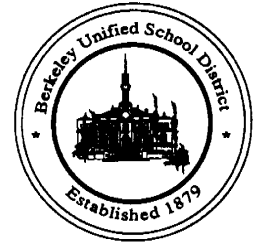


Berkeley Unified School District



2012-2013

ADOPTED

BUDGET

June 27, 2012

**William Huyett, Superintendent
Javetta Cleveland, Deputy Superintendent
Pauline Follansbee, Director of Fiscal Services**

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INTRODUCTION

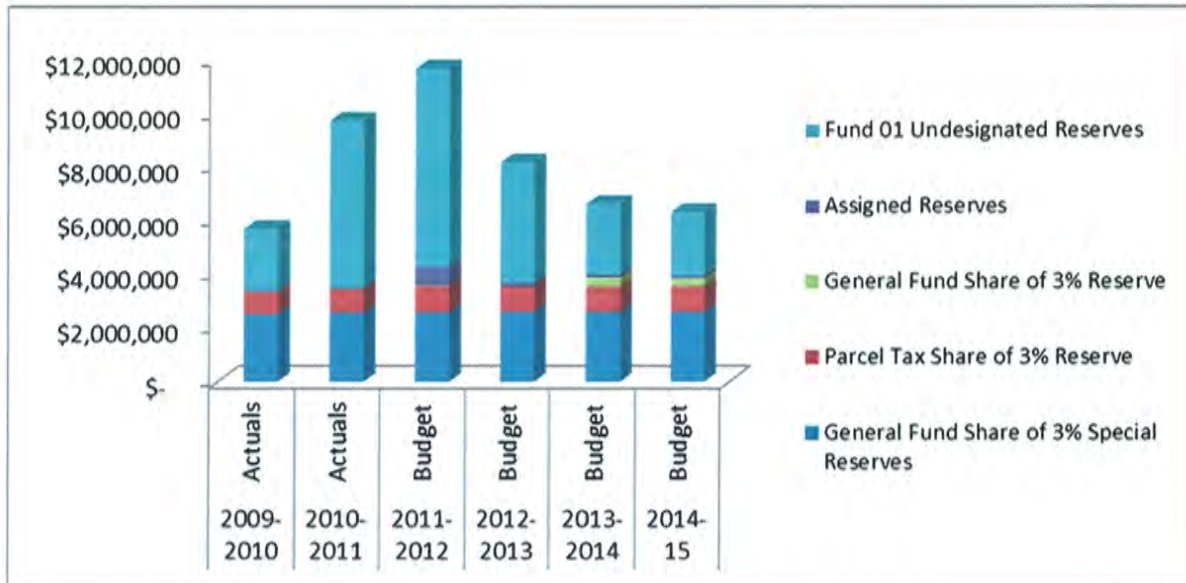
The District's Adopted Budget is being presented to the Alameda County Office of Education with a positive certification that indicates that the District will be able to meet its financial obligations in the current and subsequent two fiscal years. The report demonstrates that the District will meet the 3% reserve required by the State of California for Fiscal Year 2012-2013. The State of California requires that all Districts reserve 3% of their total expenditures (including transfers out) for economic uncertainties.

The Governor's May Revision contained both good and bad news for schools. The level of cuts to schools remained the same as the prior year. However, the May Revision includes a contingency for cuts based on the passing of a tax initiative in November 2012. The tax initiative covers a \$441 per student cut to our District if it is not passed by the voters. This is estimated to amount to a whopping \$4 million reduction to our 2012-13 budget on an ongoing basis. On another note, Berkeley fully expended the last of its Federal Jobs Bill funding of \$1.8 million that was relied on to prevent layoffs last year. Therefore, with increasing costs for inflation, increased costs for step and column and mental health costs that have been passed on to Districts without enough state revenue to cover them, the District was faced with a budget cut of \$3 million to \$3.6 million. The District was able to offset the amount of budget cuts due to the fact that the projected revenue for 2012-13 was increased by \$1.4 million due to improved attendance and smaller drop in enrollment than expected in 2011-12. The drop in enrollment that was expected in 2011-12 would have carried into fiscal year 2012-13. The District made \$1.5 million in reductions and adjustments that included using the support of BSEP to cover more intervention (RTI) costs.

