

**Santa Monica-Malibu Unified School District
Board of Education Meeting
WORKSHOP**

May 5, 2009

A workshop of the Santa Monica-Malibu Unified School District Board of Education was held on Tuesday, May 5, 2009, in the District Administrative Offices: 1651 16th Street, Santa Monica, CA. The Board of Education, in conjunction with the Financial Oversight Committee, called the workshop to order at 6:15 p.m. in the Board Room at the District Offices: 1651 16th Street, Santa Monica, CA.

I CALL TO ORDER

A. Roll Call – Board of Education

Ralph Mechur

Jose Escarce

Barry Snell

Maria Leon-Vazquez

Ben Allen

Kelly Pye

Oscar de la Torre – *excused*

B. Pledge of Allegiance

Led by Ms. Leon-Vazquez

II BUDGET WORKSHOP

During this workshop, district staff will present to the Board of Education and the Financial Oversight Committee information regarding the impact of the state budget and federal stimulus package on SMMUSD's budget, including the current budget forecast, staffing at the school sites and district office, and areas for potential reductions. This workshop is a follow-up to the March 4, 2009, budget workshop.

Mr. Cuneo welcomed the FOC for the second budget workshop. He thanked FOC members for providing feedback and suggestions regarding next year's budget.

The budget presentation can be found under Attachments at the end of these minutes.

Ms. Maez reviewed current revenue, expenditure, and ending balance assumptions and projections for next year's budget. Dr. Escarce asked about the cost for the Student Information System (SIS). Ms. Maez explained that the district needed the system in order to provide accurate information, and that it would be a one-time expenditure of \$1M to cover software and implementation. Ms. Reese suggested significant expenditure reductions, rather than "trimmings." Ms. Pye asked about inter-district permits and enrollment. Dr. Matthews answered that the district is seeing trends that show an increase in Kindergarten numbers, which is leading to a flat, rather than declining, enrollment projection. Ms. Pye asked if the flattening out of enrollment was due to students returning to public education. Dr. Matthews agreed that could be one reason; the district will have a better understanding of inter-district permit numbers by early June. Mr. Mechur asked about the reduced revenue for class size reduction. Ms. Maez explained that the penalty for going over a student-to-teacher ratio of 20:1 in K-3 has been reduced, therefore making a 23:1 ratio a more cost effective solution.

Ms. Maez then reviewed budget solution strategies for 2009-10. Mr. Allen asked how the salaries of displaced administrators are reflected in the budget. Dr. Matthews explained that the teaching salaries from displaced administrators are already incorporated into the certificated salary budget. Mr. Allen asked how the CalSafe program and ROP are

listed under expenditures. Dr. Chou explained that ROP is funded through the county, and that CalSafe is a necessary program and represents a small amount. Ms. Pye asked how many supplemental counselor positions are represented in the proposed reduction. Dr. Matthews said it was approximately 2.5. Ms. Torres expressed her concern about reductions in funding for professional development. She asked what assurances the district could make regarding maintaining quality teachers. Mr. Cuneo explained that he will be suggesting one-time funds for professional development, tying in professional development with summer school training, focusing on the key areas of literacy and math. Dr. Chou added that funds could be used from other sources for professional development. Ms. Reese asked if schools were to allocate the same amount as this year to school improvement how would that impact GATE funding, since the two programs have been combined in the budget. Dr. Chou answered that by combining the two line items, schools have more latitude to use these funds for various instructional purposes, including GATE services. Mr. Hamilton requested a deeper study of the Special Education program and expenditures. Mr. Cuneo responded that Goal 7 of the Special Education Working Group's recommendations mentioned examining the programmatic side of Special Education, and that the district is looking into that right now, including bringing programs back in-house in order to be more cost effective. He also mentioned examining how best to deliver services to children SELPA-wide. Mr. Patel inquired about forecasting a reduction in legal costs. Ms. Maez explained that legal costs are difficult to project because they can vary from year to year. She added that the district is going to reduce contracted services by \$300,000, and therefore managers are going to have to make budgetary decisions regarding contracted services for their departments. Ms. Pye inquired about classified administration and staff. Dr. Matthews replied that staff will bring forward a final recommendation to the board at the June 4 meeting. Ms. Pye inquired as to the rationale behind reducing all Title I schools to a 25:1 student-to-teacher ratio in grades 4 and 5.

