



# Palo Alto Unified School District

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2009-10  
Second Interim Financial Report

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March 9, 2010

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# 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
<b>March 2010</b>	<b>Second Interim PAUSD Financial Report</b>
May 2010	Governor's May Revise & Property Tax Projection Update
June 2010	Adoption of 2010-11 PAUSD Budget
July 2010	Governor Signs State Budget

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## 2009-10 PAUSD Budget

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

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# 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

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# 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

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# 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

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# 2009-10 PAUSD Budget

## Second Interim Budget Changes

### ■ Income

- ❑ Property Tax Revenue - \$361,000 more
- ❑ 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

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# 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
  - **\$7.9 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%	\$4.69	3.0%
Unrestricted Undesignated Fund Balance	\$7.92	5.2%	\$5.25	3.5%	\$2.65	1.7%	\$0.01	0.0%
Basic Aid Reserve	\$9.51	6.2%	\$9.51	6.2%	\$9.51	6.2%	\$9.51	6.1%
<b>TOTAL ESTIMATED ENDING RESERVE</b>	\$22.02	14.4%	\$19.33	12.7%	\$16.77	10.9%	\$14.21	9.1%
<b>TOTAL GENERAL FUND EXPENDITURES</b>	\$152.96		\$152.32		\$153.73		\$156.35	

\*Amounts shown in millions

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## 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
<b>TOTAL</b>	<b>\$8.3 million</b>

Notes:

- 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.

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## 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 \$4.0 million for 2011-12 to 2014-15
- Estimated unrestricted undesignated fund balance of \$7.9 million will be fully exhausted by the end of 2012-13

# Property Tax Growth

	<b>2009-10 Adopted Budget 6/23/09</b>	<b>2009-10 County Estimate 8/26/09</b>	<b>2009-10 County Estimate 11/17/09</b>	<b>2009-10 County Estimate 02/24/10</b>
<b>Secured Taxes</b>	<b>4.38%</b>	<b>2.25%</b>	<b>1.94%</b>	<b>1.94%</b>
<b>Unsecured Taxes</b>	<b>-20.00%</b>	<b>-0.35%</b>	<b>1.00%</b>	<b>5.73%</b>
<b>Homeowners' Exemption</b>	<b>0.00%</b>	<b>2.77%</b>	<b>2.94%</b>	<b>2.94%</b>
<b><u>TOTAL GROWTH</u></b>	<b>2.60%*</b>	<b>2.06%</b>	<b>1.88%</b>	<b>2.22%</b>

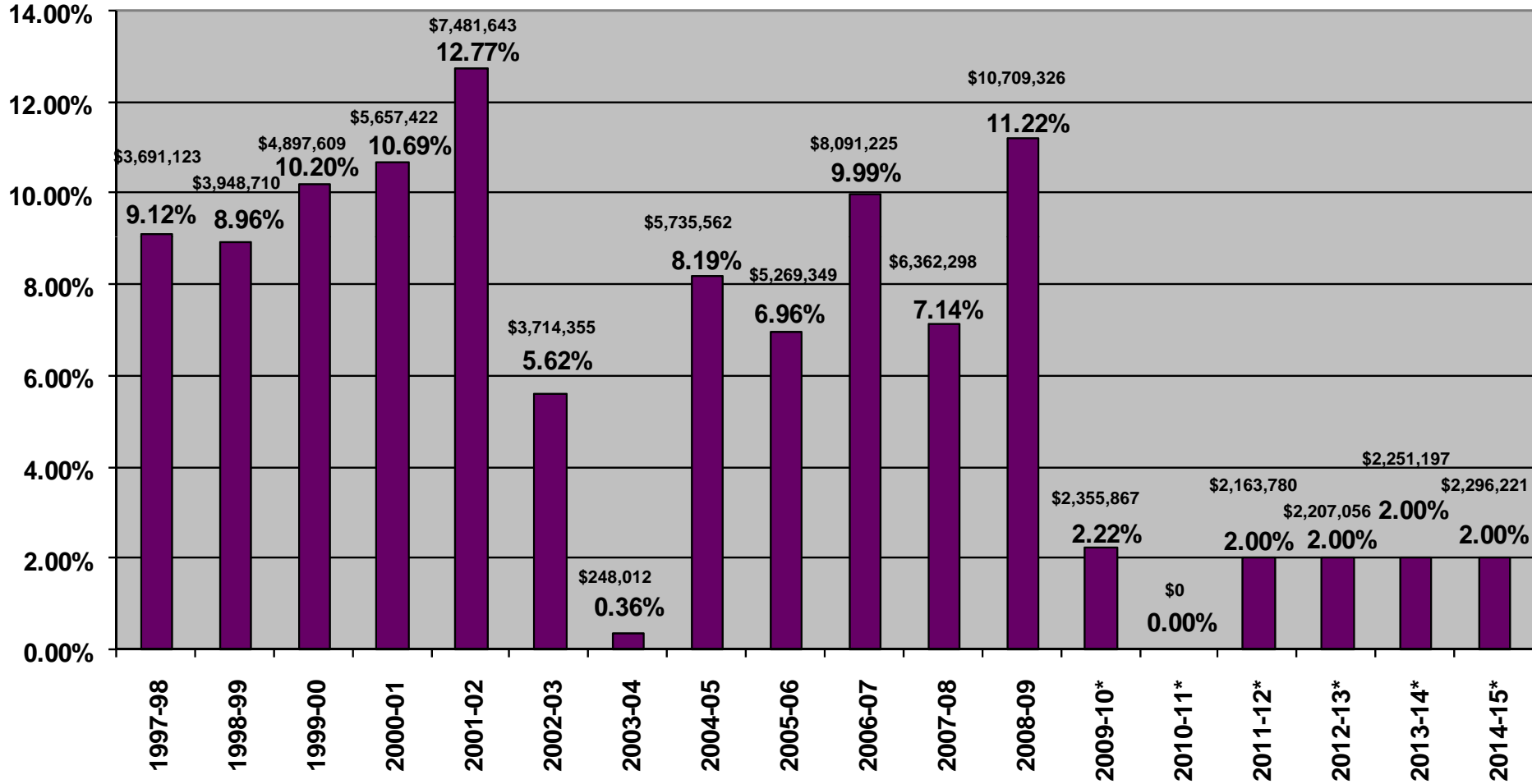
\*3% growth over estimated 2008-09 property tax revenue or 2.6% growth over actual 2008-09 property tax revenue.

