



Santa Ana
Unified School District



2009-10 Budget Update

(Governor's Proposal, TRANS & Measure G Bond Sales)

January 26, 2010

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- Governor's Proposal - Budget Update
- Cash Flow & TRANS
- Measure G Bond Sales
(Tax Exempt & Qualified School Construction Bonds)



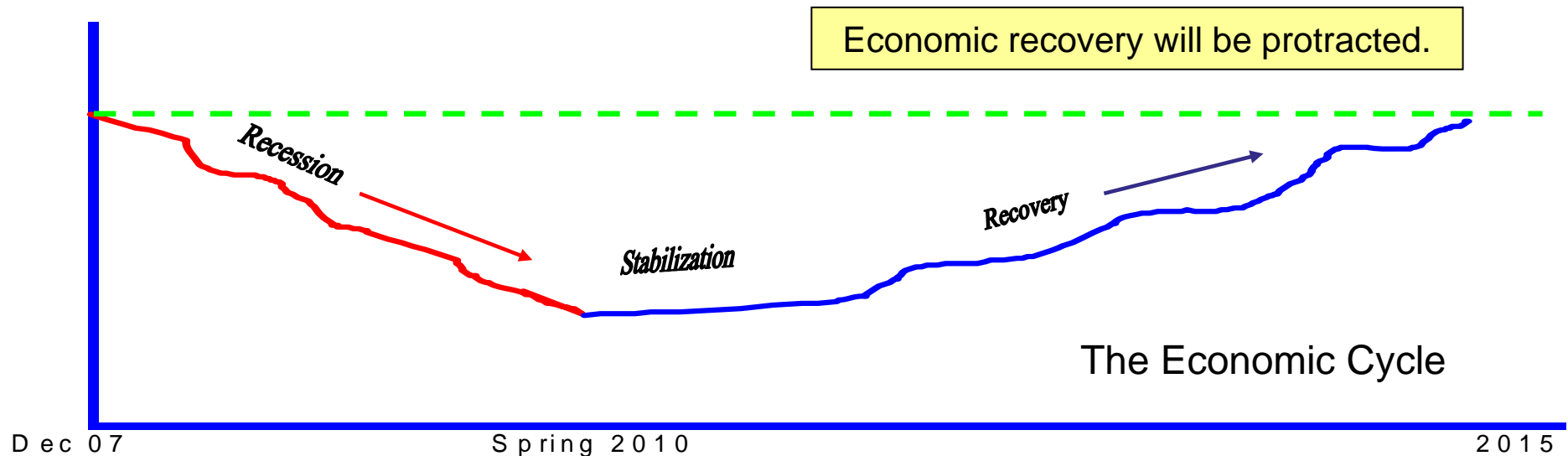
Santa Ana
Unified School District

Governor's Proposal – Budget Update





- While there are signs of economic recovery, California's economy continues to suffer:
 - High unemployment rate (12.3% as of Nov. 2009 vs. 10.0% for the country as a whole)
 - Continued weakness in revenue (tax) collections
- School Services of California (SSC) reports that the State economy is not expected to recover to 2007 levels (i.e. the level before the recession) until **2015!**





- No significant updates to the Governor's Proposal since our last Board meeting
- Attempts to address two-year, Budget deficit of \$19.9 billion
- Proposal impacts 2009-10 and 2010-11 fiscal year
- Governor's Proposal includes:
 - \$8.5 billion in Spending Reductions
 - Health & Human Svcs (\$2.9 billion), state compensation (\$1.6 billion) and Corrections (\$1.2 billion)
 - \$1.9 billion in Funding Shifts
 - Proposition 10 [Early Care & Education] & Proposition 63 [Mental Health] (\$1.0 billion); Foster Care (\$500 million), CAL-Fire (\$200 million) & State Parks (\$200 million)
 - \$6.9 billion in requested Federal funding for "Fairness"
 - California receives \$.78 of every dollar sent to the federal government; New Mexico receives \$2.03.



