

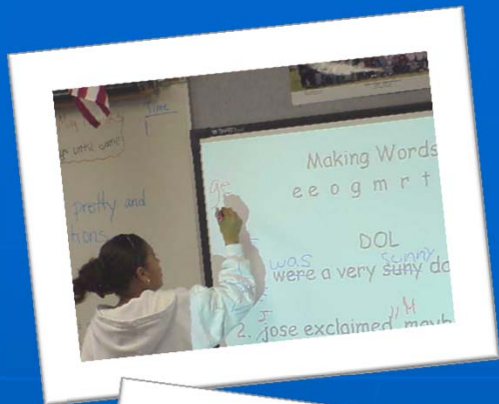


# Westminster School District

## 1<sup>st</sup> Interim Report 2010-2011

December 9, 2010





**Vision**  
"High academic achievement, health, safety and well-being for all Westminster School District students."

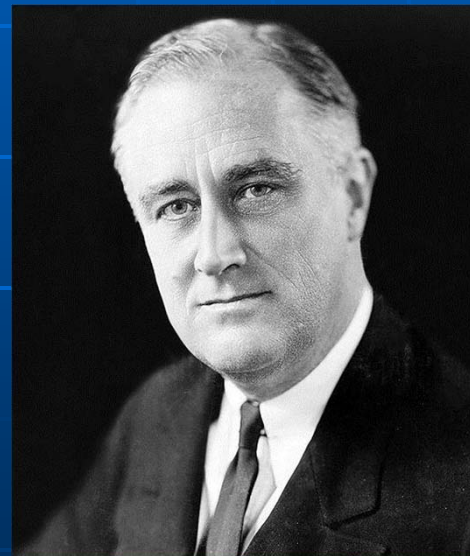
**Mission**  
"To empower students to become lifelong learners and fulfilled, productive citizens in a changing world."



# Quote for the Day

“The school is the last expenditure upon which America should be willing to economize.”

~ Franklin D. Roosevelt  
32<sup>nd</sup> President of the United States



# Budget and Planning

**Update**

## Still Difficult Times



- Economy in decline since fall of 2007
- State has been cutting school budgets since early 2008
- Full economic recovery not expected until 2015 *or later*
- Current year (2010-11) State budget still uncertain
- "California Governor-elect Jerry Brown Wednesday warned that the state's budget shortfall over 19 months could be larger than expected—**\$28.1 billion** instead of \$25.4 billion" —Wall Street Journal, December 8, 2010

