



Santa Ana
Unified School District

2009-10 Second Interim Report

March 9, 2010

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1. California's State Budget Crisis Overview
2. School Services of California Video Clip
3. Second Interim Report
4. Cash Flow Considerations



California's State Budget Crisis

- State Budget Gap **-\$19.9 billion**
 - 2009-10: -\$6.6 billion shortfall
 - 2010-11: -\$13.3 billion shortfall
- Governor's Proposal
 - **-0.38%** cost of living adjustment (**-\$24** / ADA)
 - Per student funding is defunded 18.355%
 - **-\$201** / ADA cut to Unified School Districts
 - Governor proposes to lower the minimum funding guarantee for schools from \$49.1 billion to \$46.8 billion





- Optimistic revenue forecast
- Not realistic to expect \$6.9 billion in Federal Funding
- Significant legal risks associated with some proposals (funding shifts)
- Some proposals might not generate level of savings assumed in the Governor's plan
 - \$1.6 billion Employee Compensation Savings
 - \$1.1 billion Medi-Cal changes
 - \$811 million inmate Medical Care costs



Three-Year Trend in California and U.S. Unemployment Rates
September 2009; Seasonally Adjusted Data



Source: California Employment Development Department

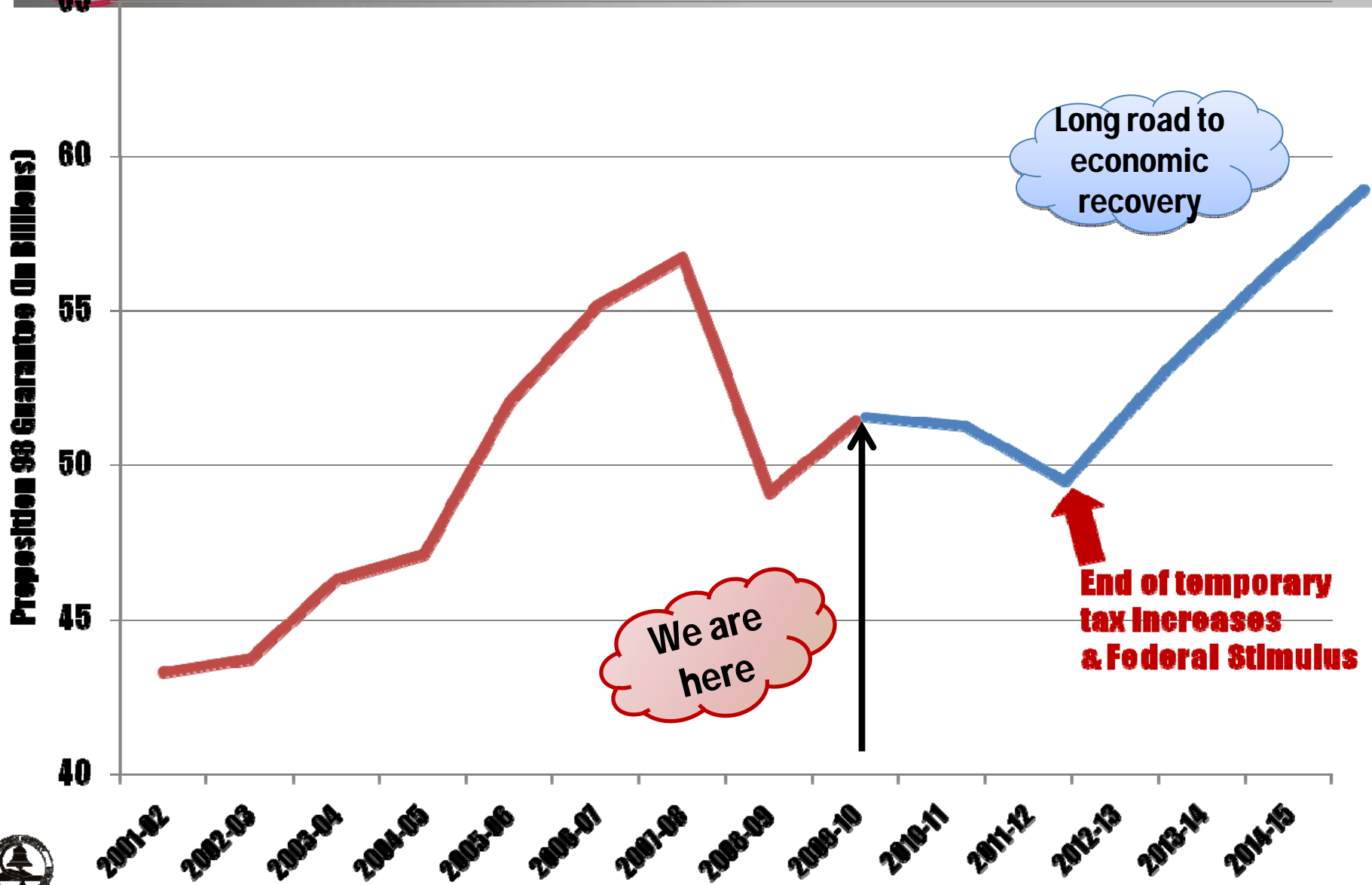
— CA - % Rate — US - % Rate



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Long Road to Economic Recovery



Sources: Red Line - Department of Finance
Blue Line - Legislative Analyst's Office



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Three Year Fiscal Impact

Fiscal Year	Statewide	Orange County	Santa Ana Unified
2008-09	-\$944 million	-\$65 million	-\$7.9 million
2009-10	-\$4.5 billion	-\$304 million	-\$36.0 million
2010-11	-\$1.7 billion	-\$123 million	-\$11.5 million

In Orange County, revenue limit funding per student cuts since 2007-08 equal **-\$805 million**

For Santa Ana Unified, cumulative (ongoing and one-time) three year revenue limit funding cut is **-\$94.0 million**



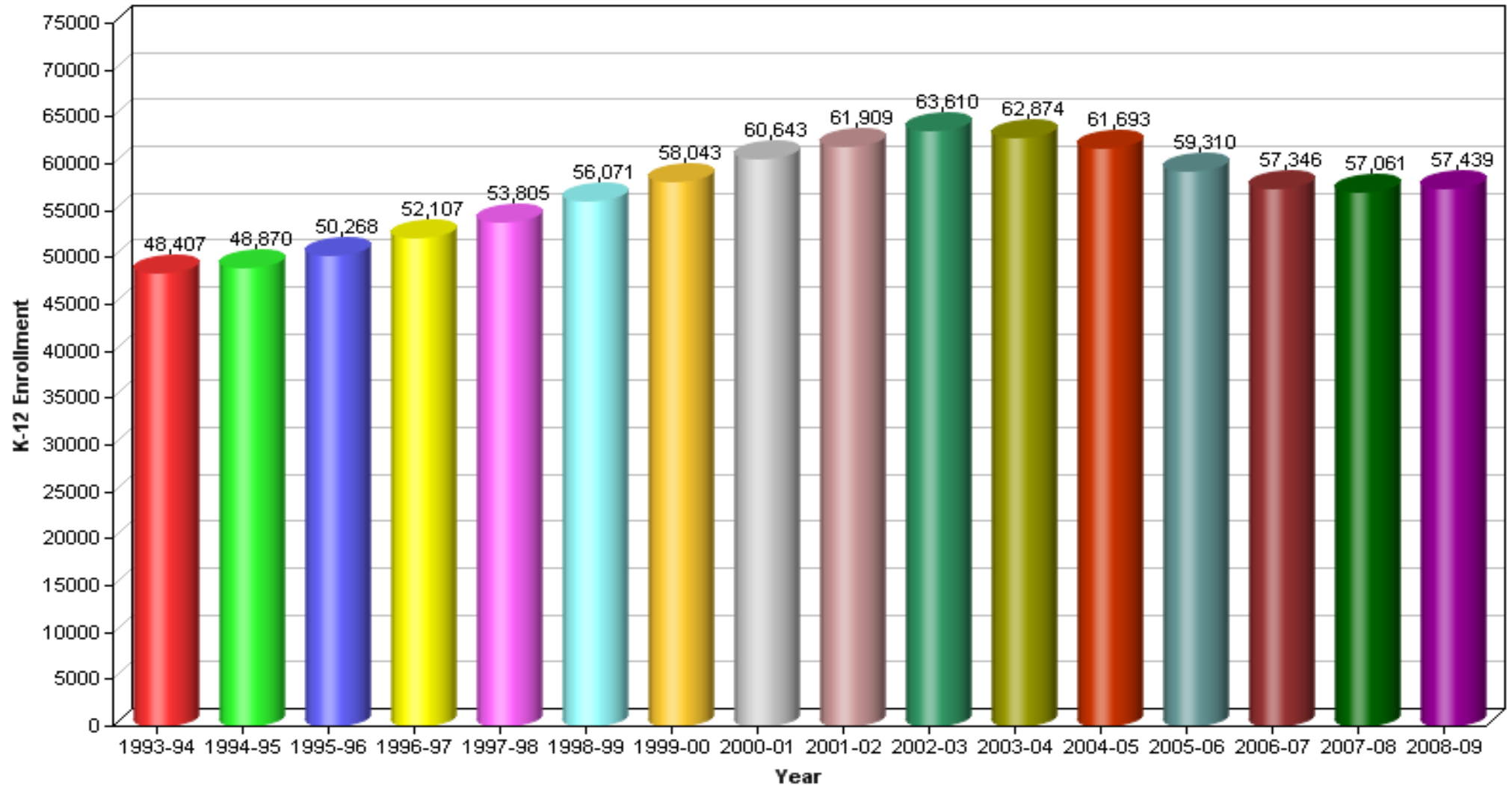
Historical Funded Base Revenue Limit - Santa Ana





