

TO: BOARD OF EDUCATION

DISCUSSION

02/05/09

FROM: TIM CUNEO / JANECE L. MAEZ

RE: CONSIDERATIONS REGARDING DEVELOPMENT OF THE DISTRICT'S
2009-10 BUDGET

DISCUSSION ITEM NO. D.03

This report has been prepared in order to provide members of the Board of Education a continuing opportunity for discussion regarding development of the District's 2009-10 Budget.

During the development of the 2008-09 Budget, the Board of Education was presented six Policy areas to consider. These areas continue to be important as we develop future budgets.

- **Review of *SMMUSD Vision Statement and Student Outcomes* (Attachment A)**
- **Review of *Principles for Guiding Future Budgetary Decisions* (Attachment B)**
- **Review of *2009-10 Budget Assumption and Staffing Guidelines* (to be presented at the meeting)**

In conjunction with those Guidelines, reductions in staffing will continue to occur as enrollment declines and other opportunities for administrative or operational changes become available.
- **Continue to achieve budgetary savings and recognize the necessity for ongoing budgetary reductions.**

Based on all current budgetary indicators, there is a necessity for ongoing budget reductions. Activities in this area are anticipated to intensify beginning with the 2008-09 Budget and continuing for the next several years. The serious budget deficits at the State level will have a significant impact on the Santa Monica-Malibu Unified School District. The deficit to our revenue limit will exceed 16% next year. It is anticipated that the District will need to reduce expenditures in our General Fund by 10% over the next 18 months.

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➤ **Use of District Categorical Program Funding and District "Other Funds"**

Monitor the current and potential availability of categorical program funding and other District funds to help retain important core instructional programs and/or moderate the level of program reductions that would otherwise occur. Explore all flexibility options by the State to support high priority programs.

➤ **Explore ways to reduce the financial impact of the continuing decline in student enrollment.**

Looking ahead to 2009-10, 2010-11, and 2011-12

As we begin discussions for development of the 2009-10 District Budget, there comes the necessity for a new three-year budgetary strategy (2009-10 through 2011-12). This strategy must ensure the long-term financial health of the District. In this regard, it is prudent to begin a budgetary "look ahead" to consider possible changes that may be required beginning in 2009-10.

Impact of the Governor's Proposed Budget for 2009-10 on K-12 Education Funding

California faces an estimated \$40 billion deficit at the end of 2009-10, absent correcting actions. To resolve this, the Governor is proposing serious cuts to public education. Those reductions will begin in the current fiscal year and become deeper in the following years. Although Cost of Living Adjustments (COLAs) are applied to District revenues, the deficit applied in that calculation exceeds the COLA and school districts fall further behind. While the proposed budget provides flexibility, those are only one-time solutions to an ongoing problem. Using Reserve Balance or Deferred Maintenance flexibility is one-time in nature, and only postpones the need for reductions. SMMUSD is positioned better than many districts to weather this crisis due to reserves in excess of State minimums. With careful planning, the District can spread changes over a longer period of time. We must always be mindful that reserves are also one-time resources and should be used very cautiously.

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Multi-Year Financial Projection

The District's Multi-Year Financial Projection (MYFP) is periodically revised to reflect the most current information. The income and expenditure estimates used in conjunction with the preparation of the 2nd Interim Financial Report will be made available in the near future. An update of the MYFP reflecting the income and expenditure estimates through 2011-12 will be presented to the Board of Education at this meeting and again with the 2nd Interim Report.

2009-10 Budget Development Calendar

The proposed calendar for development of the SMMUSD 2009-10 Budget is included as attachment C.

2009-10 Budget Assumptions, Staffing Guidelines and Potential Reductions

These will be presented by staff at the meeting.

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Dr. Escarce suggested examining the number of electives at the high school level. He requested enrollment by class sections from staff. He also remarked that the possible staffing reductions did not include classified positions.

