

Budget Communications Committee Meeting Minutes

February 17, 2010

Call to Order

Gina called the meeting to order at 12:36 p.m. She advised the group that they would be finishing their work on the employee suggestions worksheets they started at the last meeting, and a lot of new material would be provided today, which will give them tools to use as they take the information back to their sites.

Gina said the information the committee received on the Governor's budget at the last meeting was presented to them in advance of the board meeting. Additional slides were presented at the board meeting on the budget cut figure, and that is the information that will be presented today.

Presentation – Preliminary Budget Cut Figure

Carol Rouse presented information on the preliminary budget cut figure of \$13,575,660, adding that it is estimated a worst-case state scenario could require reductions as high as \$17 million (see presentation). She outlined the estimated preliminary reductions needed, which included revenue reductions, anticipated cost increases, and additional risks to the budget. She stated that the \$13.5 million figure could change because the budget is fluid, and it depends on what happens in Sacramento, especially if the Governor doesn't receive the \$6.9 billion he is counting on from the federal government. We may need a different figure than what we are starting to work with at this point. She mentioned that there is some controversy surrounding the Governor's proposal—whether the revenue limit cuts will be \$250 or \$191 per student.

Carol presented information on possible budget solutions that could be considered and provided pie charts showing the 2008-09 general fund expenditures by function (instruction, instructional services, pupil services, plant maintenance, administration, other ancillary, and debt services) and by major object (certificated salaries, classified salaries, employee benefits, books and supplies, other services, capital outlay, and other outgo/debt service).

A committee member asked if we would lose ADA if we implement a reduction in workdays. Carol explained that districts receive the same amount of ADA earned at 175 days as they did at 180 days. We won't be "dinged" if we have 5 fewer days in the school year.

In response to a committee member's question, it was confirmed that the possible budget solution calculations didn't take into account retiring employees. Carol said that the amount given is the best-case scenario for savings. It was also confirmed that increasing class size would reduce payroll.

Another committee member asked if anyone had suggested a one percent roll back, not a salary roll back but a loan from the employee, so it doesn't affect retirement. Carol encouraged them to discuss this concept in their table activity.

Gina asked if everyone was comfortable with how ADA works, stating that it is a percentage of attendance that drives the amount of revenue we receive, a percentage of the number of days in attendance. A committee member said that if we have 180 days with 96 percent attendance, and then go to 175 days and still have 96 percent attendance or better, we would get the same amount of money. Gina confirmed that was correct.

Reduction Plan Development

Gina told the committee that we have to strike a balance between instructional and support program needs and employee needs in such a way that is palatable and keeps us solvent and keeps the programs out there.

Setting priorities requires "either/or" decisions and making choices, asking what's most important and what do we have to maintain. If we maintain "x," there has to be some other part of the equation on the reduction side.

Since we are talking about a substantial reduction number, it requires everything to be "on the table" for consideration.

A committee member asked if there are positions tied to these numbers in terms of the federal programs, as we have probably hired people specifically for those programs, have those salaries been taken out? Gina said more often than not, we have regular people in positions that would migrate to other positions, and there would be cost savings in some cases. It is a two-step process. At some point, there will have to be corresponding layoffs. Carol said the revenue lost is accounted for on the slide but not a decrease in positions.

Budget Reduction Suggestions Work Groups

Gina told the group she would like to have them finish working on the suggestions first, and then she would collect that information, compile it, and bring it back to them at the next meeting. Having a budget reduction number might help give them some perspective on the ideas they are looking at as a frame of reference.

Gina reviewed the various handouts provided to the group:

2009-10 EUSD Cost Centers (variety of program information)

2009-10 EUSD Cost Centers - District Office/Maintenance and Operations/Warehouse

2009-2010 EUSD Cost Centers - School Site Totals – General Fund

Education Center Departments

Salary-Related Reduction Scenarios

Budget Communications Reductions Worksheet (sample only, figures supplied)

Budget Communications Reductions Worksheet (fill in)

Gina commented, in response to a committee member's question regarding a step and column freeze, that there are a lot of complexities regarding a freeze of this type, and it would need to be investigated thoroughly, as we don't want to do anything that would negatively affect retirement benefits. This item would need to be negotiated.

