

2011-2012 REVISED BUDGET

September 7, 2011



2011-2012 ADOPTED BUDGET

- Approved by the Board of Trustees on June 29, 2011
- Based upon the loss of \$330 per ADA as recommended by the Riverside County Office of Education (RCOE)
- A second budget scenario was considered based upon the potential receipt of flat funding - that ultimately did provide approximately \$3.0 million of additional revenue per year
- In anticipation of flat funding, the Board adopted a Fund Balance Policy that committed any additional revenues received in 2011-2012 (such as flat funding) to be used in 2012-2013
 - This policy also committed the 2011-2012 ending balance above 3% to be used in 2012-2013
- Included \$3.8 million of expenditure reductions subject to negotiations (out of balance by \$3.8 million)

DISTRICT BUDGET SUMMARY

- *ADOPTED BUDGET* -

	2010-2011 Estimated Actuals	2011-2012 Adopted Budget	2012-2013 Projected Budget	2013-2014 Projected Budget
Beginning Balance	\$11,187,293	\$11,364,500	\$2,617,048	\$2,069,298
Revenue	\$79,446,093	\$69,270,360	\$67,595,159	\$67,595,159
Subtotal Expenditures	\$79,268,885	\$81,859,322	\$77,796,349	\$78,817,667
Identified & Approved Budget Reductions (not yet implemented)		(\$3,841,510)		
Additional Required Budget Reductions (not yet identified & approved)			(\$9,653,440)	(\$11,206,555)
Total Expenditures	\$79,268,885	\$78,017,812	\$68,142,909	\$67,611,112
Net Increase/(Decrease) to Ending Balance (deficit spending amount)	\$177,208	(\$8,747,452)	(\$547,750)	(\$15,953)
Total Ending Balance	\$11,364,500	\$2,617,048	\$2,069,298	\$2,053,345
Ending Balance Above 3%	\$8,952,767	\$271,273	\$25,000	\$25,000

ADOPTED BUDGET CONDITIONAL APPROVAL

- RCOE gave the District's Adopted Budget a conditional approval due to the following concerns:
 - **2011-12 Budget Shortfall**
 - The budget included more than \$3.8 million in reductions to salaries and benefits expenditures still subject to negotiations, and without these reductions, the District does not meet the minimum reserve requirement in the current year (even when assuming flat funding)
 - **Employee Negotiations**
 - RCOE is concerned that employee negotiations with the certificated bargaining unit are at impasse (negotiations with the classified bargaining unit have since been settled, though it was a concern of RCOE at time of budget adoption)

ADOPTED BUDGET CONDITIONAL APPROVAL

■ Operating Deficit

- RCOE is concerned that the District's multi-year financial projections indicate a substantial operating deficit for the current fiscal year
- RCOE also calls attention to the fact that the District has reduced its ending fund balance over the last 2 years by spending down reserves and using one-time funds to support ongoing expenditures

■ 2012-2013 and 2013-2014 Budget Shortfalls

- RCOE projects a negative ending fund balance in the 2 subsequent fiscal years, even in a flat-funding scenario

CONDITIONAL APPROVAL IMPLICATIONS

- As a result of the conditional approval, by September 8, 2011, RCOE required the District to:
 - Close the 2010-2011 books and certify the 2010-2011 Unaudited Actuals
 - Submit a revised budget that includes budget revisions to rebuild reserves in order to meet the minimum-required level in 2011-2012
 - Submit revised multi-year financial projections that includes a plan to address the budget shortfalls in 2012-2013 and 2013-2014
 - Update 2011-2012 cash flow projections to include actuals through August 31, 2011 and reflect the new deferral schedule

ESTIMATED ACTUALS & UNAUDITED ACTUALS

- **Estimated Actuals** are completed as part of the budget cycle, and were included within the District's Adopted Budget Report
 - Like an Interim Financial Report, Estimated Actuals are prepared to update and revise budget projections to reflect actual activity and changes that have taken place since the last reporting period
- **Unaudited Actuals** are a culmination of the total revenues and total expenditures recorded in the final District ledgers, and must be presented through a separate financial report to the Board of Trustees by September 15th of each year
- **Audited Actuals** verify the accuracy of the Unaudited Actuals Financial Report through an independent and external auditor

