

BUTTE COUNTY

OFFICE OF EDUCATION

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SUPERINTENDENT

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An Equal Opportunity
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July 28, 2010

Mrs. Kathryn Sheppard, Board President
Biggs Unified School District
694 Watson Road
Biggs, CA 95917

Subject: 2010-11 Original Budget Report

Dear Mrs. Sheppard:

In accordance with Education Code §42127, the Butte County Office of Education (BCOE) has reviewed the Biggs Unified School District (BUSD) Original Budget Report for fiscal year 2010-11. The Education Code requires the county superintendent to approve, conditionally approve or disapprove the budget for each school district after completing the following:

1. Examine the projected budget; determine whether it complies with the criteria and standards established by the state.
2. Identify any technical corrections needed to bring the budget into compliance with the criteria and standards established by the state.
3. Determine whether the adopted budget will allow the district to meet its financial obligations during the fiscal year and is consistent with a financial plan that will enable the district to satisfy its multi-year commitments.

Based on the budget and supporting documents, the Butte County Office of Education conditionally approves the budget under the provisions of Ed Code §42127 (c) (d). The conditions for approval are:

- The board must pass a resolution, by September 8, addressing the dollar amount of cuts necessary for Biggs Unified to maintain fiscal solvency (see attached)
- Prepare a new Multi Year Projection (MYP) that includes the dollar amount of cuts from the resolution
- Update the Fiscal Recovery Plan, dated March 30, 2006, to a Fiscal Stabilization Plan

The governing board must re-adopt the budget, supporting documents and new MYP on or before September 8. A public hearing will be needed for the re-adoption. The budget package, including the board resolution addressing reductions, must be submitted to the County Superintendent of Schools by September 8.

Basis of Determination

The Original Budget was based on the Governor's "May Revise" Budget Proposal. The MYP presented with the Original budget shows an unrestricted ending fund balance of \$3,619 and the General Fund falling below the minimum 4% required

"WHERE CHILDREN COME FIRST"

reserve by \$207,948 in fiscal year 2012-13. Expenditure reductions and transfers into the General Fund from special reserve funds (Special Reserve for Non-Capital Outlay and Other Post Employment Benefits) are included in the MYP.

Although not required, the MYP includes 2013-14 as additional information. The unrestricted ending fund balance decreases to (\$345,971) and the General Fund is short of reserves by \$555,970. The fourth year clearly shows the board must make reductions to stay fiscally solvent.

Original Budget and Multi-Year Projection Assumptions

Biggs Unified School District has built their Original Budget with the following major assumptions:

- Revenue Limit - Using a deficit factor of 18.355% and reflecting an ongoing 3.85% permanent reduction.
- ADA – Using 2009-10 P-2 ADA.
- Federal Revenues – Preliminary estimates based on awards or using prior year revenues when preliminary estimates are not available. Special education revenue information provided by the Butte County Office of Education. MAA revenue estimated to increase.
- State Revenues – Tier III categorical revenues reduced by -.39% from prior year. Special education revenue information provided by the Butte County Office of Education.
- Salaries and Benefits – Step and column included where appropriate. Current benefit rates applied.
- Transfers In – An ongoing transfer of \$68,000 from the Special Reserve for Post-Employment Benefits is made into the General Fund.

The Multi-Year Projection reflects the following assumptions:

2011-12

- Revenue Limit – Using a deficit factor of 18.355% and ongoing 3.85% permanent reduction.
- ADA – Using prior year ADA.
- Federal Revenues – Slight decrease over prior year.
- State Revenues – Same as prior year.
- Salaries and Benefits – Step and column added.
- Other Expenditures – Ongoing reductions to the 4000's through 6000's object codes.
- Transfers In – Same as prior year.

2012-13

- Revenue Limit – Using a deficit factor of 18.355% and ongoing 3.85% permanent reduction.
- ADA – Using prior year ADA.
- Federal Revenues – Same as prior year.
- State Revenues – Same as prior year.
- Salaries and Benefits – Step and column added. Reduction of 1.00 FTE included.
- Other Expenditures – Additional ongoing reductions to the 4000's through 6000's object codes.
- Transfers In – A transfer in from the Special Reserve for Non-Capital Outlay Fund of \$355,000 is made in addition to the \$68,000 transfer from the Other Post-Employment Benefits Fund.