A committee member voiced concern regarding the difference in the amount of money the district has now compared to what we end up with in September and making budget reductions that might not be necessary, since historically we seem to have a lot more money in September than what we anticipated having. Gina responded that they have had the same concerns and want to make sure that no undue suffering is caused for programs or employees. However, there is sufficient evidence out there that says we need to make some pretty big cuts. We won't know about the revenues until the state gets through their process. We've done the best job we can to try to estimate what our expenses are going to be. We are running an encumbrance report and hope to get a more realistic estimate of what will be spent. For example, a million dollar purchase order may only have \$500,000 of accumulated transactions applied to it at the end of the year. We are putting together information on the audited actuals and will bring that information to the next meeting.

In response to a committee members question regarding "pink slips," Gina said that the district is required to send them out so early. If we don't overestimate on employee notifications, it takes away our ability to respond appropriately to reality as the state budget moves through its process. March 15 is the notification deadline we have to meet, and regretfully, people are put through some anguish. More information is known in May. What we need to do, since we will have a tremendous drop in revenue regardless, is plan for 2010-11 and show the county that we can remain solvent for two more years out. Even if we are looking for \$5 million, it's a huge amount. We need to start looking at significant ways to reduce now.

A committee member raised concern that the committee was supposed to make budget cut recommendations. Gina assured her that communication is the key role of the committee. The worksheet is just a tool for them to use when they have discussions with their sites on what the priorities should be. We want to make sure that each committee member feels there is an avenue for two-way communication. Cabinet and the superintendent will bring recommendations to the board, but they would like to hear what the sites/departments think are the priorities. All the information the committee has is public information that they can share with their sites. The information on cost centers is important information to share.

Carol said that the increased class size as indicated on the presentation calculates to 57 teacher cuts.

Regarding salary rollbacks and the impact they would have on various things, such as STRS/PERS, retirement, etc., a committee member asked if more information could be given on that issue. Gina said they would have to gather that information for a future meeting.

A committee member asked what the district's stance is regarding the three-year projections that the district has to make and how they are related to reserves in light of the preliminary budget cut figure. Gina responded that the \$13.5 million budget cut figure does not take into consideration the current reserves. The current 2009-10 budget shows an estimated \$7 million deficit spending level. All things being equal, the \$7 million deficit would roll forward in future years. What we are trying to attack right now is reduction in revenue; we haven't tackled deficit spending yet. We started 2009-10 with approximately \$37 million total, \$27 million in unrestricted and \$10 million in restricted (corrected numbers given). If we are spending down \$7 million a year, the \$7 million comes off the \$27 million in unrestricted. If we did nothing to reduce deficit spending, it wouldn't take long to deplete the fund balance/reserves.

A committee member asked if we had heard anything from the county on the H1N1 waiver. Carol said we are still waiting to hear from the county. She indicated that the calculations that could play into this haven't been done yet. Gina said that when the calculations are done, the numbers would be revised. Everything we've talked about is preliminary.

A committee member asked if STRS and PERS would consider 175 days to be a full year of work should the workdays be reduced to that number. Gina said that is our understanding at this point in time. Something definitive will be provided to the committee at a later date. Another committee member commented that at a retirement seminar, the presenter said furlough days will not affect retirement, but salary reductions will. Gina said that classified staff has different types of work years that need to be considered. The retirement piece is important to everybody. More information will be provided to the committee as it is developed. We are on a fast track when it comes to bringing information to the board at the March 11 and March 25 meetings. Our next committee meeting is very important.

For the remainder of the meeting, Gina asked that the committee finish the employee suggestion worksheets. When they finished the worksheets, they were encouraged to stay and review any material and/or ask questions. Gina asked them to let her know when they had finished part one of the worksheets.

A committee member asked what they should report back to the sites. Gina said they should report on the preliminary cut figure of \$13.5 million and the cost center information.

Gina asked if there were any other questions or comments, and there were none.

Carol said it is important to know that where you see dollar values for a particular position, it includes salary and benefits. For certificated, benefits are roughly 11.5 percent, and for classified, it is about 25 percent. The total number is the cost of having someone in that position.