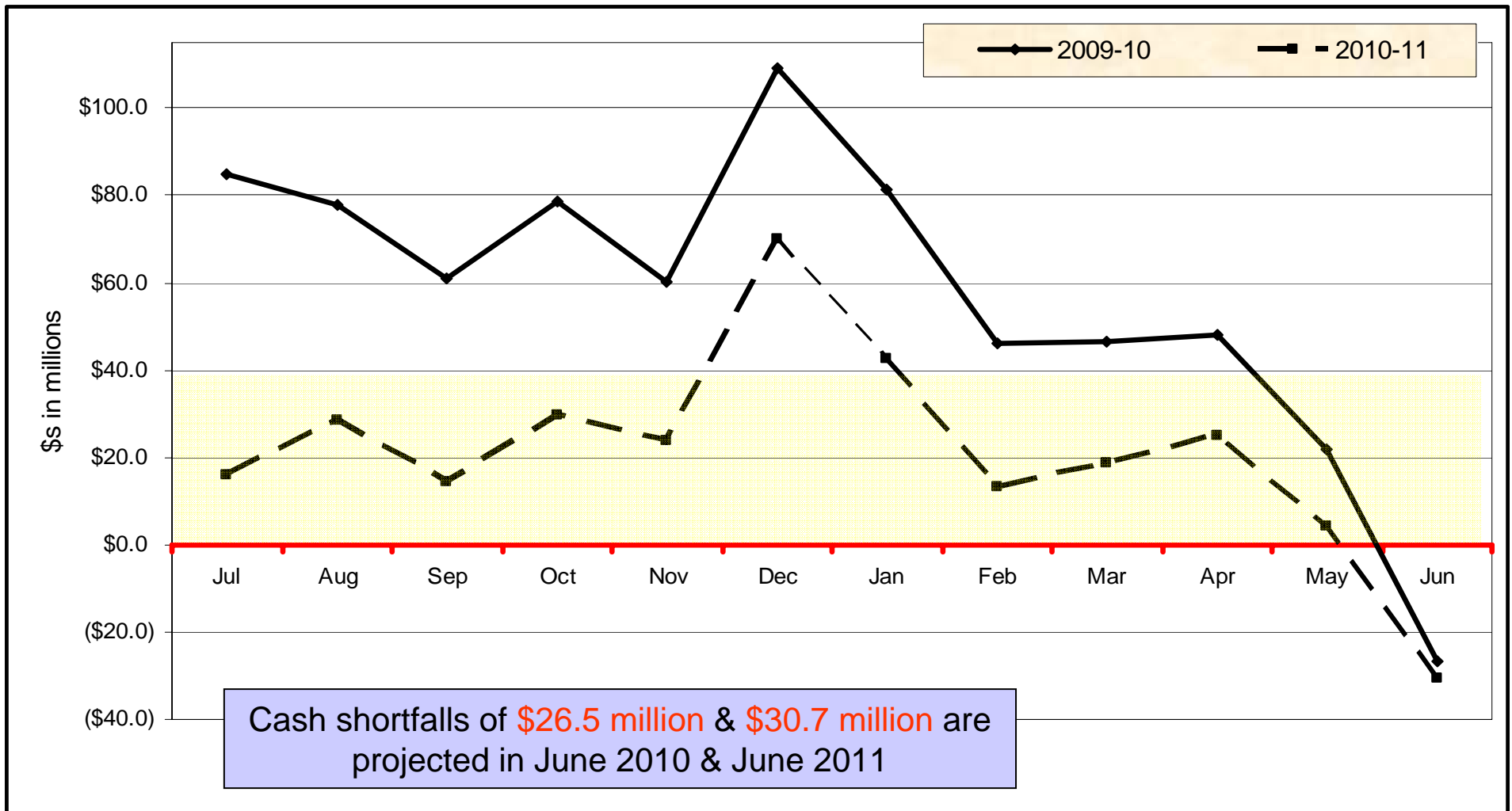
- Potential interest income lost (assuming a 2% rate): \$422K (or \$35K/mo.)

Cash Deferral	From / To	SAUSD \$ Amount of Deferral
Revenue Limit Deferral	From July 2009 to Dec. 2009	\$7 million
Revenue Limit Deferral	From Aug. 2009 to Oct. 2009	\$9 million
Revenue Limit Deferral	From Nov. 2009 to Jan. 2010	\$8 million
Revenue Limit Deferral **New**	From Feb. 2010 to July 2010	\$15 million
Revenue Limit Deferral **New**	From April 2010 to Aug. 2010	\$5 million
Revenue Limit Deferral **New**	From May 2010 to Aug. 2010	\$8 million
Revenue Limit Deferral	From June 2010 to July 2010	\$15 million
Revenue Limit Deferral **New**	Apportionment % Change	
	- From Quarter 1 to Quarter 2	\$7 million
	- From Quarter 1 to Quarter 4	\$4 million
	- From Quarter 3 to Quarter 4	\$4 million
Total		\$82 million

Caution:
Addt'l State
Cash
Deferrals are a
strong
possibility.



State deferrals results in **projected cash shortfalls in 2009-10 & 2010-11** and a **probable need to borrow funds to meet payroll & other district obligations.**





- **Option #1: Internal Borrowings**
 - Borrow from Other Funds (e.g. Fund 17 & Cafeteria)
 - Limitation:
 - Borrowing limited to 75% of fund balance.
 - Must be repaid in same year; following year if borrowing within 120 days of year end
 - District Action:
 - Per Board direction, authorization for transfers will be sought once the shortfall occurs or is close to occurring.
- **Option #2: Borrow from the County Treasurer**
 - EC 42620 requires County Treasurer to loan money to school district if they lack sufficient money to meet current expenses
 - Limitation:
 - Amount borrowed cannot exceed 85% of district taxes levied on behalf of district
 - Any transfers must be made prior to the last Monday in April of the current year
 - Payments must be repaid by the end of each fiscal year
 - District Action:
 - As a precautionary measure, the Board previously authorized resolution to borrow up to \$400 million from the Orange County Treasurer



- **Option #3: External borrowings** (Tax Revenue Anticipation Notes; TRANS)
 - Short term borrowing from the private sector
 - Limitation:
 - TRAN borrowings normally cannot cross fiscal years
 - TRAN borrowings that cross fiscal years are less common
 - Borrowing not allowed unless cash flow shortage can be validated
 - District Action:
 - SAUSD is exploring a TRAN for 2009-10 & 2010-11.
 - Discussions are being held with Government Financial Strategies to set the timeline for the loan.
- District is monitoring cash flow on a regular basis and will provide updated cash flow reports on a monthly basis for the current year and for 2010-11.



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Next Steps





- **<\$31 million>** in unspecified budget reductions need to be identified by December 15, 2009
 - i.e. roughly 2.5 months or 5 Board meetings from tonight!
- District staff will develop recommendations for these budget reductions
- Cuts will be difficult given that:
 - The easier cuts (i.e. the low hanging fruit) have already been made
 - The large size of the cuts
- Further troubling is the prospect of additional mid-year State budget cuts
- Stay tuned.