

# **Budget Communications Committee Meeting Minutes**

**March 2, 2011**

## **Welcome and Introductions**

The meeting was brought to order by Gina Manusov at 12:32 p.m. Gina thanked the committee for the results of their brainstorming last week. She told them that their suggestions were presented to the board, not as a consensus of the committee, but as suggestions collected to date. She told the committee that they would be given an opportunity to provide additional suggestions later in the meeting.

## **February 24, 2011, Board Meeting Materials/Discussion**

Gina updated the committee on what was presented to the board at the February 24 meeting. She included changes that were made to the budget reduction scenarios spreadsheet and additional information regarding the budget development process.

## Budget Communications Committee Suggestions

Gina told the committee that some of their suggestions were summarized for the board, although the board had been provided with the full list (see presentation). Some of the board members requested additional follow-up information.

## Budget Reduction Scenarios (Options A, B, and C)

Gina reviewed the changes that had been made to the spreadsheet for the February 24 board meeting:

Option A – A minor dollar amount change was made under PPS shifts. A line item for removal of personal appliances in the workplace was added, but the amount was guesstimated. Regarding school site reductions, it used to say \$2.5 million based on 40 FTE for all grades. Now it is divided between Grades 4-8 and K-3.

A member asked what that number was based on, referencing “pink slips.” Gina responded that it is not related to “pink slips,” but is reflecting a reduction in positions only. A board member indicated that other reductions on the list would also impact the total number of positions eliminated.

For clarification, Gina gave an example of elementary music, whereby the reduction of 3 FTE teachers would be in addition to the 40 positions due to tightening the staffing formula and declining enrollment. A member asked if this was based on the reduction of 400 students next year. Gina responded that it is based on a certain percentage reduction, and Carol Rouse would provide that information. The level of decline each year is very unpredictable.

The member continued, asking if the 14 FTE for Grades 6-8 takes into consideration the inability for middle schools to do combination classes (as with Grades 4/5) or if it is straight numbers. Gina responded that cabinet discussions involved combination classes at the 4/5 level, and she

didn't know about the middle school level. She would get clarification from Bob Leon, possibly at the break.

A member asked if the removal of appliances line item was just for the district office or did it include the classrooms too. Gina responded that it includes classrooms, and that figure is included under school site reductions. The member mentioned that space heaters are also a big draw. Gina said that discussions in cabinet had to do with refrigerators, microwaves, coffee pots, and decorative lamps. In response to a member's concern about needing space heaters when the HVAC system fails, another member said that heaters are provided by maintenance when that happens and pointed out that there is also a safety issue with lamps.

A member noted that at Bear Valley, the lounge is too far away for most teachers to use within a 30-minute period. He commented that the draw on electricity to use microwaves, whether in the classroom or the lounge, would be similar and not produce a large amount of savings. Another member stated that if you have a refrigerator in every classroom versus a couple of them throughout the campus, there is a big difference in electrical costs.

Gina mentioned that Bear Valley has a room closer to the teachers that has been converted to a staff lounge. She suggested that perhaps a good sized refrigerator could be placed in that room. The savings from removing appliances from the classrooms will amount to the cost of one person's job. A lot of districts have gone down this road, and it is worth looking at now. The board can talk about it and decide if it's important enough to move forward on.

A member suggested looking at it on a case-by-case basis, and stated that they have a huge staff at his site, so one refrigerator wouldn't cut it. Gina responded that we could consider the suggestion about strategically placing the appliances to service different areas of a campus.

Regarding the line item for reduction of middle school additional allocation for master schedule flexibility (2.5 FTE), Gina explained that this line item used to reference music. It has now been changed to focus on master schedule flexibility so that people don't think we're reducing the middle school music program with this line item.

Regarding the office staff formula reduction, Gina explained that we thought the hourly representation would be more meaningful than 5 FTE throughout the district, but it is all formula driven, and we don't know what it will look like for each individual school. Enrollment is a factor in the formula.

