



**Santa Ana**  
Unified School District

# **2010-11 Budget Update & Unaudited Actuals**

***September 14, 2010***

Jane A. Russo, Superintendent

Cathie Olsky, Ed.D., Deputy Superintendent

Michael P. Bishop, Associate Superintendent, Business Services

Kelvin Tsunezumi, Executive Director, Business Services

Tony Wold, Ed.D., Director, Program Quality Analysis



- Budget Update
- 2009-10 Unaudited Actuals
- Cash Flow Update
- Next Steps



- **Approval of the State Budget is still pending**
  - State Budget currently 2.5 months past due
  - Many speculate that we will not have an approved State Budget until November/December
- **Delays in State Budget = Additional State cash deferrals**
  - Given delays in Budget approval, the State has implemented an additional cash deferral (Revenue Limits & State categorical programs)
  - Additional deferrals & State IOUs are a possibility
- **Federal Jobs Bill**
  - Legislature proposes allocation of these funds based on a proportionate share of each district's Revenue Limit
  - The bill is awaiting the Governor's signature
  - Estimated award amount for SAUSD: \$10.3 million



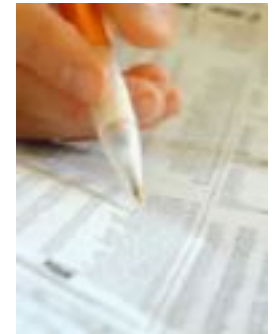


- **California's Race to the Top Application**
  - The State did not receive this funding
  - 3 problematic areas with respect to California's application:
    - Lack of union support for the application
    - A statewide data system that lags behind other states
    - Concerns related to providing effective support to teachers & principals
- **School Improvement Grant (SIG) Funding**
  - SIG funding is awarded via a competitive, merit based process
  - Due to District staff efforts and the support of SAEA, SAUSD will receive \$35 million in SIG funding for our 6 persistently low achieving schools
  - The District received 98 out of 100 possible points



Santa Ana  
Unified School District

# 2009-10 Unaudited Actuals





• **2009-10 Unaudited Actuals closed as follows:**

\* At 2010-11 Adopted Budget

(\$s in millions)	Estimated 2009-10 Fund Balance *	2009-10 Unaudited Actual Fund Balance	Difference
<b>Unrestricted</b>	<b>\$75.8</b>	<b>\$80.3</b>	<b>+\$4.5</b>
Restricted	\$7.5	\$15.0	+\$7.5
Total	\$83.3	\$95.3	+\$12.0

- Unrestricted favorable variance primarily attributable to:
  - Certificated salaries & benefits
    - Less than anticipated spending by sites / departments for
      - » Extra duty & stipends
      - » Regular salaries
    - Select, salaries / stipends, originally slated for payment using unrestricted funds, paid with ARRA-Stabilization
    - Under spending by ROP (a mandated, unrestricted program)
- Restricted favorable variance is primarily attributable to less than anticipated spending from Title I, Title II, EIA & ARRA-Title I programs
  - Dollars will be carried over to 2010-11



- **Adjustment to Beginning Balance for 2 Funds**
  - The General Fund (Fund 01)
    - Related to incorrect State handling / direction for 2008-09 Revenue Limits and select, State categorical program revenues
    - Recall last year's discussion, ["Why is 2008-09 ending fund balance so high?"](#)
    - July 2009. For 2008-09 Unaudited Actuals, the State directed districts to go back in time (from 2009-10 to 2008-09) and close our records as follows:
      - Reduce extent of 2008-09 Revenue Limit & select, categorical revenue cuts,
      - Increase ending balances in 2008-09,
      - Take these revenue cuts in 2009-10
    - During 2009-10. Audit firms, including our auditors (VTD), challenged this direction and the State reversed itself resulting in:
      - A beginning balance decrease adjustment for the General Fund
      - Revenues for 2009-10 being increased
      - Net effect: No change in 2009-10 ending fund balance but changes in revenue & beginning balance



- **Adjustment to Beginning Balance for 2 Funds (Cont'd)**
  - Debt Service Fund (Fund 56)
    - Adjustment made to rectify auditor directed actions