Ms. Maez then summarized what effects balancing the budget might have on the district's future. Mr. Allen asked about the spending parameters of Title I funds. Dr. Chou explained that the additional Title I funds from the stimulus package are one-time funds that are traditionally spent on technology, professional development, closing the achievement gap, and lowering class size. Mr. Allen asked about possible long-term effects of the passage of Propositions 1a and 1b in the May 19 election. Ms. Maez explained that schools will continue to be funded at a minimum under Prop 98; the combination of 1a and 1b makes schools whole under Prop 98, depending on the state economy. Mr. Hamilton stated that cutting sooner means cutting less in long run. Ms. Maez commented that as staff developed budget solution plans, it was important to recognize the district's significant reserves, which allowed staff to address necessary reductions without overreacting. By using some of those reserves moving from over year to the next, SMMUSD has been able to limit or avoid teacher layoffs for next year. Mr. Sweetmore asked if it was reasonable to start planning now for the 2010-11 year. Dr. Matthews agreed it would be prudent to do that. Mr. Cuneo added that the district is going to continue this budgeting process into next year, and not use the traditional budgeting cycle calendar, because there are going to be additional areas of reduction that will require more time. Mr. Allen suggested that continued discussions also include potential revenue enhancement strategies. Mr. Sweetmore inquired as to any impact the budget could have on bond issuance. Ms. Maez replied that it would have an impact if rating agencies thought SMMUSD was the kind of district that failed to addressing budget issues responsibly. Ms. Torres commented that this presentation is evidence of the need for further work, including a plan to look further at classified employees,

revenue enhancements, structural changes, working more efficiently as a district, and looking at other districts for models. She said discussions should focus on how to move forward and developing a process everyone can agree on for further work.

Dr. Escarce thanked the FOC for participating in joint meeting, and staff for a tremendous presentation. Mr. Allen stressed the need to continue discussing options regarding SAMOHI's structure. Ms. Pye emphasized the need to make deeper budget cuts now, but expressed her concern about making reductions that would negatively impact student achievement. Mr. Mechur asked when the next board meeting with the FOC would be. Mr. Cuneo said the annual joint meeting with the board and FOC is scheduled for May 21, but that is just days following the state election and staff may not have enough information or time to deliver an updated presentation; the joint meeting date may need to be rescheduled. Mr. Cuneo concluded the meeting with the message that difficult decisions need to be made for next year's budget.

III PUBLIC COMMENTS

Public Comments is the time when members of the audience may address the Board of Education on items not scheduled on the meeting's agenda. All speakers are limited to three (3) minutes. When there is a large number of speakers, the Board may reduce the allotted time to two (2) minutes per speaker. The Brown Act (Government Code) states that Board members may not engage in discussion of issues raised during "III. Public Comments," except to ask clarifying questions, make a brief announcement, make a brief report on his or her own activities, or to refer the matter to staff. This Public Comment section is limited to twenty (20) minutes.

- *Harry Keiley, Lee Jones, Claudia Landis, Laurie Lieberman, Meredith Hight, and Richard McKinnon addressed the board regarding the budget.*


IV ADJOURNMENT

It was moved by Ms. Leon-Vazquez, seconded by Dr. Escarce, and voted 6/0 (Mr. de la Torre was absent) to adjourn the meeting at 9:07 p.m. This meeting will adjourn to the next regular meeting to be held on **Thursday, May 7, 2009, at 5:30 p.m.** at the Malibu City Council Chambers: 23815 Stuart Ranch Road, Malibu, CA.