The District reduced its general fund budget by \$1.6 million by transferring ULSS/RTI intervention program staffing into BSEP/Measure A funds program support budget, using actual in-class student enrollment staffing model at the high school, which resulted in savings, sweeping additional Tier III state program funding into the unrestricted general fund, eliminating budget savings in the central office and high school's budgets, reducing the worker's compensation rate from 2.45% to 2.05% and using general fund reserves of \$100,000.

The District's unrestricted general fund balance projected at June 30, 2012 is \$7.7 million in excess of the State required reserve. After making reductions to the budget, the District's 2012-13 budget still shows a \$1.1 million on-going deficit due an unfavorable decision for allocating mental health state revenue school districts, increase in fingerprint costs to fingerprint all volunteers, higher projected costs for step and column and reduction in projected revenue due to School Services of California's correction to the factor used to calculate the Districts state funding received per student. The District also has an additional one-time planned deficit of \$.8 million due to decision to use prior year general fund allocation for child development that was not expended to support the program this year, a reduction in indirect costs support to the unrestricted general fund that will increase once prior year carryover funds is loaded in the budget in September 2012 and other one-time expenditures that were budgeted last year and

not expended. The District is projecting an ending fund balance at June 30, 2013 of \$5.7 million assuming the tax extensions pass in November 2012.



LOOKING AHEAD

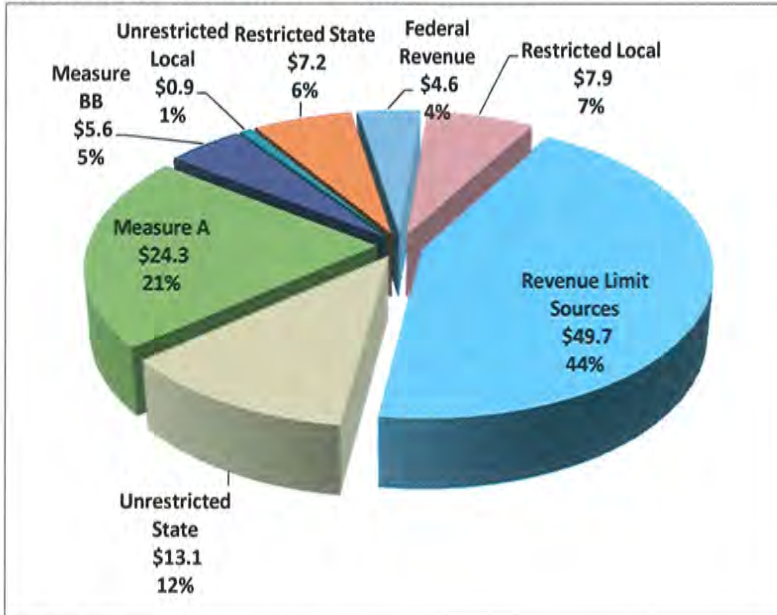
Although the District is reporting that the full state reserve requirement has been met and there is \$7.8 million sitting in the Unrestricted General Fund in excess of the 3% state reserve requirement, the District must continue to monitor its finances very closely since the structural deficit in the State Budget has not been fully addressed and there could be more reductions in the future. The State budget for next year is based on tax initiatives being passed by the voters in the November 2012 election. If the tax initiatives do not pass, school districts will see a cut of \$441 per average daily attendance (ADA). This would mean that our State revenue would drop by \$4 million. Incoming revenue to the State has been lower than projected and could impact the State Budget for school districts.

