



**Santa Ana**  
Unified School District



# **2009-10 Budget Update**

## **First Interim**

(Financial Information as of October 31, 2009)

***December 8, 2009***

Jane A. Russo, Superintendent

Cathie Olsky, Ed.D., Deputy Superintendent

Ron Murrey, Associate Superintendent, Business Services

Kelvin Tsunozumi, Executive Director, Business Services

Tony Wold, Ed.D., Director, Program Quality Analysis



1. Update State and Federal Budget information
  - Governor and Legislative Analyst Office budget Projections
  - Federal Programs
2. Board Achievements and Priorities
3. Approve 2009-10 First Interim Report
  - Approve district recommended budget reductions (discussed at November 23<sup>rd</sup> Special Study Session)
  - Review Budget assumptions and key changes



- State Budget:
  - Governor's Press Conference (**November 9, 2009**):
    - California's budget will face a 2 year budget deficit of **\$12.4 - \$14.4 billion**
  - Mac Taylor, Legislative Analyst (LAO's) Report (**November 18, 2009**):
    - Identified a **\$20.7 billion** State budget deficit (over the next 18 months)
- New State budget information isn't anticipated until late December / early January when the Governor's Proposal is released.
- Glimmer of Hope:
  - Dept of Finance reports (for the first time since the release of the May Revision) that state revenue collections in a month (Oct.) exceeded projections
  - In October, the State added 25,700 jobs (in previous months, California lost 40,000 to 60,000 jobs per month)
  - While above are positive news, School Services of California cautions that "one month of good news does not establish a trend."



**Santa Ana**  
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# Board Achievements and Priorities



- **What was saved and/or added:**
  - Grade 1 & 2 CSR (23:1 in Grade 1 and 24:1 in Grade 2)
  - Counselors
  - Added Library Media Techs / Computer Aides / Site Clerks for all Elementary sites
  - Athletics
  - The Elementary Music Program
  - School Police and District Safety Officers
  - Nurses
  - Maintained A+ Bond rating
  - CalSafe and ROP programs maintained
  - Preserved funding for future textbook adoptions
  - GATE / CAHSEE / AVID Support
  - Preserved some of our TOSAs (Teachers on Special Assignment)
  - Outreach Consultants for Secondary sites
  - Restored School Police positions to 12 months
  - Increased Elementary Office Assistants from 4 to 6 hour positions
  - All permanent, RIFed teachers were brought back and/or offered re-employment opportunities with the district.



## 2010-11 Board Priorities

- Ensure Fiscal Solvency
- Grade K-3 Class Size Reduction (CSR)
  - Continue to offer grade 1 and 2 CSR for the second year using categorical funds
    - Grade 1 @ approximately 23:1; Grade 2 @ approximately 24:1
- Preserve Counselor & Library Services
- Maintain Athletics & Music Programs
- Safety
- Minimize the Impact of Cuts to Our Employees
- Continue to Provide Elementary Sites with Support Staff to Ensure Academic Achievement



## 2009-10 First Interim Financial Report

- Budget Reductions included
- Major Changes to the Budget





- First Interim Report:
  - Assumes that all district recommended budget reductions are authorized (as part of the Board's adoption of the First Interim report)
  - Does not include possible mid year or future State cuts





Description	2010-11	
<b>Total Reductions Needed (2010-11)</b>	<b>\$31.0</b>	
	One-time Cuts	On-going Cuts
<b>Reductions previously authorized by the Board</b>		
Use ARRA Stabilization this year / pushes cuts to next year	<del>\$10.9</del>	
Teaching Staff budgeted and not hired due to enrollment drop		<del>\$3.0</del>
<b>Reductions discussed at Nov. 23<sup>rd</sup> Special Study Session</b>		
One-time Cuts	<del>\$6.4</del>	
On-going Cuts		<del>\$8.0</del>
<b>Sub-Total</b>	<del>\$17.3</del>	<del>\$11.0</del>
<b>Total (One-time &amp; On-going Cuts)</b>	<del>\$28.3</del>	
<b>Unidentified Budget Reductions Still Needed (as of Nov. 23<sup>rd</sup>)</b>	<b>\$2.7</b>	

Note:

- One-time cuts shown above, will be made now in the current fiscal year, 2009-10.
- As the year progresses, add'l unforeseen expenses may arise which may increase the amount of needed cuts.
- Reduction amounts shown do not include possible mid year or future year State budget reductions.