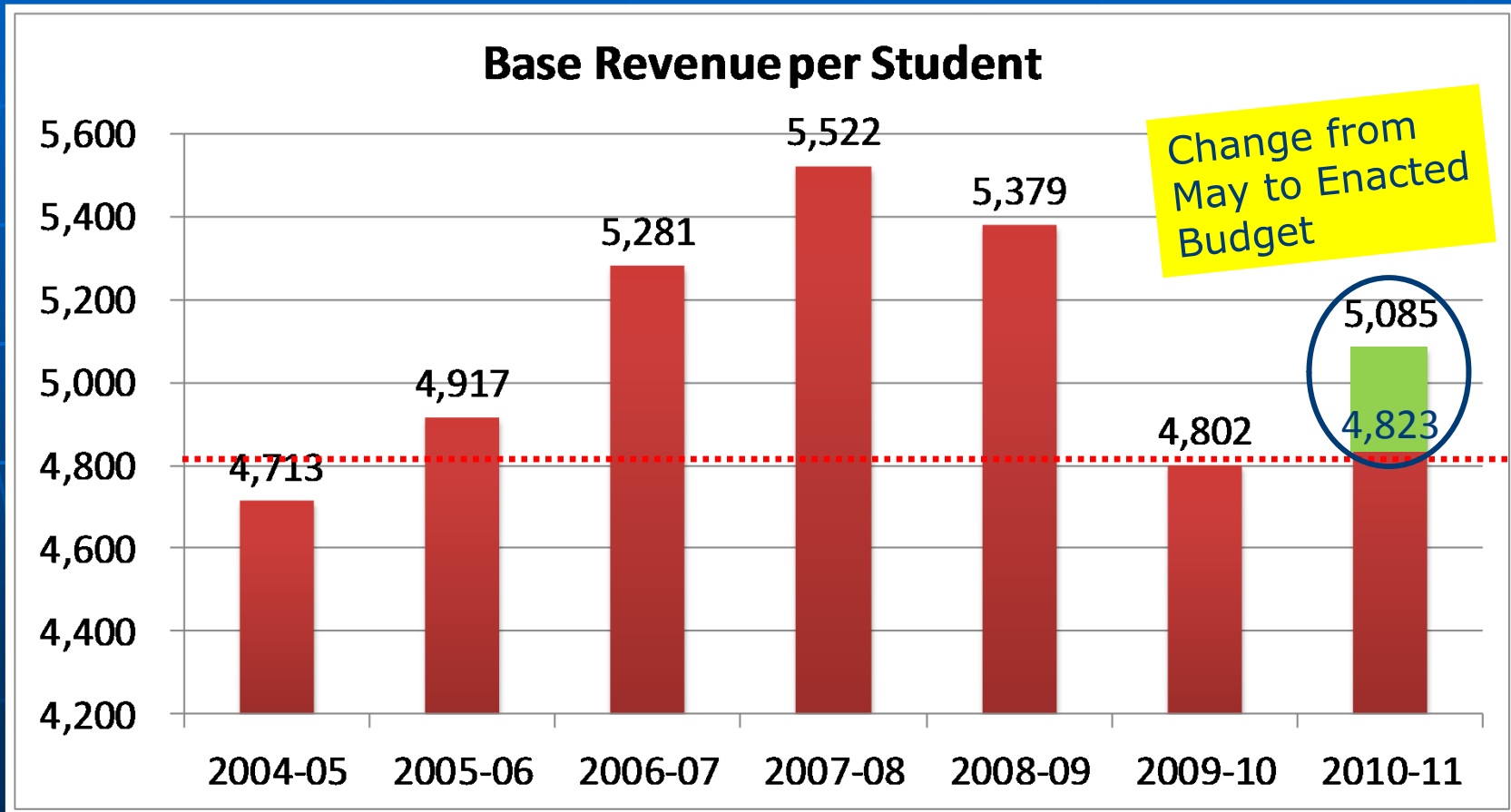
# Uncertain State Budget Assumptions

## January could bring bad news

- Optimistic revenue forecast
- Not realistic to expect additional Federal Funding
- Significant legal risks associated with some proposals
  - Sale and lease back of state property already being challenged
- Some proposals might not generate level of savings assumed in the Governor's plan
  - A third of the year has already passed without reductions to state spending due to late budget.
- Current year still has over \$6 billion budget shortfall
- Next year's state budget shortfall is projected to be \$19 billion

**\$28.1  
billion**

# Westminster School District Historical Revenue Limit



# Budget Calendar

Budgeting for schools is a continuous, year-round process.

- Adopted Budget June 30, 2010
- **First Interim December 15, 2010** (Using October data)
- Second Interim March 15, 2011 (Using January data)
- Third Interim\* June 1, 2011 (using April data)

\* Note: Pursuant to Education Code (EC) Section 42131(e), a Third Interim Report is required to be filed by June 1 if the Second Interim certification is not positive.