The District has a structural deficit of \$1.1 million and a one-time deficit of \$.8 million for a total of \$1.9 million. The District is projected to deficit spend by approximately \$1.9 million in fiscal year 2012-13, \$1.1 million in Fiscal Year 2013-14 and \$.5 million in fiscal year 2014-15. These figures are assuming the District receives a cost of living adjustment in fiscal years 2013-14 and 2014-15. If the projected cost of living adjustments (COLA) do not materialize, the District could be deficit spending by at approximately \$2.4 million in 2013-14, and \$1.8 million in 2014-15. Yes, we have a healthy ending fund balance, however, we must continue to plan and strategize how we will get through the next few years.

COMBINED GENERAL FUND

Revenues

Revenues projected in the combined General Fund for 2012-13 totaled \$113.3 million. Revenue limit funding is \$49.7 million or 44% of all 2012-13 combined General Fund dollars. Restricted revenues are \$19.7 million or 17% of the total. Local Parcel Tax (Measure A) funds were \$24.3 million and represent 21% of the total. Local Parcel Tax (Measure B) funds are \$5.6 million and represents 5% of the total. The unrestricted State program revenue is \$13.1 million and represents 12% of the budget.



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 projected base revenue limit (BRL) amount that the District will receive based on attendance (ADA) for the 2012-13 year is \$6,907.83. However, for fiscal year 2012-13 a deficit factor is applied because the State is not able to fully fund the revenue limit.

When the deficit factor is applied to the revenue limit, the District only receives 77.728% (\$5,369.32 per student) of the total revenue earned per ADA. The deficiated revenue limit is multiplied by the District's attendance (ADA) of 8,886. The District receives other revenue limit add-ons that total \$2.5 million.

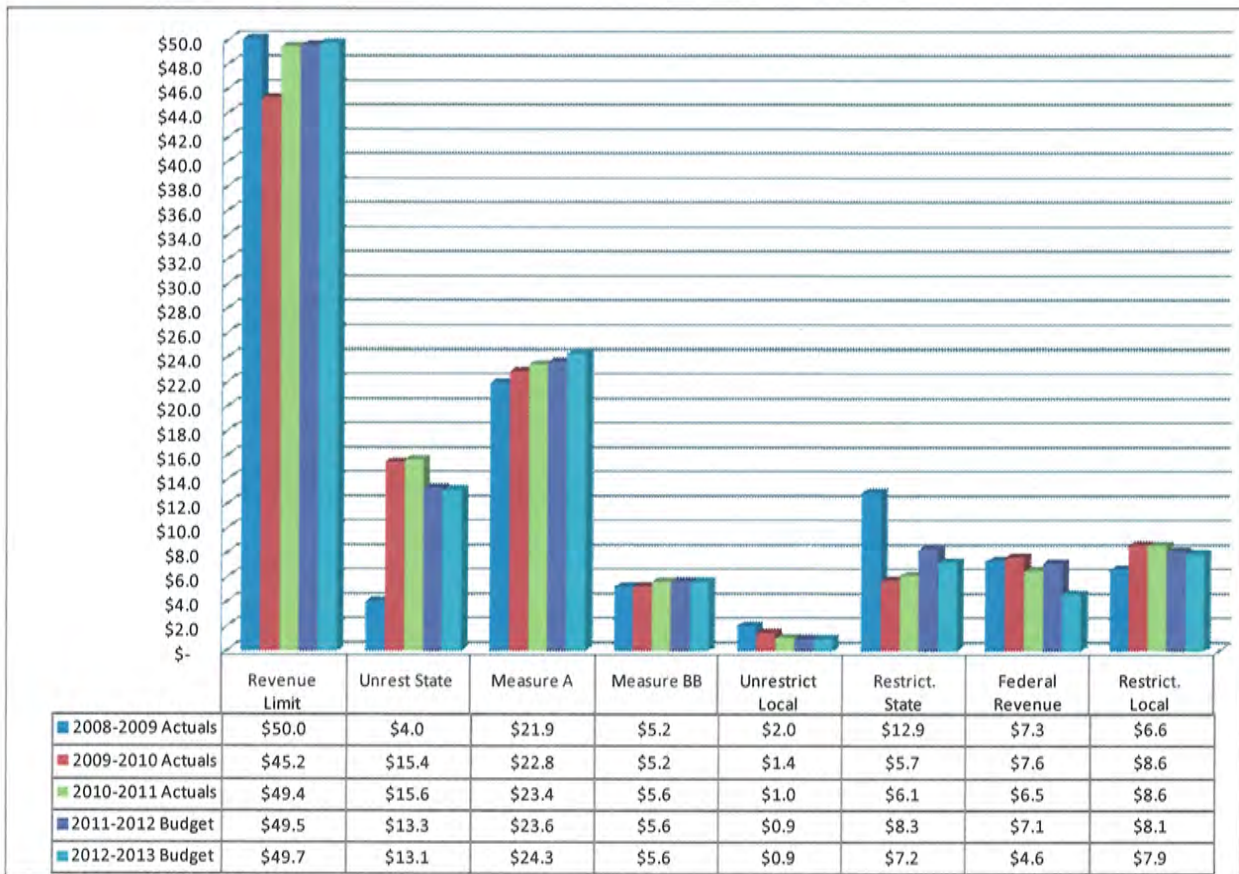
The District add-ons to the revenue limit includes "meals for the needy" and beginning teacher salary revenue as part of its revenue limit. The beginning teacher salary revenue is \$1.2 million. The "meals for the needy" revenue is reported in the General Fund, \$1 million is retained and \$.7 million is transferred into the Cafeteria Fund. This additional revenue is used to support additional food and operational costs incurred to support increased student participation.

