

## **INTRODUCTION**

The District's Adopted Budget is being presented to the Alameda County Office of Education with a positive certification that indicates that the District will be able to meet its financial obligations in the current and subsequent two fiscal years. The report demonstrates that the District will meet the 3% reserve required by the State of California for Fiscal Year 2010-2011. The State of California requires the all Districts reserve 3% of their total expenditures (including transfers out) for economic uncertainties.

The Governor's proposed January Budget for Fiscal Year 2010-2011, included substantial cuts to school districts in the Unrestricted General Fund. Additionally, the District had to cover increased costs in step and column and respective health benefits for certificated and classified salaries, and cost of inflation. The budget reductions and increased costs resulted in budget reduction target of \$3.1 million for Fiscal Year 2010-2011.

The Governor's May Revision contained both good and bad news for schools. The level of cuts to schools remained the same as the January proposed budget. The required cut targeted to administration was removed from the proposed January Budget. However, the May Revision included cuts to Proposition 98 for childcare programs. The Governor's budget proposes making nearly \$1.5 billion in cuts to childcare programs, of which \$1.2 billion is attributable to eliminating State funding for need-based, subsidized childcare. State preschool programs are exempt and would continue to receive funding under Proposition 98. However, depending upon the type of programs operated, cuts in this area could affect programs that are offered.

The District took steps to address the State budget reductions and maintain a positive certification for Fiscal Year 2010-2011. Budget cuts, revenue projections and flexibility options in the amount of \$3.19 million are being proposed to the Board on June 9, 2010 that include use of \$690,000 in on-going revenue generated by increased ADA, \$372,600 in staffing reductions, \$265,000 in rental savings, \$806,000 in flexibility transfers and \$1,062,400 in other non-salary reductions. The Governor's budget flexibility options (SBX43) allows the use of restricted State revenue for unrestricted educational purposes. The proposed reductions include the use of flexibility options of \$478,000 from various programs and \$328,600 from Adult Education for a total of \$806,600. Therefore, the Adult Education program offered to students for Fiscal Year 2010-2011 will be reduced.

As a reminder, the District is continuing its use of Federal stimulus funding (ARRA) of \$.8 million to reduce the projected increased costs to Special Education, \$.3 million for supplemental programs under Title I, and \$2.3 million to prevent layoffs of employees. The balance of these funds will be fully used in Fiscal Year 2010-2011. Therefore, \$3.4 million in budget reductions or additional revenue will be needed for Fiscal Year 2011-2012.

### **Structural Deficit**

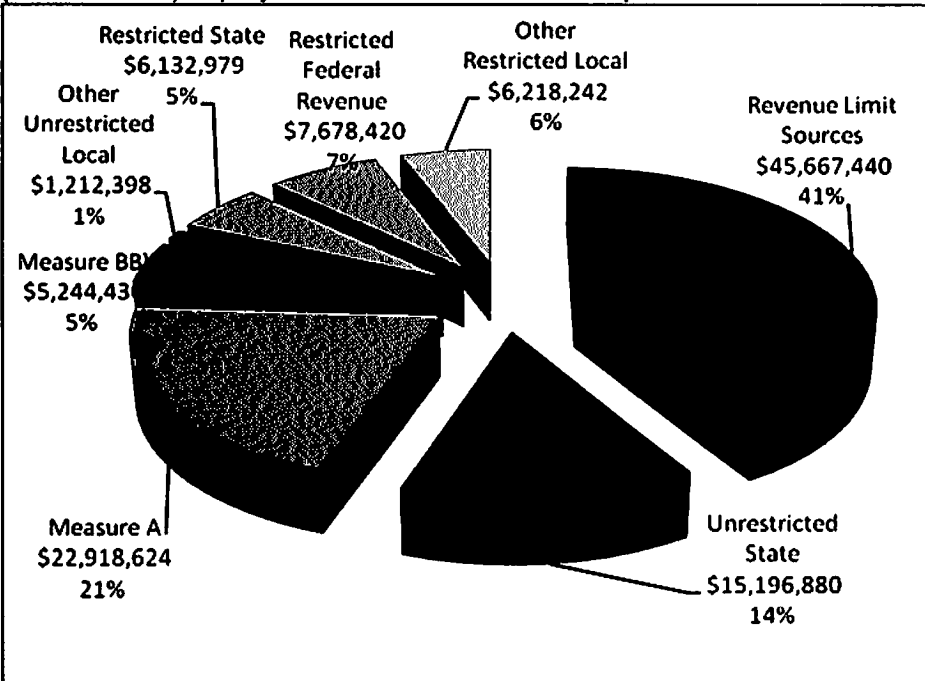
The District is deficit spending in the Unrestricted General Fund (01) including the Parcel Tax Funds (Funds 02-08) in the amount of \$2.5 million. There is planned deficit spending of \$1.4 million in the parcel tax funds 02-08 to expend reserves needed for Fiscal Year 2010-2011. The balance of \$1.1 million is deficit spending in the Unrestricted General Fund 01. Although the District is deficit spending in the Unrestricted General Fund 01 by \$1.1 million, the structural (on-going) deficit is \$673,000. After adjusting for one-time revenue for revenue received for the after-school program of \$242,000, one-time expenditures to expend carryover of \$131,000, one-time expenditures for funding budget reductions one more year of \$235,000 and a one-time contribution to Child Development fund of \$307,000, the structural deficit remains at \$673,000. The District has enough one-time reserves in fiscal year 2010-2011 to cover this deficit.

