

# **Second Interim Financial Report**

**Glendale Unified School District Board Meeting – March 6, 2012  
Discussion Report No. 1**

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Chief Business and Financial Officer



## Second 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 Second Interim report represents the actual and projected financial position of the General Fund as of January 31, 2012

# Multi-Year Budget Assumptions

Category	2010-11 Actual	2011-12	2012-13	2013-14	2014-15
<b>REVENUE LIMIT</b>					
- Net COLA Increase - Adopted Budget & 1st Interim	\$257.28	\$1.00	0.00	0.00	0.00
- Net COLA Increase - 2nd Interim - Scenario 1 (2011-12 Includes \$13 per ADA RL Cut And \$43 per ADA RL Cut In Lieu Of 50% Transportation Cut)	\$257.28	(\$55.00)	0.00	0.00	0.00
- Additional 2012-13 Cut In Lieu Of Transportation Cut - Scenario 1 & 2		---	(86.00)	(86.00)	(86.00)
- Additional 2012-13 Cut If Governor's Initiatives Fail - Scenario2		---	(370.00)	(370.00)	(370.00)
- Revenue Limit per ADA - 1st Interim (Includes BTSI)	\$5,221	\$5,222	\$5,222	\$5,222	\$5,222
- Revenue Limit per ADA - 2nd Interim - Scenario 1	\$5,221	\$5,167	\$5,136	\$5,136	\$5,136
- Revenue Limit per ADA - 2nd Interim - Scenario 2	\$5,221	\$5,167	\$4,766	\$4,766	\$4,766
- Revenue Limit ADA	25,501	25,303	25,085	24,958	24,855
- Enrollment - 1st Interim	26,393	26,250	25,986	25,879	26,052
- Enrollment - 2nd Interim	26,393	26,250	26,138	25,956	25,848

# 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%	2.74%	2.74%	2.74%
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
			0		

# 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>

# Scenario I

## ● LACOE Projection

### 2011-12

- \$13 Per ADA Revenue Limit Cut & Restored in 2012-13
- \$43 Per ADA Revenue Limit Cut in Lieu of 50% Transportation Cut

### 2012-13

- \$86 Per ADA On-Going Revenue Limit Cut in Lieu of 100% of Transportation Cut

# SCENARIO 1

## SCENARIO 1 - Second Interim Projected Budget Adjustment Impact on Unrestricted General Fund Ending Balance

(Reflects Loss of Transportation Funding - Official Second Interim State Software Projection)

Major Changes	2011-12	2012-13	2013-14	2014-15
<b>First Interim 2011-12 Ending Balance (Scenario 1)</b>	\$ 44,914,537	\$ 33,748,917	\$ 12,390,435	\$ (12,685,421)
<b>JANUARY 17, 2012 BUDGET ADJUSTMENTS</b>				
Budget Prior Year Carry-Over (One Time)	\$ (399,024)			
<b>FEBRUARY 2012 BUDGET ADJUSTMENTS</b>				
		<b>0</b>		
<b>MARCH 6, 2012 BUDGET ADJUSTMENTS</b>				
Mandated Cost Reimbursement	\$ 525,000			
Staffing Adjustments	\$ (53,693)	\$ (53,693)	\$ (53,693)	\$ (53,693)
Eliminate Two GTA 11-12 Furlough Days & Move One From 11-12 to 12-13.	\$ (1,375,350)	\$ 458,450		
Adjust Utilities Budget To Better Reflect Historical Trends	\$ 760,000	\$ 760,000	\$ 760,000	\$ 760,000
Governor's 2011-12 One Time RL Cut of -0.25% = -\$13.05 per ADA	\$ (330,204)			
Governor's 2011-12 50% Transportation Cut -\$43 per ADA of Rev. Limit	\$ (1,091,571)			
Governor's 2012-13 Ongoing Transportation Cut -\$86 per ADA of Rev. Limit		\$ (2,157,310)	\$ (2,146,302)	\$ (2,137,444)
<b>Other Adjustments</b>				
TBD				
Current Year Impact	\$ (1,964,843)	\$ (992,553)	\$ (1,439,995)	\$ (1,431,137)
Cumulative Impact to Ending Balance	\$ (1,964,843)	\$ (2,957,396)	\$ (4,397,391)	\$ (5,828,528)
<b>Adjusted Ending Balance Projection</b>	<b>\$ 42,949,694</b>	<b>\$ 30,791,521</b>	<b>\$ 7,993,044</b>	<b>\$ (18,513,949)</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	\$ 6,746,700	\$ 6,453,800	\$ 6,612,280	\$ 6,737,730
Fund Balance Assignment *	\$ 357,683	\$ 357,683	\$ 357,683	\$ 357,683
<b>Adjusted Balance in Excess of Assignment And 3% Reserve</b>	<b>\$ 35,673,440</b>	<b>\$ 23,808,167</b>	<b>\$ 851,210</b>	<b>\$ (25,781,233)</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

