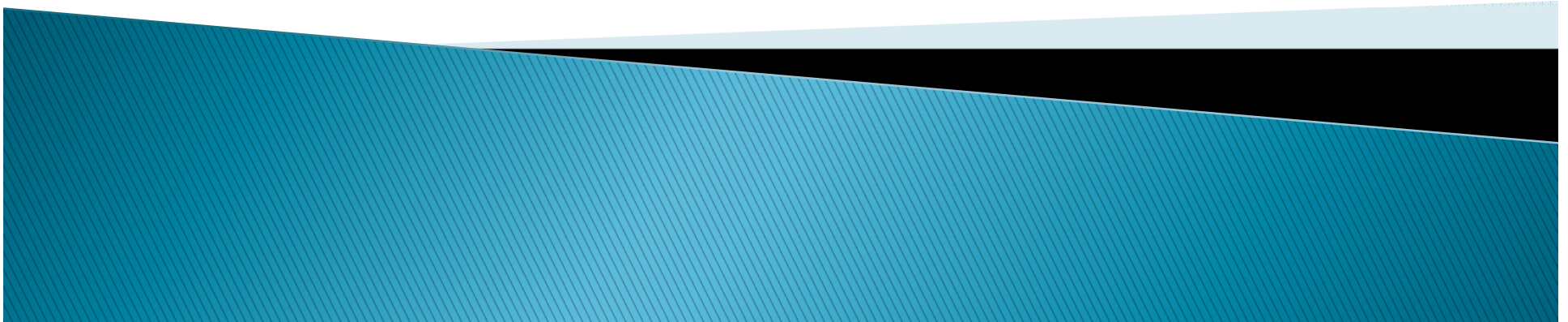




West Contra Costa Unified School District
Budget Adoption
Board Meeting
June 27, 2012



Budget Adoption

- ▶ We still have three major problems in California education finance:
 1. Low levels of funding –last in the nation
 2. Volatility of funding – year-to-year funding levels are totally unpredictable
 3. Uncertainty of funding – estimates of funding are wildly uncertain from January to May to Budget enactment and beyond



Budget Adoption – State

- The newly adopted State budget includes reliance on November taxes to keep school district funding “flat”
- K–12 school districts are identified for mid–year “trigger cuts” if the November election is not successful
- Budget legislation includes authorization to cut an additional 15 school days per year if Mid Year Triggers are enacted
- Total of 20 days per year – 5 day reduction already authorized

=

160 Day School Year



Risks to the State Budget

- The State Budget is balanced only if revenues are increased by a future event
- Education funding is the “hot button” for voters to approve taxes
- Mid Year Triggers are once again threatened

\$441 – \$461 per pupil cut if taxes do not pass in November

= \$12 + million cut



State Risk Translation

- ▶ If Mid Year Triggers are implemented the \$12 million cut to our district is equivalent to
 - 16 days of school per year or
 - 150 fewer employees or
 - District wide salary cuts of an estimated 7.5%



2012–13 Budget

- ▶ Executive Summary
- ▶ State Forms
 - Includes all funds of the district
 - Documentation of revenue calculations
 - Criteria and Standards
- ▶ Multi-Year Projection



Budget Assumptions 2012–13

- ▶ The budget assumes we are in a “flat funding” model – as per State Adopted Budget
- ▶ Plans for Mid–Year Trigger are in place
 - \$13.5 million in Special Reserves – one time use
 - The Special Reserve is relied upon for funding in the Multi–Year projection and in the adopted budget



Special Reserve Summary

Mid -Year Trigger Plan

Special Reserve Fund - 17	Adopted Budget & Multi Year Projection	Mid Year Trigger Projection
Estimated Balance June 30, 2012	\$ 13,500,000	\$ 13,500,000
2012-13	\$ (2,800,000)	\$ (2,800,000)
2012-13 Additional Transfer Due to "trigger"		\$ (10,700,000)
2013-14	\$ (3,800,000)	
2014-15	\$ (6,800,000)	
Special Reserve Fund Balance Projection June 2015:	\$ 100,000	\$ -



