

# 2006-07 Second Interim Report



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# 2006-07 State & District Budgets



*School Services of California: "There is no argument - this is a great budget for education."*

However:

- A large portion of the dollars we are to receive are restricted, and its use designated by the State for specific uses
- SAUSD continues to lose enrollment which results in necessary budget cuts for the following fiscal year!

# 2006-07 Second Interim



## ❖ *The District's Budget includes:*

### ➤ *Unrestricted Dollars from:*

✓ *COLA*

✓ *Equalization*

✓ *Elimination of Deficit Reduction*

# 2006-07 Second Interim



- ✚ Tonight's Budget is presented utilizing the Multi-Year Projection (MYP) for the years 2006-07 thru 2008-09.
- ✚ Assumptions utilized are based on the most current information available and will undoubtedly change.



# Important Reminders



- 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 2006-07 Budget includes restoration of salaries for certificated, classified & management employees effective July 1, 2006 and 2005-06 salary settlements approved in late 2006.
- Note: Throughout this Presentation, Items Depicted in **Pink** reflect change from Dual Adopted Budget.

# 2006-07 District Budget at a Glance



## ■ General Fund (Unrestricted & Restricted)

### ■ Total Revenue: \$513 million

Unrestricted \$335 million / Restricted \$178 million

### ■ Total Expenditures: <\$549 million>

### ■ Excess/Shortfall: <\$36 million>\*

<\$23 million> Expenditures in excess of Revenues & <\$13 million> in Interfund Transfers

### ■ Economic Uncertainties Reserve Balance: \$31 million / 5.7%

**Note: All Figures  
on this Slide  
have Changed  
since 1<sup>st</sup> Interim.**

## ■ Total Student Enrollment: 54,815\*\*

\* **Deficit Spending after Interfund Transfers (Debt Service, Fund 17 & Deferred Maint. Funds)**

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

# We Continue To Lose Students



**20 of the 27 Orange County school districts are experiencing declining enrollment ( 74% )**

✚ 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. \$5,500 in lost revenues.**

# CBEDS / Enrollment Change



| Fiscal Year    | CBEDS Change |
|----------------|--------------|
| 2000-01        | +1,794       |
| 2001-02        | +951         |
| 2002-03        | +185         |
| 2003-04        | (1,138)      |
| 2004-05        | (1,003)      |
| 2005-06        | (2,293)*     |
| 2006-07 Budget | (1,950)      |
| 2006-07        | (1,724)      |

**We have 226 students more than we anticipated!  
We had projected losing 1,950.**

**1,724 students @ \$5,500 =  
<\$9.5 million>**

\* Includes one-time loss of 343 SAUSD students to OCEAA Charter School.

# Key Assumptions

## Enrollment Actual & Projected



|                               | Actual<br>2005-06 | Projected<br>2006-07 | Projected<br>2007-08 | Projected<br>2008-09 |
|-------------------------------|-------------------|----------------------|----------------------|----------------------|
| Beginning District Enrollment | 58,832            | 56,539               | 54,815               | 53,146               |
| Less Loss in Enrollment       | (2,293)           | (1,724)              | (1,669) *            | (1,000)              |
| Ending District Enrollment    | 56,539            | 54,815               | 53,146               | 52,146               |
| Plus Charter Schools          | 2,736             | 2,327                | 2,327                | 2,327                |
| Total CBEDS Enrollment        | 59,275            | 57,142               | 55,473               | 54,473               |

\* Based on most recent Facilities Dept. enrollment projection.

# Key Assumptions

## Average Daily Attendance (ADA)



|              | 2005-06 | 2006-07 | 2007-08 | 2008-09 |
|--------------|---------|---------|---------|---------|
| Enrollment   | 56,539  | 54,815  | 53,146  | 52,146  |
| ADA Factor * | 95.75%  | 94.98%  | 94.98%  | 94.98%  |
| P2 ADA       | 54,136  | 52,063  | 50,478  | 49,528  |

\* 2005-06 ADA Factor of 95.75% does not appear sustainable. Utilized 94.98% factor which is consistent with past SAUSD trends.

# Key Assumptions

## Cost of Living Adjustment (COLA\*)



|      | 2006-07 | 2007-08              | 2008-09              |
|------|---------|----------------------|----------------------|
| COLA | 5.92%   | 4.04%<br>(was 4.70%) | 2.70%<br>(was 2.80%) |

**\* Per School Services of California Dartboard**

# Revenue Assumptions



- Revenue Limit ADA = 54,369\*
- Revenue Limit COLA = 5.92%
- Base Revenue Limit = \$5,523.14 per ADA
- Revenue Limit = \$300 million (Unrestricted)

**\* Due to declining enrollment, figure is based on higher, 2005-06 ADA rather than 2006-07 projected ADA. Figure also includes County student ADA which are not reflected in District ADA statistics.**

# Important Reminders



- ✚ Revenues reflect adjustments for COLA, Equalization, and No Deficit Reduction. However, 2006-07 negotiations are still on-going and as a result, salary & statutory benefit expenditures currently reflect only previously negotiated salary increases.
- ✚ For 2006-07, the District sought to share Health & Welfare (H&W) Benefit increases (approx. 23%) with our employees. However as negotiations have not yet been finalized and we are near fiscal year end, we have increased the District's Budget for H&W Costs by the full increase amount.

