



Budget Revisions

August 9, 2011

Purpose:

- review highlights from State Budget and its impact on YCJUSD
- recommend approval of revisions

Overview

- Highlights from State Budget
 - Assumptions & gimmicks → Flat funded
 - AB 114
- District Budget
 - Recap of Current Year Program and Staffing Adjustments
 - Revenue, Expense, Balance
 - Multiple Year Projection (MYP) with Cut vs w/o Cut
- Outlook for 2011-12
 - Increase cost
 - The Triggers
 - Worsening Cash Supply
- Summary & Recommendation

State Budget

Shaky Building Blocks

- Assumes \$4B more revenue
- Includes \$1.7B from RDA
- Shift responsibilities and revenues to Counties
- Provisions for Triggers (from 0 to 4% cut) to education to off-set revenue shortfalls
 - Reduce instructional year by up to 7 days

- “Flat Funding” for Education
 - Eliminated cut of \$349/ADA---\$2.7M to YCJUSD
- Defers an additional \$2.1B---\$3.0M to YCJUSD

AB 114 - Education Trailer Bill

- Prohibits COE from disapproving district budgets based on MYP
 - Not required to demonstrate fiscal solvency for next 2 years
[Does not preclude districts from developing responsible budgets based on impact to MYP](#)
- AB 1200 still applies
 - Interim financial report certifications & MYP
 - County oversight responsibilities
 - Review fiscal impact of salary & benefit settlements
 - Review and approval of non-voter approved debt
- Suspends 9/15 layoff statute
- Authorizes reducing school year by up to 7 additional days
 - Connected to Triggers
- Excludes possibility of mid-year cuts
[Does not preclude districts from projecting the impact of today's 2 years into future and prepare contingency plans](#)

AB 114 - Education Trailer Bill

- Defines local revenue & expense projections
 - Revenue – “same level per unit of ADA as received in 2010-11”
 - Expense – “shall maintain staffing and program levels commensurate with that level”

Does not override districts’ ability to develop budgets based on local factors:

- Declining enrollment
- Step/column advancements
- Balance budget and improve reserve
- Cash balance
- Other factors (inflation, changes in programs, level of services)

Does not require districts to reduce reserves

Does not require delivery of 2011-12 programs exactly like 2010-11

- Class Size
- Boundary change
- School closure

- Governor: “school boards should take all reasonable steps to balance and to maintain positive cash balance”
- Ultimately, districts are responsible for maintaining fiscal solvency



Staff Adjustments & Reductions

- Enrollment Trend
 - Loss of 925 students from peak of 2006/07 to end of 2010/11
- School Closures
- Restructuring Service Levels to Students
- Lack of Funds
 - Off-set increase in operational cost
 - Off-set loss of State & Federal Funding



Student Enrollment Trends

- Increase in Student Enrollment at YHS
- Decrease in Student Enrollment at both middle schools
- Increase in Student Enrollment at select elementary schools due to closure of Yucaipa Elementary School (2 schools mostly impacted CHES & RES)

Positions Lost to School Closures

○ Administration

- One Elementary Principal
- One Middle School Principal
- One Assistant Principal

○ Certificated

- One Physical Education Teacher
- One Reading Specialist

○ Classified

- One 3-3/4 hr Bilingual Liaison Clerk
- One 6-hr Child Nutrition Worker II
- One 3.5-hr Child Nutrition Worker I
- One 3.5-hr English Language Learner Tutor
- Two 5.5-hr Special Ed Instructional Aides

Classified (cont.)