The District's enrollment slightly decreased in 2011-12. The District's enrollment declined by 106. However, the projected ADA at P2 reporting period showed an increase of 18 ADA even though there was an enrollment decline which was primarily due to improved attendance reporting at the high school as well as other schools. The ADA projection used for FY 2012-13 revenue limit calculation is 8,886 which is prior year ADA less the impact of loss of ADA to the charter schools in FY 2012-13.

Enrollment Chart

	<u>2008-2009</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>
CBEDS Enrollment/October	9,118	9,338	9,557	9,451	9,376
Change in Enrollment	13	220	219	(106)	(75)
Second Period (P-2) ADA	8,456	8,728	8,927	8,945	8,874
Change in ADA	43	272	199	18	(71)
Revenue Limit ADA	8,457	8,692	8,931	8,957	8,886
ADA Percentage of Enrollment	92.8%	93.2%	92.6%	94.6%	94.6%

Revenue Comparative



Revenue Limit

The budgeted revenue limit increased by \$.2 million over the prior year due to increases in other revenue limit adjustments such as unemployment, and AB 851 transfers. The District's revenue limit for 2012-13 is \$49.7 million.

State Program Revenues

State revenue from combined restricted and unrestricted State sources is \$20.3 million which is \$1.3 million less than prior year. The decrease in revenue over the prior year is primarily due to

the fact that carryover funds in 2011-12 won't be included in 2012-13 until the District closes the books. \$13.1 million of the funding received from State program resources is unrestricted and \$7.2 million is restricted. Unrestricted funds include \$8.5 million in Tier III flexibility funds, \$1.3 million in lottery funds, \$2.7 million in K-3 Class Size Reduction (CSR) funds, \$.2 million in mandated cost revenue and \$.4 million in supplemental hourly program funding. Restricted State revenue includes \$.7 million in home-to-School transportation, \$.8 million in economic impact aide, \$.2 million in Special Education transportation, \$.2 million in restricted lottery, \$1.8 million in after-school education and safety, \$.9 million in Special education apportionment, \$1.9 million in California Nutrition Network, \$.4 million for CPA grants and \$.3 million in other restricted State revenue.

