



Santa Ana
Unified School District

2010-11 Third Interim Report

May 24, 2011

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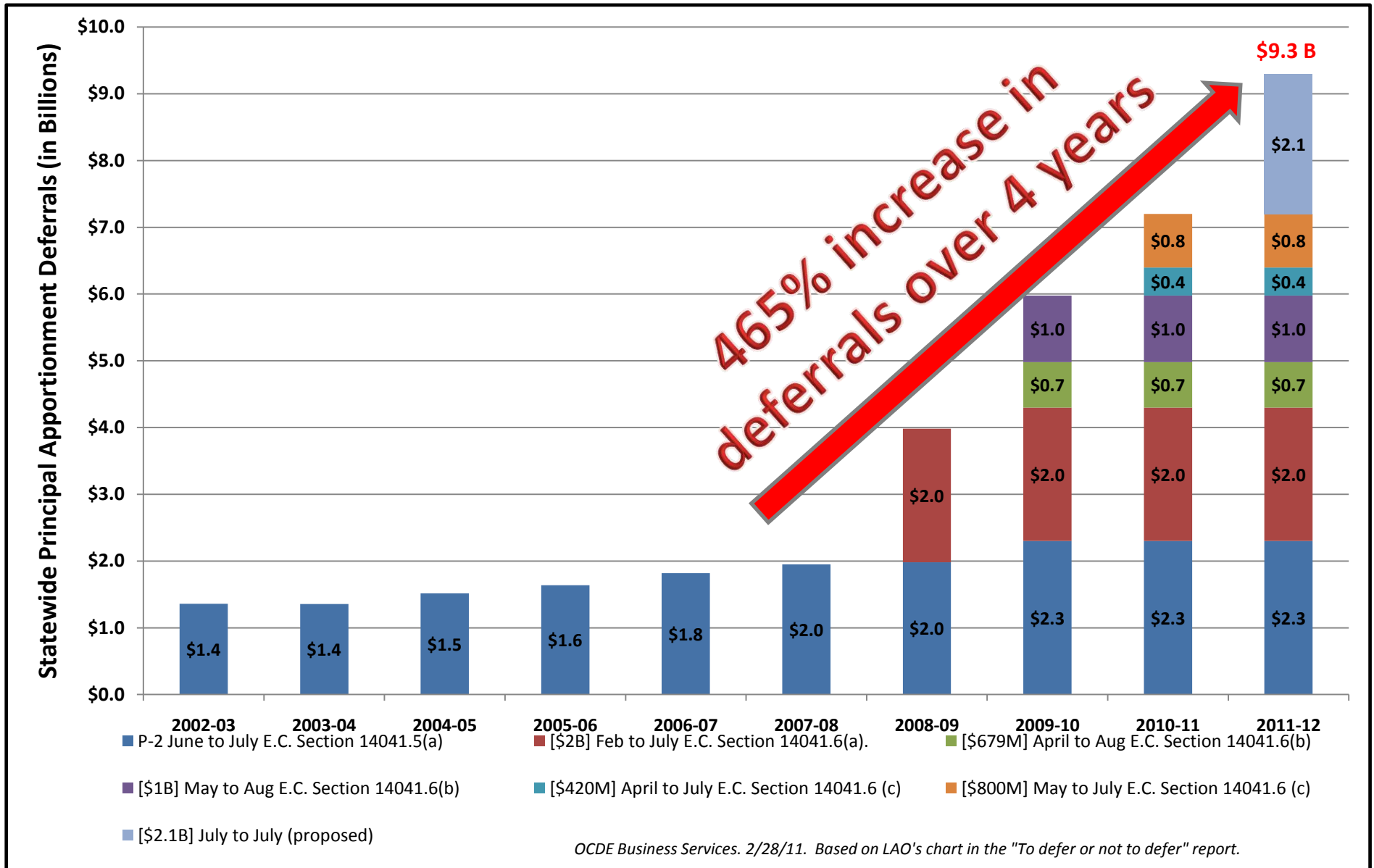
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1. Governor's May Revision
2. Third Interim Certification & Budget Report
3. Budget Reductions for 2011-12 and 2012-13
4. 2011 – 2012 Preliminary Budget
5. Next Steps



- The Governor's May Revision provides "flat funding" for education in spite of almost \$3 billion in increased funding under Proposition 98. The new funding
 - Reverses \$2.5 billion in K-12 apportionment deferrals,
 - Reverses \$350 million in community college apportionment deferrals,
 - Provide \$222 million to fund mental health and out-of-home care for special education students, an expense that was previously borne by counties.
- The revise is based upon an extension of taxes, which if not approved could require up to **\$5 billion** in reductions to K-12
- The proposed budget includes the additional Base Revenue Limit funding that was received in 2010-11 and is being used **one-time** against 2011-12 cuts
 - Due to the uncertainty of the State budget this revenue will be recorded and designated in reserve against potential additional cuts to education