Program / Funding Shift	Type of Reduction	One-Time Cuts *	On-going Cuts
Utility Savings	Cut/Savings	\$0.1	\$0.2
Portable Buildings Rental Reduction	Cut/Savings	---	\$0.2
District Office Reorganization	Cut/Savings	\$0.1	\$0.3
Negotiated Health & Welfare Savings	Cut/Savings	\$2.0	\$2.0
Routine Restricted Maintenance RMMA Sweep	Sweep	\$1.5	\$0.8
Deferred Maintenance Sweep	Sweep	\$0.6	\$0.3
Fund 40 Portable Lease Costs	Funding Shift	---	\$0.7
QEIA Portable Lease Costs	Funding Shift	\$0.8	\$0.8
Title/Funding Change for Secondary AP (site EIA)	Funding Shift	\$0.4	\$1.8
Intermediate Counselor Funding with site EIA	Funding Shift	\$0.9	\$0.9
<b>Cuts Discussed at Nov. 23, 2009 Study Session</b>		<b>\$6.4</b>	<b>\$8.0</b>

\* Note: Cuts will be made now in the current fiscal year, 2009-10



Description	2010-11	
<b>Total Reductions Still Needed (2010-11)</b>	<b>\$2.7</b>	
	One-time Cuts *	On-going Cuts
<b>Newly Identified Reductions</b>		
Routine Restricted Maintenance Sweep (implement now, 2009-10)	<del>-\$0.8</del>	---
Deferred Maintenance Sweep (implement now, 2009-10)	<del>-\$0.3</del>	---
Special Education Contribution Reduction (for 2009-10)	<del>-\$1.6</del>	---
<b>Sub-Total</b>	<del>-\$2.7</del>	<b>\$0.0</b>
<b>Total (One-time &amp; On-going Cuts)</b>	<u><del>-\$2.7</del></u>	
<b>Unidentified Budget Reductions Still Needed (as of Dec. 8<sup>th</sup>)</b>	<b>\$0.0</b>	

District Budget Cuts = \$31.0 million (\$11 million on-going & \$20.0 million one-time)

\* Note: Cuts will be made now in the current fiscal year, 2009-10

# Recommended First Interim Budget



**Santa Ana**  
Unified School District

2009–10 MYP

(including unspecified cuts)

<u>(\$s in millions)</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
<b>Beginning Fund Balance</b>	\$93.2	\$67.9	\$45.5
<b>Revenues</b>	\$452.2	\$454.1	\$454.1
<b>Expenditures (including Unspecified Budget Reductions)</b>	\$477.5	\$476.5	\$459.4
<b>Net Increase/(Decrease)</b>	<b>(\$25.3)</b>	<b>(\$22.4)</b>	<b>(\$5.3)</b>
<b>Projected Ending Fund Balance</b>	\$67.9	\$45.5	\$40.2
<b>Less: Other Designations *</b>	<b>(\$2.8)</b>	<b>(\$2.8)</b>	<b>(\$2.8)</b>
<b>Unrestricted Reserves (including Instr. Materials, etc.)</b>	<b>(\$6.2)</b>	<b>(\$9.3)</b>	<b>(\$12.5)</b>
<b>QEIA Reserve</b>	<b>(\$11.1)</b>	<b>(\$11.1)</b>	<b>(\$11.1)</b>
<b>One-time cuts &amp; Budget shifts deferred to Next Year</b>	<b>(\$18.4)</b>	---	---
<b>Restricted Reserves</b>	<b>(\$5.0)</b>	<b>(\$1.5)</b>	<b>(\$0.1)</b>
<b>Designation for Economic Uncertainties</b>	\$24.4	\$20.8	\$13.7
<b>Designation for Economic Uncertainties %</b>	5.1%	4.4%	3.0%

\* Includes reserves related to Revolving Cash, Stores, Prepaid, etc.

