

Second Interim Financial Report

Glendale Unified School District Board Meeting – March 5, 2013
Discussion Report No. 5

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Mike Lee, Controller



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, 2013.

Multi-Year Budget Assumptions

Revenue Limit	2012-13	2013-14	2014-15	2015-16
■ Deficit Factor	22.272%	22.272%	22.272%	22.272%
■ Net COLA Increase	1.08%	1.65%	2.20%	2.40%
■ Revenue Limit Per ADA	\$5,223	\$5,310	\$5,427	\$5,558
■ Average Daily Attendance (ADA)	25,371	25,169	24,994	24,890
	↓	↓	↓	↓
■ Revenue Increase	\$1.4 M	\$2.2 M	\$2.9M	\$3.2 M

Multi-Year Budget Assumptions

Category	2011-12	2012-13	2013-14	2014-15	2015-16
<u>"Solvency Transfers"</u>					
- Special Ed. Reserve	\$2,250,000	\$1,110,000	–	–	–
- Post Employment Benefits Fund #20.0 (closed fund)	3,750,000	2,750,000	–	–	–
- Restricted Maintenance Reserve	3,000,000	1,000,000	700,000	–	–
- Early Retirement Benefit Fund #67.2	–	–	1,800,000	2,400,000	–
- Deferred Maintenance Fund #14.0	–	–	–	4,900,000	–
- Debt Service Fund #56.0	–	–	–	14,900,000	–
<i>Total</i>	\$9,000,000	\$4,860,000	\$2,500,000	\$22,200,000	–

Multi-Year Budget Assumptions (Cont.)

Category	2011-12	2012-13	2013-14	2014-15	2015-16
<u>ARRA – Federal Stimulus Fund</u>					
- Title I ARRA	\$362,141	–	–	–	–
- IDEA ARRA	–	–	–	–	–
- SFSF ARRA	1,283,275	–	–	–	–
- Federal Jobs Program	497,192	–	–	–	–
<i>Total</i>	\$2,142,608	–	–	–	–
Total of “Solvency” Transfers & ARRA	\$11,142,608	\$4,860,000	\$2,500,000	\$22,200,000	–

Changes Through Second Interim

Budget Revision

Unrestricted General Fund (First Interim)

			Fund Balance Impact	
Major Adjustments	# of FTE		One Time	Ongoing
2012-13	Public Information Officer	1.00		\$112,000
	Energy Conservation Manager	1.00		120,000
	Elementary & Secondary Asst. Principal	2.00		255,000
	Shift Dental Program to ASCIG		\$.78 M	88,000
	Blue Shield Plan Design Changes			152,000
	Summer School Revenue			57,715
	Energy Education Contract – eliminate			374,000
	SIA Contract – eliminate		\$.36 M	87,000
	Renaissance Learning Inc. – add			(100,000)
	Correct Revenue Limit Calculation		(987,000)	
2013-14	K-3 Staffing 30:1 – deleted 2 nd Interim			3,800,000
	Grades 6-12 Increase ratio 2 students – deleted 2 nd Interim			1,900,000

Budget Revision

Unrestricted General Fund (Second Interim)

Major Adjustments		Fund Balance Impact	
		One Time	Ongoing
2012-13	Educational Services Textbook Program		\$(600,000)
	Mandated Cost Block Grant Revenue	\$ 764,903	700,000
	Blue Shield Credit	200,000	
2013-14	Move CSEA 2013-14 Furlough Days to 2014-15 & Reduce by 1 Day (Net)	(78,600)	
	Net Adjustment to 2013-14 Revenue Limit COLA from 0% to 1.65%		2,178,629
2014-15	COLA from 0% to 2.2%		2,933,528
2015-16	COLA from 0% to 2.4%		3,250,212

Budget Assumption Impact on Unrestricted General Fund Ending Balance

Adjusted Ending Balance Projection in Excess of 3% Reserve

- Fiscal year 2012-13 \$20.8 M
- Fiscal Year 2013-14 \$5.1 M
- Fiscal Year 2014-15 \$5.6 M
- Fiscal Year 2015-16 (\$15.8) M

Why Aren't the Projected COLAs Enough?