The assumptions used by the administration to build the Original Budget and Multi-Year Projection are based on the Governor's May Revise Proposals for 2010-11 and are reasonable. Revenue limit funding reflects the current deficit factor and proposed ongoing reduction. The district is using prior year P-2 ADA for revenue limit funding. Federal and state revenues reflect a slight decrease or are flat. Salaries and benefits reflect step and column for each year, with staff reductions built in response to revenue reductions.

Fiscal Stabilization Plan

BCOE previously utilized the services of Mrs. Pat Goss in the capacity of Fiscal Advisor, when Biggs Unified was under a negative budget certification, to write a Fiscal Recovery Plan (Plan) in 2005-06. The Plan was adopted by the board on March 30, 2006. Administration was able to utilize the Plan as a roadmap to fiscal recovery.

BCOE is requiring an update to the Plan in the form of a "Fiscal Stabilization Plan." Mrs. Pat Goss will be writing the Stabilization Plan at the County Office's expense. The new Plan should be finished by the end of October.

Cash Balance

The cash flow projection prepared in conjunction with Original Budget reflects the new principal apportionment and categorical payment schedules. Assumptions provided are reasonable. Biggs Unified's cash position is projected to remain stable throughout the fiscal year.

California's Fiscal Emergency

Once again, the state of California is facing a large budget deficit. At the May Revise, the budget shortfall was approximately \$19 billion. Public education is slated for cuts and more are anticipated. The May Revise appears to be the best case scenario for education funding.

Future Actions Required of the District

- Submit the re-adopted budget, supporting documents, new MYP and the resolution addressing future cuts by September 8, 2010 to BCOE.
- Work with Mrs. Pat Goss to update Fiscal Recovery Plan to a Fiscal Stabilization Plan.

Actions of the County Superintendent

- Assist with cashflow monitoring.
- Maintain close communication with District Administration.

We are committed, as you are, to the fiscal stabilization of Biggs Unified with the help of the governing board, the administration and the staff. These are challenging times and uncharted waters for school districts. The board has had to make difficult and painful decisions while maintaining the quality of education. Thank you for your dedication to the students.

July 28, 2010
Mrs. Kathryn Sheppard
Page Four

The attached analysis is provided for your information. If you would like additional information or analysis, please contact me at 532-5720.

Sincerely,

A handwritten signature in black ink, appearing to read "Kevin J. Bultema". The signature is fluid and cursive, with the first name "Kevin" and last name "Bultema" clearly distinguishable.

Kevin J. Bultema
Assistant Superintendent
Administrative Services

hp
FS-1011-002

cc: Jack O'Connell, Superintendent of Public Instruction
John Chiang, California State Controller
Cassandra Moore-Hudnall, California State Controller's Office
Janet Finley, California Department of Education
Don McNelis, Butte County Superintendent of Schools
Lisa Anderson, Director of Fiscal Services
Andrew James, Financial Analyst
Bill Cornelius, School District Superintendent
Pam Ragan, Biggs Unified School District Financial Officer
Dawn Buchanan, Matson and Isom

Attachment

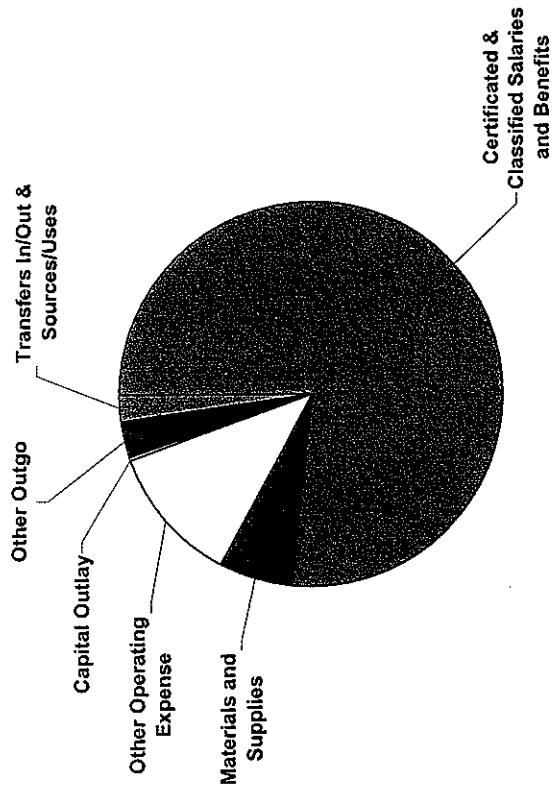
District Name

By submitting the 2010-11 Adopted Budget the Board understands its fiduciary responsibility to maintain fiscal solvency for the current and subsequent two fiscal years. It is recognized that if the Governor's May 2010 Revision is enacted as proposed, or if fiscal conditions further deteriorate, the district will implement at least \$(_____) in ongoing budget reductions in 2011-12 and at least an additional \$(_____) reductions in 2012-13 to maintain fiscal solvency.