Budget 2012–13

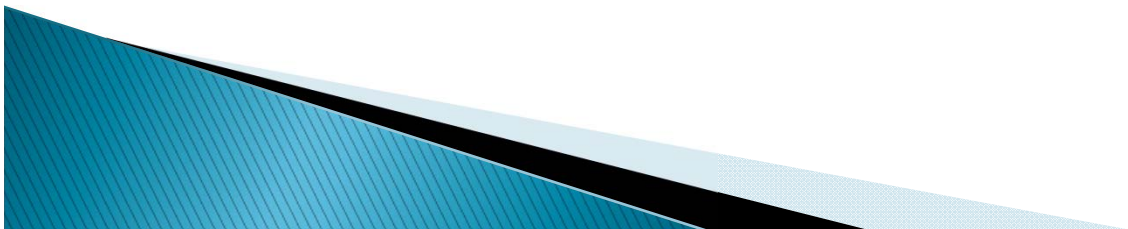
- ▶ Closing out 2011–12
- ▶ Ending Fund Balance Estimates
 - Unrestricted \$20.5 million
 - Restricted \$21.5 million

Fund balances are subject to change based upon the closing of the books



The West Contra Costa Budget 12–13

- ▶ K–3 Class Size Reduction is funded through the existing parcel tax at 28:1
- ▶ Adult Education funded the same as 2011–12
- ▶ School Resource Officers are funded at same level as 2011–12
- ▶ Tier III funding at \$14.5 million



Budget Assumptions 2012–13

- ▶ Statutory COLA 3.24%
- ▶ Deficit Factor 22.272%
- ▶ Base Revenue per pupil \$5,222

- ▶ Staffing
 - Transitional K – 28:1
 - Grades K–3 – 28:1
 - Grades 4–6 – 33:1
 - Grades 7–12 – 32:1 (average class size of 38)



K-3 Class Size Reduction

- ▶ Funded through three sources during 2011-12
 - Title I Carry Over funding
 - Ed Jobs funding
 - Parcel Tax funding
- ▶ Ed Jobs and Title I are not ongoing
- ▶ 2012-13 Parcel Tax funding \$2.3 million
 - Supporting 28:1 Grades K-3
- ▶ Class Size Reduction Flexibility
 - Expires June of 2014



Class Size Reduction Costs

K-2 Class Sizes	Estimated Cost
26	Additional \$1.8 million
24	Additional \$1.8 million, total of \$3.7 million
22	Additional \$2.2 million total of \$5.9 million
20	Additional \$2.2 million total of \$8.1 million



Budget 2012-13

Contributions to Restricted Programs

- | | |
|----------------------------------|----------------|
| ▶ Special Education | \$19.7 million |
| ▶ Sp. Ed. Transportation | 5.4 million |
| ▶ Routine Restricted Maintenance | 4.5 million |



Cash Flow

- ▶ State Cash deferrals have caused negative unrestricted cash during the past two years
 - Restricted cash was positive to cover the fund so inter-fund borrowing was not needed
 - The restricted cash included one time sources such as ARRA and Ed Jobs
- ▶ General Fund cash flow for our District becomes a problem when reserves are depleted because the State owes us cash at year end, so reserves do not equal cash in the bank



Cash Flow

- ▶ The 2011–12 State cash deferrals mean that the District receives 25% of the cash due for the 2011–12 school year in July and August of 2012
- ▶ \$25 million is owed to our District
- ▶ Inter-fund cash borrowing is required to cover the general fund expenses through June 2012
 - Special Reserve Cash \$10.5 million
 - State School Building Fund Cash \$13 million
- ▶ This temporary borrowing is paid back to funds in July of 2012



Cash Flow

- ▶ The 2012–13 State cash deferrals will be improved if the November initiative passes
- ▶ We would still have an estimated \$17 million deferred
- ▶ Inter-fund cash borrowing will be required to cover the general fund expenses through June 2013 – estimated at
 - Special Reserve Cash \$ 10 million
 - State School Building Fund Cash \$7 million
- ▶ This temporary borrowing is paid back to funds in July of 2013



Multi-Year Projection 2012-13

- ▶ Use of one time funding or limited term funding for unrestricted programs
 - \$14.5million in Tier III Funding
 - Special Reserve use over three years
- ▶ City of Richmond support for Grant, Olinda and Kennedy \$1.5 million



