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GLENDALE UNIFIED SCHOOL DISTRICT

May 21, 2013

DISCUSSION REPORT NO. 3

TO: Board of Education  
FROM: Dr. Richard M. Sheehan, Superintendent  
SUBMITTED BY: Eva Rae Lueck, Chief Business and Financial Officer  
PREPARED BY: Mike Lee, Controller  
Craig Larimer, Financial Analyst  
SUBJECT: **2013-14 Draft Budget**

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The 2013-14 proposed State Budget is very unique. It contains a proposal from the Governor that would dramatically change how schools are funded, and it also contains increased funding for school districts. The Governor revises his January proposal each year to reflect updated State revenue projections and other modifications. This update is called the "May Revise". It is important to note that the Governor's proposal is just a proposal and the final State Budget must be approved by the Legislature and then signed by the Governor. This may not occur for several months.

The District's 2013-14 Draft Budget was developed prior to the Governor's "May Revise". Once the L.A. County Office of Education reviews the Governor's proposal they will advise the District as to what revenue assumptions should be utilized. It is anticipated that this information will be available and incorporated into the final budget presented to the Board in June. Until then, Revenue Limit funding is budgeted for 2013-14 and future years utilizing a COLA and not the proposed Local Control Funding Formula (LCFF).

This draft reflects the projected COLA of 1.565% in 2013-14, 2.20% in 2014-15, and 2.40% in 2015-16. A deficit factor of 22.272% is applied in each year.

The following pages contain the multi-year budget assumptions and a summary of the District's draft budget for 2013-14. It should be noted that this is a working draft and is subject to change prior to the June 18, 2013 Board meeting. Once again, it is anticipated that the 2013-14 State Budget, when it is finalized, will contain additional revenues for school districts. However, at this point in time, the amounts and structure/restrictions are unknown.

It should be noted that the District has approximately \$24 million in reserves in other funds and they are all included as transfers to the Unrestricted General Fund to maintain solvency through 2015-16. Once these one-time monies are utilized, there are no additional funds to offset the \$16.6 million structural deficit. There will need to be additional State revenues and/or additional expenditure reductions to balance the budget in 2016-17.

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The Multi-year plan also reflects the furlough days which have been negotiated (CSEA - 4 days, GTA and GSMA - 5 days). These days result in a \$3 million cost reduction. Should the days be rescinded, it would result in a reduction of \$3 million to the Ending Fund Balance and, if additional State revenue is not available, the District would be unable to meet the 3% Reserve requirement in 2015-16.

In summary, the multi-year plan assumes: the furlough days are retained, the COLAs are funded through 2015-16, and reserves from other funds are transferred into the Unrestricted General Fund. These assumptions result in the 2015-16 Ending Fund Balance having \$0.86 million in excess of assigned and required reserve amounts. However, the structural deficit going into 2016-17 remains at \$16.6 million.

### ***General Fund Highlights***

#### Multi-Year Budget Assumptions

Please refer to Attachments A and B for details on the impact of the District's multi-year budget. Additional revenue and expenditure adjustments are also identified on these attachments. Below are descriptions of certain key budget changes impacting the District.

#### Enrollment Projections

The District's multi-year enrollment is projected to decline 119 students in 2013-14 and continue to decline an additional 118 students in 2014-15. This is a smaller decline than was anticipated in the previous multi-year projections.

#### Revenue Limit Income

The Revenue Limit funding per ADA is based on \$5,223 for 2012-13, \$5,306 for 2013-14, \$5,423 for 2014-15, and \$5,554 for 2015-16. The 2012-13 ADA is 25,371 and will be utilized for the 2013-14 revenue calculation per Education Code Section 42238.5.

#### Other State Revenue

The proposed June budget adoption reflects categorical COLAs at 0% for 2013-14, 2014-15, and 2015-16 due to the State fiscal crisis.

