

Budget Communications Committee Meeting Minutes

December 1, 2010

Welcome

The meeting was brought to order by Gina Manusov at 12:36 p.m.

Previous Meeting Requests

Gina told the group that she and Carol Rouse would be providing a lot of data to them, as one of the things the committee members requested at the first meeting was more detail and the ability to understand more about how we are spending money in the district. Carol's team put together different kinds of detail in different forms to give them some understanding of what the budget means. They will see expenditures from last fiscal year (2009-10). Some of the detail is prepared by location/school/department. Some material is prepared by object codes, and Carol will explain how the code structure works. Object codes are numbers that tell you the type of expense. There is a large budget document on each of the tables that lists the expenses by major object code. These will be brought to each of the meetings if they continue to be useful to the group. A couple of other documents that have been provided are: a glossary of terms/acronyms, an information sheet on SACS coding, and a copy of the district's annual contracts/memberships list.

Los Angeles Times Article (11/11/10)

The group was given five minutes to read the article in the *Los Angeles Times* regarding the state budget deficit reaching \$25.4 billion.

State Budget Update

Carol presented a brief overview of the state budget, which was presented to the Board of Education on November 18, 2010.

Budget Detail Specifics

Carol went over the figures contained in the adopted budget spreadsheet, which compared the 2010-11 adopted budget, the 2010-11 first budget revision, and the 2010-11 second budget revision/first interim (scheduled for board approval on December 9).

The big change on the second budget revision is the increase in revenue limit, adding \$4.4 million to the current budget. Another addition in federal revenues is the Felicita SIG grant. All revenues we know about are in place now. Regarding expenditures, one of the big changes is the difference between restricted and unrestricted monies. Some salaries were moved into restricted due to receipt of the federal jobs funding. Another big change is we have moved employee benefits from the FBC to VEBA. We are looking at alternative financing to pay off our FBC deficit. Initially, we entered into a four-year plan to pay this deficit back over time directly to the FBC. That strategy is no longer being followed, so a \$1.5 million extra payment to the FBC and redevelopment money that was going to be used for that payment are not reflected in budget revision 1.

We have followed the advice of the county office and designated the \$4.4 million revenue increase in the fund balance to remind us that there may be some strings attached to it, and it may be going away. The county office strongly suggested we do this, but they did not make it a requirement.

A member asked what enrollment is looking like right now. Carol responded that we are down about 300. This year we are seeing a different pattern. Normally, our enrollment would start to go down after Christmas, but this year, enrollment started to go down right after the CBEDS date. A member asked if we know the reason for this. Carol answered that charter schools could have taken a portion, possibly 180, but the remaining 120 would be from elsewhere, and we don't know where right now. Last year, we lost about 36 ADA to charter schools.

SACS

Carol reviewed the Standardized Account Code Structure (SACS) handout and told the group that in order to read any of the financial reports, they need to have an understanding of the account code structure mandated by the state. The district operates about 11 funds. Resource identifies the source of the funding (i.e., Title I, federal government, special education, etc.) The project year is a single digit and is seldom used. Goal and function tell us what population of students we are talking about (i.e., special education, community day, regular education) and the activity (i.e., operations, custodial, planning curriculum). Object and sub object are expenditures by type (i.e., salaries, supplies, etc.), and finally school is the location. The handout also includes a small sample of the different kinds of codes the district uses. Other outgo is represented by object codes 7310-001 to 7619-014 as indirect costs, charges to various categorical programs, interest expense, or inter-fund transfers.

2009-10 Projected Formula Allocations

Carol reviewed this handout with the group, which shows a breakdown of how we arrived at last year's budget. It is based on projected enrollment, supply allocations, lottery monies, health supplies, noontime supervisor formulas, and teacher substitutes. This methodology is how the budget process gets started. The designation is held until CBEDS, and our typical practice is to provide 80 percent of the funding at first, and after CBEDS is complete, make an adjustment when the final enrollment is known. We generally don't remove monies, but we do make increases if enrollment has gone up. Over the last couple of years, the 20-percent figure has been part of the budget cut solutions.

A member asked who develops this formula, and Carol responded that the Fiscal Services Department develops it.