Santa Ana Unified School District

Santa Ana Unified Historical Enrollment



Source: California Department of Education, Educational Demographics Office



- “Fiscal/Budget crisis was not created by the District”
- It is due to several external factors:
 - Worldwide Recession
 - California Budget situation
 - Declining enrollment
- Establish reserves levels higher than State recommended minimums
- Conservative cash management - monitor cash flows
- Budget and plan for the most flexibility (this is the best case scenario)
- Use OCDE's 2nd Interim Common Message



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School Services of California
Video Clip

SSE Reports



- Concern: Governor's Proposal does not have Education making cuts proportionate to Education's share of the State budget
- Proportionate cuts equates to additional cuts of **\$9 - \$16 million** (\$175 - \$300 per ADA) * above & beyond the \$11.9 million previously quantified for the Governor's Proposal
* Per School Services of California
- Orange County Department of Education (OCDE) recommends caution and conservatism in budgeting

“..... the Governor's Proposed Budget is the best case scenario and future changes could produce further reductions to Education.”



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Second Interim Report

District staff recommends submission of a “qualified” certification



<u>(\$s in millions)</u>	<u>2010-11</u>
GROUP A (Items <u>likely</u> to occur & therefore <u>included</u> for 2 nd Interim)	
Reduced Revenue due to Negative COLA (-0.38%)	
Revenue Limit	(\$1.2)
Special Ed, Tier III Programs, & Reduced K-3 CSR Funding	(\$0.3)
District Administrative Cost Reductions	(\$8.3)
Elimination of Barriers to Contracting Out Reductions	(\$2.1)
Sub-total of Items (included for 2nd Interim)	(\$11.9)
GROUP B (Items <u>unlikely</u> to occur & therefore <u>excluded</u> for 2 nd Interim)	
Possible 2 nd allocation of ARRA- Stabilization (10% of prior allocation)	+\$1.9 *
Behavioral Intervention Mandate	+\$0.6 **
Elimination of Preferential Treatment of Substitutes	+\$4.7 **
Sub-total of Items (excluded from 2nd Interim)	+\$7.2



- **Enrollment loss**

- 2009-10 500 students
- 2010-11 on 767 students

- **ARRA Funding (Stabilization & Title I)**

- Stabilization: All funds spent out (\$19.2 million)
- Title I \$5.1 million spent 2009-10; \$5.1 million for 2010-11

