

MEMORANDUM

West Contra Costa Unified School District
State Trustee

March 26, 2010

Linda Grundhoffer, State Trustee

2nd Interim Report – 2009-10

On March 3, 2010 the school board voted to approve a qualified Second Interim Report for the 2009-10 fiscal year. This report projected a structural deficit of \$4,078,834 in the unrestricted operating budget as of June 30, 2010. The multi-year projection showed structural deficits of \$9,443,451 in the 2010-11 year and \$14,107,425 in the 2011-12 year.

On March 15, 2010 the Board held a 2010-11 budget study session where they directed staff to save as much of the 2009-10 Class Size Reduction program as possible. The final Class Size Reduction plan, approved by the Board on March 24, 2010, included \$5 million in one-time funds. This means the program can only be sustained for the 2010-11 year and will need to be reduced in subsequent years. If the Board desires to continue the program at the 2010-11 level, the one-time \$5 million will be added to the structural deficit in 2011-12 making it \$19,107,425. Making reductions of over \$19 million in the 2011-12 fiscal year will be very difficult so it will be necessary to start this process early in the 2010-11 year.

As I have emphasized for the last three years, the elimination of debt service payments would go a long way to minimize some of the additional reductions. I have supported the Board's decisions since coming to the district. Though many of these decisions were difficult, the Board persevered and made the right decisions necessary to preserve the overall financial health of the district. The current reluctance to sell property and put more on-going monies into the daily operations of the district is an enigma. Money used to maintain these closed schools would be better spent on maintaining the schools with students in attendance. In addition, using site sale money to pay off the State loan would free up \$1.4 million per year, the equivalent of approximately 20 teachers for Class Size Reduction or thousands of textbooks or hundreds of classroom computers. The opportunity to also use site sale money to pay other debts over the next two years could mean even more funds per year toward maintaining essential operations of the school district. To continue to make payments to debt holders as well as spend operational funds to support closed schools are financial decisions I find difficult to support.

There is little hope of more money from the State in the near future for school districts. The Board must plan for the education, facilities and district operations that support all of the students of West Contra Costa with less funding. It is important that the Board leverage all financial options in order to ensure the district can educate its students for their lives after graduating from West Contra Costa. The survey conducted at the community budget forums showed very strong support for the sale of property to pay down the debt of the district. The Board has shown sound leadership during these tough economic times. Listening to their constituents in paying down the district's debt would be a big step in putting the district's limited dollars where the school community wants to see them spent.