

2009–10 1st Interim Summary Financial Report

December 8, 2009



California Budget Outlook

Legislative Analyst's Office (LAO) reported the State currently has a \$20.7 billion deficit in its General Fund.

- The deficit is comprised of \$6.3 billion in 2009-10 and \$14.4 billion in 2010-11;
- Various financial indicators including tax revenue projections are stabilizing;
- But, forecasts predict continued challenges with the State budget until 2012-13; and
- LAO suggested that the State make hard decisions on expenditure cuts this year; multi-year approach is needed.
- If left unresolved, the ongoing structural deficit is projected to be approximately \$20 billion per year.

Source: Legislative Analyst's Office. November 2009. *2010-11 Budget: California's Fiscal Outlook*. Sacramento, CA.

California Education Outlook

The funding guarantee for education is expected to decrease over the next two years. However,

- Upon receiving the federal stimulus money, California guaranteed funding to education would not fall below the 2005-06 level;
- To date, the state is funding just above that 2005-06 level;
- Because of this provision, it is believed that midyear cuts to education are much less likely;
- However, in order to close the current \$20.7 billion deficit, the Governor and Legislature may attempt to find another way to impose additional reductions to education.

Source: School Services of California. *School Finance and Management Conference: 2009-10*. Sacramento, CA.

Impact of July State Budget

State budget for 2009-10 resulted in several changes to the SUSD budget including:

- One-time revenue limit reduction shifted from 2008-09 to 2009-10 (\$252.83 per ADA for SUSD)
- Discussion of one-time revenue limit reduction to QEIA school districts (\$2 million for SUSD) never materialized
- Cut of home-to-school transportation only 20% versus proposed 65% reduction, and

In addition to other flexibilities, districts are offered *option* to:

- Shorten the school year by up to five days to 175 days,

Source: School Services of California. *School Finance and Management Conference: 2009-10*. Sacramento, CA

General Fund Overview: Unrestricted

		Adopted	1 st Interim	Difference
A	Beginning Fund Balance	\$25,627,768	\$38,480,536	\$12,852,768
B	Revenue Limit	\$174,421,802	\$166,209,561	(\$8,212,241)
C	Other Revenue	\$39,858,745	\$41,475,459	\$1,616,714
D	Total Revenue	\$214,280,547	\$207,685,020	(\$6,595,527)
E	Salaries, Benefits, Books, Supplies, Services, Capital, Other Outgo, Indirect	\$208,885,878	\$213,645,084	\$4,759,206
F	Transfers In, Sources	\$0	\$0	\$0
G	Transfers Out, Contributions	\$20,895,549	\$21,378,820	\$483,271
H	Total Expenditures	\$229,781,427	\$235,023,904	\$5,242,477
I	Net Increase/(Decrease)	(\$15,500,880)	(\$27,338,884)	(\$11,838,00)
J	Ending Fund Balance	\$10,126,888	\$11,141,652	\$1,014,764

General Fund Review

Explanation of Major Changes to Unrestricted

		Increase/ (Decrease) in Fund Balance
	Budgeted Decrease in Fund Balance as of Budget Adoption (June 2009)	(\$15,500,880)
<i>Revenue</i>	Decrease in Revenues (see slide #8)	(\$6,595,527)
<i>Expense</i>	Increase in expenditures such as salary, benefits, books, supplies, etc. (see slide #9)	\$5,242,477
	Increase in Contributions (see slide #9)	\$181,731
	Decrease in Fund Balance as of 1ST Interim Budget (October 31, 2009)	(\$27,338,884)

General Fund Review

Explanation of Major Changes to Unrestricted

Revenue Limit	Increase/(Decrease) in Fund Balance
Decrease in Revenue Limit funding of \$252.83 per ADA (one-time)	(\$8,741,758)
Increase in average daily attendance (ADA) of 131.19 (estimated P2)	\$529,517
Subtotal	(\$8,212,241)
Federal, State, and Local Revenue	Increase/(Decrease) in Fund Balance
Increase in 2009-10 Tier III program allocations per CDE	\$696,686
Increase in interest earnings as a result of TRANS (one-time)	\$304,666
Increase in K-3 CSR funding of 185 students in qualifying classes	\$197,840
Increase in supplemental instruction (summer school) per CDE	\$224,340
Increase in donations and other miscellaneous	\$193,182
Subtotal	\$1,616,714
TOTAL	(\$6,595,527)

