

Alum Rock Union Elementary School District

February 14, 2013

Presented by

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Superintendent



Overview

- **District's Financial Status**
- **Brief History of State's Funding Levels to Alum Rock UESD**
- **Other Factors – Declining Enrollment**
- **Impact of the Passage of Proposition 30**
- **Multiyear Projections**
- **Financial Recovery Plan/Timeline**
- **Next Steps**

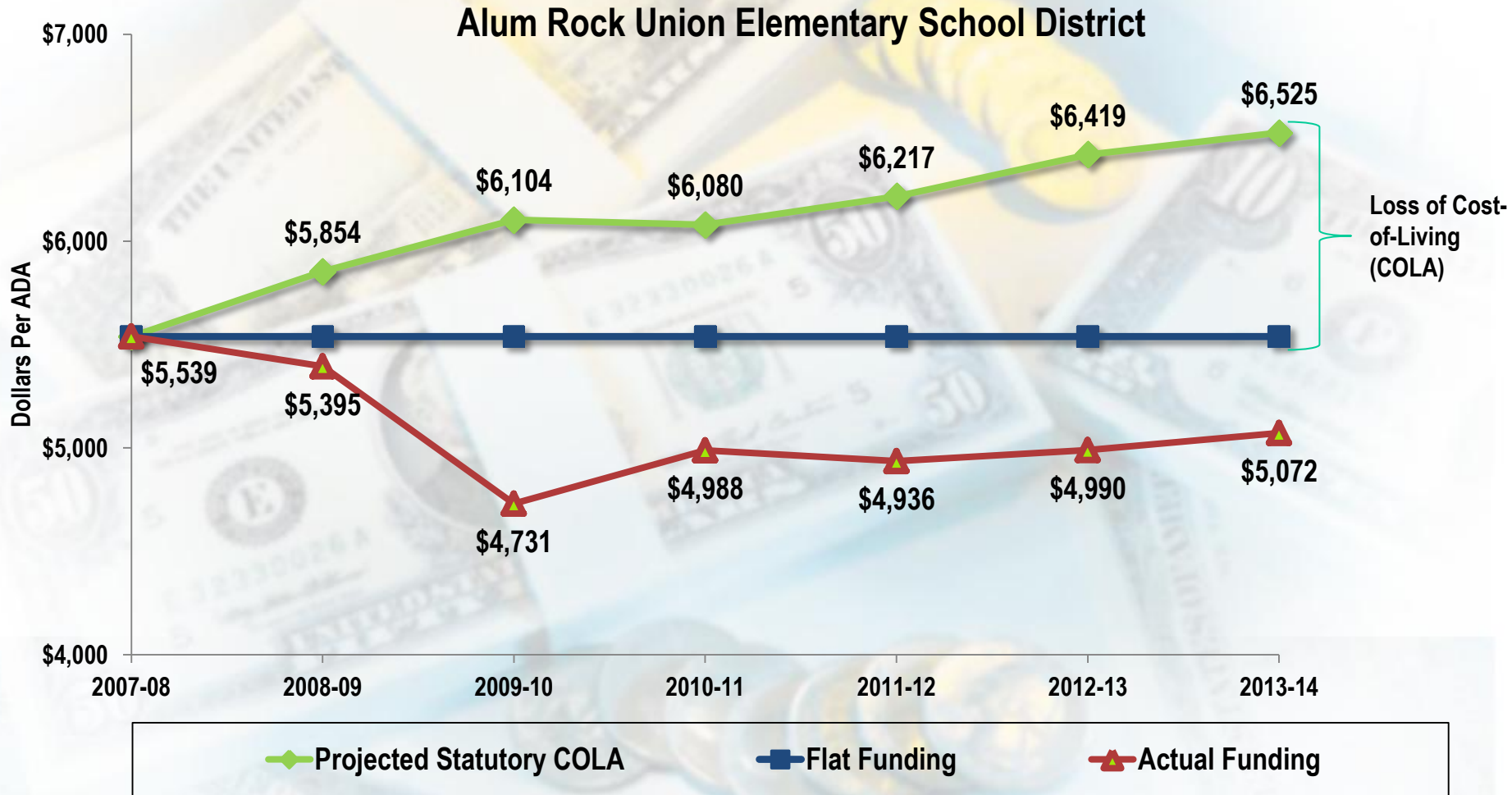
District's Financial Status

- **We have an ongoing structural deficit and must take swift action to eliminate the deficit**
- **What's the definition of a "structural deficit?"**
 - **Structural deficit means we spend more than we receive in revenue on a yearly basis**
- **What's the main reason for the problem?**
 - **We rely on the State of California for funding**
 - **The State has cut funding to all school districts as a result of the recession**

