

# First Interim Financial Report

Glendale Unified School District Board Meeting – December 13, 2011  
Discussion Report No. 3

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, 2011

# Multi-Year Budget Assumptions

Category	2010-11 Actual	2011-12	2012-13	2013-14	2014-15
<b>REVENUE LIMIT</b>					
- Cost of Living Adjustment (COLA)	(0.39)%	2.24%	0.00%	0.00%	0.00%
- Deficit Factor - Adopted Budget	17.96%	19.754%	19.754%	19.754%	19.754%
- Net COLA Increase- Adopted Budget	\$257.28	\$0.00	0.00	0.00	0.00
- Revenue Limit per ADA	\$5,203	\$5,204	\$5,204	\$5,204	\$5,204
- Net Revenue Limit Change	5.17%	0.00%	0.00%	0.00%	0.00%
- Revenue Limit ADA	25,501	25,303	25,085	24,957	25,020
- Enrollment	26,393	26,250	25,986	25,879	26,052
- Interest	\$753,665	\$820,000	\$820,000	\$820,000	\$820,000
Lottery (Per ADA)	\$110.00	\$111.00	\$111.00	\$111.00	\$111.00

# Multi-Year Budget Assumptions

Category	2010-11 Actual	2011-12	2012-13	2013-14	2014-15
<b>EMPLOYEE BENEFITS</b>					
- STRS	8.25%	8.25%	8.25%	8.25%	8.25%
- Workers Comp	1.30%	1.437%	2.60%	2.60%	2.60%
Utilizing Fund #67.1 Balance	1.30%	1.30%	0.00%	0.00%	0.00%
- Retiree Benefits	2.21%	2.37%	2.37%	2.37%	2.37%
- Health Insurance Increase-Adopted budget	Actuals	\$1,950,000	\$1,950,000	\$1,950,000	\$1,950,000

# Multi-Year Budget Assumptions

Category	2010-11 Actual	2011-12	2012-13	2013-14	2014-15
<b><u>FLEXIBILITY</u></b>					
- No Deferred Maintenance Transfer (Legally ends 2014-15)	\$1,238,000	\$1,238,000	\$1,238,000	\$1,238,000	\$1,238,000
- Deferred Maintenance Fund Revenue to General Fund (Legally ends 2014-15)	\$965,191	\$965,191	\$965,191	\$965,191	\$965,191
<b><u>"SOLVENCY" TRANSFERS</u></b>					
- Special Ed. Reserve (Depleted by end of 2012-13)	\$0	\$2,250,000	\$1,110,000	\$0	\$0
- Post-Employment Benefits Fund #20.0 (Depleted by end of 2012-13)	\$0	\$3,750,000	\$2,500,000	\$0	\$0
- Restricted Major Maintenance Reserve (Depleted by end of 2012-13)	\$0	\$3,000,000	\$1,000,000	\$0	\$0
<b><u>ARRA - FEDERAL STIMULUS FUND</u></b>					
- Title I ARRA	\$1,091,063	\$362,141	\$0	\$0	\$0
- IDEA ARRA	\$0	\$0	\$0	\$0	\$0
- SFSF ARRA	\$2,272,828	\$1,283,275	\$0	\$0	\$0
- Federal Jobs Program	\$4,458,331	\$497,192	\$0	\$0	\$0
<b>Total of "Solvency" Transfers and ARRA</b>	<b>\$7,822,222</b>	<b>\$11,142,608</b>	<b>\$4,610,000</b>	<b>\$0</b>	<b>\$0</b>

# Summary of Potential “Trigger” Cuts if State Revenue Assumptions Are Not Met

<b>\$88.5 Billion</b>	<b>No Trigger</b>	<ul style="list-style-type: none"><li>• No Cuts</li></ul>
<b>\$87.5 Billion</b>	<b>January 1, 2012 Trigger I</b>	<ul style="list-style-type: none"><li>• No Impact to K-12 Education</li></ul>
<b>\$86.5 Billion</b>	<b>February 1, 2012 Trigger II</b>	<ul style="list-style-type: none"><li>• \$248 million cut to K-12 transportation</li><li>• Up to \$1.5 billion cut to K-12 revenue limits (This cut would be prorated based on the level of reduced revenue projections.)</li></ul>
<b>\$84.5 Billion</b>		

