



Palo Alto Unified School District

2009-10
Second Interim Financial Report

February 23, 2010

BUDGET DEVELOPMENT/FINANCIAL REPORTING/CALENDAR FOR THE 2009-10 & 2010-11 BUDGET

February 2009	Governor Adopted the 2009-10 State Budget
June 2009	Adoption of 2009-10 PAUSD Budget
July 2009	Governor Signed Revisions to the 2009-10 State Budget
August 2009	Property Tax Projections from County of Santa Clara
September 2009	First Revision of 2009-10 PAUSD Budget
November 2009	County Controller-Treasurer Property Tax Projection Update
December 2009	First Interim PAUSD Financial Report
January 2010	Release of Governor's Recommended 2010-11 State Budget
February 2010	PAUSD Enrollment Projections
February 2010	County Controller-Treasurer Property Tax Projection Update
March 2010	Second Interim PAUSD Financial Report
May 2010	Governor's May Revise & Property Tax Projection Update
June 2010	Adoption of 2010-11 PAUSD Budget
July 2010	Governor Signs State Budget

2009-10 PAUSD Budget

- Adopted on June 23, 2009
- Since then, there have been major changes

2009-10 PAUSD Budget

Budget Changes through First Interim

■ Income

- ❑ State Fair Share Reduction of \$2.6 million
- ❑ Estimated property tax revenue - \$697,000 less (dropped from 2.6% to 1.88%)
- ❑ Federal Stimulus Funding for Special Education - \$1 million
- ❑ Estimated parcel tax revenue - \$218,000 more
- ❑ State Class Size Reduction - \$82,000 less

2009-10 PAUSD Budget

Budget Changes through First Interim

■ Expenditures

- ❑ Savings in Board election costs - \$125,000
- ❑ Savings in growth teachers and from soft hiring freeze – over \$2 million
- ❑ Federal Stimulus Funding for Special Education - \$500,000
- ❑ Savings in summer school budget - \$91,000
- ❑ Savings in legal services/consultants/supplies - \$250,000
- ❑ Parcel tax election costs (one-time) – need \$110,000 more
- ❑ Information System implementation (one-time) – need \$250,000 more
- ❑ Modest increase in health benefit costs - \$316,000

2009-10 PAUSD Budget

Second Interim Budget Changes

■ Expenditures

- ❑ Savings in health benefit costs due to opt outs and open enrollment plan changes - \$380,000
- ❑ Savings in personnel budgets - \$81,000
- ❑ Savings in utilities - \$73,000
- ❑ Contribution to Student Nutrition Services - \$70,000 less

2009-10 PAUSD Budget

Second Interim Budget Changes

■ Income

- ❑ State K-3 Class Size Reduction - \$59,000 less
- ❑ Special Education Income - \$134,00 more
- ❑ Lease and other local income - \$115,000 more
- ❑ Flexibility Transfer of State Deferred Maintenance Income - \$397,000

2009-10 PAUSD Budget

Estimated Fund Balance

- There have been major efforts to preserve resources
 - Not hiring additional teachers for enrollment growth at the elementary level
 - Increased K-6 class sizes incrementally
 - Tighter staffing at secondary level
 - Soft hiring freeze
 - Budget savings in all areas of the budget
- Estimated unrestricted undesignated fund balance
 - \$4.2 million in June
 - \$5.9 million in September
 - \$6.4 million at First Interim
 - **\$7.6 million at Second Interim**

Estimated General Fund & Basic Aid Reserves

	<u>2009-10</u>		<u>2010-11</u>		<u>2011-12</u>		<u>2012-13</u>	
Reserve for Economic Uncertainties	\$4.59	3.0%	\$4.57	3.0%	\$4.61	3.0%	\$4.68	3.0%
Unrestricted Undesignated Fund Balance	\$7.56	4.9%	\$4.88	3.2%	\$2.47	1.6%	\$0.02	0.0%
Basic Aid Reserve	\$9.51	6.2%	\$9.51	6.2%	\$9.51	6.2%	\$9.51	6.1%
TOTAL ESTIMATED ENDING RESERVE	\$21.66	14.1%	\$18.96	12.4%	\$16.59	10.8%	\$14.21	9.1%
TOTAL GENERAL FUND EXPENDITURES	\$152.96		\$152.32		\$153.55		\$156.17	

*Amounts shown in millions

Projection on 2010-11 Budget

- Fair share reduction of \$4.4 million
- **Additional funding reductions in the Governor's proposed budget for 2010-11 - \$2.5 million**
- More State budget cuts anticipated
- Property tax growth at zero percent
- **Updated estimates on personnel costs**
- Projected structural budget deficit increased from \$5.1 million at First Interim to **\$8.3 million**

Sources to Address Structural Deficit

About 1/3 of Unrestricted Undesignated Fund Balance	\$2.7 million (rest of money to be used in “out” years)
Parcel Tax*	\$1.8 million
Budget Cuts	\$3.8 million
TOTAL	\$8.3 million
Notes: <ul style="list-style-type: none">• There may be further savings during 2009-10 year that could increase the ending balance and/or reduce structural deficit.• This assumes district pays “fair share” of state budget cuts and reduced COLA.• *If passed May 4, 2010.	