Approved: 5-21-09



President

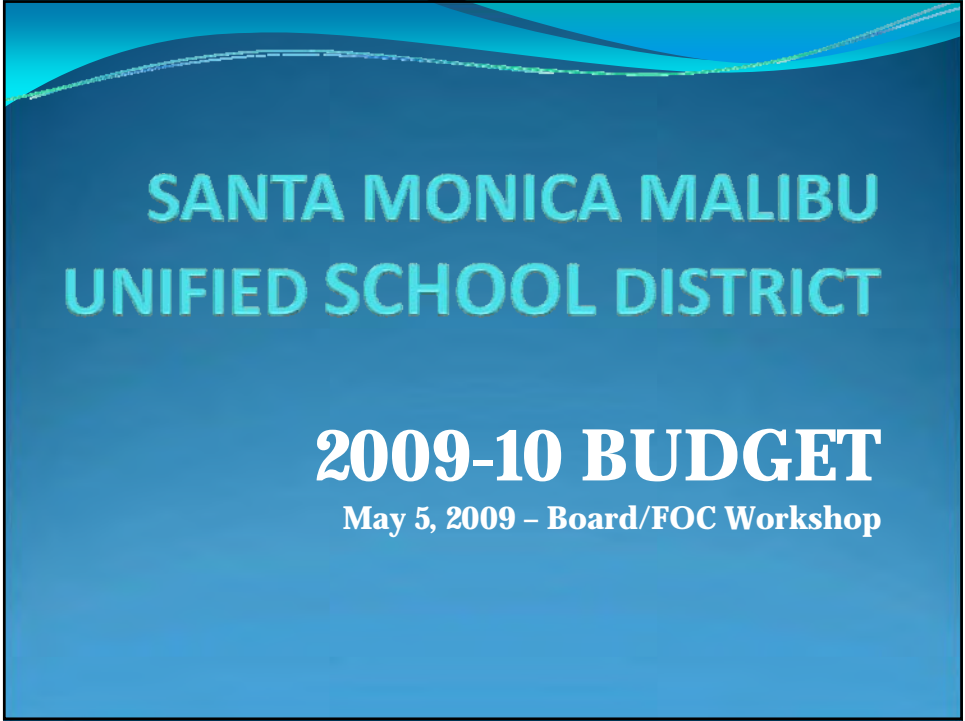


Superintendent

ATTACHMENTS

ATTACHED ARE THE FOLLOWING DOCUMENTS:

- Presentation: "2009-10 Budget"



SANTA MONICA MALIBU UNIFIED SCHOOL DISTRICT

2009-10 BUDGET

May 5, 2009 – Board/FOC Workshop



SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

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 rich, culturally diverse community that values the contributions of all its members and strives to promote social justice. We exist to assist all students in their pursuit of academic achievement, strength of character, and personal growth, and to support them in their exploration of the intellectual, artistic, technological, physical and social expression.

MISSION

Promoting extraordinary achievement while simultaneously closing the achievement gap.

Status of State Budget

- Approved in February – 5 months earlier than required by law - included 2008-09 midyear “adjustments” and 2009-10 projections
- Gave unprecedented local categorical flexibility – allowing districts to “sweep” prior year ending balances and designating Tier III programs available for General Fund Uses in 2009-10 through 2012-13
- Declared 8 billion dollars out of balance by the Legislative Analyst’s Office (LAO) in March
- Dependant upon passage of the May 19th ballot measures
- Could have as high as a 20 billion dollar shortfall at the Governor’s May Revise (expected in June)

SMMUSED BUDGET ASSUMPTIONS

Current Revenue Assumptions

1. **Revenue Limit calculations for 2009-10 will be based upon 11,006 ADA, with a 5.02% COLA (Cost of Living Adjustment). This COLA will be adjusted by a 13.094% deficit, resulting in a net loss of .969%**
2. Enrollment is estimated remain flat and is projected to be 11,565
3. Class Size Reduction revenue is estimated at \$1,071 per K-3 enrollment
4. Mandated Cost revenue is estimated at \$0
5. Lottery revenue is estimated at @ \$110.00 per prior year ADA
6. Special Education revenue calculated based on the AB 602 calculation is without a COLA
7. Transportation revenue calculated at a funding level equal to prior year revenue without a COLA