2010-2011 UNAUDITED ACTUALS

	2010-2011 Estimated Actuals	2010-2011 Unaudited Actuals	Combined General Fund Variance	Unrestricted Variance	Restricted Variance
Beginning Balance	\$11,187,293	\$11,187,293	\$0	\$0	\$0
Revenue	\$79,446,093	\$79,898,379	\$452,286	\$218,608	\$233,678
Expenditures	\$79,268,885	\$78,363,760	(\$905,125)	(\$437,480)	(\$467,645)
Contributions	\$8,212,316	\$8,067,525	\$144,791	\$144,791	\$0
Total Ending Balance	\$11,364,500	\$12,721,912	\$1,357,411	\$800,879	\$556,532

2010-2011 UNAUDITED ACTUALS

REVENUE VARIANCE

DESCRIPTION	AMOUNT
Revenue Limit - <i>adjustment for annual ADA</i>	(\$36,675)
Federal Revenues	
<i>Deferred to 2011-2012 (Title II, Title III & Special Ed ARRA)</i>	(\$126,397)
<i>Decreased Allocations (Medi-CAL, Title I & Other Misc. Categoricals)</i>	(\$104,375)
State Revenues	
<i>Deferral from 2010-2011 to 2011-2012 reversed/reinstated (Supplemental Hourly, Adult Ed & CDS) - Unrestricted</i>	\$356,853
<i>Increased Allocation (Economic Impact Aid) - Restricted</i>	\$35,010
Local Revenues	
<i>Additional Redevelopment Agency Funds</i>	\$209,547
<i>Increased SELPA Allocation (Special Ed) - Restricted</i>	\$68,246
<i>Other Miscellaneous Adjustments</i>	\$50,136
Contributions	(\$59)
TOTAL REVENUE VARIANCE	\$452,286

2010-2011 UNAUDITED ACTUALS

EXPENDITURE VARIANCE

DESCRIPTION	AMOUNT
Salaries & Benefits	\$16,922
Books & Supplies	
<i>Categorical Variances (Restricted)</i>	(\$62,030)
<i>Routine Maintenance - projects delayed from June 2011</i>	(\$100,000)
Services, Other Operating	
<i>Community Day School Variance</i>	(\$93,000)
<i>Routine Maintenance - projects delayed from June 2011</i>	(\$100,000)
<i>Other Miscellaneous Services/Operating Expense Variances</i>	(\$443,957)
Capital Outlay	
<i>Routine/Deferred Maintenance - projects delayed from June 2011</i>	(\$157,336)
<i>Other Miscellaneous Capital Outlay Expense Variances</i>	(\$9,004)
Direct Support/Indirect	\$43,280
TOTAL EXPENDITURE VARIANCE	(\$905,125)

2010-2011 UNAUDITED ACTUALS

ENDING BALANCE VARIANCE

DESCRIPTION	AMOUNT
Total Ending Balance	\$1,357,411
Restricted Portion of Balance	\$556,532
<i>Redevelopment Agency Funds</i>	<i>\$209,547</i>
<i>American Recovery & Reinvestment Act (ARRA)</i>	<i>(\$67,822)</i>
<i>Medi-CAL</i>	<i>\$46,587</i>
<i>Special Education-Low Incidence</i>	<i>(\$1,316)</i>
<i>Technology/Transcription Grants</i>	<i>(\$6,190)</i>
<i>Routine Repair & Maintenance</i>	<i>\$242,584</i>
<i>Economic Impact Aid (EIA)</i>	<i>\$133,142</i>
Unrestricted Portion of Balance	\$800,879
<i>3% Required Reserve</i>	<i>(\$66,627)</i>
<i>Deferred Maintenance (was in Fund 14)</i>	<i>\$25,247</i>