# District and State Budget Timeline

Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
<p>Unaudited Actuals due by 15<sup>th</sup></p> <p>WSD</p>	<p>1<sup>st</sup> Interim financial reporting period ends on 30<sup>th</sup></p>		<p>1<sup>st</sup> Interim due on 15<sup>th</sup></p> <p>Audited Financial Statement due on 15<sup>th</sup></p>	<p>2<sup>nd</sup> Interim financial reporting period ends January 31<sup>st</sup></p>		<p>2<sup>nd</sup> Interim report due including multi-year projection If needed reduction in force notices due by 15<sup>th</sup> to certificated staff</p>	
<p>State</p>				<p>Governor releases proposed budget for upcoming fiscal year (10-11)</p>	<p>Legislative Analyst Office (LAO) Releases review of Governor's Budget</p>	<p>State budget subcommittee hearings</p>	

# District and State Budget Timeline

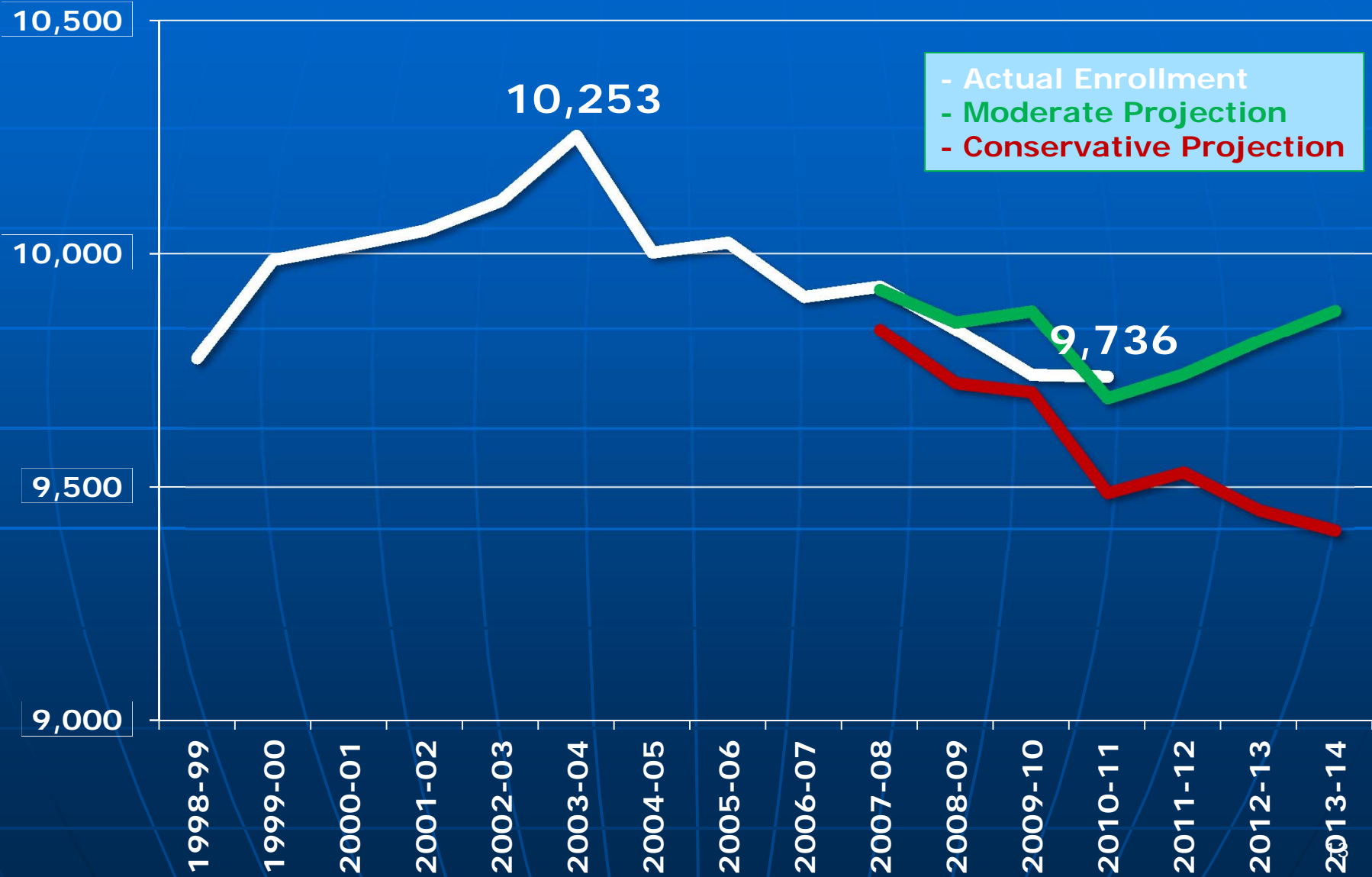
	Feb	Mar	Apr	May	Jun		Jul	Aug
<p>WSD</p>		<p>2nd Interim report due including multi-year projection If needed reduction in force notices due by 15<sup>th</sup> to certificated staff</p>		<p>If needed, layoff notices to Classified staff due 45 days before effective date.</p>	<p>3rd Interim financial report due if prior report not positive.  Board approved adopted budget due June 30</p>	<p>June 30 End Budget Year</p>		<p>Budget revised if needed</p>
<p>State</p> <p>Legislative Analyst Office (LAO) Releases review of Governor's Budget</p>		<p>State budget subcommittee hearings</p>		<p>Governor's "May Revised" budget released</p>	<p>Legislature sends budget to Governor</p>		<p>Governor Signs Budget</p>	

