



# Financial Plan Update

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# Background

- ▶ The PFM Group was engaged in 2010 to assist the District with developing:
  - Excel-based multi-year financial planning model
  - Excel-based cash flow model
  - Written multi-year financial plan that included:
    - ❖ Baseline projections and assumptions
    - ❖ Discussion of key initiatives that will impact the school district's financial bottom line over the next five years
    - ❖ Recommendations on methods to achieve budget structural balance



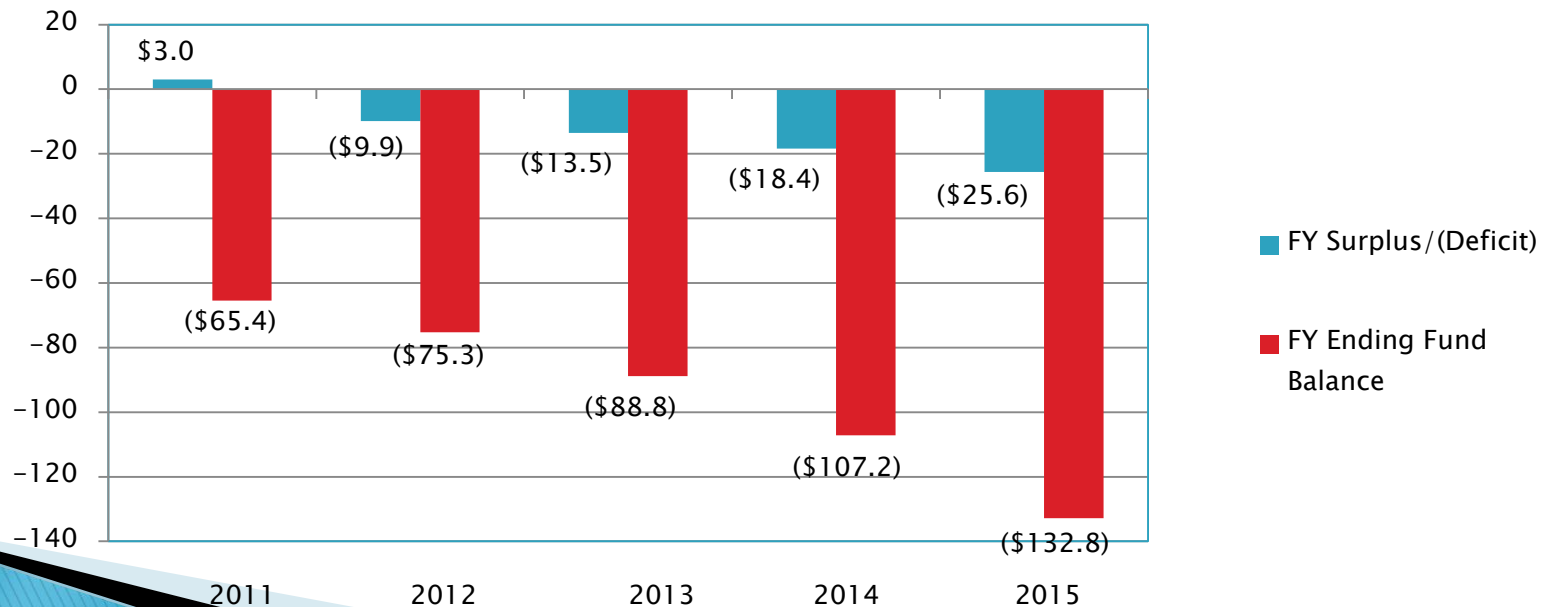
# Project Deliverables

- ▶ Assisted with development of the FY2011 budget
- ▶ Assisted with determining the general financial impact of an early retirement incentive program
- ▶ Developed a multi-year financial planning model to enable the school district to do 'what if' modeling
- ▶ Trained school district staff in use of the model



# Findings: Structural Budget Gap

- ▶ Absent structural changes, the District would return to a deficit spending situation in FY2012 and the following years due to:
  - Declining enrollment and revenue
  - Increasing workforce costs
  - High fixed costs