What contributed to the structural deficit in the Unrestricted Fund 01? Some factors are that the budget cut target for Fiscal Year 2010-2011 did not include structural deficit carried forward from Fiscal Year 2009-2010 of \$230,000, the impact on indirect costs from Child Development fund reductions of \$248,000 and reduction in State class size reduction funds of \$125,000 and an employee that could no longer be funded in ARRA funds due to increased salary cost due to step and column and employee benefits. If Child Development funds are not cut by the State then the indirect costs of \$248,000 will be restored in the budget and the structural deficit would then be \$425,000. The balance of the structural deficit of \$425,000 must be addressed in 2011-2012 Fiscal Year along with the \$3.4 million budget gap that will exist after ARRA stimulus funds are fully expended and any new budget reductions that may be made at the State level, if any.

# COMBINED GENERAL FUND

## Revenues

Revenues projected in the combined General Fund for Fiscal Year 2010-11 total \$110.2 million. Revenue limit funding is projected at \$45.6 million or 41% of all 2010-11 combined General Fund dollars. This funding has been reduced by \$6.6 million or 10% since Fiscal Year 2007-2008. Restricted revenue is \$24.4 million or 18% of the total. Local Parcel Tax (Measure A) revenue is projected at \$22.7 million and represents 21% of the total. Local Parcel Tax (Measure BB) is projected at \$5.5 million and represents 5% of the total.



## Revenue Limit Funding

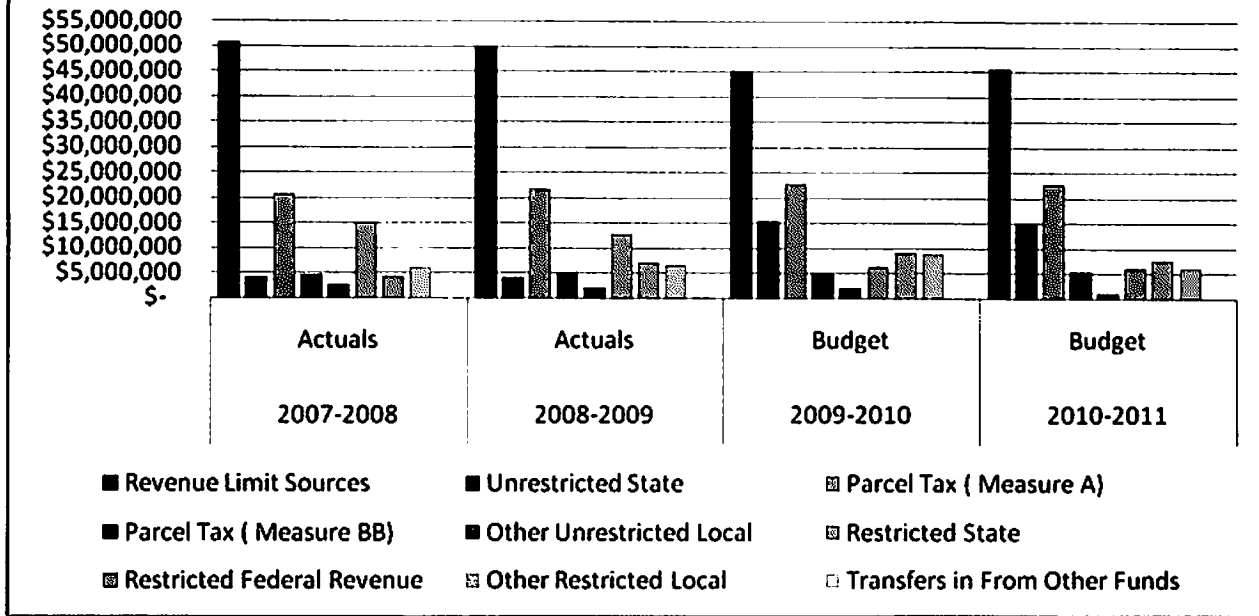
The District receives the majority of its revenue based on attendance multiplied by an amount determined by the State of California called the Revenue Limit. The Revenue Limit calculation also includes other supplemental revenues in addition to revenues based on attendance. The base revenue limit (BRL) amount

