

Cotati-Rohnert Park Unified School District

2008-2009

Budget Discussion

CONTEXT

- NEWS HEADLINES – NATIONAL LEVEL
 - Rate of new home foreclosures and late payments surged to highest level since 1979....
 - Unemployment in May increased by largest amount since 1986....
 - Analysts expect oil to reach \$150 per barrel by July 4th....

CONTEXT

- NEWS HEADLINES – STATE LEVEL
 - California's budget system is dysfunctional and in need of dire reform...Governor Schwarzenegger.
 - State of California projects \$20 Billion deficit....
 - City of San Francisco proposes 450 layoffs; facing \$338 Million budget deficit....
 - Vallejo City Council declares bankruptcy, citing declining revenues and ballooning employee expenses....

CONTEXT

■ NEWS HEADLINES – C R P U S D

- Declining enrollment continues as number of students county-wide decreases....
- District saves programs by making difficult decision to close La Fiesta and Gold Ridge schools....
- District completes two major facilities projects at Rancho Cotate High – the modernization of the Auto Body Repair facility and the completion of the new Cougar Stadium/Daggett Field facility....
- District braces for zero or negative 08/09 State funding levels and prepares as cash flow issues at the State level possibly impacts District operations.

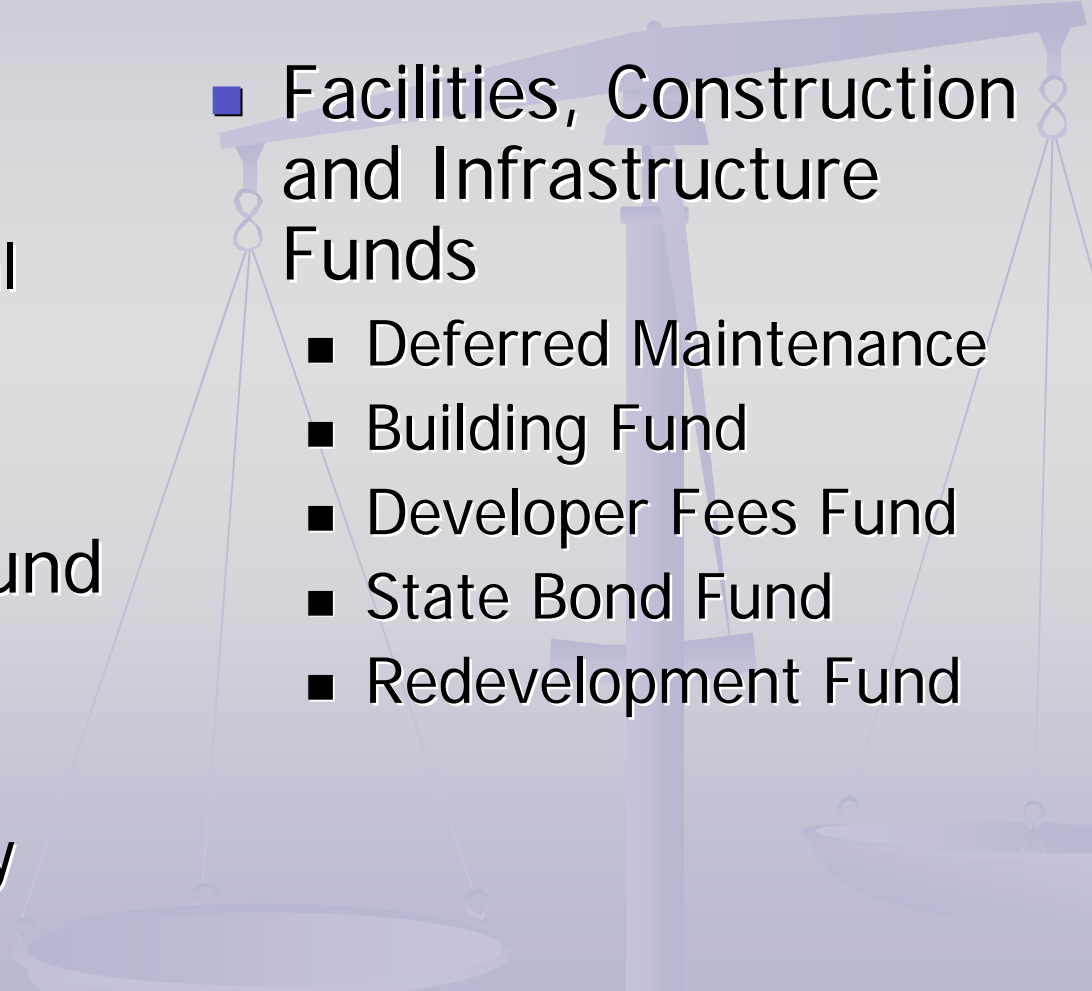
Budget Development - 101

- Why?
- When?
- Who?
- How?
 - Required by State (Education Code 42127);
 - On or before July 1st each year;
 - Board of Education must adopt the budget for the next fiscal year (July 1st – June 30th) and staff must submit the budget and supporting documentation to the County Office of Education (Superintendent of Schools) for review and approval, by August 15th.
 - If disapproved, District Board must resubmit revised budget by September 8th.

HOW IS THE 2008/2009 BUDGET DEVELOPED?

- First Step: Determine what your beginning balance will be (this should be the same as your ending balance for the current year!);
- Second Step: Estimate what your revenue (income) will be for the fiscal year;
- Third Step: Estimate what your expenses will be for the fiscal year;
- Fourth and Final Step: Make sure you have budgeted and can maintain the State required minimum reserve levels (3% for districts our size)

