

REDWOOD CITY SCHOOL DISTRICT
REDWOOD CITY, CA

RCSD MEMORANDUM #6.1 (2007/08)

April 30, 2008

TO: SCHOOL BOARD
FROM: JAN CHRISTENSEN, SUPERINTENDENT
SUBJECT: PRELIMINARY BUDGET FOR FISCAL YEAR 2008/2009

RCSD GOAL:

- 1. Ensure that all students are prepared to be successful in high school and beyond.*
- 2. Ensure a safe, healthy and respectful environment for students, staff and community.*
- 3. Ensure that all schools are places where children grow intellectually, socially, physically, and emotionally.*
- 4. Work with our community to engage, support and take collective responsibility for our children and our schools.*

RECOMMENDATION:

It is the administration's recommendation to discuss the Preliminary Recommendations for budget reductions for the Fiscal Year 2008/2009 and provide direction to prepare a final budget for adoption.

PERTINENT FACTS:

OVERVIEW OF STATE BUDGET SITUATION

On January 10, Governor Schwarzenegger released a proposed State Budget for 2008-09 that cuts public school funding by \$4+ billion in order to make up for a projected \$16 billion state budget deficit. Although the Governor's budget proposal for public school includes a cost of living adjustment ("COLA") of 4.94%, which represents an increase in the base funding for schools (commonly known as "Revenue Limit"), his proposal also includes a 6.99% deficit factor, which represents a reduction in the base funding. This proposal will result in a net reduction in revenue limit of 2.4% from the current year's funding level.

Additionally, the Governor proposed a COLA of 4.94% to be added towards state categorical funding. However, a deficit factor of 10.90% will be imposed, which will result in a net reduction in state categorical funding of 6.5% from the

current year's level of funding. State categorical funds are generally restricted in nature and are granted to public schools to be used for a very specific purpose. The intent of categorical funds is to supplement the base funding for schools. Some of the examples of this funding are Economic Impact Aid ("EIA"), Targeted Instructional Improvement Block Grant ("TIIBG"), School Improvement Program ("SIP"), After School Education and Safety ("ASES"), and Instructional Material Fund Realignment Program ("IMFRP").

On May 15, the governor will release a revised proposed budget, which may increase or decrease the amount of proposed cuts. At that time, the district will adjust its proposed recommendations to reflect the new circumstances.

OVERVIEW OF REDWOOD CITY SCHOOL DISTRICT ("RCSD") BUDGET SITUATION

The RCSD second interim report for 2007/08 shows a projected ending fund balance of \$9.3 million. Out of this \$9.3 million, \$5.0 million must be set aside to meet the 6% of the total general fund expenditures required to be set aside in a reserve fund for economic uncertainties. The state of California requires that the district maintain a 3% reserve; the school board has voted to maintain an additional 3%. The RCSD is also setting aside \$1.6 million to cover cost of future textbook adoption, routine repairs and maintenance of facilities, which are mandated by the State in accordance with California Education Code. Additionally, a \$0.7 million in mandated cost reimbursement from the State is being set aside until the statute of limitation is over, due to a possibility of the State recalling this reimbursement. The RCSD has \$1.9 million in projected undesignated fund balance as of June 30, 2008 and projected its reserve level at 8.29%.

If the governor's state budget proposal for 2008/09 is approved, it would result in a loss of about \$4.5 million in ongoing base funding to the RCSD. Additionally, RCSD would lose about \$1.5 million in state categorical funding. This amounts to a total of about \$6 million in resources that RCSD will not receive, which will translate to a reduction in essential services to educate the students of RCSD.

Despite the severity of the governor's proposed cuts, RCSD will not need to reduce the general fund budget by the full \$6 million, due to the availability of approximately \$1.9 million in reserve funds. A reserve fund is similar to a family's savings account, and is used to protect the district against unexpected expenses. The RCSD may use this amount to offset some of the expected loss in revenue from the governor's proposed budget.