received per ADA for the 2010-11 year for Berkeley Unified was \$6,551.83, a negative .39% decrease from the prior year's rate of \$6,576.83. However, due to State budget reductions, two deficit factors are applied to the revenue limit which only gives the District 90.785% of the total calculated revenue limit amount and another deficit factor of 89.649 % of the deficated revenue limit.

This table reflects the District's prior and current year enrollment and ADA. The District's enrollment is steady and has been increasing slightly. The District's enrollment increased by 190 in Fiscal Year 2009-2010 and is projected to increase by another 66 students in 2010-2011. The District's attendance improved by 235 ADA in Fiscal Year 2009-2010 and is budgeted to improve by another 62 ADA due to projected increase in enrollment.

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-2009</u>	<u>2009-10</u>	<u>2010-11</u> <u>Projected</u> <u>Enrollment</u>
CBEDS Enrollment/October	9,088	9,105	9118	9308	9374
Change in Enrollment	12	17	13	190	66
Second Period (P-2) ADA	8,222.67	8,413.44	8,456.35	8,692.81	8,756.95
Annual ADA	8,188.37	8,194.5	8,424.00	8,454.46	8,660.58
Revenue Limit ADA	8,281.08	8,412.84	8,457.06	8,691.99	8,754.45
ADA Percentage of Enrollment	90.5%	92.4%	92.8%	93.4%	93.4%

## Combined General Fund Revenue Comparative



### Revenue Limit

Revenue limit funding is \$45.6 million in 2010-11. This funding has been reduced by \$6.6 million or 13% since Fiscal Year 2007-2008. However, due to increase in ADA in this funding only reflects a 10% reduction since Fiscal Year 2007-2008.

### Federal Revenues

Federal revenue is \$7.6 million dollars in 2010-11. 60% of the district's Federal revenues come from No Child Left Behind (NCLB) and 32% from Special Education funding. Federal revenues increased by \$3.3 million since Fiscal Year 2007-2008 primarily due to receipt of ARRA stabilization funds..

### State Revenues

State revenue from combined restricted and unrestricted State sources is \$21.3 million. \$15.2 million of the funding received from State resources is unrestricted and \$6.1 million is restricted. Unrestricted funds now include \$10.9 in SBX43 flexibility funds programs (including adult education) that used to be restricted, \$1.2 million in lottery funds, \$2.6 million in K-3 Class Size Reduction (CSR) funds and \$367,000 million in supplemental hourly program funding and \$.1 million in other State unrestricted revenue. Restricted State revenue now only includes \$.7 million in home-to-School transportation, \$.7 million in economic impact aide, \$.2 million in Special Education transportation, \$1.8 million in after-school education and safety, \$1.6 million in California Nutrition Network and \$.9 million in other restricted State revenue.

