



BUDGET UPDATE

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Governor's Budget Proposal

- 2010-2011 - No midyear cuts, so we keep the funding level in the enacted Budget
 - ▣ Recall that this included an increase of roughly \$250 per Average Daily Attendance (ADA) through the creation of the \$1.8 billion cash deferral

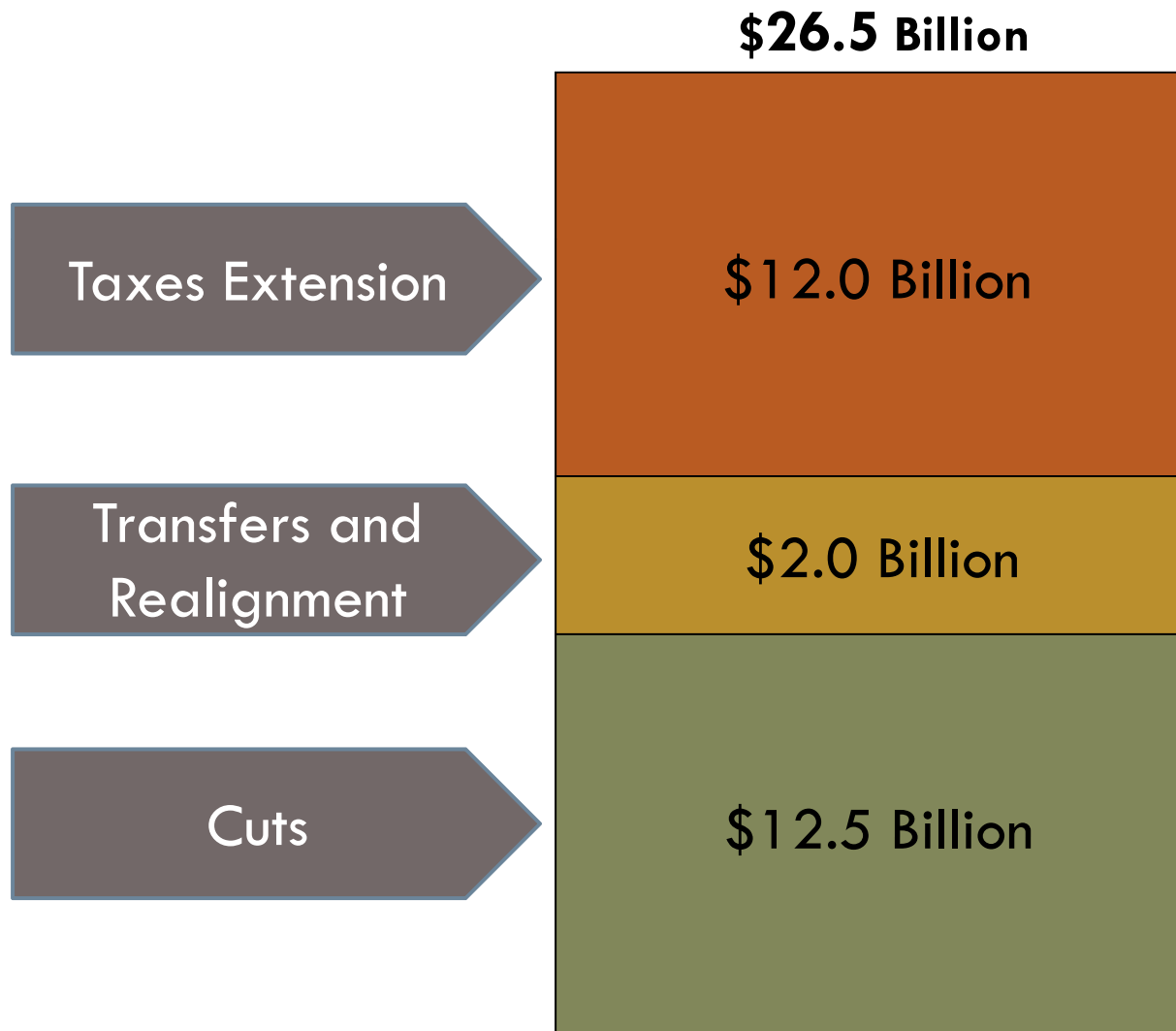
- The state's structural deficit of \$26.5 billion would be solved through a three-pronged approach:
 - ▣ \$12.5 billion in cuts
 - ▣ \$2.0 billion in transfers and realignment
 - ▣ \$12.0 billion in additional revenue through the extension of existing temporary taxes

