

Budget Communications Committee Meeting Minutes

April 14, 2010

Call to Order

Gina Manusov welcomed everyone and called the meeting to order at 12:36 p.m. She told the group she wanted to bring them up to date on what has happened since the last meeting, as there have been a few changes, most importantly regarding class size reduction. Carol Rouse will present details on the latest budget information, Gina will respond to questions from the last meeting, and then the group will work on the employee suggestions list.

Budget Information Update

Carol Rouse described each of the handouts that were provided to the group:

- EUSD 6-Yr History of Employee FTE – All Employee Groups
- Deferrals 2010-2011
- Budget Update (PowerPoint)

A member asked what positions are included in the certificated non-management category on the employee FTE handout. Carol said that category includes teachers, counselors, nurses, and psychologists. Carol asked if there were any other questions about this handout, and there were none.

Carol presented the latest information on the budget (see presentation).

Regarding the deferral handout, a member asked if this money is paid back and how it can be considered a revenue loss. Carol responded that at the end of the year, we are down by a certain amount, and we won't get it until the next year. It's a timing issue. The member asked for confirmation that it is not a revenue loss but a cash flow issue, and Carol said that was correct.

Another member asked if this was the same \$13.5 million we saw at the last meeting or in addition to it. Carol said our loss is because of the funding cliff having to do with the federal stimulus monies and increasing costs. This is a significant cash issue.

A member asked if we were paid interest on the deferrals, and Carol said that we are not.

Carol ended her presentation by mentioning that on the back of the deferral sheet, there is a copy of a daily calculator provided by the State Controller's Office, which tracks the amount of personal income tax revenue received by the state. If the state stays ahead in collections, that may protect us from further cuts if the \$6.9 billion in federal money doesn't come in.

Responses to Requests

Gina responded to requests for information that were made at the last meeting:

Census Communication – On March 25, 2010, a ConnectEd message was sent to get the word out about the census and encourage parents to respond, as Escondido has been under-reported in the past.

Glossary of terms/acronyms - A glossary of terms/acronyms was provided to the group.

TKF/CARE Grant Information Update - The TKF grant is going to be changed on our budget reduction proposal from a funding shift strategy to an actual cut (\$76,000). The services provided for mentoring can be provided under the CARE grant, if they are an agency that is awarded the contract. We are utilizing a Request for Proposals process for services related to the CARE grant. TKF is expected to compete in this process. This is brand new information, the details of which were received yesterday.

Modify Labeling on Budget Scenarios Worksheet - The labeling on the Budget Reduction Scenarios worksheet has been changed from “Total Reductions” to “Total Budget Solutions” for clarity.

Florida Testing – No information was found on Florida receiving dispensation for testing requirements. Gina asked that further information or key words to search on be provided by whoever made the request.

Four Ten-Hour Workdays - An employee requested consideration of four ten-hour workdays on a case-by-case basis within certain departments that might be able to accommodate this flexibility without impacting services. It was thought that it would be helpful to employees not to come in on the fifth day, so they could save money on gas, lunch, etc., which is especially beneficial to employees receiving pay cuts. It was not a suggestion for a budget reduction per se. Gina will bring it forward for more discussion.

Contingency Questions - Unexpected federal funds, inflation, and other factors affecting the ending balance create a lot of “what ifs.” It was asked if we could get some kind of contingency offered as protection for these kinds of things. Gina said that the questions are good, and any contingency language would have to come out of the negotiation process. The questions will be relayed accordingly.

Deferrals – Carol addressed deferrals earlier in the meeting.

Budget Reduction Proposals

Gina said the biggest news at the March 25 board meeting was the change in cabinet’s recommendation for CSR. Increasing class size to 30:1 was taken off the table. Carol and her staff worked with the figures for real people and their salaries and looked at the per diem rate for substitutes for teachers that would have first rights to come back to the district after being laid off. The numbers were crunched, and increasing class size does not pencil out with the current law being in place as it is. It was a better decision financially and instructionally to keep class size at 25:1. The \$2.5 million reduction is off set based on the amount of subs on any given day that would be paid at a per diem rate.

The line item is shown as zero. If we have an average number of students in excess of 24.95 students in a class, our revenue will be reduced by thirty percent.

A member asked for an explanation of the 24.95 figure. Gina explained that it is a daily average on the first day of school through April 15 per classroom. It takes fluctuating enrollments into consideration. When we were operating under the original rules of CSR, it was really important to monitor enrollment on a daily basis. Sometimes there comes a point where it makes more sense to take a penalty for higher class sizes. Right now, we are doing the best we can with this structure, which is more flexible.

