

GLENDALE UNIFIED SCHOOL DISTRICT

May 19, 2009

DISCUSSION REPORT NO. 2

TO: Board of Education
FROM: Michael F. Escalante, Superintendent
SUBMITTED BY: Eva Rae Lueck, Chief Business and Financial Officer
SUBJECT: **2009-10 Draft Budget**

The District is required to adopt a budget for the 2009-10 school year and a budget projection for the two subsequent years by June 30, 2009. This three year projection is to reflect a realistic budget that maintains a 3% Reserve in each of the years. The revenue is to be based on the assumptions supplied by the L.A. County Office of Education.

The challenge this year is that there are many unknowns and while the County is providing the revenue assumptions, they are also acknowledging that the actual funding may vary significantly based on the results of the May 19 election. They are also greatly concerned with the Legislative Analyst's Office projections that indicate the State is not meeting the revenue targets that were established in the State Budget. Any one of these items could significantly impact the District's funding.

The District staff, to be responsive to the statutory filing requirements, must finalize the revenue, staffing and other expenditure projections within the next couple weeks. This is necessary to allow the time needed to input the data into the State and County software that will generate the 2009-10 Budget documents that are approved by the Board of Education in June.

The balance of this report addresses how the District can meet the State timeline while also allowing the Board time to give careful consideration to various options. The first section outlines the assumptions that the staff recommends the District utilize in the development of the "initial" June Budget Adoption for 2009-10 to meet the statutory timelines. The second section outlines the various program reductions that can be considered for implementation and incorporation into a future budget revision. These expenditure reductions could be utilized to offset reductions in State funding and also the on-going structural deficit in the District's budget.

Budget Assumptions for the initial 2009-10 Budget adoption in June 2009

- Revenue and Staffing Allocations
 - ▶ These remain unchanged from the May 5, 2009 Board Presentation (Attachment A and B)
- Implement the following flexibility options:
 - ▶ Utilize \$3 million from the Restrict Maintenance Reserve at a rate of \$1 million per year beginning in 2009-10
 - ▶ Retain the State Deferred Maintenance Revenue in the Unrestricted General Fund in 2008-09 through 2011-12 (approx. \$1.2 million per year)
 - ▶ Retain the District's funds that are normally transferred to provide the required matching funds for the State Deferred Maintenance Program for 2008-09 through 2011-12 (approx. \$1.2 million per year)
- Acknowledge the Federal Stimulus Funding in the following amounts:
 - ▶ Stabilization Funding - \$6.9 million
 - ▶ IDEA Funding - \$4 million
 - ▶ Title I Funding – Budget at a later date

This would result in an additional \$23.5 million in additional funds being added to the Unrestricted General Fund Budget (Base – Attachment C). These funds would be comprised of \$12.6 million from flexibility options and \$10.9 million from Federal Stimulus Funds.

There are still several other components of the District's initial budget that are being finalized. These items include school site staffing and allocations based on enrollment, fringe benefit rates, etc. However, it is anticipated that the \$23.5 million listed above would sufficiently align the budget with the State requirements for the initial adoption.

It is important to note that these items can be reversed and/or modified by the Board at a future date when the Board has more complete data from the State and has had the opportunity to evaluate the various budget/program modifications.

Program reductions/modifications for consideration in 2009-10 and future years

This listing is not in any specific order and represents areas of the budget that the Board may want to evaluate to determine if program reductions and/or modifications are to be implemented. This list is a collection of ideas that were generated in previous Board discussions, staff discussions, as well as items that are under discussion in other districts. This is not a static list and items will be added and deleted as the budget discussions evolve.