# IF WE DID NOTHING



**Santa Ana**  
Unified School District

2009–10 MYP

<u>(\$s in millions)</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
<b>Reserves <u>with</u> Cuts</b>			
Designation for Economic Uncertainties	\$24.4	\$20.8	\$13.7
Designation for Economic Uncertainties %	5.1%	4.4%	3.0%
<b>Reserves <u>without</u> any Cuts</b>			
Designation for Economic Uncertainties	\$6.0	(\$8.6)	(\$50.2)
Designation for Economic Uncertainties %	1.2%	(1.8%)	(10.1%)



## Changes included in the First Interim Budget (since the June 2009-10 budget adoption):

- Incorporates unaudited actuals for 2008-09 (including higher ending balances & sweep of Tier III categorical programs) resulting in a higher beginning balance
- The following changes to Revenue and Expenditures have been discussed during our Board meetings (i.e. Budget Updates) and in Board Special Study Sessions held since the June budget adoption.



- The State passed a new State Budget after the beginning of the new fiscal year (on July 24, 2009). This new budget included:
  - Moved / Deferred Revenue Limit reductions (that were to occur in 2008-09) to 2009-10 **<\$13 million>**
  - Implemented a Revenue Limit reduction for districts receiving QEIA funding **<\$11 million>**
- QEIA “fix-it” bill approved. Eliminated above QEIA Revenue Limit reduction **+\$11 million**
  - Although the State passed the QEIA “fix-it” bill, given uncertainty with respect to funding, dollars will not be budgeted until funds are actually received.



- COLA (Revenue Limit)
  - 2009-10 COLA is reduced (i.e. deficated) by **18.355%**. Net effect, SAUSD receives COLA of **-7.64%**.
  - 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 of concern and recommends that districts have a contingency plan
    - Given State financial outlook and SSC's recommendation, the district has assumed the COLA for both years at **0%** with no additional increase to the revenue limit deficit.
- Federal & State Categorical Programs
  - Re-budgeting of carryover dollars and new award dollars.





- Enrollment

- A decline of <500> students is projected for 2009-10 (At Adopted Budget, 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 Original Budget	54,824	+240
<b>2009-10 Revised</b>	54,084	<b>(500)</b>
<b>2010-11</b>	54,084	+0
<b>2011-12</b>	54,084	+0

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



- Special Education Contribution: **\$1.6 million** reduction in 2009-10 budgeted expenditures
- 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
- H&W Reduction:
  - Post employment (Reduction as previously reported to the Board)
    - There are less retirees who are staying on our post employment plan
    - These retirees have dropped and found alternative medical coverage
    - “On-going” savings of approximately **\$2 million** annually
  - In addition, refund of prior years H&W premium payments (one time savings of **\$725K**)



- Continues management furlough days (10 days per year, beginning in 2008-09); **<4.6%> of salary**
- Includes the reduction of 3 staff development days savings **<1.5%> of salary**
- Substitute Cost Preferential Treatment: Education Code 44956(a)(5)
  - 2009:10: All permanent RIFed teachers eligible for preferential treatment have been brought back or offered re-employment.
    - 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 staff in 2010-11. Therefore substitute costs are budgeted to increase to \$4.7 million.