Ms. Pye inquired about the number of Houses at SAMOHI. Dr. Matthews replied that feedback from staff, parents, and students reveals that the House system has been successful, but the bleak economic situation is bringing issues such as the number of Houses at SAMOHI to the table. He and Dr. Chou will be meeting with administration from SAMOHI.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT VISION STATEMENT AND STUDENT OUTCOMES

Vision Statement

As a community of learners, the Santa Monica-Malibu Unified School District works together in a nurturing environment to help students be visionary, versatile thinkers; resourceful, life-long learners; effective, multilingual communicators and global citizens. We are a richly varied community that values the contributions of all its members. We exist to prepare *all* students in their pursuit of academic achievement and personal health and to support and encourage them in their development of intellectual, artistic, technological, physical and social expression.

Student Outcomes

All SMMUSD students will graduate as individuals who are:

1. **VISIONARY, VERSATILE LEARNERS** who recognize and solve complex problems through reflection, informed risk-taking, critical evaluation and artistic exploration.
2. **THINKERS** who are resourceful and have a working knowledge and appreciation of academics, aesthetics, personal wellness and self, as well as an understanding of and respect for the needs of others.
3. **GLOBAL CITIZENS** who value their richly-varied world and act to sustain the natural environment by participating in democratic processes through ethical, informed decision-making.
4. **LIFE-LONG LEARNERS** who, individually and in collaboration with others, are intrinsically motivated to pursue their personal bests and attain meaningful, productive lives.
5. **EFFECTIVE, MULTILINGUAL COMMUNICATORS** who use verbal, written, mathematical, artistic and technological languages to give, receive, value and process information.

Board Adopted 09/25/07

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

PRINCIPLES FOR GUIDING FUTURE BUDGETARY DECISIONS

- Maintain a balance between current and future-year income and expenditures so as to ensure the long-term financial integrity of the District.
- Recognize that the highest financial priority is directly related to improving student achievement.
- Instructional and support service programs shall be aligned with Board of Education identified goals and priorities.
- Maintain competitive salaries and benefits that will enable the District to attract and retain an excellent teaching and support service staff.
- Recognize that some programs and services may need to be reduced or eliminated. Regularly evaluate all programs and services for cost effectiveness.
- Consistent with the need for standardization, align resource distribution with accountability for student achievement...the greater the degree of accountability, the more direct control the school site should have over the distribution of funding.
- Work to reduce/eliminate the financial impact (encroachment) that various categorical and incentive programs have on the General Fund.
- Recognize that an adequate infrastructure is needed in order to provide a high level of programs and services.
- Ensure that the District is in compliance with state and federal mandates.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
2009-10 BUDGET DEVELOPMENT CALENDAR**

December 11, 2008	1 st Interim Financial Report (2008-09) for the period ending October 31, 2008 presented to the Board of Education – BOE regular meeting
January 9, 2009	The Governor presented the 2008-09 Proposed State Budget to the Legislature
January 15, 2009	Presentation of Enrollment Projections, Permit Policy and an “Early Tell” incentive – BOE regular meeting
February 5, 2009	Initial Board review and discussion of the Governor’s proposed budget for 2009-10 – BOE regular meeting
February 5, 2009	Budget planning information and calendar presented to the Board of Education – BOE regular meeting
February 19, 2009	Budget development activities as scheduled by the Board of Education – BOE regular meeting
March 5, 2009	Budget development activities as scheduled by the Board of Education – BOE regular meeting
March 5, 2009	2 nd Interim Financial Report (2008-09) for the period ending January 31, 2009 presented to the Board of Education – BOE regular meeting
March 19, 2009	Budget development activities as scheduled by the Board of Education – BOE regular meeting
March 2009 TBD	Board of Education Budget Study Session
April 2, 2009	Budget development activities as scheduled by the Board of Education – BOE regular meeting
April 23, 2009	Budget development activities as scheduled by the Board of Education – BOE regular meeting
June 4, 2009	Proposed 2009-10 District Budget presented to the Board of Education – BOE regular meeting
June 22-25, 2009	Proposed 2008-09 District Budget placed on display for public review
June 25, 2009	The Board of Education conducts a public hearing and approves the 2009-10 District Budget – BOE regular meeting
June 26, 2009	Business Services files the 2009-10 District Budget with the Los Angeles County Office of Education