In the 2007/08 second interim report, a multi-year projection was prepared. The parameters in the governor's proposed budget for 2008/09 were used together with the estimates from School Services of California for the year 2009/10. RCSD is projecting a deficit of \$2.6 million in 2008/09 after incorporating a budget reduction of about \$1.8 million in the unrestricted general fund and about \$1.5 million in categorical programs, which brings the projected reserve level down to 6.51%. Without implementing any additional budget reductions in 2009/10, RCSD is projecting a deficit of \$1.9 million, which further brings the reserve down to 3.97%. This is below the 6% reserve level that is mandated by the state and the school board.

THE BUDGETING PROCESS

The budget provides a framework for meeting the RCSD's educational goals, and also reflects the constraints of a complicated school finance system in California. Because of the way the State of California funds public schools, the budgeting process is complex. As the RCSD developed the preliminary proposed budget for 2008/09, it carefully considered budget allocations in light of the School Board's mission statement, beliefs and long-term goals, adopted in February 2008. The District weighed the needs of all of its major stakeholders – students, parents, employees, and community members – and obtained input from the Financial Advisory Committee, comprised of community members, administrators and staff, as well as input from school principals, and district office administrators. The RCSD values an open and transparent process for developing the budget, and continues to welcome input and ideas from staff and the community as RCSD moves forward in the budget process.

The budget development process for the RCSD is an ongoing process that encompasses months of gathering and analyzing information. Throughout the process, assumptions about enrollment, attendance, revenues and expenditures are constantly reviewed and assessed in order to provide the most current information. Superintendent Christensen and Chief Business Official (“CBO”) Raul Parungao consults with the following groups as they developed preliminary budget recommendations:

The Community

In the fall of 2007, the superintendent, the CBO, assistant superintendents John Baker and Liz Wolfe held a series of four community forums to educate parents on the status of the district budget. Three evening meetings were held at Clifford School, Selby Lane School, and Taft School. One lunchtime meeting was held in the board room at the district office. The meetings were publicized through school and district publications, and although they were not heavily attended,

district administrators had good conversations with parents and staff in attendance and heard helpful feedback on issues such as attendance that affect district revenue. Although these meetings were held prior to the release of the governor's proposed budget, the district considers these meetings foundational in helping the community gain an understanding of the budget process, and how to provide feedback to staff on budget concerns and issues. The idea of forming a district-wide Financial Advisory Committee ("FAC") grew out of these meetings.

On March 5, the board and the district held a district-wide community meeting to educate parents about the impact of the governor's proposed cuts. The event was well-attended, with the board room filled to capacity. Parents had an opportunity to ask questions and make comments after hearing a brief presentation from the CBO.

On March 26, the board discussed their general priorities to help the administration develop the budget. These priorities included maintaining class size reduction in grades K-3, not increasing class sizes further in grades 4-8, maintaining support for programs assisting the district's English Language Learners, maintaining personnel for the libraries and maintaining special programs in the district.

Financial Advisory Committee

A Financial Advisory Committee was recently formed to advise the superintendent on the district budget and recommend district policies to ensure that the community is informed on the financial condition of RCSD. The formation of this committee grew out of a suggestion made at one of the Community Budget Forums held last fall. The committee is comprised of 6 community members, representatives from 3 employee organizations, 3 employees-at-large and the CBO as an ex-officio member.

Cabinet and District Management Team (DMT) Analysis and Discussion

The District began considering strategies to balance the budget that incorporates the board's priorities and having the least impact on students, teachers and other staff. The cabinet and DMT met and analyzed every area of the budget and considered the impact of potential reductions, both to the general fund and categorical programs.

RECOMMENDED STRATEGIES FOR BALANCING THE BUDGET

As the district reviewed potential strategies for balancing the budget, it first looked to any places that money can be saved without making reductions. Then, it considered any areas where the budget can be reduced without reducing school services, or laying off staff.

Budget Savings

The items below are budget savings that could be generated by changing some business practices and implementing a more efficient daily operation. These items were reviewed and adopted for recommendation by the cabinet members, DMT, and the FAC. Detailed explanation of this list is attached on Exhibit C.