In Millions

2013-14 2014-15 2015-16

Revenue

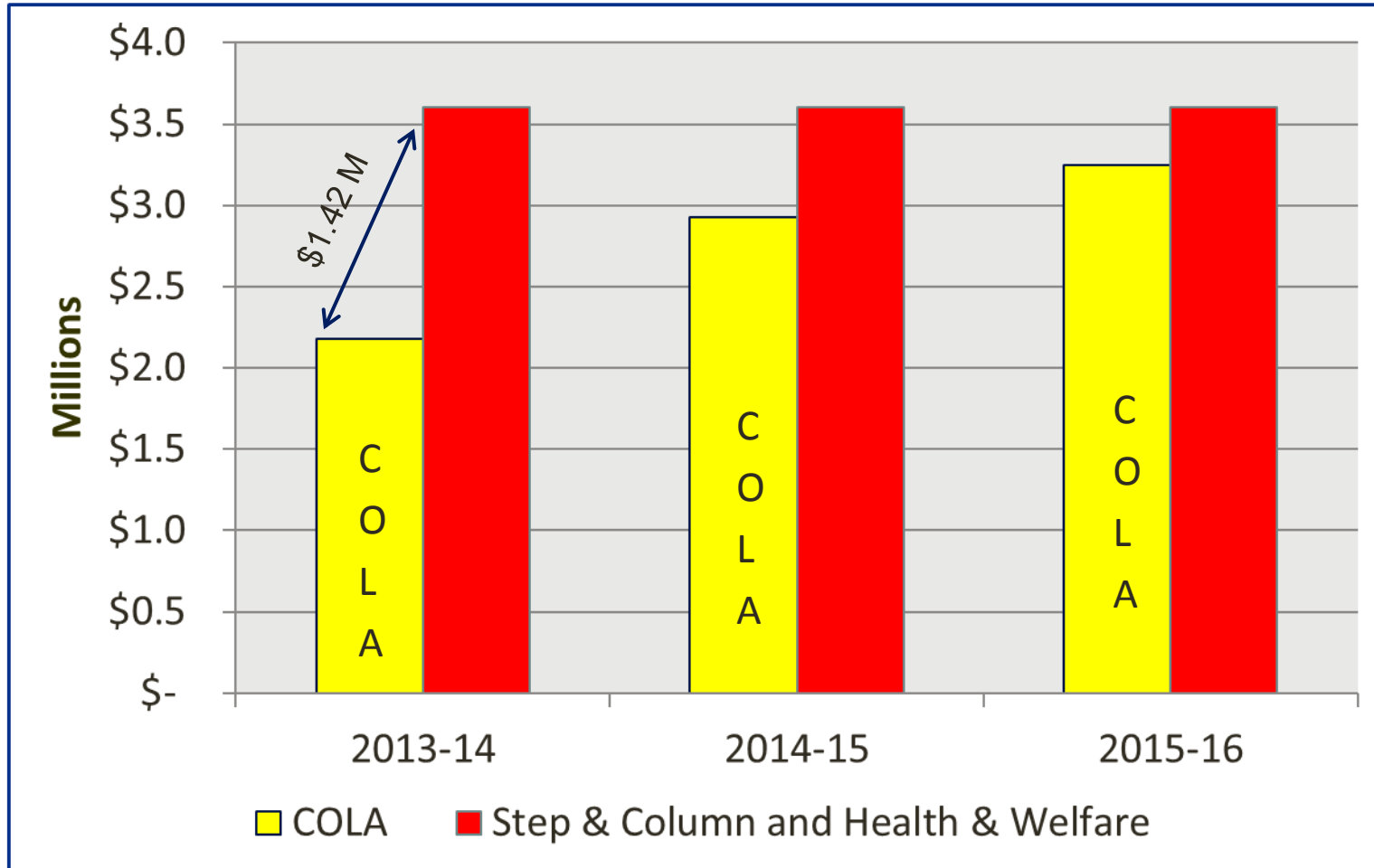
COLA	\$2.18	\$2.93	\$3.25
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Expenditure

Step & Column	↑ \$1.60	} ↑ \$3.6 Each Year
Health & Welfare	↑ \$1.95	

Expenses Rising Faster than Revenue

Why Aren't the Projected COLAs Enough?



Expenses Rising Faster than Revenue

Structural Deficit Analysis

	In Millions				
	2011-12 Unaudited Actuals	2012-13 Projected Budget	2013-14 Projected Budget	2014-15 Projected Budget	2015-16 Projected Budget
Structural Deficit - Adopted Budget	\$(15.63)	\$(19.73)	\$(24.54)	\$(28.39)	\$(30.92)
Personnel & Benefit Reductions, and Misc.	-	.78	.78	.78	.78
Reduction in Service Contracts	-	.36	.36	.36	.36
Textbooks	-	(.60)	(.60)	(.60)	(.60)
2013-14 COLA	-	-	2.18	2.16	2.15
2014-15 COLA	-	-	-	2.93	2.92
2015-16 COLA	-	-	-	-	3.25
Mandated Cost Revenue	-	.76	.70	.70	.70
Structural Deficit Second Interim	\$(15.63) M	\$(18.43) M	\$(21.12) M	\$(22.06) M	\$(21.36) M

Ongoing Reductions are Still Needed

Sequestration

- Sequestration: an automatic spending reduction process applied to most Federal Grants (Title I, II, III & IV, IDEA Section 611 Grant & Head Start)
- Originally, an 8.2% cut was proposed that should have taken effect on January 2, 2013, but the legislation delayed the implementation for two months until March 1, 2013.
- It also means that the overall sequestration cut for fiscal year 2013, if the automatic cuts do go into effect in March, is likely to be 5.9% or **\$800,000**.

Second Interim Summary

- The Superintendent is recommending a **Positive Certification** for Second Interim.
- Items to be Determined – Future Adjustments
 - **Impact of PARS**
 - **Implementation of Local Control Funding Formula (LCFF)**
 - **Negotiated Concession**
 - **Special Education Program Analysis**