- Staff recommends a Qualified Certification
- The Governor's May Revise is again **built upon an extension of taxes** which may not occur resulting in additional cuts to education after our budget adoption on June 14, 2011
- Remaining budget reduction target for 2011-12 of **\$1.8 million** to be identified for Budget adoption on June 14, 2011
- Remaining budget reduction target for 2012-13 is approximately **\$32.0 million**
- Additional ongoing operations savings from 3rd Interim; additional savings from negotiated health and welfare agreements; expenditure increases from negotiated agreements and base staffing; and the summer school Tier III sweep will be included at budget adoption
- Available **one-time** resources are approximately \$37 million
- Other forms of reductions will have to be identified, including negotiated reductions to meet the 2012-13 budget reduction target



“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 and guidance
 - Have a plan should the tax extensions not pass



- **Enrollment Loss Less Than Projected**
 - Less than projected enrollment decline with higher than projected attendance rate contribute to a \$3.1 million positive adjustment
- **ARRA Funding (Stabilization & Title I)**
 - Stabilization: All funds spent out by end of 2010-11
 - Title I All funds spent out by end of 2010-11; minimal funds will remain at Elementary sites due to costs of CSR
- **ARRA-IDEA**
 - All funds spent out by end of 2010-11.
- **Jobs Bill**
 - \$2 million utilized for retirement incentive in 2010-11
 - \$8.3 million to be utilized one-time in 2011-12



- **District Reserves**
 - The projected reserves are **+\$80.9 million**
 - The designation for economic uncertainties is \$51.4 million which is 10.4%
- **Budget Reductions are assumed to occur**
 - \$31.5 million for 2011-12 and \$30.5 for 2012-13
 - **AFTER** making cuts unrestricted reserve for economic uncertainties will drop approximately **\$18 million** (to \$33.3 million) in 2011-12 and another **\$8 million** (to \$24.8 million) in 2012-13 reflecting a continuing structural imbalance within the budget (assuming State budget conditions do not worsen)
- **One-time reserves are the District's only security against further loss of State revenue**
 - The best case scenarios for 2011-12 and 2012-13 require the district to identify ongoing expenditure reductions and significantly diminish reserves

To maintain fiscal solvency the District must approach the budget through a multi-year approach and cannot look at only one year in isolation



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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>	<u>2012-13</u>
Beginning Fund Balance	\$93.2	\$95.3	\$80.9	\$65.1
Adjustment to Beginning Fund Balance	(\$11.4)	---	---	---
Revenues	\$475.0	\$479.1	\$447.5	\$433.0
Expenditures (including budget reductions)	\$461.5	\$493.5	\$463.3	\$436.8
Net Increase / (Decrease)	\$13.5	(\$14.4)	(\$15.8)	(\$3.8)
Projected Ending Fund Balance	\$95.3	\$80.9	\$65.1	\$61.3
LESS				
Other Designations (incl. Rev. Cash, etc.)	(\$3.1)	(\$3.0)	(\$3.0)	(\$3.0)
Unrestricted Reserves: Future State Cuts	---	(\$13.8)	(\$17.1)	(\$16.9)
Tier III (Instr Mat'l, etc.)	(\$9.9)	(\$5.1)	(\$6.1)	(\$7.1)
One-time cuts / budget shifts & TRANS	(\$32.0)	(\$5.5)	---	---
Restricted reserves	(\$15.0)	(\$2.1)	(\$5.6)	(\$9.5)
Designation for Economic Uncertainties	\$35.3	\$51.4	\$33.3	\$24.8
Designation for Economic Uncertainties %	7.7%	10.4%	7.2%	5.7%
Additional Budget Reductions Needed	---	---	---	(\$30.5)



- The ending fund balance for General Fund combined is projected to increase by approximately \$5.1 million from second interim:

In million dollars	2010-11 2 nd Interim	2010-11 3 rd Interim	Variance
Beginning Fund Balance	\$ 95.3	\$95.3	\$0.0
Add: Revenues	\$497.4	\$479.1	<\$18.3>
Less: Expenditures	\$516.9	\$493.5	<\$23.4>
Ending Fund Balance	\$ 75.8	\$ 80.9	\$ 5.1*

* Ending fund balance increase is primarily due to less than anticipated extra duty (\$4.3 million) and miscellaneous adjustments (\$0.8 million)



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Projected Ending Balances (All Other Funds)