Description	Amount
Reclassification of purchasing manager to a non-management position	\$ 15,000
Reclassification of funding source of 0.4 FTE account specialist	26,000
Savings in energy cost - close district office during the last week of December	20,000
Savings in energy cost - close district office each Friday during the last week of June and entire July	15,000
Savings in teachers substitute cost	40,000
Medical Administrative Activities ("MAA") site allocation	80,000
Strategic plan cost	50,000
2.0 FTE Classroom teacher - would naturally save using current staffing ratio	162,000
Bottled water	3,000
Total	\$ 411,000

Budget Reductions

One of the duties of the FAC is to recommend to the Superintendent items to be included or excluded from the District's budget consideration. Since FAC was just formed in early April and due to the urgency of the need to recommend a budget reduction by the Superintendent to the school board, FAC deviated from the process it will typically follow in the way it made its recommendation to the Superintendent. The cabinet brainstormed some ideas for consideration and the CBO presented these ideas to the FAC for discussion and solicited input or additional ideas. FAC met and had in-depth discussion of these ideas. After lengthy debate and discussions, FAC formulated a recommendation to the Superintendent. FAC recommendations are detailed on the attached Exhibit A.

The same ideas were presented to the DMT for discussions, comments, and prioritizing and/or new ideas. DMT ranked them in order of budget cut priority and added new items on the list of potential cuts. DMT recommendations are detailed on the attached Exhibit B.

Both of these recommendations were submitted to the Superintendent, compiled and analyzed in order to formulate a recommendation to the school board. The Superintendent, cabinet, DMT and FAC recognized that any budget reductions are extremely painful, especially cuts of this magnitude. The Superintendent and all these groups proposed these recommendations for reductions with deep regret, as all of them believed that there is no way to make these reductions without impeding the district's ability to achieve its academic achievement goals. Below is the list of the Superintendent's recommendation for budget reductions. Detailed explanations are attached on Exhibit D.

Description	Amount
6 non work days for the Superintendent	\$ 5,000
50% cut to school board stipend	7,000
10% cut in district office supply budget	25,000
0.8 FTE Office assistant data/assessment	35,000
2.0 FTE Custodian	120,000
1.0 FTE Special education administrative secretary	63,000
1.0 FTE Occupational therapist	109,000
2.0 FTE Classroom teacher-create combo classes	162,000
1.0 FTE Nurse (may be restored if funded by Sequoia Health Services)	93,000
Principal's substitute cost	30,000
2.0 FTE Additional custodian	120,000
1.0 FTE Special education administration	149,000
Total	\$ 918,000

Recommendations for Other Possible Solutions Subject to Contingencies

While budget reduction is generally the main target in solving the districts deficit, revenue generation and other form of funding flexibility may also help in bridging the budget shortfall from year to year. However, these strategies are mainly dependent on some contingencies, such as federal and state legislations or employee participations. These items were reviewed and adopted for recommendation by the cabinet members, DMT, and the FAC. Below is the list

of these items that the district has identified. Detailed explanation of these items is attached on Exhibit E.

Description	Amount
Early retirement incentive for teachers (should have 30 FTE participants at 40% incentive)	\$ 100,000
Routine repairs and maintenance ("RRM") flexibility (waiting for May revision)	338,000
MAA reimbursement (waiting for definitive information from the Federal)	800,000
Categorical carryover flexibility away from the classroom (waiting for May revision)	500,000
Total	\$ 1,738,000

Other Items That Were Discussed, But Not Recommended At This Time

In the process of brainstorming ideas for budget reductions consideration, some items came up as a possibility. However, after further discussions and consultations, the Superintendent is not ready to move forward for recommendation due to various specific reasons. Below is the list of these items:

5 furlough days for site and district administrators
1.0 FTE receptionist
1.0 FTE computer technician
1.0 FTE carpenter
1.0 FTE plumber
1.0 FTE Psychologist
Close a school
Eliminate music program
Reserve level below 6%
Increase class size at grades 4-8 (subject to union negotiation)
Reduce classified employees working 8 hour positions to 7.5 hour positions (subject to union negotiation)
Freeze step increases for all employees (subject to union negotiation)
Contract out transportation services (subject to union negotiation)
Restructure RCAA salary schedule