Inadequate State funding of our schools has resulted in Educational program reductions. The latest, unspecified projected budget reductions for 2010-11 & 2011-12 are **-\$31.0 million** & **-\$22.5 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>** (\$11 million in on-going & \$20.0 million in one-time cuts)
- 2011-12, **<\$22.5 million>** (previously \$29.5 million)

**Total Budget Cuts (2004-05 thru 2011-12): <\$184.1 million>**



- Goal: To address major changes as noted on “Summary – Unrestricted/Restricted” form
  - Note: It is not an attempt to explain all changes contained within the entire First Interim Report
  - Attempting to do so would be too lengthy.

# Explanation of Major Changes

2009-10 First Interim  
 General Fund  
 Summary - Unrestricted/Restricted  
 Revenues, Expenditures, and Changes in Fund Balance

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 Form 011

Description	Resource Codes	Object Codes	Original Budget (A)	Board Approved Operating Budget (B)	Actuals To Date (C)	Projected Year Totals (D)	Difference (Col B & D) (E)	% Diff (E/B) (F)
<b>A. REVENUES</b>								
1) Revenue Limit Sources		8010-8099	279,890,351.00	279,890,351.00	52,675,290.45	265,127,837.00	(14,762,514.00)	-5.3%
2) Federal Revenue		8100-8299	53,072,422.75	53,072,422.75	19,521,503.34	68,131,300.38	15,058,877.63	28.4%
3) Other State Revenue		8300-8599	105,742,891.11	105,742,891.11	23,505,327.72	109,975,377.02	4,232,485.91	4.0%
4) Other Local Revenue		8600-8799	7,724,825.37	7,724,825.37	1,309,964.09	8,952,795.25	1,227,969.88	15.9%
5) TOTAL, REVENUES			446,430,490.23	446,430,490.23	97,012,085.60	452,187,309.65		
<b>B. EXPENDITURES</b>								
1) Certificated Salaries		1000-1999	230,907,636.62	230,907,636.62	48,687,756.59	237,401,457.78	(6,493,821.16)	-2.8%
2) Classified Salaries		2000-2999	59,238,462.54	59,238,462.54	11,592,465.58	59,742,162.37	(503,699.83)	-0.9%
3) Employee Benefits		3000-3999	91,266,183.25	91,266,183.25	17,340,582.81	89,382,203.06	1,883,980.19	2.1%
4) Books and Supplies		4000-4999	13,107,297.95	13,107,297.95	4,272,486.16	23,264,728.63	(10,157,430.68)	-77.5%
5) Services and Other Operating Expenditures		5000-5999	71,068,565.82	71,068,565.82	12,056,534.62	58,245,064.45	12,823,501.37	18.0%
6) Capital Outlay		6000-6999	1,569,166.14	1,569,166.14	32,908.06	760,217.47	808,948.67	51.6%
7) Other Outgo (excluding Transfers of Indirect Costs)		7100-7299						
		7400-7499	3,120,992.00	3,120,992.00	0.00	3,120,992.00	0.00	0.0%
8) Other Outgo - Transfers of Indirect Costs		7300-7399	(1,303,259.00)	(1,303,259.00)	(165,725.00)	(1,303,259.00)	0.00	0.0%
9) TOTAL, EXPENDITURES			468,975,045.32	468,975,045.32	93,817,008.82	470,613,566.76		
<b>C. EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES AND USES (A5 - B9)</b>								
			(22,544,555.09)	(22,544,555.09)	3,195,076.78	(18,426,257.11)		
<b>D. OTHER FINANCING SOURCES/USES</b>								
1) Interfund Transfers								
a) Transfers In		8900-8929	0.00	0.00	0.00	0.00	0.00	0.0%
b) Transfers Out		7600-7629	5,306,475.00	5,306,475.00	778,851.75	6,839,186.00	(1,532,711.00)	-28.9%
2) Other Sources/Uses								
a) Sources		8930-8979	0.00	0.00	0.00	0.00	0.00	0.0%
b) Uses		7630-7699	0.00	0.00	0.00	0.00	0.00	0.0%
3) Contributions		8980-8999	0.00	0.00	0.00	0.00	0.00	0.0%
4) TOTAL, OTHER FINANCING SOURCES/USES			(5,306,475.00)	(5,306,475.00)	(778,851.75)	(6,839,186.00)		