A member asked for clarification regarding the library techs, as she thought the funding for that had already been removed and funded out of special funds (six hours, representing \$200,000). For the last two years, the funding was gone and replaced by federal funds. Gina responded that the federal funds went into our budget and the expense was restored. Once it's cut, then it is shown as an ongoing savings.

A member asked at what increment the office staff two-hour reduction per site would occur (i.e., per month, week, etc.). Gina responded that it is per day, but it is not necessarily two hours per site. It is based on enrollment at the time. This line item represents changing the formula,

targeting a reduction of five FTE clerical staff districtwide, but it's going to depend on the enrollment as it normally would. We don't know if we really clarified anything with the change.

A member asked if the line item for Special Education teacher/aides is based on two three-hour aides. Gina said yes, it is based on Mission and the needs for that particular location.

A member asked what the .4-percent salary reduction represented under the line item for management furlough days equity. Gina explained that the furlough days reduction wasn't equitable between management and teachers' calendars, so management is taking an additional salary reduction of .4 percent to make it equitable.

A member asked why there is a savings differential when someone retires and they are not being replaced. Gina responded that there are instances when there would be a full salary savings if we are not replacing someone. If somebody retires and they are replaced with lower salary schedule person, at a minimum it will be this amount of money.

A member asked if we are still reducing teachers even if we replace a retiree with a lower salaried person. Gina said that the retirement piece is a moving target, and we don't know how it is going to play out. We could have someone who is not affected by 40 FTE retire and not replace them and then have savings in that area. We can't quantify until we have people in the positions. A member asked if this was a conservative estimate, and Gina said it was.

A member asked how many took advantage of the \$1,000 offer for retirees. Carol Rouse said that we have in the neighborhood of 3 classified and 12 certificated. A member asked if there would be 12 less out of the 40 we are going to lose then, and Carol said ultimately that is correct.

Gina continued, stating that under the "Other One-Time Only" category, \$1 million from Fund 17 has been added. It appears we are going to salvage the million dollars from Fund 17 this year for budget solution purposes. We had borrowed this money, but a deferral came through unexpectedly. We can survive the rest of the year without borrowing, so we can put that money forward as a budget solution for 2011-12.

Option B - Option B was restructured, and employee concessions were removed due to the collective bargaining agreements. Additional information was added at the top of the column. What will trigger our fallback language in the association agreement is the adopted state budget should revenues decline at least five percent.

In the ongoing reduction section, the areas in red mean a change from Option A to B. We are almost doubling the education center reductions, increasing the custodial reductions and adding maintenance reductions for 10 FTE that used to be for custodial only. At the school site level, the AP moves have increased to six.

A member asked where we have APs. Gina said they are at Oak Hill, Community Day School, and the middle schools. A member asked if the suggestion is to reduce one AP at the middle schools, and Gina said that was correct with the addition of the AP at the elementary school,

which would total six. Community Day School is another line item, and you would lose a total of seven if Community Day School is eliminated.

In looking at Options A and B, a member asked if the line item for Educational Services reductions from \$98,000 to \$140,000 represents positions. Gina responded that it represents two, rather than one, FTE of certain positions. A member asked if, when those departments are looking at their operations, they are looking at what is sufficient to operate with or what would be nice. Gina responded that they are looking at what can be cut and still get the work done. We have to have conversations about what we cannot do anymore, because we can't do business as we have in the past. A lot of thought is put into what would make the most sense as far as ratcheting down further.

A member asked, since our jobs are centered on schools, if there are ways to reformulate things to be more centered on schools than on the education center. Gina said that we are looking at everything along those lines. There are many less people in Educational Services than there were in previous years. As a matter of necessity, there is more going on at the site level than before. Basically, we are looking at going from one to two FTE per division.

Gina noted that the total under Education Center Reductions was increased to \$1 million from \$911,000.

A member commented that work will come to the sites if it is not being done at the education center, and it will affect teachers because the work needs to get done. Gina responded that we need to determine what things we must continue to do. There is more reporting going on and the requirements are more oppressive. It is important to look at our systems and figure out if there are things we do because it's good to do or if we are actually going to be able to continue to do what we do now. We have to rethink how we do business to make it work with reductions looming.