Projection on 2011-12 to 2014-15 Budget

- Grim outlook for the national and state economy
- Fair share reduction of \$4.4 million will continue
- Proposed cuts in the 2010-11 State Budget will continue
- Property tax growth at 2%
- Projected structural budget deficit of \$1.2 million to \$3.8 million for 2011-12 to 2014-15
- Estimated unrestricted undesignated fund balance of \$7.6 million will be fully exhausted by the end of 2012-13

Property Tax Growth

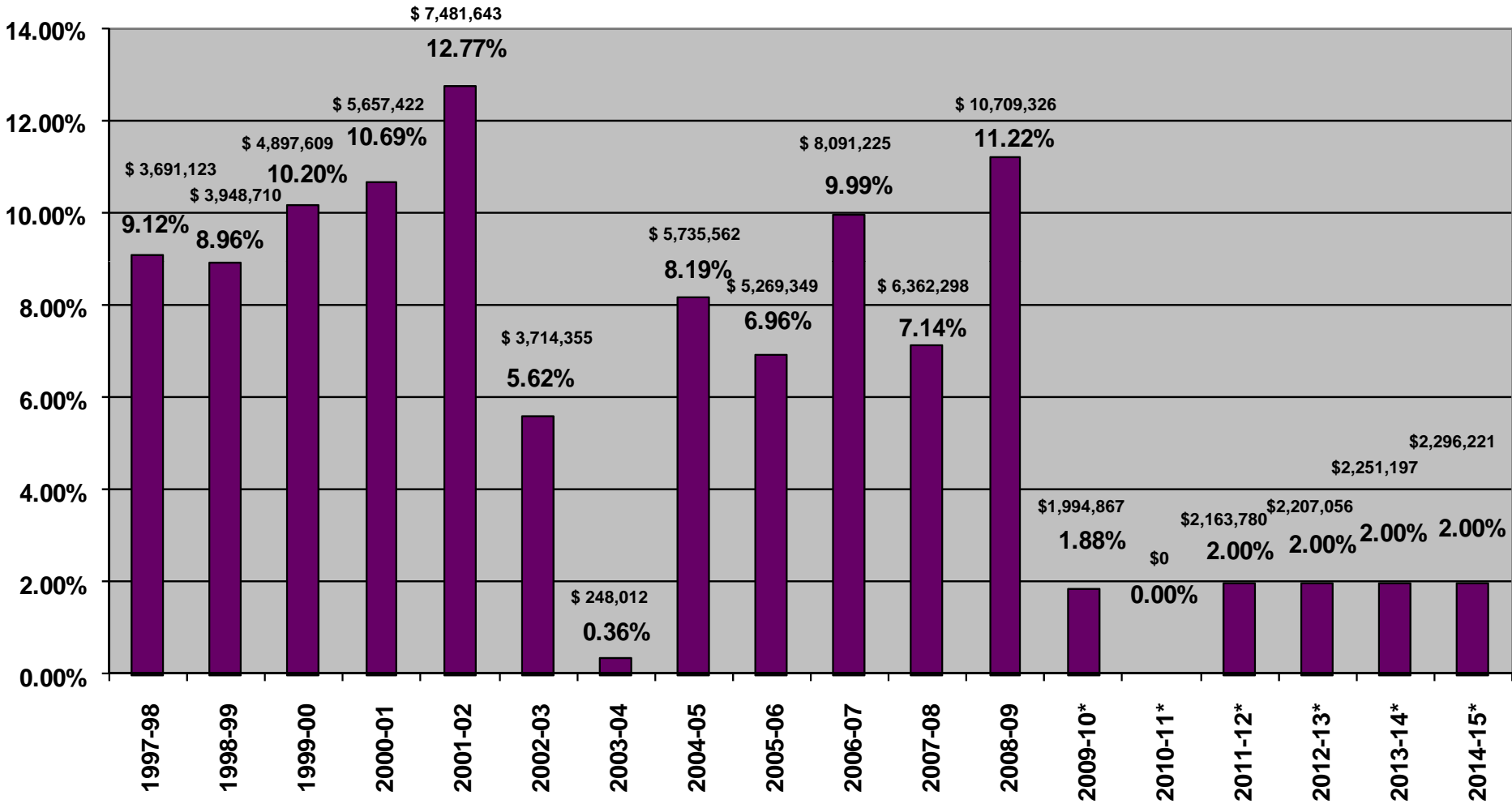
	2009-10 Adopted Budget 6/23/09	2009-10 County Estimate 8/26/09	2009-10 County Estimate 11/17/09
Secured Taxes	4.38%	2.25%	1.94%
Unsecured Taxes	-20.00%	-0.35%	1.00%
Homeowners' Exemption	0.00%	2.77%	2.94%
<u>TOTAL GROWTH</u>	2.60%*	2.06%	1.88%