Fund (all \$s in 000's)	2010-11 Second Interim	2010-11 Third Interim	Difference
Fund 11 - Adult Education	\$0	\$0	\$0
Fund 12 – Child Development	\$90	\$90	\$0
Fund 13 – Cafeteria	\$13,258	\$15,795	\$2,537
Fund 14 – Deferred Maintenance	\$88	\$86	<\$2>
Fund 17 – Special Reserve	\$9,577	\$13,177	\$3,600
Fund 21 – Building	\$0	\$0	\$0
Fund 25 – Capital Facilities	\$342	\$342	\$0
Fund 35 – School Facilities	\$0	\$0	\$0
Fund 40 – Special Reserve/Capital Outlay	\$1,248	\$1,248	\$0
Fund 49 – Capital Projects (COP)	\$0	\$0	\$0
Fund 51 – Bond Interest & Redemption	\$16,587	\$16,587	\$0
Fund 56 – Debt Service	\$6,527	\$6,527	\$0
Fund 67 – Workers' Comp/Self-Ins.	\$4,163	\$563	<\$3,600>
Health & Welfare Benefits (Fund 69)	\$1,081	\$917	<\$164>
Fund 71 – Retiree Benefits	\$0	\$164	\$164



- Utilizing one-time solutions in both 2011-12 (Jobs bill & unexpected base revenue limit increase from 10-11) and 2012-13 (Fund 17 reserve balances) SAUSD will still be required to make additional unidentified budget reductions of:
 - **\$1.8** million for 2011-12 (projected)
 - **\$32.0** million for 2012-13 (by December 13, 2011)
- Available **one-time** resources remaining would be approximately \$23.5 million (With Fund 17 utilized one-time for 2012-13)



2011 -12 Budget Reduction Target **\$1.8 million**

\$ in millions

Activity / Program	Ongoing
Tier III Summer School	\$1.0
Increased expenditures and base program adjustments for staffing and adjustments from negotiated settlements	(\$2.5)
Additional Health & Welfare savings from negotiated settlements	\$3.0
Ongoing expenditure reductions identified at 3 rd Interim	\$0.3
TOTALS	\$1.8

BALANCE OF 2011-12 CUTS REMAINING

\$0



- Utilizing one-time solutions in both 2011-12 (**Jobs bill & unexpected base revenue limit increase from 10-11**) and 2012-13 (**Fund 17 reserve balances**) SAUSD will still be required to make additional unidentified budget reductions of:
 - **\$0** million remaining to be identified for 2011-12
 - **\$16.5** million (**estimated**) in additional cuts may be required after adoption if May Revise proposal is not adopted by the Legislature
 - **\$32.0** million for 2012-13 (by December 13, 2011)
- Available **one-time** resources remaining would be approximately \$23.5 million (With Fund 17 utilized one-time for 2012-13)



- The 2011-12 Budget will be presented for Budget Adoption to the Board on June 14, 2011.
- 2011-12 numbers shown as part of the Third Interim will undoubtedly change as:
 - Additional May Revise details are released
 - 2011-12 Budget development incorporates detailed review of positions, expenditures & programs while 2011-12 projections from the Third Interim are developed via a macro approach.
- Staff Recommendation:
 - Accept and approve Third Interim Report (Qualified).

Projection in million dollars	2011-12 Preliminary Budget
Beginning Fund Balance	\$ 80.9
Add: Revenues	\$447.5
Less: Expenditures (including Budget Reductions)	\$463.3
Deficit Spending	(\$15.8)
Ending Fund Balance	\$ 65.1
- Revolving Cash/ Stores / Prepaid Expenses.	\$3.0
- Desig. For Restricted Fund Balance	\$5.6
- Future State cuts (if tax extensions do not pass)	\$17.1
- Desig. for Unrestricted Reserve	\$6.1
- Desig. for Economic Uncertainties	\$33.3
	7.2%



- Same information as previous slide reformatted to the new GASB 54 regulations

Projection in million dollars	2011-12 Preliminary Budget
Beginning Fund Balance	\$ 80.9
Add: Revenues	\$447.5
Less: Expenditures (including Budget Reductions)	\$463.3
Deficit Spending	(\$15.8)
Ending Fund Balance	\$ 65.1
<u>Non-spendable:</u> Revolving Cash/ Stores / Prepaid Exp.	\$3.0
<u>Restricted:</u>	
- Desig. For Restricted Fund Balance	\$5.6
<u>Assigned:</u>	
- Future State cuts (if tax extensions do not pass)	\$17.1
- Desig. for Unrestricted Reserve	\$6.1
<u>Unassigned:</u>	
- Desig. for Economic Uncertainties	\$33.3 7.2%



Date	Event or Activity
On-going until Settled	Negotiations with our certificated & classified associations (SAEA & CSEA respectively) for <u>ongoing reductions</u> and utilization of Jobs Bill funds
June 14, June 28 July 26 August 23	Board Meetings
May 24	Presentation of Third interim Report Identification of remaining 2011-12 Budget Reduction measures
June 14	Approval of 2011 – 12 Adopted Budget Approval of remaining 2011-12 Budget Reduction measures