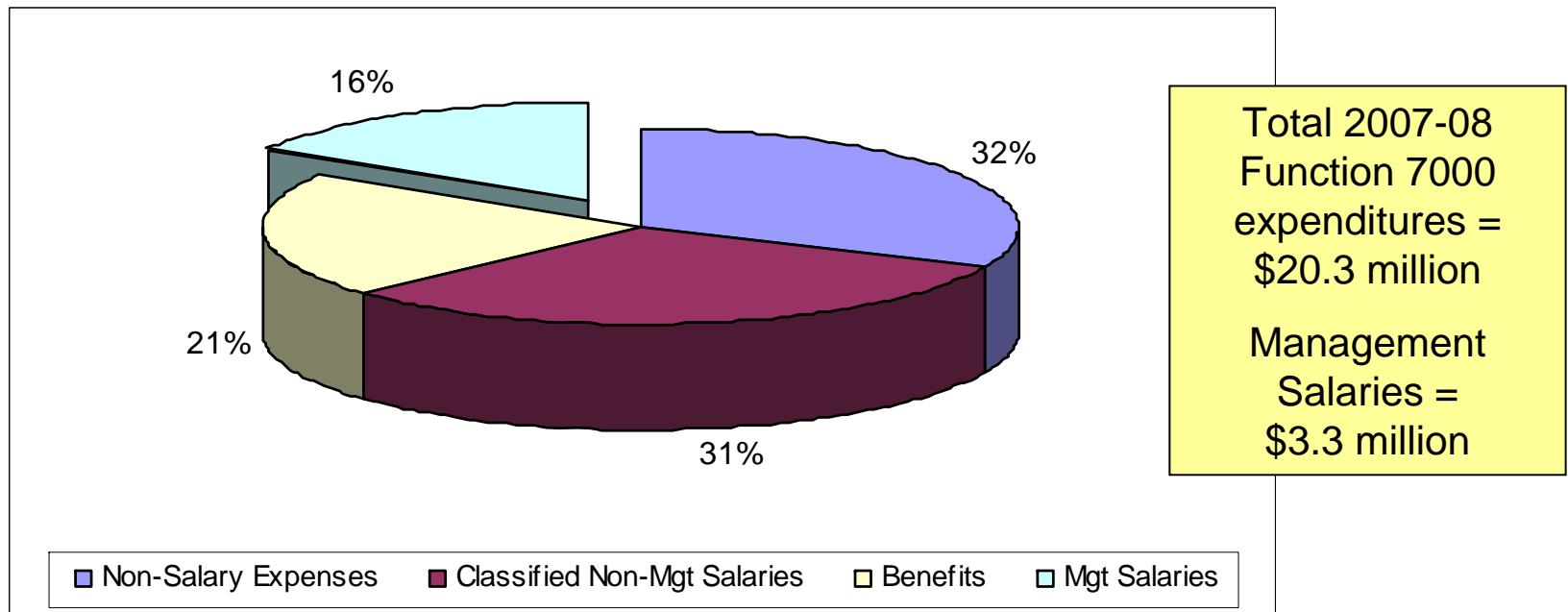
- Proposed Impact to Education
 - One of the Governor's theme: "protecting education"
 - The Bad News: Unfortunately, there are still **\$2 billion in cuts to Prop 98**
 - The Good News:
 - No mid-year cuts (except for sweeping projected, unexpended categorical dollars from programs including K-3 CSR)
 - Lower than proportional reductions (Education comprises 50% of the State's budget, Education is slated for 25% of the cuts.)



- Proposed Impact to Education (cont'd)
 - Maintenance Factor left unaddressed
 - Previously, when tax revenues were weak, the State would automatically “repay” Education in a future year when the economy improves (i.e. the Maintenance Factor)
 - Last year, the State disputed payment of a Maintenance Factor
 - This dispute was ultimately resolved legislatively.
 - For 2010-11, there is no mention of a Maintenance Factor
 - It appears, Education must again rely upon legislative negotiations to establish the amount owed and the repayment schedule.
 - Funding of negative COLA (-0.38% for 2010-11)
 - Revenue Limit: **-\$1.2 million**
 - Revenue related to Special Ed, K-3 CSR, Tier III programs, etc.: **-\$0.3 million**