*3% growth over estimated 2008-09 property tax revenue or 2.6% growth over actual 2008-09 property tax revenue.

Property Tax Revenue Per Student

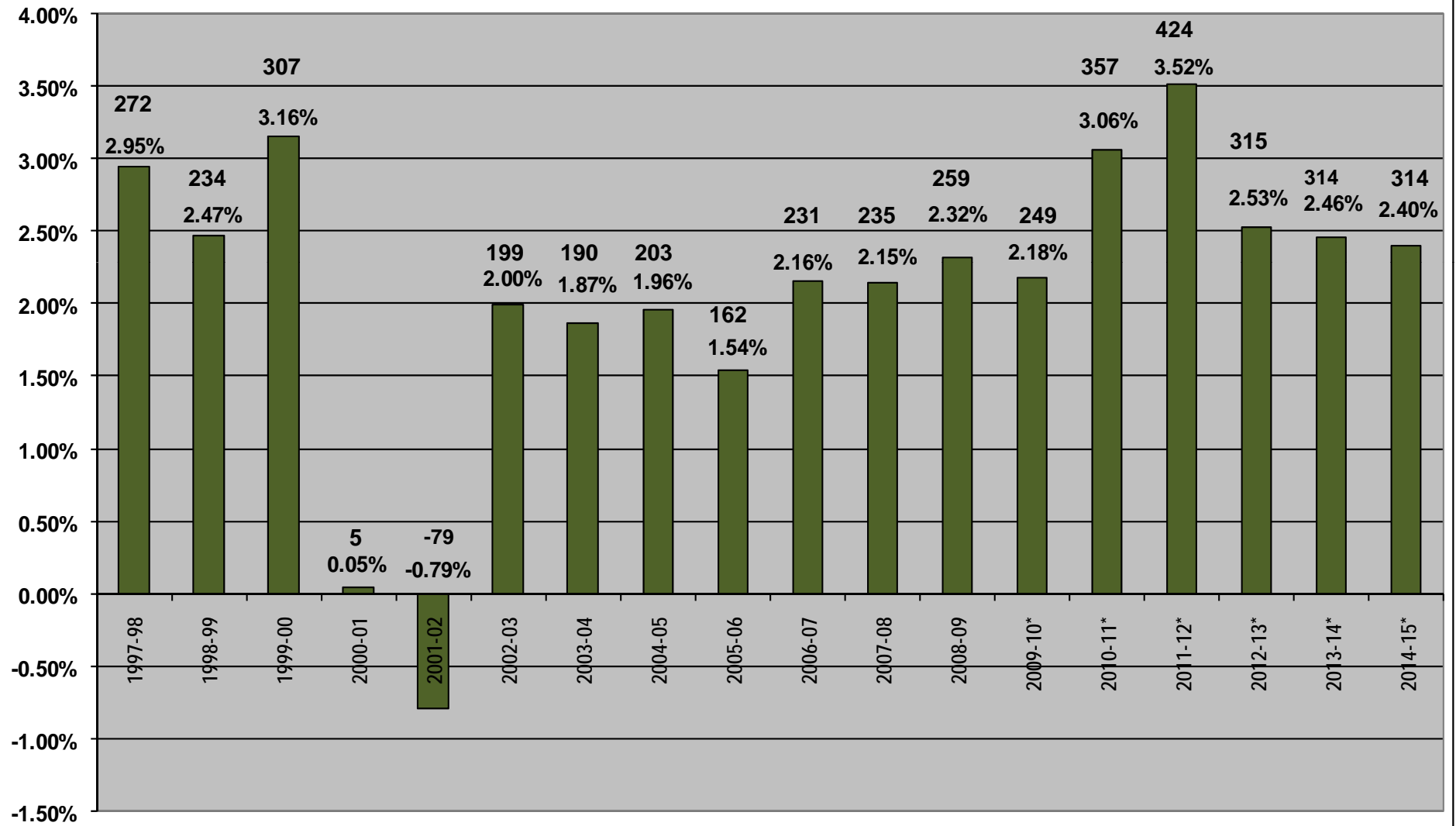
- Basic Aid districts do not get funding for growth
- Enrollment growth reduces the revenue per student