**Note: The Trigger II requires a drop of more than \$4 billion which equals a 4.52% drop in state revenues from \$88.5 billion to \$84.5 billion.**

# If Trigger II is Pulled...

- **LACOE Projection**

- **Cut – 50% of Transportation Revenue**
- **Cut - \$260 per ADA of Revenue Limit**

**BUT**

- **The District is Not Allowed to Budget The Reduction**
- **Budget Must Reflect Flat Funding**

**SCENARIO 1 - Budget Adjustment Impact on Unrestricted General Fund Ending Balance**

(Reflects Flat Funding Only - Official First Interim State Software Projection)

Major Changes	2011-12	2012-13	2013-14	2014-15
<b>Adopted Budget 2011-12 Ending Balance</b>	\$ 41,267,623	\$ 30,336,123	\$ 8,687,571	\$ (16,154,165)
<b>Adjustment On Actual 2010-11 Ending Balance</b>	\$ 5,588,386	\$ 5,588,386	\$ 5,588,386	\$ 5,588,386
<b>Revised 2011-12 Ending Balance</b>	\$ 46,856,009	\$ 35,924,509	\$ 14,275,957	\$ (10,565,779)
<b>SEPTEMBER 13, 2011-NOVEMBER 15,2011 BUDGET ADJUSTMENTS</b>				
Budget Prior Year Site Carry-Over (One Time)	\$ (4,113,948)			
<b>DECEMBER 13, 2011 BUDGET ADJUSTMENTS</b>				
Budget Prior Year Carry-Over (One Time)	\$ (935,265)			
Roosevelt Staffing Adjustment	\$ (57,900)			
Adjust Summer School Income Budget (On-Going)	\$ (16,458)	\$ (16,458)	\$ (16,458)	\$ (16,458)
Adjust Summer School Expenditure Budget (On-Going)	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Budget Title II Federal CSR Reductions	\$ (311,290)	\$ (311,290)	\$ (311,290)	\$ (311,290)
Move CSEA & GSMA 2011-12 Furlough Days to 2013-14 (Unrest. GF)	\$ (524,190)		\$ 524,190	
Workers Comp Rate Increase From 1.30% To 1.437%	\$ (160,000)	\$ (160,000)	\$ (160,000)	\$ (160,000)
2011-12 Revenue Limit Increase of 12 ADA	\$ 62,500			
Blue Shield Adjustment Credit	\$ 1,718,843			
Net Salary Savings Resulting From Salary Transfers To Fund 21.1	\$ 153,628	\$ 153,628	\$ 153,628	\$ 153,628
<b>Title I ARRA of \$362,141 (One-Time)</b>	\$ 362,141			
<b>Federal Jobs Program of \$497,192 (One-Time)</b>	\$ 497,192			
<b>SFSF ARRA Funds of \$1,283,275(One-Time)</b>	\$ 1,283,275			
Current Year Impact	\$ (1,941,472)	\$ (234,120)	\$ 290,070	\$ (234,120)
Cumulative Impact to Ending Balance	\$ (1,941,472)	\$ (2,175,592)	\$ (1,885,522)	\$ (2,119,642)
<b>Adjusted Ending Balance Projection</b>	<b>\$ 44,914,537</b>	<b>\$ 33,748,917</b>	<b>\$ 12,390,435</b>	<b>\$ (12,685,421)</b>
<b>Designated and Restricted Portion:</b>				
Revolving Cash	\$ 70,000	\$ 70,000	\$ 70,000	\$ 70,000
Stores	\$ 101,871	\$ 101,871	\$ 101,871	\$ 101,871
3% Mandated Reserve for Economic Uncertainties	\$ 6,600,100	\$ 6,488,740	\$ 6,633,380	\$ 6,758,920
Fund Balance Assignment *	\$ 756,707	\$ 756,707	\$ 756,707	\$ 756,707
<b>Adjusted Balance in Excess of Assignment And 3% Reserve</b>	<b>\$ 37,385,859</b>	<b>\$ 26,331,599</b>	<b>\$ 4,828,477</b>	<b>\$ (20,372,919)</b>

\* Assignment Excludes Any Reserve For State Reduction, And Reflects Only The Remaining Carry-Over Amount Yet To Be Budgeted.