- **Special Ed Maintenance of Effort (MOE) Compliance**
  - The MOE requires district Special Ed spending (utilizing State & local funding) to be at the same level or more than prior year spending
  - District could not charge \$5 million in Special Ed Costs to ARRA Stabilization due to MOE compliance issues
  - The district instead paid for these expenditures utilizing unrestricted funds and found, replacement unrestricted expenses (primarily books & supplies) to charge to ARRA Stabilization
  - Previously, the Board authorized portable rental payments using Fund 40
    - To aid with MOE compliance, rather than pay portable rentals directly from Fund 40, we are transferring amounts from Fund 40 to Fund 01
  - Year over year expenditure comparisons will be skewed due to above actions



- 2009-10 ARRA Award & Spending

(\$s in millions)	2009-10 Award Amount	Amount Expended in 2009-10	Funds utilized for:
ARRA-Stabilization	\$19.2	\$19.2	School Police, DSOs, Certificated Stipends / Salaries / Substitutes, Instructional Materials & Supplies, Special Ed (\$1 million) & Summer School related expenditures, etc.
ARRA-IDEA	\$11.4*	\$9.2	New Special Ed positions & programs plus encroachment reduction (50%)
ARRA-Title I	\$12.1*	\$2.9	Site directed purposes including staff development, interventions, instructional materials, etc.

\* Note: Any unspent award dollars are carried over into 2010-11



- **Worker's Comp Actuarial Study (Fund 67)**
  - At the next Board meeting (Sept. 28) the Worker's Comp actuarial study as of June 30, 2010 will be presented
  - The bad news: Anticipated claims loss has increased by \$8 million
  - This claims loss increase is reflected in our Unaudited Actuals
  - Additional information will be provided at the next Board meeting



- **2011-12 Required Budget Reductions**

- Given favorable unrestricted ending fund balances, budget reduction targets for 2011-12 have been reduced by -\$1 million to \$31.5 million
- To be fiscally prudent, impact of favorable unrestricted ending fund balance impact is spread over multiple years. Rationale:
  - We have a multi-year problem, not a one-year problem. A long-term perspective is required
  - Overdependence on one-time (vs. on-going) cuts & funding
    - Examples of one-time funds: ARRA, SIG-QEIA
    - Ideally, all cuts should be on-going cuts
    - One-time cuts merely delays the problem to the future
    - A significant amount of our recent cuts have been one-time (for 2010-11 of our \$34 million in total cuts, \$23 million or 68% were one-time cuts)
    - Using the favorable ending balance all in one year, exacerbates the issue
  - Gradual changes in budget cuts are less chaotic to district operations and to our employees



<u>(\$s in millions)</u>		<b>a</b>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>
<b>b</b>	<b>Beginning Fund Balance</b>		\$93.2	\$95.3	\$60.0	\$42.1
<b>c</b>	<b>Adjustment to Beginning Fund Balance</b>		(\$11.4)	---	---	---
	Revenues		\$475.0	\$447.8	\$434.3	\$428.2
	Expenditures (including Budget Reductions)		\$461.5	\$483.1	\$452.2	\$430.8
<b>d</b>	<b>Net Increase/(Decrease)</b>		\$13.5	(\$35.3)	(\$17.9)	(\$2.6)
	<b>Proj. Ending Fund Balance</b>		\$95.3	\$60.0	\$42.1	\$39.5
	Less: Other Designations (incl. Rev. Cash, etc.)		(\$3.1)	(\$3.0)	(\$3.0)	(\$3.0)
<b>f</b>	Unrestricted Reserves (incl. Instr. Materials, etc.)		(\$10.1)	(\$12.1)	(\$14.1)	(\$16.1)
	One-time cuts/Budget shifts & TRANS		(\$32.0)	---	---	---
	Restricted Reserves		(\$15.0)	(\$9.4)	(\$8.2)	(\$8.5)
<b>g</b>	<b>Desig. for Economic Uncertainties</b>		\$35.1	\$35.6	\$16.9	\$12.0
	<b>Desig. for Economic Uncertainties %</b>		7.6%	7.4%	3.7%	2.8%
<b>e</b>	<b>Add'l Unspecified Budget Cuts Needed</b>		---	---	(\$31.5)	(\$30.5)



- **Column Headings titled 2009-10 through 2012-13**

a

- 2009-10: Numbers shown are actuals
- 2010-11 through 2012-13: Numbers shown are projections

- **Beginning Fund Balance**

b

- Beginning Fund Balance for the General Fund (Unrestricted & Restricted Combined)