2010-2011 REPORTING SUMMARY

	2010-2011 Adopted Budget	2010-2011 1st Interim	2010-2011 2nd Interim	2010-2011 3rd Interim	2010-2011 Estimated Actuals	2010-2011 Unaudited Actuals
Beginning Balance	\$9,238,617	\$11,187,293	\$11,187,293	\$11,187,293	\$11,187,293	\$11,187,293
Revenue	\$75,101,069	\$78,822,005	\$80,165,818	\$79,446,092	\$79,446,093	\$79,898,379
Expenditures	\$81,854,253	\$84,924,885	\$81,365,264	\$80,391,150	\$79,268,885	\$78,363,759
Total Ending Balance	\$2,485,433	\$5,084,413	\$9,987,848	\$10,242,236	\$11,364,500	\$12,721,913
<i>Restricted Ending Balance</i>	<i>\$0</i>	<i>\$375,508</i>	<i>\$3,958,999</i>	<i>\$4,243,554</i>	<i>\$5,264,366</i>	<i>\$5,820,898</i>
<i>Unrestricted Ending Balance</i>	<i>\$2,485,433</i>	<i>\$4,708,905</i>	<i>\$6,028,849</i>	<i>\$5,998,682</i>	<i>\$6,100,135</i>	<i>\$6,901,015</i>

2011-2012 BUDGET REVISIONS

- The District revised its budget and multi-year projections on August 17, 2011
 - To reflect the flat funding made available by the State Budget Act and Education Trailer Bill (Assembly Bill 114), signed by Governor Brown on June 30, 2011
 - \$3.0 million of additional revenue per year
 - To incorporate the 1 year agreement that was reached with the Classified School Employees Association (CSEA)
 - Salary rollback equivalent to 6 furlough days (9 days with credit given for 3 days taken in 2010-2011)
 - Expenditure adjustments for the originally planned 8 furlough days for management and confidential employees to a salary equivalent of 6 days (subject to Board Approval on September 21, 2011)

DISTRICT BUDGET SUMMARY

- AUGUST REVISED BUDGET -

	2010-2011 Estimated Actuals	2011-2012 Revised Budget	2012-2013 Projected Budget	2013-2014 Projected Budget
Beginning Balance	\$11,187,293	\$11,364,500	\$5,449,796	\$2,239,188
Revenue	\$79,446,093	\$72,255,205	\$70,595,305	\$70,576,614
Subtotal Expenditures	\$79,268,885	\$81,648,856	\$77,950,686	\$78,974,278
Identified & Approved Budget Reductions (not yet implemented)		(\$3,478,947)		
Additional Required Budget Reductions (not yet identified & approved)			(\$4,144,774)	(\$8,303,608)
Total Expenditures	\$79,268,885	\$78,169,909	\$73,805,912	\$70,670,670
Net Increase/(Decrease) to Ending Balance (deficit spending amount)	\$177,208	(\$5,914,704)	(\$3,210,608)	(\$94,056)
Total Ending Balance	\$11,364,500	\$5,449,796	\$2,239,188	\$2,145,132
Ending Balance Above 3%	\$8,952,767	\$3,104,689	\$25,000	\$25,000

2011-2012 BUDGET VARIANCES

	2011-2012 Adopted Budget	2011-2012 August Revised Budget	2011-2012 September Revised Budget	August to September Variance
Beginning Balance	\$11,187,293	\$11,364,500	\$12,721,914	\$1,357,413
Revenue	\$79,446,093	\$72,255,205	\$72,470,960	\$215,755
Subtotal Expenditures	\$79,268,885	\$81,648,856	\$82,916,584	\$1,267,729
Identified & Approved Budget Reductions (not yet implemented)		(\$3,478,947)	(\$3,478,947)	
Total Expenditures	\$79,268,885	\$78,169,909	\$79,437,637	\$1,267,729
Net Increase/(Decrease) to Ending Balance (deficit spending amount)	\$177,208	(\$5,914,704)	(\$6,966,677)	(\$1,051,974)
Total Ending Balance	\$11,364,500	\$5,449,796	\$5,755,237	\$305,439
Ending Balance Above 3%	\$8,952,767	\$3,104,689	\$3,372,036	\$267,347

