

GLENDALE UNIFIED SCHOOL DISTRICT

April 20, 2010

DISCUSSION REPORT NO. 1

TO: Board of Education

FROM: Michael F. Escalante, Superintendent

SUBMITTED BY: Eva Rae Lueck, Chief Business and Financial Officer

SUBJECT: **Review of Budget Reductions To-Date and Additional Reduction Options for Consideration**

This report is a summarization of the budget reductions currently approved by the Board of Education and additional reduction options for consideration.

The Board of Education, at its meeting on March 23, 2010, approved the 2nd Interim Report with a “qualified” certification. This certification was the District’s acknowledgement that it may not be able to meet its financial obligations for the current and two subsequent fiscal years. In the financial projections, the District would need to reduce \$6.4 million by the end of 2011-12 to maintain a 3% reserve. Additionally, it is anticipated that as one-time funding sources are depleted, the budget shortfall will increase to \$32 million in 2012-13 if no action is taken.

In the report on March 23rd, there was a list of items that were “potential adjustments” to the budget. These items are listed below and updated to reflect changes since the meeting.

- A projected increase of approx. 10% in health insurance costs is currently budgeted. If the rates are higher or lower, an adjustment will be needed.
 - *Update: The initial rate proposal from Blue Shield was an increase of approx. 16% for the HMO plan and 20% for the PPO plan or \$4.7 million. It is believed that the final rate increase will be less; however, it is highly unlikely that it will drop to the 10% level that is budgeted or \$2.7 million.*

The following items were not included in the 2nd Interim Financial Report filed with the Los Angeles County Office of Education:

Potential Negative Adjustments

- Potential reduction in 2009-10 ADA due to the impacts of the intermittent absence resulting from the flu, fires, and rainstorms. This would be a negative impact on the revenue projection for 2010-11.

- *Update: The P2 ADA report is currently being finalized; and at this time, we are reporting 25,440 ADA vs. the 25,619 that we had anticipated in our multi year budget projections. This drop of 179 ADA will result in a reduction of approx. \$900,000 for next year. We will be filing a waiver which may reduce the impact; however, we will not know the results of that process until year end.*
- Potential reductions in enrollment/ADA due to neighboring districts not releasing students on inter-district permits.
 - *Update: L.A. Unified School District has determined that they will not change their inter-district transfer policy for 2010-11. However, they are looking at restructuring their program in 2011-12. Since we have 500 L.A.U.S.D. students attending Glendale schools, we will continue to monitor their policy changes.*
- The reduction of income if the Governor's proposed on-going reduction to the revenue limit is \$250 vs. the \$201 that is currently included in the report. This would be an impact of \$1.28 million per year and an impact of \$3.83 million over a three year period.
 - *Update: The L.A. County Office of Education has not received confirmation yet on this item; however, they believe the reduction will be \$250 vs. the \$201 that the District budgeted.*
- The impact of the March advisory that the State is withholding \$1.6 million in State 2009-10 funding for Ninth Grade CSR, AB1113 Violence Prevention, Art & Music Block Grant, Supplemental Counseling, Math and Reading Development, and Credential Teacher Block Grant programs. This funding will be withheld until the State meets the Federal requirements to obtain additional Federal ARRA funds.
 - *Update: There is no update at this time.*

Potential Positive Adjustments

- The complete impact of the Supplemental Retirement Program (SRP) through PARS is not incorporated into the budget; only the direct savings related to the elementary school teachers is included within the \$5 million savings listed previously. There will be additional savings due to staffing changes; however, a portion of those savings will be offset by the annual payment to PARS and the increase in payment for retiree health insurance.

