



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



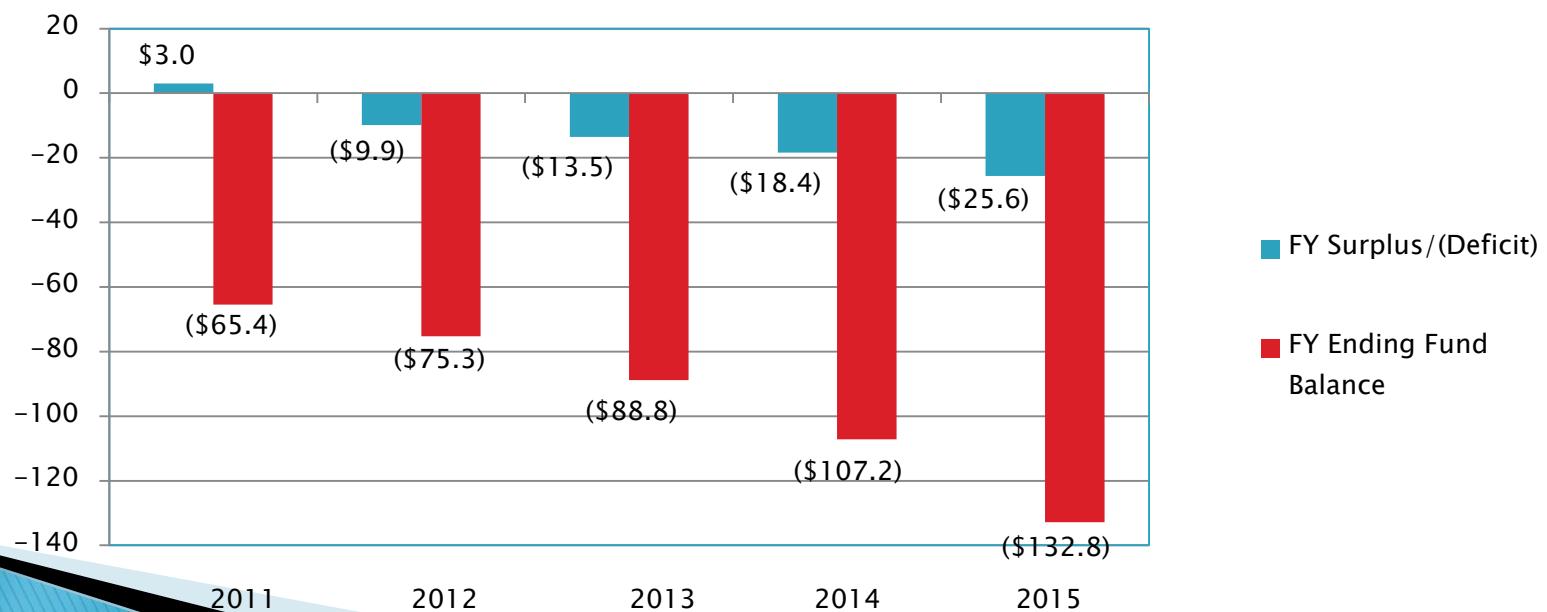
Project Deliverables

- ▶ 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

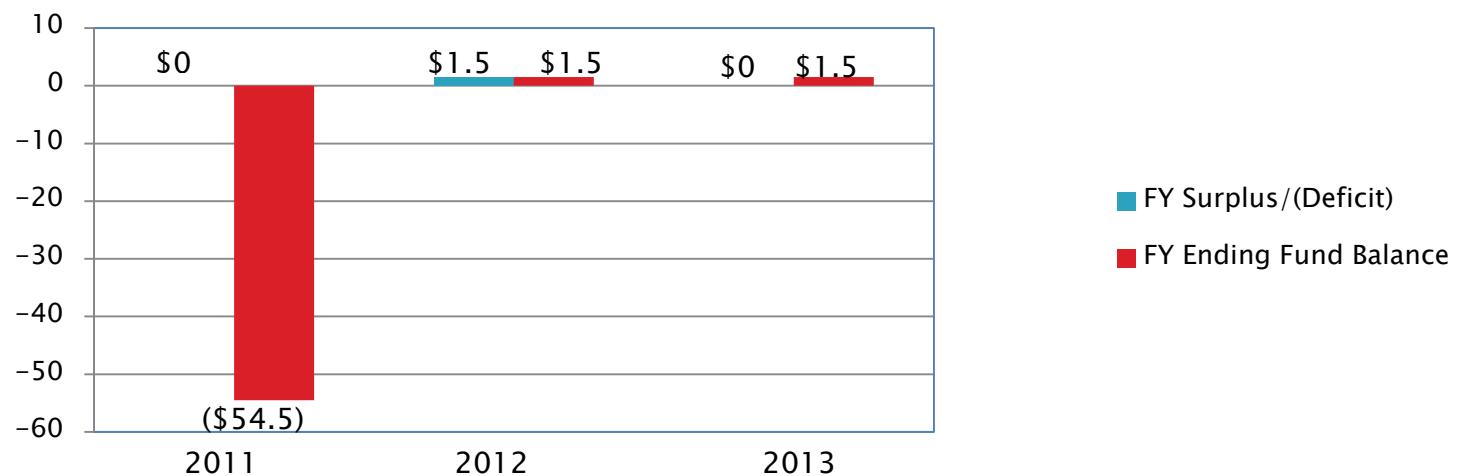
	<u>5 Year Recommendation 2011-15</u>	<u>Savings 2011-13*</u>	<u>Comments</u>
Revenue	\$31.0	\$0.0	Tax levy increase was primary recommendation
Workforce	\$29.0	\$3.8	Wage reductions and furlough days were key recommendations
Fixed Costs	\$40.0	\$38.4	Maximized use of Prop S funds, shift to 10 month Safety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

* 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