

GLENDALE UNIFIED SCHOOL DISTRICT

May 15, 2012

DISCUSSION REPORT NO. 2

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: **2012-13 Draft Budget**

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The proposed 2012-13 District Budget was developed prior to the Governor's "May Revise". Therefore, any "May Revise" adjustment will be added later, prior to the June Budget Adoption. Until then, revenue limit funding is budgeted for 2012-13 and future years at \$5,222 per ADA. This reflects the restoration of the \$13 and \$43 per ADA cut that was experienced in 2011-12.

The following pages contain the multi-year budget assumptions and a summary of the District's draft budget for 2012-13. It should be noted that this is a working draft and will not be finalized for adoption until the June 12 Board meeting. However, at this time, if we assume restoration of the \$56 and no further cuts, the District is \$978,363 short of the 3% reserve minimum in 2013-14 and \$29.1 million short in 2014-15.

It should be noted that the District only has approximately \$24 million in reserves in other funds to transfer into the General Fund. Therefore, if all the reserves were utilized, an additional \$6.1 million budget reduction would need to occur.

If the proposed November Election should fail and there is a \$450 per ADA cut in 2012-13, that would result in a reduction of \$11.5 million each year or \$35.1 million over the 3 year projections.

***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 112 students in 2012-13 and continue to decline an additional 182 students in 2013-14.

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Revenue Limit Income

The 2011-12 Revenue Limit funding is based on \$5,167/ADA and future years at \$5,222 per ADA. The 2011-12 ADA is 25,560 and will be utilized for the 2012-13 revenue calculation per Education Code Section 42238.5.

Other State Revenue

The proposed June budget adoption reflects categorical COLAs at 0% 2012-13, 2013-14, and 2014-15 due to the State fiscal crisis.

Lottery

Lottery income for years 2012-13 through 2014-15 is based on estimates provided by the California Department of Education, the Los Angeles County Office of Education (LACOE), and School Services of California. The District's estimate of \$117.25 per ADA in the Unrestricted General Fund and \$23.25 in the Restricted General Fund is based on the recommendation from LACOE for the adopted budget.

Other Uses

The "COLA reserve" for negotiations and other uses is zero for 2012-13 and future years.

2011-12 Ending Fund Balance

The Unrestricted General Fund Ending Balance for 2011-12 is projected to increase since the Second Interim report period by an estimated \$1.5 million. This estimate will be updated again prior to budget adoption.

Interest

The 2011-12 and 2012-13 projected interest income was adjusted down from \$820,000 to \$460,000 due to the State revenue deferrals and the low interest rate being generated in the L.A. County Treasurer's investments.

Employee Compensation Adjustments

2012-13 certificated and classified salaries have been adjusted to reflect step and column, staffing and vacancy adjustments, as applicable. The 2012-13, 2013-14, and 2014-15 projections reflect a \$1.95 million annual increase in health and welfare costs. This will be adjusted once the insurance renewal for 2012-13 is finalized.

## Multi-Year Budget Assumptions

Attachment A

Category	2010-11 Actual	2011-12	2012-13	2013-14	2014-15
<b><u>REVENUE LIMIT</u></b>					
- Cost of Living Adjustment (COLA)	(0.39)%	2.24%	3.17%	0.00%	0.00%
- Deficit Factor - 2nd Interim & 2012-13 Proposed Budget	17.96%	20.602%	22.236%	22.236%	22.236%
- Beginning Teacher Incentive Rolled Into Per ADA	\$21.15	\$21.62	22.31	22.31	22.31
- Net COLA Increase - 2nd Interim & 12-13 Proposed Budget (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
- 2012-13 Proposed Budget Ongoing - No Additional Cuts, Flat Funding			0.00	0.00	0.00
- Revenue Limit per ADA - Proposed 2012-13 Budget	\$5,221	\$5,167	\$5,222	\$5,222	\$5,222
- Revenue Limit ADA - 1st and 2nd Interims	25,501	25,303	25,085	24,958	24,855
- Revenue Limit ADA - 2012-13 Proposed Budget	25,501	25,560	25,560	25,169	24,994
- Enrollment - 2nd Interim and 2012-13 Proposed Budget	26,393	26,250	26,138	25,956	25,848
- Interest - 1st and 2nd Interims	\$753,665	\$820,000	\$820,000	\$820,000	\$820,000
- Interest - 2012-13 Proposed Budget	\$753,665	\$460,000	\$460,000	\$460,000	\$460,000
Lottery (Per ADA) - 1st and 2nd Interims	\$110.00	\$111.00	\$111.00	\$111.00	\$111.00
Lottery (Per ADA) - 2012-13 Proposed Budget	\$110.00	\$117.00	\$117.25	\$117.25	\$117.25
<b><u>EMPLOYEE BENEFITS</u></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
<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
- 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>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

**2012-13 Proposed Budget Impact on Unrestricted General Fund Ending Balance**

Major Changes	2011-12	2012-13	2013-14	2014-15
<b>Second Interim 2011-12 Ending Balance (Scenario 1)</b>	\$ 42,949,694	\$ 30,791,521	\$ 7,993,044	\$ (18,513,949)
<b>Salary Settlements Occurring After Second Interim</b>				
March CSEA & GSMA Settlements			\$ (349,460)	
April CSEA & GSMA Settlements		\$ (698,920)	\$ 698,920	
<b>Special Education</b>				
2011-12 Through 2014-15 Projected Actual Expenditure Increase	\$ (4,230,929)	\$ (4,461,110)	\$ (4,461,110)	\$ (4,461,110)
<b>Unrestricted General Fund</b>				
Revenue Limit Projected Increase (Net of SUI Rate Change in Out Years)	\$ 1,327,919	\$ 1,775,125	\$ 419,221	\$ (798,011)
Reverse Revenue Limit \$86 per ADA Cut In Lieu Of Transportation Cut		\$ 2,157,310	\$ 2,146,302	\$ 2,137,444
State K-3 CSR Increase	\$ 159,065	\$ 159,065	\$ 159,065	\$ 159,065
Unrestricted Lottery Increase	\$ 212,475	\$ 212,475	\$ 212,475	\$ 212,475
Interest Income Decrease	\$ (360,000)	\$ (360,000)	\$ (360,000)	\$ (360,000)
Salary and Benefit Adjustments	\$ 1,500,000	\$ 21,957	\$ 21,957	\$ 621,957
Supplies / Services / Other	\$ 651,529	\$ 767,472	\$ 881,361	\$ 969,482
<b>Other Adjustments</b>				
TBD				
Current Year Impact	\$ (739,941)	\$ (426,626)	\$ (631,269)	\$ (1,518,698)
Cumulative Impact to Ending Balance	\$ (739,941)	\$ (1,166,567)	\$ (1,797,836)	\$ (3,316,534)
<b>Adjusted Ending Balance Projection</b>	<b>\$ 42,209,753</b>	<b>\$ 29,624,954</b>	<b>\$ 6,195,208</b>	<b>\$ (21,830,483)</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	\$ 6,538,240	\$ 6,644,017	\$ 6,752,127
Fund Balance Assignment *	\$ 357,683	\$ 357,683	\$ 357,683	\$ 357,683
<b>Adjusted Balance in Excess of Assignment And 3% Reserve</b>	<b>\$ 34,933,499</b>	<b>\$ 22,557,160</b>	<b>\$ (978,363)</b>	<b>\$ (29,112,164)</b>

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