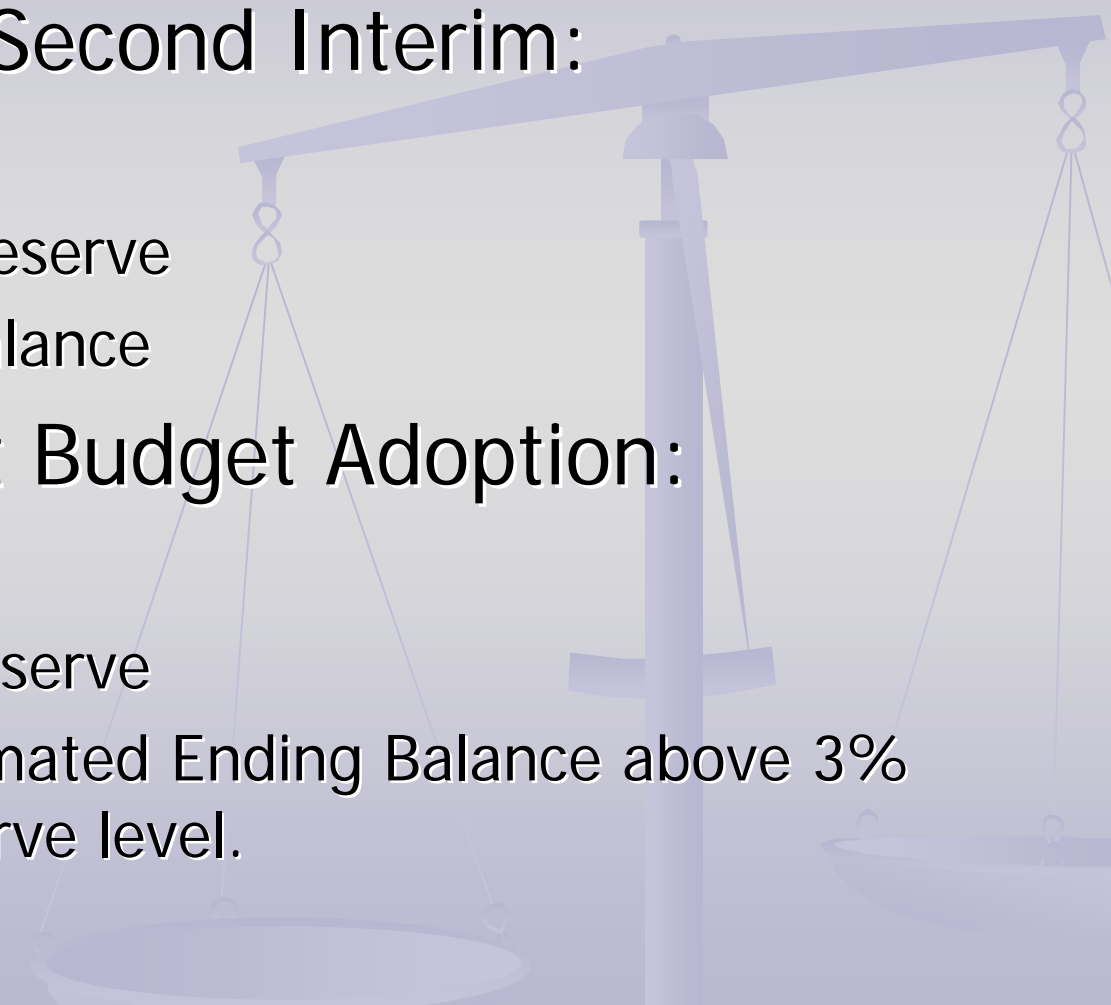
BUDGET – MANY DIFFERENT BANK ACCOUNTS FOR VARIOUS EXPENSES

- General Fund:
 - Unrestricted
 - Restricted (Federal and State funded categoricals = 40 Programs)
 - Adult Education Fund
 - Cafeteria Fund
 - Reserve Fund
 - Non-Capital Outlay
 - Facilities, Construction and Infrastructure Funds
 - Deferred Maintenance
 - Building Fund
 - Developer Fees Fund
 - State Bond Fund
 - Redevelopment Fund
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Changes Since Second Interim – Reported in March 2008

- For the Unrestricted General Fund:
 - Revenues - \$40,644,866 up \$68,854
 - Expenditures
 - Salaries/Benefits -\$33,273,251 up \$125,039
 - Supplies -\$472,760 down \$64,227
 - Services -\$3,093,937 down \$73,227 (reduced legal expenses, some utility savings)
 - Equipment -\$101,939 up \$11,900
 - Transfer/Contributions-\$4,434,142 down \$448,948

Change in 2007/2008 Ending Balance

- As reported at Second Interim:
 - \$1,911,233
 - \$1,784,165 Reserve
 - \$127,068 Balance
 - As estimated at Budget Adoption:
 - \$2,429,550
 - \$1,767,500 Reserve
 - \$645,701 Estimated Ending Balance above 3% minimum reserve level.
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Second Step – Estimate Revenue for 2008/2009

- Over 90% of our unrestricted revenue is based on our revenue limit calculation \$36.3M
 - We will receive \$32.11 each day an enrolled student comes to school;
 - This represents a 0% increase in funding (COLA);
 - A student with perfect attendance will generate \$5,778 in general fund revenue for the District;
 - Because we are a declining enrollment District, we can use last year's attendance to calculate our revenue for this year -

Other Components of Unrestricted Revenue 2008/2009

- \$154,554 for Intervention Programs (includes summer school)
- \$1,636,000 to fund staffing for K-3 Class Size Reduction
- \$722,890 in Unrestricted Lottery Funds