- **ARRA-IDEA**

- Note: ARRA-IDEA now handled as a reimbursement program
- 2009-10: \$8.4 million spent
- Of above amount \$5.65 million utilized (as allowed) to fund current Special Ed expenditures
- Special Ed encroachment reduced by \$8.4 million (for 2009-10 only)

- **Incorporates adjusted State Revenues** (+\$2.5 million)



- **Godinez Escrow Reserves (Fund 40)**
 - \$2.0 million in Fund 40 dollars, currently held in escrow, will be released
 - \$1.5 million of these funds will be utilized to pay for portable rentals currently paid with unrestricted dollars
 - This saves unrestricted budget
 - Balance will be utilized to fund future years' portable rental expenses and/or portable removal costs
- **Student Information System (SIS) Implementation**
 - The SIS implementation budget was initially set at \$2.6 million
 - This budget has been reduced to \$2.0 million; a savings of \$0.6 million
 - Additional reductions of \$1.2 million (from the above figure) is anticipated in 2010-11 followed by additional savings of \$0.3 million in 2011-12.



- **New expenses** as identified at February 23rd revised downward
 - 2009-10 Was \$4.2 million; Reduced to \$1.5 million
 - 2010-11 Was \$9.7 million; Reduced to \$6.6 million
- **Budget Reductions**

(\$s in millions)	2010-11	2011-12
Reductions Previously Board Approved	\$31.0	---
Add'l Reductions (i.e. Unspecified Budget Reductions) Required	\$3.0	\$26.0
Total	\$34.0	\$26.0

- **2010-11 Unspecified Budget Reductions of \$3.0 million need to be identified by June 30, 2010**



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2009–10 Second Interim MYP

(including unspecified cuts)

<u>(\$s in millions)</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
Beginning Fund Balance (at First Interim)	\$93.2	\$79.5	\$53.3
Revenues	\$466.6	\$456.0	\$443.6
Expenditures (including Unspecified Budget Reductions)	\$480.3	\$482.2	\$456.2
Net Increase/(Decrease)	(\$13.7)	(\$26.2)	(\$12.6)
Projected Ending Fund Balance (at Second Interim)	\$79.5	\$53.3	\$40.7
Less: Other Designations (including Rev. Cash, Inventory, etc.)	(\$2.8)	(\$2.8)	(\$2.8)
Unrestricted Reserves (including Instr. Materials, etc.)	(\$8.9)	(\$10.9)	(\$12.9)
QEIA Reserve	(\$11.1)	(\$11.1)	(\$11.1)
One-time cuts & Budget shifts deferred to Next Year	(\$19.9)	---	---
Restricted Reserves	(\$4.4)	(\$0.2)	(\$0.2)
Designation for Economic Uncertainties	\$32.4	\$28.3	\$13.7
Designation for Economic Uncertainties %	6.7%	5.9%	3.0%
Additional Unspecified Budget Cuts Needed	---	(\$3.0)	(\$26.0)



Projected Ending Balances (All Other Funds)

Fund (all \$s in 000's)	2009-10 First Interim	2009-10 Second Interim	Difference
Fund 11 - Adult Education	\$0	\$0	\$0
Fund 12 - Child Development	\$134	\$134	\$0
Fund 13 - Cafeteria	\$8,935	\$9,590	\$655
Fund 14 - Deferred Maintenance	\$0	\$0	\$0
Fund 17 - Special Reserve	\$9,537	\$9,537	\$0
Fund 21 - Building	\$1	\$0	<\$1>
Fund 25 - Capital Facilities	\$224	\$324	\$100
Fund 35 - School Facilities	\$0	\$0	\$0
Fund 40 - Special Reserve/Capital Outlay	\$1,998	\$498	<\$1,500>
Fund 49 - Capital Projects (COP)	\$195	\$188	<\$7>
Fund 51 - Bond Interest & Redemption	\$9,841	\$9,841	\$0
Fund 56 - Debt Service	\$13,414	\$13,414	\$0
Fund 67 - Workers' Comp/Self-Ins.	\$13,459	\$13,104	<\$355>



