

Santa Ana Unified School District 2007-08 Budget



June 12, 2007

Jane A. Russo, Superintendent

**Don Trigg, Associate Superintendent
Business Services**

**Kelvin Tsunezumi, Director
Business Services**



2007-08 SAUSD Budget

*Selected information and slides included in this presentation have been developed and copyrighted by **School Services of California, Inc.** and are hereby used and reproduced with their permission.*



Driving Forces

State Economy & Politics



State Education Budget



SAUSD Budget



The State Economy

- The California economy – mixed signals
 - ▶ Job growth steady, with employment increasing 1.7% from March 2006
 - ▶ Unemployment hovering at 4.8%
(A rate considered to be full employment)
 - ▶ Inflation in check



The State Economy



■ Troubling signs

▶ State revenues

- In May, close to projections
- In June, tax revenue shortfall of -\$764 million

▶ Home sales have slowed, inventories growing and finance & real estate jobs have fallen

▶ Sub-prime mortgage market collapse

▶ Construction employment slowing

▶ Gas prices, well above \$3 per gallon (with the summer driving season still ahead of us)



Budget Reflects Governor's Priorities

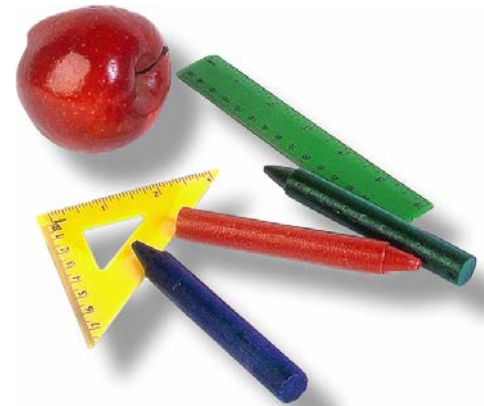
- Politicians cite public safety & education as top priorities
- For 2007-08, the Governor's priorities are in:
 - ▶ **Corrections:** With focus on reducing overcrowding and in improving medical services & educational / training programs
 - ▶ **Health Care:** Employer mandates, health insurance, universal access, and expanded fees
- Per the Governor, **Education** must wait till next year when it will be his policy priority



Feedback on the Governor's May Revise

*School Services of California, Inc.'s Assessment
(prior to identification of projected tax shortfall):*

*"This is a maintenance of effort year,
not a year for great gains."*





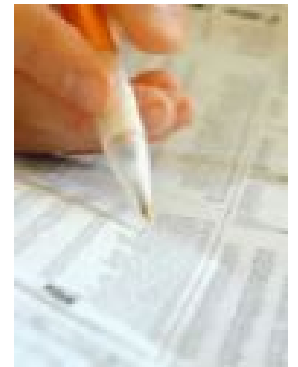
State Education Budget

- May Revise represents Governor's final recommended Budget
- Major elements of the May Revise (for K-12 Education)
 - ▶ Increased COLA (as reported in early May)
 - ▶ No new equalization funding
 - ▶ No funding for mandate claims
 - ▶ No relief for declining enrollment
 - ▶ Few new categorical programs
 - ▶ Department of Finance budget error (\$364 million)
 - Which coupled with tax revenue shortfall, will probably result in additional budget reductions.



2007-08 SAUSD Budget

- Tonight's Budget is presented utilizing the Multi-Year Projection (MYP) for the years 2007-08 thru 2009-10.
- Assumptions utilized are based on the most current information available and will undoubtedly change.
- Note: The Governor's May Revise is a proposal and subject to modifications and final approval by the Legislature.



Important Reminders - FY 2007-08

- For the District to maintain its positive certification, AB1200 requires a 2% Reserve for the current year, and in each of the two future years.
- The MYP:
 - Includes salary increases negotiated for the 2006-07 fiscal year
 - Does not include salary increases for 2007-08 or for any future years
 - Includes revenues for all future years, increased by projected COLA.