Governor's Budget Proposal



- Basically the Governor has two plans:
 - ▣ If the taxes are extended, education would be “flat funded” for 2011-2012
 - This really means the loss of \$22 per ADA
 - It also includes a new cash deferral of \$2.2 billion
 - ▣ If the taxes are not extended, education loses at least another \$330 per ADA
 - \$2.0 billion = \$330 per ADA
 - \$10.0 billion in additional cuts would be needed

Governor's Budget Proposal



Risks to the Budget

- Without the new revenues the Governor proposes, there is an estimated \$12 billion hole in Governor's proposal
 - \$2.0 billion of this was to go to education
 - Automatic loss of the additional \$330 per ADA
 - Possible scenarios for the additional \$10 billion in cuts would be needed:
 - Elimination of the 2010-2011 Deferral of \$1.8 billion
 - Additional cut of \$285 per ADA
 - Total cut would then be \$637 per ADA
 - Cut of 41% proportionate to general fund spending
 - Additional cut of \$688 per ADA
 - Total cut would then be \$1,040 per ADA

RCOE Recommendations



- Recall we received a conditional approval of our 2010-2011 Adopted Budget
- Plan for a minimum reduction of \$352 per ADA
- Designate additional reserves to address possible reductions above this or maintain another viable contingency plan
- Submit 2011-2012 Cashflow including deferrals and a borrowing plan to demonstrate cash-solvency

2011-2012 District Budget



- There are only 2 plans in the Governor's budget
- Under current law the taxes expire
- Unless and until they are extended, the District must plan on a Budget based on the loss of \$352 per ADA
- School Services Dartboard is being used
- This is likely a "best-case" scenario
- We need to plan for much larger reductions