A. (200 Data Analysis - General Fund

Biggs Unified	2008-09 Actuals			2009-10 Estimated Actuals			2010-11 Original Budget		
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
Revenues									
State Aid	2,477,511		2,477,511	1,926,205		1,926,205	1,944,928		1,944,928
State Aid - Prior Year	21,962		21,962	0		0	0		0
Local Taxes	1,670,906		1,670,906	1,581,184		1,581,184	1,581,184		1,581,184
R.L. Transfers/PERS Reduction	(112,654)	113,259	605	434	0	434	5,279	0	5,279
Total Revenue Limit	4,057,725	113,259	4,170,984	3,507,823	0	3,507,823	3,531,391	0	3,531,391
Federal Revenue	9,375	463,555	472,930	95,270	510,543	605,813	83,162	285,857	369,019
Other State	318,958	891,715	1,210,673	785,434	429,950	1,215,384	869,708	361,561	1,231,269
Other Local	333,507	0	333,507	247,471	0	247,471	215,126	0	215,126
Total Revenues	4,719,563	1,468,529	6,188,093	4,635,998	940,493	5,576,491	4,699,387	647,418	5,346,805
Expenditures									
Certificated Salaries	1,919,323	483,313	2,402,636	1,911,715	512,953	2,424,668	1,862,188	268,042	2,130,230
Classified Salaries	759,668	314,574	1,074,242	752,102	328,922	1,081,024	729,868	302,178	1,032,046
Employee Benefits	891,880	278,096	1,169,976	913,631	282,433	1,196,064	921,693	203,231	1,124,924
Total Salaries & Benefits	3,570,871	1,075,983	4,646,854	3,577,448	1,124,308	4,701,756	3,513,749	773,451	4,287,200
Books and Supplies	221,869	238,518	460,386	335,288	156,842	492,130	241,687	98,885	340,572
Other Operating Expense	512,378	189,443	701,821	578,694	129,681	708,375	566,085	85,769	651,854
Capital Outlay	43,540	0	43,540	13,210	12,300	25,510	15,000		15,000
Other Outgo	3,563	175,715	179,279	0	67,693	67,693	(53,537)	181,519	181,519
Direct support/Indirect Costs	(70,482)	57,246	(13,236)	(60,740)	49,666	(11,074)	(53,537)	42,463	(11,074)
Total Expenditures	4,281,739	1,736,906	6,018,644	4,443,900	1,540,490	5,984,390	4,282,984	1,182,087	5,465,071
Operating Deficit or Surplus	437,825	(268,376)	169,448	192,098	(599,997)	(407,899)	416,403	(534,669)	(118,266)
Transfers In	0	0	0	0	0	0	68,000		68,000
Transfers Out	392,617	0	392,617	60,461	0	60,461	187,833		187,833
Other Sources			0			0			0
Other Uses			0			0			0
Contributions to Rest. Program	(116,737)	116,737	0	(383,945)	383,945	0	(534,669)	534,669	0
Total Transfers and Other Uses	(509,354)	116,737	(392,617)	(444,406)	383,945	(60,461)	(654,502)	534,669	(119,833)
Total Outgo	4,791,092	1,620,169	6,411,261	4,888,306	1,156,545	6,044,851	4,937,486	647,418	5,584,904
Net Inc.(Dec.) to Fund Balance	(71,529)	(151,640)	(223,168)	(252,308)	(216,052)	(468,360)	(238,099)	0	(238,099)
Beginning Balance	867,064	380,876	1,247,940	808,718	216,052	1,024,770	556,410	0	556,410
Audit Adjustments/Restatements	13,183	(13,183)	0	0	0	0	0	0	0
Adjusted Beginning Balance	880,247	367,693	1,247,940	808,718	216,052	1,024,770	556,410	0	556,410
Ending Balance	808,718	216,053	1,024,772	556,410	0	556,410	318,311	0	318,311
For Economic Uncertainties	256,450		256,450			241,794	226,116	0	226,116
Other Available Reserves	112,547		112,547	314,616	0	314,616	90,195	0	90,195
Dedicated reserves	439,721	216,053	655,774	0	0	0	2,000	0	2,000
Other Funds	361,125		361,125	369,125		369,125	377,125		377,125
Required Reserves - 4%			256,450			241,794			226,116
Reserves as a %			11.39%			15.31%			12.42%