Gina noted that the line item for reduction of a nurse is an RN, not an LVN and that we still have no number for consolidating the middle school music program.

A member asked if eliminating Community Day School would shut down the Nicolaysen Center entirely. Gina said we would look at what other services could move over there and operate a program out of that school instead of shutting the facility down.

A member asked if we would contract out for speech if we eliminate speech IAs. A member commented that the speech program is driven by IEPs. If a student has to have it, it has to be done. Gina responded that the issue is not being able to find people, and our last resort is to contract out, which is very expensive. A member commented that part of the problem with speech is they go from elementary to middle schools, sharing interpreters, so we have to contract out. Another member stated that to the best of her knowledge, there is only one therapist who is contracted out for this year.

A member wanted to know what Gate program funds flexibility is. Gina said it is one of the funds designated as flexible, meaning the funds could be used elsewhere in the budget. The program would be significantly diminished if not temporarily suspended.

A member asked where the students would go if we eliminate Community Day School. A member responded that most of the students enrolled there are saved from the juvenile court system, and they would come back to our care. If they were expelled, they would go to school through the juvenile court system. Gina added that we would lose ADA in that case.

A member expressed concern regarding the ALC 2.5 FTE reduction line item. Gina responded that there has been a focus in the district to try to administer help to at-risk kids. The ALCs on campus are certainly trying to keep them in school and turning them around, so there would be some concern. A member stated that before Community Day School, the ALCs, counselors, and APs were all involved in working with at-risk students. Having all of those things on the list is a concern.

A member commented that the majority of students at Community Day School are not expelled but are 90-day placements to get them turned around to go back to the school sites.

Gina noted that the K-3 class size line item is still showing the same number, but we have a question mark on right hand side. Carol Rouse will explain later about loading classes at the different levels, revenues, and what costs are involved. We are still reflecting the number at 25:1. Going 30:1 would result in 65 FTE being affected rather than 26; however, savings range between \$1.5 to \$2 million. This has to do with the requirement that when you are going into permanent teacher ranks for layoffs, those teachers have first rights to substitute for the district, and if they do that, they are paid the per diem rate, which is retroactive after a certain amount of time. The per diem rate is three times as much as a regular substitute. When you factor this in, you start losing additional savings when you go to the higher class size.

The deferred maintenance contribution of an additional \$200,000 means less roofing and asphalt repairs and a variety of other projects scheduled in the district. Right now it is flexible. We have to look at the deferred maintenance schedule to see what projects we could eliminate.

We are showing \$1.7 million in redevelopment revenue. Our debt service payment for the refunding bonds to pay off the FBC deficit was \$940,000-\$950,000 (\$1 million for ease of discussion), and we are expecting \$1.7 million additional, so the suggestion is to use that money as a budget solution.

A member asked why that isn't in column A as well. Gina responded that it could be used for A. To clarify, Gina said we are not suggesting A is the complete solution (should the tax extensions pass). Option B is the focus for the board. If C were to happen with additional cuts, we would have to reevaluate. The scenarios were meant to give the board and everyone else a sense of what kinds of things would have to happen to make the necessary cuts. The board is focused on column B, not two defined scenarios. We would consider restoring funding once the tax extensions have been determined.

A member commented that it doesn't even appear on Option A, and basically, the \$1.7 million is put out in reserves somewhere. He asked what other money is out there that is not shown. Gina responded that there isn't any other money. When we first did A, B, and C, our thinking was, since the board had expressed a desire for prioritizing paying off the debt as soon as possible with the refunding bonds, that the \$1.7 million and anything else extra would be used to pay that down.

A member asked if the board was being pressured to pay that down quickly or was it something they felt a moral obligation to pay quickly, wanting to know why it should be paid up front right away. A board member commented it is better to pay off sooner than later to save money for classrooms, but now with draconian cuts, we have to consider if that is still a good strategy. Gina responded that this was discussed at last week's board meeting as well. Option A is a representation of what it would take to get to that level of cuts. Everything is on the table as far as what our final budget is going to look like. We won't have actual numbers until June. We are not asking the board to do an A and B combination. Option B is the only focus because it is what we have to build the budget on for submission to the county.