### Local Parcel Taxes

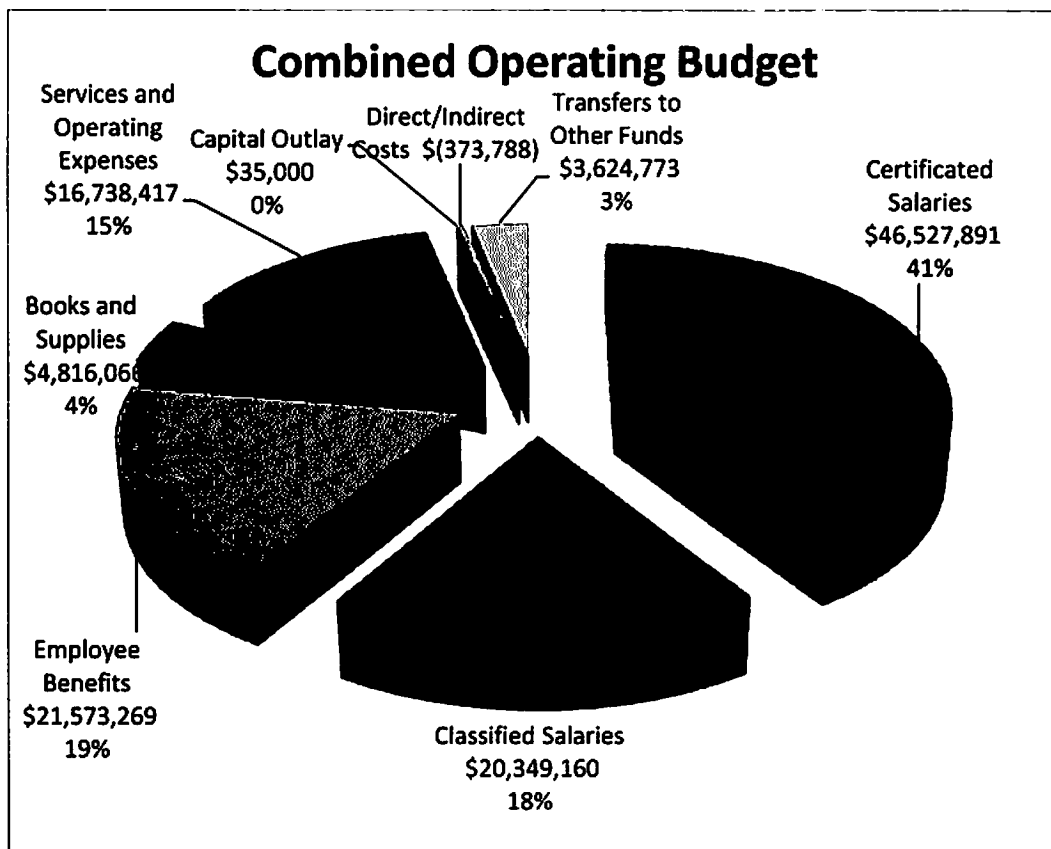
Local parcel taxes represent 26% of the combined General Fund revenues. Parcel tax revenue from BSEP/Measure A is \$22.7 million and is budgeted about the same as the prior year. There was no cost-of-living adjustment (COLA) for 2010-2011 due to the fact that the State COLA was a negative .39%. Of the BSEP revenue, 66% is designated for class size reduction; 10.25% is designated for school enrichment programs; 6.25% for visual and performing arts programs; 7.25% for school libraries; 1.25% for parent outreach and translation services and 9% for professional development, educational program evaluation, and technology for schools. Parcel tax revenue from Measure BB is \$5.5 million and increased by 4.25% over prior year, primarily due to an allowable COLA increase and late receipt of some prior year tax collections. These funds are used for school building maintenance and security.

## Other Local Revenues

Other combined local revenues for 2009-10 totaled \$7.2 million. Unrestricted local revenues are projected at \$1 million and includes interest earnings, leases and rental revenue, and interest earned on the District's tax revenue anticipation note (TRANS). Restricted local revenues is projected at \$6.2 million and includes parent fees for after school programs, Special Education revenues received from local SELPA, local donations and grant funds.