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Lottery

Lottery income for years 2013-14 through 2015-16 is based on a previous estimate provided by the California Department of Education, the Los Angeles County Office of Education (LACOE), and School Services of California. The District is projecting \$118 per ADA in the Unrestricted General Fund and \$25 in the Restricted General Fund.

Other Uses

The "COLA reserve" for negotiations and other uses is zero for 2013-14 and future years.

2012-13 Ending Fund Balance

The Unrestricted General Fund Ending Balance for 2012-13 is projected to increase \$1.1 million over the projection in the Second Interim Report. This estimate will be updated again prior to budget adoption. However, the actual Ending Fund Balance will not be known until mid-August.

Interest

The 2012-13 and 2013-14 projected interest income was adjusted down from \$460,000 to \$254,000 due to the State revenue deferrals and the low interest rate being generated in the L.A. County Treasurer's investments.

Employee Compensation Adjustments

The 2013-14 certificated and classified salaries have been adjusted to reflect step and column, staffing and vacancy adjustments, as applicable. The 2013-14, 2014-15, and 2015-16 projections reflect an annual increase in health and welfare costs of \$1 million, \$1.95 million, and \$1.95 million respectively. This will be adjusted once the insurance renewal for 2013-14 is completed, consideration is also being given to reduce the projected increase for 2014-15 and 2015-16.

## Multi-Year Budget Assumptions

Category	2012-13	2013-14	2014-15	2015-16
<b>REVENUE LIMIT</b>				
- Cost of Living Adjustment (COLA)	3.24%	1.565%	2.20%	2.40%
- Deficit Factor	22.272%	22.272%	22.272%	22.272%
- Net COLA Increase	56	82	118	131
- Revenue Limit per ADA	\$5,223	\$5,306	\$5,423	\$5,554
- Net Revenue Limit Change	1.08%	1.565%	2.20%	2.40%
- Revenue Limit ADA - Second Interim	25,371	25,169	24,994	24,899
- Proposed Budget	25,371	25,246	25,109	24,995
- Enrollment	26,194	26,075	25,957	25,813
- Interest - Second Interim	\$469,000	\$469,000	\$469,000	\$469,000
- Proposed Budget	\$254,000	\$254,000	\$254,000	\$254,000
Lottery (Per ADA)	\$118.00	\$118.00	\$118.00	\$118.00
<b>EMPLOYEE BENEFITS</b>				
- STRS	8.25%	8.25%	8.25%	8.25%
- Workers Comp	2.919%	2.919%	2.919%	2.919%
- Retiree Benefits	2.37%	1.227%	0.782%	2.454%
Utilizing Fund #67.1 Balance		See Below	See Below	
- Health Insurance Increase	\$950,000	\$994,000	\$1,950,000	\$1,950,000
<b>"SOLVENCY" TRANSFERS</b>				
- Special Ed. Reserve	\$1,110,000	\$0	\$0	\$0
(Depleted by end of 2012-13)				
- Post-Employment Benefits Fund #20.0	\$2,750,000	\$0	\$0	\$0
(Depleted by end of 2012-13)				
- Restricted Major Maintenance Reserve	\$1,000,000	\$700,000	\$0	\$0
(Depleted by end of 2012-13)				
- No Deferred Maintenance Transfer	\$1,238,000	\$1,238,000	\$1,238,000	\$1,238,000
(Legally ends 2014-15)				
- Early Retirement Benefit Fund #67.2	\$0	\$1,800,000	\$2,400,000	\$0
(Depleted by end of 2014-15)				
- Deferred Maintenance Fund #14.0	\$0	\$0	\$4,900,000	\$0
(Depleted by end of 2014-15)				
- Debt Service Fund #56.0	\$0	\$0	\$14,900,000	\$0
(Depleted by end of 2014-15)				
- Deferred Maintenance Fund Revenue to General Fund	\$965,191	\$965,191	\$965,191	\$965,191
(Legally ends 2014-15)				
<b>ARRA - FEDERAL STIMULUS FUND</b>				
- Title I ARRA	\$0	\$0	\$0	\$0
- IDEA ARRA	\$0	\$0	\$0	\$0
- SFSF ARRA	\$0	\$0	\$0	\$0
- Federal Jobs Program	\$0	\$0	\$0	\$0