- *Update: The annual payment for PARS for GTA and Management is projected to be approx. \$700,000. The final payment will increase when CSEA participation is finalized. The additional cost for the increased insurance premiums paid for early retiree health benefits will also be calculated at that time. These additional costs will be more than offset by the savings due to either not filling the vacancy created by the retirement and/or the savings due to the replacement employee costing less than the retiree. In addition to the District Administration re-structure noted below, we will also be re-structuring FASO, which will result in additional savings. Also, there are several reduction options that will be presented regarding school site staffing, which if adopted, would result in additional savings.*
- The impact of consolidating positions at the District Administration due to vacancies/retirements is not finalized and is not included.
 - *Update: While we have not finalized the reorganization plans, at this point in time, we anticipate saving \$1.1 million through the consolidation of positions at the District Administration.*
- The COLA the Governor projected for 2011-12 of 1.8 % and the 2.4% for 2012-13. This increase was not included due to the current State fiscal crisis and advisement from the Los Angeles County Office of Education (LACOE). However, if it were received, it would result in a net revenue increase of \$8 million by the end of 2012-13.
 - *Update: There is no update at this time, we are still awaiting the May Revise.*
- The impact of potential furlough days, benefit contributions, insurance caps, or other financial items that may be negotiated.
 - *Update: The District is still in negotiations.*
- Additionally, the Administration and Board of Education are actively pursuing other reductions in expenditures this year and future years to address the impacts of reduced State funding and the lack of future federal assistance.
 - *Update: The attached summary of options has been provided to begin the conversation on additional reductions.*

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The attached schedules are summaries of the reductions that are currently in place and those that are approved for next year. They also include the remaining Tier III programs that have not been fully eliminated, as well as additional reductions for the Board to consider. Currently we are projecting a high number of vacancies due to employees retiring through the Supplemental Retirement Program, and it is important that we consider adjustments to staffing and ratios prior to filling those vacancies.

Glendale Unified School District
 April 20, 2010 Board Report - Tier III Status Report

| | TIER III | | Options Remaining * | |
|---|---------------------|---------------------|----------------------------|---------------------|
| | On-Going | One-Time | On-Going | One-Time |
| <u>Programs Eliminated</u> | | | | |
| Applied Competitive Tech. | \$ - | \$ 583 | \$ - | \$ - |
| Comm-Based Tutoring Grants | 180,484 | 105,267 | - | - |
| Continuation HS Add-On | 18,569 | 23,009 | - | - |
| Discretionary Blk Grant-District | - | 544,078 | - | - |
| Instr. Mat. Block Grant | 1,495,840 | 2,204,210 | - | - |
| Ninth Grade CSR | 697,719 | - | - | - |
| Physical Ed. Teacher Incent. | 264,137 | 310,573 | - | - |
| Staff Dev Principal Train (Gates) | - | 2,700 | - | - |
| Supplemental Counseling Prog | 819,971 | 627,785 | - | - |
| Technology Support | - | 254,152 | - | - |
| Tenth Grade Counseling | 61,056 | 88,143 | - | - |
| Total Swept for Eliminated Programs | \$ 3,537,776 | \$ 4,160,500 | \$ - | \$ - |
| <u>Primarily Site Based Allocations - Maintained</u> | | | | |
| One Time Art - School Sites | \$ - | \$ 186,191 | \$ - | \$ 336,340 |
| One Time PE - School Sites | - | 307,156 | - | 458,738 |
| School & Library Improvement Block Grant | 953,153 | - | 786,383 | - |
| Cal-SAFE Academic-Daily HS (pregnant minor) | - | 14,940 | 26,540 | - |
| Discretionary Block Grant - School Sites | - | 300,400 | - | 522,498 |
| Total Site Based Allocations - Maintained | \$ 953,153 | \$ 808,687 | \$ 812,923 | \$ 1,317,576 |
| <u>District-wide Programs - Maintained</u> | | | | |
| Ed Tech Dist Prog (TIIGB) - ETIS | - | 2,555 | 890,966 | - |
| Sch/Law Enforcement (TIIGB) - Sec Security | - | - | 254,314 | - |
| Gifted & Talented Education - partial | - | - | 176,832 | - |
| Math & Reading Prof. Development | - | - | 95,186 | - |
| Staff Dev. Math & Reading | - | - | 104,204 | - |
| Peer Assistance & Review | - | 7,153 | 98,140 | 20,787 |
| Arts & Music Block Grant - partial | 367,449 | 429,062 | - | 227,965 |
| Beg Teach Support Block Grant | 64,100 | 109,200 | 238,916 | 167,285 |
| CAHSEE Intensive Inst.& Serv. | - | 85,883 | 166,233 | - |
| Cal-Safe Child Care | - | 7,316 | 56,144 | - |
| Total District-wide Programs - Maintained | \$ 431,549 | \$ 641,169 | \$ 2,080,935 | \$ 416,037 |
| Total Swept for All Programs | \$ 4,922,478 | \$ 5,610,356 | | |
| <u>Potential Re-Structure - Discussion</u> | | | | |
| ROP - Support Allocation | \$ - | \$ - | \$ 298,987 | \$ - |
| ROP-Classroom/Prg. Allocation. (min 25 students) | - | - | 697,638 | - |
| Sch. Comm. Violence Prev. Rosemont - new | - | - | - | 700,000 |
| Sch. Comm. Violence Prev. Toll - new | - | - | - | 700,000 |

* Note: These programs are currently active and balances are being spent.