## Expenditures

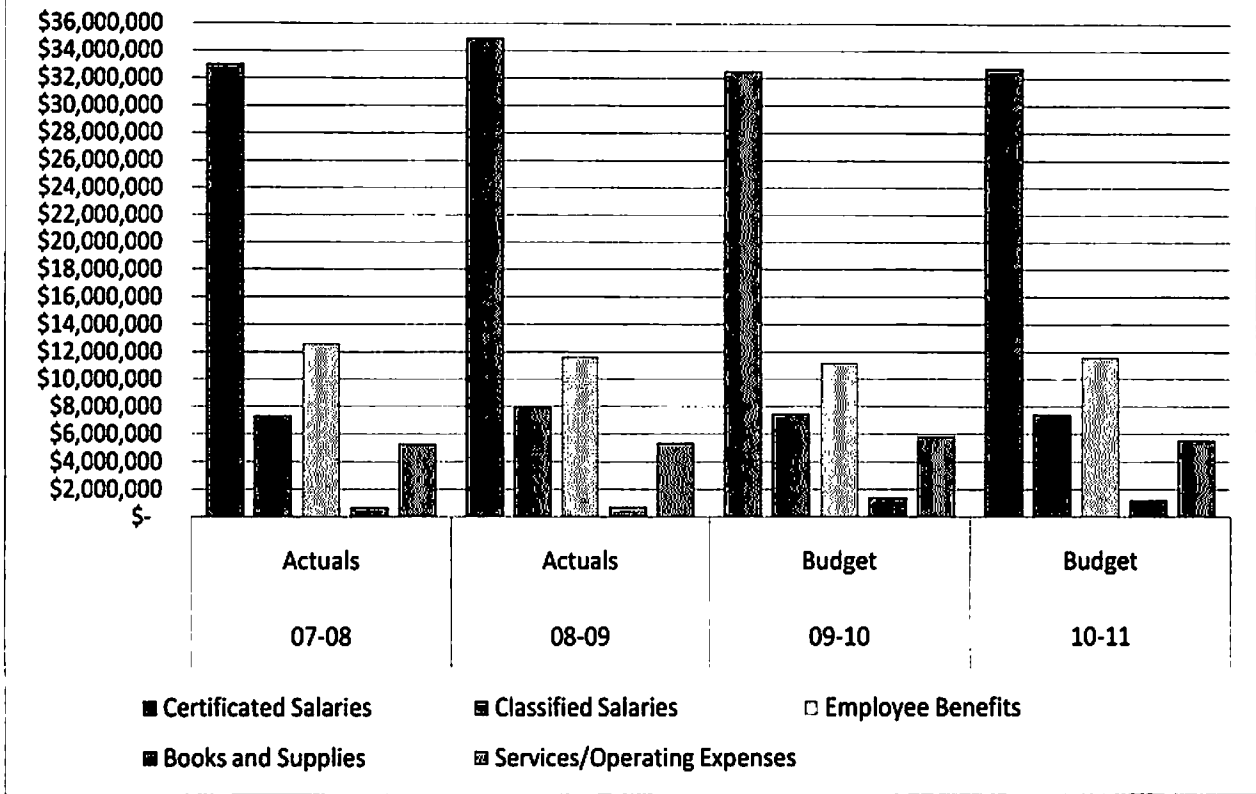
The Combined General Fund includes expenditures for the unrestricted and restricted State, Federal and local funds. Combined General Fund expenditures for the 2010-11 Fiscal Year is \$113.2 million. Unrestricted General Fund expenditures (Fund 01) are \$58.9 million or 51% of the combined General Fund expenditures.



## Salaries and Benefits

Salaries and benefits total \$88.3 million and are 81% of all combined General Fund expenses. Unrestricted General Fund (01) salaries and benefits are \$51.8 million or 86% of unrestricted expenditures. General Fund 01's year to year expenditure comparative which represents the District's Unrestricted General Fund only is shown on the next page. Certificated teacher salaries increased by \$288,000 plus benefits from Fiscal Year 2009-2010 due to increased teachers staffing to support enrollment growth. Certificated administrative salaries decreased by \$128,590 primarily due to staff reductions. Classified salaries decreased due to budget reductions. Employee benefits increased in 2009-2010 due increase in employer paid premiums for classified staff, increase in certificated teacher staff positions and increase in unemployment costs.

## Unrestricted Fund 01 Comparative



### Salaries and Benefits

Salaries and benefits total \$88.3 million and are 81% of all combined General Fund expenses. Unrestricted General Fund (01) salaries and benefits are \$51.8 million or 86% of unrestricted expenditures. Certificated teacher salaries increased by \$288,000 plus benefits from Fiscal Year 2009-2010 due to increased teachers staffing to support enrollment growth. This increase would have been higher; however, 6.4 FTE teachers for expanded course offerings were transferred to BSEP Fund (04). Certificated administrative salaries decreased by \$128,590 primarily due to staff reductions. Classified salaries decreased due to budget reductions. Employee benefits increased in 2009-2010 due increase in employer paid premiums for classified staff, increase in certificated teacher staff positions and increase in unemployment costs.