Change In Property Tax Revenue Amount and Percentage

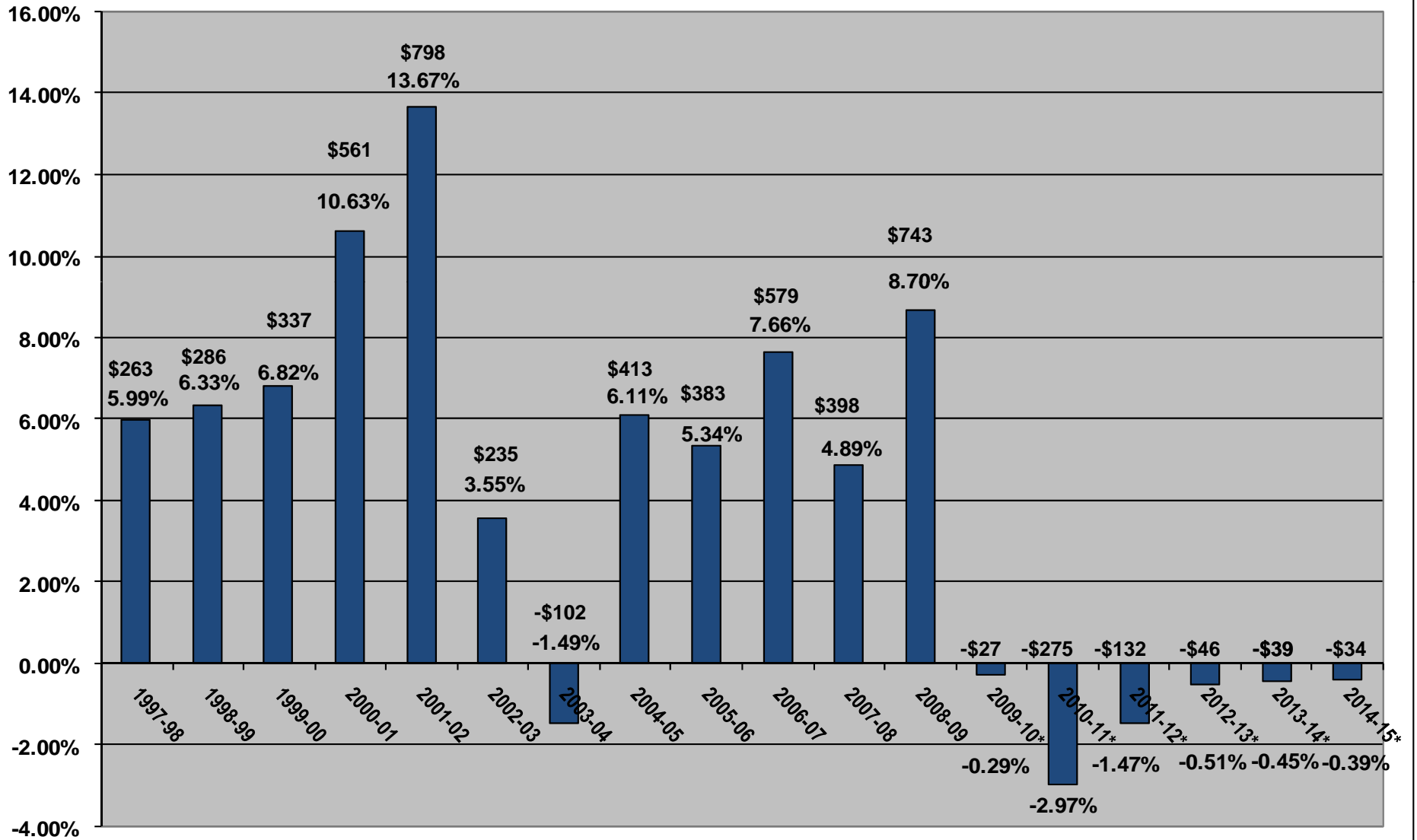


*Estimate

Change In Enrollment # of Students and Percentage



Change In Property Tax Revenue Per Student Amount and Percentage



Unknowns/Variables

- State Budget
 - Inflation
 - Property Tax Revenue
 - Enrollment Growth
 - Parcel Tax Renewal
 - Salary Driven Benefits
 - Health Benefits
-