- **Adjustment to Beginning Fund Balance**

c

- Adjustments to 2009-10 Beginning Fund Balance due to incorrect State direction for 2008-09 Revenue Limits and select, State categorical revenues

- **Revenues, Expenditures, Net Increase/(Decrease) & Proj. Ending Balance**

d

- The Net Increase/(Decrease) and any adjustments to beginning fund balance are added to each year's respective beginning balance to derive the Projected Ending Balance
- $(b) + (c) + \text{Net Increase/(Decrease)} = \text{Projected Ending Balance}$



- **Add'l Unspecified Budget Cuts Needed**

- Current projected amount of budget cuts needed to maintain fiscal solvency
- These reductions are assumed to have been made and their impact reflected in the Projected Ending Fund Balance
- If these cuts are not made, the Projected Ending Fund Balance will decrease

- **Designations**

- Amounts from the Ending Fund Balance that are reserved for other purposes:
  - Other Designations: For revolving cash, warehouse inventory & prepaid expenses
  - Unrestricted Reserves: For future use / obligations related to Instructional Materials, CalSafe, CAHSEE, SERP payments, etc.
  - One-time Cuts / Budget shifts & TRANS: One-time budget cuts / shifts made in 2009-10 to be applied to 2010-11 & funds reserved for \$9 million TRANS payment
  - Restricted Reserves: Funds that can only be used as specified by the respective categorical programs

- **Designation for Economic Uncertainties (DEU) / Uncertainties %**

- **The true amount of district reserves**
- **For 2009-10; \$35.1 million and not \$95.3 million**
- Projected Ending Balance minus Designations = DEU
- State mandates a minimum reserve of at least 2% for current & future years



(\$s in millions)	2010-11	2010-11	2011-12	2012-13
Budget Cuts <u>not</u> yet Identified &/or Approved	---	---	<\$31.5>	<\$30.5>
Reserves <b>with</b> above cuts	7.6%	7.4%	3.7%	2.8%
Reserves <b>without</b> above cuts	7.6%	7.4%	<3.0%>	<16.5%>





# Santa Ana

Unified School District

## Ending Balances (All Other Funds)

Fund (all \$s in 000's)	2009-10 Unaudited Actuals	2010-11 Budget	Difference
Fund 11 - Adult Education	\$0	\$0	\$0
Fund 12 – Child Development	\$270	\$277	\$7
Fund 13 – Cafeteria	\$13,061	\$13,061	\$0
Fund 14 – Deferred Maintenance	\$106	\$106	\$0
Fund 17 – Special Reserve	\$9,517	\$9,622	\$105
Fund 21 – Building	\$77,510	\$0	<\$77,510>
Fund 25 – Capital Facilities	\$542	\$342	<\$200>
Fund 35 – School Facilities	\$16,564	\$1,683	<\$14,881>
Fund 40 – Special Reserve/Capital Outlay	\$3,330	\$1,522	<\$1,808>
Fund 49 – Capital Projects (COP)	\$2,340	\$242	<\$2,098>
Fund 51 – Bond Interest & Redemption	\$15,512	\$15,607	\$95
Fund 56 – Debt Service	\$6,700	\$6,529	<\$171>
Fund 67 – Workers' Comp/Self-Ins.	\$6,490	\$4,233	<\$2,257>