Local Parcel Taxes

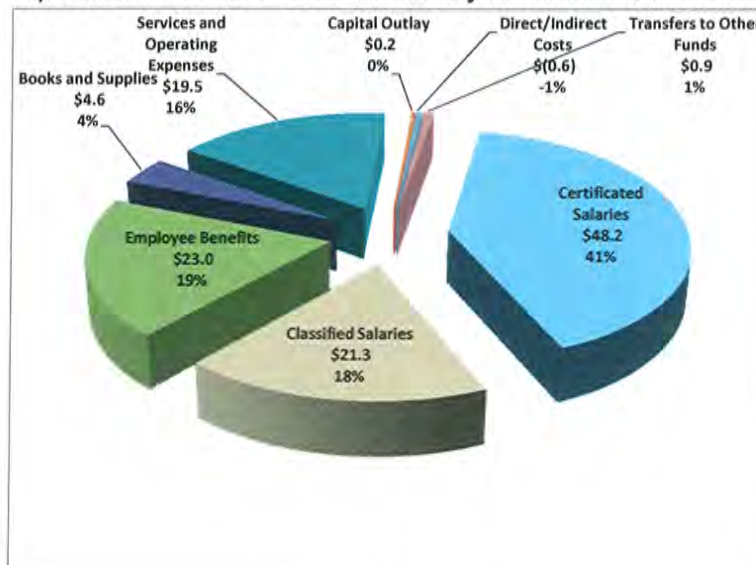
Local parcel taxes represent 25% of the combined General Fund revenues. Parcel taxes from BSEP/Measure A is \$24.3 million and increased over the prior year revenue due to cost of living adjustment (COLA) of 3.17%. Of the BSEP revenue, 66% is designated for class size reduction; 10.25% is designated 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 taxes from Measure BB is projected at \$5.6 million and did not realize a cost of living adjustment over the prior year. There was no COLA increase for Measure BB for fiscal year 2012-13. These funds are used for school building maintenance and security.

Other Local Revenues

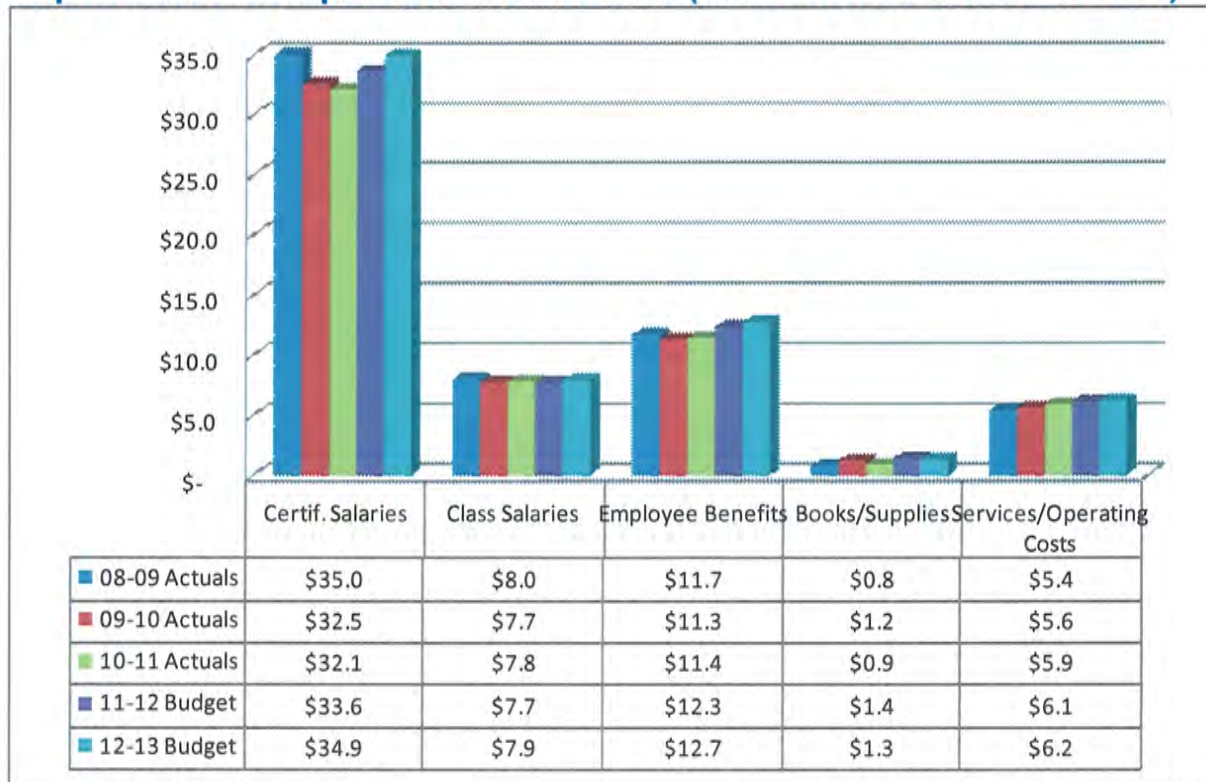
Other combined local revenues for 2012-13 totaled \$8.8 million. Unrestricted local revenues total \$.9 million and include \$.1 million in interest earnings, \$.3 million in leases and rental revenue, \$.2 million in revenue from other agency services and \$.3 million in other local revenue. Restricted local revenues total \$7.9 million and includes, \$4.7 million in apportionment from SELPA and \$1.5 million in after school parent fees, \$.7 million in PTA donations and \$.3 million in other donations and \$.7 million other revenue.

