

SAN MATEO UNION HIGH SCHOOL DISTRICT



2010-2011
District Budget
February 11, 2010

Agenda

- General Fund
- Revenues
- Expenditures
- Reserve for Economic Uncertainty
- State Budget Proposal
- Governor's State Budget Solutions
- Potential Impact to SMUHSD
- Next Steps
- Predictions and Recommendations

District General Fund Budget

- District manages their finances utilizing thirteen funds
- With the exception of the General Fund, the other funds are restricted and can only be used for specific purposes
- General Fund accounts for the day-to-day operation of the District's educational program
- SMUHSD is categorized as Basic Aid District
 - Basic aid school districts enjoy a property tax revenue stream that exceeds the state per pupil guarantee known as the Revenue Limit
- Revenue Limit Funded District
 - The specific combination of state and local property taxes a school district receives per pupil for its general education program
- Budget composed of revenues and expenditures
 - A budget can be balanced by increasing revenues or decreasing expenditures

State and District Budget Cycle Activities

Planning Process and Adoption of Budget

- January Governor presents State budget proposal
- May Office of Legislative Analyst revises State budget projections
- June State is legally obligated to adopt its budget by June 30th
State has rarely met legal deadline
- June School Districts are legally obligated to adopt a balanced budget by June 30th

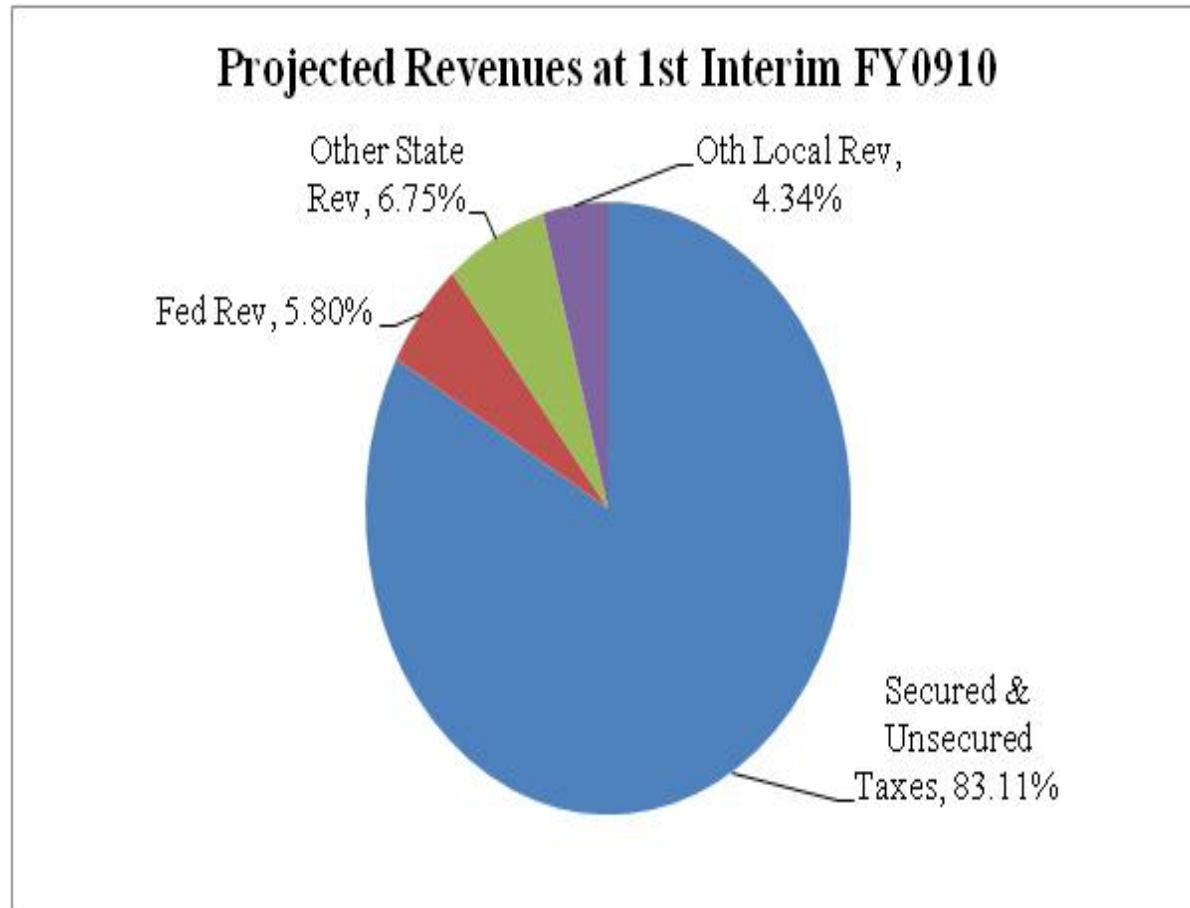
School District Budget Revision Process and Closing of Financial Statements