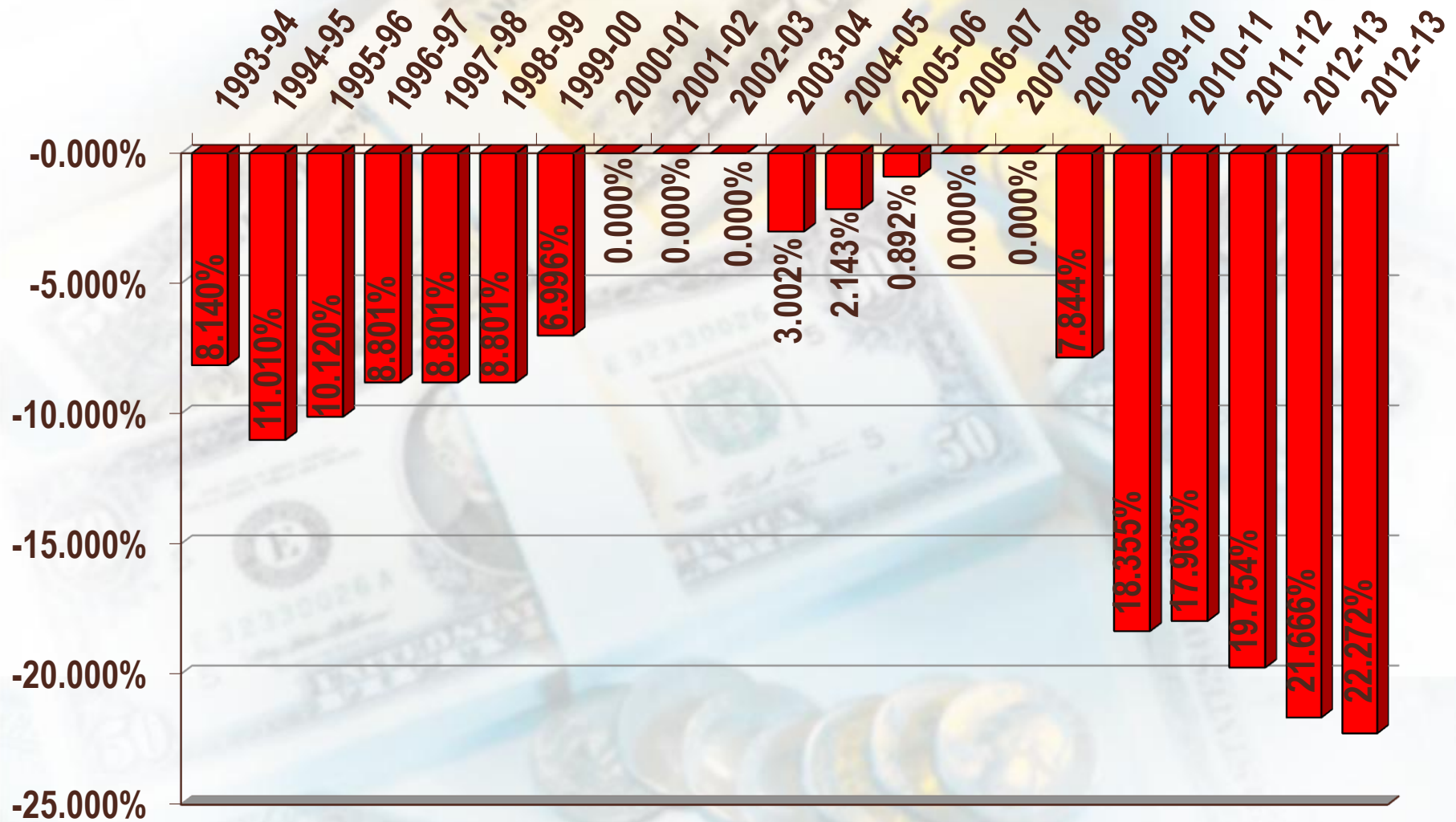
District's Financial Status

- There are three types of budget certifications a school district can have
 - **Positive:** the District will meet its financial obligations for the current year and the next two years
 - **Qualified:** the District may not meet its financial obligations for the current fiscal year or two subsequent fiscal years
