



Santa Ana
Unified School District

2009-10 Third Interim Report & Budget Update

May 25, 2010

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1. May Revision
2. Third Interim Report





Santa Ana
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May Revision





- May Revision is only a proposal
 - Legislative approval is needed
- The state & national economy continues to be weak
 - State budget gap in excess of \$19 billion
 - Hoped for improvement in state revenues has not yet materialized
- K-14 education funding at the minimum guaranteed level
- Cuts to Education roughly similar to January Governor's Proposal
 - Education "spared" from new cuts
 - Governor no longer specifying cuts to district administration and/or promoting contracting out of services
- However, significant cuts are proposed to health & social service programs:
 - \$750 million reduction to Medi-Cal
 - Elimination of the CalWORKs program.



Santa Ana **May Revision Financial Impact** Unified School District (as we currently know them)

<u>(\$s in millions)</u>	<u>2010-11</u>
Reduced Revenue due to Negative COLA of -0.39% (for Revenue Limit, Special Ed, Tier III Programs & Reduced K-3 CSR Funding)	(\$1.5)
Revenue Limit Reduction of -3.85% (Approximately \$245.86/ADA reduction; This figure is subject to change.)	(\$12.8) *
Total Cuts	(\$14.3)

* In 2009-10, District received a one-time Revenue Limit reduction of \$252.83/ADA. The proposed Revenue Limit reduction of -3.85% for all intents and purposes makes the one-time cut permanent.

We will update the Board as additional details pertaining to the May Revision trickles out of Sacramento.



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The Third Interim Report





- Incorporates May Revision Proposed Revenue Reductions **<\$14.3 million>**
- Enrollment loss
 - 2009-10 **<500>** students (Revenue decreases following year by **-\$2.4 million**)
 - 2010-11 **<767>** students (Revenue decreases following year by **-\$3.6 million**)
- 2009-10 P2 ADA
 - Favorable vs. projections
 - No impact for 2009-10 but will increase 2010-11 revenues by **+\$1.7 million ***
- K-3 CSR Revenues **+\$0.9 million ***
 - Due to higher than anticipated number of eligible students & district staff efforts to maximize reimbursement

* Additional revenues since 2nd Interim



- Resolution on QEIA Funding

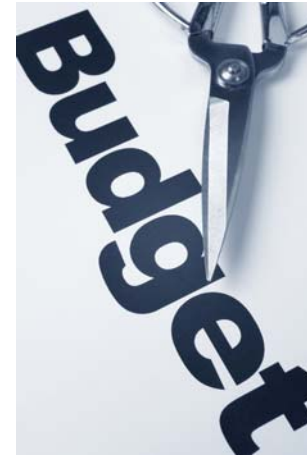
- At 2nd Interim, District set aside unrestricted reserves of \$11.1 million given concerns related to State funding of this program
- Subsequently State fully funded QEIA but reduced funding for Tier III programs for all districts (SAUSD's share: -\$3.0 million)
- State committed to reimbursing these dollars with allocation of additional ARRA-Stabilization funds
- SAUSD received an award letter for additional ARRA-Stabilization funds for \$3.0 million (\$1.4 million has already been received)
- For Third Interim:
 - The reserve for QEIA has been eliminated (undesigned reserves will increase)
 - \$3.0 million in additional ARRA Stabilization revenue has been budgeted
 - Recommend in 2010-11, that these funds be utilized to offset unrestricted expenses
 - **The above recommendation coupled with favorable 2009-10 P2 ADA, etc. satisfies the need for \$3 million in additional budget reductions for 2010-11.**



Inadequate State funding of our schools has resulted in Educational program reductions. The latest projected budget reductions for 2010-11 & 2011-12 are **-\$34.0 million** & **-\$26.0 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, **<\$34.0 million>** (of this amount, \$31 million has been identified/approved)
- 2011-12, **<\$26.0 million>**



Total Budget Cuts (2004-05 thru 2011-12): <\$192.2 million>



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"Where is all the Low Hanging Fruit?"





Incorporates Approved 2010-11 Budget Reductions of \$31.0 million.

Program / Funding Shift	Type of Reduction	One-Time Cuts *	On-going Cuts
Use ARRA Stabilization this year & push cuts to next year	Funding Shift	\$10.9	---
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
Teaching Staff budgeted & not hired due to enrollment drop	Cut/Savings		\$3.0
Special Education Contribution Reduction (for 2009-10)	Cut/Savings	\$1.6	---
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

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



Program / Funding Shift	Type of Reduction	One-Time Cuts *	On-going Cuts
Routine Restricted Maintenance RRMA Sweep	Sweep	\$1.5	\$0.8
Deferred Maintenance Sweep	Sweep	\$0.6	\$0.3
Routine Restricted Maintenance Sweep (implement now, 2009-10)	Sweep	\$0.8	---
Deferred Maintenance Sweep (implement now, 2009-10)	Sweep	\$0.3	---
Total		\$20.0	\$11.0

Grand Total of Identified Reductions (One-time & On-going) = \$31.0 million

It is recommended that the additional \$3.0 million in cuts be attained through use of the additional allocation of ARRA Stabilization dollars as identified on Slide #8.