- December 1st Interim Report revised budget based on actuals from July 1st through October 31st
- March 2nd Interim Report revised budget based on actuals from July 1st through January 31st
- September Unaudited actual[] financial statements based on actual transactions from July 1st through June 30th
- December Audited financial statements

General Fund Revenues

- Revenues earmarked as unrestricted or restricted
 - Unrestricted revenues can be used for any purpose
 - Restricted revenues must be used in accordance with program guidelines
- Revenues can be on-going or one-time in nature
 - One-time revenues
 - 2009-10 American Recovery Reinvestment Act (ARRA)
 - Ongoing revenues
 - Property taxes (secured and unsecured)
- District has limited control on revenue receipts
 - Property taxes are volatile and dependent upon changes in real estate market
 - State revenues are dependent upon economy and payroll tax, sales tax and capital gains tax collection and Proposition 98 formula

General Fund Revenues

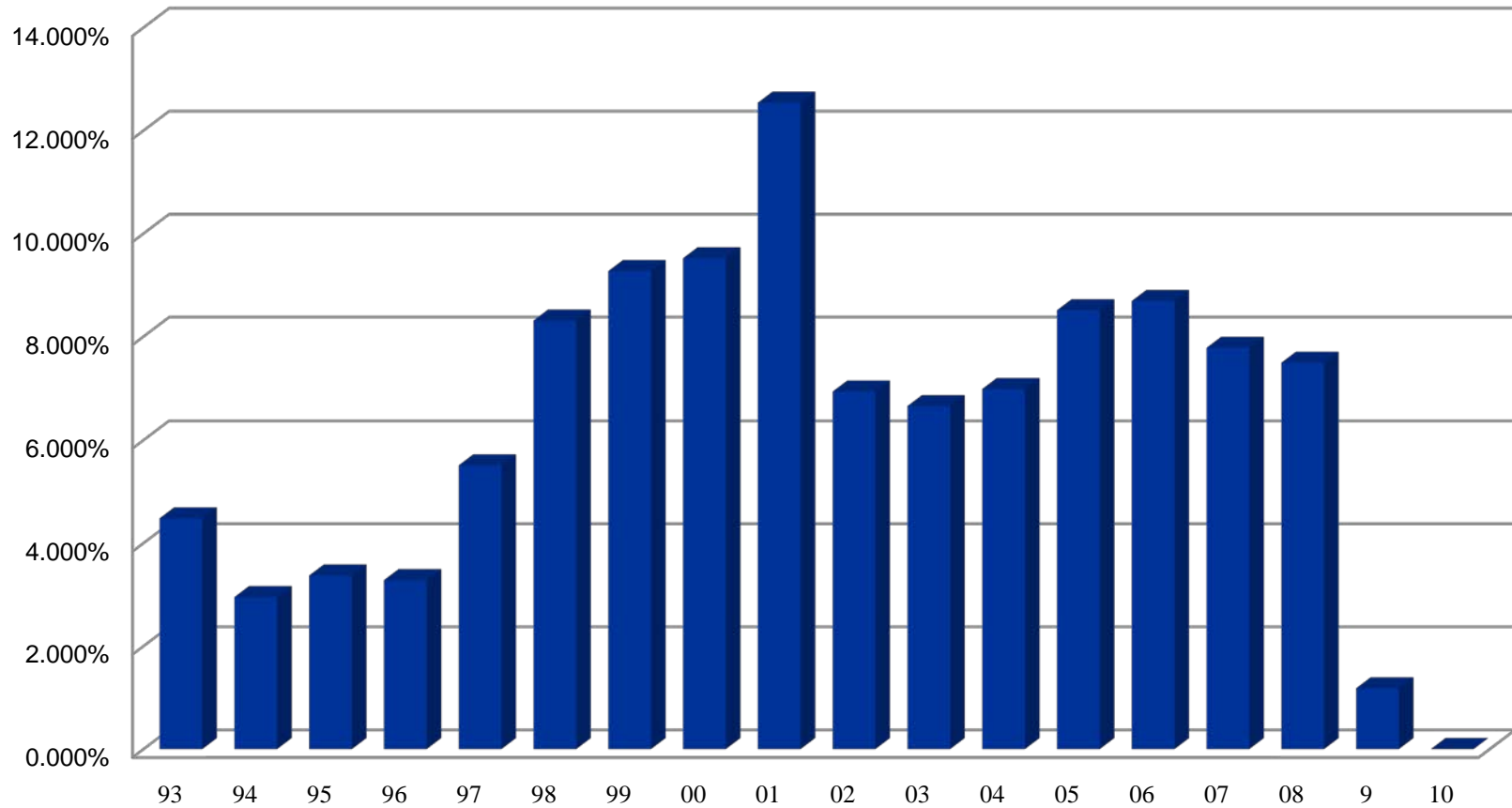


Four Sources of Revenues

<u>Description</u>	<u>Categorized</u>	<u>Budget (M)</u>
Revenue Limit	Unrestricted/Restricted	\$89.3
Federal Revenues	Unrestricted/Restricted	\$ 6.2
State Revenues	Unrestricted/Restricted	\$ 7.2
Local Revenues	Unrestricted/Restricted	\$ 4.9

Property Tax Percentage Change From Prior Year

San Mateo County Secured Tax Growth



General Fund Expenditures

Factors that impact expenditure budget:

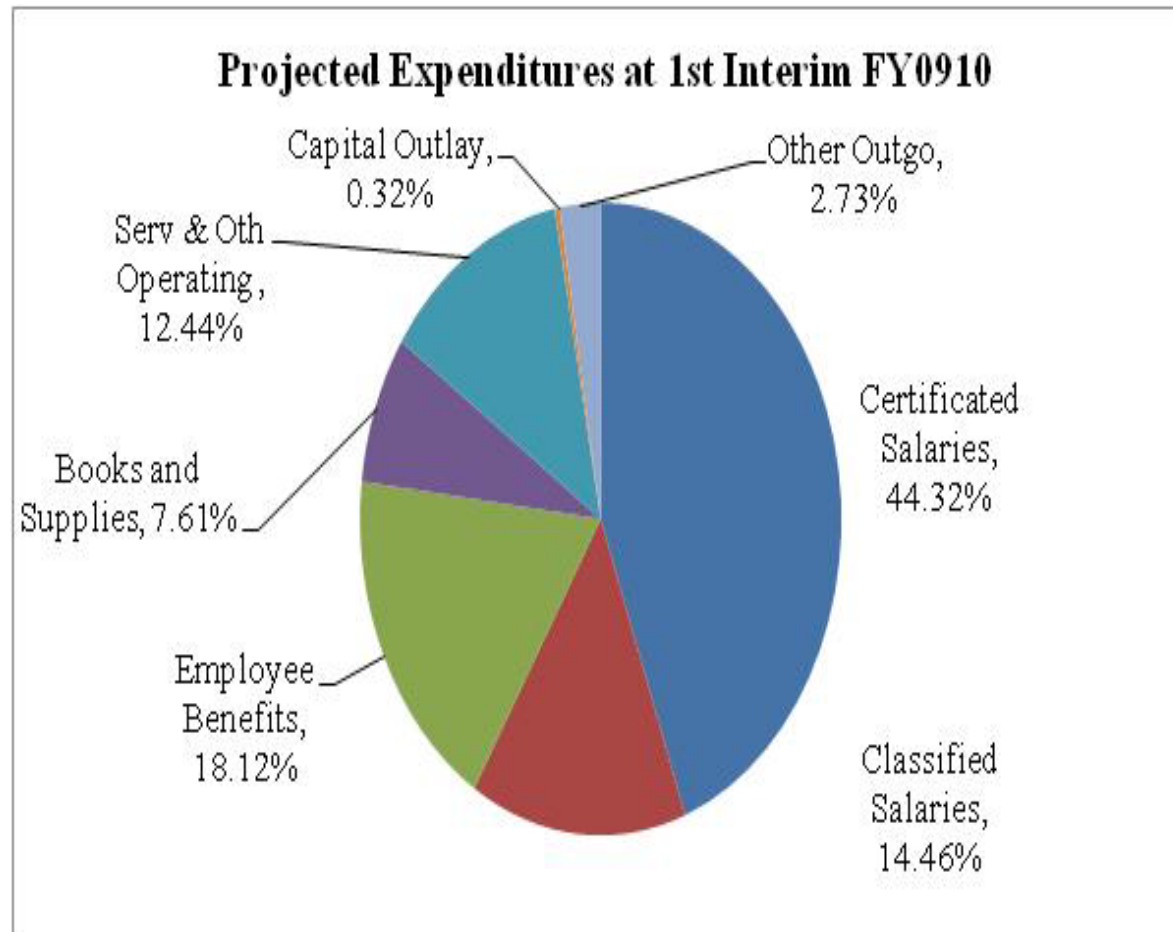
- Changes in student enrollment
- Changes to special education
- Program changes
- Salary and Benefits
 - Cost of step and column
 - Employee bargaining unit agreements
 - Payroll taxes
 - District contribution for health benefits
- Utility increases
- Unforeseen situations

General Fund Expenditures

Revenue changes that can impact the expenditure budget

- Changes in State revenues
- Changes in local property taxes
- District revenue payback to the State
- Changes unilaterally implemented by the State
- Changes unilaterally implemented by the Federal agencies

General Fund Expenditures



- Salary and benefit percentages understated due to one-time-\$2.4M-ARRA program which is being used for one time expenditure purposes (supplies and services)
- Adult School revenues (State and ARRA) now posted to General Fund and transferred to Adult Fund (\$5.6M)