Where is the money spent?

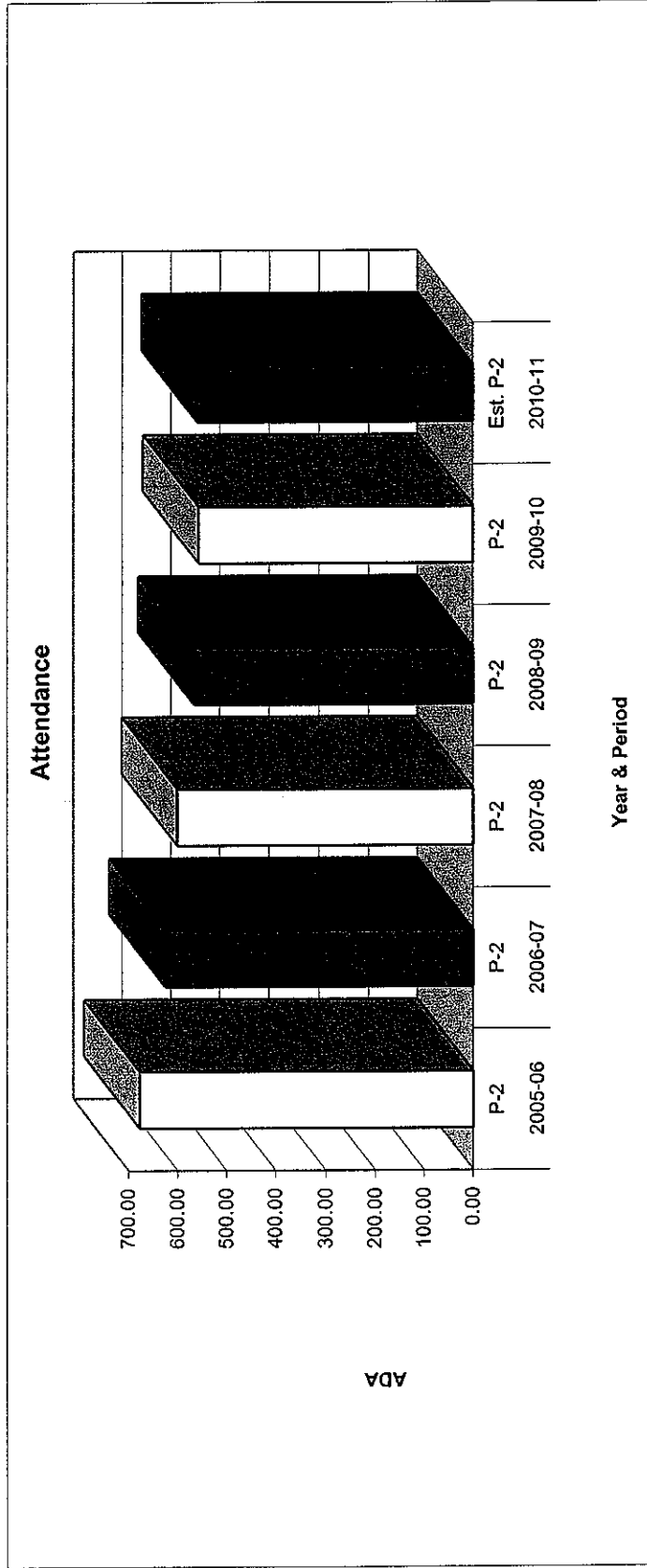


2010-11 Original Budget

Certificated/Classified Salaries and Benefits	4,287,200	76.61%
Materials and Supplies	340,572	6.09%
Other Operating Expense	651,854	11.65%
Capital Outlay	15,000	0.27%
Other Outgo	181,519	3.24%
Transfers In/Out & Sources/Uses	119,833	2.14%
Total	5,595,978	100.00%