Scenario 1	2011-12	2012-13	2013-14	2014-15
Adjusted Balance in excess of Assignment and 3% Reserve	\$35.7 M	\$23.8 M	\$0.9 M	(\$25.8)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>\$24.6</b>	<b>\$8.1</b>	<b>\$(14.8)</b>	<b>\$(41.5)</b>

**Reserves Are Being Depleted.**



# Scenario 2 – If Voters Reject Tax Measure

## ● LACOE Projection

2012-13 (In Addition to the \$86 per ADA Cut)

■ \$370 Per ADA Revenue Limit Cut



**An Additional On-Going \$9.2 Million  
Reduction for the District**

# Scenario 2 - If Voters Reject Tax Measure

- **Cut - \$370 per ADA of Revenue Limit**

<b>Scenario 1 Unrestricted General Fund Summary - Second 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>42.95</b>	<b>30.79</b>	<b>7.99</b>	<b>(18.51)</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	6.75	6.45	6.61	6.74
Other Assignments (Remaining Carry-Over)	5.81	0.36	0.36	0.36	0.36
Undesignated Balance	35.93	35.67	23.81	0.85	(25.78)
<b>Total Ending Fund Balance</b>	<b>48.54</b>	<b>42.95</b>	<b>30.79</b>	<b>7.99</b>	<b>(18.51)</b>
<b>Scenario 2 Unrestricted General Fund - Alternative If Governor's Initiative Fails</b>					
<b>Ending Fund Balance</b>	<b>48.54</b>	<b>42.95</b>	<b>30.79</b>	<b>7.99</b>	<b>(18.51)</b>
<b>Cut - \$370 per ADA of Revenue Limit</b>	<b>-</b>	<b>-</b>	<b>(9.28)</b>	<b>(18.51)</b>	<b>(27.72)</b>
<b>Ending Balance Would Become</b>	<b>48.54</b>	<b>42.95</b>	<b>21.51</b>	<b>(10.52)</b>	<b>(46.23)</b>
<b>Need to Restore 3% Reserve &amp; Assignments</b>				<b>(7.14)</b>	<b>(7.27)</b>
<b>Additional Funds Needed to Balance Budget</b>				<b>(17.66)</b>	<b>(53.50)</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
Total		<u>\$24.64</u>
Balance If All Reserves Were Used		
Scenario I - Optimistic		
- 2013-14 (\$7.99 m + \$24.64 m)		\$32.63
- 2014-15 (Negative \$25.78 m + \$24.64 m)		(\$1.14)
Scenario II - Governor's Initiative Fails		
- 2013-14 (Negative \$17.66 m + \$24.64 m)		\$6.98
- 2014-15 (Negative \$53.50 m + \$6.98 m)		(\$46.52)
All reserves utilized - Still short		

**\$24.64 m of Reserves Used BANKRUPTCY**

**\$17.66 m of Reserves Used**

**\$6.98 m of Reserves Used BANKRUPTCY**

# Second Interim Summary

- The Superintendent is recommending a Positive Certification for Second Interim. However, there are significant concerns regarding State funding.
- Governor's Budget Proposal assumes voters will approve the Tax Initiative.
- If voters reject tax measure, Proposition 98 funding for schools and community colleges would bear 90% of the "trigger" cuts.