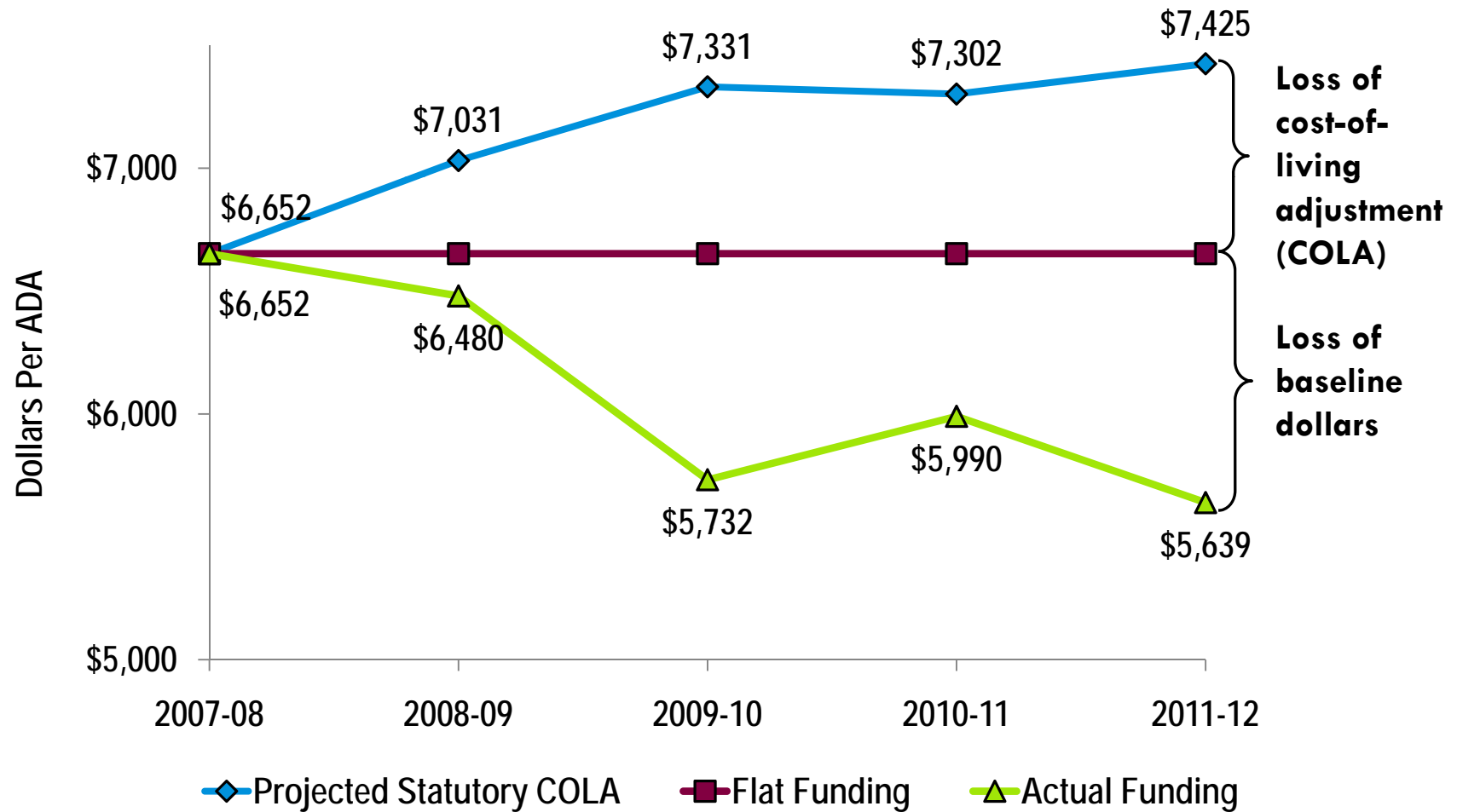
District Budget Summary

	2010-2011	2011-2012	2012-2013
Beginning Balance	\$11,187,294	\$9,987,848	\$2,376,408
Revenue	\$80,165,818	\$70,768,466	\$69,204,152
Subtotal Expenditures	\$81,365,264	\$81,588,181	\$79,391,501
Required Reductions/ Budget Shortfall		(\$3,208,275)	(\$9,920,095)
Total Expenditures	\$81,365,264	\$78,379,906	\$69,471,406
Net Increase/(Decrease)	(\$1,199,446)	(\$7,611,440)	(\$267,254)
Ending Balance	\$9,987,848	\$2,376,408	\$2,109,154

COLA and Deficit Factor

	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013
COLA	5.66%	4.25%	-0.39%	1.67%	0%
Deficit Factor	7.844%	18.355%	17.963%	19.608%	19.608%
Base Revenue Limit	7,030.77	7,330.77	7,301.77	7,424.77	7,424.77
Funded Base Revenue Limit	6,479.28	5,732.22	5,990.15	5,638.92	5,638.92

Projected vs. Actual Funding Per ADA



Loss of Revenue



- The District would have been receiving \$1,312 per ADA more in 2010-2011 if beginning with 2008-2009
 - ▣ COLA had been funded (no negative COLA)
 - ▣ Deficit factors had not been applied

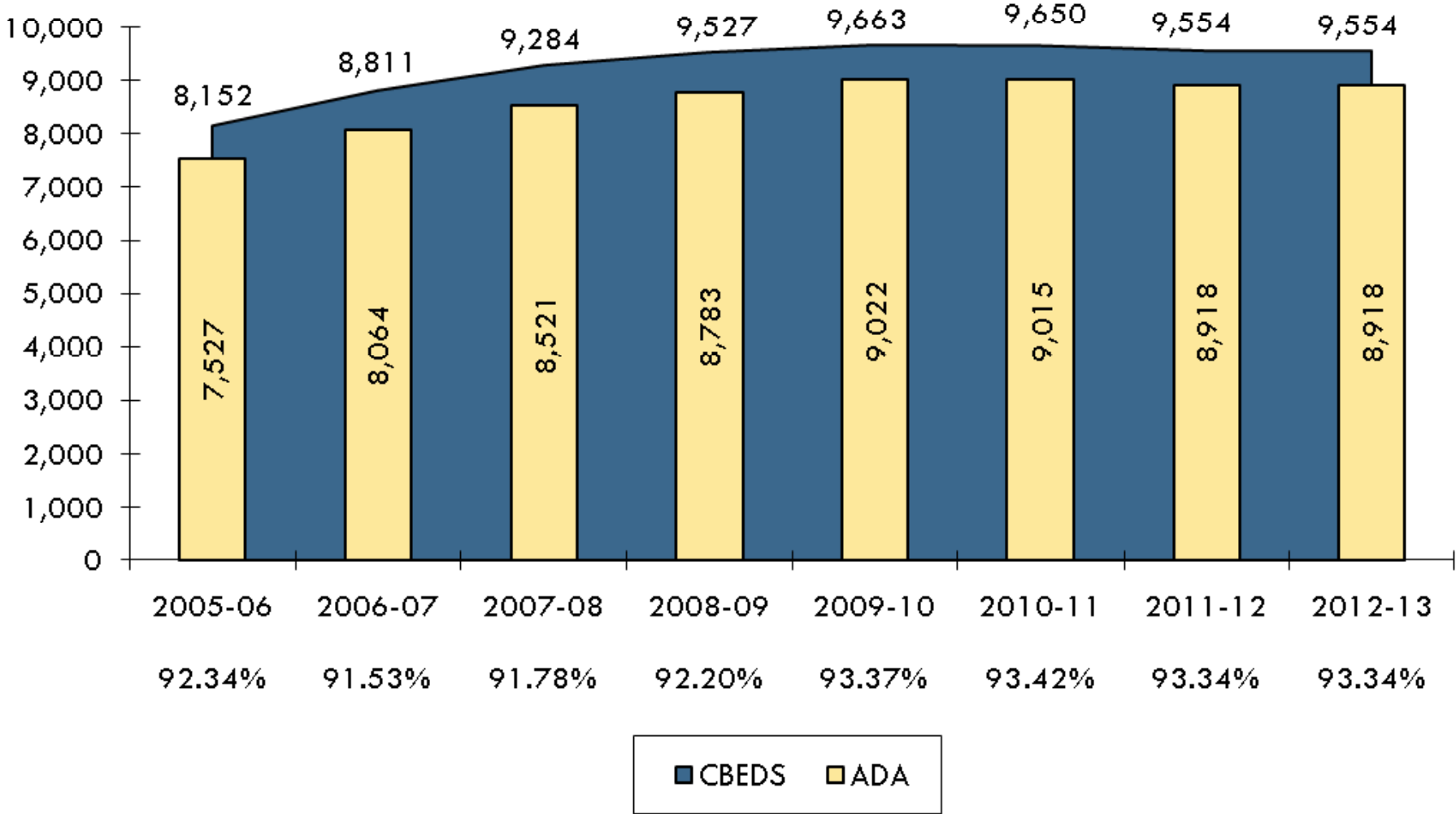
- The amount of additional revenue the District would have received in 2010-2011 alone is \$12.1 million

