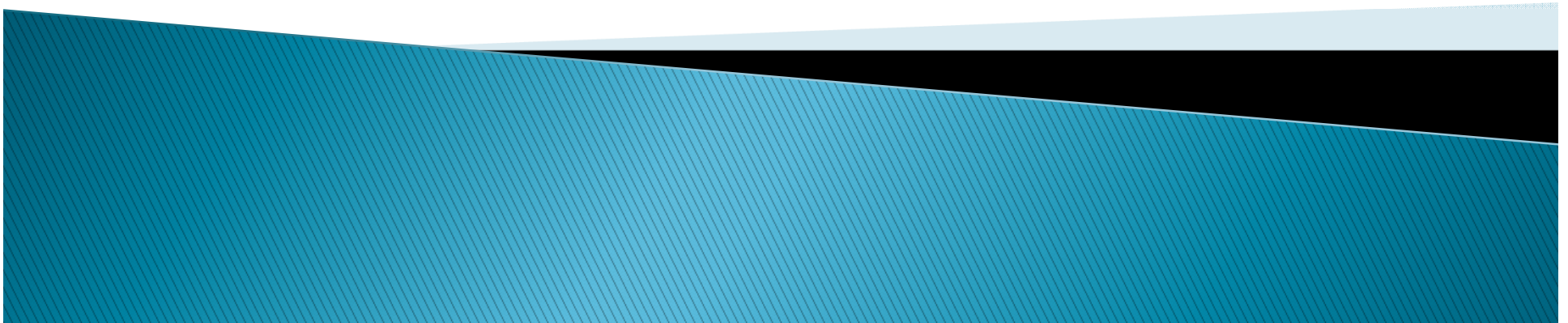




West Contra Costa Unified School District  
Budget Adoption  
Board Meeting  
June 27, 2012



# 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

<b>Special Reserve Fund - 17</b>	<b>Adopted Budget &amp; Multi Year Projection</b>	<b>Mid Year Trigger Projection</b>
<b>Estimated Balance June 30, 2012</b>	\$ 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)	
<b>Special Reserve Fund Balance Projection June 2015:</b>	\$ 100,000	\$ -

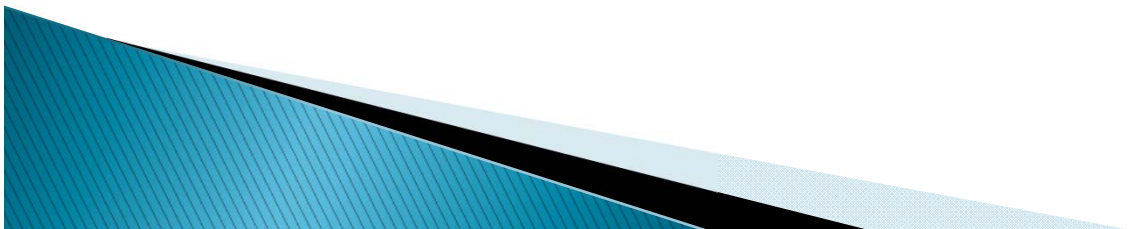




# Budget 2012-13

- ▶ 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

<b>K-2 Class Sizes</b>	<b>Estimated Cost</b>
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



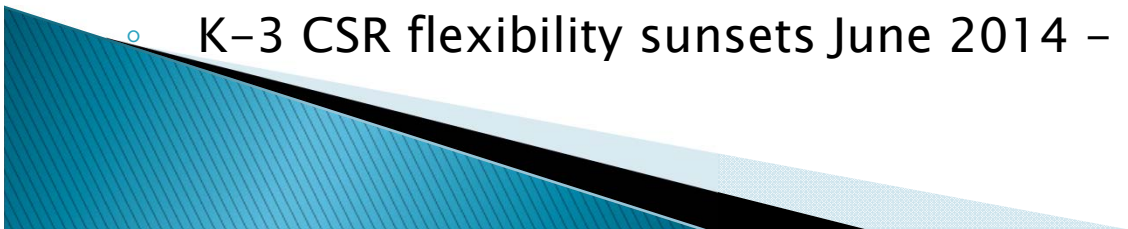
# Multi-Year Projection 2012-13

- ▶ 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

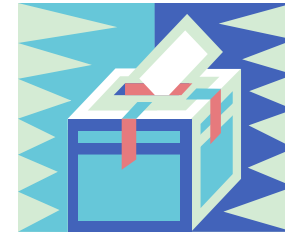


# Multi Year Projection Budget Adoption Unrestricted General Fund

(In thousands)

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

