

August 16, 2010

RECEIVED  
AUG 21 2010  
BUSINESS SERVICES

Audrey Yamagata-Noji, Ph.D., Board President  
Santa Ana Unified School District  
1601 East Chestnut Avenue  
Santa Ana, CA 92701

Jane Russo, District Superintendent  
Santa Ana Unified School District  
1601 East Chestnut Avenue  
Santa Ana, CA 92701

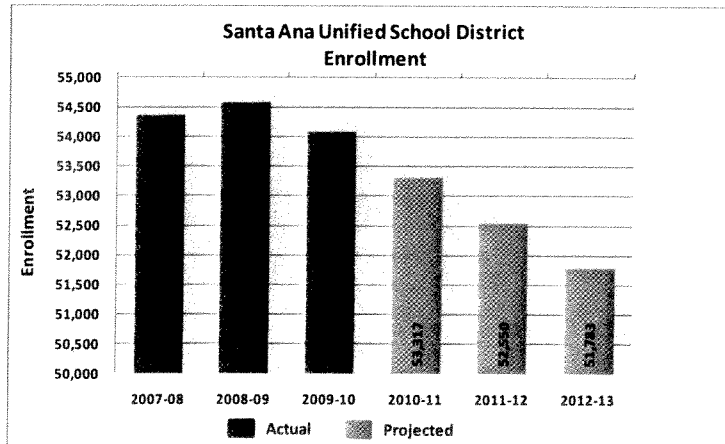
**Subject: 2010-11 Adopted Budget - Single Adoption District**

Dear Dr. Yamagata-Noji and Ms. Russo:

Thank you for the timely submission of the 2010-11 Santa Ana Unified School District Adopted Budget, provided along with the supporting documentation needed to assist us in reviewing the District's financial condition.

The Orange County Superintendent of Schools has reviewed the Adopted Budget of the District as required by Education Code Section 42127(d). In addition, an examination has been performed in compliance with Education Code Section 42127(c)(2), and the Criteria and Standards have also been reviewed pursuant to Education Code Section 33127. On the basis of the County Office's comprehensive review and analysis of the District's Adopted Budget, the 2008-09 Audit Report, and the State adopted Criteria and Standards, the 2010-11 Adopted Budget of the Santa Ana Unified School District is hereby approved.

The District is projecting student enrollment of 53,317 for the 2010-11 school year, representing a decrease of seven hundred and sixty seven from the 2009-10 student enrollment. Enrollment is projected to continue to decrease by 767 for 2011-12 and by 767 for 2012-13 (see chart below). We encourage the District to closely monitor future enrollment trends and prepare for appropriate budget adjustments should enrollment fluctuate adversely.



**ORANGE COUNTY  
DEPARTMENT  
OF EDUCATION**  
200 KALMUS DRIVE  
P.O. BOX 9050  
COSTA MESA, CA  
92628-9050  
(714) 966-4000  
FAX (714) 662-3570  
www.ocde.us

**WILLIAM M. HABERMEHL**  
County Superintendent  
of Schools

LYNN APRIL HARTLINE  
Deputy Superintendent

JOHN L. NELSON  
Associate Superintendent

**ORANGE COUNTY  
BOARD OF EDUCATION**

JOHN W. BEDELL, PH.D.

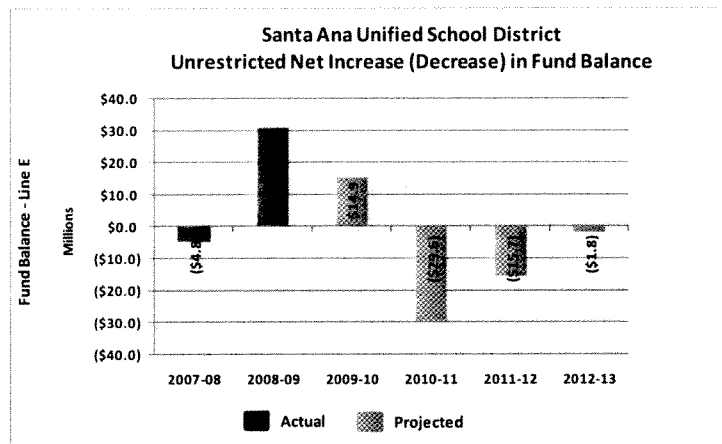
DAVID L. BOYD

ELIZABETH PARKER

LONG PHAM, PH.D.

