



# First Interim Financial Report

Glendale Unified School District Board Meeting – December 14, 2010

**Eva Rae Lueck**  
**Chief Business and Financial Officer**





## First Interim Report and Certification (Background)

- ❑ AB 1200 and AB 1708 require county offices to monitor and review district budget and financial reports
- ❑ Districts are required to submit two interim budget reports (December 15 & March 15) determining if they can meet their financial obligations in the current and the two subsequent years
- ❑ The County certifies each report as “positive”, “qualified”, or “negative” based on the ability of the district to meet its financial obligations
- ❑ The first interim report represents the actual and projected financial position of the General Fund as of October 31, 2010

# Multi-Year Budget Assumptions

Category	2009-10	2010-11	2011-12	2012-13	2013-14
<b>REVENUE LIMIT</b>					
- Cost of Living Adjustment (COLA)	4.25%	(0.39)%	0.00%	0.00%	0.00%
- Deficit Factor - Adopted Budget	18.36%	<del>18.36%</del>	<del>18.36%</del>	<del>18.36%</del>	<del>18.36%</del>
10/19/10 Board	18.36%	17.96%	17.96%	17.96%	17.96%
- COLA Increase- Adopted Budget	(429.00)	<del>(20.00)</del>	0.00	0.00	0.00
10/19/10 Board	(429.00)	+4.45	0.00	0.00	0.00
- Additional State Adjustment - Adopted Budget	<del>(253.00)</del>	<del>(245.00)</del>	<del>(244.00)</del>	<del>(244.00)</del>	<del>(244.00)</del>
10/19/10 Board	(252.99)	0.00	0.00	0.00	0.00
- Revenue Limit per ADA	\$4,946	<del>\$4,933</del>	<del>\$4,934</del>	<del>\$4,934</del>	<del>\$4,934</del>
10/19/10 Board	\$4,946	\$5,203	\$5,203	\$5,203	\$5,203
- Net Revenue Limit Change	(12.07)%	5.17%	0.00%	0.00%	0.00%
- Revenue Limit ADA	25,765	25,411	25,172	24,907	24,782
- Enrollment	26,659	26,196	25,923	25,792	25,684
Interest	\$826,817	\$900,000	\$900,000	\$900,000	\$900,000
Lottery (Per ADA)	\$111.37	\$110.00	\$110.00	\$110.00	\$110.00

**Caution! – Additional Cuts to State Funding Anticipated**  
**State Deficit \$25 Billion and Growing**



# Multi-Year Budget Assumptions

Category	2009-10	2010-11	2011-12	2012-13	2013-14
<b>EMPLOYEE BENEFITS</b>					
- STRS	8.25%	8.25%	8.25%	8.25%	8.25%
- Workers Comp	2.46%	1.31%	1.31%	2.60%	2.60%
Utilizing Fund #67.1 Balance	0%	1.29%	1.29%	0.00%	0.00%
- Retiree Benefits	2.00%	2.21%	2.21%	2.21%	2.21%
- Health Insurance Increase - Adopted budget	\$2,750,000	<del>\$3,650,000</del>	\$2,750,000	\$2,750,000	\$2,750,000
1st Interim	Actuals	Actuals	\$2,750,000	\$2,750,000	\$2,750,000

# Multi-Year Budget Assumptions

Category	2009-10	2010-11	2011-12	2012-13	2013-14
<b><u>"SOLVENCY" TRANSFERS</u></b>					
- Special Ed. Reserve - (Depleted by end of 2012-13)	\$0	\$0	\$2,250,000	\$1,110,000	\$0
- Post-Employment Benefits Fund #20.0 - (Depleted by end of 2012-13)	\$0	\$0	\$3,750,000	\$2,500,000	\$0
- Restricted Major Maintenance Reserve - (Depleted by end of 2012-13)	\$0	\$0	\$3,000,000	\$1,000,000	\$0
- No Deferred Maintenance Transfer - (Legally ends 2012-13)	\$1,238,000	\$1,238,000	\$1,238,000	\$1,238,000	\$0
- Deferred Maintenance Fund Revenue to General Fund - (Legally ends 2012-13)	\$907,000	\$907,000	\$907,000	\$907,000	\$0
<b><u>ARRA - FEDERAL STIMULUS FUND</u></b>					
- Title I ARRA - Revised (9/15/09 Board)	\$1,809,025	\$1,453,204	\$0	\$0	\$0
- IDEA ARRA - Revised (9/15/09 Board)	\$5,460,233	\$0	\$0	\$0	\$0
- SFSF ARRA - Revised (10/11 income carryover, addt. Revenue & offset to State Cat. Cuts)	\$9,348,671	\$2,345,571	\$0	\$0	\$0
- Federal Jobs Program - (10/19/10 Board)	\$0	\$4,466,300	\$0	\$0	\$0
<b>Total of Solvency Transfers and ARRA</b>	<b>\$18,762,929</b>	<b>\$10,410,075</b>	<b>\$11,145,000</b>	<b>\$6,755,000</b>	<b>\$0</b>