General Fund Reserve Economic Uncertainty

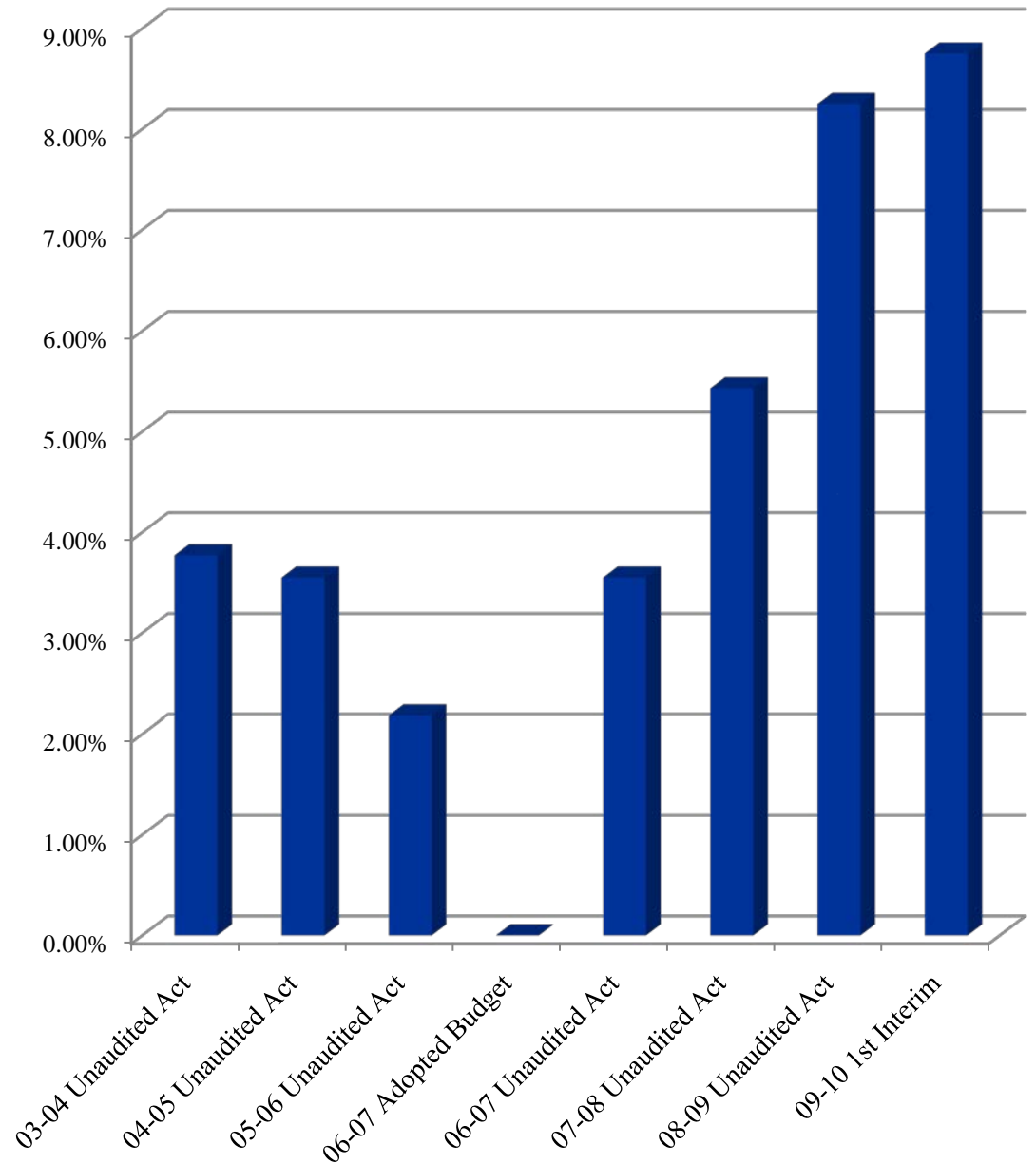
- School Services of California recommends basic aid school districts retain a 12% reserve for economic uncertainty due to the volatile nature of property taxes
- 2006-07 District adopted budget with 0% Reserve Economic Uncertainty
- To replenish the reserve for economic uncertainty and balance the budget in 2006-07 the following reductions and revenue enhancements were approved totaling \$3.7M:
 - 12.4 FTE Certificated staff (special education, librarians, classroom teachers)
 - 36.1 FTE Classified staff
 - 2.0 FTE Management staff
 - 4.5 FTE Other staff
 - SMHS School Resource Officer
 - Restructure transportation
 - Eliminate overtime
 - Eliminate warehouse and purchasing functions