Combined General Fund Actual Expenditures

The Combined General Fund includes revenue and expenditures for unrestricted State and local funds as well as restricted State, Federal and local funds. Combined General Fund expenditures for the 2012-13 fiscal year totaled \$117.1million.



Expenditure Comparative for Fund 01 (Unrestricted General Fund)



Salaries and Benefits

Salaries and benefits totaled \$92.5 million and were 79% of all combined General Fund expenses. Unrestricted General Fund salaries and benefits were \$55.5 million or 88.1% of unrestricted expenditures. Unrestricted certificated salaries increased by \$1.3 million over the prior year primarily due to depletion in restricted one-time federal stimulus funds which was used to prevent layoff in 2011-12 less reduction in staffing due to decrease in enrollment at BHS plus step and column. The lack of federal jobs bill funding resulted in transfer of 23 FTE certificated positions back to the Unrestricted General Fund. Classified Salaries increased by \$.2 million due to savings from unfilled positions removed from 2011-12 budget and restored in the 2012-13 budget.

Books and Supplies

Combined General Fund expenditures for books and supplies totaled \$4.6 million. This is a decrease over the prior year due to carryover funds in 2011-12 that will not be included in the 2012-13 budget until September 2012. Unrestricted Books and supply costs was \$1.3 million and is \$.1 million less than prior year due to budget reductions in 2012-13.

Services and Other Operating Expenses

Combined General Fund expenditures for services and other operating expenses totaled \$19.5 million. This is a decrease over the prior year due to carryover funds in 2011-12 that will not be included in the 2012-13 budget until September. Unrestricted services and operating expenses totaled \$6.2 million and increased by \$.1 million over the prior year.

Transfers to other funds

The District is projecting to transfer \$.9 million to other funds in the 2012-13 fiscal year. A total of \$.6 million to child development to transfer Tier III funds and subsidize preschool programs, and \$.3 million to the self insurance fund to meet required reserves for Property and Liability Insurance.