Staffing:

- Increase staffing ratio in grades k-3
- Increase staffing ratio in grades 4 through 12
- Eliminate 9th Grade Class Size Reduction
- Adjust Clark Magnet High School staffing to reflect standard ratios
- Restructure and/or eliminate Tier III programs
- Reduce staffing ratios – librarians, counselors, elementary music and physical education, administrator and special assignments
- Reduce staffing in support areas – clerical, custodial, maintenance, security
- Reduce the work year for specific staff
- Restructure programs to be more cost effective

Miscellaneous Items:

- Eliminate bus transportation for Clark and/or charge fee
- Eliminate or reduce GASB 45 contribution
- Utilize reserve balances in other funds
- Negotiate/establish contribution level for health insurance premiums
- Charge Food Service Program for indirect costs
- Maximize utilization of Federal Title I stimulation funds
- Increase facility use fees for outside organizations
- Request City support through reduced utility fees
- Reduce athletic programs
- Eliminate or reduce the summer school program

The items listed above are for consideration and discussion. The staff will be providing cost data on specific items as well as potential programmatic changes to reduce costs and/or create more effective programs.

It is important to note that decisions involving program reductions are not critical for the initial June 2009-10 Budget adoption. The budgetary reductions that were previously made by the Board and the various reserves that have been generated will provide fiscal stability while the various reduction options are being evaluated. However, further reductions will need to occur to establish a balanced budget once the flexibility transfers and one-time revenue sources are exhausted.

Multi-Year Budget Assumptions

CATEGORY		2008-09	2009-10	2010-11	2011-12
Net COLA Percentage	Adopted	0.00%	4.83%	2.70%	2.60%
	Projected 1st	0.68%	0.00%	3.50%	2.70%
	Projected 2nd	-2.63%	-0.969%	0.70%	2.30%
*COLA Increase	Adopted	\$0	\$281	\$165	\$163
	Projected 1st	\$40	\$0	\$205	\$164
	Projected 2nd	-\$150	-\$52	\$39	\$130
*Revenue Limit per ADA	Adopted	\$5,777	\$6,058	\$6,223	\$6,386
	Projected 1st	\$5,817	\$5,817	\$6,022	\$6,186
	Projected 2nd	\$5,628	\$5,576	\$5,615	\$5,745
Revenue Limit ADA	Adopted	26,034	25,452	25,046	24,578
	Projected 1st & 2nd	26,034	25,789	25,542	25,200
Interest	Adopted	\$1,800,000	\$1,800,000	\$1,800,000	\$1,800,000
	Projected 1st	\$1,800,000	\$1,800,000	\$1,800,000	\$1,800,000
	Projected 2nd	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000
Lottery (Per ADA)	Adopted	\$115	\$115	\$115	\$115
	Projected 1st	\$118	\$118	\$118	\$118
	Projected 2nd	\$109.50	\$109.50	\$109.50	\$109.50
STRS	No Changes	8.25%	8.25%	8.25%	8.25%
Workers Comp	No Changes	2.27%	2.27%	2.27%	2.27%
Retiree Benefits	No Changes	2.00%	2.00%	2.00%	2.00%
Indirect Cost Rate	No Changes	3.25%	3.25%	3.25%	3.25%
Other Uses	Adopted	\$0	\$3,033,263	\$3,037,527	\$2,920,007
	Projected 1st	\$0	\$0	\$1,117,489	\$1,122,893
	Projected 2nd	\$0	\$0	\$0	\$0
"Solvency" Transfers:					
- Special Ed. Reserve	No Changes	\$750,000	\$750,000	\$750,000	\$250,000
- Retiree Benefit Fund 20	No Changes	\$0	\$1,250,000	\$1,250,000	\$1,250,000
Health Insurance Increase	No Changes	\$2,250,000	\$2,750,000	\$2,750,000	\$2,750,000

*After 7.844% deficit is applied from 2008-09 fiscal year ongoing. After 13.094% deficit is applied from 2009-10 fiscal year ongoing