Glendale Unified School District
April 20, 2010 Board Report - Budget Reductions

| | Previously Implemented | | Options Remaining * | |
|--|------------------------|----------|---------------------|-----------|
| | On-Going | One-Time | On-Going | One-Time |
| Staff Reductions - Currently in Budget | | | | |
| Decentralize Verdugo Academy (1.2 FTE) | \$ 109,028 | \$ - | \$ - | \$ - |
| Daily High School - Transition from 15-1 towards 20-1 (2 FTE) | 181,714 | - | - | - |
| School Site Clerical at High Schools (3 FTE) | 208,954 | - | - | - |
| Human Resources (1 FTE) | 47,939 | - | - | - |
| Purchasing (1 FTE) | 48,625 | - | - | - |
| ETIS (1 FTE) | 71,108 | - | - | - |
| Summer School Cost Reduction (2010-11) | 700,000 | - | 1,600,000 | - |
| Class Size Increase in K-3 to 30:1 | 4,976,280 | - | - | - |
| Total | \$ 6,343,648 | - | \$ 1,600,000 | - |
| Recommendation for 2010-11 | | | | |
| Middle Schools Reduce 1 FTE per 1,000 exclude Roosevelt (3 FTE) | \$ - | \$ - | \$ 300,000 | \$ - |
| High School Staffing Reduce 1 FTE per 1,000 students (9 FTE) | - | - | 900,000 | - |
| Clark Staffing Adjusted to 6 periods (4 FTE) | - | - | 400,000 | - |
| Daily & Clark Reduce Counseling to Ratio (2 FTE) | - | - | 250,000 | - |
| Special Education Reduction due to Enrollment (3.4 FTE) | - | - | 340,000 | - |
| Consolidate & Restructure District Administration (estimate) | - | - | 1,100,000 | - |
| Charge Food Service for Indirect Cost | - | - | 280,000 | - |
| Total | - | - | \$ 3,570,000 | - |
| Currently in Process of Developing Specific Recommendation | | | | |
| Restructure FASO - will be finalized after CSEA retirements | \$ - | \$ - | ??? | \$ - |
| Reduce Classified Positions - will be finalized after CSEA retirements | - | - | ??? | - |
| Restructure Clark Transp. \$800,000 - Centralize pick up and drop off | - | - | ??? | - |
| Increase Charges to Organizations Using District Facilities | - | - | ??? | - |
| For Future Consideration | | | | |
| Eliminate Elementary Music - (4 FTE) | \$ - | \$ - | \$ 400,000 | \$ - |
| Athletic Programs | - | - | ??? | - |
| Adjust Other Staffing Ratios and Days in Work Year | - | - | ??? | - |
| Sweep E-Rate Reserves | - | - | - | 360,000 |
| Re-direct Use of Ongoing E-Rate Funding | - | - | 250,000 | - |
| Retain MAA Funding at District (do not share with sites) | - | - | ??? | - |
| Utilization of Non-General Fund Reserves | | | | |
| Special Education Reserve (Reserve depleted 2013-14) | \$ 750,000 | \$ - | \$ - | \$ - |
| Retiree Benefit Fund 20 (Reserve depleted 2013-14) | 1,250,000 | - | - | - |
| Restricted Major Maintenance Reserve (Reserve depleted 2012-13) | 1,000,000 | - | - | - |
| State Flexibility Options (Non-Tier III) | | | | |
| No Deferred Maintenance Transfer (legally ends 2012-13) | \$ 1,238,000 | \$ - | \$ - | \$ - |
| Deferred Maint Fund Revenue to General Fund (legally ends 2012-13) | 907,000 | - | - | - |
| Deferred Maintenance Fund Balance | - | - | - | 4,200,000 |

* Note: These programs are currently active and balances are being spent.