**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.**



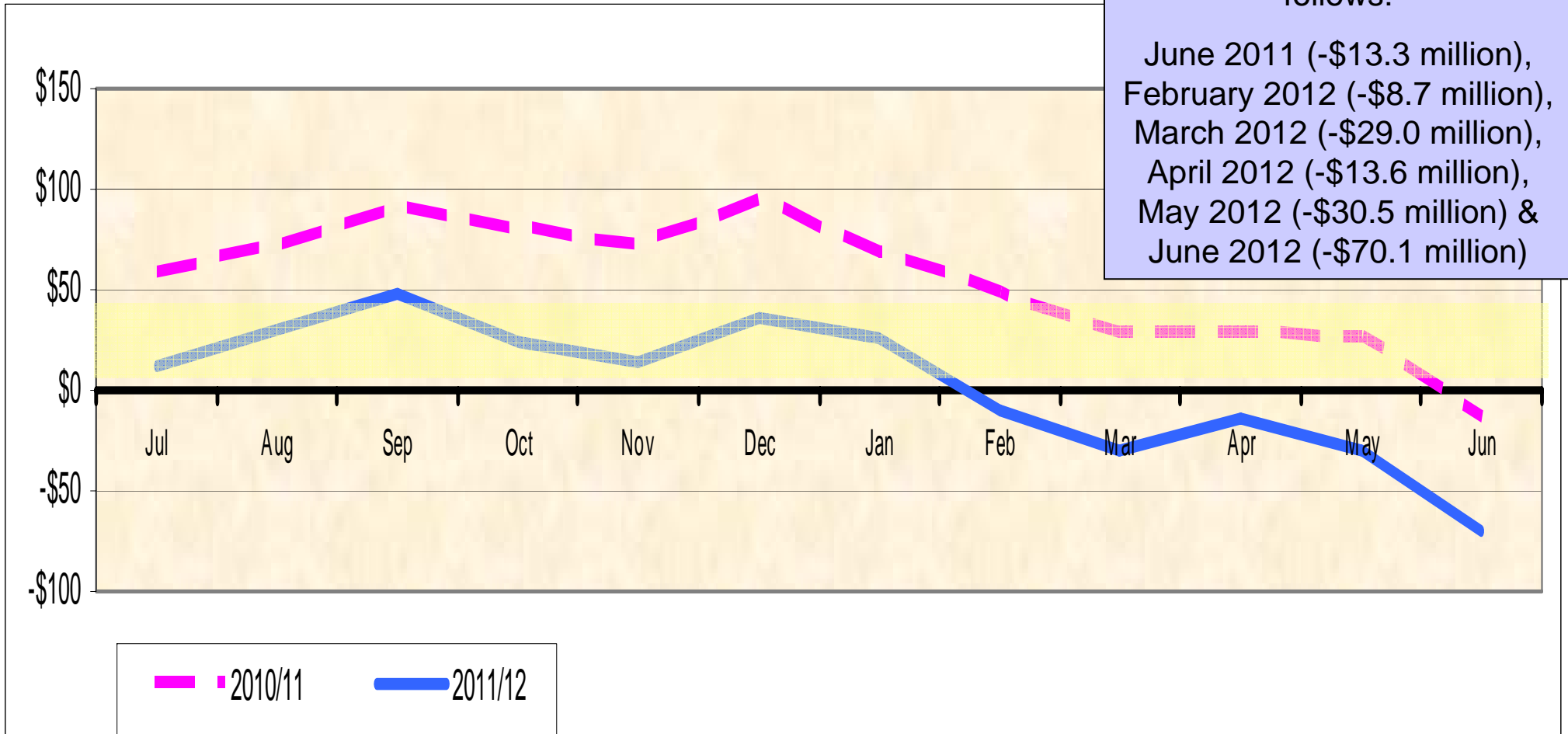
# Santa Ana Unified School District

## Projected SAUSD Cash Flow (as of July 31, 2010)

State deferrals, totaling **\$170 million** for SAUSD, results in projected cash shortfalls in 2010-11 & 2011-12 and a probable need to borrow funds to meet payroll & other district obligations.

Cash shortfalls projected as follows:

- June 2011 (-\$13.3 million),
- February 2012 (-\$8.7 million),
- March 2012 (-\$29.0 million),
- April 2012 (-\$13.6 million),
- May 2012 (-\$30.5 million) &
- June 2012 (-\$70.1 million)





# Santa Ana

Unified School District

## Next Steps





Date	Event or Activity
On-going until Settled	Negotiations with our certificated & classified associations (SAEA & CSEA respectively)
Sept. 28, Oct. 12 & Oct. 26	Budget Update & (if applicable) 45 Day Budget Revision <i>Note: 2011-12 Budget reduction target will be adjusted (either up or down) dependent on Unaudited Actuals and approved State Budget</i>
Nov. 9	Presentation of Proposed 2011-12 Budget Reductions
Nov. ?	Special Board Meeting on Proposed Budget Reductions
Dec. ?	Special Board Meeting on Proposed Budget Reductions
Dec. 14	Presentation of First interim Report, Approval of 2011-12 Budget Reductions & Reach Decision on CSR for 2011-12 & future years.





	2010-11 Projected Enrollment	Actual as of 9/7/10	Difference
Elementary (includes K-6 sites)	26,251	26,516	+265
Intermediate	11,452	11,485	+33
High School	15,614	15,627	+13
Total	53,256	53,628	+311

Current enrollment, while less than last year's CBEDS by -456 students, is greater than budgeted enrollment by +311 students.