# Budget Thoughts

- Look for savings everywhere
  - Review all expenditures
  - Any budget “savings” should be used to build the unrestricted fund balance to offset projected shortfall in future years.  
*Minimize budgeted spending and “bank” the savings*
- Avoid quantifying potential savings that may not materialize
  - For example utilities or legal costs.
  - Arbitrary line item reductions can backfire.
  - Use history as a guide
- Understand that some budgets may be exceeded due to unforeseen circumstances
  - Special Education and Transportation
  - Legal costs
  - Utilities
  - Higher than budgeted substitute employee costs
  - Maintenance and repairs / equipment replacement

# 1<sup>st</sup> Interim Report

# Historical and Projected Enrollment



# 2011-12 Budget Planning

We Are Here

1<sup>st</sup> Interim

2<sup>nd</sup> Interim

3<sup>rd</sup> Interim  
2011-12  
budget



*Time to evaluate budget, gather more ideas, negotiate and plan*

- Placeholder incorporated into 1<sup>st</sup> Interim.
- There is time to *continue to evaluate budget, gather more ideas, negotiate and plan*
- *All savings identified will go towards helping with future year projected shortfall*
- *The new Governor 's budget proposal in January*

# Multi-Year Projection



- The 1<sup>st</sup> Interim report addresses the top multi-year projection.
- 2011-12 Budget, due in June, will include 2013-14 in the multi-year projection.

# Major Assumptions for WSD

## ■ Current Year 2010-11

- Average Daily Attendance (ADA) based on 2009-10 P2 ADA.
- Cost-of-living adjustment (COLA) **-.39%**
- Use of State flexibility
- Use of American Recovery and Reinvestment Act funds
- Staffing according to formula. Adjusted based on actual enrollment
- Implementation of collective bargaining agreements in place.

# Major Assumptions

## ■ Forecast Years 2011-12 and 2012-13

- ADA based on prior years due to declining enrollment.
- Projected funded COLAs:
  - 2011-12 +1.7% (advised to use 0%)
  - 2012-13 + 1.9% ??
- Board approved reduction ideas for 2011-12
  - 10 furlough days, all employees
- Use of State flexibility
- Use of Federal Jobs Bill money
- Step and Column increases
- No other increases in salaries or benefits.

# Major Assumptions

- Guidance provided by Orange County Department of Education and School Services of California, Inc.
- Significant shortfalls projected for future years
- Flexibility and one time funds going away over next several years

# Evaluating the Budget

## Criteria and Standards

- District's financials are evaluated within each criteria or standard.
  - Met/Not Met
  - Yes/No
- District provides additional detail to yes/no questions or an explanation for each criteria or standard not met.