## Budget Adjustment Impact on Unrestricted General Fund Ending Balance

## 2012-13 Proposed Actuals &amp; Proposed 2013-14 Budget

Major Changes	2012-13	2013-14	2014-15	2015-16
<b>Adopted Budget 2012-13 Ending Balance</b>	\$ 29,701,882	\$ 8,534,387	\$ 2,344,155	\$ (28,577,492)
<b>Adjustment For Actual 2011-12 Ending Balance</b>	\$ 6,259,828	\$ 6,259,828	\$ 6,259,828	\$ 6,259,828
<b>Revised 2012-13 Ending Balance Before First Interim</b>	\$ 35,961,710	\$ 14,794,215	\$ 8,603,983	\$ (22,317,664)
<b>FIRST INTERIM PROJECTION ADJUSTMENTS</b>				
Move GTA 2012-13 Furlough Days to 2013-14 (Unrest. GF)	\$ (2,292,249)	\$ 2,292,249	\$ -	\$ -
Budget Prior Year Carry-Over (One Time)	\$ (2,709,816)	\$ -	\$ -	\$ -
Budget MAA Allocation To Sites (One Time)	\$ (226,100)	\$ -	\$ -	\$ -
Adjust Summer School Income Budget (On-Going)	\$ 57,715	\$ 57,715	\$ 57,715	\$ 57,715
PIO Position Savings (1 FTE)	\$ 112,000	\$ 112,000	\$ 112,000	\$ 112,000
Energy Manager Position Savings (1 FTE)	\$ 120,000	\$ 120,000	\$ 120,000	\$ 120,000
Elementary and Middle School Assistant Principal Savings (2 FTE)	\$ 255,000	\$ 255,000	\$ 255,000	\$ 255,000
SIA Contract Budget Savings	\$ 87,000	\$ 87,000	\$ 87,000	\$ 87,000
Dental to ASCIG Savings	\$ 88,000	\$ 88,000	\$ 88,000	\$ 88,000
Energy Education Budget Savings	\$ 374,000	\$ 374,000	\$ 374,000	\$ 374,000
Renaissance Learning Inc. Cost	\$ (100,000)	\$ (100,000)	\$ (100,000)	\$ (100,000)
PPO Plan Design Changes Savings	\$ 152,000	\$ 152,000	\$ 152,000	\$ 152,000
Adjustment To 2012-13 Revenue Limit ADA Change of -189 ADA	\$ (987,000)	\$ -	\$ -	\$ -
K-3 CSR Staff Ratios Increase from 24.95:1 to 30:1	\$ -	\$ 3,800,000	\$ 3,800,000	\$ 3,800,000
Secondary Staff Ratios Increase by 2 Students	\$ -	\$ 1,900,000	\$ 1,900,000	\$ 1,900,000
<b>SECOND INTERIM PROJECTION ADJUSTMENTS</b>				
Budget Prior Year Carry-Over (One Time)	\$ (4,030)	\$ -	\$ -	\$ -
SDC Site Cluster Supply Augmentation (Ongoing)	\$ (14,000)	\$ (14,000)	\$ (14,000)	\$ (14,000)
Tier III Budget Adjustment	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000
Move CSEA 2013-14 Furlough Days to 2014-15 & Reduce By 1 Day	\$ -	\$ (566,575)	\$ 488,000	\$ -
Net Adjustment To 2013-14 Revenue Limit COLA from 0% to 1.65%	\$ -	\$ 2,178,629	\$ 2,163,481	\$ 2,154,478
Net Adjustment To 2014-15 Revenue Limit COLA from 0% to 2.20%	\$ -	\$ -	\$ 2,933,528	\$ 2,921,321
Net Adjustment To 2015-16 Revenue Limit COLA from 0% to 2.40%	\$ -	\$ -	\$ -	\$ 3,250,212