General Fund Review

Explanation of Major Changes to Unrestricted

Expenditure Increases/(Decreases)	Increase/ (Decrease) in Fund Balance
Increase in medical claims (Blue Shield) for 2008-09 & 2009-10	\$1,692,493
Increase in summer school expenditures	\$645,978
Increase subs, class size overages and 45 day consultants	\$761,220
2008-09 carryover: School safety competitive grant per CDE	\$396,392
2008-09 carryover: Donations	\$166,159
2008-09 carryover: Student testing (CELDT, CST, & STAR)	\$168,894
2008-09 carryover: Lottery funding, 2009-10 textbook purchase	\$869,121
Other miscellaneous, one-time items	\$58,949
TOTAL	\$4,759,206
Transfers Out and Contributions	Increase/ (Decrease) in Fund Balance
Increase SUSD charter funding (temporary, one-time loan)	\$301,540
Decrease in contribution to restricted programs	\$181,731
TOTAL	\$483,271

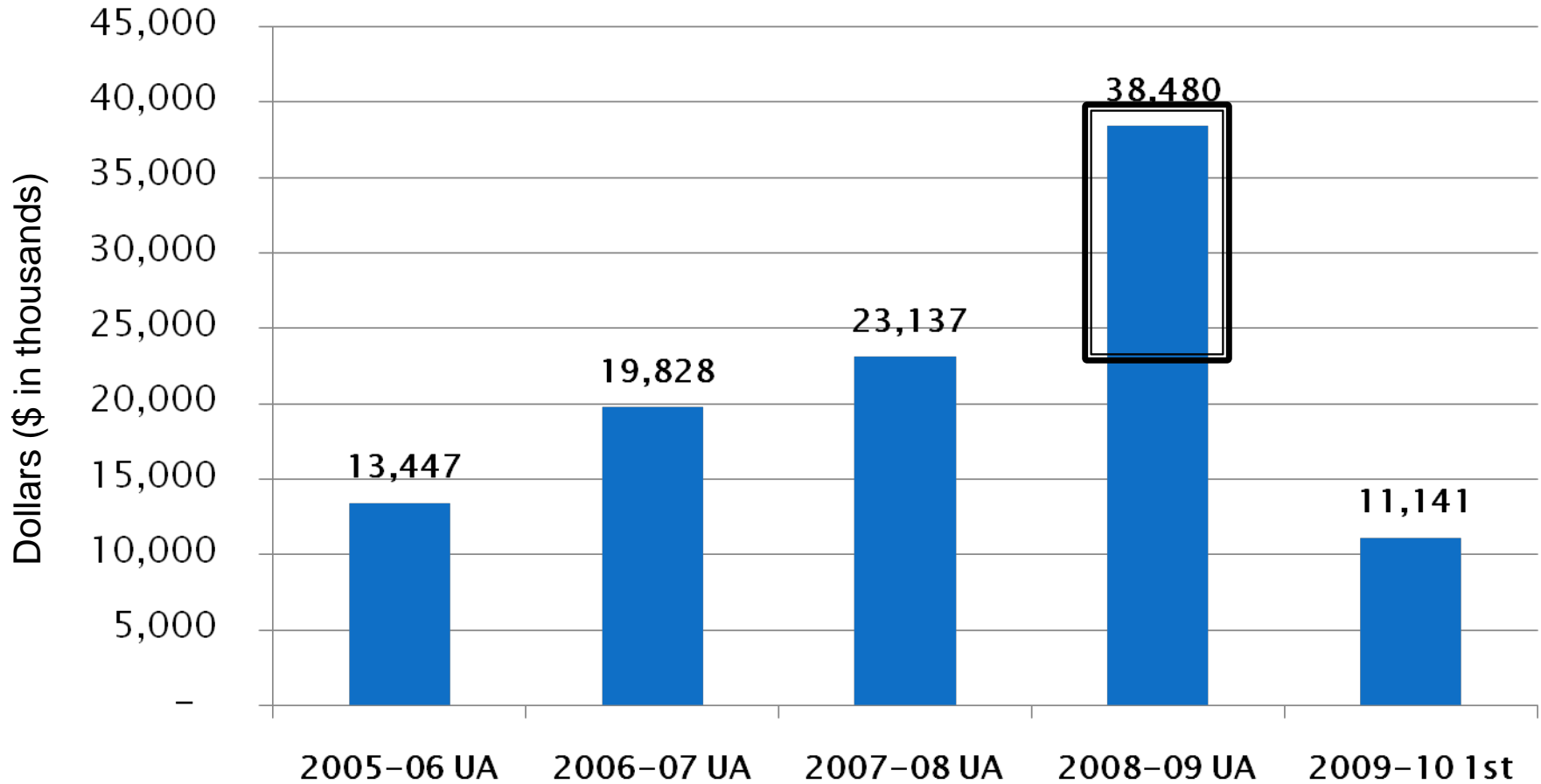
Components of Ending Fund Balance

Unrestricted General Fund (\$ in thousands)

	Adopted	1st Interim	Increase/ (Decrease)
Ending Fund Balance	\$10,124	\$11,142	\$1,018

Components of Ending Fund Balance	Adopted	1st Interim	Increase/ (Decrease)
Revolving Cash	\$70	\$70	\$0
Stores	\$1,200	\$1,200	\$0
Reserve for Economic Uncertainty (2%)	\$6,691	\$7,216	\$525
2010-11 budget: One-time items	\$2,163	\$2,656	\$493

Unrestricted Ending Fund Balance: 2005-06 to 2009-10



UA = Unaudited Actuals
1st = 1st Interim

Restricted General Fund Overview

	Adopted	1 st Interim	Increase/ (Decrease)
Beginning Fund Balance	\$0	\$20,399,622	\$20,399,622
Revenue Limit	\$6,280,679	\$6,267,963	(\$12,716)
Federal Revenue	\$62,914,584	\$58,949,651	(\$5,964,933)
Other State Revenue	\$41,768,220	\$44,295,572	\$2,527,352
Other Local Revenue	\$3,401,393	\$5,613,542	\$2,212,149
Total Revenue	\$114,364,876	\$113,126,728	(\$1,238,148)
Salaries, Benefits, Books/ Supplies, Services, Capital Outlay, Outgo	\$125,564,497	\$146,768,216	\$21,203,719
Transfers In, Sources	\$0	\$0	\$0
