



SACRAMENTO CITY UNIFIED SCHOOL DISTRICT BOARD OF EDUCATION

Agenda Item# 9.1

Meeting Date: March 21, 2013

Subject: Second Interim Recommended Budget Reductions for 2013-14

- Information Item Only
- Approval on Consent Agenda
- Conference (for discussion only)
- Conference/First Reading
- Conference/Action
- Action
- Public Hearing

Division: Administrative Services

Recommendation: Review and discuss for approval at the March 21, 2013 Board meeting potential recommendations for maintaining a balanced 2012-13 and 2013-14 budget.

Background/Rationale: Staff provided the First Interim Financial Report at the December 20, 2013 Board meeting. At that meeting, staff identified a deficit spending problem for 2012-13, a declining fund balance, and a multi-year projection that reflected a need for the District to identify budget reductions in the 2013-14 budget year. Additionally, staff projected a cash shortfall for 2012-13 and the need to sell Tax and Revenue Anticipation Notes in order to be in compliance with state requirements to end the year with a positive cash balance.

At the February 7, 2013 Board meeting, staff briefed the Board on the Governor's proposed budget for 2013-14. Staff highlighted issues that negatively affect the District's new budget such as continued slow financial growth both nationally and statewide, the potential impact of the "Fiscal Cliff," and the cash problems associated with deferred revenue. While highlighting the uncertainty of projecting an exact amount required for budget reductions in 2013-14, staff did provide best and worst case scenarios both of which indicated that budget reductions would be required in 2013-14.

At the March 7, 2013 Board meeting, staff briefed the Board on the revenue and expenditure projections for 2013-14 and brought forward a list of proposed expenditure reductions that enable the district to submit a balanced budget for 2012-13 and 2013-14.

Financial Considerations: Board review and discussion on recommendations for budget balancing.

Documents Attached:

1. Executive Summary

Estimated Time of Presentation: 10 Minutes

Submitted by: Richard E. Odegaard, Interim Chief Business Officer

Approved by: Jonathan P. Raymond, Superintendent

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I. Overview/History:

Over the past ten years, Sacramento City Unified School District has been forced into making budget reductions every year in order to maintain fiscal stability. These reductions are a result of the state not funding statutory cost of living adjustments since 2007-08 and reducing revenue limit dollars in 2008-09 and 2009-10, increased employee costs due to step and column increases, dramatic healthcare increases, and declining enrollment. The fact that the national and state economies are recovering much slower than from a typical recession has only compounded the problem.

Deep reductions have been made to all employee groups, supplies, services, utilities, and capital outlay. Budget reductions made in 2011-12 for the 2012-13 year included increasing class sizes, reducing central office staff, the reduction or elimination of many Tier III programs, reduced staffing at school sites and in maintenance and operations, and the implementation of furlough days.

Given that we must make budget decisions for 2013-14 based on incomplete knowledge of how the state will fund the district, it is incumbent upon staff to have in place a contingency plan for the worst case scenario and provide options for reductions that will offer the District the ability to meet state fiscal requirements as outlined in AB1200. The assumptions made are based on the Governor's proposal to provide new funding for schools statewide in the amount of \$1.6 billion.

II. Driving Governance:

- Education Code section 42130 requires the Superintendent to submit two interim reports to the Board of Education during each fiscal year. The first report shall cover the financial and budgetary status of the district for the period ending October 31. The second report shall cover the period ending January 31. All reports required shall be in a format or on forms prescribed by the Superintendent of Public Instruction.
- Education Code section 42131 requires the Board of Education to certify, in writing, whether the district is able to meet its financial obligations for the remainder of the fiscal year and, based on current forecasts, for the future fiscal year. Certifications shall be based on the Board's assessment of the district budget. Certifications shall be classified as positive, qualified, or negative. This education code section also outlines the role of the County Office of Education.

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- Education Code Sections 44919, 44951, and 44955 require school districts to provide notice on or before March 15th to certificated employees who are designated for layoff for the subsequent year. The final decision for layoff must occur before May 15th.
- Education Code Sections 45114, 45115, 45117, 45298, and 45308 require school districts to provide not less than 45 days' notice to classified employees of a layoff. When, as a result of the expiration of a specially funded program, classified positions must be eliminated at the end of any school year, and classified employees will be subject to layoff for lack of funds, the employees to be laid off at the end of the school year shall be given written notice on or before April 29 informing them of their layoff effective at the end of the school year and of their displacement rights, if any, and reemployment rights.
- Education Code section 42127 requires the Governing Board of each school district to adopt a budget on or before July 1. The budget to be adopted shall be prepared in accordance with Education Code section 42126. The adopted budget shall be submitted to the County Office of Education. The County Office of Education determines if the district will be able to meet its financial obligations during the fiscal year and ensures a financial plan that will enable the district to satisfy its multiyear financial commitments.