- Total Unrestricted Revenue: \$39,873,643

Third Step in Budget Development – Estimate Expenditures

- Largest Component is the cost of salaries and benefits:
 - Active Employees: Cost based on the various bargaining agreements and uniform salary schedules – Scheduled increases in employee salary based upon longevity and, in some cases, additional educational units earned.
 - Active Certificated Salaries: \$19,665,829 down \$1,288,660
 - Reduction of 11.6 Teaching Positions
 - Reduction of 2.0 Administrator Positions

Salaries and Benefits continued....

- Total Classified Salaries (non-classroom based support salaries and district office):
\$3,503,038 down \$235,228

Premium Costs for Health Care

- Our two health care providers increased premiums for 2008/2009:
 - Kaiser – up 16.5%
 - Monthly premium \$896.06 (90/10 split \$806.45/\$89.61)
 - Health Net – up 15%
 - Monthly premium \$1,297.43 (90/10 split \$1,167.69/\$129.74)
 - District will continue to cover the cost of 90% of employee vision, dental and life insurance expense – up to \$175.85 per month;
- Active employee benefits cost: \$6,701,359 up \$514,813

Retiree Costs 2008/2009

- District provides health benefit coverage for approximately 108 current retirees:
 - For all employees, except SEIU, District covers 100% of retiree only medical premium;
 - For SEIU classified employees, District covers 90% of retiree only medical premium;
- Kaiser rates are \$445.67 per month;
- Health Net rates are \$788.01 per month;

Retiree Costs – Early Retirement Incentive Plans

- District makes an annual payment of \$735,859 into a retirement annuity (PARS plan-Final 2002 Payment in 2008/2009);
- District purchases retirement credits and gives cash payments, based on current contract provisions, for certain retirees;
- Retiree costs for 08/09: \$1,471,101 (\$13,600 per retiree) up \$57,212 from 07/08;
- Unfunded District liability estimated at just over \$13M.