 - **Negative:** the District will be unable to meet its financial obligations for the remainder of the current fiscal year or for the subsequent fiscal year
- We certified our status as Qualified; however, based on current projections, we are technically **Negative**
- Our goal is to adopt a Fiscal Recovery Plan to have a Positive certification while focusing on the needs of our students and our vision

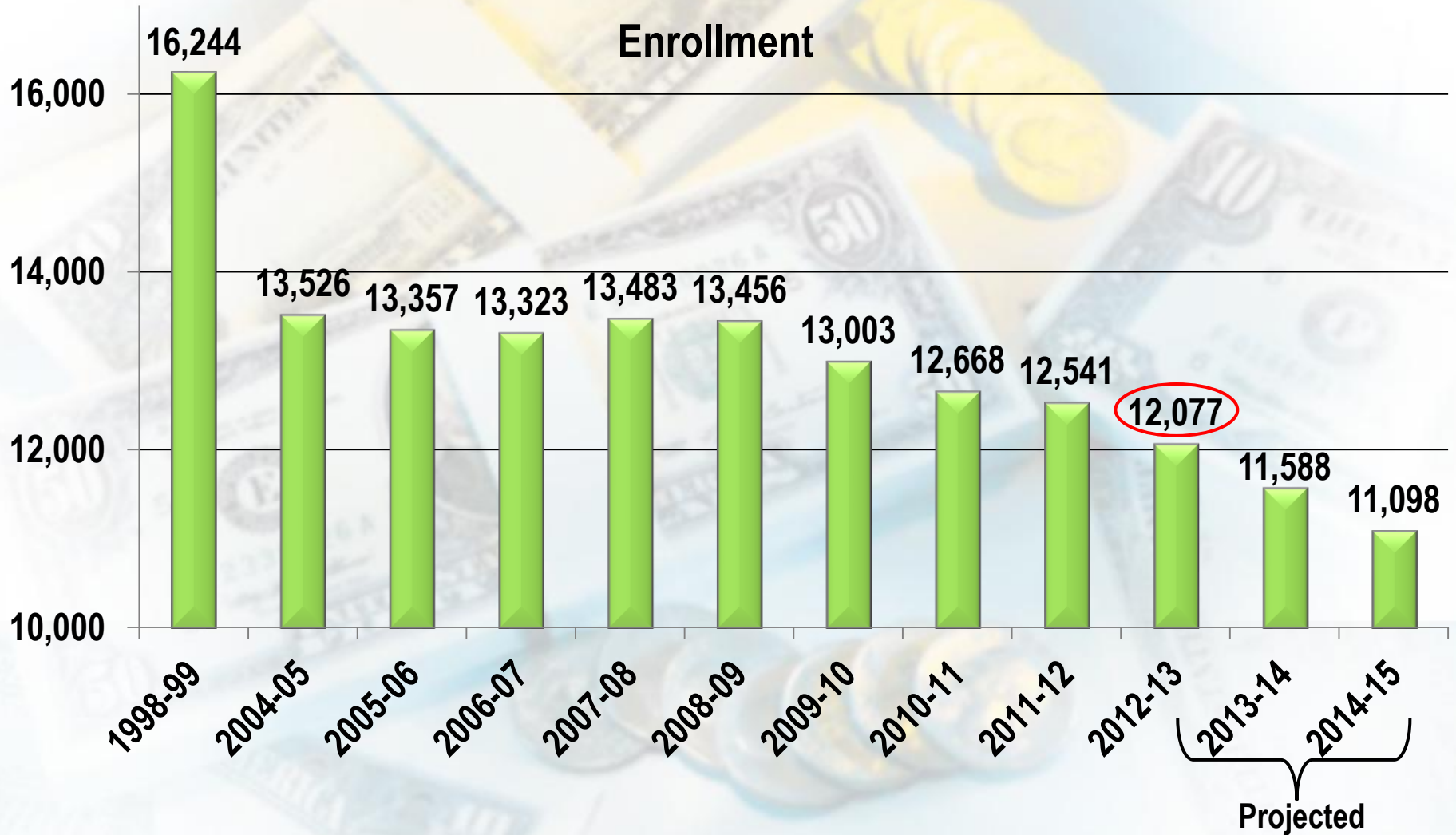
Funding Per ADA – Actual vs. Statutory Level