General Fund Reserve Economic Uncertainty

- On July 26, 2009 the State revised its two year budget to resolve a \$65.8 Billion shortfall and balance the State budget
 - Impact to SMUHSD 2009-10 was a reduction of \$3.7 Million in revenues
 - Board of Trustees approved reductions to adopt a balanced budget
 - Eliminated annual deferred maintenance contribution
 - Delayed textbook adoption one year
 - Eliminated staff development one year
 - Reduced athletic programs \$50,000
 - Reduced 5.7 CE FTE Seven Period day
 - Restructured summer school \$268,000
 - Reduced 5.0 CE FTE staffing
 - Eliminated 1 CE FTE small learning community
 - Restructured Home-to-School Transportation \$132,500
 - Eliminated 2 FTE staff in the District Office
 - Swept categorical program carry over Gifted and Talented and Professional Development program
 - Reduced 3 FTE School Custodian Supervisors
 - Eliminated San Mateo County Probations Contract

General Fund Ending -Reserve Economic Uncertainty

- 2003-04 Unaudited Act 3.77%
- 2004-05 Unaudited Act 3.55%
- 2005-06 Unaudited Act 2.18%
- 2006-07 Adopted Budget 0.00%
- 2006-07 Unaudited Act 3.55%
- 2007-08 Unaudited Act 5.43%
- 2008-09 Unaudited Act 8.25%
- 2009-10 1st Interim 8.75%



State Experiencing Historic Economic Crisis

State Budget adopted July 29, 2009 required school districts to refund monies to the State

- Currently State funding K-12 education at 2004-05 level
- SMUHSD 2009-10 adopted budget included a revenue payback to the State
 - \$250 per student
 - \$2.1M revenue reduction to General fund
- Included in 2009-10 State Budget SMUHSD must payback revenue to state for 2010-11
 - \$433 per student
 - \$3.6M revenue reduction to General Fund

Governor's 2010-11 Budget Proposal

January 8, 2010 Governor projects 19.9 billion revenue shortfall

- \$6.6 billion shortfall for 2009-10
- \$12.3 billion shortfall projected for 2010-11
- \$1 billion to restore Reserve of Economic Uncertainty

Governor's Solution to Address Current Shortfall

- \$8.5 Billion expenditure reductions
 - \$6.9 Billion influx of Federal funding
 - \$3.9 Billion in alternate funding
 - \$0.5 Billion shifting of funds
- \$19.9 Billion**

Impact of Governor's Budget Solution to San Mateo Union High School District

- SMUHSD 2009-10 revenue payback to State included in Adopted Budget (\$2.1 Million)
- \$8.5 Billion expenditure reductions
 - \$1.7 Billion proposed reduction to K-12 Education
 - Projected **SMUHSD** revenue refund to State
 - » State payback (Adopted State 09-10 budget for 10-11) (\$3.6 Million)
 - » Proposed round two State payback (\$2.1 Million)
 - » **Total 10-11 Revenue Payback to State** (\$5.7 Million)
- \$6.9 Billion influx of Federal funding
 - Federal backfill unlikely
 - K-12 education represents 40% General Fund Budget
 - K-12 education share \$2.8 Billion

SMUHSD

- » State payback (Adopted State 09-10 budget for 10-11) (\$3.6 Million)
- » Proposed round two State payback (\$2.1 Million)
- » Proposed Round three State payback
- » If funding from Federal Govt. does not materialize (\$3.5 Million)
- » **Total SMUHSD 10-11 Revenue Payback to State** (\$9.2 Million)

Next Steps

Short Term

- Reconvene Budget Advisory Committee
- Meet with all stakeholders and solicit recommendations by February
- Prepare multi-year projections and options for 2010-11 by February
- Develop several contingency plans
- Communicate and update stakeholders
- Implement soft hiring freeze
- Implement spending freeze on non-critical items

Long Term Solutions

- Solar schedule anticipated to be significantly implemented 2011-12 and will realize one time and on-going savings
 - 2011-12 \$1,746,000
 - 2012-13 \$1,946,000
 - 2013-14 \$2,080,000
 - 2014-15 \$2,115,000
 - 2015-16 \$2,153,000

District Recommendations

- Develop options
- Work collaboratively
- Educate and engage Community
- Align District goals with budget
- Live frugally
- Think creatively