A member asked if we receive full funding for classes under 20, and Gina said we do.

A member asked if the current proposal is to remain at 25:1 and not go up to 30:1, and Gina said that is correct.

Gina said the changes made to the Budget Reduction Scenarios for tomorrow's meeting are highlighted. One of them is the Tariq Khamisa Foundation Grant. Another is the total number of teacher retirements have come in, reaching 45 yesterday. We've met the incentive threshold, and that is reflected as \$1.1 million for 2010-11. It affects this year's bottom line, as the incentives will be paid in 2009-10.

We haven't accounted for the commitment on the part of management to take an extra half percent off their salary schedule because of the length of their work year. In general, the management team's calendar is longer than the teachers' calendar and the calendar of many other employees. A five-day furlough hit on their work year schedule does not equate to the same percentage of reduction as other employees. When we did the math, it was an average of 0.5 percent, compared to the teacher work year, so management is going to take a 3.5 percent reduction on the salary schedule if the 3 percent salary reduction and five-day furlough goes through. It has not been factored in at this time, but it will be under \$100,000. We'll make a revision on the sheet for tomorrow and notify everyone about the revision (Revision 3).

A member asked who that covers. Gina said it covers principals, classified directors, coordinators, the superintendent, cabinet, certificated directors, and assistant principals.

With the total budget solutions of \$11.98 million, we exceed our current target by \$664,859. The beginning fund balance has changed, and deficit spending has been lowered. There are no changes for the out years. They are conceptual. The numbers ripple through, and the third year out shows a -\$1,022,603 fund balance. There are still some concerns about viability for the long haul.

A member asked if deficit spending is assuming that not a single federal dollar is coming in. Gina said that is correct. The member asked if an analysis had been done on what might come in. Gina said the budget includes federal dollars that we normally get. The member asked if it reflects any other monies. Gina said the ARRA monies are the only dollars that we are aware of in excess of regular operational dollars. We do get regular

federal program dollars in, but they are restrictive and are used to support specific programs. The extra federal influx we experienced over the last year and half was recovery money. The SFSF money we received afforded us flexibility to keep programs going. We are not expecting the federal government to come up with recovery money at the same level, which is the worst-case scenario. Paula Pendell added that the only federal money that might come in next year is the Race to the Top technology grant, which is highly competitive. We are putting our hat in the ring, but it is really restrictive. Obama's new take on No Child Left Behind is to make it competitive. Gina said that although ours is a conservative approach generally, we are also utilizing the cut figure on the lower end of the range (not the worst case scenario).

A member asked if there is a difference in the way districts do projections. He wanted to know how come San Diego Unified is projecting recovery in 2012-13, enough so that they have pay raises built in for their teachers in those years, but our district is expecting a decline and no pay raises built in to the contractual agreements. He asked if they are using the same figures we are. Gina said she can't speak to what goes on behind closed doors, but San Diego Unified is not in the majority. The agreement was quite a surprise to most districts.

A member asked if the management employee group had a discussion regarding taking the furlough days. Gina said conversations were had with the management team to see how they felt about it, and there was support from the group. A member commented that those groups are not represented by anyone, so they have to take it or leave it.

A member voiced concern about not being able to explain the carry over to his site sufficiently for them to understand it. Gina said quite a bit of information and detail has already been provided, but she and Carol would be happy to meet with him individually or come to the site to explain it. She has some materials that show a bit of the history and how it works and how the large ending balance we had came to be. It is also important for people to understand that the ending balance helps us not to have to cut as deep.

The member commented that the carry over/ending balance is the biggest burning question everyone is asking. Gina said that's why the concept of contingency language would be something that could help with misunderstandings or lack of trust. When events unfold a certain way, the concept was to have language to protect employees in terms of restoration or pay back. We know from the get go that we are going to be adjusting.

The member asked if he could say carry over is "things ordered but haven't been received or paid for yet." Gina said that is part of it. Purchase orders encumber funds, but then plans change at the site or department level, so at the end of the year, the purchase order is dissolved, and the money goes back into the bottom line. There are a lot of encumbrances that don't come to fruition.

A member asked about an idea that was brought up a couple of months ago regarding the salary reduction being used as a loan from employees. Gina said there are concerns with a

definitive pay back of the dollars of that magnitude. It is too much to commit to when the future is so uncertain. It's risky, and they couldn't put the district in that position.

