

Budget Communications Committee Meeting Minutes

October 27, 2010

Welcome

The meeting was brought to order by Gina Manusov at 12:35 p.m. Gina thanked the members for their commitment to working on the committee this year. She introduced herself and Carol Rouse. The members introduced themselves and stated what site they are representing.

Committee Objectives/Meeting Norms

Gina reviewed the objectives of the committee, stating that it is important to have representation from all of the sites, the unions, the board, and the district office, so word can be communicated out and we can receive information back in.

Gina reviewed the meeting norms that were developed last year. She asked if there were any additions, and there were none. She asked if everyone was in agreement with the norms, and they were approved unanimously.

Financial Update

Gina provided a brief review of the state budget process (see chart in PowerPoint presentation), stating that this is the longest period of time—over 100 days past June 30—the state has gone without an approved budget; however, the district has to have its budget adopted by June 30. Certain things have happened since July 1, and we have to continually change our budget figures. It is a living, breathing document.

Unaudited Actuals

Carol Rouse provided information on the 2009-2010 Unaudited Actuals, which was presented to the Board of Education on September 9 and summarizes the year-end activity (see PowerPoint presentation). Carol pointed out that all slides that were presented to the Board of Education were included in the handout, but because some of the information presented in September has now changed, only those slides that are still relevant would be covered. Carol noted that the federal jobs money and the passing of the state budget were not factored into the Four-Year History – Fund Balance vs. Deficit Spending graph.

Gina interjected that the members could ask questions, especially about terminology, at any time during the presentations. We have a glossary of terms from last year that may be helpful and will be provided at the next meeting.

Carol provided an explanation for the handout entitled 2009-2010 Comparison of Estimated Actuals to Unaudited Actuals, stating that we have to project what our ending balance will be, and the figure ends up being about 5 percent off. A member asked if the “supplies” category includes computer equipment. Carol responded that it does unless it is a capital purchase. The member asked if it is all lumped together or site specific. Carol said it is probably lumped together, but it can be separated out. A member asked what “other services” represents. Carol said that includes contracts, legal fees, utilities,

property and liability insurance, and independent contractors. Capital items are big-ticket items, such as a delivery truck. A member asked what “transfers out” represents. Carol responded that we pay for some debt service obligations from another fund that necessitates a transfer from the general fund to make the payments. Another example would be transfers to the deferred maintenance fund.

A member asked if some of last year’s costs have been moved to this year. Carol said they were delayed. Referring to the 2009-2010 Unaudited Actuals slide (PowerPoint presentation, page 3) regarding temporary “savings” from textbook and technology orders, Carol said that our auditor requires anything occurring (received) after June 30 must be recognized in the next year. It was confirmed that this doesn’t mean that there was a delay in receiving the items.

Budget Revision 1

Carol presented information on the First Revision of the Adopted Budget, which included a spreadsheet entitled 2010-11 Adopted (see PowerPoint presentation), stating that the first budget revision was approved by the board last week. The changes included are: near completion of staffing for the current year, update on our actual ending balance (versus what we estimated), and receipt of 90 percent of the federal jobs bill funding.

A member asked about the classroom FTE figure. Carol said it doesn’t include all employees, just regular education teachers. There is always some growth for teachers accounted for in the budget document. A member asked why the \$2.8 million was put in the budget and then backed out and where that money is now. Carol explained that it is part of the general fund in the county treasury. When we move money from the unrestricted to the restricted side of the budget, we would reduce the other side to maintain balance. The \$2.8 million is sitting temporarily in the supplies account until we decide what we are going to do with it. We have no choice but to balance to zero for the restricted portion of the general fund. As the board makes decisions on how the money is going to be used, it is moved from supplies to salaries or programs. A member asked if there are other funds that sit in the county treasury like this? Carol responded that any payment we get typically winds up in county treasury. A member asked if it shows up as an asset or reserves. Carol said it shows up as reserves. Reserves are only a “moment in time,” as they change continually. Whatever cash balances we have go through the county treasury for paying bills, payroll, etc.

A member asked what types of restrictions were put on the federal jobs money. Carol said that topic would be discussed later.

New State Budget

Carol presented information on the state budget (see PowerPoint presentation), including handouts on deferrals, 2010-11 cash flow, and negative cash flow (2009-10 compared to 2010-11 through October). A member asked if the risk factors to the state budget become a reality, does that pave a way for a greater possibility for mid-year cuts? Carol responded that it is a possibility, especially with a new governor.

A 10-minute break was taken, and the meeting resumed at 2:20 p.m.

Budget Planning 2011-12

Gina told the group that a request was made at the break for additional information—a breakdown of the other outgo and services sections of the budget—since large sums of money are represented there. This detail will be presented at the next meeting.

Gina presented information to the group on the SDCOE 2010-11 Budget Review (see PowerPoint presentation).

A member asked what the total ending balance is. Gina responded that it is \$27.5 million (refer to the Unaudited Actuals spreadsheet, middle column).