Current Revenue Assumptions

8. Local Revenue from the City of Santa Monica and the City of Malibu is estimated to be \$7,800,000
9. Local Revenue generated by the voter approved parcel tax measure is estimated to be \$10.3 million
10. Income from lease and rental sources is estimated to be \$ 2.7 million
11. **Interest revenue will be calculated based upon estimated cash flow projections and lower than usual rates**
12. **Benefits of the Federal Stimulus package proposed in Congress have not been incorporated into projections at this time**

Current Expenditure Assumptions

1. Current salary schedules used for SMMCTA, SEIU, Classified and Certificated management
2. Step and Column increases have been included in budget projections
3. Health and welfare benefits rates are estimated to increase by 7%
4. Instructional and Custodial Supply allocations remain unchanged
5. Utilities projected by estimating rates and usage


Current Expenditure Assumptions

6. Staffing will change as recommended
7. Contracted Services will be reduced as recommended
8. Capital outlay budgets have been eliminated in this projection
9. 2007-08 Categorical Ending Balances will be transferred into the General Fund as permitted (Sweeps)
10. Up to 1 million dollars of Tier III Categorical Flexibility will be used to offset the General Fund deficit
11. Deferred maintenance will be budgeted at the full $\frac{1}{2}$ of 1% level
12. The Routine Restricted Maintenance Account is funded at 3% of total general fund expenditure



Reserve Assumptions

**Reserve for Economic
Uncertainties will be 3%.**



SMMUSD MULTIYEAR BUDGET PROJECTIONS

Unrestricted General Fund

2009-10 REVENUE PROJECTIONS

BOARD/FOC WORKSHOP – MAY 5, 2009

Description	2008-09 WORKING BT	2009-10 PROJECTED	2010-11 PROJECTED	2011-12 PROJECTED
Revenue:				
Revenue Limit	61,990,555	61,143,041	61,563,507	62,998,130
Other Federal	40,840	40,840	-	-
Other State Apportionments	666,026	637,027	645,965	657,398
Class Size Reduction	3,314,745	2,817,533	2,817,533	2,817,533
Other State (Lottery...)	1,270,460	1,270,460	1,270,460	1,270,460
Meas. "R"	10,300,420	10,300,420	10,403,424	10,611,493
All Other Local Income	12,498,007	10,931,574	11,153,145	11,203,512
Interfund Transfer In	1,000,000	1,000,000	1,000,000	1,000,000
Local General Fund Contribution	(17,962,604)	(16,681,336)	(16,681,336)	(16,681,336)
2007-08 FUND BAL SWEEPS	1,000,000			
SPECIAL ED BUDGET ALIGNMENT		700,000	700,000	700,000
TIER III FLEXIBILITY TRANSFERS		1,000,000	1,000,000	1,000,000
Total Unrestricted Revenue	74,118,449	73,159,558	73,872,697	75,577,189

2009-10 EXPENDITURE PROJECTIONS

BOARD/FOC WORKSHOP – MAY 5, 2009

Description	2008-09 WORKING BT	2009-10 PROJECTED	2010-11 PROJECTED	2011-12 PROJECTED
Expenditure:				
Certificated Salary	45,323,253	46,182,640	47,291,023	48,426,008
Salary Compression		577,129	590,980	605,164
STAFFING ADJUSTMENT		(1,906,788)	(1,980,511)	(1,995,283)
Classified Salaries	11,138,534	11,305,612	11,475,196	11,647,324
Benefits	15,672,084	15,995,829	16,571,759	17,171,113
Supplies/Books	887,749	804,526	804,526	804,526
Other Operational Costs	6,605,376	5,966,093	5,966,093	5,966,093
Capital Outlay	76,047			
Transfers	6,800	6,800	6,800	6,800
Indirect	(1,190,028)	(850,000)	(850,000)	(850,000)
Debt Services	-	-	-	-
Transfer Out	1,075,000	75,000	75,000	75,000
SAMOHI REORGANIZATION		(550,000)	(550,000)	(550,000)
REDUCTION OF ADMINISTRATION		(250,000)	(250,000)	(250,000)
CONTRACTS		(300,000)	(300,000)	(300,000)
FUTURE REDUCTIONS			(1,750,000)	(1,750,000)
Total Unrestricted Expenditures	79,594,815	77,046,641	77,076,357	78,970,809