- This is compounded to a total loss of \$31.9 million when added to the loss of revenue in 2008-2009 and 2009-2010

One-Time Funding Sources

	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	TOTAL
Spent of Prior Year Ending Balance	\$0	\$6,472,627	\$1,199,446	\$3,562,884	\$0	\$11,234,957
Tier III Flexibility Revenues	\$3,265,143	\$3,246,742	\$4,492,517	\$4,000,000	\$4,000,000	\$19,004,402
Title I, Part A, ARRA	\$0	\$712,703	\$139,761	\$0	\$0	\$852,464
State Fiscal Stabilization Funds (SFSF), ARRA	\$159,242	\$3,604,537	\$1,523,108	\$0	\$0	\$5,286,887
Federal Education Jobs Program Funds, ARRA	\$0	\$0	\$1,048,772	\$984,851	\$0	\$2,033,623
Special Education, IDEA, Part B-611, ARRA	\$0	\$901,991	\$322,996	\$50,000	\$0	\$1,274,987
Fund 40 Transfer In	\$0	\$0	\$4,900,000	\$0	\$0	\$4,900,000
TOTAL	\$3,424,385	\$14,938,600	\$13,626,600	\$8,597,735	\$4,000,000	\$44,587,320

ADA and Enrollment



2011-2012 Expenditure Summary

- Changes from 2010-2011 expenditure levels
 - \$2.0 million - November 2010 budget reductions
 - \$1.2 million - Textbooks & prior year ARRA
 - \$2.6 million - Professional & other operating services (primarily one-time prior year ARRA)
 - \$3.2 million - unspecified budget reductions
 - + \$4.1 million - Redevelopment funds to be used at Pinacate Middle School
 - + \$0.8 - Automatic Step/Column Increases
 - + \$0.5 - Health & Welfare Cost Increases
 - + \$0.6 - Other Benefits (Unemployment & PERS Increases)
- = Decrease of \$3.0 million**

Budget Reductions

- Summary of expenditure reductions by fiscal year
- Reductions are ongoing – cumulative total

2007-2008	\$201,374
2008-2009	\$2,536,447
2009-2010	\$2,432,653
2010-2011	\$2,869,122
2011-2012	\$1,992,840
Cumulative Total	\$10,032,436

Budget vs. Cashflow



- What is a Budget?
 - ▣ Allocated funds based on ADA, or some other factor depending on the funding source
 - ▣ A spending authority based on these allocations
- How is this different from Cashflow?
 - ▣ Cashflow is the timing between the receipt of revenues and the expenditure of funds
 - ▣ Prior to 2001-2002, the funding level and the cashflow reflected the same amount and occurred in the same fiscal year
 - ▣ In the age of deferrals, it is more than just a timing mismatch within the current year
 - ▣ When the state does not have the available cash to meet its funding obligations, deferrals are used to delay revenue payments from one year to the next