- Proposed Impact to Education (cont'd)
 - Ongoing targeted cuts of \$1.2 billion aimed at “school district administrative costs”
 - Details and definition of administrative costs have yet to be provided
 - Some speculate cuts made using the SACS account code. Specifically Function 7000 (general administration) using the 2007-08 base year
 - Approximate impact to SAUSD: **-\$8.3 million**





- Proposed Impact to Education (cont'd)
 - Ongoing targeted cuts of \$0.3 billion in savings due to “elimination of barriers to contracting out.”
 - Approximate impact to SAUSD: **-\$2.1 million**
 - Continued flexibility to reduce the school year (from 180 to 175 days)
 - However, this flexibility is subject to negotiations
 - No new changes to categorical program flexibility
 - No changes to After School Education & Safety or QEIA funding
 - Deferred Maintenance – State would continue to fund, district contributions not required
 - Routine Restricted Maintenance Account – District not required to contribute.



- Proposed Impact to Education (cont'd)
 - Possible second allocation of ARRA-Stabilization
 - Approximately 10% of previous allocation: **+\$1.9 million**
 - Funding of Behavioral Intervention Plan Mandate Settlement
 - Relates to a multi-million dollar settlement (reached December 2008) between the Governor and Education for unfunded special education services
 - Payment were to begin effective 2009-10, but no dollars received to date
 - Approximate amount of funding: **+\$0.6 million**
 - Funds only 2 of 38 education mandates; suspends all others
 - Inter-district & intra-district transfers
 - CAHSEE
 - School Services advises districts to budget zero dollars for mandates.



- Proposed Impact to Education (cont'd)
 - Personnel & Administrative Reforms
 - **Substitute Cost**
 - Eliminates regulations giving laid off teachers first priority for substitute assignment & requiring payment at their per diem rate.
 - Approximate impact to SAUSD: **+\$4.7 million**
 - **Staffing Notification Process**
 - Ties statutory notice deadline for Certificated layoffs to date of adopted State Budget
 - i.e. 60 days after adopted State budget vs. current March 15th notice date
 - **Possible changes in certificated dismissal laws**
 - Strengthens the power of local Boards of Education.
 - **Teacher Seniority**
 - Allows districts to lay off, assign, reassign, transfer, and rehire teachers without regard to seniority
 - » Note: Would not supersede existing local collective bargaining agreements.



<u>(\$s in millions)</u>	<u>2011-12</u>
GROUP A - Likely to Occur	
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)
GROUP B - May not Occur	
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
Net Impact (Best Case Scenario?) Group A + B	(\$4.7)
Net Impact (Possible Case Scenario, i.e. receive all the cuts but none of the revenue or savings) Group A Only	(\$11.9)

Projected MYP – 2010 Governor’s Proposal



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>
First Interim			
Reserve %	5.1%	4.4%	3.0%
Budget Reductions	<\$11.6>	<\$31.0>	<\$23.5>
Governor’s Proposal (Best Case)			
Reserve %	5.1%	4.6%	3.0%
Budget Reductions	<\$11.6>	<\$36.5>	<\$23.5>
Additional Budget Reductions Needed *	---	<\$5.5>	---
Governor’s Proposal (Possible Case)			
Reserve %	5.1%	4.5%	3.1%
Budget Reductions	<\$11.6>	<\$42.9>	<\$23.5>
Additional Budget Reductions Needed *	---	<\$11.9>	---

* Reductions in addition to the \$31 million previously authorized by the Board for 2010-11.

Projected MYP – 2010 Governor’s Proposal – Possible Case Scenario



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>
Beginning Fund Balance	\$93.2	\$67.9	\$45.6
Revenues	\$452.2	\$442.2	\$442.2
Expenditures (including Unspecified Budget Reductions)	\$477.5	\$464.5	\$447.5
Net Increase/(Decrease)	(\$25.3)	(\$22.3)	(\$5.3)
Projected Ending Fund Balance	\$67.9	\$45.6	\$40.3
Less: Other Designations *	(\$2.8)	(\$2.8)	(\$2.8)
Unrestricted Reserves (including Instr. Materials, etc.)	(\$6.2)	(\$9.3)	(\$12.5)
QEIA Reserve	(\$11.1)	(\$11.1)	(\$11.1)
One-time cuts & Budget shifts deferred to Next Year	(\$18.4)	---	---
Restricted Reserves	(\$5.0)	(\$1.5)	(\$0.1)
Designation for Economic Uncertainties	\$24.4	\$20.9	\$13.8
Designation for Economic Uncertainties %	5.1%	4.5%	3.1%