2007-08 District Budget at a Glance

- **General Fund (Unrestricted & Restricted)**
 - **Total Revenue: \$479 million**
Unrestricted \$330 million/Restricted \$148 million
 - **Total Expenditures: <\$489 million>**
 - **Excess/Shortfall: <\$10 million>***
<\$2 million> Expenditures over Revenues and <\$8 million> in Interfund Transfers
 - **Ending Fund Balance: \$44 million / 3.2% Reserve**
- **Total Student Enrollment: 53,693****



* **Deficit Spending after Interfund Transfers (Debt Service & Deferred Maint. Funds)**

** **Does not include Charter Schools.**

2007-08 District Budget at a Glance (Cont'd)

(\$s in 000s)	Revenue		Expenditures
Revenue Limit	\$309,805	Certificated Salaries (incl. Mgt)	\$243,394
Federal Revenue	\$46,955	Classified Salaries (incl. Mgt)	\$72,222
Other State Revenue	\$114,832	Employee Benefits	\$99,558
Other Local Revenue	\$7,292	Non-Salary Expenses	\$65,483
		Interfund Transfers	\$7,891
Total Revenues	\$478,884	Total Expenditures	\$488,548

Excess/Shortfall =
(\$9,664)

Revenue Components



- The Revenue Limit is:
 - ▶ The District's major source of income
 - ▶ Comprised of the following elements:
 - Enrollment
 - ADA (average daily attendance) factor
 - Previous Year's Base Revenue Limit (\$5,525.55)
 - COLA (cost of living of adjustment).

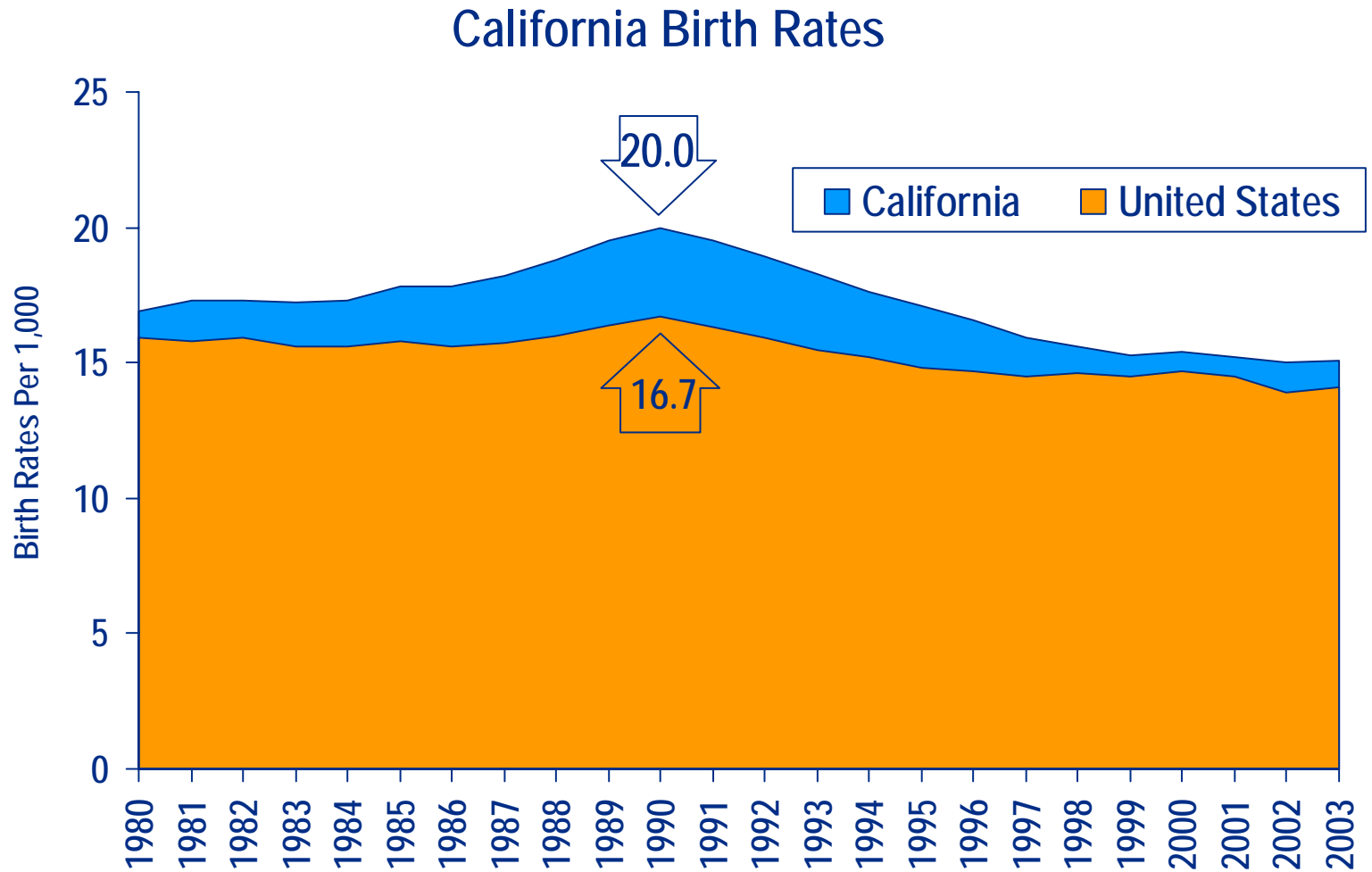
$$\text{Revenue Limit} = \frac{\text{Enrollment} \times \text{ADA factor} \times \text{Previous Year's Base Revenue Limit} \times (100\% + \text{COLA})}{1}$$