# General Fund Overview Unrestricted (Multi-Year)

(\$ in Millions)

	2010-2011	2011-2012	2012-2013
<b>Projected Revenue</b>	\$ 54.49	\$ 53.70	\$ 53.74
<b>Beginning Balance</b>	6.77	5.36	2.84
<b>Total Available Sources</b>	61.26	59.06	56.58
<b>Projected Expenditures</b>	48.23	47.65	54.32
<b>Contribution to Restricted Fund*</b>	7.68	8.57	8.57
<b>Required Reserves</b>	2.66	2.68	2.99
<b>Available Balance</b>	\$ 2.69	\$ .16	\$ (9.30)

\* Includes Special Education and Transportation encroachment, Routine Restricted Maintenance

# Addressing the Governor's Budget

■ 1 <sup>st</sup> Interim	
■ Projected Shortfall for 2011-12	\$2,510,000
■ 10 furlough day placeholder	<u>(2,670,000)</u>
	160,000
■ Additional potential reductions*	
• Impact of Governor's January budget proposal	??

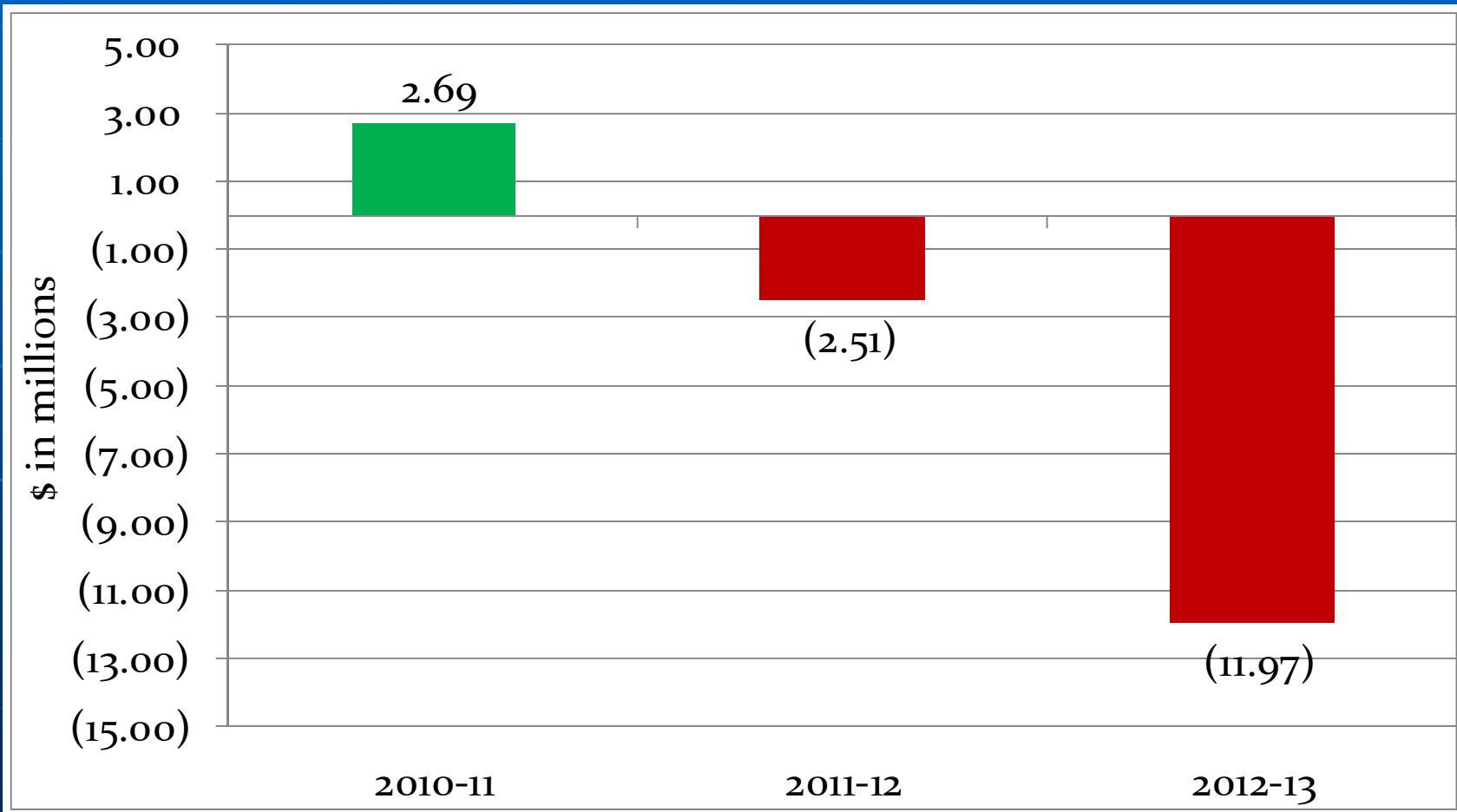
**To Be Determined**

\* - State budget shortfall remains a concern

# Projected Available Unrestricted Reserve Balances

First Interim 2010-2011 without placeholder

-----Cumulative Amounts-----

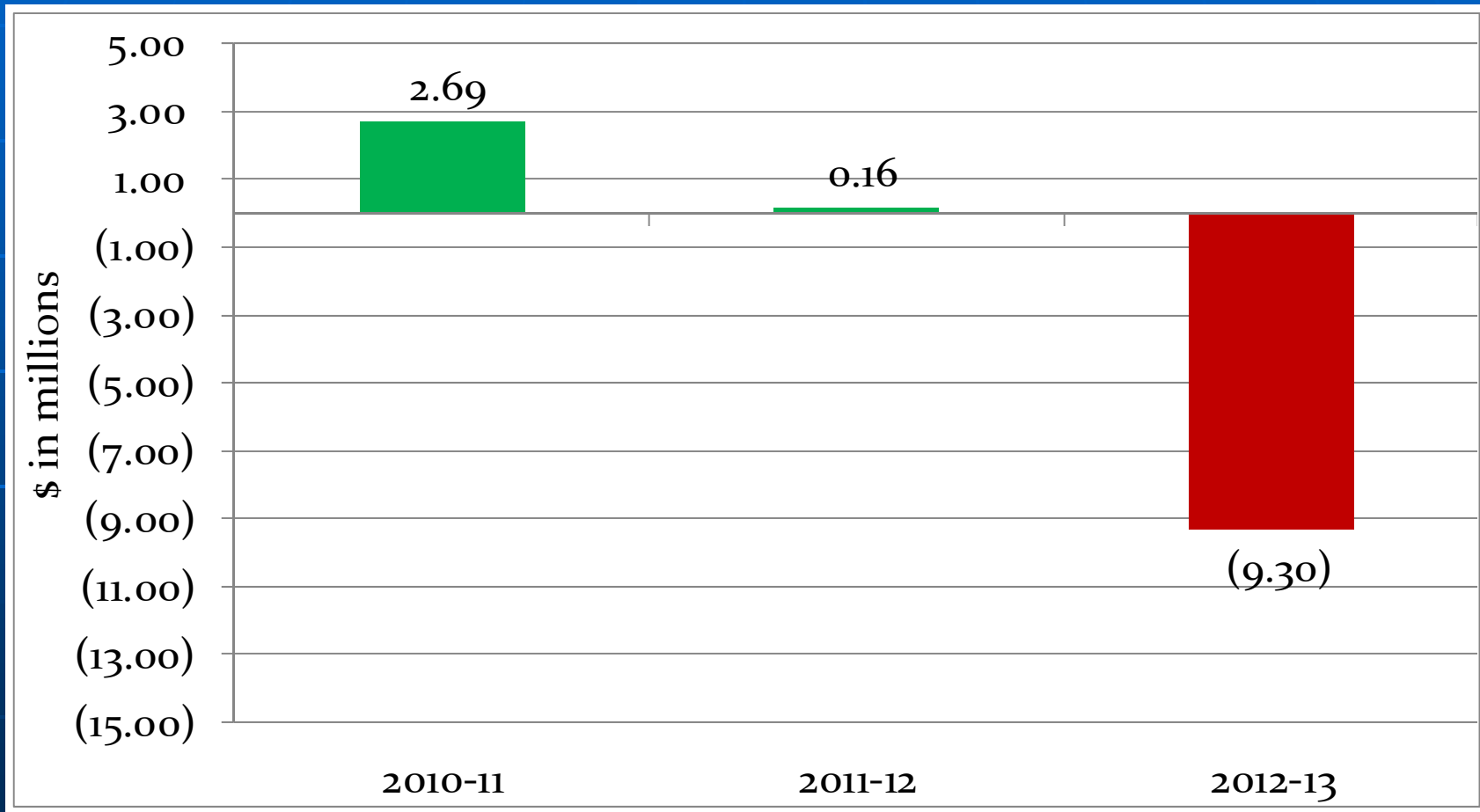


Note: cumulative amounts.  
Ongoing reductions carry forward into future years

# Projected Available Unrestricted Reserve Balances

First Interim 2010-2011 with placeholder