- a • “Revenue Limit Sources” decrease: Primarily attributable to the \$253/ADA Revenue Limit reduction imposed by the State Adopted Budget passed on July 24, 2009
  - Note: QEIA “fix-it” bill restored Revenue Limit reduction that was part of the above State Adopted Budget
  
- b • “Federal Revenue” increase: Attributable to funding of categorical program carryovers and new awards



- “Other State Revenue” increase: Due to:
  - Funding of State categorical carryovers and new awards
  - July 24, 2009 State Adopted Budget reduced cuts originally planned to a lower level for both Home to School & Special Education Transportation
  - Deferred Maintenance funds at Adopted Budget, budgeted in Fund 14, now in Fund 01.
- “Other Local Revenue” increase: Attributable to greater than anticipated interest income (including ERAF interest) and transfers in for higher level of ROP funding.





- e • “Certificated Salaries” & “Classified Salaries” increase primarily attributable to:
  - EIA funds were temporarily budgeted in the “Services, Other Operating Exp.” pending final determination on use of these funds
    - Per Board direction, funds designated for Grades 1 & 2 CSR and Teachers on Special Assignment (TOSA) positions
  
- f • “Employee Benefits” decrease is attributable to lowered number of retirees eligible for H&W benefits plus a refund of prior years H&W premium payments
  
- g • “Books & Supplies” increase due to:
  - Funding of categorical carryovers and new awards
  - Budget shifts (as specified by sites) for ARRA-Title I proceeds that were released to sites per Board direction..



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- “Services & Other Operating Exp.” decrease primarily attributable to:
  - EIA dollars (initially held in this line item) reallocated for Grades 1 & 2 CSR and TOSAs.

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- “Interfund Transfers Out” increase:
  - State match of Deferred Maintenance was previously deposited directly by the State to the Deferred Maintenance Fund (Fund 14)
  - The Deferred Maintenance Fund is now a Tier III program and these funds are now being deposited by the State to the General Fund (Fund 01)
  - This transfer reverts funds back to Fund 14 for use by the Facilities Department to maintain our facilities.

# Explanation of Major Changes of General Fund Balance

2009-10 First Interim  
General Fund  
Summary - Unrestricted/Restricted  
Revenues, Expenditures, and Changes in Fund Balance

30 66670 0000000  
Form 011

Description	Resource Codes	Object Codes	Original Budget (A)	Board Approved Operating Budget (B)	Actuals To Date (C)	Projected Year Totals (D)	Difference (Col B & D) (E)	% Diff (E/B) (F)
<b>E. NET INCREASE (DECREASE) IN FUND BALANCE (C + D4)</b>			(27,851,030.09)	(27,851,030.09)	2,416,225.03	(25,265,443.11)		
<b>F. FUND BALANCE, RESERVES</b>								
1) Beginning Fund Balance								
a) As of July 1 - Unaudited		9791	56,194,981.81	56,194,981.81		93,214,502.57	37,019,520.76	65.9%
b) Audit Adjustments		9793	0.00	0.00		0.00	0.00	0.0%
c) As of July 1 - Audited (F1a + F1b)			56,194,981.81	56,194,981.81		93,214,502.57		
d) Other Restatements		9795	0.00	0.00		0.00	0.00	0.0%
e) Adjusted Beginning Balance (F1c + F1d)			56,194,981.81	56,194,981.81		93,214,502.57		
2) Ending Balance, June 30 (E + F1e)			28,343,951.72	28,343,951.72		67,949,059.46		
Components of Ending Fund Balance								
a) Reserve for								
Revolving Cash		9711	150,000.00	150,000.00		150,000.00		
Stores		9712	440,000.00	440,000.00		440,000.00		
Prepaid Expenditures		9713	2,200,000.00	2,200,000.00		2,200,000.00		
All Others		9719	0.00	0.00		0.00		
General Reserve		9730	0.00	0.00		0.00		
Legally Restricted Balance		9740	9,051,488.07	9,051,488.07		5,037,468.09		
b) Designated Amounts								
Designated for Economic Uncertainties		9770	13,330,614.65	13,330,614.65		24,445,972.21		
Designated for the Unrealized Gains of Investments and Cash in County Treasury		9775	0.00	0.00		0.00		
Other Designations		9780	3,171,849.00	3,171,849.00		35,675,618.80		
Instructional Materials 0803	0000	9780				5,758,305.00		
QEIA	0000	9780				11,086,500.00		
Onetime Cuts & Budget Shifts deferred	0000	9780				18,400,000.00		
Civic Center Rental Fees 0032	0000	9780				408,622.30		
Godinez Rental Fees 0033	0000	9780				22,191.50		
c) Undesignated Amount		9790				0.36		
d) Unappropriated Amount		9790	0.00	0.00				