# Revenue Assumptions



## 2006-07

- ❖ COLA (5.92%)    +\$17 million
- ❖ Prior Years' Mandated Cost Revenue    +\$5 million
- ❖ Equalization (\$75.27 per ADA)    +\$4 million
- ❖ Elimination of Deficit Reduction    +\$3 million
- ❖ Addt'l Revenue (Federal, Local & Contribution Adj.)    +\$.3 million
- ❖ Revenue Impact – Prior Year ADA Loss of (1,852)\*    <\$10 million>
- ❖ 2005-06 Salary Settlement Related - Special Ed    <\$1 million>
- ❖ Federal Revenue Projected to be Flat

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

# Revenue Assumptions (Cont'd)



## 2007-08

■ COLA (4.04%) +\$11 million

■ Revenue Impact – Prior Year ADA Loss of (1,637)\* <\$9 million>

## 2008-09

■ COLA (2.70%) +\$7 million

■ Revenue Impact – Prior Year ADA Loss of (1,585)\* <\$9 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)



| (All \$s in 000's)  | 2006-07<br>First Interim | 2006-07<br>Second Interim | Difference |
|---------------------|--------------------------|---------------------------|------------|
| Revenue Limit       | \$312,594                | \$312,594                 | \$0        |
| Federal Revenue     | \$66,670                 | \$67,363                  | \$693      |
| Other State Revenue | \$121,785                | \$123,704                 | \$1,919    |
| Other Local Revenue | \$7,672                  | \$9,079                   | \$1,407    |
| Total               | \$508,721                | \$512,740                 | \$4,019    |

# District Budget Reductions



## What we have done and still need to do!

+ 2004-05 cut, \$29 million

+ 2005-06 cut, \$14 million

+ 2006-07 cut, \$15 million

+ **2007-08 Board approved cuts, \$21 million**

\* Note: The above figures includes reduction for teachers commensurate w/ enrollment decline.

# Expenditure Assumptions



2006-07

## Salary Related:

- **Salary Restoration**    **+\$20 million** (Unrestricted)  
(11.19% certificated & 7.82% classified)
- **2005-06 Settlement Agreement**    **+\$5 million** \* (Unrestricted)  
(Increased to: 13.44% certificated & 10.01% classified)
- **Step & Column Increase = +2.0%**    **+\$4 million**
- **Godinez (Advance Staffing)**    **+\$0.4 million**
- **FTE Reductions (-136.5 FTEs)**    **<\$8 million>**
- **Adj. for Unfilled Positions**    **<\$1.4 million>**

\* Includes Salary & Benefit Increases

# Expenditure Assumptions (Cont'd)



## + 2006-07 (cont'd)

### ■ Salary Related (cont'd):

■ Vacancy Credits <\$1 million>

■ Class Size Reduction Grade K = Option 2 / Grade 1-3 = Option 1

■ Salary Increase Not Included (Pending Negotiations)

### ■ Benefit Related:

■ 23% Health Benefit Increase +\$3 million

Original Budget = 11%

■ Does not include Amortization of Accrued Retiree Benefits (GASB-45)

■ Coverage Cost of Current Retirees: \$7 million

# Expenditure Assumptions (Cont'd)



## 2006-07 (cont'd)

### Non-Salary

- Transfers (Mandated Cost & Farmer's) **+\$5 million**
- Special Ed Encroachment Increase **+\$2 million**
- Various **+\$1 million**  
(Portable Removal, E-Rate Match, Energy Cost Increases, etc.)
- Transportation Cost Increase (+8.21%) **+\$0.5 million**
- Godinez (Advance Operational Costs) **+\$0.4 million**
- BRC Reductions **<\$7.8 Million>**
- Budget Reductions **<\$0.5 Million>**

(Based on Current Year & Historical Spending Levels)

# Expenditure Assumptions (Cont'd)



## + 2007-08

- **New Schools (Godinez / Lorin Griset)    +\$6 million**
  - One-time & Recurring Costs
- **Otsuka Education Center    +\$.5 million**
- **Board Approved Budget Reductions    <\$15 million>**
- **Decrease Staffing for Proj. Enrollment Loss    <\$6 million>**
- **Salaries/Benefits Related to Retirees    <\$1 million>**
- **Vacancy Credit    <\$.8 million>**
- **Not included in 2007-08 and/or any future years:**
  - **Non-negotiated Salary Increases**
  - **GASB-45 Amortization of Accrued Retiree Benefits**