# Recommendations

- ▶ Develop a strategy to increase existing revenue streams
- ▶ Continue to hold the line on workforce cost drivers
- ▶ Institute broad-based strategy to control fixed costs
- ▶ Pursue other non-academic cost savings initiatives
- ▶ A focus on 'budgeting for outcomes' would assist with re-prioritization



# Initiative Savings 2011–2013

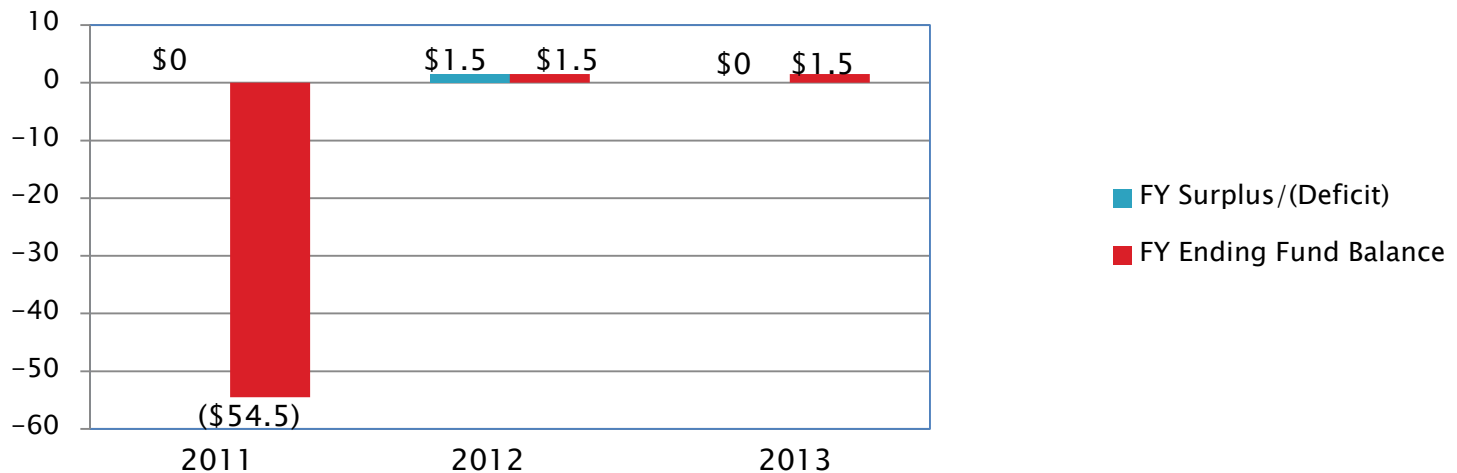
	<u>5 Year</u> <u>Recommendation</u> <u>2011-15</u>	<u>Savings</u> <u>2011-13*</u>	<u>Comments</u>
<b>Revenue</b>	\$31.0	\$0.0	Tax levy increase was primary recommendation
<b>Workforce</b>	\$29.0	\$3.8	Wage reductions and furlough days were key recommendations
<b>Fixed Costs</b>	\$40.0	\$38.4	Maximized use of Prop S funds, shift to 10 month Safety Officers, school closures, utility savings, facility contract savings, sale of buildings
<b>Non-academic savings</b>	\$7.0	\$37.5	Maximized e-Rate savings, centralized purchasing, IT and Transportation contract savings
<b>Other</b>	<u>\$0.0</u>	<u>\$4.8</u>	SPED savings
<b>Total</b>	<b>\$107.0</b>	<b>\$84.5</b>	

\* Includes known anticipated savings for 2013



# Financial Impact

- ▶ The District balanced the budget in 2011 and is on track to achieve a surplus for 2012
- ▶ The Board adopted a budget where Revenues and Expenditures for the 2012–2013 School Year are balanced
- ▶ The November 16, 2011 Desegregation Agreement provided \$54.5 million to eliminate the deficit fund balance





# Next steps

- ▶ Update multi-year plan to identify future budget gaps
- ▶ Identify potential sources for additional revenue
  - Evaluate tax increase, bond issue, tax recoupment
- ▶ Continue efforts to reduce costs
  - Workforce costs
  - Fixed costs
  - Non-academic costs
  - Prioritization of academic programs and initiatives
- ▶ Finance Committee has been formed with representatives from SAB, district staff, Local 420, Audit Committee to guide and oversee this process