P-2 ADA (Does not include charter school)

Year	ADA	Year	ADA	Year	ADA	Year	ADA	Year	ADA	Year	ADA
2005-06	677.79	2006-07	626.29	2007-08	601.19	2008-09	568.16	2009-10	558.19	2010-11	561.66
P-2		P-2		P-2		P-2		P-2		Est. P-2	

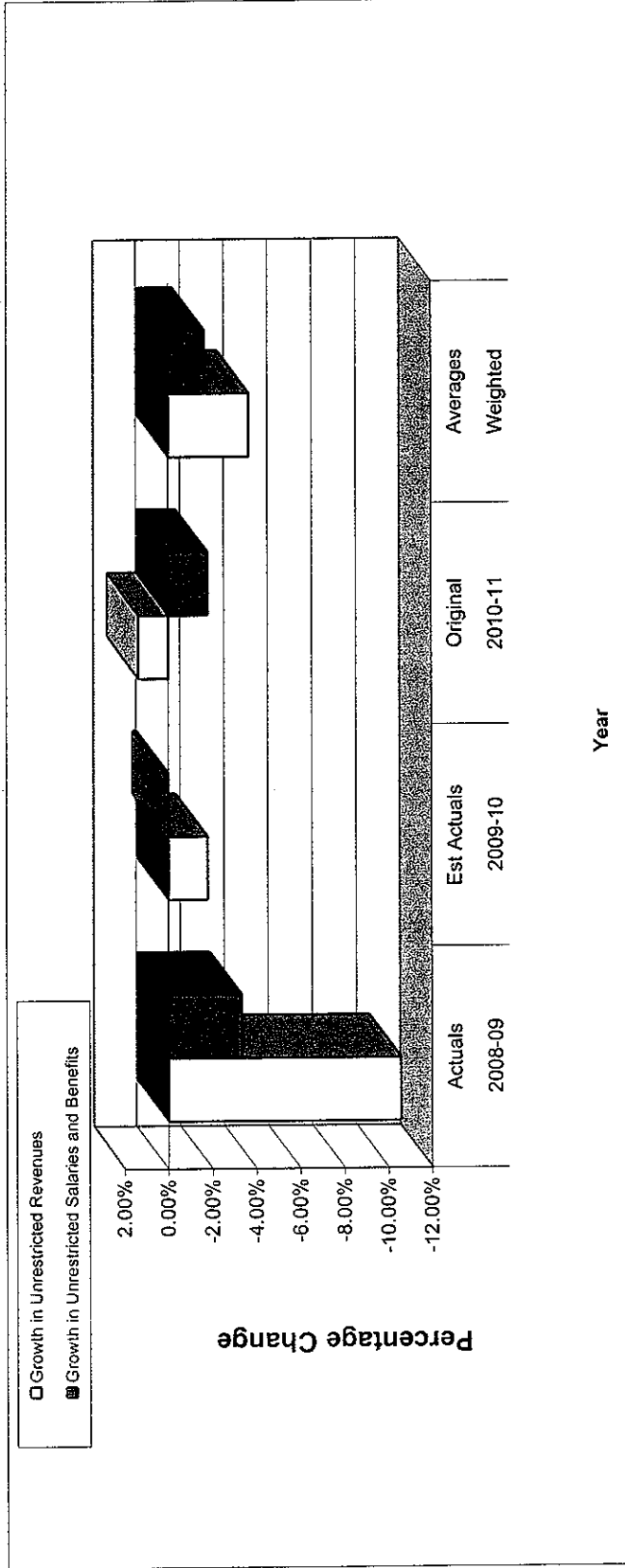


ADA is the driving force of district funding. A pattern of declining ADA needs to be addressed and followed with declining expenditures. A pattern of increasing ADA allows for increased expenditures.