The member commented that we are missing out on a huge PR opportunity; we have to do something different and drastic. We have to get out of the box with a pay cut and losing health insurance. We can call it a loan instead of a cut with a contingency to pay it back. Gina said it's been brought forward to cabinet, and the board can certainly direct us to look at that in more detail. The member responded that they did it in Los Angeles years ago. Gina said that we are doing things we've never done before because California hasn't been in this situation before. We still have to press forward and try to make the soundest decision possible. It still doesn't limit the board at any given time to set priorities with contingency language when it starts to turn around and money starts to flow.

A member commented that since taxpayers are not willing to fund education in California and now we are going to tax employees to pay for it, what are the programs that the public likes that we can cut (Project Live, CSR, etc.)? The public is saying teachers should pay for education in Escondido, not the public. The public is saying you need to take a pay cut. I say cut programs. Fifteen percent of employees are at the district office. We need to look at the departments and combine them (Facilities and Tech Media). Why are they hiring an assistant superintendent when other people in the district can take over those duties and a couple of hundred thousand dollars can be saved? Gina asked the member to put in writing what programs he suggests cutting, and she will add it to the list to be considered.

The member replied that this is something the district should come up with. We buy Macs that cost two times as much as a PC, but they are not used effectively. You could save \$60 out of every \$100 for every computer that we buy. Gina said the suggestion was made, and she went to the Tech Media Services Department about it. We are starting a pilot program at Juniper. Using a less expensive Mac was part of the discussion. Apples are here for the students, so switching to PCs doesn't appear to be feasible. The question was raised at an earlier meeting if we could buy cheaper Macs, and we can. The PC technicians developed a hybrid concept using a Mac mini with a regular screen and regular keyboard. That is what's being tested at Juniper, to see if that will work. It is a tremendous savings per computer. We are following through with that suggestion. The member commented that you could buy a laptop for \$328 at Wal-Mart. No matter what you do for a Mac, the items are more expensive. Dell sells for cheaper.

Gina said there is a point where we have to trust the expertise of our employees in these areas. When we get a suggestion, we try to do due diligence to follow up on it. Our cabinet budget group, which includes two principals, would love to think of everything, but we can't. That's why we have this committee. Does that mean we will all agree on the final solutions? Probably not, but we need to get things out on table to discuss them.

A member asked about the retirement numbers listed in the out years, 2011-12 and 2012-13, being only 10. Gina said that reflects additional retirements for those years. There is

a savings differential between a veteran teacher versus a newer teacher. It's reducing your expense. It's not a reduction or elimination of a person or program. If 10 people retire, and you hire replacements at less money, there are savings. There is a difference between someone getting paid \$90,000 in salary, benefits, and longevity versus someone with fewer years, a lower rate on the salary schedule, and no longevity. Generally, there are savings with retirements. With our retirement incentive, we are trading off the first year of savings, but the savings do carry forward in subsequent years.

A member asked if the first year is recognized in 2011-12. Gina said the pay incentive is accounted for in the current year (2009-10), and the first year savings is in 2010-11. We have to make sure we reflect expenditures and savings in the two years, which are virtually a wash.

There appeared to be a calculation problem with the budget plan spreadsheet. Gina and Carol checked on the problem during the meeting and revised the document accordingly.

Categorized Suggestion List

Gina explained that the employee suggestions have been placed into categories, and she has been logging any responses she receives. The Xs on the right-hand side are to indicate that no further action needs to be taken on the suggestion.

A five-minute break was taken, and the meeting reconvened at 2:20 p.m.

Gina told the group that anything that came in after the group did their table work has been added to the list of suggestions, 124 items altogether. Ones that are new and the group has not seen before are indicated with an asterisk (starting with #116). She asked the group to pay special attention to those items, as they have not looked at them before. If some research has been done and Gina received a response, it is indicated in the column to the right. She would like the group's consensus on the items that are marked as no further action required. She asked the group to take 15 minutes to review the suggestions, signaling her when they are done.

Gina mentioned that all of the items where you don't see a response doesn't mean we are not doing anything on it. It means we don't have anything to share with you today. No response means it still needs to be addressed and information gathered. Responses will be input once information has been received.

Gina asked if everyone was in agreement with the items marked as no further action on page one. A member asked if the research is being done on the cost savings or just the concept of the items, and Gina confirmed that both concept and cost savings are analyzed.

A member asked for an estimate on what an assessment test costs the district to administer.

Paula mentioned that Learning Cycles are cancelled for next year and so is the one for April.

A member said that the development day for the Leadership Team is a good event and should be continued, but the district shouldn't be footing the bill for the meals. Gina explained that the leadership retreat is for the management team and confidential and supervisory employees. The group's consensus was that this item should be put on the list for potential elimination with the suggestion that each employee should cover their own breakfast and lunch.