We Continue To Lose Students

- Statewide ADA continues to decline
 - ▶ More than one half of California's students are in districts experiencing declining enrollment
 - ▶ Decline in 2006-07 was 0.1% (i.e. less than expected)
 - ▶ But decline is 0.49% in 2007-08 – or more than expected
 - But Charters expected to grow 10%+
 - While Districts projected to decline .89%
 - SAUSD projected to decline 2%

Where Have All The Kindergartners Gone?



Source: California Department of Health Services, Birth and Death Records

We Continue To Lose Students (Cont'd)

21 of the 27 Orange County school districts are experiencing declining enrollment (78%)

■ **Reasons:**

- ▶ Slowdown in birth rates
 - ▶ It takes four minimum wage earners' income to rent a two bedroom apartment in Santa Ana
 - ▶ High home prices in urban and suburban regions (i.e. affordability)
 - ▶ Families are moving to more affordable areas
- **Every student lost = approx. \$5,700 in lost revenues.**



We Continue To Lose Students (Cont'd)

- Some good news for SAUSD!
 - ▶ Our enrollment loss appears to be slowing
 - Enrollment loss significantly less in 2006-07 than originally projected (1,950 vs. 1,724)
 - 2007-08 projected loss even less (at 1,146)
 - ▶ Demonstrated improvement in ADA factor
 - Budgeted at 95.19% (Previously at 94.89%)



CBEDS / Enrollment Change & ADA Factor

Fiscal Year	CBEDS Change	ADA Factor
2000-01	+1,794	94.09%
2001-02	+951	94.65%
2002-03	+185	94.53%
2003-04	(1,078)	95.62%
2004-05	(1,011)	94.90%
2005-06	(2,321)*	95.71%
2006-07	(1,724)	96.12%
2007-08 Budget	(1,146)	95.19%

