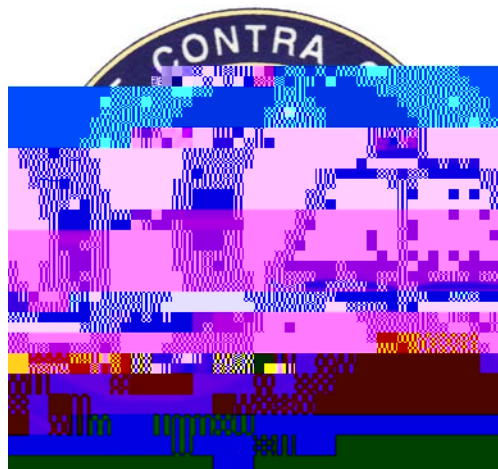


# **West Contra Costa Unified School District**



## **2009-10 Executive Summary Budget Revision October 7, 2009**

## **West Contra Costa Unified School District 2009-10 Budget Revision**

### **Introduction**

Education Code Section 42127 requires the governing board of each school district to adopt a budget for the subsequent year, on or before July 1<sup>st</sup>. Due to the receipt of a conditional approval, the budget is now subject to a revision and submission for approval to the County Superintendent.

At the June 24, 2009 Board meeting, the Board approved adoption of the proposed 09-10 budget, along with a Fiscal Recovery Plan demonstrating the District's assurance that cost saving measures will be in place which will provide a positive ending fund balance for 2009-10, 2010-11 and 2011-12. On August 13, 2009 the Contra Costa County Office of Education issued a conditional approval of the District's budget. The letter states that the conditional budget approval is contingent upon the submission of a revised multi-year projection demonstrating cost savings achieved.

Therefore, a revised multi-year projection has been prepared which demonstrates the cost savings achieved through the implementation of the United Teachers of Richmond contract as well as the agreements ratified with the School Supervisors Association and West Contra Costa Administrators Association and the tentative agreement reached with Local One, along with the provisions set in place for management, confidential employees and the Board. In July the State of California adopted a significant change to the student attendance revenue component of the budget. That change is also reflected in this multi-year projection.

This revised proposed budget, in the form of a multi-year projection as required by the County is presented to the Board of Education for approval.

### **2009-10 Budget Original Adoption**

The original adopted budget included the following major areas that are important to reiterate. These original items remain in place, as originally adopted by the Board in June.

#### **K-3 Class Size Reduction**

The State 2009-10 budget includes several major changes that were designed to provide financial relief, or at least flexibility, to school districts during these difficult times. In accordance with newly adopted funding flexibility, the Board has adopted a modified class size reduction program. Class sizes have been set at 24 for kindergarten, 20 for first and second grades and 28 for third grade. Parcel tax funding is provided in the amount of \$1.9 million toward this program. Standing alone, the parcel tax funding would represent keeping only first grade at 24. Should the financial situation at the State level continue to deteriorate, the Board will need to consider budget includecp

The following table shows the result of the K-3 Class size reduction changes as well as the changes made in secondary staffing allocation.

Grade	2008-09	2009-10
Kinder	19.1	21.8
1st	19.2	18.8
2nd	19.0	19.1
3rd	19.0	24.9
4th	25.6	28.1
5th	27.2	27.0
6th	27.7	27.9
Middle	28.5	33.0
High	28.7	31.9

### **State Categorical – The Tier III Shift**

In order to prepare for the 2009-10 Tier III shift, the Board took action through a public hearing to identify the programs and estimated amounts available for the Tier III shift. The public hearing associated with this budget adoption further clarifies the Board's commitment to use the flexibility provided in the State budget toward offsetting the State revenue cuts. The Tier III revenue is now considered unrestricted state revenue. This shift in accounting methods is evident when comparing 2008-09 to 2009-10 in the state revenue category. There is a reduction of \$16.5 million in the restricted state revenue accounts and an increase of \$9.6 million in the unrestricted. The amounts are not equal because in addition to changing the status of funding, over-all state funding was also reduced.

The Board has kept in place portions of certain components of the Tier III programs for 2009-10. The Adult Education program, pupil support services, gifted and talented student support, school safety and teacher support programs remain in place, although with reduced funding. If the State fiscal situation continues to get worse, it will be necessary to re-evaluate whether the District can continue these already reduced programs.

### **Parcel Tax – Local Support**

The parcel tax program includes support for a wide variety of services to students of the District. The Measure D funding, approved in November of 2008, will be accounted for in a locally restricted account.

The following table illustrates a summary of funding levels for these programs for the 2009-10 school year.