A member asked if items 30 and 31 could be combined. It was noted that item 31 is a reduction of materials used for benchmark testing, and item 30 eliminates tests altogether.

Discussion was had regarding item 53 (in-house certification programs). Gina said she would remove the "X" and get more detail from Education Services. Paula will help with that.

A member asked if a program specialist is part of the management team, and Carol said it was.

Regarding item 80, a member asked about the summer efficiency program that is to take place this summer. Gina said they received support from the principals in the cabinet budget group about implementing this program, which will be addressed with principals at the next site support meeting. Summer schools won't be dark. We are going to try to keep the classrooms out of use for the summer. A member asked if the cleaning crews would be done by August 1, and Gina said not necessarily. The crews will be working on their regular schedule for deep cleaning. The spaces that the YMCA uses won't be dark and neither would any place where we have a district function going on.

Regarding item 36, a member asked if we are buying books for kids to use at home. He wasn't sure it was necessary with the adoption. He said the adoption has incredible support materials, and the books are online for kids. A member suggested having some in the library for the kids to check out. Another member asked if there are any restrictions from the publisher for that kind of approach. The other member didn't think so. Gina said she would take off the "X" and do more research.

Regarding item 94, use of both sides of the paper, Gina said she thought this is what everyone is already doing, especially with English on one side and Spanish on the other. It will be put in the "Going Green to Save Green" Campaign category. Gina explained that the "Going Green to Save Green" Campaign is voluntary and people are encouraged to make reductions in energy usage. She is hoping to see some momentum from it since the S.A.V.E. program is going well.

A member asked what item 119 was about. Another member said that there was an article about the Novato School District saving \$50,000 a year by composting and selling their food scraps.

Gina explained that the Energy Conservation Initiative refers to a policy that we want to develop via committee. She has a sample policy from another district that is very complete.

A member commented that in classrooms that have west facing windows, it gets very hot when the sun shines in, while other classrooms are cold. Another member responded that the classroom doors need to be kept closed. Another member expressed concern that the HVAC systems should be set equitably. Her site doesn't have air conditioning in August when she comes back to set up her classroom, while other sites do.

A member asked that items 114 and 116 regarding loan scenarios be researched a little more, stating that perhaps repayment can be worked out to preclude economic uncertainties. If you have an opportunity to recover what you're giving the school district, it is a win/win situation.

Another member added, "Just like the state, defer payment."

Item13 – A member asked if the Escondido Education Foundation is currently looking for sponsors. Gina said that Katie Ragazzi has really taken our foundation to another level. Fund-raising and corporate donations are her responsibilities, as well as grant writing. Gina said that she would get a report back to the committee and take the "X" off. She suggested the group check out the foundation's updated web site to understand more about foundation activities.

A member commented that if furlough days are agreed upon, she didn't think half days are a way to go. Another member said that we don't need more summer days off because it's not good for the kids. She added that during testing week at the middle schools, when the testing is finished for the day, the kids could go home for half a day to rest for the next day. The high schools do that, and it would help to transition middle school students to the high school level. Another member said that half days wouldn't work for kindergarten.

Item 111 – Regarding the response about the Friday board runs, the person responsible for those runs is already on a night schedule, so there's no overtime involved unless that person is sick or on vacation. We are not at the point where we can be 100% electronic, but it won't go completely off the radar screen.

Item 124 – A member asked if this item was referring to the *Express*. Gina said it is referring to the *School News* that comes out once a quarter. The *Express* is the superintendent's newsletter that is sent out via e-mail.

Budget Reduction Scenarios

Gina and Carol did some collaboration on the figures, and Gina presented an updated sheet. She said that what we've done is retain the beginning fund balance number of \$24,800,000, but we don't want to double count the \$900,000 incentive cost. The deficit

spending figure was changed to \$6.7 million, and then we end up with \$1.7 million in the positive on the third year out. We will make additional corrections and put it out as another revision for tomorrow night's board meeting. Gina pointed out that "no CSR funding" of \$4.2 million is reflected as a loss of revenue in 2012-13. This is a worst-case scenario that we don't think will happen but is reflected until the law changes. The revised sheet will be e-mailed to the group.

Next Meeting

Gina said that we have two meetings left on our schedule. The May 5 meeting takes place before the Governor's May revise, which is due around May 10 or 12, so we won't have any new financial information to bring except for what the board decides tomorrow night. We may have more information to share on responses to suggestions. She asked the group if they would prefer to cancel the May 5 meeting and come back on June 2 for all of the May revise information. It was the consensus of the group to cancel the May 5 meeting. The next meeting will be June 2 with interim information provided via e-mail.