Educational Services Textbook Program	\$ (600,000)	\$ (600,000)	\$ (600,000)	\$ (600,000)
Mandated Cost Revenue	\$ 764,903	\$ 700,000	\$ 700,000	\$ 700,000
Blue Shield Credit	\$ 200,000	\$ -	\$ -	\$ -
Transfer The Remaining Fund 20 Balance to the General Fund	\$ 255,000	\$ -	\$ -	\$ -
Reverse K-3 CSR Staff Ratios Increase from 24.95:1 to 30:1	\$ -	\$ (3,800,000)	\$ (3,800,000)	\$ (3,800,000)
Reverse Secondary Staff Ratios Increase by 2 Students	\$ -	\$ (1,900,000)	\$ (1,900,000)	\$ (1,900,000)
<b>PROPOSED ACTUALS AND PROPOSED 2013-14 BUDGET</b>				
Budget Prior Year Carry-Over (One Time)	\$ (692,482)	\$ -	\$ -	\$ -
2012-13 Health & Welfare Inflation Adjustment	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
2013-14 Health & Welfare Inflation Adjustment	\$ -	\$ 956,000	\$ 956,000	\$ 956,000
Retiree Benefits Rate Change From 2.37% to 1.877% (12-13) & 2.454% (13-14)	\$ 582,140	\$ (105,000)	\$ (105,000)	\$ (105,000)
New PARS Cost	\$ -	\$ (716,466)	\$ (716,466)	\$ (716,466)
TK-3 CSR Revenue	\$ 260,000	\$ (393,000)	\$ (393,000)	\$ (393,000)
Elementary School Reduction of 1 FTE Assistant Principal	\$ -	\$ 120,000	\$ 120,000	\$ 120,000
Elementary School Reduction of 25 FTE Teachers	\$ -	\$ 2,440,000	\$ 2,440,000	\$ 2,440,000
Secondary School Additional Cut of 1 FTE Per 1000 Students (13 FTE Teachers)	\$ -	\$ 1,300,000	\$ 1,300,000	\$ 1,300,000
Unrestricted Textbook Augmentation	\$ (250,000)	\$ -	\$ -	\$ -
Add Technology Leaders (Teacher Extra Duty Pay)	\$ -	\$ (100,000)	\$ (100,000)	\$ (100,000)
Add Professional Development	\$ -	\$ (200,000)	\$ (200,000)	\$ (200,000)
Add Unrestricted Teacher Specialists (6 FTE)	\$ -	\$ (620,000)	\$ (620,000)	\$ (620,000)
Add PE Teachers & Aids (1.75 FTE)	\$ -	\$ (127,000)	\$ (127,000)	\$ (127,000)
SUI - 13/14 Rate From 1.1% to 0.05% (cost savings netting w/RL loss)	\$ -	\$ (212,000)	\$ (212,000)	\$ (212,000)
Duplicating Center Savings (1 FTE)	\$ -	\$ 79,000	\$ 79,000	\$ 79,000
Routine Restricted Maint. Savings (1 Admin, 1 Clerical +1 Downgrade)	\$ -	\$ 200,555	\$ 200,555	\$ 200,555
Secondary School Reduction of 1 Clerk Per Site (8 FTE)	\$ -	\$ 377,229	\$ 377,229	\$ 377,229
Other Clerical Reductions (3 FTE)	\$ -	\$ 146,304	\$ 146,304	\$ 146,304
Solar City Service Cost (30,000) and Production Guarantee Cost (10,200)	\$ (40,200)	\$ (40,200)	\$ (40,200)	\$ (40,200)
Utilities Savings	\$ 375,000	\$ 733,750	\$ 753,438	\$ 774,110
Interest Income Adjustment	\$ (206,000)	\$ (206,000)	\$ (206,000)	\$ (206,000)