Operational Costs 2008/2009

- Supplies \$317,806 down \$154,954
 - Technology - \$93k
 - School sites - \$194k
 - Grounds - \$33k
- Services \$3,186,209 up \$92,272
 - Utilities - \$1.3M
 - Property and Liability Insurance - \$327k
 - Communications/phones - \$279k

Equipment

- Purchases of \$5,000 or greater are classified as capital expenditures and are accounted for separately;
- Capital costs: \$0 down \$101,939

Transfers Out/Transfers In

- Transfers to other Funds or other Agencies are recorded in these accounts;
 - Special Education Transportation (SCOPE) : \$555,855 expense (in 2009-10, funds will come directly to the District)
- Transfers from categorical programs – the collection of indirect charges are recorded in these accounts;
 - Indirect costs: \$196,552 revenue
- Transfers \$576,118 (net out) up \$55,855

Contributions

- Certain programs have historically been mandated by State and Federal authorities but have never been fully funded;
- These programs, and others, require a contribution from the unrestricted General Fund to remain viable;
 - Special Education: \$3,655,619 down \$4,061
 - K-3 Class Size Reduction: \$487,147 up \$136,584
 - Home to School Transportation \$297,009 down \$103,209 (reduction of 2 – 3 routes)
 - Restricted Maintenance \$-0- (contribution for 08/09 will come from Redevelopment Fund and Bond Fund)
- Total Contributions: \$4,091,888 down \$18,287

Budget Summary 2008/2009

- We have estimated our beginning balance:
 - \$2,429,550
- We have calculated our revenues based on the following assumptions:
 - Revenue Limit \$5,778 (0% COLA)
 - Attendance (based on 07/08) 6,397 ADA
 - Class Size Reduction income \$1,002/student
 - Lottery income \$115 per annual ADA
 - Revenue = \$39,873,643