Cash Flow Considerations



- **TRANS**

- District successfully closed on its \$9 million TRANS on March 3, 2010
- Funds have been deposited and are available if needed for cash flow purposes



• **Continuing Deferrals**

Cash Deferral	From / To	SAUSD \$ Amount of Deferral
Revenue Limit Deferral	From Feb. 2010 to July 2010	\$15 million
Revenue Limit Deferral	From April 2010 to Aug. 2010	\$5 million
Revenue Limit Deferral	From May 2010 to Aug. 2010	\$8 million
Revenue Limit Deferral	From June 2010 to July 2010	\$15 million
Revenue Limit Deferral	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
Revenue Limit Deferral	From Feb. 2011 to July 2011	\$15 million
Revenue Limit Deferral	From April 2011 to Aug. 2011	\$5 million
Revenue Limit Deferral	From May 2011 to Aug. 2011	\$8 million
Revenue Limit Deferral	From June 2011 to July 2011	\$15 million
Sub-total Continuing Deferrals		\$101 million





- **New deferrals** authorized by Legislature on Feb. 25th
 - Defers K-12 apportionments for July 2010, Oct. 2010 & March 2011 up to a maximum of \$2.5 billion at any given point in time
 - Defers apportionments for no more than 60, 90 and 60 days respectively

Cash Deferral	From / To	SAUSD \$ Amount of Deferral
Revenue Limit Deferral **New**	From July 2010 to Sept. 2010	* \$23 million
Revenue Limit Deferral **New**	From Oct. 2010 to Dec. 2010	* \$23 million
Revenue Limit Deferral **New**	From March 2011 to April 2011	* \$23 million
Sub-total (new deferrals)		\$69 million

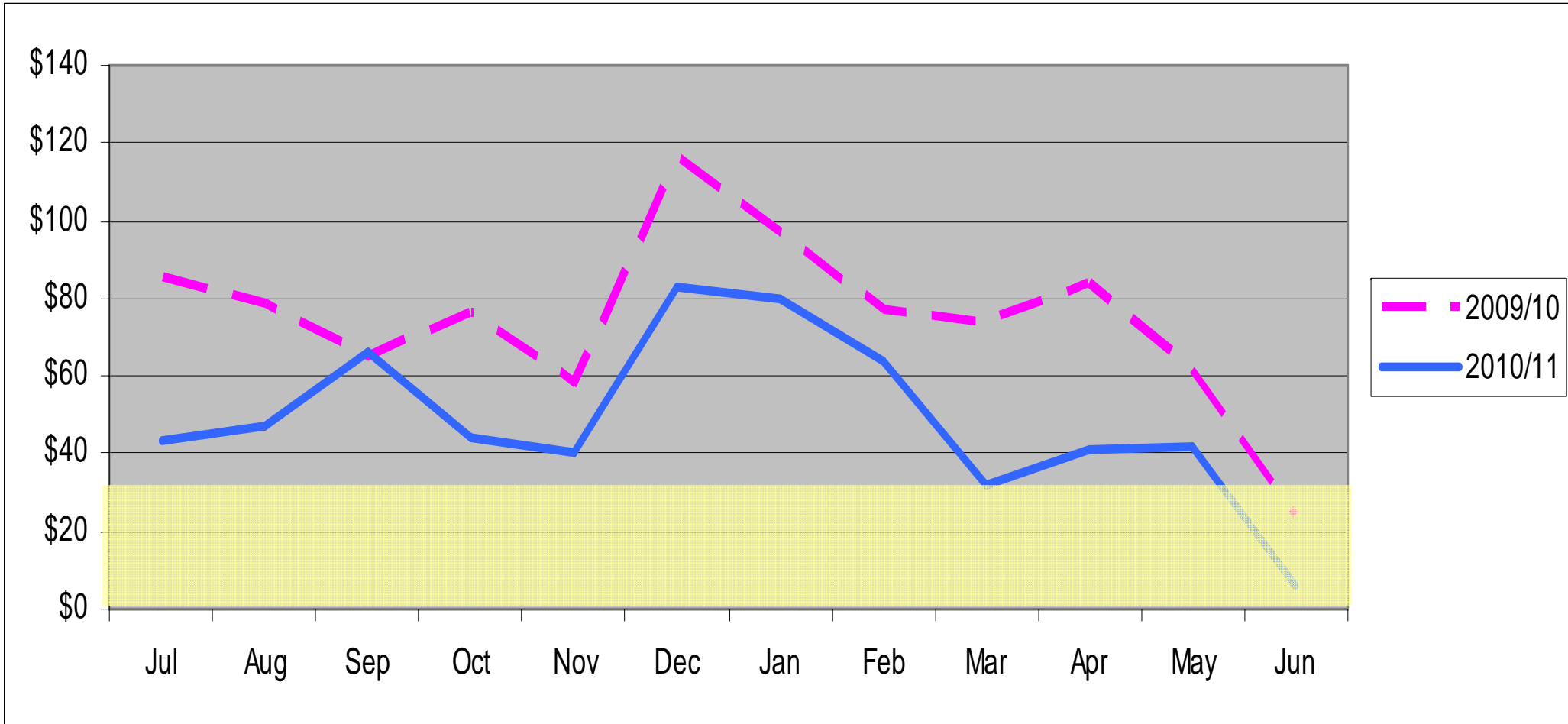
- Continuing deferrals + New deferrals = **\$170 million!**
- Potential interest income loss = \$495K!

