



Palo Alto Unified School District

1

2009-10 September Budget Update

September 8, 2009

2

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 |
| December 2009 | PAUSD Enrollment Projections |
| January 2010 | Release of Governor's Recommended 2010-11 State Budget |
| 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 |

3

2009-10 PAUSD Budget

- Adopted on June 23, 2009
- Two important changes to our financial situation:
 - State Budget
 - Property Tax Revenue

4

State Budget

- “Fair Share” reductions to the basic aid districts
 - 2009-10
 - Reduction to PAUSD
 - \$250/student
 - Total \$2.6 million
 - One-time reduction
 - Solution
 - Federal Stimulus Funding \$1.2 million
 - Categorical Program Sweep \$0.5 million
 - School Safety \$0.4m
 - One-time District Block Grant \$0.1m
 - General Fund Ending Balance \$0.9 million
\$2.6 million
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5

State Budget

- “Fair Share” reductions to the basic aid districts
 - 2010-11
 - Reduction to PAUSD
 - \$406/student
 - Total \$4.4 million
 - Assumed to be ongoing
 - Will create a structural deficit in 2010-11
 - Solution
 - Expenditure reductions/revenue and enhancements to the determined
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6

Property Tax Close Out for 2008-09 (Very Good)

- Final property tax revenue = \$106,194,133
- 11.22% growth over 2007-08
- \$60,931 more than estimate in June

7

Property Tax Current Year 2009-10 (Bad)

- June estimate
 - \$108,887,642
 - 3% growth over estimated 2008-09 on-going revenue base
 - 2.6% growth over total actual 2008-09 revenue
- August estimate
 - \$108,356,030
 - 2.06% growth over 2008-09
 - \$501,612 or 0.47% less than the June budget

8

Property Tax Next Year 2010-11 (Very Bad)

- June projection
 - 3% growth

- August estimate
 - 0% growth
 - Difference of \$3 million
 - Will add to the structural deficit in 2010-11

9

Property Tax Growth

| | 2008-09 Actual | 2009-10 Adopted Budget 6/23/09 | 2009-10 County Estimate 8/26/09 |
|------------------------------|---------------------------|---|--|
| Secured Taxes | 11.32% | 4.38% | 2.25% |
| Unsecured Taxes | 10.53% | -20.00% | -0.35% |
| Homeowners' Exemption | 4.43% | 0.00% | 2.77% |
| <u>TOTAL GROWTH</u> | 11.22% | 2.60% | 2.06% |