Budget Summary

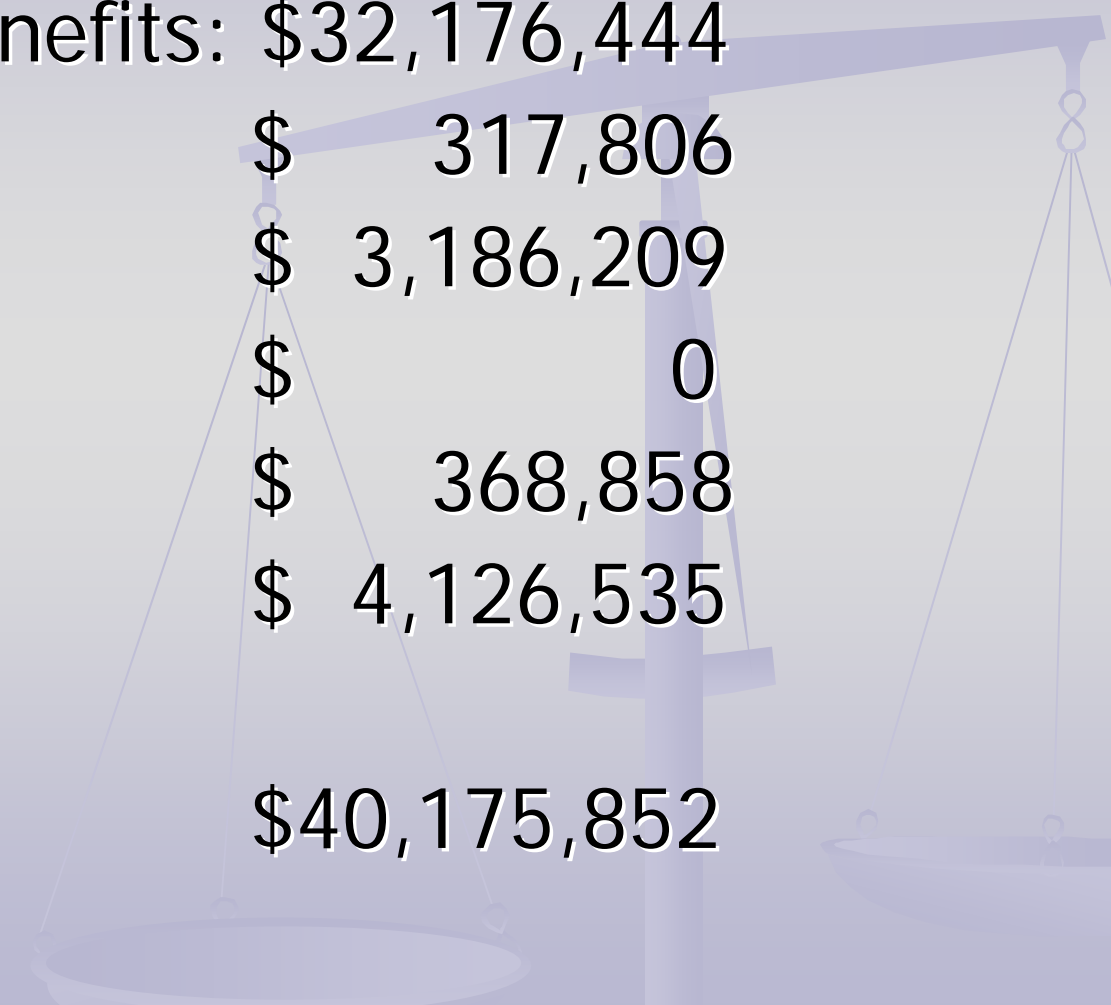
- We have estimated our expenses based on the following assumptions:
 - Fewer students = Reduced teaching staff 11.6 fte;
 - Employee salary increases, per uniform salary schedule (step and column);
 - Known medical premium increases of between 15-16.5%;
 - No additional per student allocations for school site supplies;

Maintaining Programs



- Staff has maintained the allocation for athletic programs grades 6-12 as follows:
 - Middle School Sports: \$47k;
 - High School Sports: \$190k.
- Allocations for support services have not been reduced:
 - Libraries;
 - School Nurses;
 - School Clerical Support;
 - School Custodial Services.