# Structural Deficit is Hidden By One Time Money

	2011-12	2012-13	2013-14	2014-15
Adjusted Balance in excess of Assignment and 3% Reserve	\$37.4 M	\$26.3 M	\$4.83 M	(\$20.4)M
Total of Solvency Transfers and ARRA	(11.1)	(15.7)	(15.7)	(15.7)
<b>Adjusted Balance in excess of Assignment and 3% Reserve <u>without</u> Solvency Transfer and ARRA</b>	<b>\$26.3</b>	<b>\$10.6</b>	<b>\$(10.9)</b>	<b>\$(36.1)</b>

**Reserves Are Being Depleted.**

## Scenario 2 – If Trigger II is Pulled...

- **Cut – 50% of Transportation Revenue**

- **Cut - \$260 per ADA of Revenue Limit**

# Scenario 2 - If Trigger II is Pulled

- **Cut – 50% of Transportation Revenue**
- **Cut - \$260 per ADA of Revenue Limit**

<b>Scenario 1 Unrestricted General Fund Summary - First Interim (in millions)</b>					
<b>Category</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>
<b>Ending Fund Balance</b>	<b>48.54</b>	<b>44.92</b>	<b>33.75</b>	<b>12.39</b>	<b>(12.69)</b>
<b>Components of Fund Balance</b>					
Reserve Warehouse & Revolving Cash	0.17	0.17	0.17	0.17	0.17
3% Reserve	6.63	6.60	6.49	6.63	6.76
Other Assignments (Remaining Carry-Over)	5.81	0.76	0.76	0.76	0.76
Undesignated Balance	35.93	37.39	26.33	4.83 <sup>▲</sup>	(20.38)
<b>Total Ending Fund Balance</b>	<b>48.54</b>	<b>44.92</b>	<b>33.75</b>	<b>12.39</b>	<b>(12.69)</b>
<b>Scenario 2 Unrestricted General Fund - Alternative If Trigger II is Pulled</b>					
<b>Ending Fund Balance</b>	<b>48.54</b>	<b>44.92</b>	<b>33.75</b>	<b>12.39</b>	<b>(12.69)</b>
<b>Cut - 50% of Transportation Revenue</b>	<b>-</b>	<b>(0.37)</b>	<b>(0.74)</b>	<b>(1.11)</b>	<b>(1.48)</b>
<b>Cut - \$260 per ADA of Revenue Limit (Max)</b>	<b>-</b>	<b>(6.58)</b>	<b>(13.09)</b>	<b>(19.58)</b>	<b>(26.03)</b>
<b>Ending Balance Would Become</b>	<b>48.54</b>	<b>37.97</b>	<b>19.92</b>	<b>(8.30)</b>	<b>(40.20)</b>
<b>Need to Restore 3% Reserve &amp; Assignments</b>				<b>(7.56)</b>	<b>(7.69)</b>
<b>Additional Funds Needed to Balance Budget</b>				<b>(15.86)</b>	<b>(47.89)</b>

# Projected Solvency Reserves Remaining for 2013-14

Reserves Available		Millions
Restricted Maintenance Account		\$0.70
Special Education Reserve		0.00
Post Employment Benefits Funds # 20 & # 67.2		4.20
Deferred Maintenance Fund #14		4.89
Debt Service Fund#56		14.85
<b>Total</b>		<b>\$24.64</b>
Balance If All Reserves Were Used		
Scenario I - Flat Funding		
- 2013-14		\$37.03
- 2014-15		\$4.24
Scenario II - Trigger II Pulled		
- 2013-14		\$8.74
- 2014-15	All reserves utilized - Still short	(\$39.16)