* Includes one-time loss of 343 SAUSD resident students to OCEEA Charter School

2007-08 Projected Enrollment Loss

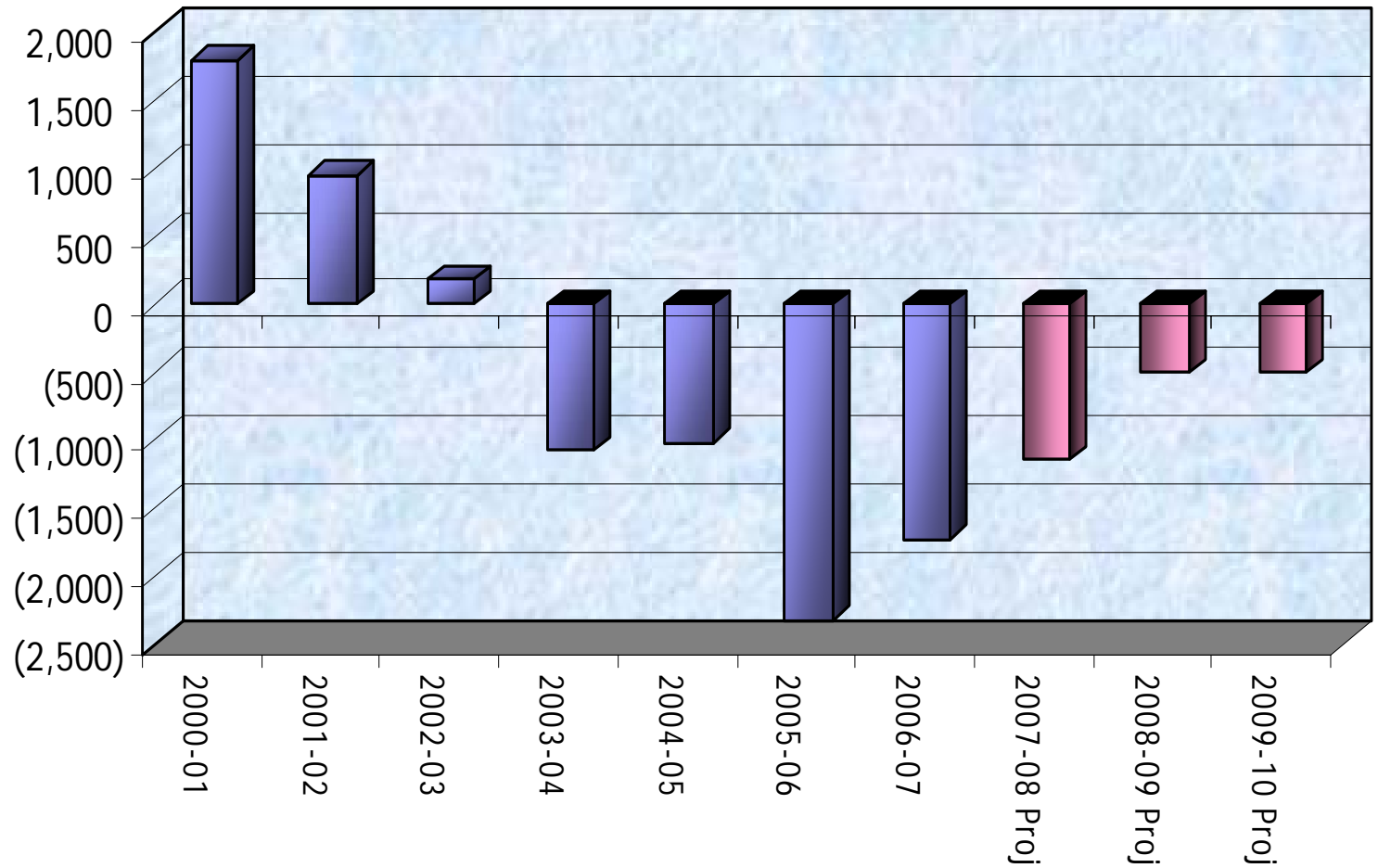
- Enrollment loss projection per Dolinka Group (the District's demographer)
- Possible rationale for slowing of enrollment loss include:
 - ▶ Extended commute times
 - ▶ Increase in gas prices
 - ▶ Home prices – relative affordability?

Key Assumptions - MYP

Enrollment Actual & Projected

	Budget 2006-07	Actual 2006-07	Projected 2007-08	Projected 2008-09	Projected 2009-10
Beginning District Enrollment	56,563	56,563	54,839	53,693	53,193
Less Loss in Enrollment	(1,950)	(1,724)	(1,146)	(500)	(500)
Ending District Enrollment	54,613	54,839	53,693	53,193	52,693

Enrollment Trend (2000-01 thru 2009-10)



Enrollment Assumptions

- Triggered by CSR events, District reviewing Attendance data
- Initial analysis indicates under reporting of P2 ADA
- District still analyzing
- Targeted due date for analysis: June 30th
- Budget submitted at the higher ADA figure
- Changes to budget to be made as needed
- Orange County Department of Education (OCDE) is aware.