Multi-Year Projection

- ▶ Health and Welfare Benefits
 - Rates for benefits continue to increase for those who retired prior to cap
- ▶ Parcel tax is a limited term funding source
 - Final Collection occurs in 2013–14
 - 2014–15 has no parcel tax program in the Multi Year
- ▶ State flexibility funding – Legislation needed for permanent fix
 - Tier III flexibility sunsets June 2015
 - K–3 CSR flexibility sunsets June 2014 – Former funding model in place



Multi Year and Structural Deficits

- ▶ When current year expenditures exceed current year revenues the Board should be concerned regarding a structural deficit
- ▶ Use of one time funding such as Special Reserves or Unrestricted Fund Balance helps relieve the pressure of the structural deficit while the Board plans to close the deficit



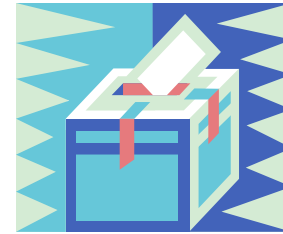
Multi Year Projection Budget Adoption

Unrestricted General Fund

(In thousands)

	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
Revenues	\$166,638	\$169,817	\$166,852
Expenses	172,820	176,645	179,359
Deficit Spending	(\$6,182)	(\$6,828)	(\$12,507)
Special Reserve Transfer	2,800	3,800	6,800
Beginning Fund Balance	20,555	17,252	14,224
Use of Fund Balance	(3,303)	(3,028)	(5,707)
Ending Fund Balance	17,252	14,224	8,517
Required Reserve	8,002	7,931	7,751
Stores & Revolving Cash	300	300	300
Balance	\$8,950	\$5,993	\$466

November Election



- ▶ If the Governor's proposed tax initiative is approved by voters the Board must still address deficit spending
- ▶ The taxes provide only flat funding which is not keeping pace with budgetary needs
- ▶ "Our Children, Our Future" is also on the ballot – it is anticipated that this program operate much like a grant for school sites



Without the November Taxes

	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
Revenues	\$166,638	\$169,817	\$166,852
Mid Year Trigger ongoing	(\$12,000)	(\$12,000)	(\$12,000)
Expenses	172,820	176,645	179,359
Deficit Spending	(\$18,182)	(\$18,828)	(\$24,507)
Special Reserve Transfer	13,500	–	–
Beginning Fund Balance	20,555	15,873	(2,955)
Use of Fund Balance	(4,682)	(18,828)	(24,507)
Ending Fund Balance	15,873	(2,955)	(27,462)
Required Reserve	8,002	not met	not met
Stores & Revolving Cash	300	300	300
Balance	\$7,571	(\$3,255)	(\$27,762)



Cash Flow – November Election

- ▶ If the November initiative does not pass the District will have to use Special Reserve funds for operations
- ▶ Improvement to the State deferral program would be off the table
- ▶ Special Reserve cash will not be available for temporary borrowing purposes
- ▶ External borrowing may be required



District Risk – November

- ▶ If Mid Year Triggers are implemented the \$12 million cut to our district is equivalent to
 - 16 days of school per year or
 - 150 fewer employees or
 - District wide salary cuts of an estimated 7.5%
- ▶ Adult Education
- ▶ School Resource Officers
- ▶ The Board must prepare for this risk



Multi Year Planning Concerns

- ▶ With or without the November Initiative the District must plan and consider for...
- ▶ Retiree Benefits continue to take a large portion of the budget, and the District is absorbing the increased cost of health plans for the majority of retirees
 - The District is operating on a “Pay as you go” basis \$19 million per year and growing
 - The District has a retiree benefit fund, but is not currently adding to it

Multi Year Planning Concerns

- ▶ Common Core Standards
 - New Texts and Technology
 - Implementation and Professional Development
- ▶ Summer School
 - Staff is working on how grants can provide funding – how do we sustain this long-term?
- ▶ Class Sizes at Secondary and Elementary Levels
- ▶ Support and Staffing
 - Sophisticated and improved buildings, technology and security systems are provided
 - Support staff remains at low levels, making it difficult to maintain these assets



Budget Adoption

- ▶ Based upon current assumptions we have maintained a 3% reserve, but we have deficit spending that must be addressed
- ▶ Maintenance of Fiscal Solvency
 - The Board understands its responsibility to maintain a balanced budget
- ▶ When further details are available regarding the State budget – 45 day period to revise budget if necessary



Information Available at...

West Contra Costa Unified School District
Website

www.wccusd.net