# 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 \$9.2 billion shortfall.
- Economic recovery even slower than expected
  - California's unemployment rate remaining above 10 percent through mid 2014.

# Governor's Weighted Student Formula

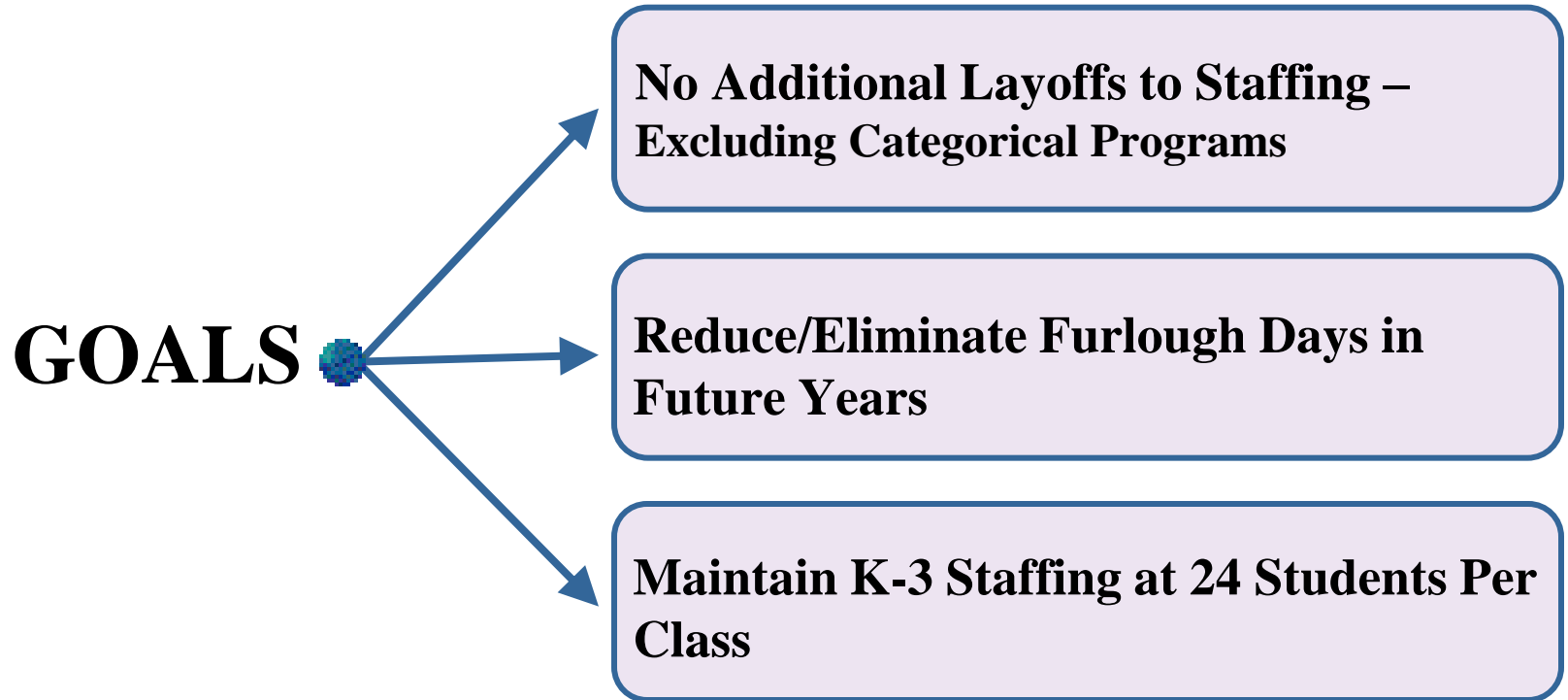
- **Intended to simplify the school funding process**
- **Replace existing funding received from the revenue limit and most categorical programs**
- **To be phased in over a five year period starting in 2012-13**
- **How it will work is still a work in progress**



## In Summary

**CRISIS PENDING**

# Board/Superintendent's Priorities



**Goals Continue to Be the Same.**