- One 3-hr Campus Monitor
- One 8-hr Child Nutrition Worker Lead
- One 8-hr Custodian
- One 7-hr Health Technician
- One 8-hr Lead Campus Security
- One 8-hr Lead Custodian Middle School
- One 8-hr Senior Secretary
- One 8-hr Senior Clerk
- One 8-hr Senior Library Tech
- One 8-hr Secretary
- One 5-hr Health Technician
- One 6-hr Library/Media Technician
- One 8-hr Lead Custodian Elementary
- One 8-hr Custodian
- One 4-hr Computer Resource Assistant
- Two 3-3/4 hr Yard Duty Aides
- One 3-1/4 hr Yard Duty Aide
- One 4-hr Yard Duty Aide



Considerations in Restoring Positions

- Support Board Core Values
- Positions need to meet necessary:
 - Student Special Needs
 - Minimum Regulations
 - Current Student Enrollment
 - Maintain Fiscal Stability
 - Contractual Requirements

Restructure of Services

Positions Affected

- Health Technicians
- Special Education Instructional Aides/Severely Handicapped
- Library/Media Technicians & Library/Textbook Media Tech II
- Physical Education Instructional Aides
- Facilities Planner
- Safety Specialist

Status of 39-Month Rehire List

Classified

- 19 staff restored to original position
- 25 offered & accepted different position or position with less hours
- 12 staff still laid off (no offer of employment)
- 5 staff on list (who declined offer of reemployment)

Certificated

- 16 staff restored
- 2 staff still laid off (no offer of employment) – *Due to CLAD Requirement*
- 8 staff on list (who declined offer of reemployment)

Positions Added

Yucaipa High School

- One Custodian
- One 6-hr Clerk Typist
- One 8-hr Campus Monitor
- Increase from 3-3/4 to 7 hrs/day – Campus Monitor
- Increase from 5 to 6 hr/day – Clerk Typist
- Increase .4 – Teacher on Assignment
- Increase .5 – Counselor
- Increase two (2) Secretaries from 190 to 213 dys/yr

Elementary

- One 3-3/4-hr/day Clerk Typist
- One 3-3/4 hr/day Yard Duty Aide
- One Dean of Students Attendance/Intervention

CECA

- One 8-hr Secretary
- One 8-hr Senior Clerk
- One 12-hrs/wk Library/Media Technician
- One 8-hr Lead Middle School Custodian
- One 8-hr Custodian
- One 3-3/4-hr Child Nutrition Worker II
- One 2-hr Child Nutrition Worker I
- One 4-hr Computer Resource Assistant
- One 1-3/4-hr English Language Learner Tutor
- One 3-3/4-hr Campus Monitor
- Four (4) 3-3/4-hr Yard Duty Aides
- One 4-hr Yard Duty Aide
- Certificated Staff
 - 21.4 Teachers
 - Director
 - IB Coordinator



Additional Positions Recommended

- Grounds/Custodian to YHS
- Middle School Senior Library Technician
- Personnel Technician
- Computer Resource Assistants (Restore lost hours)
- Elementary Music Teacher
- Painter

General Fund Budget

Summary

- Elimination of \$349/ADA improved Revenue Limit by \$2,715,000
- \$13,124,000 deferred to 2012-13

	<u>Restricted</u>	<u>%</u>	<u>UnRestricted</u>	<u>%</u>	<u>Total</u>	<u>%</u>
<u>Revenue</u>						
Rev Limit	\$2,400,935	13.4%	\$41,593,496	88.7%	\$43,994,431	67.9%
Federal	\$5,505,138	30.8%	\$130,000	0.3%	\$5,635,138	8.7%
State	\$1,383,091	7.7%	\$8,198,936	17.5%	\$9,582,027	14.8%
Local	\$4,917,400	27.5%	\$681,506	1.5%	\$5,598,906	8.6%
Encroachment	\$3,690,000	20.6%	(3,690,000)	-7.9%	\$0	0
	\$17,896,564		\$46,913,938		\$64,810,502	
<u>Expense</u>						
Certificated	\$6,828,279	36.0%	\$24,034,267	51.5%	\$30,862,546	47.0%
Classified	\$3,003,827	15.8%	\$6,429,657	13.8%	\$9,433,484	14.4%
Administration	\$0	0.0%	\$0	0.0%	\$0	0.0%
Benefits	\$3,006,430	15.8%	\$10,419,962	22.3%	\$13,426,392	20.4%
Books & Supplies	\$2,118,796	11.2%	\$898,112		\$2,016,908	4.6%
Services	\$3,143,604	16.6%	\$4,250,318	9.1%	\$7,393,922	11.3%
Capital Outlay	\$0	0.0%	\$25,985	0.1%	\$25,985	0.0%
Other Outgo	\$5,000	0.0%	\$1,484,172	3.2%	\$1,489,172	2.3%
Indirect Support	\$866,855	4.6%	(\$986,855)	-2.1%	-\$120,000	-0.2%
Transfer Out			\$150,000	0.3%		
	\$18,972,791		\$46,705,618		\$65,678,409	