Key Assumptions - MYP

Average Daily Attendance (ADA)

	2006-07 Estimated	Projected 2007-08	Projected 2008-09	Projected 2009-10
Enrollment	54,839	53,693	53,193	52,693
ADA Factor *	96.12%	95.19%	95.19%	95.19%
P2 ADA	52,711	51,110	50,634	50,158

* ADA Factor of 95.19% based on 4 year average from 2002-03 thru 2005-06.

Key Assumptions - MYP

Cost of Living Adjustment (COLA*)

	Projected 2007-08	Projected 2008-09	Projected 2009-10
COLA	4.53%	3.70%	2.60%

*** Per School Services of California Dartboard**

Revenue Assumptions Used in Budget

- Revenue Limit ADA = 53,019*
- Revenue Limit COLA = 4.53%
- Base Revenue Limit = \$5,777.55 per ADA
- Revenue Limit = \$296 million (Unrestricted)

* Due to declining enrollment, figure is based on higher, 2006-07 ADA rather than 2007-08 projected ADA. Figure also includes County student ADA which are not reflected in District ADA statistics.

Important Reminder



- Revenues reflect adjustments for COLA. However, 2007-08 negotiations are on-going and as a result, salary & benefit expenditures currently reflect only previously negotiated salary increases.



Key Revenue Assumptions

■ 2007-08

- ▶ COLA (4.53%) +\$13 million
- ▶ Assumption: CSR Issues Resolved +\$2 million
- ▶ No new Equalization +\$0 million
- ▶ Lottery Funding (at Levels Near 2006-07 Rates) +\$0 million
- ▶ Federal Revenue Projected to be Flat
- ▶ No Mandate Claim Revenues <\$5 million>
- ▶ ADA loss of (1,425)* <\$8 million>

* Each year the projected loss for the following year will be updated to the actual of the current year.

Key Revenue Assumptions (Cont'd)

- 2007-08 (Cont'd)
 - ▶ New Categorical Programs
 - QEIA
 - ◆ Application process
 - ◆ 14 SAUSD Schools awarded (per School Services)
 - ◆ 2007-08 award amount: \$7.6 million (approximate)
 - Other categorical program proposals related to:
 - ◆ School Safety
 - ◆ High Qualified Teachers
 - ◆ Career-Technical Education
 - ◆ Nutrition
 - ◆ Note: Above proposals not included pending specifics on funding, application processes and legislative approval

Key Revenue Assumptions (Cont'd)

- 2008-09
 - ▶ COLA (3.70%) +\$11 million
 - ▶ ADA Loss of (1,091)* <\$7 million>

- 2009-10
 - ▶ COLA (2.70%) +\$8 million
 - ▶ ADA loss of (476)* <\$3 million>

* Each year the projected loss for the following year will be updated to the actual of the current year

General Fund Revenue Distribution

(Combined Restricted/Unrestricted)

* Actual for first 10 months, projected for remaining 2 months.

(\$s in 000's)	2006-07 Actual/Projected*	2007-08 Budget	Difference
Revenue Limit	\$311,246	\$309,805	<\$1,441>
Federal Revenue	\$68,043	\$46,955	<\$21,088>
Other State Revenue	\$132,458	\$114,832	<\$17,626>
Other Local Revenue	\$8,950	\$7,292	<\$1,658>
Total	\$520,697	\$478,884	<\$41,813>

Bulk of the Decrease in Revenues is Attributable to Categorical Carryovers which will be re-budgeted in Fiscal Year 2007-08.