III. Budget:

Given the information currently available, staff projects the budget shortfall for the 2013-14 year to be \$5.7 million. Staff recommend the following actions to balance the 2013-14 budget:

Eliminate the Mandated Cost Contract **\$60,000**

- Mandated costs are school district expenditures that are required because of federal or state law, court decisions, administrator regulations, or initiative measures. Since the passage of Proposition 4 in 1979 (the Gann Limit), the California Constitution has required the repayment of mandated costs to school districts.
- In 2012-13 the district opted to choose the Mandate Block Grant option of reimbursement. Although this eliminates much of the work of filing claims, some claims fall outside of the Block Grant.
- This will provide budget year savings but has the potential of reducing out year revenue.

Reductions in General Fund Expenditures for Technology Equipment **\$200,000**

- Equipment scheduled to be purchased with general funds can be purchased with bond dollars as part of the system upgrade.

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Curriculum Associates Benchmark **\$200,000**

- Curriculum Associates Benchmarks are used as a formative benchmark, and help guide instruction and intervention. Although we currently have a back-up supply, if schools require additional test booklets, site funds will need to be utilized.

Reduce One Cabinet Position **\$170,000**

- Will require a redistribution of duties with a commensurate increase in other Cabinet members' spheres of responsibility.

Early K Coordinator **\$20,000**

- Oversees the implementation of the Early Kindergarten Program.
- Will be integrated within the Child Development Department.

Combine the Athletic Director and the PE Coordinator into One Position **\$25,000**

- The Athletic Director is currently paid on a per diem basis. This half-time position will be eliminated and combined into the job description of the PE Coordinator.

Eliminate One Foreman Position from Maintenance **\$100,000**

- Responsibilities will be moved to another supervisor.
- Combining Supervisor duties does dilute the new supervisor's effectiveness if the required knowledge base is outside their forté.

Eliminate One Trades Position **\$75,000**

- Additional cuts to staffing will have an immediate impact on the department's ability to perform basic services to our customers in a timely manner.

Modify the Funding for One Instructional Coordinator **\$50,000**

- Supports the teaching and learning with technology to engage in authentic student outcomes.
- Title-I funds will be used to supplement this position.

Eliminate the Pool of 20 Teachers **\$2,000,000**

- Staffing during the budget one-stop planning phase identified 38 required instructional positions.

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- The newly identified positions will reduce or eliminate the need for additional teachers at the start of the 2013-14 school year.
- Loss of the pool of 20 teachers will reduce some flexibility as schools open in the fall of 2013.

Close Seven Elementary Schools **\$1,080,000**

- Reduces excess capacity at the elementary level.
- Provides ongoing savings every year of approximately \$1.2 million.
- Ten year savings of approximately \$12 million.

Reduce One Administrator Success Academy/Accelerated Academy **\$100,000**

- This reduction will combine the oversight of the two programs to one rather than two administrators.

Eliminate Common Core **\$650,000**

- Common Core cannot be supported with unrestricted general funds and Board action is required to close the program. The program can then be reconstituted with categorical funding.

Sweep Partial Ending Balance from Adult School **\$841,000**

- The ending balance reduction may reduce some flexibility in the program.
- Adult school currently operates with earned revenues matching expenditures.

Total Recommendations for Savings **\$5,571,000**

IV. Goals, Objectives and Measures:

Present a balanced 2012-13 and 2013-14 Budget plan to the Board for the Second Interim Report.

V. Major Initiatives:

- Continued analysis of information from the state.
- Prepare for the Third Interim report.

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VI. Results:

The budget reductions approved at the March 21, 2013 Board meeting will enable the District to submit a balanced 2012-13 and 2013-14 budget plan to the Sacramento County Office of Education.

VII. Lessons Learned/Next Steps:

- Continue to monitor the state budget and its impact on the district finances.
- Continue to research and develop cost efficiencies.
- Evaluate the changes made during the May Revise.
- Prepare the Third Interim report.