\$209,000 balance

Projected Ending Balance (Unrestricted) *Equity*

Beginning Balance	\$4,481,000
Revenue minus Expense	\$209,000
Projected Ending Balance	\$4,690,000

Components of Projected Ending Balance (EB)

Revolving Checking Account	\$50,000
Stores Inventory	\$60,000
Economic Uncertainty	\$2,100,000
YHS Turf	\$100,000
Compensated Absences	\$216,000
Sites/Depts Carryover	\$598,000
Unassigned	\$1,566,000

- Improved Reserve for Economic Uncertainty to 3%
- Balance is a component of the Budget—not indicative of ability or means to spend
- Spending any components of ending balance exacerbates cash shortfall and deficit

Impact of “Flat Funded”

MYP with Cut vs. without Cut

Removal of Cut Erased the Deficit

Without Cut	2011-12	2012-13	2013-14
(Deficit)/Excess	\$209,000	(\$2,959,000)	(\$5,315,000)
EB less Designations	\$3,666,000	\$699,000	(\$4,616,000)
Minimum Reserve Required	3%	3%	3%
Minimum Met?	Yes	No	No
\$ Needed to Meet Reserve	\$0	\$1,401,000	\$6,716,000

Cut would've necessitated immediate development & implementation of additional reduction

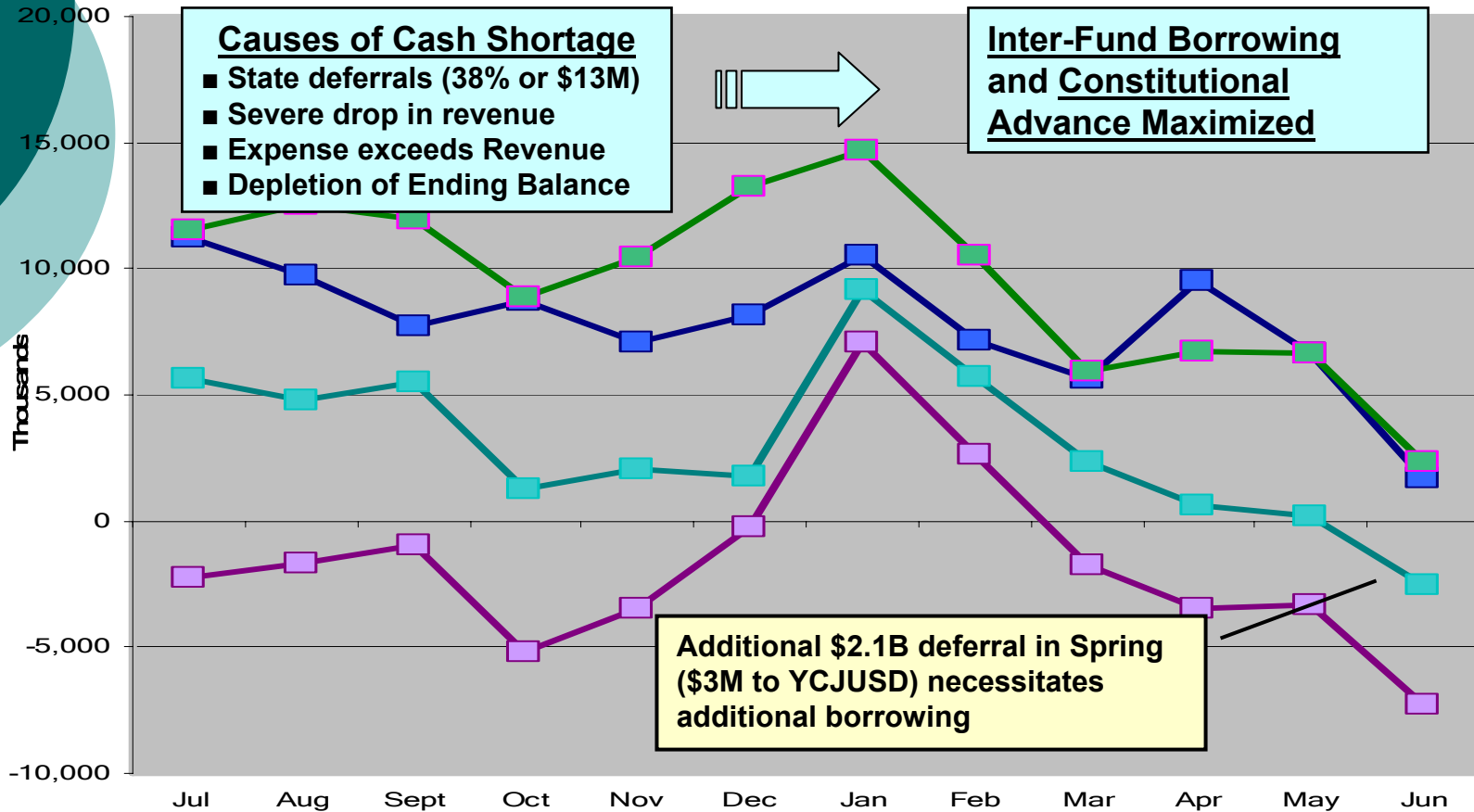
Removal of cut allows valuable time

- to prepare for future budget reductions
- for economy to improve

Cut of \$349/ADA	2011-12	2012-13	2013-14
(Deficit)/Excess	(\$2,506,000)	(\$6,074,000)	(\$9,325,000)
EB less Designations	\$942,000	(\$5,131,000)	(\$14,456,000)
Minimum Reserve Required	1%	2% or progress	3%
Minimum Met?	Yes	No	No
\$ Needed to Meet Reserve	\$0	\$6,449,000	\$16,502,000