A member stated that last year the budget committee was always looking at what the revenues are, but the documents don't show details on the expenses. These are broad numbers and broad categories, but at the district level, what does it cost to run the district and what are we spending at the sites? What about at-will teachers; is this something we can control? We need to look at expenditures.

Gina thought the member's comments were great, and stated that is really where we are at this point. We have gone through some significant changes and reductions in our district. It comes to a point where you have to strip it all down. We are at \$1.5 million for at-wills right now. We need to determine how we can best meet the needs of the kids and get down to detail on where we are spending.

A member asked if the budget document could be broken down by site. Gina responded that our fiscal system has a great amount of detail, and that shouldn't be a problem.

A member stated the principals sometimes have set a lot of the money aside. They have a plan, and it's working. You can't judge why someone is spending so much money in a particular area. Gina responded that there has to be an understanding; for example, SIG and QEIA are highly restricted funds. Someone may not be familiar with those programs, and just looking at a budget document won't tell you that. It is important not to make assumptions or jump to conclusions.

A member said that it could be that we are spending too much on maintenance, or we should put off an expenditure to a later time, if we can. Where can we make cuts and judiciously change the way we do business? A member suggested that the office managers be the ones to present the site budgets and give the details, since they do the spending. Another member stated that we could get some ideas from other schools on how they are making it work with less money.

Gina said that the work we are going to do in the committee this year is going to look different from last year. For budget planning for next year, there is a process we have to go through (see Budget Planning – Next Steps, page 2). Gina described the process used last year regarding the employee suggestions list.

A member asked if we are still doing the S.A.V.E. program at the schools. Gina said we are, and we will be getting an analysis of our utilities. The lighting retrofit was also completed last year. Carol Walker will be putting together the analysis, which will be shared with the committee and the board.

Gina provided an update on the employee suggestions (see Employee Suggestions Update, page 3). A member asked, regarding the summer efficiency campaign, if that included gas and water as well as electricity. Gina said the savings calculated only included electricity at this time.

Gina explained that recycling doesn't necessarily mean you will make money, but it is a good thing to do for the environment. She informed the group that we have a study going on in our Nutrition Department for recycling the food service trays. This may create revenue, but we don't know at this point.

Gina said that we have some tentative dates for the 2011 meetings, and December 1 is our next meeting. A notice will be sent out on the 2011 meetings once they have been confirmed.

A member asked if we could flip the meeting times and do one in the morning and the next one in the afternoon. Gina asked for comments about that suggestion. It was determined that it probably wouldn't work for the majority of the members.

Gina provided a list of website references and contact information for her and Carol. She said she and Carol try to respond to the group at the next meeting, or, if timely, send information out via e-mail to the group. She told the members not to hesitate to ask questions after perusing the information they received today.

Talking Points

Gina explained that one of things they would like to do is have the members go away with something other than data that they can take back to their sites. The talking points that were developed are:

- We are to be guardedly optimistic—even though there is some good news about our budget situation, School Services of California recommends that we plan but not spend yet.
- We have \$1.3 million more in our ending balance than originally estimated.
- We were granted \$3 million in federal jobs money, and it showed up in the bank account (\$2.8 million). This represents 90 percent of the grant amount, as they keep back 10 percent and adjust the final apportionment when the real numbers are in.
- Our per-student funding will improve by \$259, which represents \$4 million to the district (the ongoing cut recommended by the Governor did not end up in the state budget). We accounted for this reduction in our budget per the May Revise, but

the final state budget eliminated it. It will be accounted for in the next budget revision.

- Increased funding is deferred, meaning we won't get the cash until July 2011. We need to strike a balance. If we can survive the cash flow issue through June 30, we'll have that money in July. We have to recognize it as revenue for this year, but we don't physically have the cash to spend.

A member asked if they could take that money back. Gina responded that they could through mid-year cuts, if a number of assumptions in the state budget don't come to fruition. That is the underlying reason why School Services of California is saying plan, but don't spend. It is really important to continue the work of finding reductions to stay solvent. If the money doesn't end up going out the door, we still have to look at making meaningful cuts to address our own budgetary structural problem.

A member asked if the current monthly payroll is still running at \$10-\$11 million a month. Gina said that is the amount we have going out the door every pay period. Carol is watching our cash all of the time.

A member asked when do we know when they have decided to do the deferrals as reflected on the green handout? Carol responded that two have already happened—July was paid and September was not paid. The second one is for March/April. We won't know for a while if they will change that one. The \$1.7 billion deferral is the \$259 per student funding that we are concerned about.

A member asked if we recycle cardboard. Gina said that we do in certain areas but not consistently throughout the district. We have a summary available from Purchasing that details where recycling is being done in the district. We will provide this at the next meeting. A member said they have a recycling program at her site, but she doesn't know what happens to the funds generated by it. A member said that the Junior Honor Society students do a program at his site.

Adjournment

The meeting was adjourned at 3:24 p.m.