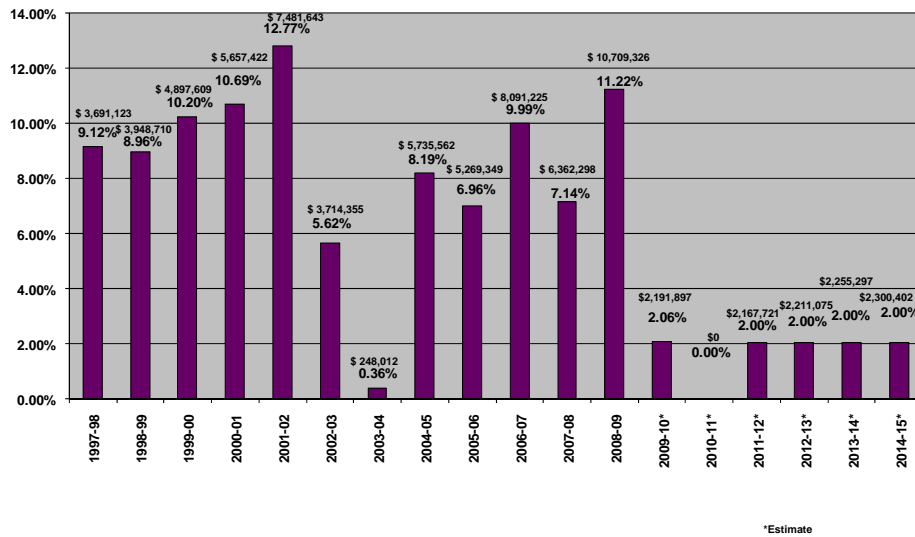
10

Property Tax Revenue Per Student

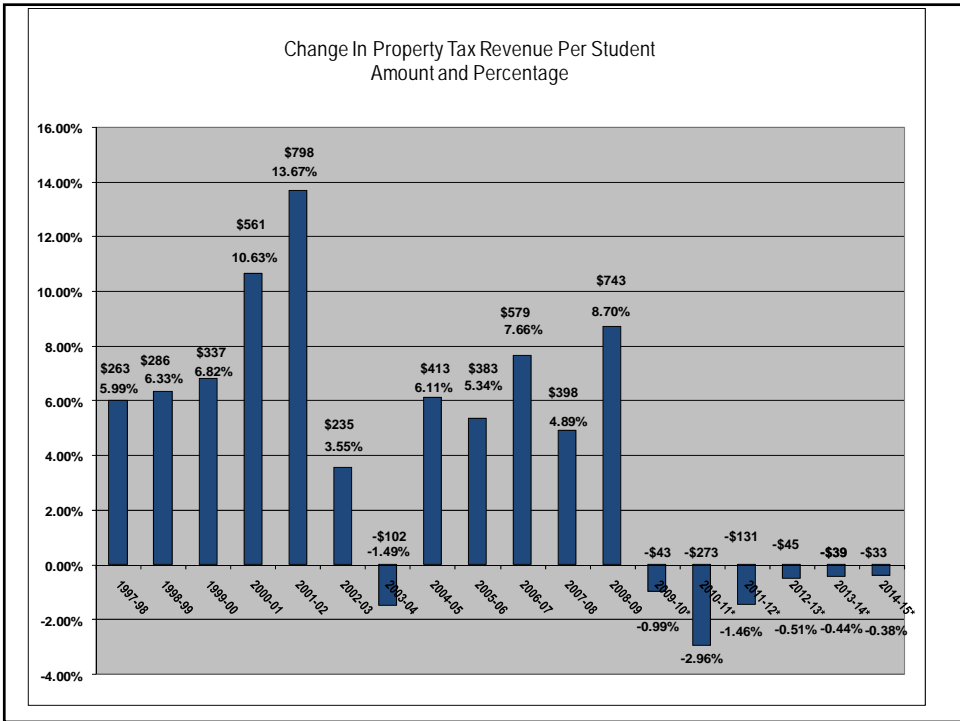
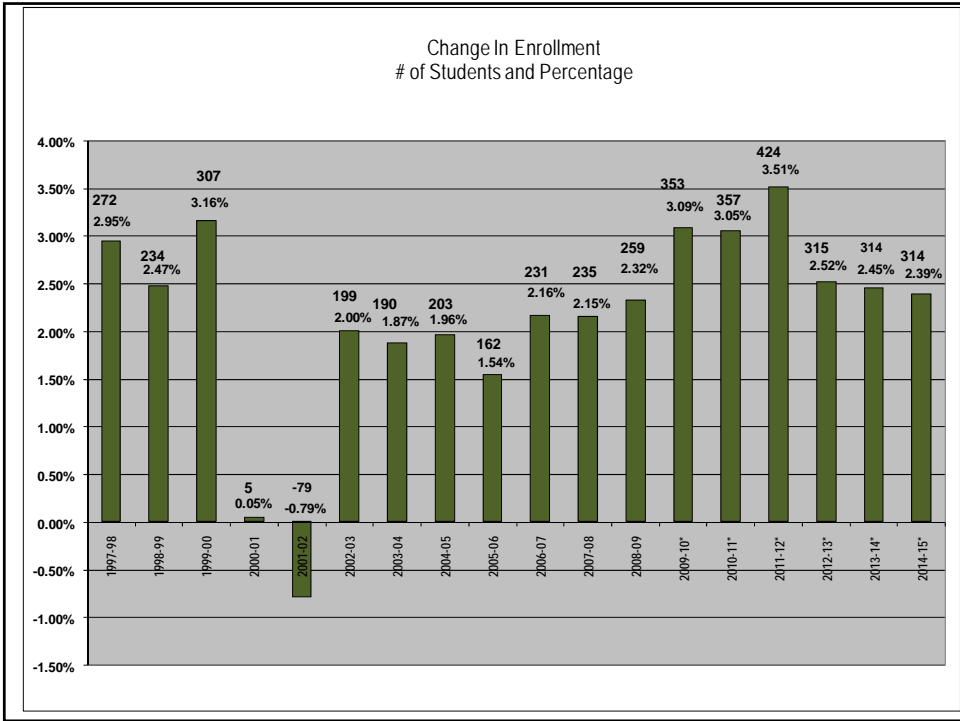
- Basic Aid districts do not get funding for growth
- Enrollment growth reduces the revenue per student

11

Change In Property Tax Revenue
Amount and Percentage



12



Revised 2009-10 budget (Bad)

- In planning for worsening conditions, efforts taken to preserve resources
 - Not hiring additional teachers for enrollment growth at the elementary level
 - Increased K-5 class sizes incrementally
 - Tighter staffing at secondary level
 - Soft hiring freeze
- One-time Fair Share Reduction of \$2.6 million backfilled by last year's ending balance
- Estimated unrestricted undesignated fund balance increases from \$3.2 million to \$5.9 million
 - Increase of \$2.7 million
 - \$1.2 million surplus in June
 - \$1.5 million savings in growth teacher budget
 - Will help soften the budget problems ahead

15

Revised Projection on 2010-11 budget (Very Bad)

- Fair share reduction
- Property tax growth at zero
- Result in a structural budget deficit of \$5.7 million
- Use of the estimated unrestricted undesignated fund balance of \$5.9 million over the next 3 years will reduce the problem to \$3.9 million
- Develop a process to deal with the structural problem in the upcoming months

16

Values to guide the budget balancing process

- Transparency and openness about our challenge
 - Continued support and fidelity to the district's Strategic Plan
 - Participation by all stakeholder groups
 - Understanding of and dedication to what works educationally
 - Optimism about ability to solve problem
 - Long term fiscal health – no gimmicks
 - Avoiding layoffs is a high priority
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