Prepared by: Raul A. Parungao, Chief Business Official

Approved by: Jan Christensen, Superintendent

Attachments: Exhibit A to Exhibit E

EXHIBIT A

**REDWOOD CITY SCHOOL DISTRICT
FINANCIAL ADVISORY COMMITTEE
RECOMMENDATION TO THE SUPERINTENDENT
2008/09**

<u>Recommendations for Budget Cut (in order of budget cut priority)</u>	<u>Amount</u>
6 non work days for the Superintendent	5,000
50% cut to school board stipend	7,000
10% cut in district office supply budget	25,000
0.8 FTE Office assistant data/assessment	35,000
2.0 FTE Custodian	120,000
1.0 FTE Special education administrative secretary	63,000
0.5 FTE Assistant principal (location to be determined)	65,000
1.0 FTE Occupational therapist	109,000
2.0 FTE Classroom teacher-create combo classes	162,000
1.0 FTE Nurse (may be restored if funded by Sequoia Health Services)	93,000
Subtotal	684,000

Additional Recommendations for Budget Cut (not in any order of priority)

1.0 FTE Special education administration	149,000
Lower the reserve level to 5% in 2008/09 and until the State deficit factor imposed on education is eliminated	
Develop one calendar for 2009/10 and beyond	
Ability to operate longer summer school & generate add'l revenue (\$50K for 2 wks)	
Avoid overtime pay for HR and Payroll staff - \$25,000	
Allow support staff to take vacation, instead of paying out (amount TBD)	
Ability to provide staff development at the same time (amount TBD)	
One date for the welcome address (amount TBD)	
Energy savings (amount TBD)	
Subtotal	149,000

Recommendations for Budget Savings

Reclassification of purchasing manager to purchasing agent	15,000
0.4 FTE account specialist - will be picked up by child nutrition department due to additional office help need	26,000
Savings in utility cost - close district office during the last week of December	20,000
Savings in utility cost - close district office each Friday during the last week of June and entire July	15,000
Savings in teachers substitute cost	40,000
Medical Administrative Activities ("MAA") site allocation	80,000
Strategic plan cost	50,000
2.0 FTE Classroom teacher - would naturally save using current staffing ratio	162,000
Bottled water	3,000
Subtotal	411,000

**REDWOOD CITY SCHOOL DISTRICT
FINANCIAL ADVISORY COMMITTEE
RECOMMENDATION TO THE SUPERINTENDENT
2008/09**

EXHIBIT A

Recommendations for Other Possible Solutions Subject to Contingencies

Early retirement incentive for teachers (should have 30 FTE participants at 40% incentive)	100,000
Routine repairs and maintenance ("RRM") flexibility (waiting for May revision)	338,000
MAA reimbursement (waiting for definitive information from the Federal)	800,000
Categorical carryover flexibility away from the classroom (waiting for May revision)	<u>500,000</u>
Subtotal	<u>1,738,000</u>
 Grand Total	 <u><u>2,982,000</u></u>

**REDWOOD CITY SCHOOL DISTRICT
DISTRICT MANAGEMENT TEAM ("DMT")
RECOMMENDATION TO THE SUPERINTENDENT
2008/09**

EXHIBIT B

Recommendations for Budget Cuts

6 non work days for the Superintendent	5,000
50% cut to school board stipend	7,000
10% cut in district office supply budget	25,000
1.0 FTE Occupational therapist	109,000
Cut Substitute Cost-Clerical (generally for sickness, personal necessity and jury duty)	30,000
0.8 FTE Office assistant data/assessment	35,000
1.0 FTE Special education secretary	63,000
2.0 FTE Custodian	120,000
0.5 FTE Assistant principal (location to be determined)	65,000
1.0 FTE Nurse (may be restored if funded by Sequoia Health Services)	93,000
2.0 FTE Classroom teacher-create combo classes	162,000
Other - Develop one school calendar	
Other - Increase grades K-2 ratio to 25:1	
Other - Reduce testing director to part-time and to coordinator position	
Sub-total	<hr/> 714,000

Recommendations for Budget Savings

Reclassification of purchasing manager to purchasing agent	15,000
0.4 FTE account specialist - will be picked up by child nutrition department due to additional office help need	26,000
Savings in utility cost - close district office during the last week of December	20,000
Savings in utility cost - close district office each Friday during the last week of June and entire July	15,000
Savings in teachers substitute cost	40,000
Medical Administrative Activities ("MAA") site allocation	80,000
Strategic plan cost	50,000
3.0 FTE Classroom teacher - would naturally save using current staffing ratio	243,000
Refreshment/bottled water	
Sub-total	<hr/> 489,000