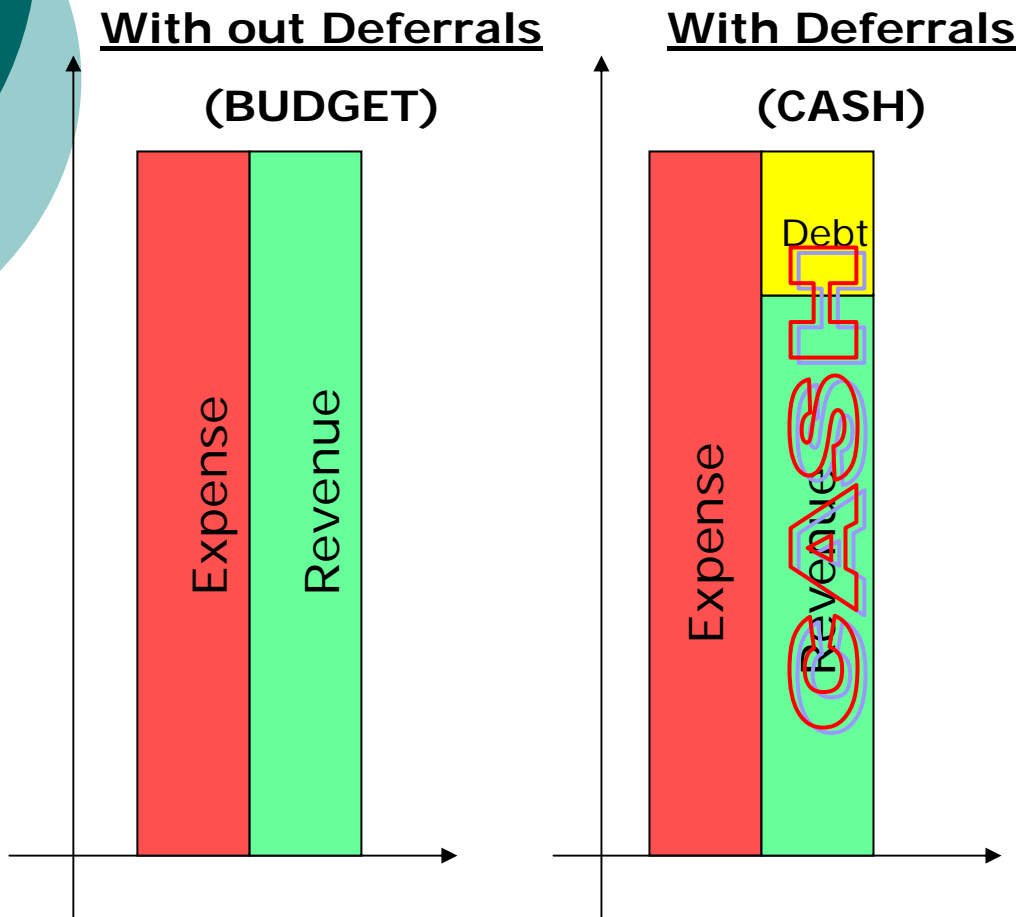
Impact of On-Going Deferrals

Worsening Cash



Budget vs Cash

Perspective on Borrowing



- Deferrals necessitate borrowing
- Borrowing necessary to sustain level of expense
- Budget does not determine means – cash does
- Debt issuance costly
- Reserve is function of budget – not cash
- Reserve a kin to equity not as relevant to off-set cash shortfall
- Spending reserve (budget) exacerbates cash
- Money spent is money borrowed

Shift spending based on budget to spending based on cash—living w/in means.

Outlook for 2011-12

Potential (unbudgeted) Cost

- Increase in medical premium
- Cost of outside borrowing
- Replacement of books
- Loss of enrollment to ILCS
- Staffing adjustments
- Critical infrastructure upkeeps

Outlook for 2011-12

Triggers for Revenue Shortfall

Due to sunset of temporary taxes, State budget assumes a \$4B revenue projection. To appease bond holders and rating agencies, the budget contains provisions to implement trigger (mid-year cuts) if revenue does not materialize.

Districts are prohibited from budgeting the potential cut. However, AB114 does not preclude quantifying impact.

Shortfall	<u>>\$2B</u>	<u>\$1.5B</u>	<u>\$1B</u>	<u>\$.5B</u>
Transportation	\$285,000	\$285,000	\$285,000	\$285,000