**\$20.4 m of Reserves Used**

**\$15.9 m of Reserves Used**

**\$8.74 m of Reserves Used  
BANKRUPTCY**

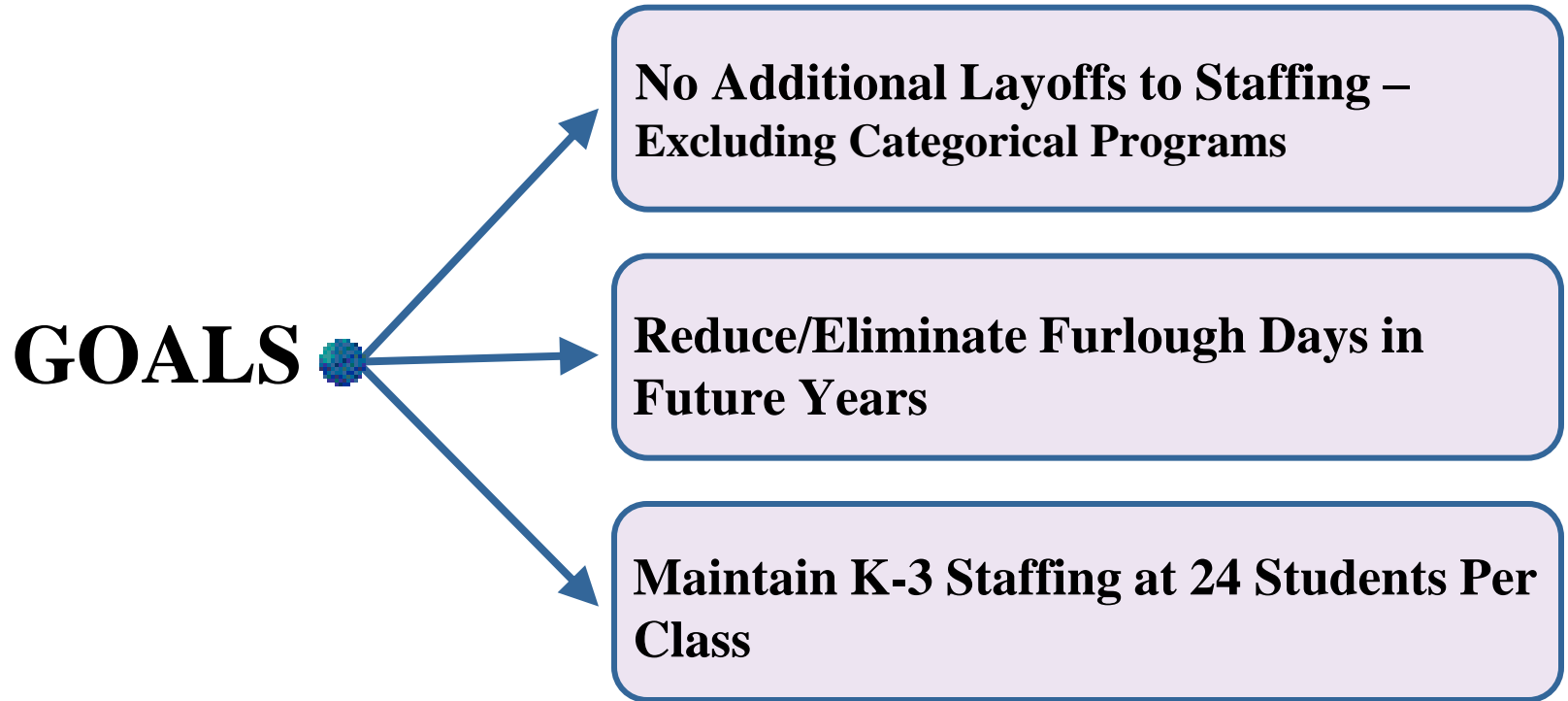
# First Interim Summary

- The Superintendent is recommending a Positive Certification for First Interim. However, there are significant concerns regarding State funding.
- There are many factors, both economic and other, which will affect the final outcome of the potential implementation of the “trigger language”.
- Unfortunately, any changes to current law, should the trigger be pulled, will not be known prior to the submittal of the First Interim Report.

# Future Concerns

- District is rapidly depleting reserves and one-time sources.
- State Fiscal Budget has not met target. Between now and the time that the State adopts a 2012-13 budget plan, it will need to address a \$13 billion shortfall.
- Economic recovery even slower than expected
  - California's unemployment rate remaining above 10 percent through mid 2014.

# Board/Superintendent's Priorities



**Goals Continue to Be the Same.**