## Budget Adjustment Impact on Unrestricted General Fund Ending Balance

Major Changes	2010-11	2011-12	2012-13	2013-14
<b>Adopted Budget at July 1, 2010 (Ending Balance)</b>	\$ 20,820,948	\$ 7,617,110	\$ (15,070,292)	\$ (48,941,588)
<b>Adjustment On Actual 2009-10 Ending Balance</b>	<u>\$ 4,227,601</u>	<u>\$ 4,227,601</u>	<u>\$ 4,227,601</u>	<u>\$ 4,227,601</u>
<b>Revised 2010-11 Ending Balance</b>	\$ 25,048,549	\$ 11,844,711	\$ (10,842,691)	\$ (44,713,987)

### SEPTEMBER 14, 2010 BUDGET ADJUSTMENTS

Budget Prior Year Site Carry-Over (One Time)	\$ (4,083,997)
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### OCTOBER 5, 2010 BUDGET ADJUSTMENTS

Budget MAA Allocation To Sites (One Time)	\$ (662,993)			
Budget Prior Year Site Carry-Over (One Time)	\$ (150,877)			
Budget CVHS Settlement To The Balance (One Time)	\$ 3,720,000			
Budget Other Misc. Adjustments (One Time)	\$ (157,400)			
Budget PARS And SIA Adjustments (On-Going)	\$ (158,300)	\$ (158,300)	\$ (158,300)	\$ (158,300)

### OCTOBER 19, 2010 BUDGET ADJUSTMENTS

#### **2010-11 Adjustments**

Adjust Revenue Limit - Reduced Deficit & Eliminate 3.85% Cut	\$ 6,861,548	\$ 6,797,013	\$ 6,797,013	\$ 6,691,704
Budget The Remaining Prior Year Carry-Over (One Time)	\$ (641,736)	\$ -	\$ -	\$ -
Reverse the Adopt. Budget Additional H&W Cost Increase (On-Going)	\$ 900,000	\$ 900,000	\$ 900,000	\$ 900,000
Adjust Summer School Income Budget (On-Going)	\$ (304,153)	\$ (304,153)	\$ (304,153)	\$ (304,153)
Adjust Summer School Expenditure Budget (On-Going)	\$ 602,962	\$ 602,962	\$ 602,962	\$ 602,962
Adjust K-3 CSR Revenue For 24.94 to 1 (Only 10/11 & 11/12)	\$ 1,440,664	\$ 1,440,664	\$ -	\$ -
Adjust K-3 CSR Expense for 24.94 to 1 (Out Years, On-Going)	\$ -	\$ (3,388,300)	\$ (3,388,300)	\$ (3,388,300)
Adjust 2011-12, 2012-13 For Furlough Days (That Impact Unrest. GF)	\$ -	\$ 2,078,364	\$ 2,771,152	\$ -

#### **Title I ARRA of \$1.45 Million (One-Time)**

Previously Budgeted In Adopted Budget

Indirect Cost (\$56,698)  
 Elementary Assistant Principals (approx. 487,151)  
 Jewel Comm. Day School Teacher Staff Over Ratio (Approx. \$104,608)  
 AVID Teacher FTE (Approx. \$96,832)  
 Secondary Summer School (Approx. \$649,704)  
 Elementary Summer School (Approx. \$58,211)

**Budget Adjustment Impact on Unrestricted General Fund Ending Balance**

(Continued)