Ending Balances and Cash

	2009-2010	2010-2011	2011-2012
Total Ending Balance	\$11,187,294	\$9,987,848	\$2,376,408
Less Restricted Ending Balance	\$6,336,188	\$3,958,999	\$0
Unrestricted Ending Balance	\$4,851,106	\$6,028,849	\$2,376,408
Reserve Level <i>(Unrestricted Ending Balance as a percentage of Expenditures)</i>	6.21%	7.41%	3.03%
Cash Balance <i>(Total Ending Balance made up of Cash)</i>	\$5,867,245	\$498,008	\$22,245
Cash Reserve Level <i>(Cash Ending Balance as a percentage of Expenditures)</i>	7.51%	0.61%	0.28%
Cash Balance made up of Loans	\$0	\$2,000,000	\$14,800,000

2011-2012 Apportionment Deferrals

Month From	Month To	Deferral Amount
July 2011	July 2012 – 100%	\$4,970,706
October 2011	January 2012 – 100%	\$4,970,704
February 2012	July 2012 – 99%	\$2,230,852
March 2012	April 2012 – 100%	\$2,253,386
April 2012	July 2012 – 15%	\$341,323
	August 2012 – 33%	\$752,234
May 2012	July 2012 – 39%	\$874,843
	August 2012 – 41%	\$914,609
June 2012	July 2012 – 100%	\$2,253,386

Cashflow

	Beginning Cash	Total Receipts	Total Disbursements	Net Ending Cash	Interfund Temporary Loans	Tax Revenue Anticipation Note (TRAN)	Total Ending Cash
June 2011	4.8	1.0	7.3	.5	2.0		.5
July 2011	.5	7.9	4.4	4.0			4.0
August 2011	4.0	9.8	8.1	5.7			5.7
September 2011	5.7	7.9	8.2	5.4			5.4
October 2011	5.4	5.4	8.7	2.1			2.1
November 2011	2.1	2.1	6.7	(2.4)	2.5		.1
December 2011	.1	9.0	6.8	2.3			2.3
January 2012	2.3	11.5	7.3	6.5			6.5
February 2012	6.5	1.7	7.7	.5	(4.5)	14.8	10.8
March 2012	10.8	1.2	7.4	4.6			4.6
April 2012	4.6	6.0	6.4	4.2			4.2
May 2012	4.2	5.2	5.7	3.7			3.7
June 2012	3.7	1.4	5.1	0			0

Dollars in Millions

2nd Interim Financial Report

- Financial report for the period ending January 31, 2011
- Revisions are made to the 2010-2011 operating budget to reflect changes in projections based on the state budget and other relevant factors
- Includes projections for 2011-2012 and 2012-2013
- Evaluates the financial condition of the District
- Reviewed and approved by the County Office of Education and the State Department of Education
- **Qualified Certification is recommended**
 - ▣ Certifies that based on current projections the District may not meet its financial obligations for the current and subsequent two fiscal years

Addressing Cash Shortages



- Internally borrow from other funds
- Tax and Revenue Anticipation Note (TRAN)
 - Short-term debt instrument using the proceeds from the sale of tax-exempt notes
 - Resolution will be brought before the Board in April 2011 to approve the District's participation in the California School Cash Reserve Program sponsored by the California School Boards Association Finance Corporation

Addressing the Budget Shortfall



- What we have done:
 - Budget reductions of more than \$10.0 million
 - Utilized flexibility options within categorical and maintenance accounts
 - Increased attendance as a percentage of enrollment
 - Issued temporary loans from other internal funds
 - Furlough days for management, confidential and classified employees
 - Eliminated numerous positions across the District
 - Used all one-time funding sources

Addressing the Budget Shortfall



- What more can we do?
 - Additional expenditure reductions?
 - Additional revenue sources?
 - Employee Salaries?
 - Health Benefits?
 - Reduce the school year?
 - Raise class sizes?
- What have other school district's done?
 - Most have done many if not all of these things

Overall Fiscal Health of the District



- Absent any significant changes, we will not meet our financial obligations
 - ▣ We have very limited control of revenues
 - ▣ We do have control of expenditures
 - ▣ We are developing a cash strategy

- We are in a state of fiscal crisis

- Action must be taken to remain fiscally solvent