Growth of Unrestricted Revenues vs. Unrestricted Salaries and Benefits

2007-08 Actuals	2008-09 Actuals	2009-10 Est Actuals	2010-11 Original	Weighted Averages
5,277,402	4,719,563	4,635,998	4,699,387	
3,693,600	3,570,871	3,577,448	3,513,749	
	-10.57%	-1.77%	1.37%	-3.68%
	-3.32%	0.18%	-1.78%	-1.64%

Unrestricted Revenues
 Unrestricted Salaries and Benefits
 Growth in Revenues between years
 Growth in Salaries/Benefits between years

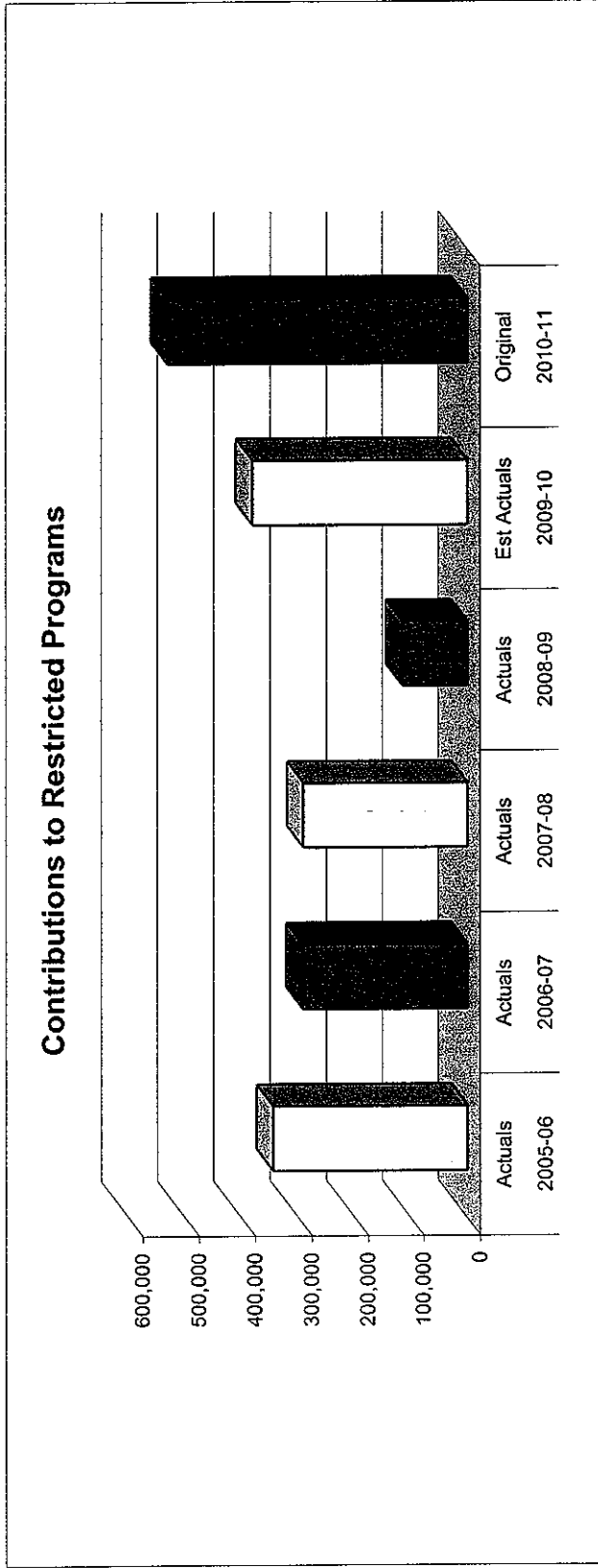


Unrestricted Salaries and Benefits should not grow faster than Unrestricted revenues unless the District Board conscientiously changes the priorities of the district.

Contributions to Restricted Programs

2005-06 Actuals	2006-07 Actuals	2007-08 Actuals	2008-09 Actuals	2009-10 Est Actuals	2010-11 Original
346,668	295,033	293,317	116,737	383,945	534,669