Other Possible Solutions Subject to Contingencies

Early retirement incentive for teachers (should have 30 FTE participants at 40% incentive)	100,000
Routine repairs and maintenance ("RRM") flexibility (waiting for May revision)	338,000
MAA reimbursement (waiting for definitive information from the Federal)	800,000
Categorical carryover flexibility away from the classroom (waiting for May revision)	<hr/> 500,000
Sub-total	<hr/> 1,738,000
Grand Total	<hr/> <hr/> 2,941,000

REDWOOD CITY SCHOOL DISTRICT
DETAILED EXPLANATION OF PROPOSED BUDGET SAVINGS
2008/09

EXHIBIT C

Reclassification of Purchasing Manager to a Non-Management Position

The business office restructured its department upon the advice from its financial auditor to gain more efficiency. Purchasing manager is part of the business office whose function included supervision of a staff. In the newly restructured department, this position does not need to supervise any staff. This reclassification was recommended to the board and was approved for implementation.

Reclassification of Funding Source of 0.4 FTE Account Specialists

Part of the process of business office restructuring is to evaluate and align the work load of each staff to make sure that not only everyone is accountable and efficient, but also there is enough work during the assigned hours. This position could accommodate more tasks within its job description. Incidentally, one of the auditor's findings in the last fiscal year audit indicated a need for additional clerical help in cash handling. This function is a perfect match for this position that could save the general fund, but will not impact the total compensation of the person holding this position.

Savings in Energy Cost

The district generates its highest consumption of energy in Heating, Ventilating and Air Conditioning ("HVAC") during the peak of winter and summer months. Since most of the staff generally takes vacation during the month of December, the district could save in energy cost by closing the district office the last week of the month. Similarly, the last week of June and the entire month of July show a high number of vacations from district office staff. By closing the district office each Friday for 5 weeks, it would provide a significant budget savings for the district. Employees could work 10 hours for 4 days or 8 hours (7.5 hours for some) for 4 days and take 1 day vacation per week.

Savings in Teacher's Substitute Cost

In further reviewing the budget versus actual cost of teachers substitute from the prior years, the district generally ended the year with about \$40,000 in savings. The estimates shows that similar situation might occur in 2007/08 and the succeeding years.

MAA Site Allocation

The district distributes 10% of its proceeds from MAA reimbursement to the school sites. MAA is a federal program, which reimburses school districts for mandated activities imposed by the federal government. Since it is projected that the district may not receive this reimbursement starting 2008/09, the 10% share of the school sites will not be distributed.

**REDWOOD CITY SCHOOL DISTRICT
DETAILED EXPLANATION OF PROPOSED BUDGET SAVINGS
2008/09**

EXHIBIT C

Strategic Plan Cost

The district started the development of the strategic plan in 2007/08 and consequently budgeted \$50,000 to cover the cost of its development. The strategic plan will be completed by June 30, 2008 and therefore there is no need to budget for \$50,000 for 2008/09.

2.0 FTE Classroom Teacher Savings due to Grade Level Movement

The district based its preliminary classroom staffing on the projected enrollment. Enrollment is projected based on the historical information to identify the rate of each grade level movement at every school site. Once enrollment is projected, the student to teacher ratio is applied to determine the number of classroom teacher needed. The ratio for grades kindergarten to third is 20 students to 1 teacher, grades four to eight is 31 students to 1 teacher, and grades six to eight in the middle school at 28 students to 1 teacher. After analyzing the enrollment projection and using the staffing ratio, the district will be saving two classroom teachers compare to what was budgeted in 2007/08. This number may change once the actual number of students is identified during the first ten days of school.

REDWOOD CITY SCHOOL DISTRICT
DETAILED EXPLANATION OF PROPOSED BUDGET REDUCTIONS
2008/09

EXHIBIT D

6 Non-Work Unpaid Days for the Superintendent

The Superintendent offered this as the item for budget cut. This would reduce the number of workdays for the Superintendent, but certainly the volume of work would remain the same.

50% Cut to School Board Stipend

Each school board member receives a stipend of \$240 per month. It is the school board president's request to include this item as part of the proposal for budget cut.