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# Property Tax Revenue Per Student

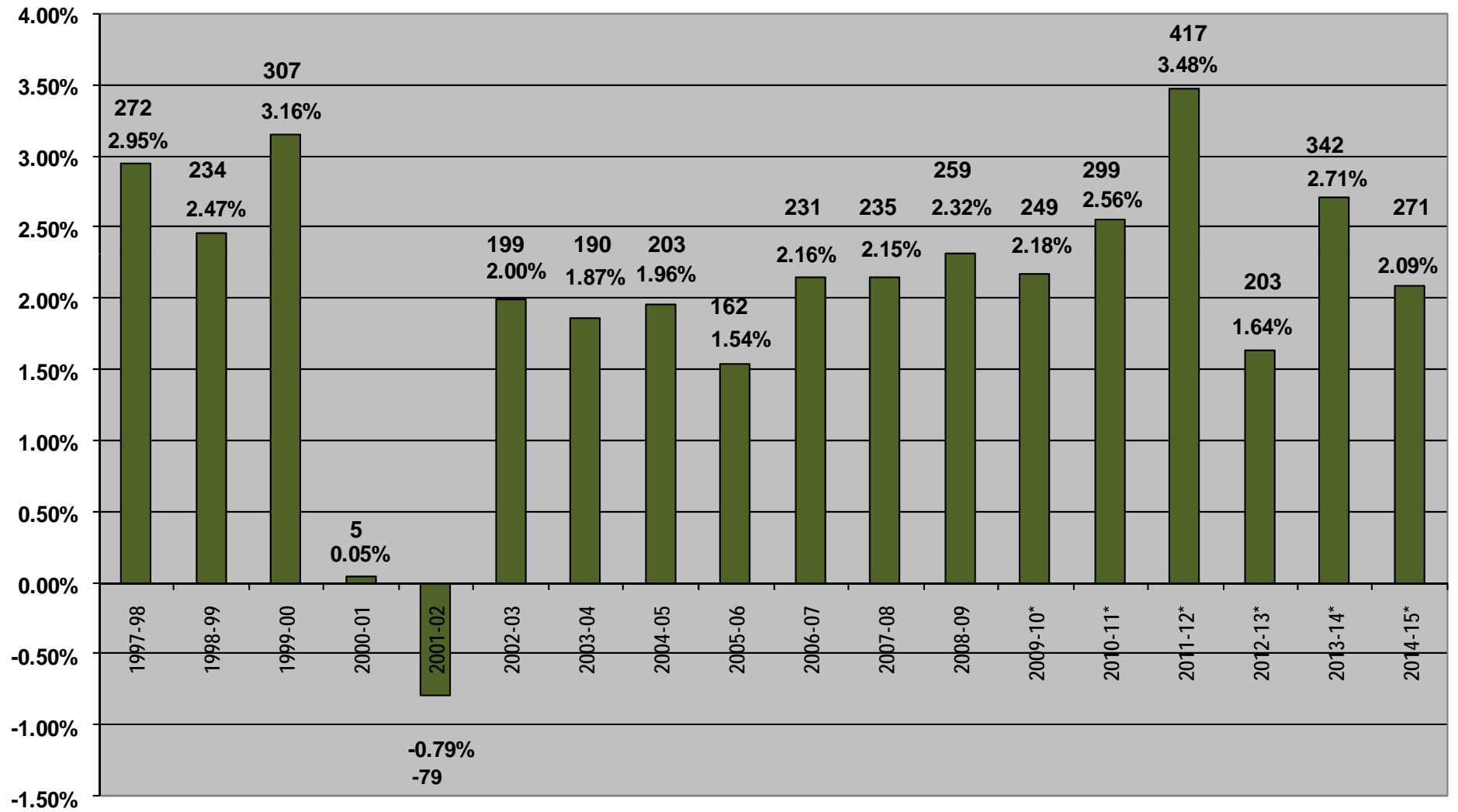
- Basic Aid districts do not get funding for growth
- Enrollment growth reduces the revenue per student