### Books and Supplies

Unrestricted General Fund expenditures for books and supplies total \$1.2 million and the combined General Fund expenditures for books and supplies total \$4.8 million. Books and supplies cost decreased by .2 million over prior year for the Unrestricted General Fund due to budget reductions.

### Services and Other Operating Expenses

Unrestricted General Fund expenditures for services and other operating expenses total \$5.6 million and the combined General Fund expenditures for services and other operating expenses total \$16.7 million. Services and other operating cost decreased by \$.3 million over the prior year due to budget reductions.

## **Capital Outlay**

Expenditures in the combined General Fund total \$35,000 for capital outlay in the 2010-11 Fiscal Year. This is a 84% decline from 2008-09 due primarily to use of these funds for one-time costs in prior year that are not budgeted in the current year.

## **Transfers to other funds**

The combined General Fund budget shows a \$3.6 million transfer to other funds. The District is transferring \$3.1 million to the Adult Education fund and \$.2 million to the self insurance fund for the self funded portion of property and liability and .3 million to Child Development to support program through the summer pending more information on state budget cuts to child care. The Governor's proposed budget includes a substantial reduction to these funds. Under the State flexibility option SBX 3, Adult Education fund revenue of \$3.8 million is now unrestricted funds and recorded in the General Fund instead of the Adult Education fund. Since the District opted to eliminate a portion of its Adult Education programs but continue its core programs, a transfer of \$3.1 million of these funds is being transferred to the Adult Education fund. The other \$.7 million of this funding is retained in the Unrestricted General Fund to offset State budget reductions.

## **Indirect/Direct costs**

The indirect percentage is calculated each year by a formula established by the California Department of Education. Berkeley Unified's indirect rate for Fiscal Year 2010-11 is 6.27%. Restricted programs and special funds are charged indirect costs for support provided by central services. Other funds such as the Adult Education, Cafeteria and Child Development funds are budgeted to contribute \$322,000 to the Unrestricted General Fund for support services. This amount is reduced from the prior year indirect charge by \$285,000 due to reduction in Child Development program expenditures and therefore, reduction in indirect costs. The Restricted General Fund contributed \$2.2 million in indirect costs to the Unrestricted General Fund for support services, which has a zero net effect to the combined General Fund.

## **Contribution History**

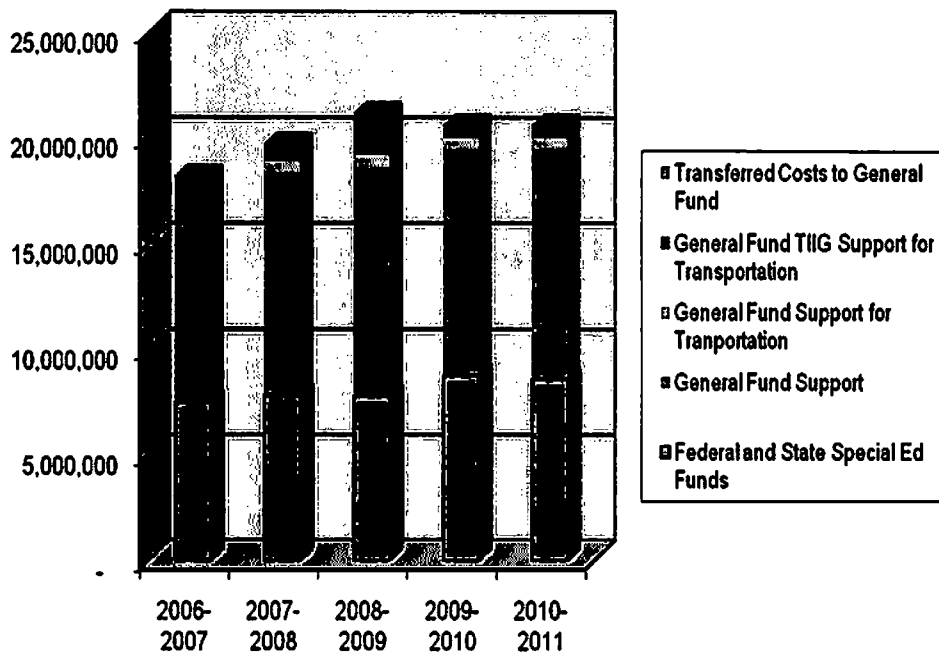
Other Financing Sources/Uses category is made up of transfers between the Unrestricted General Fund, the restricted General Fund and other District funds. It also is where revenues are contributed from and to other programs or funds.