A member asked if the county is going to adjust what they expect the district to have. Gina responded that the county will ask for what the law says, a three-percent reserve. They will not allow going down to one percent. There is still some flexibility to drop the fund balance to one instead of three percent, but the county office has taken the stance that it is not fiscally prudent to do that, and they would not approve a budget that goes lower than the statutory minimum.

A board member asked if it has to be paid back/raised by a certain date, and Gina responded that it has to be restored by a certain date. It is a slippery slope with cash concerns, and we are planning for the three-percent minimum. The third year out for the budget is the biggest question, and it will look bad for everybody.

A member asked if they could get a current accounting of what is in all the reserves right now. Gina said we can look at it, but all of the funds can't be used for operations. The funds for child development, developer fees, and the nutrition department are not available for use for operating costs. She said a report would be provided, along with an explanation on the restrictions.

Gina said that the county wants us to plan for tax extensions not passing. We prepare a budget, adopt it, and submit it to the county. Then the state budget gets adopted (after the county's deadline) and Carol has to prepare a revision to our budget within 45 days. A member commented that there is a history of the county taking revisions, and Carol said that they know it's coming.

A member asked if the nutrition program is fully funded either federally or at the state level. Gina said it is fully self-supporting. In fact, Nutrition Services benefits our general fund by \$200,000 [*Note: amount corrected to \$312,816 at Board Meeting on 3/3/11*]. They pay indirect to our district for the support they get from maintenance, payroll, etc. Nutrition Services has grown because so many families are falling into the needy category.

A board member asked Gina to clarify regarding the increase in total budget solutions for 2011-12 from the former Option B of \$9.6 million to the current Option B of \$10.8 million. Gina said that we didn't set out to make it \$10.8 million from \$9.6 million. We removed the employee concessions, and we needed to make more reductions for the education center, which we moved from C. We then take the new total and plug it into the three-year projection to see where we are. It is not static. We can back into it completely from the three-year projection. We are not using a definitive cut figure for the process this year. The \$9.6 million really wasn't enough, but a best estimation at that point. The three-year projection has a lot to do with it.

A member asked if the goal is to get us to a balanced budget between revenue and expenses (we normally don't have a balanced budget), and wanted to know how much we are going to lose in the fund balance. Gina said that can be seen in the three-year projection.

Option C – For this scenario, the numbers were thrown out there as a representation. If it got that much worse, we would have to go back to the table. The four-day school/work week is not quantified and does not offer a lot of savings, just operational savings with utilities. The idea was suggested for consideration.

A member asked if Option C considers having two full-time registered nurses. Gina responded that there is one reduction shown. They have not worked on C at all. She might suggest looking at only one scenario at tomorrow's board meeting to clarify.

A member asked what percent of the full budget is spent on employee compensation, and Carol said it is almost 90 percent.

#### Class Size Flexibility

Carol Rouse provided information on class size flexibility (see presentation).

A principal asked what length of time a teacher would need to work as a substitute before the per diem rate applied. Carol said it is 20 days, and then per diem is retroactive to the first day of work. Carol clarified that this applies only to those who are permanent and laid off. We estimated a range for possible savings, but it depends on the number of people laid off and retirees.

#### Preliminary Multi-Year Projections

Carol told the group that some of the numbers have changed from the last meeting, and they will probably change several more times. A few things have happened and are now included: The district received some mandated cost reimbursement monies (state budget proposal) in January, which increased the ending balance as a result. We also received a final estimate for the remaining ten percent of the SFSF monies they were holding back. We haven't received the money yet, but it has to be spent by 9/30/11 (restricted funding). The preliminary calculations for CSR produce a reduction in revenue. Permanent loss of Special Education disabilities adjustment is now in the law. Option A reductions total \$6.6 million and provide an estimated ending balance of \$20.6 million. Next year isn't our biggest concern. Getting out to the third year, which is what the county will be looking at, we have just \$4.4 million in reserves, barely meeting the three-percent requirement. For Option B, with the same assumptions, we have a

reduced revenue limit of \$330 per ADA and increased reductions from \$6.6 million to \$10.8 million, leaving us with a problem in the third year out. We are barely positive, with no three-percent reserve. We still have a lot of work to be done on this budget.

