

TO: BOARD OF EDUCATION  
FROM: SANDRA LYON / JANECE MAEZ  
RE: 2012-13 BUDGET UPDATE AND CALENDAR

DISCUSSION  
11/03/11

DISCUSSION ITEM NO. D.02

This item will provide the Board of Education with information regarding the status of the 2011-2012 State budget, the impact of that budget on the financial status of the district and approve the SMMUSD 2012-13 Budget timeline as attached.

Because these are extraordinary economic times and it is difficult to gauge the future, school district budgets should be managed with an eye to the significant downside risk created by the State's ongoing structural deficit. In these times of great economic and budgetary uncertainty, school districts may need reserves that are much greater than the minimum recommended levels. Experts recommend that school districts continue to be cautious and focus on a multi-year strategy when recommending financial decisions and obtaining agreements. Santa Monica-Malibu Unified School District has been fortunate to maintain higher than required reserve levels. As the district closed the books at June 30, 2011, the Unrestricted Fund Balance was in excess of 19.8 million dollars. In the action of accepting the Unaudited Financial Statements of the district, the Board authorized staff to designate and set aside an amount equaling 3.0 million dollars for potential mid-year reductions by the state.

Staff is currently in the process of preparing the district's First Interim Report. That report will include all budget revisions made since the budget adoption in June. The most common adjustments typically include: updated enrollment and revenue projections, changes to expenditures to accommodate increased enrollment, updating of other expenditure items to more closely align to current annual projections, and any new funding sources that may have become available. Using a conservative approach, staff will incorporate the potential mid-year reductions expected to be finalized by the State in December. The most current estimate for that reduction is \$3,253,552. Early calculations of a multi-year budget show the district with sufficient reserves to maintain programs by using our reserve balance.

Although the district will most likely not face a budget "crisis" in the current year, the district has a structural deficit that needs to be addressed. The district is spending between 3.0 and 5.0 million dollars more than it receives each year. For the 2011-12 fiscal year, that number grows to over 8.0 million due to the likelihood of mid-year reductions. The fact that the State's economy is not improving quickly means more stress on a difficult state budgeting process. Not many will be surprised if what is now characterized as one-time mid-year reductions may continue into the budget year. Should that happen the district's structural deficit will be closer to the 8.0 million dollar number.

The large reserves currently held by the District will not sustain us long. Therefore, the district must begin to address something between a 3.0 to 8.0 million dollar change in either revenue or expenditures to be viable in the long run.

The district receives substantial support from our local communities. Parcel taxes, bond proceeds, local sales taxes, parent contributions, our Education Foundation, and Cities support contribute significant amounts on an annual basis. District staff maximizes opportunities for grant funding whenever possible and utilizes all flexibility provided by the state to ensure that the funds we do receive are used where needed. The Board has reviewed and analyzed the budget allocations and made reductions over the past several years. Even with all of those efforts additional work is necessary.

Staff has outlined on the attached timeline key dates when that continued effort might take place. The schedule (includes Board of Education meetings between now and the end of the fiscal year) suggests at least two Board Budget Workshops, opportunities for community sessions, and time when the Board can hear from the Financial Oversight Committee. We will begin the journey to a balanced budget at the November 17<sup>th</sup> Board meeting with a current look at district revenue sources and expenditure categories.

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*Ms. Maez explained how the “trigger” language of the state budget might impact the district. She indicated that the district may have revenues of over \$3.2 million reduced if the full amount is triggered. She also indicated that the board had designated \$3.0 million of the fund balance to cover that potential when the Unaudited Actuals of the district were approved in September this year. She walked through the timeline (attached) for the budget preparation. Mr. de la Torre wondered if workshops could be held to educate the public on the budget. Ms. Maez said that was a good idea and was the intent of the community meetings held by pathway a couple years ago. She said that this year, the community workshops would be held sometime in February.*

## Budget Timeline for 2012-13

- November 3, 2011
  - BOE Meeting
  - Initial Budget Calendar
  
- November 17, 2011
  - BOE Meeting
  - District Revenue Sources
  - District Expenditure Categories
  
- December 15, 2011
  - BOE Meeting
  - 2011-12 First Interim
  - 2012-13 Budget and Multi-Year Projections
  
- January 2012
  - Governor presents State Budget
  
- January 2012
  - School Services of California State Budget Workshop
  
- January 19, 2012
  - BOE Meeting
  - Budget Update – Discussion/Possible Action
  
- January 2012
  - Board Budget Workshop
  
- February 2, 2012
  - BOE Meeting
  - Budget Update – Discussion/Possible Action
  - Permit Policy
  - Enrollment Projections
  - Certificated FTE projections for 2012-13
  
- February 2012
  - Board Budget Workshop
    - Joint Meeting with FOC
  
- February 2012
  - Pathway Budget Meetings

- February 16, 2012
  - BOE Meeting
  - Budget Update – Discussion/Possible Action
  
- March 1, 2012
  - BOE Meeting
  - Budget Update – Discussion/Possible Action
  - Certificated Non-Reelects
  - Certificated Layoffs
  - Release all temps
  
- March 15, 2012
  - BOE Meeting
  - 2011-12 Second Interim
  - Budget Update – Discussion/Possible Action
  
- April 2 –13, 2012
  - Spring Break
  
- April 19, 2012
  - BOE Meeting
  - Budget Update – Discussion/Possible Action
  
- May 3, 2012
  - BOE Meeting
  - Budget Update – Discussion/Possible Action
  
- May 17, 2012
  - BOE Meeting
  - Budget Update – Discussion/Possible Action
  
- June 7, 2012
  - BOE Meeting
  - Preliminary Budget Discussion
  
- June 27, 2012
  - BOE Meeting
  - Budget Adoption