Tier III Revenue Adjustment	\$ 104,000	\$ 104,000	\$ 104,000	\$ 104,000
Measure S Audit Cost	\$ -	\$ (20,000)	\$ (20,000)	\$ (20,000)
Sequestration 5.9% Of Federal Title II, Special Education IDEA	\$ -	\$ (350,494)	\$ -	\$ -
Unrestricted Projected Salary & Statutory Benefits Adjustment	\$ 1,510,000	\$ 1,150,000	\$ 1,150,000	\$ 1,150,000
Special Education Projected Revenue, Salary, Benefits & Services Adjustm	\$ (1,588,889)	\$ (1,588,889)	\$ (1,588,889)	\$ (1,588,889)
Adjust Projected 2013-14 Revenue Limit ADA By +77 ADA	\$ -	\$ 408,870	\$ -	\$ -
Adjust Projected 2014-15 Revenue Limit ADA By +115 ADA	\$ -	\$ -	\$ 624,220	\$ -
Adjust Projected 2015-16 Revenue Limit ADA By +105 ADA	\$ -	\$ -	\$ -	\$ 583,590
Net Adjustment To 2013-14 Revenue Limit COLA from 1.65% to 1.565%	\$ -	\$ (100,984)	\$ (100,436)	\$ (99,980)
Current Year Impact	\$ (3,402,008)	\$ 9,383,693	\$ 11,650,478	\$ 14,371,980
Cumulative Impact to Ending Balance	\$ (3,402,008)	\$ 5,981,685	\$ 17,632,163	\$ 32,004,143
<b>Adjusted Ending Balance Projection</b>	\$ 32,559,702	\$ 20,775,900	\$ 26,236,146	\$ 9,686,479
<b>Designated and Restricted Portion:</b>				
Revolving Cash	\$ 70,000	\$ 70,000	\$ 70,000	\$ 70,000
Stores	\$ 96,578	\$ 96,578	\$ 96,578	\$ 96,578
3% Mandated Reserve for Economic Uncertainties	\$ 6,954,120	\$ 6,638,580	\$ 6,786,750	\$ 6,857,930
Fund Balance Assignment *	\$ 2,010,103	\$ 1,803,555	\$ 1,803,555	\$ 1,803,555
<b>Adjusted Balance in Excess of Assigned And 3% Reserve</b>	\$ 23,428,901	\$ 12,167,187	\$ 17,479,263	\$ 858,416

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

Fund Balance Assigned At 7/1/2012	\$ 7,079,540	\$ 7,079,540	\$ 7,079,540	\$ 7,079,540
Assigned Reduction - Carry-Over Budgeted To Accounts To Date	\$ (3,632,428)	\$ (3,632,428)	\$ (3,632,428)	\$ (3,632,428)
Move Tier III Carry-Over Math/Reading Assigned to Unassigned	\$ (334,472)	\$ (334,472)	\$ (334,472)	\$ (334,472)
Move Educational Services Carry-Over from Assigned to Unassigned	\$ (448,007)	\$ (448,007)	\$ (448,007)	\$ (448,007)
Release \$426,312 of the \$632,860 ERRP Assigned to Unassigned	\$ (426,312)	\$ (426,312)	\$ (426,312)	\$ (426,312)
Release the remaining \$206,548 of ERRP Assigned to Unassigned	\$ -	\$ (206,548)	\$ (206,548)	\$ (206,548)
Move District MAA Portion from Assigned to Unassigned	\$ (228,218)	\$ (228,218)	\$ (228,218)	\$ (228,218)
Fund Balance Assigned Remaining	\$ 2,010,103	\$ 1,803,555	\$ 1,803,555	\$ 1,803,555