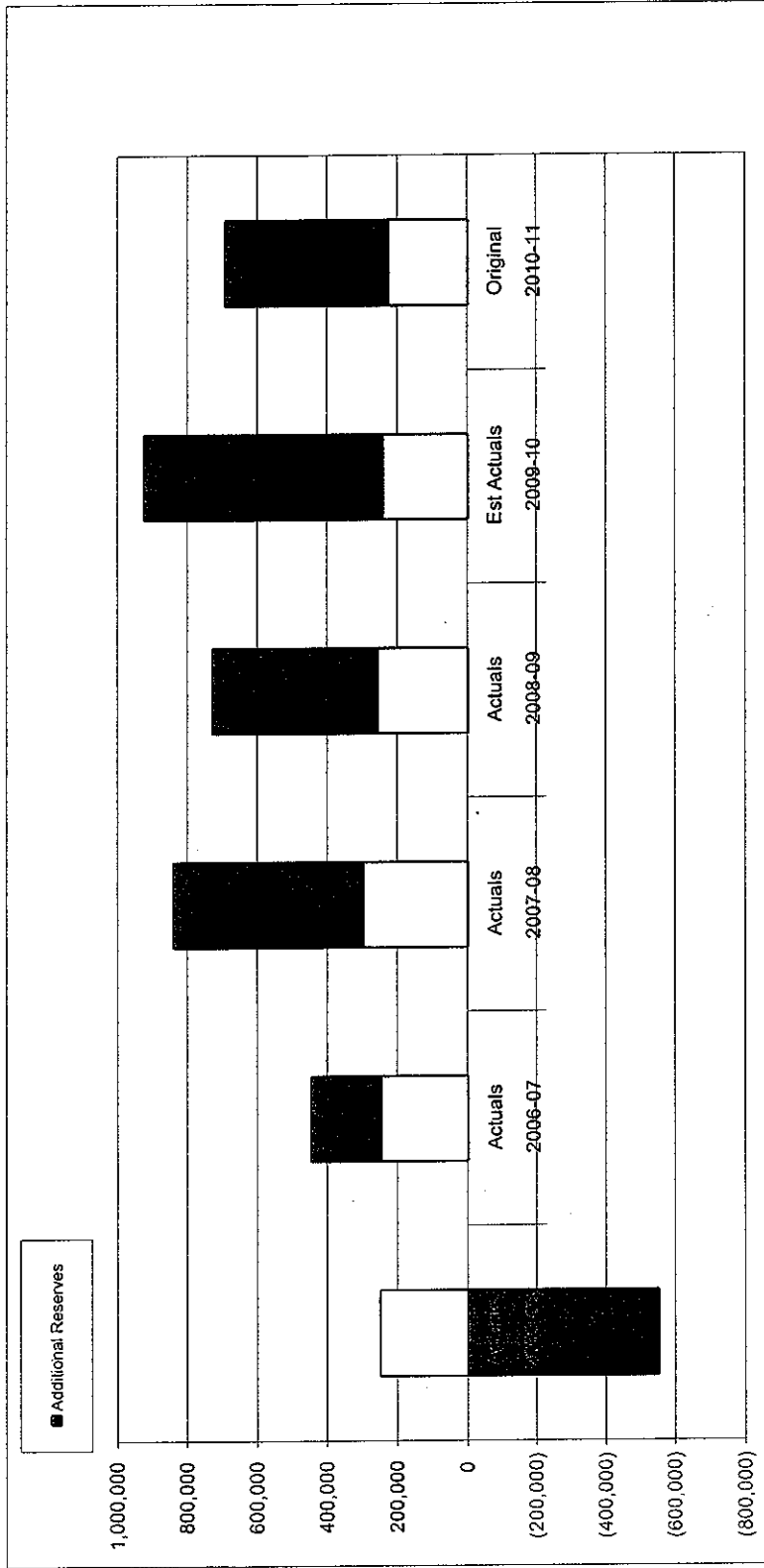
Contribution



Contributions to Restricted programs drain the Unrestricted side of the budget. Unfortunately, Special Education and Transportation almost always need contributions. However, other restricted programs should strive to be self supporting.

Reserves Above Requirement

	2005-06 Actuals	2006-07 Actuals	2007-08 Actuals	2008-09 Actuals	2009-10 Est. Actuals	2010-11 Original
Required Reserves	249,831	247,284	298,448	256,450	241,794	226,116
Additional Reserves	(552,740)	200,245	542,143	473,672	683,741	467,320
Total	(302,909)	447,529	840,591	730,122	925,535	693,436



The State of California has established minimum Fund Balance reserve levels for School Districts. This reserve is for Economic Uncertainties. It is usually designated in the Fund Balance of the District, or may be kept in several Special Reserve Funds. This graph represents additional reserves above the minimum level that is required by the State of California.

Changes to Fund Balance

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Unrestricted	(76,615)	720,623	419,535	(71,529)	(252,308)	(238,099)
Restricted	61,743	245,349	71,730	(151,640)	(216,052)	0