### **Contributions to the Unrestricted General Fund from Other Programs and Funds**

The Unrestricted General Fund is budgeted to receive a contribution of \$12.4 million from BSEP/Measure A parcel taxes to maintain class size reduction as stipulated in the Measure. This is a decrease of \$.2 million over the prior year due to transferring 6.8 FTE teachers for expanded course offerings to be funded directly by BSEP/Measure A in Fund 4 which was offset by increase in BSEP transfer due primarily to funding additional 4.47 FTE due to enrollment growth. The General Fund is also budgeted to receive \$242,317 due to a settlement on a claim against the California Department of Education for after school program funds that were never received in Fiscal Year 2005-2006. At the end of 2008-2009, the Unrestricted General Fund contributed to the after school program for the write-off of these funds and will now be reimbursed in Fiscal Year 2010-2011.

### **Contributions to Other Programs and Funds for the Unrestricted General Fund**

Programs that received a contribution from the Unrestricted General Fund include Special Education program, Special Education transportation, and Continuation Education program. The District is budgeted to contribute a total of \$10.9 million to Special Education program, \$1.1 million to Special Education transportation, \$1.2 million to Home-to-school transportation, and \$.7 million to continuation education.



**Special Education Contribution History**  
 Under the state's maintenance of effort (MOE) requirement, District is required to expend at least \$1 over the prior year. In prior year 2008-2009, the regular education portion of ULSS teachers' salaries and benefits and general administrative consulting costs \$1.4 million was transferred to the Unrestricted General Fund. This was done in order to reduce Special Education cost for Fiscal Year 2008-2009 just barely above the

the 2007-2008 MOE level and to ensure compliance in Fiscal Year 2009-2010. In Fiscal Year 2009-2010 the District had \$800,000 in new Federal ARRA available for use in which 50% must be used for additional costs and 50% could be used to absorb existing cost. Therefore, the District moved \$400,000 of the Special Education portion of ULSS salary and expenditures into the new Federal ARRA funds. The District also reduced its contribution to Special Education by \$400,000 by moving existing Special Education expenditures into new Federal ARRA funds. For 2010-2011, the District Special Education cost is projected to exceed the prior year by at least \$1.

**Reserve for Economic Uncertainty**

The District has fully met the 3% State required reserve for economic uncertainty. The District has set aside 3% of total General Fund expenditures (including transfers out) for economic uncertainties. The total amount of the District's required reserve is \$3,399,264. As of the Adopted Budget, the State required reserve is set aside in the following funds:

Measure BB (Fund 02)	\$ 188,841
BSEP/Measure A (Fund 04-08)	\$ 703,689
Special Reserve – (Fund 17)	<u>\$ 2,535,018</u>
<b>Total</b>	<b>\$ 3,427,548</b>
<b>Required 3%</b>	<b>\$3,399,264</b>
Backfilled with Parcel Tax	\$0
<b>Reserve in Excess of 3%</b>	<b>\$28,284</b>



## FISCAL STATUS OF THE DISTRICT OTHER FUNDS

### 1. Parcel Tax Funds – Fund 02 – 08

The Parcel Tax revenue is the largest percentage of the District revenue other than State funds received for revenue limit sources. These revenues are recorded in Funds 02 through Funds 08. The ending fund balance is as follows for the Measure A/BSEP programs.

Fund 02	Facilities Safety and Maintenance	\$ 819,734
Fund 04	BSEP/Measure A of 2006	
	Class Size Reduction	1,244,168
	Other BSEP Programs	1,016,798
	Reserve for Economic Uncertainty	722,330
Fund 05	BSEP Site Administered Enrichment	77,809
Fund 06	BSEP Instructional Materials	197,836
Fund 07	BSEP Buildings and Grounds	0
Fund 08	BSEP Measure B of 2004	34,635
	<b>Total</b>	<b>\$ 4,113,310</b>

### 2. Adult Education Fund – Fund 11

The Adult Education Fund is used to account separately for Federal, State and local revenues for Adult Education programs. The enacted State Budget allowed school districts to eliminate their Adult Education programs in 2008-2009 and four subsequent fiscal years and transfer funds to the Unrestricted General Fund to mitigate the effect of State reductions to General Fund revenues. Under the State flexibility option SBX 3, Adult Education fund revenue of \$3.8 million is now unrestricted funds and recorded in the General Fund instead of the Adult Education fund. Since the District opted to eliminate a portion of its Adult Education programs but continue its core programs, a transfer of \$3.1 of these funds is being transferred to the Adult Education fund. The other \$.7 million of this funding is retained in the Unrestricted General Fund to offset State budget reductions. This Fund has a projected ending fund balance of \$5,955.