2011-2012 REVISED BUDGET

REVENUE VARIANCE

DESCRIPTION	AMOUNT
Revenue Limit	\$0
Federal Revenues	
<i>Deferred from 2010-2011 (Title II, Title III & Special Ed ARRA)</i>	\$126,397
<i>Increased Allocations (Medi-CAL & Other Miscellaneous Categoricals)</i>	\$89,358
State Revenues	\$0
Local Revenues	\$0
TOTAL REVENUE VARIANCE	\$215,755

2011-2012 REVISED BUDGET *EXPENDITURE VARIANCE*

DESCRIPTION	AMOUNT
Salaries & Benefits	
<i>Supplemental Employee Retirement Plan (June 2012)</i>	\$620,441
Books & Supplies	
<i>Title II, Title III & Special Ed ARRA, Medi-CAL & Other Misc. Categoricals</i>	\$215,755
<i>Routine Maintenance – projects moved from June 2011</i>	\$104,400
Services, Other Operating	
<i>Legal</i>	\$25,000
<i>TRAN costs</i>	(\$150,000)
<i>Redevelopment Agency Funds – received in June 2011 – future projects</i>	\$209,549
<i>Routine Maintenance – projects moved from June 2011</i>	\$242,584
TOTAL EXPENDITURE VARIANCE	\$1,267,729

2011-2012 REVISED BUDGET

ENDING BALANCE VARIANCE

DESCRIPTION	AMOUNT
Restricted Portion of Balance	\$0
Unrestricted Portion of Balance	\$305,441
3% Required Reserve	\$38,094
Ending Balance Above 3%	\$267,347
TOTAL ENDING BALANCE VARIANCE	\$305,561

DISTRICT BUDGET SUMMARY

-SEPTEMBER REVISED BUDGET -

	2010-2011 Unaudited Actuals	2011-2012 Revised Budget	2012-2013 Projected Budget	2013-2014 Projected Budget
Beginning Balance	\$11,187,294	\$12,721,914	\$5,755,237	\$2,256,582
Revenue	\$79,898,379	\$72,470,960	\$70,887,050	\$70,868,359
Subtotal Expenditures	\$78,363,760	\$82,916,584	\$77,975,517	\$78,997,245
Identified & Approved Budget Reductions (not yet implemented)		(\$3,478,947)		
Additional Required Budget Reductions (not yet identified & approved)			(\$3,589,812)	(\$8,026,439)
Total Expenditures	\$78,363,760	\$79,437,637	\$74,385,705	\$70,970,806
Net Increase/ (Decrease) to Ending Balance (deficit spending amount)	\$1,534,619	(\$6,966,677)	(\$3,498,655)	(\$102,447)
Total Ending Balance	\$12,721,912	\$5,755,237	\$2,256,582	\$2,154,135
Ending Balance Above 3%	\$10,376,805	\$3,372,036	\$25,000	\$25,000

SEPTEMBER REVISED BUDGET KEY FACTORS

- The District's September Revised Budget includes:
 - Additional \$215 thousand of Restricted funding
 - Increased Expenditures of \$1.3 million
 - June 2012 SERP payment
 - Materials/Supplies to match Restricted funds
 - Routine Maintenance – projects moved from June 2011 to Summer/Fall 2011
 - Deferred Maintenance – projects moved from June 2011 to Winter 2011-2012
 - Increased legal fees (unexpended from 2010-2011 to 2011-2012)
 - Reduction of TRAN costs
- The District's Multi-Year Projections include:
 - \$3.6 million budget shortfall for the 2012-2013 budget
 - \$8.0 million budget shortfall for the 2013-2014 budget
- In summary, a **3-year budget shortfall of \$15.1 million**
(including employee concessions not yet implemented)

NEXT STEPS

- 2011-2012/Current Year Shortfall
 - Continue the impasse mediation process with the certificated bargaining unit in an attempt to reach a negotiated solution
- 2012-2013 (and beyond) Budget Shortfall
 - The District hopes to begin negotiations with employee groups as soon as possible as early planning will mean more savings realized in operating expenditures
- Contingency planning for potential “trigger reductions”
- RCOE will review the District’s revised budget, and approve or disapprove it no later than October 8, 2011