2008/2009 Expenses

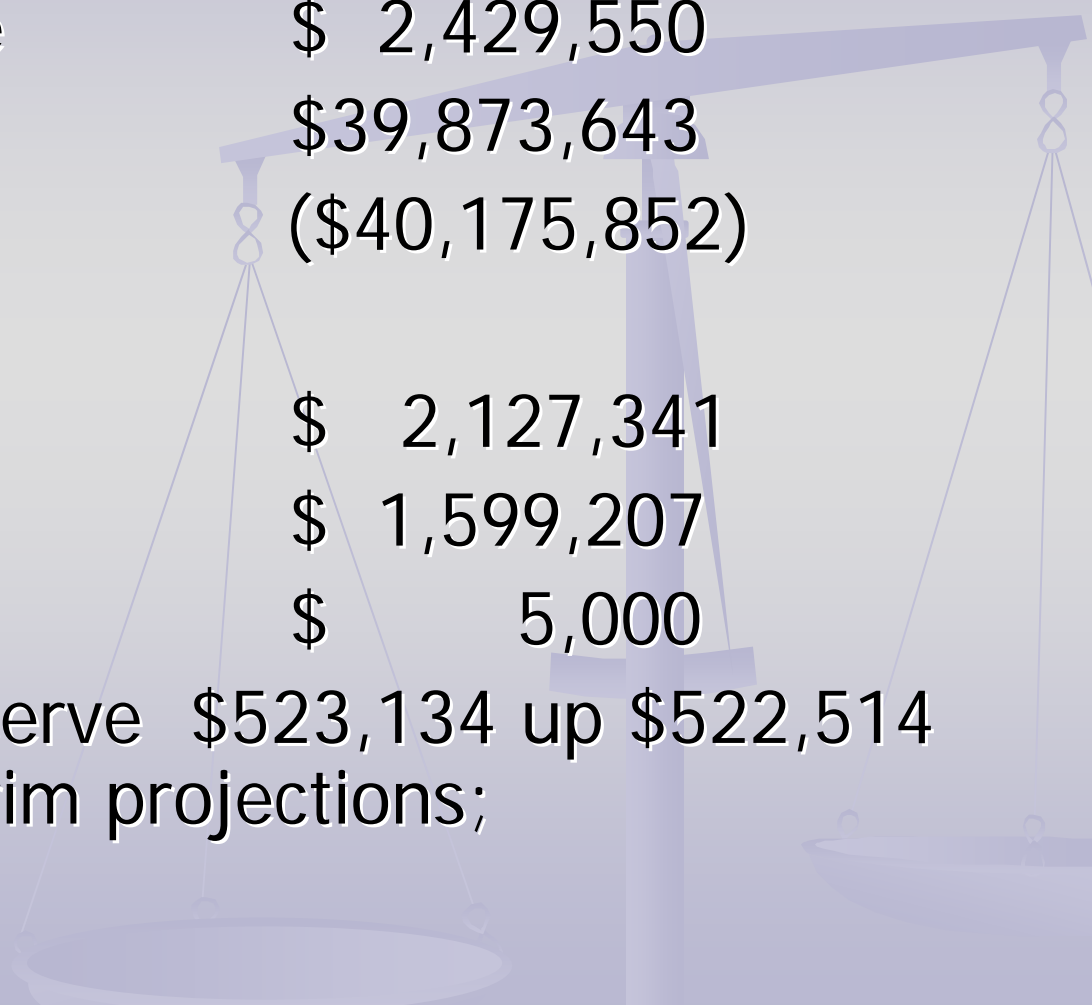


■ Salaries and benefits:	\$32,176,444
■ Supplies:	\$ 317,806
■ Services/other:	\$ 3,186,209
■ Capital:	\$ 0
■ Transfers:	\$ 368,858
■ Contributions:	\$ 4,126,535
■ Totals:	\$40,175,852

Reserve Requirement

- The 3% required reserve is based on all general fund programs, not just the unrestricted portion of the general fund;
- Our total projected budget on which the reserve is calculated is estimated to be \$53,306,890;
- Our required reserve: \$1,599,207.

District Maintains Required Reserve for 2008/2009



■ Beginning Balance	\$ 2,429,550
■ Plus revenues	\$39,873,643
■ Minus expenses	(\$40,175,852)
■ Ending Balance	\$ 2,127,341
■ Required Reserve	\$ 1,599,207
■ Reserve for Cash	\$ 5,000
■ Balance above reserve	\$523,134 up \$522,514 from Second Interim projections;

Categorical Program Summary 2008/2009

- Seven largest categorical programs operated by the District:
 - Special Education \$10,325,762
 - Restricted Maintenance \$ 1,618,000
 - School and Library \$ 647,700
 - Transportation \$ 748,620
 - Education Technology \$ 591,909
 - Economic Impact \$ 528,585
 - Title I \$ 468,665
- Total Restricted General Fund \$16,143,426

Status of Categorical Programs

- Most categorical programs are funded based on district enrollment or average daily attendance;
- As our enrollment drops, so does our funding;
- Most categorical programs are budgeted to be reduced by as much as 6.5%, per the May Revise report;
- Final funding for many categorical programs is not known until late fall or winter – we operate programs under the assumption that funding will be sufficient based on information received;
- It is not uncommon to have to eliminate staff or reduce programs in the Spring due to shortfalls in categorical funding;
- One-time funds can not be used to address on-going program or staffing issues – may only allow District time for future planning;
- Finally, the State proposes that the actual funding of the 08/09 categorical program will not happen until April 2009.

Budget Summary and Future Action

- Board must adopt 2008-09 budget by July 1st;
- Budget adoption scheduled for June 24th;
- At that time, the following items are scheduled to be discussed:
 - **Any substantive changes from the 08/09 preliminary budget projections;**
 - **A short review of the fiscal status of the District's other funds;**
 - **Multi-year projections for the General Fund and plans to address the following issues:**
 - Possible budget reductions in 09/10 and 10/11;
 - Funding of the 3% Required Maintenance accounts;
 - Cash flow issues in 2008/2009
 - Next steps after State adopts and Governor signs 2008-09 budget.