### 3. Child Development Fund – Fund 12

The Child Development Fund is used to account separately for Federal, State, and local revenues to operate Child Development programs. Funds may be used only for expenditures for the operation of Child Development programs. The Governor's proposed budget includes a substantial reduction to the Child Development program. Therefore, the budget only includes the use of reserves in the Child Development fund of \$875,807 and a contribution from the General Fund of \$306,618 to carry the program through the summer. A conservative approach was taken until there is more information from the final State budget on the amount of the reduction to the Child Development program if any. This Fund is projected to have a zero ending fund balance.

### 4. Cafeteria Fund – Fund 13

The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program. The Cafeteria Fund generates part of its revenues from federal, state, and a la carte sales. The Cafeteria Fund revenue is projected to cover all expenses for Fiscal Year 2010-2011 and have a projected ending fund balance of \$120,882.

### 5. Deferred Maintenance Fund – Fund 14

The Deferred Maintenance Fund is used to account for the State's Deferred Maintenance apportionment and the District's matching share that is made on a dollar for dollar basis.

Due to Tier III State flexibility this funding has been swept and the remaining ending fund balance of \$6,015 is being retained in Fund 14. Fiscal Year 2009-10 revenue is recognized in the General Fund.

6. Pupil Equipment Transportation Fund – Fund 15

The Pupil Equipment Transportation Fund is used to replace buses for the District. This fund is projected to have an ending fund balance of \$8,064.

7. Special Reserve for Non-Capital Outlay Fund – Fund 17

The Special Reserve for Non-Capital Outlay Fund reflects an ending fund balance of \$2,535,018. The amount held in this special reserve fund represents the General Fund's share of the 3% State required reserve. This amount, in addition to the parcel tax's share of the reserve requirement in the amount of \$892,530 the amount in this fund exceeds the fully-required reserve of \$3,399,264 by \$28,284.

8. Bond Fund – Fund 21

The Building Fund exists primarily to account separately for proceeds from the sale of bonds. This Fund has a projected ending fund balance of \$7,079,495. Expenditures for capital outlay are budgeted at \$22,308,000 and \$1,890,933 for other operating expenses.

9. State School Building Fund – Fund 30

The State School Building Lease-Purchase Fund is used primarily to account separately for State apportionment as provided by *Education Code* sections 17000-17080. The principal revenues are school facilities apportionments and interest income. This fund had no budgeted activities in FY 2010-2011.

10. County School Facilities Fund – Fund 35

The County School Facilities Fund is used primarily to account separately for State apportionments from the State School Facilities Program. This fund is also used to account for funds received from the State that reimburse expenditures previously made from the Building Fund. This fund has a projected ending fund balance of \$263,889.

11. Bond Interest and Redemption Fund – Fund 51

The Bond Interest and Redemption Fund is used for the repayment of bonds issued for an LEA. The premiums or accrued interest received from the sale of the bonds must be deposited in this fund.

The principal revenues in this fund are State Subventions for Homeowners' Exemptions, Other Subventions/In-Lieu Taxes, Secured Roll Taxes, Unsecured Roll Taxes, Prior Years' Taxes and Interest. Expenditures in this fund are limited to bond interest, redemption, and related costs and are reported by the Alameda County Office of Education (ACOE) to the District.

12. Tax Override Fund – Fund 53

The Tax Override Fund is used for the repayment of voted indebtedness tax levies to be financed from the ad valorem tax levies. This fund has a projected ending fund balance of \$59,364.

13. Self Insurance Fund – Fund 67

Self Insurance Funds are used to separate moneys received for self-insurance activities from other operating funds of an LEA. Separate funds may be established for each type of self-insurance activity, such as workers compensation, health and welfare, and deductible property loss. This fund has a projected ending fund balance of \$2,372,884. This is in addition to the amount reserved in accounts payable to fully fund workers' compensation and general property liability based on actuarial report dated June 2, 2009 in the amount of \$3,017,751.