A member asked if computers were included in the instructional materials allocation, and Carol responded that those allocations are generally unrestricted and can be determined at the site level. The 20-percent figure hasn't been budgeted in the past few years, but used as part of the budget cut solution. A member asked if that makes it now 80 percent of 80 percent that is budgeted, and Carol said it is a straight 80 percent (the new "100 percent").

Carol provided a sample school budget and gave details on each category to the group.

A member asked if travel conference/workshop funds are frozen. Gina responded that conferences are not completely frozen. The district's focus has been on funding essential purchases. Conference requests are reviewed in cabinet and scrutinized to determine if they are essential to the position. Regarding staff development, we don't want our staff to be missing important information. Cabinet reviews anything that involves travel or overnight stays. We have cut back significantly on these expenses over the past five years. Budget conferences are a great example. They do not involve overnight stays, but they involve fees. Certain staff development functions are required under Title I program improvement. We have also been

limiting expenses by cutting back on the number of people attending the same conference and asking them to come back and share the information they received.

A member asked if there was a process for teachers to apply to cabinet for conference approval, and Gina responded that a teacher would need to go to the principal. The member commented that it would be beneficial if there was an avenue to go directly to cabinet, as her experience has been that the door is closed with the principal. Gina explained that the principal would know best what is happening at the site, and the request would be run through Leila Sackfield following principal approval. Conferences for school site personnel are generally paid for out of the site's budget.

Discussion was had regarding Title I funding and the perception of inequity related to it.

A member asked what percentage of free and reduced lunch participation does the school have to achieve in order to be designated a Title I school. Shannon Fralish responded that we have 12 Title I schools, and the percentage is 75 (determined by the federal government).

A member asked if Williams Settlement addresses technology and was told it just addresses textbooks and buildings.

Carol explained that the large report on the tables is the budget by major object and is for the group to look through. It is similar to the small sample report, but it reflects all sites and funds. Carol reviewed a report showing expenditures by school, a report showing expenditures by department, and a report on ARRA fund expenditures districtwide, all for 2009-10.

A member asked where the medical therapy unit expenses are located. Carol responded that they are part of the special education budget. A member asked for more information on the special education budget. Carol said she would need to refer to other reports that she didn't have at the time to answer the question.

A member asked what time frame this information is taken from, and Carol responded that it is through the end of the 2009-10 fiscal year. At the end of each year, unused funding goes into the fund balance and is reallocated for the next year. Categorical funds sometimes are set aside by the principal for the next year.

A member asked if a freeze of unrestricted funds would be the reason why a school didn't spend all of their funds. Carol said there are thousands of reasons why someone decides not to spend money. Something could have been ordered and not delivered by June 30. That purchase would be stopped at the Purchasing level, and the money would roll over if it was already in the purchasing process. Anything in unrestricted funds would not roll over. Gift funds always stay with the site. Categoricals can't be comingled, and they maintain their carry over by that school.

A member asked if administrators are given direction not to spend those funds. Gina responded that it's important to know what the nature is of the carry over of those funds. In terms of the direction that has been given, what we have said repeatedly is that the district continues to operate on a freeze basis and continues to process what is essential to the delivery of the education program. It has never been said that schools can't spend their money. We need to spend the money wisely and ask if the expenditure is something that is really important and essential. If it is, it gets processed. We created a structure of review at the district office due to the freeze from several years ago. Requisitions go through a cabinet member for review. A

member commented that budgets have restrictions attached to them also, and even if the money is there, it might not be able to be spent in a certain way. The budgets are also dictated by your school plan, adding another layer of restrictions on expenditures. Gina added that the process in place ties the essential nature of things to the planning, assuring that the things you need at your school site are received.

In response to a member's inquiry about lottery funds, Carol explained that they are restricted and we can't pay salaries with them.

A member asked for an explanation of the budget under school administration. Carol said that budget includes several people, such as office staff and the principal, as well as an assistant principal if it is a middle school, including benefits.

A member asked which sites have Saturday school, and Carol said she would have to get that information from Randy Garcia.

A member asked if we look at what was spent at the end of the year and not allocate as much the next year if it was less, and Carol said that sometimes we do. Sometimes we have made reductions across the board (i.e., 20 percent) at the district office level.

Carol said that every site has varying amounts in donations/gifts. A site may be trying to save up for a particular item. Gina added that when it comes to gift funds, many times the donor has made specific requests for what the money should be spent on, such as field trips. Gift funds are always carried over. Carol said those budgets are updated every time we have a board meeting.