Major Changes	2010-11	2011-12	2012-13	2013-14
<b>Federal Jobs Program of \$4.47 Million (One-Time)</b>	\$ 4,466,300			
Return RIF Teachers (Approx. \$3.4 Million, Savings already reflected)	\$ (3,388,300)			
Elementary PE Program (Approx. \$587,000)				
Secondary Intervention Program (Approx. 112,000)				
Daily HS Teachers Over Ratio (Approx. \$379,000)				
<b>SFSF ARRA Funds of \$2.35 Million (One-Time)</b>	\$ 2,345,571			
Indirect Cost (Approx. \$91,515)				
Site Clerical Staff (Approx. \$1.68 Million)				
Elementary Music Program (Approx. \$386,510)				
Secondary Summer School (Approx. \$141,965)				
ROP - Administration (Approx. \$42,229)				
<b>2011-12 Adjustments</b>				
TBD		\$ -	\$ -	\$ -
<b>2012-13 Adjustments</b>				
Sunset of Reduced K-3 CSR Penalties (Lose all revenue at 24.94 to 1)			\$ (3,302,395)	
<b>2013-14 Adjustments</b>				
Sunset of Reduced K-3 CSR Penalties (Lose all revenue at 24.94 to 1)				\$ (3,302,395)
<b><u>DECEMBER 14, 2010 BUDGET ADJUSTMENTS</u></b>				
Health & Welfare Savings Impacting the Unrestricted General Fund	\$ 4,367,435	\$ 4,367,435	\$ 4,367,435	\$ 4,367,435
Special Education Projected Actual Cost Adjustment	\$ (695,622)	\$ (695,622)	\$ (695,622)	\$ (695,622)
Workers Compensation Fund Balance Utilization Ends			\$ (1,548,000)	\$ (1,548,000)
Current Year Impact	\$ 14,461,102	\$ 11,640,063	\$ 6,041,792	\$ 3,165,331
Cumulative Impact to Ending Balance	\$ 14,461,102	\$ 26,101,165	\$ 32,142,957	\$ 35,308,288
<b>Adjusted Ending Balance Projection</b>	<b>\$ 39,509,651</b>	<b>\$ 37,945,876</b>	<b>\$ 21,300,266</b>	<b>\$ (9,405,699)</b>
<b><u>Designated and Restricted Portion:</u></b>				
Revolving Cash	\$ 70,000	\$ 70,000	\$ 70,000	\$ 70,000
Stores	\$ 117,345	\$ 117,345	\$ 117,345	\$ 117,345
3% Mandated Reserve for Economic Uncertainties	\$ 6,593,116	\$ 6,448,295	\$ 6,580,914	\$ 6,811,087
Fund Balance Designation	\$ 10,555	\$ 10,555	\$ 10,555	\$ 10,555
<b>Adjusted Balance in Excess of 3% Reserve</b>	<b>\$ 32,718,635</b>	<b>\$ 31,299,681</b>	<b>\$ 14,521,452</b>	<b>\$ (16,414,686)</b>



## First Interim Report and Certification (Background)

- ❑ It is anticipated that as one time funding sources are depleted, the budget shortfall will be \$16.4 million in 2013-14 if no action is taken by the District, and there are no further reductions in State funding and Tier III Flexibility is extended.
- ❑ The General Obligation bond that is under consideration for the April 2011 election, if passed by the voters, would provide additional resources.
- ❑ It is anticipated that the Second Interim Report, which will be filed in March 2011 will have a Qualified or Negative Certification.



## The New York Times

Budget Crisis is Worse, California Legislators Are Told



**MASSIVE CALIFORNIA BUDGET DEFICIT AWAITS JERRY BROWN, AND US**

**BUDGET TRAIN WRECK FOR CALIFORNIA THROUGH JERRY BROWN'S FIRST TERM**

## THE SACRAMENTO BEE



sacbee.com

Brown says state budget worse than ever; mum on proposed solutions

Jerry Brown puts budget problem at up to \$28 billion

An understatement from Brown: "In the three previous recessions, they never got as bad and they never took as long. And that puts us in a very unique situation."



**\$25 Billion Budget Problem Needs to Be Addressed in Coming Months**

Our forecast of California's General Fund revenues and expenditures shows that the state must address a budget problem of \$25.4 billion between now and the time the Legislature enacts a 2011–12 state budget plan. The budget problem consists of a \$6 billion projected deficit for 2010–11 and a \$19 billion gap between projected revenues and spending in 2011–12.

## Los Angeles Times

Report: Tough budget times are far from over for many states, may last another 3 years