A member wanted to confirm that in Option A, \$1.7 million in redevelopment money could be added. Carol said it could, but it is not accounted for here. We didn't account for it because of the board's discussion. A member asked for confirmation that it is not accounted for in A but it is in B, and Carol said that is correct.

A member asked if we are operating in a deficit every year, and Carol said that is right. *[Note: With Federal Jobs money and unanticipated additional state funding allocated at the adoption of the state budget, this will likely not be the case for 2010-11.]*

A member wanted to confirm that in Options A and B, assuming there is declining enrollment, the 10 teachers are not accounted for in the second year as well. Carol said that is correct. As an example, there are more teachers this year for fewer students, so we can't automatically make the assumption we would lose teachers. In a normal year, you would want to include something for that.

At 2:15 p.m., the committee took a 10-minute break.

Regarding the earlier question about the middle school staffing formula, Gina said she confirmed with Bob Leon that the allocation is a straight formula at 30:1 or 31:1 and it is up to principals to see how they can work it out with the master schedule. If they run into problems, they contact HR and work on a case-by-case basis. We have more teachers than last year, and this is usually because of program needs. The formula is straight forward.

A member commented that the middle schools don't have the flexibility of combination classes. We have reshuffled students six weeks into the year, and that is disastrous for teachers. Gina responded that we didn't always have to staff so lean to start out with, but it is a result of what's been going on through the years of budget reductions (staffing more conservatively).

Gina said the board asked for more research on a couple of the committee's suggestions: No. 2 under Office Managers related to consortium items, Nos. 1 and 4 under Support Staff related to combining the maintenance and facilities departments and computers (lease v. purchase), and Nos. 5 and 15 under Teachers related to consumables and the refunding bonds payments. Other things that were brought up included what having five less counselors would look like in light of the CARE grant. Some additional requests were received throughout the weekend.

### **Meeting Schedule**

There is a special board meeting tomorrow that was originally supposed to be a workshop, but no action will be taken at this meeting. There is an additional special board meeting scheduled for Monday, March 7. Over the next couple of days, there are three things that will take place: At 5 p.m. tomorrow, the board, district management/leadership, and leadership from the association groups will work collectively on getting letters signed for legislators to encourage them to put the tax extensions measure on the ballot. At 6:30 p.m., will be the special board meeting, and

there will be an opportunity for public comment. Gina asked the group to communicate to their groups that there will be no action taken at this board meeting. On Monday, at 5:30 p.m., the special board meeting will provide another opportunity for public input, and action will be taken by the board.

A board member commented that the committee's suggestions were good and helpful and the committee is to be commended.

Gina asked if anyone had any additional ideas they would like to submit.

A member asked what happened to the list from the past two years, commenting that they seem to have been ignored. Gina responded that some were implemented and work is being done on those. If there were some items in particular that the member was concerned with addressing, he was to let her know. She assured everyone that the list had not been abandoned.

A member commented that grants are available to supply entire classrooms with free computers, but no one will take them because they are not Apple. Gina responded that a suggestion is on the list to not purchase the most expensive Apples, but utilize PC based items when appropriate, which falls in line with the member's comment. The member is to provide Gina with the information about the computer grant she referenced.

A member commented that the technology website includes specifications that we have to adhere to, which keeps us from accepting donations or computer grants.

A member commented that Sony wanted to donate equipment last year, 11 laptops, but when we have an upgrade, we can't upgrade them because they are donated. He had to say no to 250 donated new computers.

A member commented that there is a cost that goes with every computer on site. For every monitor that gets left on, there is a power drain. The district is required to maintain licensing. There is some cost to the district that needs to be realized if we receive donated computers. There is a concern about viruses from laptops going to the network. We have to watch for those things.