2009-10 BUDGET ALLOCATIONS AND STAFFING FORMULAS

Attachment B

Description	Elementary Schools	Middle Schools	High Schools
Teacher Staffing Ratios (students to teachers)			
Grade K - 3 Class Size Reduction (incl 3/4's)	20.44 : 1 **	n/a	n/a
Grades 4-6	31.90:1	n/a	n/a
Grades 7-8 (not incl. 0 or 7 period classes)	n/a	34.80:1 **	n/a
Grades 9-12 (not incl. 0 or 7 period classes)	n/a	n/a	35.80:1 **
Grade 9 Class Size Reduction (English & Math)	n/a	n/a	20:1
Teacher Class Coverage	Central Account @ \$650 per teacher	2 periods per FTE @ \$50/per hour	2 periods per FTE @ \$50/per hour
Counselor Staffing Ratio (students to counselors) (partially funded by the Counseling Supplemental Grant)	n/a	500:1	400:1
Elementary Music Teachers	5.2	n/a	n/a
High School Librarians	n/a	n/a	1 per school
Psychologists Ratio (students to psych's) ****	Districtwide 2634 : 1	Districtwide 2634 : 1	Districtwide 2634 : 1
Nurses Ratio (students to nurses) ****	Districtwide 2848 : 1	Districtwide 2848 : 1	Districtwide 2848 : 1
School Site Administrative Support			
Principals, Associate & Assistant Principals - MS, IIS *	n/a	525:1	550:1
School Site Principals, Elem *	1 Per School	n/a	n/a
Asst. Principals, Trad Elem *	650 : 0.5	n/a	n/a
School Site Clerical Support (students to clerical support)			
Administrative Secretary (1 per principal)	1	1	1
Traditional Elementary	600:1	n/a	n/a
Traditional Secondary	n/a	300:1	300:1
School Site Clerical Substitutes	central account	\$720 x clerical FTE	\$720 x clerical FTE
Custodial Staff (students to custodial support)			
Custodial Supervisor	n/a	n/a	1
Lead Custodian	n/a	1	1
Custodian II	1	1	n/a
Custodian I	520:1 (YRE schools @ 390:1 & 75% enroll)	390:1 +.5 for large campus +.5 for gym and 2 locker rooms	390:1 +1 for large campus +1 for 2 gyms and locker rooms +.5 for swimming pool
Maintenance Staff (students to maint. support)	Districtwide 545:1 Plus 1 van for every new position	Districtwide 545:1 Plus 1 van for every new position	Districtwide 545:1 Plus 1 van for every new position
Groundworkers	Districtwide 13 FTE	Districtwide 13 FTE	Districtwide 13 FTE
Custodial Overtime	\$ 1 per student	\$ 1 per student	\$ 1 per student
Custodial Supplies	\$9 per student	\$9 per student	\$9 per student
Pool Supplies (Central FASO Account)	n/a	n/a	\$27,000 per year
Instructional Material Support	\$28.50 per student	\$42.75 per student	\$44.65 per student
Summer School Supplies	n/a	\$3 per summer student	\$3 per summer student
Secondary Security Allocations	n/a	\$23.50 per student \$2,000 for summer school \$300 for graduation	\$23.50 per student \$8,300 for summer school \$300 for graduation
* Interim Ratios 2004-05 (2002-03 ratio: MS=1 Principal and 2 Assistant Principals per school and HS=500:1).			
** Ratios have been or may be reduced with categorical or other funding.			
**** Information only - Actual ratios may be different based on categorical or other supplemental funding.			