% Redx to Rev Limit	4%	3%	2%	1%
Per ADA Reduction	\$260	\$195	\$130	\$65
Redx to Rev Limit (deficited)	\$1,733,000	\$1,300,000	\$867,000	\$433,000
Total Reduction	\$2,018,000	\$1,585,000	\$1,152,000	\$718,000

Summary

Strategies for Financial Stability

- Improve enrollment trend
 - Outreach to preschools & community
 - Specialized focus areas
 - Enrichment programs
- Maintain budget
 - Additional expense or reduced revenue will cause deficit → more borrowing
 - Ending balance is equity NOT cash
 - Money not spent is money not borrowed
- Minimize Borrowing
 - Change basis for spending from budget to cash --- living with in means

Summary

Economy & State Budget Tenuous

- Funded at 80¢ on dollar (19.608% deficit)
 - No COLA in 4 years
- Cash balance is critical
 - Continuation of State deferrals
 - Issuance of more debt necessary
- AB 114 does not override local authority
 - Board ultimately responsible for fiscal health
 - Revised budget in accordance with State budget and AB 114
 - Staffing and Program levels meet AB114 requirements
- **Economic Recovery is Fragile**
 - State revenue projections on “thin ice”
 - Mid-year triggers realistic

Thoughts, Discussions, Inputs, Questions

Recommendation -- Approve Budget Revision