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- “Beginning Fund Balance” increase: As explained when the 2008-09 Unaudited Actuals was presented, the beginning fund balance is higher due to:
  - State action: \$13 million in State Revenue Limit cuts, originally planned for 2008-09, was moved to 2009-10
  - District implemented a mid year freeze and required justifications on expenditures & positions
    - The justification process is continuing in 2009-10
  - Aggressive district action to: (Impact \$14 million)
    - Utilize categorical dollars and conserve unrestricted dollars
    - Conserve Tier III program expenditures & sweep balances to unrestricted.



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  - “Ending Balance” increase primarily attributable to:
    - The revised beginning fund balance is higher than at Adopted Budget
    - The deficit is lower at First Interim due to early implementation of budget cuts in 2009-10 slated for 2010-11.
  
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  - “Legally Restricted Balance” decrease is due to budgeting of carryover dollars since Adopted Budget.
  
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  - “Designation for Economic Uncertainties” is the net result of:  
“Ending Balance” – “Legally Restricted Balance” – “Other Designations”
  
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  - “Other Designations” increase
    - At Adopted Budget, \$3.2 million was designated for instructional materials
    - At First Interim, other designations include:
      - Instructional Materials, \$5.8 million
      - QEIA Revenue Limit Reduction, \$11.1 million
      - One-time Cuts & Budget Shifts Deferred to Next Year, \$18.4 million
      - Civic Center Rental Fees / Godinez, \$0.4 million.



## Projected Ending Balances (All Other Funds)

Fund (all \$s in 000's)	2009-10 Adopted Budget	2009-10 First Interim	Difference
Fund 11 - Adult Education	\$0	\$0	\$0
Fund 12 – Child Development	\$115	\$134	\$19
Fund 13 – Cafeteria	\$2,887	\$8,935	\$6,048
Fund 14 – Deferred Maintenance	\$6	\$0	<\$6>
Fund 17 – Special Reserve	\$9,586	\$9,537	<\$49>
Fund 21 – Building	\$6,162	\$1	<\$6,161>
Fund 25 – Capital Facilities	\$28	\$224	\$196
Fund 35 – School Facilities	\$35,797	\$0	<\$35,797>
Fund 40 – Special Reserve/Capital Outlay	\$0	\$2,000	\$2,000
Fund 49 – Capital Projects (COP)	\$0	\$195	\$195
Fund 51 – Bond Interest & Redemption	\$9,913	\$9,841	<\$72>
Fund 56 – Debt Service	\$9,717	\$13,415	\$3,698
Fund 67 – Workers' Comp/Self-Ins.	\$11,937	\$13,459	\$1,522



- Present Governor's January Budget Proposal
- Prepare for possible mid-year and future year reductions.