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



- Important note: The Governor's Proposal is just a proposal. It is not final until the Legislature takes action.
- The Governor has declared a fiscal emergency and another Legislative Special Session.
- Much of the flexibility language will not be announced until February 1, 2010
- We will provide additional details as they are received
- Note: We are awaiting guidance from OCDE on assumptions to utilize for the Second Interim Report (report due March 15th)
 - As soon as guidance is received, we will provide the Board with definitive information on any needed budget reductions.



- The Board authorized a self-qualified First Interim Report (at its' Dec. 8th meeting) given concerns related to the State budget crisis and the strong possibility of additional State cuts
- OCDE has reviewed our interim report and made the following assessments:
 - “....the District continues to act proactively in addressing the long-term financial well-being of the District....”
 - “....the State’s fiscal condition is continuing to deteriorate.....based on these factors, our office concurs with the (SAUSD) Governing Board and believes that it is fiscally prudent to self-certify as qualified”
 - “Given the volatility of the “State’s financial position....we encourage the District to closely monitor cash and maintain unrestricted reserves above the State recommended minimum.”



Cash Flow & TRANS



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.

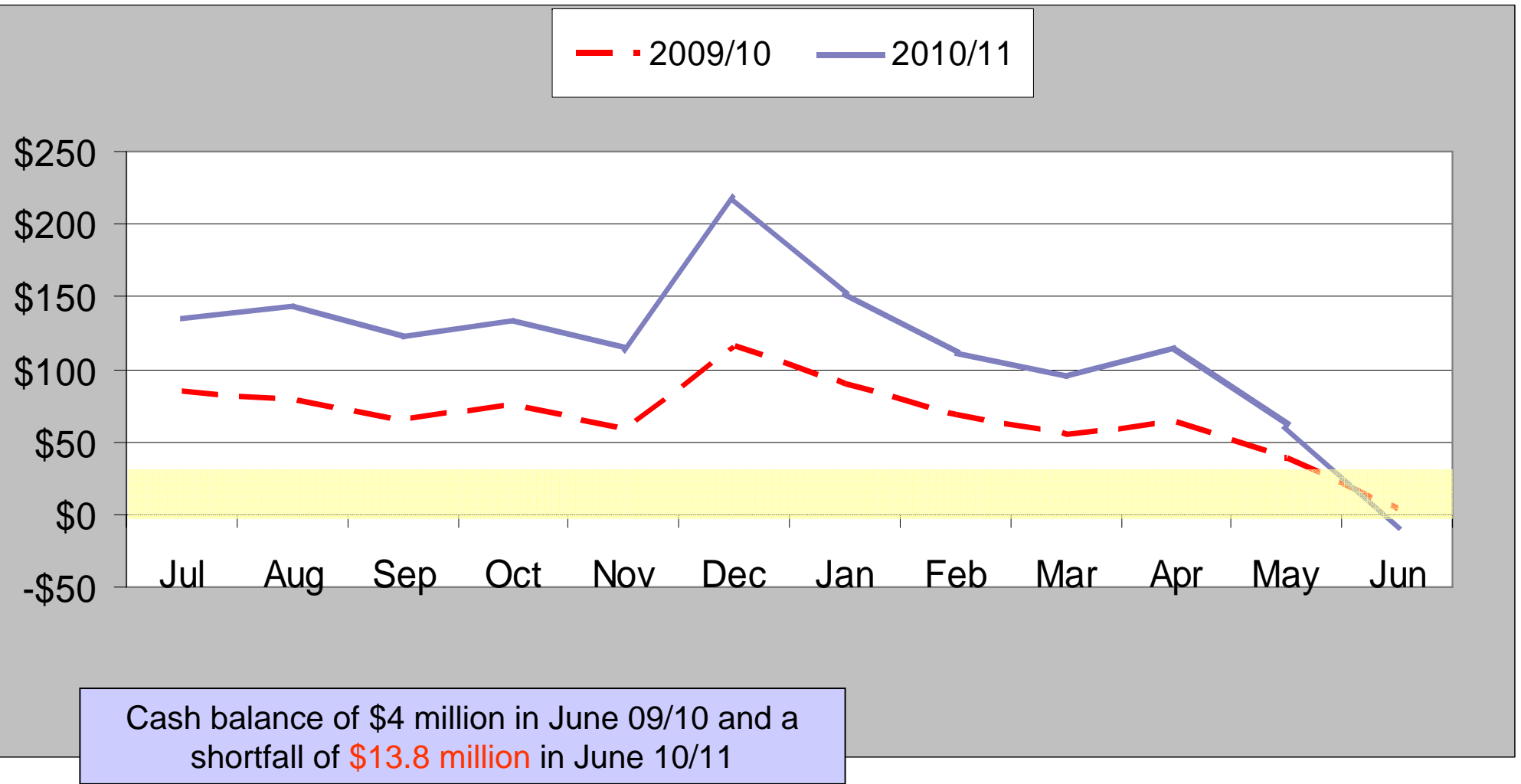


- The State currently defers a total of \$82 million in State revenues owed to SAUSD
- No additional cash deferrals are proposed at this time
 - However, School Services notes, “It is still very early in the game to count out the possibility of additional deferrals.”
- Previous, cash flows projected a cash shortfall in June 2010. Due to receipt of State funds related to delayed EIA and K-3 CSR revenues, coupled with lower spending, the district now projects cash flow as follows:
 - June 2010: Positive +\$4 million
 - June 2011: Negative **-\$13.8 million.**



Santa Ana Unified School District

Projected SAUSD Cash Flow (as of December 31, 2009)





- Given our most recent cash flow projections, the maximum TRANS amount that we could borrow is \$8-\$10 million
