

TO: BOARD OF EDUCATION
FROM: SANDRA LYON / JANECE L. MAEZ
RE: 2013-14 BUDGET DEVELOPMENT PROCESS

DISCUSSION
11/01/12

DISCUSSION ITEM NO. D.01

The outcome of the November 6th election will determine and shape the nature of budget discussions in the District for the next several years. In the case where Proposition 30 passes, Santa Monica-Malibu Unified School District will not sustain additional reductions of revenue, but will face an operational deficit in excess of 5.0 million dollars a year. In the event that Proposition 30 fails, the District will receive a 2012-13 mid-year cut in revenue of \$457 per student or just over 5.0 million dollars. This revenue reduction raises the operational deficit to over 10.0 million dollars per year. Additionally, the District's healthy Unrestricted Fund Balance of 17.5 million dollars plummets to fewer than 7.5 million dollars. In a single year, more than half of District reserves will be gone.

These dramatic reductions come after several years of declining state revenues and budgets that have reflected cuts throughout the District. In the past 4 years, employees have agreed to furlough days reducing salaries by 10 days over 2 years, administration has been reduced at school sites (Samohi house reduction and AP reduction) and the District Office, staffing ratios have increased causing higher class sizes, clerical support has been reduced, instructional materials expenditures have been limited, and positions have been reduced in Special Education, Fiscal and Human Resources. The Santa Monica and Malibu communities have continued to support local education during these difficult times. The passage of Prop Y and YY, the renewal of a parcel tax, the generous contributions to our Ed Foundation and PTAs have made it possible for the District to continue many of what are considered essential programs.

A successful conversation regarding the District's 2013-14 Budget depends on constructive, creative and informed input that is representative of all communities within the District. Senior staff is considering a process that begins early in November and continues through a Board workshop and budget decisions in February 2013. We have attempted to create a process that will inform the Board about community priorities as they make difficult decisions regarding the fiscal future for the District. We want to be able to articulate to the Board what is important to consider as we move the budget process forward. The conversations may be very different based on results of the election; however, the process used in either case should serve us well.

Staff suggests that we begin the process with information regarding the budget. We are preparing a webinar that can be viewed by a large number of individuals that will provide specific, detailed budget information. We want to include the District Vision, Mission, and Strategic Plan in that presentation along with the numbers as we know them. The webinar will also describe the components of school district budgeting. Our second step in the process will be to hold a Management Meeting to continue the "big" picture conversation from the webinar and involving employees from all Divisions that will prepare for the Pathway meetings.

The intent of the Pathway meetings is to receive input regarding budget priorities from our school communities. We intend to invite representation from every site that includes administrators, teachers, parents and students. We will be asking these larger Pathway groups to consider what is important to them and set priorities in a variety of areas. We will encourage the Pathways to include in their discussion what is critical in the following areas: School Sites, Instructional Programs, Student Support, District Office, District Operations and Extra/Co-Curricular Activities. These meetings should be concluded by the end of November.

In December, using the input from the Pathway meetings, staff will prepare for a January Board study session. Staff will consider the District Vision, Mission, and other constraints or requirements necessary to operate a fully functional district. This study session will be held during a regularly scheduled Board meeting. This will provide the public with an opportunity to contribute to the process and the Board to provide feedback to staff. It is not expected that final decisions will be made during the study session in January. Early in February, staff will schedule a special Board Workshop to continue the conversation regarding budget development. It is anticipated that staff will prepare an agenda item for the second meeting in February in order to take any action regarding budget parameters or changes.

Staff will continue to update the Board throughout the process with regular Board updates. This timeline will provide staff to work through the details of any change. It is anticipated that a Preliminary Budget will be ready for Board review by the end of May and final adoption in June.

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Mr. Patel asked about a superintendent's emergency feasibility committee in case Prop 30 does not pass. Ms. Lyon replied that if neither Prop 30 nor 38 passes on November 6, she would form a committee to examine possible ways to generate revenue for the district. Ms. Maez listed the dates and times for the various pathway budget meetings following Friday's webinar. For those who are not able to view the webinar live, the video and slides will be posted online following the completion of the live feed.