10% Cut in District Office Discretionary Budget

In 2007/08, the district office discretionary budget has been reduced by 10%. This recommendation means cutting this budget by another 10%. This budget covers district office expenditures towards office supplies, travel and conferences, recruitment, professional services and other essential expenses to operate each department.

0.8 FTE Office Assistant Data/Assessment

This is a part of 1.8 FTE clerical positions, which is a replacement to an administrative position that was vacated towards the beginning of this year. This proposed cut would leave 1.0 FTE clerical position that supports the Assistant Superintendent for Educational Services. However, the Data/Assessment department will be without clerical help.

2.0 FTE Custodian

The district currently has 48.5 FTE custodians. This cut would result in reevaluating the schedules of all the custodians and may result in losing services in some days during the week for some building. However, it is the district's priority to make sure that all restrooms are cleaned everyday. The operations department is currently studying the time allocation for each task and comparing them with the industry standard. This exercise would hopefully result in fully covering all the cleaning needs.

1.0 FTE Special Education Administrative Secretary

The district currently has 4.0 FTE Special Education Administrative Secretary. These positions support the clerical needs in the special education department, including health services, psychological services.

REDWOOD CITY SCHOOL DISTRICT
DETAILED EXPLANATION OF PROPOSED BUDGET REDUCTIONS
2008/09

EXHIBIT D

1.0 FTE Occupational Therapist

The district currently has 3.0 FTE Occupational Therapist. Special Education department will reevaluate their case load and will make sure that all the student needs are met.

2.0 FTE Classroom Teacher as a Result of Creating Combination Classes

Student enrollment does not come in group of 20 students for grades K-3 or 31 students in grades 4-8. A fraction of 20 or 31 students generally creates overflow in a class and/or spaces on another class. If this situation exists in 2 grade levels that are next to each other, a combination class would be a possibility. After the preliminary enrollment projection is completed for 2008/09, 2 combination classes could be created and save 2.0 FTE classroom teacher. This number may change once the actual number of students is identified during the first ten days of school.

1.0 FTE Nurse

The district currently has 5.0 FTE Nurses. Of which, 3.0 FTE is funded by the unrestricted general fund, 1.0 FTE is funded from a Sequoia Health Services ("SHS") grant and 1.0 FTE is funded from the federal categorical program. Currently, there is no guarantee that the grant from SHS will be available for 2008/09

Principal's Substitute Cost

The district budgeted about \$50,000 for 2007/08 to cover the cost of principal's substitute. It is recommended to reduce this budget by \$30,000 starting 2008/09 and use other alternative solutions to cover the needs at the school sites. This item is an additional recommendation from the Superintendent, but not recommended by the DMT or FAC.

2.0 FTE Additional Custodian

This is in addition to the recommended reductions above. The district will use the same approach as explained above. This item is an additional recommendation from the Superintendent, but not recommended by the DMT or FAC.

1.0 FTE Special Education Administration

The district currently has 3.0 FTE administrators in the special education department. 1.0 FTE will be vacant at the beginning of 2008/09 due to natural attrition.

REDWOOD CITY SCHOOL DISTRICT
DETAILED EXPLANATION OF OTHER POSSIBLE SOLUTIONS SUBJECT TO
CONTINGENCIES
2008/09

EXHIBIT E

Early Retirement Incentive for Teachers

The district would like to offer this incentive to teachers who have served and dedicated their careers to educate the children of RCSD. To be eligible to participate, a teacher must be age 55 or older, with 15 years of service in the district, and at the salary scale of step 15 or higher. Additionally, there should be a total participation of at least 30 FTE.

MAA Reimbursement

MAA is a federal program, which reimburses school districts for mandated activities imposed by the federal government. The district received approximately \$800,000 each year from this program. However, this program is at risk of not being funded for 2008/09. The district is waiting for more definitive information from the federal regarding the status of this funding.

Categorical Flexibility away from the Classroom

The district is projecting carryover of Targeted Instructional Improvement Block Grant ("TIIBG") of about \$500,000 from 2007/08. About \$300,000 of this carryover funds are from unspent budget for new computers. The implementation of this program is delayed due to the construction of fiber optics, which is expected for completion by December 2008. If the governor allows for flexibility in the uses of this fund, the district is recommending transferring this amount to the unrestricted general fund.