District Budget Reductions

- 2004-05, **\$29 million**
- 2005-06, **\$14 million**
- 2006-07, **\$15 million**
- 2007-08, **\$21 million**
- 2008-09 projected, **\$19 million**
(\$17 million in BRC cuts & \$2 million in enrollment related reductions)



Total Cuts (2004-05 thru 2008-09): **\$98 million!**



Key Expenditure Assumptions

■ 2007-08

▶ Salary Related:

- Full Year Impact - Approved 5% Increase (effective 2/1/07) **+\$10 million** (Unrestricted)
- Step & Column Increase = +2.0% **+\$4 million**
- Godinez Opening **+\$5 million**
- Heroes (Advance Staffing) **+\$0.2 million**
- FTE Reductions declining enrollment (-80 FTEs) **<\$7 million>**
- Vacancy Credits **<\$3 million>**
- Retired Teachers **<\$2 million>**
- Class Size Reduction continues at:
 - ◆ Kindergarten: Option 2 / Grades 1-3: Option 1
- Salary Increase Pending Negotiations – Not Included

Key Expenditure Assumptions (Cont'd)

■ 2007-08 (cont'd)

▶ Benefit Related:

- Health Benefit +0% <\$3 million>
 - ◆ Per 2006-07 Salary Settlement
- SERP Maturity <\$4 million>
- Does not include Amortization of Accrued Retiree Benefits (GASB-45)
 - ◆ Liability reported on District Financials
 - ◆ Last Actuarial Study 2 Years Old
 - Total Liability: \$109 Million
 - Annual Required Contribution: \$13 million
 - ◆ New Actuarial Study required
 - ◆ Current Retirees Coverage Cost: \$7 million (est.)

Key Expenditure Assumptions (Cont'd)

- 2007-08 (cont'd)
 - ▶ Salaries & Benefits constitutes 91.9% of District Budget
 - ▶ Non-Salary
 - E-Rate Match +\$.9 million
 - New 2007 COP +\$.3 million
(Incremental Portion Only & Net of Rent)
 - Higher Utility Costs +\$.3 million
 - BRC Reductions <\$15.6 Million>

Key Expenditure Assumptions (Cont'd)

■ 2008-09

- ▶ New School (Heroes) **+\$0.6 million**

One-time & Recurring Costs

- ▶ Unspecified Budget Reductions **<\$17 million>**
- ▶ Decrease Staffing for Proj. Enrollment Loss **<\$2 million>**
- ▶ Vacancy Credit **<\$3 million>**

Key Expenditure Assumptions (Cont'd)

■ 2009-10

- ▶ Unspecified Budget Reductions <\$10 million>
- ▶ Decrease Staffing for Proj. Enrollment Loss <\$2 million>
- ▶ Vacancy Credit <\$3 million>



BRC Reductions = <\$15.6 Million>

BRC Committee
60+ Members

#	Savings	Reductions
10	\$2,200,000	Reduce Special Ed Encroachment – Fund Select Special Ed Positions
96	\$1,600,000	Move-up P2 Cut-off Date
47	\$1,500,000	Increase Amount of Portable Lease Costs Pd w/ Fund 25 \$s
93	\$1,290,000	Redirect AP Funding – New Categorical Dean of Instruction
11	\$1,000,000	Redirect Music Teacher Funding
45	\$800,000	Reduce Transportation Encroachment – Utilize Flexibility Transfer
193	\$750,000	Redirect ROP Funds – Career Technical Classes
70	\$623,000	Expand Team Cleaning Test
8	\$500,000	Return Addt'l Portables
61	\$500,000	Legal Fees Reduction
2	\$413,000	Close Grant Elementary
213	\$400,000	Purchase of State Leased Portables
150	\$378,000	Eliminate Unrestricted Funding – Intermediate Intramural Sports
215	\$350,000	Reduce Special Ed Encroachment – Prop 20 Funds to Special Ed.
89	\$350,000	Monitor # of Days Classified Subs & ST Employees Work
22	\$340,000	Consolidate Groundskeepers

BRC Reductions (Cont'd)