Budget Adjustment Impact on Unrestricted General Fund Ending Balance

Attachment C

Major Changes	2008-09	2009-10	2010-11	2011-12
Revised Budget at January 31, 2009	\$ 22,196,250	\$ 18,346,264	\$ 14,231,201	\$ 8,586,582
<u>State Budget Revisions (Feb. 2009) and Updated Projections</u>				
2008-09 Ongoing Adjustments				
Eliminate 0.68% COLA plus 2.63% Revenue Limit Reduction	\$ (4,971,853)	\$ (4,971,853)	\$ (4,971,853)	\$ (4,971,853)
Other State Revenue 15.38% Reduction - Supplemental Hourly, 9th CSR, Law Enforcement, Staff Development Buy Back	(520,597)	(520,063)	(522,163)	(525,071)
Local Revenue - Interest Revenue	(300,000)	(300,000)	(300,000)	(300,000)
Lottery \$118 to \$109.50 per ADA	(218,695)	(219,229)	(217,129)	(214,221)
Other Misc.	39,403	39,403	39,403	39,403
2008-09 One-Time Adjustments				
JPA Workers Compensaton Refund	3,100,000			
2009-10 Ongoing Adjustments				
Additional 0.958% Revenue Limit Reduction		\$ (1,342,844)	\$ (1,342,844)	\$ (1,342,844)
Other State Revenue 4.46% Reduction - Supplemental Hourly, 9th CSR, Law Enforcement, Staff Development Buy Back		(206,143)	(206,143)	(206,143)
Other Misc.		1,940	1,940	1,940
2010-11 Ongoing Adjustments				
Additional 2.8% Revenue Limit Reduction			\$ (4,191,468)	\$ (4,191,468)
Elimination of Fund Set Aside from COLA (negotiations)			1,117,489	
Other State Revenue (Unrestricted) - 2.8% Revenue Reduction			(278,769)	(278,769)
Other State Revenue (Restricted) - Primarily Special Ed - 2.8% Revenue Reduction			(403,775)	(403,775)
2011-12 Ongoing Adjustments				
Additional 0.40% Revenue Limit Reduction				(667,887)
Elimination of Fund Set Aside from COLA (negotiations)				1,122,893
Other State Revenue (Unrestricted) - 0.40% Revenue Reduction				(44,489)
Other State Revenue (Restricted) - Primarily Special Ed - 0.40% Revenue Reduction				(67,631)
Current Year Impact	\$ (2,871,742)	\$ (7,518,789)	\$ (11,275,312)	\$ (12,049,915)
Cumulative Impact to Ending Balance	(2,871,742)	(10,390,531)	(21,665,843)	(33,715,758)
Ending Balance with Revenue Changes	\$ 19,324,508	\$ 7,955,733	\$ (7,434,642)	\$ (25,129,176)
<u>Phase 1 Expenditure and/or Revenue Adjustments</u>				
On-going Expenditure Reductions and/or Revenues - Phase 1				
Unrestricted General Fund - Position Savings 5 FTE	\$ 358,282	\$ 358,282	\$ 358,282	\$ 358,282
Special Education - Salary & Benefits	500,000	500,000	500,000	500,000
Special Education - Transportation Expenditures	300,000	300,000	300,000	300,000
One-Time Reductions and/or Revenues - Phase 1				
Sweep Unrestricted General Fund Carry Over	\$ 800,000			
Unrestricted General Fund - Salary & Benefits	1,641,718			
Does Not Include:				
Flexibility Options - Categorical & Restricted Maintenance Transfer				
Reduced Spending & Staffing Reductions - Future Years				
Sweep of Categorical Programs				
Changes to K-3 CSR				
Current Year Impact	\$ 3,600,000	\$ 1,158,282	\$ 1,158,282	\$ 1,158,282
Cumulative Impact to Ending Balance	3,600,000	4,758,282	5,916,564	7,074,846
Adjusted Ending Balance Projection	\$ 22,924,508	\$ 12,714,015	\$ (1,518,078)	\$ (18,054,330)
<u>Designated and Restricted Portion:</u>				
Revolving Cash	\$ 70,000	\$ 70,000	\$ 70,000	\$ 70,000
Stores	158,542	158,542	158,542	158,542
3% Mandated Reserve for Economic Uncertainties	6,788,550	6,857,122	6,962,577	7,067,441
Fund Balance Designation - \$613,809 Released in 2nd Interim	-	-	-	-
Adjusted Balance in Excess of 3% Reserve	\$ 15,907,416	\$ 5,628,351	\$ (8,709,197)	\$ (25,350,313)