2009-10 ENDING BALANCE PROJECTIONS

BOARD/FOC WORKSHOP – MAY 5, 2009

Description	2008-09 WORKING BT	2009-10 PROJECTED	2010-11 PROJECTED	2011-12 PROJECTED
Increase (Decrease) Fund Balance	(5,476,366)	(3,887,083)	(3,203,659)	(3,393,620)
Beginning	21,020,258	15,543,892	11,656,809	8,453,150
Fund Balance	15,543,892	11,656,809	8,453,150	5,059,530
Reserve- Revolving cash, Store	96,000	96,000	96,000	96,000
Reserve - New Student Info System	1,000,000	1,000,000	1,000,000	1,000,000
Total Available Fund Balance	14,447,892	10,560,809	7,357,150	3,963,530
3% Contingency Reserve	5,712,221	3,491,285	3,578,915	3,600,000
Unappropriated Balance	8,735,671	7,069,524	3,778,235	363,530

SMMUSD
2009-10 Budget
Solutions

Reduction in Contracts

- Total of \$300,000 from district office departments
 - Examples may include:
 - Superintendent Search Firm
 - Interim Superintendent Contract
 - Special Education Working Group Consultant
 - Communications Consultant
 - Certificated Personnel Support
 - Legal Costs
 - District Policy Support
 - Facility Permit Consultant
 - Technology Consultants

Reduction in District Office Administration

- Total of \$250,000 Savings
 - Elimination of vacant coordinator position in Special Education
 - Reduction of one math coordinator position
 - Reduce work year for Coordinator of Visual/Performing Arts
 - Reallocate District Elementary Librarian - 50% Samohi and 50% districtwide
 - Reduction of clerical support

Reorganization of Samohi

	Current Staffing	Modified 6 Houses	Modified 6 Houses	5 Houses Staffing	5 House Savings
Principal	1	1	0	1	0
House Principals	6	6	0	5	\$130,000
Dean	1	0	\$120,000	1	0
Advisors	12	12	0	10	\$160,000
Outreach Specialist	6	3	\$180,000	5	\$60,000
Admin Assts.	7	6	\$70,000	6	\$70,000
Sr. Office Asst.	8	7	\$60,000	7	\$60,000
Security	7	6	\$60,000	6	\$60,000
Librarians	2	1.5	\$40,000	1.5	\$40,000
Teacher Leaders	2.4	1.2	\$100,000	1	\$120,000
A-V Coordinator	1	.75	\$15,000	.75	\$15,000
Potential Savings			\$645,000		\$715,000

Reorganization of Samohi Rationale

- Maintain small learning communities
- Realign staffing resources with current enrollment
- Continue to support low advisor/counselor student ratio

Class-Size/Staffing Ratio Changes

- Total of \$1,906,788 savings
 - 23:1 in grades K - 3
 - Increase of 3 students per class
 - 30:1 in grades 4 - 5
 - No change from current class-size
 - 25:1 in grades 4 - 5 - Title I sites
 - No change at Edison and Will Rogers
 - Decrease of 5 students per class at McKinley and Muir
 - 32:1 in grades 6 - 12
 - Increase of 1 student in the staffing ratio
 - Staffing ratio is based on students taking 6 periods and teachers, teaching five periods
 - 30:1 in grades 6 - 8 at John Adams
 - Increase of 1 student in the staffing ratio