# Change In Property Tax Revenue Amount and Percentage

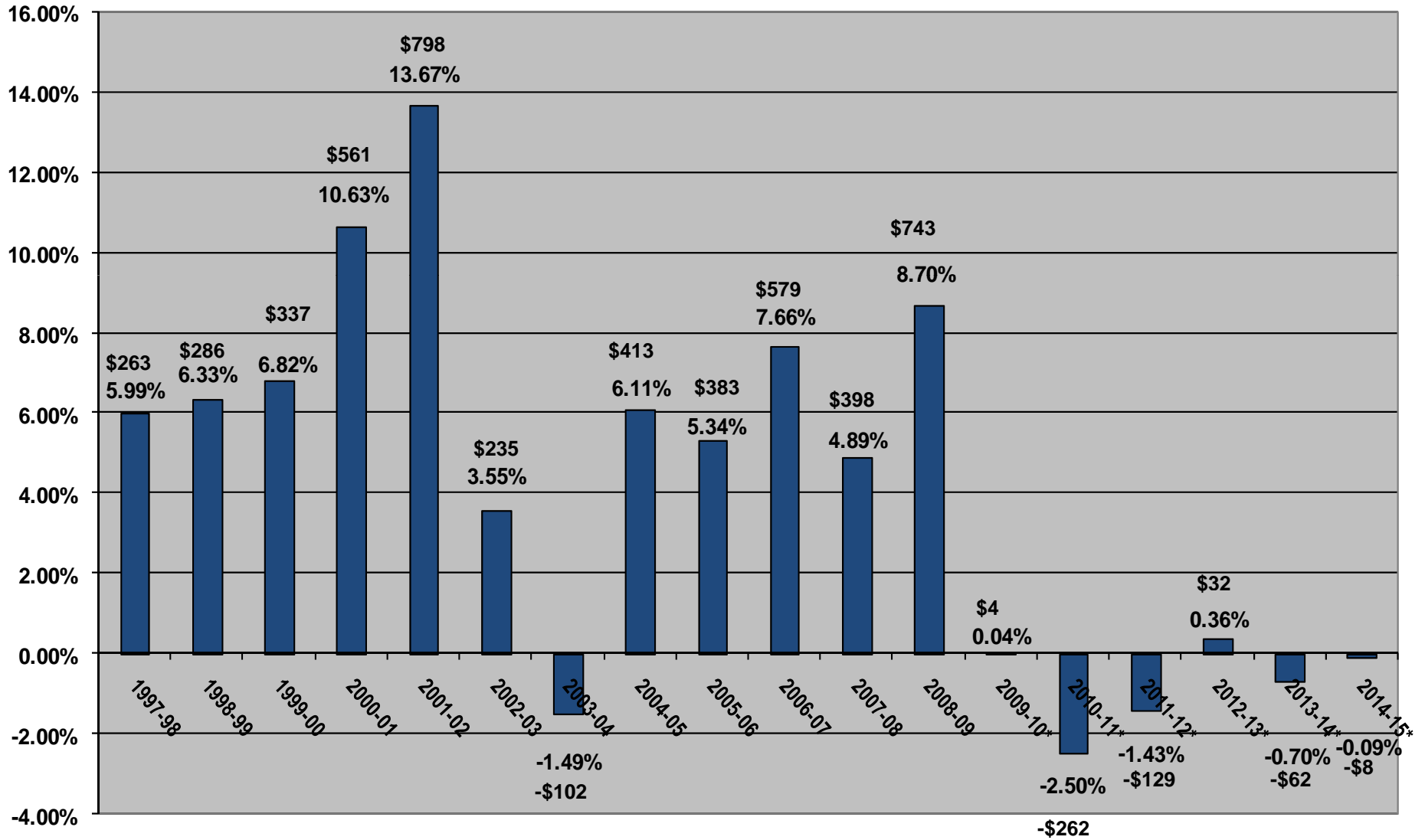


\*Estimate

## Change In Enrollment # of Students and Percentage



## Change In Property Tax Revenue Per Student Amount and Percentage



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# Unknowns/Variables

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