-----Cumulative Amounts-----



Note: cumulative amounts.  
Ongoing reductions carry forward into future years

# Multi-Year Problem

2011-12

- One time jobs funding gone

**\$1,600,000**

2012-13

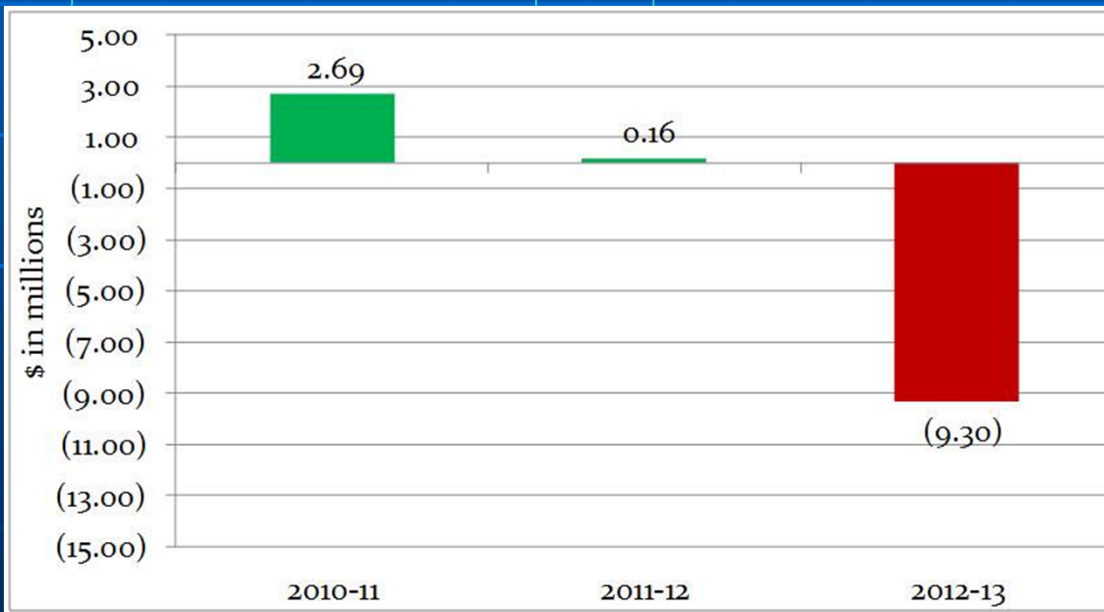
- Class Size Reduction flexibility ends

**\$700,000**

2013-14

- Categorical flexibility ends \$1,553,475
- Restricted Maintenance match restored to 3% \$715,000
- Required instructional days return to 180 days \$1,320,000 \*
- Textbook adoption cycle resumes \$1,000,000

**\$4,588,475**



Note : dollar amounts are estimates

\* - assumes 5 furlough days in prior year(s)