Revenue Limit Deficit Factors



Declining Enrollment



Impact of the Passage of Proposition 30

- Proposition 30 was a tax measure initiative on the November 2012 ballot
- The passage of Proposition 30 was very important to school districts because if the voters didn't approve it, school districts would take another cut to their funding
 - For Alum Rock UESD it would have meant a \$421/ADA reduction
 - Failure of Proposition 30 would have reduced our revenue by another \$5 million!
- Proposition 30 didn't provide more money to school districts
 - *It saved us from another reduction*
 - *But, it didn't correct our ongoing structural deficit*

Expenditure Characteristics to Date

- **Maintained K-3 Class-Size Reduction at 20:1**
- **Maintained instructional year – 180 days**
- **Maintained compensation (i.e., no furlough days, salary rollbacks, etc.)**
- **Reduced staffing for declining enrollment through attrition**
- **Reduced management positions at the District Office**
- **Increased District-paid premium for health and welfare benefits in 2012-13**

2012-13 and Beyond



Multiyear Projections

- **By the early 1990s, a number of school districts had experienced serious financial problems**
 - **Default on financial obligations**
 - **Short on cash**
 - **Required state bailout loan**
- **As a result, two significant bills were signed into law**
 - **Assembly Bill 1200 (Chapter 1213/1991)**
 - **AB 2756 (Chapter 52/2004)**
- **Districts are required to prepare multiyear projections for the current year and two subsequent years as a result of Assembly Bills 1200/2756**

Multiyear Projections – 2012-13 First Interim Report with Additional Year Projected

2012-13	2013-14	2014-15	2015-16
<p>\$3,200,000</p> <p>REU</p> <p>\$9,598,756</p> <p>Projected Fund Balance</p>	<p>\$3,200,000</p> <p>REU</p> <p>\$398,032</p> <p>Projected Fund Balance</p>	<p>\$3,200,000</p> <p>REU</p> <p>Projected Fund Balance</p> <p>(\$11,494,349)</p>	<p>\$3,200,000</p> <p>REU</p> <p>Projected Fund Balance</p> <p>(\$23,386,730)</p>