Indirect/Direct costs

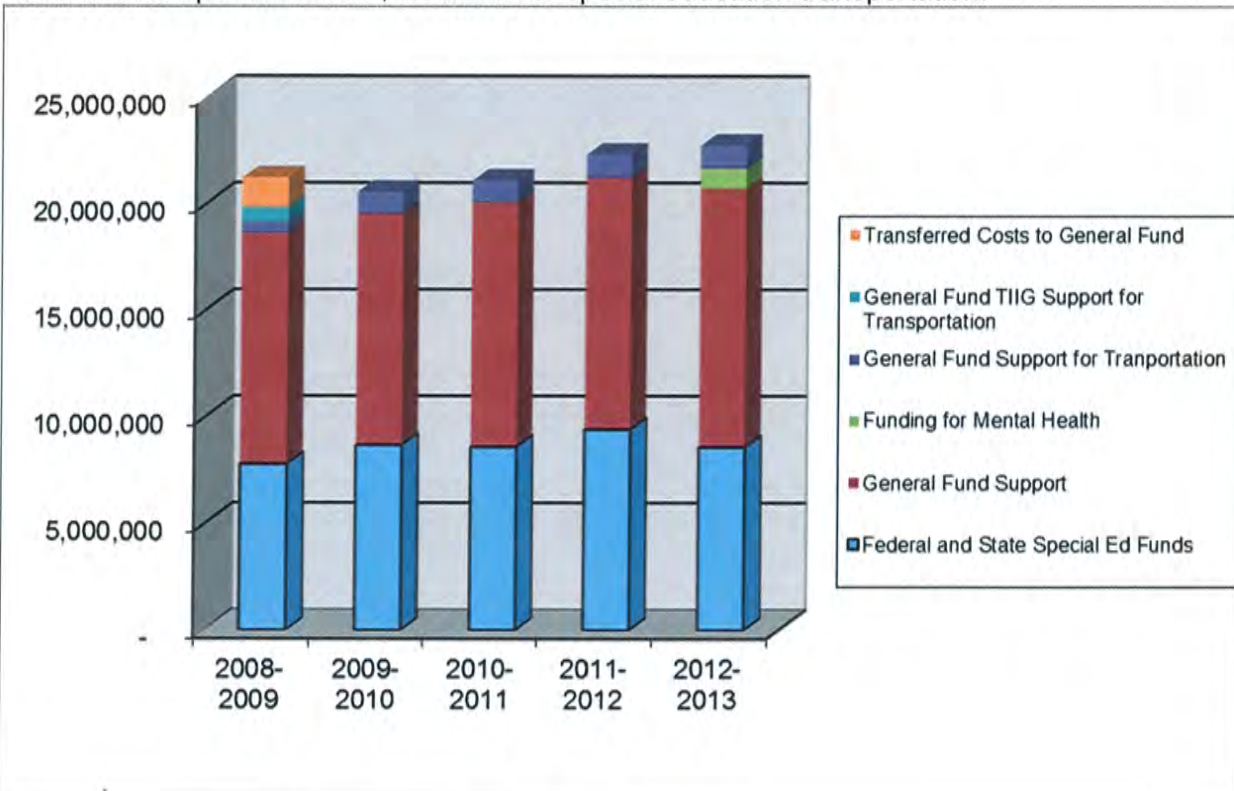
The indirect percentage is calculated each year by a formula established by the California Department of Education. The District's indirect cost rate for 2012-13 is 6.39%. Restricted programs and funds are charged indirect costs for support provided by central services. Other Funds including the Adult Education, Cafeteria and Child Development funds are projected to pay \$.6 million in indirect costs to the Unrestricted General Fund for support services. This amount is reflected in the combined General Fund Expenditures as an offset because the contribution is coming from other funds. The Restricted General Fund and Parcel Tax Funds are projected to contribute \$2.6 million in indirect costs to the Unrestricted General Fund 01 for support services.