#	Savings	Reductions
121	\$310,000	Eliminate Intermediate Grades at Taft
53	\$300,000	New PC Setup Fee
92	\$292,000	Eliminate Unrestricted Funding – Select Nurse Positions
145	\$270,000	Reduce # of Full-Time Home School Teachers
118	\$218,000	Delay Heroes Elementary Opening
37	\$195,000	Eliminate Unrestricted Funding – 4 Instructional Ass't Positions
79	\$186,000	Association Sub-Pay
192	\$160,000	Do Not Extend Waiver for Extra Employment Months
57	\$120,000	Reduce Warehouse Inventory / Storekeeper Position
7	\$110,000	Pro-Rata Share – Teacher Sub Costs
94	\$100,000	Eliminate Unrestricted Funding Higher Ed. Ctr Program Specialist
9	\$90,000	5% Dept. Budget Reduction
40	\$70,000	Implement Web Based IEP & Reduce Clerical Position
212	\$63,000	Change Summer Prg Calendar for Students w/ Autism
25	\$40,000	In-House Services for OT and PT
191	\$40,000	Eliminate / Reassign 2 nd Civic Center Position
46	\$20,000	Refinance Existing District Debt

General Fund Expenditure Distribution

(Combined Restricted/Unrestricted)

* Actual for first 10 months, projected for remaining 2 months.

(\$s in 000's)	2006-07 Actual/Projected*	2007-08 Budget	Difference
Certificated Salaries (Incl. Mgmt.)	\$247,251	\$245,194	<\$2,057>
Classified Salaries (Incl. Mgmt.)	\$71,082	\$72,222	\$1,140
Employee Benefits	\$103,073	\$99,813	<\$3,260>
Non-Salary Expenses	\$113,736	\$65,482	<48,254>
Total	\$535,142	\$482,711	<\$52,431>

Bulk of the Increase in Expenditures is Attributable to Categorical Carryovers which will be re-budgeted in Fiscal Year 2007-08.

What Does the MYP Tell Us?

Combined Restricted/Unrestricted

(\$s in 000's)	2007-08	2008-09	2009-10
Revenues*	\$478,884	\$483,794	\$492,298
Expenditures*	\$488,548	\$486,276	\$487,962
Net Increase – Decrease	(\$9,664)	(\$2,482)	\$4,336
Unrestricted	(\$7,703)	(\$313)	\$8,398
Restricted	(\$1,961)	(\$2,169)	(\$4,062)

* Includes Other Sources & Uses.

Projected Reserve

Combined Restricted/Unrestricted

The State mandates a 2% minimum reserve for SAUSD.

	2007-08	2008-09	2009-10
Reserve Prior to Reduction	3.2%	-0.3%	-3.9%
Budget Reduction Amount (excludes reductions due to teachers)	\$15.6 million	\$17 million	\$10 million
Shortfall after Reduction	(\$9.7 million)	(\$2.5 million)	\$4.3 million
Reserve After Budget Reduction	3.2% *	3.2% *	4.9% *

* Salary increases for these years have not yet been negotiated and are thus not included. However, all revenues associated with COLAs for these years are included.

Projected Ending Balances (All Other Funds)

Fund (all \$s in 000's)	Est. Actuals 2006/07	Budget 2007/08	Difference
Fund 11 - Adult Education	\$117	\$136	\$19
Fund 12 - Child Development	\$202	\$202	\$0
Fund 13 - Cafeteria	\$7,114	\$2,821	(\$4,293)
Fund 14 - Deferred Maintenance	\$1,831	\$178	(\$1,653)
Fund 17 - Special Reserve	\$8,563	\$8,863	\$300
Fund 21 - Building	\$2,600	\$0	(\$2,600)
Fund 25 - Capital Facilities	\$3,328	\$1,974	(\$1,354)
Fund 30 - State Sch Bldg-Lease-Purchase	\$0	\$0	\$0
Fund 35 - School Facilities	\$6,400	\$0	(\$6,400)
Fund 40 - Special Reserve/Capital Outlay	\$1,600	\$0	(\$1,600)
Fund 49 - Capital Projects (COP)	\$6,000	\$0	(\$6,000)
Fund 51 - Bond Interest & Redemption	\$7,757	\$7,757	\$0
Fund 56 - Debt Service	\$7,560	\$7,383	(\$177)
Fund 67 - Workers' Comp/Self-Ins.	\$5,882	\$2,589	(\$3,293)