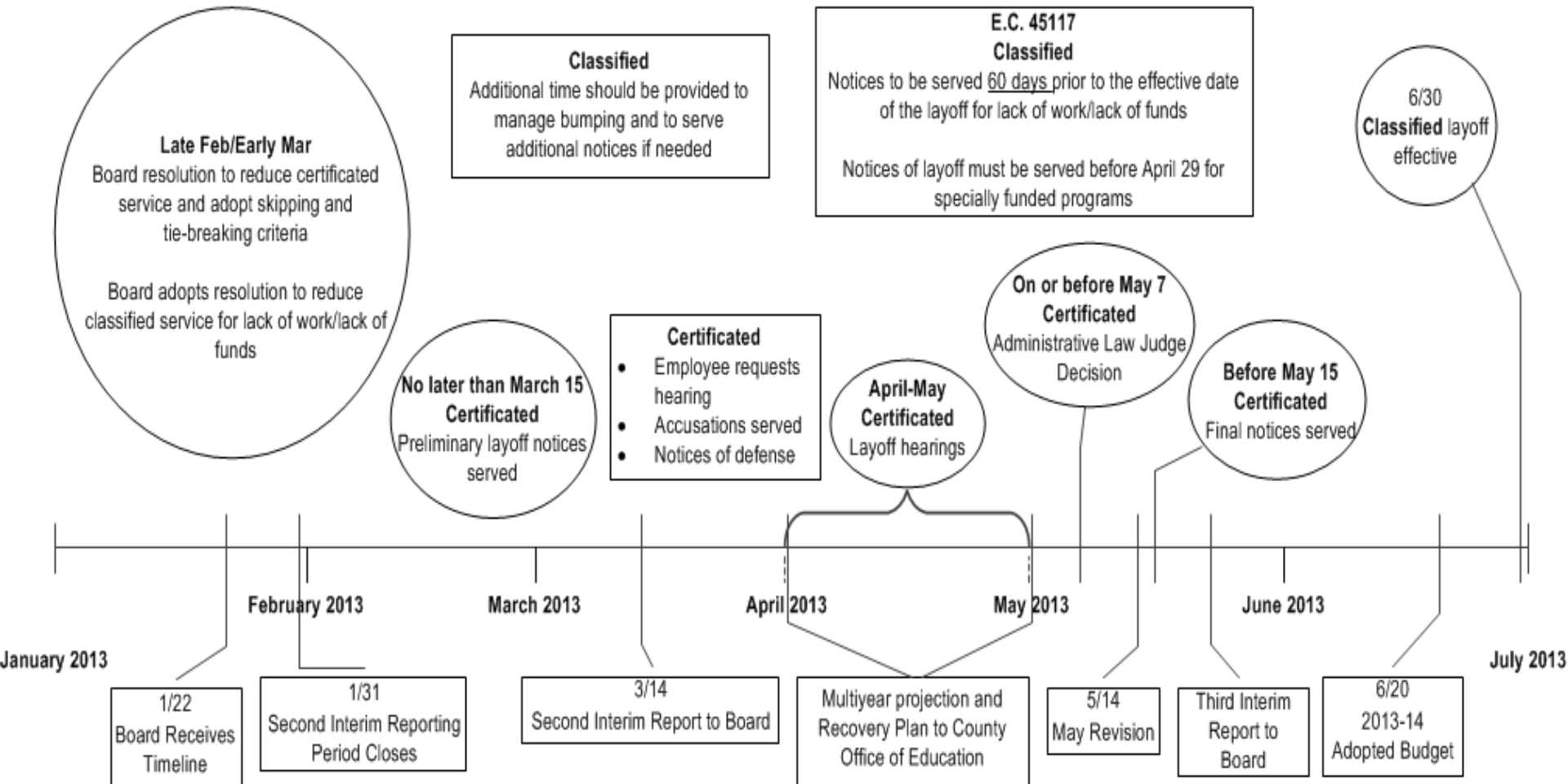
REU = Reserve of Economic Uncertainties

District Contingencies Recommended for Consideration

- **Class size**
- **Furlough days**
- **School consolidations**
- **Staffing reductions in addition to declining enrollment attrition**
- **Parcel tax**
- **Lease revenues**
- **Other**

Recovery Plan Timeline

Alum Rock Union Elementary School District Recovery Plan Timeline



Recovery Plan Timeline – Key Events

- **Community Outreach** (February-April)
 - Cluster budget presentations/Input sessions
- **Board of Trustees study sessions**
- **School consolidation planning and outreach**
- **Layoff actions to insure the District is positioned to implement Fiscal Recovery Plan ongoing structural deficit**
- **Board action to address ongoing structural deficit and adoption of Fiscal Recovery Plan** (April 2013)
- **Fiscal Recovery Plan to County Office of Education** (April 2013)
- **Fiscal Recovery Plan implementation begins**

Next Steps

- **Reduce current-year expenditures immediately**
- **Target reduction \$8-\$10 million in 2013-14 and ongoing**
- **Inform stakeholders about the financial issues in the District**
- **Receive stakeholder input**
- **Work closely with all bargaining units**
- **Take action on Superintendent's recommendations to correct the District's structural deficit**
- **Update the County Office of Education on actions and progress of fiscal stabilization**

Questions?