* Assumes maximum deferral allowable by State.



Santa Ana Unified School District

Projected SAUSD Cash Flow (as of January 31st 2010)



Cash balance projected to be +\$24 million (June 2010) and +\$6 million in (June 2011)



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Backup Slides

New & Potential New Expense Details



New Expenses

Program Description (\$s in millions)	Current Year Cost 2009-10	On-going Cost 2010-11 on
Unemployment Insurance Rate Increase (mandatory; .30% to .72%)	---	\$1.0
Add'l Custodians	\$0.1	\$0.2
Centralization of Custodial Supplies	\$0.1	\$0.25 (was \$0.5)
Cost of TRANs	\$0.1	\$0.1
Early Notice Incentive	\$.3	---
Maintenance & Operations		
- Reduction to previously authorized budget cuts	\$0.6	\$0.6
- Repairs due to recent rain damage	\$0.3	---
- Penn Air Funding	\$0.2 (was \$0.0)	---
CSR Categorical Funding Shortfall	\$0.3 (was \$0.6)	\$3.1
Miscellaneous (Add'l Hours for Kindergarten Registration, School Police Services Admin. Clerk [.5 FTE])	\$0.02	\$0.07
Sub-total (New Expenses – already approved or mandatory)	\$2.02	\$5.32



Program Description (\$s in millions)	Current Year Cost 2009-10	On-going Cost 2010-11 on
Addt'l Elementary Activity Supervision Hours	\$0.4 (was \$0.8)	\$0.4 (was \$0.8)
Copier Leases	\$0.01 (was \$0.10)	\$0.01 (was \$0.10)
Increased Special Ed costs	---	\$1.9 (was \$2.0)
Maintenance & Operations		
- Other maintenance projects	\$0.5	\$0.0 (was \$0.5)
- Enhanced maintenance plan / replacement vehicles & equipment	\$0.0 (was \$0.6)	\$0.2 (was \$0.6)
Master Schedule – Addt'l Extra Duty Costs (yearly)	\$0.1	\$0.1
Sub-total (Potential New Expenses – under review)	\$1.01	\$2.61
Utilize Release of Godinez Escrow Account of \$2.0 million	(\$1.5) new	(\$0.3) new
Utilize Portion of Instr Materials – Tier III for Unrestricted Expense	---	(\$1.0) new
Sub-total (Budget reductions to reduce amount of new expenses)	(\$1.5)	(\$1.3)
Grand Total	\$1.53	\$6.63