# Summary of Budget Reports

## June 2010

- 2009-10 Adopted Budget
  - Identified \$8.2 million shortfall for 2011-12
  - Board approved "fiscal responsibility statement" requested by OCDE to identify options to address shortfall by 1<sup>st</sup> Interim

## December 2010

- 1<sup>st</sup> Interim Report
  - Established recommendation for 10 furlough days (*requiring negotiations*)
  - Did not establish alternative list not requiring negotiations that involved staff layoffs.
  - Recommend Qualified certification

Shortfall	\$2.51
Placeholder	\$2.60
Alternative	\$0
Net	<b>\$ .16</b>

## March 2011

- 2<sup>nd</sup> Interim Report
  - Will reflect new Governor's proposed budget

Shortfall	\$?
Placeholder	\$?
Alternative	\$?
Net	\$?

**To Be Determined**

# Certification Definition

- **Positive** = A school district that, based on current projections, **will** be able to meet its financial obligations for the current fiscal year and subsequent two fiscal years.
- **Qualified** = A school district that, based on current projections, **may not** meet its financial obligations for the current fiscal year or subsequent two fiscal years.
- **Negative** = A school district that, based on current projections, **will be unable** to meet its financial obligations for the current fiscal year or for subsequent two fiscal years.

Current Projections based on 1<sup>st</sup> Interim and Multi-Year Projection (MYP)

# Ramifications of Qualified Report

- **Qualified Certification** - If the district has a qualified certification, the county superintendent **shall do at least one of the following** and all actions that are necessary to ensure that the district meets its financial obligations:
  - **Offer a fiscal expert to advise the district on its financial problems.**
  - Conduct a study of the financial and budgetary conditions of the district. If expertise is needed for the study, the county office of education may hire staff with the approval of the Superintendent of Public Instruction. The school district shall pay 75% and the county office of education shall pay 25% of those staff costs.
  - Direct the district to submit a financial projection of all fund and cash balances of the district as of June 30 for the current and subsequent fiscal years.
  - Require the district to encumber all contracts and other obligations, to prepare appropriate cash-flow analyses and monthly or quarterly budget revisions, and to appropriately record all receivables and payables.
  - Direct the district to submit a proposal for addressing the fiscal conditions of the district.
  - Withhold the compensation of governing board members and the district superintendent for failure to provide the requested financial information.
  - Assign the Fiscal Crisis and Management Assistance Team (FCMAT) to review teacher hiring practices, teacher retention rate, percentage of provision of highly qualified teachers, and the extent of teacher mis-assignment in the school district and provide the district with recommendations.

Under the qualified certification, the Board retains all authority.

# Ramifications of Negative Report

- ***Negative Certification*** - If the district has a negative certification, the county superintendent is **required to take at least one of the following actions** described below, and all actions that are necessary to ensure that the district meets its financial obligations:
  - Develop and impose, in consultation with the Superintendent of Public Instruction and district governing board, a budget revision that will enable the district to meet its financial obligations in the current fiscal year.
  - Stay or rescind any action that is determined to be inconsistent with the school district's ability to meet its obligations for the current or subsequent fiscal year.
  - Assist in developing, in consultation with the district governing board, a financial plan that will enable the district to meet its future obligations.
  - Assist in developing, in consultation with the district governing board, a budget for the subsequent fiscal year.
  - Appoint a fiscal advisor to perform any or all of the duties of this section.

Under the negative certification, the county superintendent has stay and rescind authority over board actions that are inconsistent with the district's ability to meet financial obligations.

# Importance of Interim Reports to District Operations

- Education Code § 42128

- If the governing board of any school district neglects or refuses to make a school district budget as prescribed by this article, or neglects to file interim reports pursuant to § 42130, the county superintendent of schools shall not make any apportionment of state or county school money for the particular school district for the current school year, and the county superintendent shall notify the appropriate county official that he or she shall not approve any warrants issued by the school district.

# Item 7.1 Recommendation

- 1<sup>st</sup> Interim Report Qualified
- Staff recommends approval of 2010-2011 1<sup>st</sup> Interim report