- While we theoretically may not need to borrow, we need to consider:
 - These are projections and are thus subject to change
 - The State economy & budget remains unstable
 - Additional State cash deferrals cannot be totally ruled out
 - Peace of mind knowing that we have funds available just in case
- Estimated cost of TRANS borrowing: **\$59.7K**

	Amount	Committed Costs
Cost of Issuance (including Legal Fees)	(\$50.0K)	(\$26.1K)
Interest Expense	(\$67.0K)	---
Interest Earnings (from Re-investments)	\$57.3K	---
Total	(\$59.7K)	(\$26.1K)



Santa Ana
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Measure G Bond Sales

Government Financial Strategies, Inc.
Lori Raineri, President



- As part of its ongoing debt administration, the District continually monitors opportunities for refinancing.
 - \$46.22 million of Measure C bonds issued in 2000 were identified as a refinancing candidate.
- The District used a competitive bidding process to select the underwriter.
 - The winning underwriter was Robert W. Baird & Co., who submitted the lowest true interest cost of 4.12%.
- The lower interest costs will save District taxpayers.
 - **Savings is \$6.34 million over remaining 20 years.**



**SANTA ANA UNIFIED SCHOOL DISTRICT
(Orange County, California)
2009 General Obligation Refunding Bonds**

COMPETITIVE BIDDING RESULTS

Bid #	Name of Bidder	True Interest Cost (TIC%)	Approximate Difference in Present Value From Winning Bid
1	Robert W. Baird & Co. Inc.	4.150933%	
2	UBS Financial Services Inc.	4.488235%	\$1,430,643
3	Citigroup Global Markets Inc.	4.499240%	\$1,486,618
4	Wachovia Bank, National Association	4.508350%	\$1,550,233

*Note: subsequent to the bidding, the winning bid was restructured, adjusting the TIC to 4.122332%



- Measure G Bonds were sold in two series:
 - \$19.24 million as Qualified School Construction Bonds
 - \$34.86 million of standard tax-exempt bonds
- The District negotiated with contracted underwriter George K. Baum and Company.
 - 1.99% true interest cost on QSCBs
 - 7.5% true interest cost on standard tax-exempt bonds *
- A total of \$54.10 million in bonds will be spent on Measure G facilities projects.
 - **This will help inject additional stimulus into the local economy.**

* Reflects corrected interest rate (as reported at the Board Meeting).