Transfers Out, Contributions	(\$20,816,579)	(\$20,998,310)	(\$181,731)
Total Expenditures	\$104,747,918	\$125,769,906	\$21,021,988
Net Increase/(Decrease)	\$9,616,958	(\$12,463,178)	(\$22,260,136)
Ending Fund Balance	\$9,616,958	\$7,756,444	(\$1,860,514)

Multi-Year Budget Projection: Major Assumptions

The District is required to submit a balanced budget for the current plus two subsequent fiscal years. Reflect the same 2009-10 adoption budget assumptions because conversation continues regarding reductions for 2010-11.

- Elimination of K-3 class size reduction (CSR);
- Adjust school staffing due to shift of ADA to charter schools;
- Elimination of summer school program;
- Elimination of home-to-school transportation program;
- Further reduction of routine, restricted maintenance (RRM) pgm;
- Elimination of 2009-10 ARRA-funded positions (counselors, assistant principals, library media assistants).

SUSD Financial Condition

The District would recommend submitting to the County Office of Education a positive certification.

- Required reserve for economic uncertainty (2%) continues to be met, and
- Met reserve requirements for the current and two subsequent fiscal years.

Standard & Poor's issued an 'A' rating for the District's QSCB bond issue.

- Reflects the District's financial prudence and stability over the past 18 months despite current economic and fiscal conditions.

Ensuring Fiscal Prudence

The District has taken several actions to review spending for the current fiscal year, including:

- Hiring Review Process: Any new or currently vacant positions are reviewed by the Superintendent and Cabinet prior to authorization to be filled.
- Review of Accounts Payable Payments: The Superintendent continues to review payments to vendors prior to a check being processed.
- Winter Break: In an effort to encourage energy savings the District will be closing school and Central Office buildings between December 19th and January 3rd.

Thank You.

QUESTIONS?