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



Key Expenditure Assumptions (Includes but not limited to items that follow)

- Staff Development Days – Arbitration Ruling **<\$3.0 million>***
 - The district lost its arbitration with SAEA on staff development days
 - Budget assumes restoration of 2.5 days / +1.2% of certificated staff salary for 2009-10 and future years
- Cost of Tentative Agreement / MOUs
 - 2009-10 Classified Tentative Agreement; no financial impact
 - Tentative MOUs with SAEA; Impact preliminarily estimated at **<\$240K> ***
- Continues Management Furlough Days **+\$500K**
 - Originally implemented in 2008-09
 - Days range from 5 to 10 days depending on months of service
 - Furlough Days = **<4.6%>** of management salary
- H&W Cost Increase of **+17.7%** **<\$2.0 million over 2nd Interim> ***

* Additional expenses since 2nd Interim



- Expenses as approved by the Board at Second Interim
 - Examples of additional expenses approved include: CSR categorical funding shortfall, increase in Special Ed costs, additional elementary activity supervision hours, centralization of custodial supplies, etc.
 - 2009-10 <\$1.5 million>
 - 2010-11 <\$3.8 million> Originally <\$6.6 million
- Student Information System (SIS) Implementation
 - 2009-10 <\$2.0 million>
 - 2010-11 +\$1.5 million (As noted at the Board Meeting, this is the corrected figure)
- K-6 Pilot as approved by the Board on May 11th <\$0.4 million> *
- Not included are any unrestricted dollars needed in support of our Persistently Low Achieving Schools.



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2010–11 Third 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 Second Interim)	\$93.2	\$81.1	\$53.8
Revenues	\$462.7	\$446.0	\$432.8
Expenditures (including Unspecified Budget Reductions)	\$474.8	\$473.3	\$454.7
Net Increase/(Decrease)	(\$12.1)	(\$27.3)	(\$21.9)
Projected Ending Fund Balance (at Third Interim)	\$81.1	\$53.8	\$31.9
Less: Other Designations (including Rev. Cash, Inventory, etc.)	(\$2.8)	(\$2.8)	(\$2.8)
Unrestricted Reserves (including Instr. Materials, etc.)	(\$10.3)	(\$9.5)	(\$11.5)
QEIA Reserve	(\$0.0)	(\$0.0)	(\$0.0)
One-time cuts & Budget shifts deferred to Next Year	(\$20.0)	---	---
Restricted Reserves	(\$7.5)	(\$4.2)	(\$3.9)
Designation for Economic Uncertainties	\$40.5	\$37.3	\$13.7
Designation for Economic Uncertainties %	8.5%	7.9%	3.0%
Additional Unspecified Budget Cuts Needed	---	(\$3.0) *	(\$26.0)

* Recommendation: \$3.0 million in cuts through use of add'l ARRA Stabilization dollars for unrestricted expenses.



(\$s in millions)	2009-10	2010-11	2011-12
Budget Cuts <u>not</u> yet Identified &/or Approved	---	<\$3.0> *	<\$26.0>
Reserves with above cuts	8.5%	7.9%	3.0%
Reserves without above cuts	8.5%	7.2%	<3.8%>

* Recommended but not yet approved.



Projected Ending Balances (All Other Funds)

Fund (all \$s in 000's)	2009-10 Second Interim	2009-10 Third Interim	Difference
Fund 11 - Adult Education	\$0	\$0	\$0
Fund 12 – Child Development	\$134	\$140	\$6
Fund 13 – Cafeteria	\$9,590	\$10,828	\$1,238
Fund 14 – Deferred Maintenance	\$0	\$0	\$0
Fund 17 – Special Reserve	\$9,537	\$9,537	\$0
Fund 21 – Building	\$0	\$41,360	\$41,360
Fund 25 – Capital Facilities	\$324	\$450	\$126
Fund 35 – School Facilities	\$0	\$9,881	\$9,881
Fund 40 – Special Reserve/Capital Outlay	\$498	\$1,808	\$1,310
Fund 49 – Capital Projects (COP)	\$188	\$2,290	\$2,102
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.	\$13,104	\$13,104	\$0



- The 2010-11 Budget will be presented to the Board in June.
- 2010-11 numbers shown as part of the Third Interim will undoubtedly change as:
 - Additional May Revise details are released
 - 2010-11 Budget development incorporates detailed review of positions, expenditures & programs while 2010-11 projections from the Third Interim are developed via a macro approach.
- Staff Recommendation:
 - Approve use of \$3.0 million in additional ARRA-Stabilization to cover \$3.0 million reduction in unrestricted expenses for 2010-11
 - Accept and approve Third Interim Report.



- Continue to act proactively with respect to District finances
- Continue to use sound business practices
 - Students/Parents/Community our first priority
 - Singular focus on “service”.....academic success
 - Ensure that our “service” is perceived as valuable, otherwise students/parents may turn to other organizations for their education
- There is no more “low hanging fruit”
 - Any new costs (programs/positions/pay increases) must be offset by new revenue and/or through elimination of existing costs
- Prioritization is key
 - We can’t do everything we want, but we can prioritize and provide those services essential to academic success
- \$26 million in cuts are needed for 2011-12
 - Salaries/benefits constitutes over 93% of our unrestricted budget
 - We need to work with our administrative, certificated and classified associations to achieve expenditure reductions.