## The FISCAL REPORT an informational update

**Budget Summit Seeks to Quantify California's Budget Problem**

### Unrestricted General Fund Summary - First Interim (in millions)

Category	2009-10	2010-11	2011-12	2012-13	2013-14
<b>Revenues</b>					
Revenue Limit	122.81	128.26	126.80	125.43	124.68
Other Revenue	29.75	28.51	24.59	19.84	18.90
Other Financing Sources	(8.42)	(19.19)	(10.40)	(14.93)	(19.63)
<b>Total Revenue</b>	<b>144.14</b>	<b>137.58</b>	<b>140.99</b>	<b>130.34</b>	<b>123.95</b>
<b>Expenditures</b>	<b>(141.22)</b>	<b>(137.64)</b>	<b>(142.56)</b>	<b>(146.98)</b>	<b>(154.66)</b>
<b>Impact on Ending Fund Balance</b>	<b>2.92</b>	<b>(0.06)</b>	<b>(1.57)</b>	<b>(16.64)</b>	<b>(30.71)</b>
<b>Beginning Balance</b>	<b>36.64</b>	<b>39.57</b>	<b>39.51</b>	<b>37.94</b>	<b>21.30</b>
<b>Current Year Change (Deficit Spending)</b>	<b>2.92</b>	<b>(0.06)</b>	<b>(1.57)</b>	<b>(16.64)</b>	<b>(30.71)</b>
<b>Ending Fund Balance</b>	<b>39.57</b>	<b>39.51</b>	<b>37.94</b>	<b>21.30</b>	<b>(9.41)</b>
<b>Components of Fund Balance</b>					
Reserve Warehouse & Revolving Cash	0.17	0.19	0.19	0.19	0.19
3% Reserve	6.92	6.59	6.92	7.04	6.81
Other Designations and Carry-Overs	5.91	0.01	0.01	0.01	0.01
Undesignated Balance	26.57	32.72	30.82	14.07	(16.4)
<b>Total Ending Fund Balance</b>	<b>39.57</b>	<b>39.51</b>	<b>37.94</b>	<b>21.30</b>	<b>(9.41)</b>
<b>Potential State Reduction</b>					
<b>Ending Fund Balance</b>	<b>39.57</b>	<b>39.51</b>	<b>37.94</b>	<b>21.30</b>	<b>(9.41)</b>
<b>\$300 per ADA Reduction</b>	<b>-</b>	<b>(7.62)</b>	<b>(15.17)</b>	<b>(22.65)</b>	<b>(30.08)</b>
<b>Ending Balance Would Become</b>	<b>39.57</b>	<b>31.89</b>	<b>22.77</b>	<b>(1.35)</b>	<b>(39.49)</b>
<b>Need to Restore 3% Reserve</b>				<b>(7.23)</b>	<b>(7.01)</b>
<b>Additional Funds Needed to Balance Budget</b>				<b>(8.58)</b>	<b>(46.50)</b>



## ***How Will We Maximize Student Achievement?***

- Program Restoration**
- Program Expansion**
- Addressing the Strategic Plan 2015**



# *How Will We Maximize Student Achievement?*

## **Budget Reductions – Positions & Programs**

### **Secondary Staffing**

- Daily High Teacher Staffing
- Reduction of 1 Teacher FTE per 1000 Students
- Clark Staffing adjusted from 7 periods to 6 periods
- Counseling Ratios
- High School Administrative Secretary (reduced 1 per site)

### **Other Staffing**

- K-3 CSR Staffing Ratio (No Flexibility after 2011-12)
- Special Education Staff Reductions
- Maintenance FTE Staff Reductions
- Administration Center Staff Reductions

### **Furlough Days in 2011-12 & 2012-13**



# *How Will We Maximize Student Achievement?*

## **Budget Reductions – Positions & Programs**

### **Tier III Sweeps – Programs Eliminated** **(No Flexibility after 2012-13)**

- Community Based Tutoring Grants
- Instructional Material Block Grant
- 9th Grade CSR
- Physical Education Teacher Incentive
- Supplemental Counseling Program
- Arts & Music Block Grant
- Beginning Teacher Support Block Grant – partial
- Deferred Maintenance Match Transfer
- Deferred Maintenance Revenue



# *How Will We Maximize Student Achievement?*

## **Budget Reductions – Positions & Programs**

### **Miscellaneous Reductions & Cost Shifting**

- Summer School Reductions
- Summer School Fee Program
- Eliminated Funding for Future Retiree Benefits
- Positions Re-allocated to Categorical Funding
- Safety Program Reductions
- Restricted Lottery Utilization
- Food Service Program Charged Indirect Cost
- COPS Payment Shifted to Capital Fund
- Health Insurance – contribution cap



# *How Will We Maximize Student Achievement?*

## **Budget Reductions – Positions & Programs**

### **Reserve Balance Utilization Plans**

- Restricted Maintenance Account
- Special Education
- GASB 45 Reserves
- Workers Compensation Fund



# What is the Next Step?

- Prioritize Program Restorations?**
- Program Expansion?**
- Address the Strategic Plan 2015?**

**Are there Fundamental Building Blocks – Base?**