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 and from the Unrestricted General Fund

The Unrestricted General Fund is projected to receive a contribution of \$12.1 million from BSEP/Measure A parcel taxes to maintain class size reduction as stipulated in the measure. The Unrestricted General Fund also is projected to receive \$.1 million from home-to-school transportation fund for field trips. The General Fund is projected to contribute \$.7 million to continuation education for their share of BSEP CSR funding and general fund support, \$11.4 million to special education program, \$.7 million to mental health services, \$1.4 million to home-to-school transportation and \$1.1 million to special education transportation.



Special Education Contribution History

Under the State's maintenance of effort (MOE) requirement, the District is required to expend at least \$1 over the prior year. In prior year 2011-12, the District expended \$22.3 million. The District projected to expend \$22.7 million in fiscal year 2012-13. The District is spending more in special education costs in 2011-12 and 2012-13 due to the State's change to move mental health revenue and costs to local districts. The District will receive \$.9 million in mental health state revenue for 2012-13 and must contribute \$.7 million from the unrestricted general fund.

Reserve for Economic Uncertainty

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 \$3,513,799. As of the Adopted Budget the State required reserve is set aside in the following funds:

Measure BB (Fund 02)	\$ 186,195
BSEP/Measure A (Fund 04-08)	\$ 757,742
Special Reserve – (Fund 17)	<u>\$ 2,591,762</u>
Total	\$ 3,535,699
Required 3%	\$ 3,513,799
Amount in excess of reserve	\$21,900

FISCAL STATUS OF THE DISTRICT'S 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 was \$.2 million for Measure BB and \$2.3 million for the Measure A/BSEP and Measure BB funds. This is a reduction in reserves of \$.5 million for Measure BB and \$1 million for Measure A/BSEP funds primarily due to increased expenditures for ULSS/RTI intervention program staffing, expanded course offering and program support.

Fund 2 Facilities Safety and Maintenance		
Restricted Ending Fund Balance	\$	47,646.00
Fund 2 Reserve (3%)	\$	186,195.00
		\$ 233,841.00
Fund 4 BSEP Measure A of 2006		
Class Size Reduction	\$	699,401.00
Other BSEP Programs	\$	777,353.00
BSEP Unallocated	\$	14,673.00
BSEP Reserve (3%)	\$	757,742.00
		\$ 2,249,169.00
Fund 5 BSEP Site Administered Enrichment	\$	24,732.00
Fund 6 BSEP Instructional Materials	\$	92,958.00
Fund 7 BSEP Building and Grounds	\$	8,495.00
Fund 8 BSEP Measure B of 2004	\$	9,665.00
Funds 5-8 Reserve (3%)	\$	-
		\$ 135,850.00
Total		\$ 2,618,860.00

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 fund is used to account for the District's Adult Education expenditures. This Fund is projected to have an ending fund balance of \$352,794.

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 general fund is projected to transfer \$200,000 on an on-going basis, and \$385,000 to cover shortfalls in federal and state funding. This Fund is projected to have an ending fund balance of \$118,920.

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. This Fund is projected to have an ending fund balance of \$474,843 and did not require a contribution from the Unrestricted General Fund.

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 program flexibility this funding has been swept to the Unrestricted General Fund and there is a remaining ending fund balance of \$6,000.

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 \$9,185.

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

The Special Reserve for Non Capital Outlay Fund reflects an ending fund balance of \$2,591,761. 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 \$943,937 meets the full required reserve of \$3,513,798. Therefore, the District has fully met the State required reserve for economic uncertainties without reliance on parcel tax dollars for the General Fund's share.

8. Bond Fund – Fund 21

The Building Fund exists primarily to account separately for proceeds from the sale of bonds. This Fund is projected to have an ending fund balance of \$39.0 million. Expenditures for capital outlay are projected to be \$32.2 million plus \$2.7 million in other non capital costs and 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 activities in FY 2012-13.

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 is projected to have an ending fund balance \$1,500.

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 is projected to have an 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 is projected to have an ending fund balance of 1,965,520. This is in addition to the amount reserved to fully fund workers' compensation and general property liability based on actuarial report dated March 2010 in the amount of \$3,411,463.