# Expenditure Assumptions [Cont'd]



2008-09

- **New Schools** (Godinez / Heroes / Lorin Griset) **+\$7 million**  
2<sup>nd</sup> Year One-time & Recurring Costs
- **Unspecified Budget Reductions** <\$12 million>
- **Decrease Staffing for Proj. Enrollment Loss** <\$3 million>
- **Vacancy Credit** <\$.8 million>

# General Fund Expenditure Distribution (Combined Restricted/Unrestricted)



| (All \$s in 000's)                     | 2006-07<br>First Interim | 2006-07<br>Second Interim | Difference |
|--|--------------------------|---------------------------|------------|
| Certificated Salaries<br>(Incl. Mgmt.) | \$241,905                | \$245,871                 | \$3,966    |
| Classified Salaries (Incl.<br>Mgmt.)   | \$71,200                 | \$72,102                  | \$902      |
| Employee Benefits                      | \$100,332                | \$104,188                 | \$3,856    |
| Non-Salary Expenses                    | \$126,319                | \$126,696                 | \$377      |
| Total                                  | \$539,756                | \$548,857                 | \$9,101    |

# What Does the MYP Tell Us?

## Combined Restricted/Unrestricted



|                            | 2006-07 Budget<br>(000's) | 2007-08<br>(000's) | 2008-09<br>(000's) |
|----------------------------|---------------------------|--------------------|--------------------|
| Revenues*                  | \$512,741                 | \$510,226          | \$512,238          |
| Expenditures*              | \$548,857                 | \$515,381          | \$516,647          |
| Net Increase –<br>Decrease | (\$36,116)                | (\$5,155)          | (\$4,409)          |
| Unrestricted               | (\$13,142)                | (\$4,237)          | (\$1,676)          |
| Restricted                 | (\$22,974)                | (\$918)            | (\$2,733)          |

\* Includes Other Sources & Uses.

# Projected Reserve

## Combined Restricted/Unrestricted



**The State mandates a 2% minimum reserve for SAUSD.**

|   | 2006-07           | 2007-08         | 2008-09         |
|---|-------------------|-----------------|-----------------|
| Reserve Prior to Reduction  | 5.7%              | 2.3%            | <b>-3.0%</b>    |
| Budget Reduction Amount<br>(excludes teacher reductions<br>due to declining enrollment) | \$7.8 million     | \$15.0 million  | \$12.0 million  |
| Shortfall after Reduction   | (\$36.2 million)* | (\$5.2 million) | (\$4.4 million) |
| Reserve After Budget<br>Reduction   | 5.7% **           | 5.3% **         | 4.9% **         |

\* See next slide for additional details.

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

# The \$36.2 Million Deficit



- Bulk of deficit attributable to Restricted programs  
Restricted <\$23.0 million> / Unrestricted <\$13.2 million>
- Budget assumes expenditures of all budgeted grant & award dollars
  - Historically this is not the case
  - Rationale: To permit Program Managers to spend all available categorical dollars as needed.
- The restricted deficit would be reduced dollar for dollar by the amount not spent this year.

# Projected Ending Balances (All Other Funds)



| Fund (All \$s in 000's)                  | 2006-07 First Interim | 2006-07 Second Interim | Difference |
|--|-----------------------|------------------------|------------|
| Fund 11 - Adult Education                | \$117                 | \$117                  | \$0        |
| Fund 12 - Child Development              | \$201                 | \$201                  | \$0        |
| Fund 13 - Cafeteria                      | \$6,864               | \$6,864                | \$0        |
| Fund 14 - Deferred Maintenance           | \$3,131               | \$3,131                | \$0        |
| Fund 17 - Special Reserve                | \$8,318               | \$8,563                | \$245      |
| Fund 21 - Building                       | \$0                   | \$0                    | \$0        |
| Fund 25 - Capital Facilities             | \$2,897               | \$3,328                | \$431      |
| Fund 30 - State Sch Bldg-Lease-Purchase  | \$0                   | \$0                    | \$0        |
| Fund 35 - School Facilities              | \$0                   | \$0                    | \$0        |
| Fund 40 - Special Reserve/Capital Outlay | \$0                   | \$0                    | \$0        |
| Fund 49 - Capital Projects (COP)         | \$0                   | \$0                    | \$0        |
| Fund 51 - Bond Interest & Redemption     | \$7,757               | \$7,757                | \$0        |
| Fund 56 - Debt Service                   | \$6,823               | \$6,823                | \$0        |
| Fund 67 - Workers' Comp/Self-Ins.        | \$8,182               | \$8,182                | 27 \$0     |