Carol reviewed the following handouts: Districtwide expenditures by object for 2009-10, additional detail on salaries, and additional detail on the 5000 object codes.

A member asked if we looked into refinancing. Gina said that we can't refinance COPS for at least 10 years, but we keep an eye on it. Our financial consultant keeps us up to date on that aspect. We've only been here for three years, and we have fixed rate financing.

Regarding subagreements for services, Carol explained that these are large contracts, such as ASES contracts. The county office pays us, and we turn around and pay the vendor. A member asked if there was a processing fee for this, and Carol said there is a one-percent charge to cover part of the salaries involved in the oversight.

A member asked about the balance in instructional supplies, and Carol responded that this budget can be deceptive, and the balance is used as a place holder. It is important to know the detail behind the numbers because numbers may leave a wrong impression. For example, we must budget categorical programs as if all of the money will be spent. We place unallocated funds in the supply account, which can make this category appear deceptively large.

A member asked what field trips/summer is for under sub agreements, and Carol explained that this budget is for the contract with the bus company. All special education transportation and the field trips we take are under this contract.

A member asked if the item marked Cap Lease PowerSchool was for the annual lease for the program, and Carol said it was.

A member asked if we are looking at replacing Edusoft, and Carol said that Leila Sackfield would be the person to answer that question.

In relationship to the sample list of classified positions provided, a member asked about the discrepancy with the total number of positions, and Carol said that what was provided is just a sample of categories as there are too many to list them all.

A member asked if all sites have access to NWEA maps, and Carol said they do not, as that is a site decision.

Carol explained that the handout detailing the ARRA expenditures shows that we have \$2 million left over, which we are using this year for summer school and CSR teacher salaries primarily.

Annual Contracts/Membership List

Gina explained that this list is just another way to look at some of what gets charged to the 5000 object codes. This document goes to the board once a year, usually the second meeting in May, for the following year for contracts that need to be renewed. We have gone through this list item by item to weed out and remove things that are not essential. This particular version is printed out by department/site in alphabetical order. If we have a contract that is coming up for renewal or we need to continue the service, it is put on this list, and the board reviews this list and approves it, authorizing staff to enter into the agreements. Maintenance contracts are for services for things such as tree trimming, fencing repairs, and pest control, etc. For example, the vendor Turboscape is used to bring in wood chips for the playground. This doesn't mean that we are definitely going to spend \$60,000 this year. History says we need a healthy budget for this item. That's how the bulk of these contracts work, based on what the actual need is for any given year. For pest control, we have to have several contracts because one company does bees and another does gophers, etc. At the end of the document there is a membership list, which has also been whittled down, that goes to the board at the same time for different memberships that we pay for every year. The board is very good about looking at this detail and asking questions at the board meetings.

Gina told the group that if they have any questions or need clarification on any of the details as they look over the various documents, they should e-mail Gina and Carol, and they will address an answer back. They will note trends that might need to be addressed at a meeting or send out an e-mail to all members, depending on the nature of the question.

What's Next?

Gina explained that the second budget revision is going to the board next week, as well as the first interim report. This report goes to the county office and requires projecting out two years, showing we can meet our obligations. We are using our assumptions as recommended by the county and School Services, including the \$4 million dollars. In January, the Governor's budget will be released. There is no way of knowing what Governor Brown will be recommending at this point, and we are concerned in light of the LAO's comments on the state's fiscal condition. There is no plan at this point for budget reductions. We need to find out where we stand first. The School Services of California budget workshop is scheduled for January 18 in Long Beach to provide more detail. By that time, these folks will have gleaned information pertinent to school districts. Then we can begin the work of planning for 2011-12. The next budget committee meeting is scheduled for February 2 to give us ample time to gather this information. We might be able to see trends as far as mid-year cuts are concerned.

Talking Points

Gina said the article from the L. A. Times has good pertinent information on the state economy to serve as a backdrop to what that might mean to school districts across the state. It is important for everyone to understand that there is so much beyond our control.

Gina does not expect the group to share out the budget detail at this point. It is just a set of tools for them to use to formulate their own questions.

Adjournment

The meeting was adjourned at 3:10 p.m.