A member said he agrees with that, but businesses never have a problem with viruses because of their virus-free networks. Generally, viruses occur because someone has gone around the system instead of through the system.

Gina responded that the issue would need to be studied and findings made, and we could augment our suggestion list accordingly.

A member commented that Apple doesn't have as many viruses because the majority of the world is PC, and the viruses are written for the majority. We have to get away from the mindset that it has to be Apple, especially if we have donations. Are we training our students to be ready for the business world by only using Apple?

A member commented about having a problem in the library with a PC that cannot be addressed by the site tech because it is not an Apple. Can't the person on campus that day be trained or allowed to work on PCs? Another member responded that it depends on the person. Gina said this falls under the category of what can be done as far as services are concerned. The member clarified that there could be savings as well. Multiple trips by different people wouldn't be necessary (gas and time savings).

A member commented that this year he was going to donate a computer for his classroom, but he was refused access to the network , which seemed ludicrous under the circumstances.

## **Communication Plan**

### Talking Points

- If anyone has additional ideas or concerns, they should go to the board meeting and communicate them to the board.
- The board will be discussing potential budget solutions Thursday, March 3, at 6:30 pm, and Monday, March 7, at 5:30 pm. Board action on budget reductions has been requested for the March 7 meeting, so a decision is imminent.
- The March 15 deadline (per law) for notifications to certificated staff is driving the urgency. We won't have all of our real information until the state adopts a budget.
- Provide factual information regarding negative fiscal impacts to school districts should the tax extensions not be implemented.
- Provide a copy of the Budget Reduction Scenarios (Options A, B and C), but clarify that Option B is the focus for the budget development process as required by the SDCOE.
- Provide contact information for state legislators should employees choose to contact them.

A member asked if there would be a problem with putting out a form letter and asking parents to sign it and send it in. A board member said they should check with PTA council regarding a letter to go home from a classroom. It is okay for a PTA member to be out on the sidewalk or in front of the school. Any appearance that public funds have been used to urge a position is something we want to avoid. We can't urge parents to vote one way or another. Both sides of the issue must be presented. PTA has their own guidelines. Err on the side of caution.

There was discussion regarding acceptable communication practices regarding encouraging legislators to put the tax extensions on the ballot and then voting for them.

A member commented that some districts are very effective with using the media in getting those messages out. It takes a concentrated effort to use that avenue to advise parents.

A member commented that there is not a single thing the parents are going to know about the budget scenarios. If the parents know the music program is going away, they will react to it, but there is nothing to tell the parents that there is anything going on other than business as usual.

A member asked if a simple majority is needed to pass the California budget instead of two-thirds, and Gina responded that it is a simple majority to pass the budget, but to get the measure on the ballot is two-thirds.

A member asked if the tax extensions have to be on the ballot, wanting to know if the legislators and Governor can just extend the taxes. A member responded that they could, but the Governor promised not to pass taxes without voter approval.

#### Meeting with Supervisors

Gina told the group that the principals/supervisors will be told to expect the committee members to meet with them to talk about the most important things to communicate out and determine the best way to do this at their sites/locations.

#### Legislators Information

Contact information for the state legislators was provided to the group for their personal use.

Gina told the group that the next committee meeting is March 23. A member commented that April 13 is testing. It was decided to cancel that meeting. Regarding the March 23 meeting, the group is to let Gina know if it is important to them.

A member asked when the unification study report will be completed. Gina said that it is scheduled for board review at the April 14 meeting. A member asked if the high school district is as interested in unification as we are. Gina responded that both districts agreed to do the study, but neither board has expressed an opinion at this point. The report will highlight the fiscal aspects of unification. They have taken a snapshot in time; the 2009-10 school year was used. There are a lot of variables and other criteria to consider besides fiscal implications.

A member asked if it is possible to get a PDF version of the three options. Gina said she would e-mail it to the committee.

#### **Adjournment**

The meeting was adjourned at 3:20 p.m.