Special Education Budget Alignment

- Total of \$700,000 budget savings, aligning budget with historical expenditures
 - The District is committed to maintaining the level of services required and expected based upon maintenance of effort
 - Expected budget savings may in the following areas:
 - Legal costs
 - NPS/NPA costs for services now provided by outside non-public schools or agencies that will be provided in-house
 - Instructional assistants

Tier III Flexibility

- SMMUSD receives approximately 3.2 million dollars in identified Tier III programs from State categorical funding
- All funds from these programs will be deposited by the State into the District's General Fund
- The District will develop General Fund budgets for continuing programs
- The charts on the following slides detail those programs

Tier III Recommendations

Programs to be Funded	Dollars
Safety	\$170,000
Counseling	\$128,000
Music Teachers	\$165,000
Outreach Specialists	\$333,000
Instructional Materials	\$250,000
Beginning Teacher Support – BTSA	\$150,000
Ed Services – CTAP, CAHSEE, Professional Development	\$150,000
JAMS Science Magnet	\$80,000
APEX Learning	\$24,000
Transportation	\$120,000
School Improvement/GATE	<u>\$630,000 (\$57/student)</u>
TOTAL	\$2,200,000

Tier III Recommended Reductions

Program Reductions	Dollars
Instructional Materials	(\$400,000)
Professional Development – Buy-Back Days	(\$240,000)
School Improvement/GATE	(\$97,000)
Peer Assistance Review - PAR	(\$40,000)
Supplemental Counselors	(\$204,000)
Pupil Retention	<u>(\$30,000)</u>
TOTAL	(\$1,011,000)

2009-10 Budget Reduction Plan Summary

- \$300,000 Contracts
- \$250,000 District Office Administration
- \$550,000 Reorganization of Samohi
- \$1,906,788 Class Size/Staffing Changes
- \$700,000 Special Education Budget Realignment
- \$1,000,000 Tier III Categorical Flexibility

What the Future Holds for SMMUSD

Balancing the SMMUSD Budget into the Future

- The multi-year projection included in current projections requires an additional 1.75 million dollar ongoing reduction in 2010-11
- After a 4 million dollar cut in 2009-10 and an additional 1.75 million dollar cut in 2010-11, the District will STILL be deficit spending by nearly 3.4 million dollars per year
- SMMUSD will need to identify reductions in future years to address deficit spending

Potential Future Reductions

- K-3 Class Size Reduction (CSR) to 25:1 = \$500,000
- Site/Department - 10% reduction of supplies and service accounts = \$350,000
- Eliminate Deferred Maintenance transfer = \$500,000
- An aggressive plan to improve attendance
- Continue to align with projected enrollment
- Reevaluate District program/staffing priorities

Potential Future Reductions

- Evaluate district office and school configurations
- Negotiated changes – **must have agreement with bargaining units**
 - Furloughs – one day per employee = \$400,000
 - Salary Reductions – 1% = \$900,000
 - Health Benefits – plan or employee contribution changes

Factors Impacting the Budget

- The State economy continues to decline
 - Shortly after approval the LAO declared the State budget 8 billion out of balance
 - State tax revenue continues to fall below expectations
 - Unemployment continues to rise
 - The construction industry continues to suffer – new housing starts are off as much as 60%
 - Home prices continue to fall

Factors Impacting the Budget

- The adopted State budget was built on each of the May 19th ballot measures being approved
- The State could be facing as much as a 20 billion dollar budget shortfall
 - The legislature would revisit the budget and make further drastic reductions
 - Potential for as much as \$600 per student for SMMUSD = another \$6 million in cuts



Federal Stimulus Dollars

- All Federal dollars are one time only
- Divided into three categories
 - IDEA – Special Education – 50% to be used offset LGFC
 - Title I – estimated at \$638,000
 - State Fiscal Stabilization Fund (SFSF) – dollars unknown
- May be needed to offset future reductions from the State and postpone or delay deeper reductions to the District budget