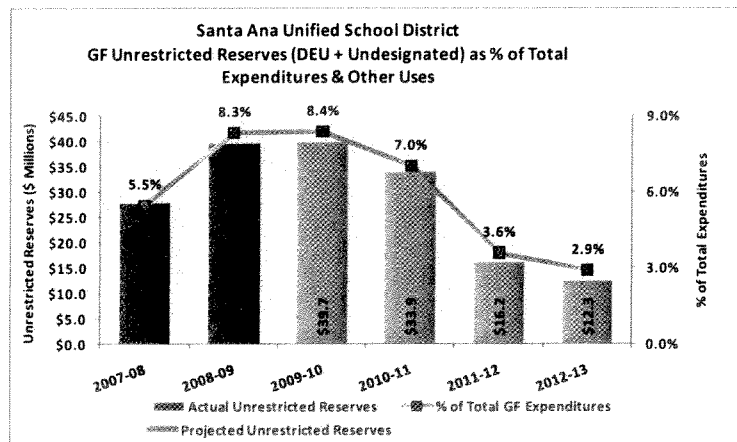
KEN L. WILLIAMS, D.O.

The District is projecting to deficit spend in the current budget year, and the two subsequent years. The unrestricted ending fund balance is projected to decrease by \$29.6 million in 2010-11, decrease in 2011-12 by \$15.7 million, and decrease by \$1.8 million in 2012-13 (see chart below). Our office recognizes that the Governing Board is committed to making any necessary budget reductions in future years to maintain fiscal solvency. Furthermore, it is our understanding from the Board resolution included with the budget that the District plans on making \$32.5 million in ongoing budget reductions in 2011-12 and an additional \$30.5 million in reductions in 2012-13 to maintain fiscal solvency. We expect to see details of the 2011-12 Board approved reductions with the First Interim Report.



Our office recognizes that the District has consistently maintained reserves above the minimum levels required by the State (see chart below). Although the School Services of California Dartboard projected cost of living adjustments (COLA) of 2.1% for 2011-12, the District was fiscally prudent by budgeting a 0% COLA in 2011-12. We commend the District and its Board for taking a proactive approach toward maintaining fiscal solvency, especially during this economic crisis that we are facing.

These are very difficult and challenging times and school district budgets need to be managed conservatively over the next few years. Because of the uncertainty of the State's financial condition, the expiration of federal stimulus funding and class size reduction flexibility, and the potential for further reductions in State funding, **our office continues to recommend that the District maintain unrestricted reserves above the State recommended minimum levels.**



Dr. Audrey Yamagata-Noji  
Ms. Jane Russo  
August 16, 2010  
Page 3 of 3

According to the Criteria and Standards, negotiations for the 2010-11 fiscal year for the bargaining units are not completed. In accordance with AB1200 (Statutes of 1991, Chapter 1213) and Government Code 3547.5, please complete the Disclosure of Collective Bargaining Agreement and send a copy to our office along with the certification pages at least ten working days prior to Board action of the proposed settlements. It is important to note that the District has included the estimated costs for step and column and the increased cost of health benefit premiums for the current fiscal year, and the two subsequent years.

The 2010-11 State Budget has not been finalized as of this date. Our review has been based on the latest information available to this office within the Governor's May Revise Budget Projections. Please remember that Education Code Section 42127(i)(4) specifies that "not later than 45 days after the Governor signs the annual Budget Act, the school district shall make available for public review any revisions in revenues and expenditures that it has made to its budget to reflect the funding made available by that Budget Act."

We want to extend our thanks to your staff for the thorough and timely preparation of the budget document. We appreciate having worked collaboratively with them during the budget development process. We look forward to continuing this working relationship and stand ready to provide technical support to the District as the need arises during these difficult times.

Sincerely,



Wendy Benkert, Ed.D.  
Assistant Superintendent, Business Services

cc: Michael Bishop, Associate Superintendent, Business Services