<b>West Contra Costa Unified School District</b>		
<b>Measure D Parcel Tax Expenditure Budget Summary</b>		
<b>2009-10</b>		
<b>Library and athletic programs</b>	<b>\$</b>	<b>3,101,550</b>
<b>Reduced class sizes for Kindergarten through third grade</b>	<b>\$</b>	<b>1,900,000</b>
<b>Textbooks and teaching materials</b>	<b>\$</b>	<b>31,250</b>
<b>Counselors and Psychologists</b>	<b>\$</b>	<b>4,063,125</b>
<b>Custodial Positions - Facilities clean and in good condition</b>	<b>\$</b>	<b>836,454</b>
<b>Grand Total</b>	<b>\$</b>	<b>9,932,379</b>

### **School Closure**

In order to address the structural deficit, the school board passed a resolution on February 11, 2009 to close schools and other facilities under a three year plan encompassing 2009-10 through 2011-12. The City of Richmond and the City of San Pablo have each resolved to provide funding to keep specific schools open within their city boundaries.

<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>
El Sobrante Elementary	Olinda Elementary	Shannon Elementary
Castro Elementary	Grant Elementary	
* Lake Elementary	Kennedy High School	

Adams Middle School

## Beginning Fund Balance

The unrestricted ending fund balance for 2008-09 is \$20.0 million, and this balance is carried forward to the 2009-10 year. Fund balance dollars are like a savings account, as they can be expended on a one time basis. However, if a budget relies on fund balance and plans its programs using a structural deficit, it will soon deplete the fund balance and will no longer be solvent. The level of deficit spending identified in this multi-year projection depletes the fund balance below what is required for a 3% reserve. Therefore, the structural deficit must be addressed, meaning the District must reduce spending or increase income so that expenses do not exceed revenues.

## Revenue Limit

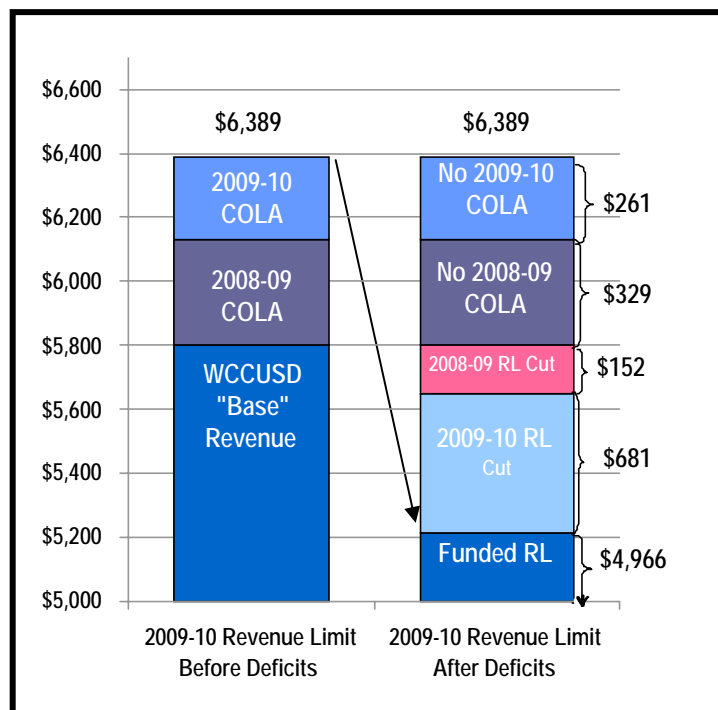
Revenue limit funding is based mainly upon student attendance. West Contra Costa Unified School District is currently considered a declining enrollment district. According to the latest data available the district has declined 149 students when comparing October 2008 to October 2009 enrollment. Therefore, the basis for Revenue Limit funding for 2009-10 is 2008-09 P-2 Average Daily Attendance (K-12 ADA) along with certain annual adjustments. A declining enrollment district is held harmless for one year to help minimize the impact of declining Revenue Limit funding.

While the district is held harmless as it relates to ADA, or per pupil funding, it is still subject to the cuts to revenue per ADA that the State has passed as a part of the overall budget.

**The table to the right illustrates the extraordinary drop in per pupil funding.**

**In a stable economy the district would have received \$6,389 per pupil in attendance funds. Due to the economic crisis the amount is \$4,966.**

**This has meant a loss of \$39.5 million in funding for education in West Contra Costa School District in the 2009-10 school year.**



The original adopted budget anticipated a major loss in funding for 2009-10. However, the State's July revision made things worse. This budget and multi-year projection takes into account the additional funding loss calculated since the June budget.

### Federal Stimulus Funding

The intent of the American Recovery and Reinvestment Act (ARRA) is to save jobs and stimulate the economy. The reality for California schools is that the ARRA funding is serving to avoid further cut backs caused by State cuts. There are three main areas in which the school district has received funding so far, Special Education, State Fiscal Stabilization and Title I. The Special Education funding is accounted for in the 2009-10 budget based upon the grant letters received. Special Ed. ARRA funds are subject to the typical regulations in place for Special Education, with the exception of \$1.4 million which has been used to offset encroachment to the general fund in 2009-10. Title I ARRA budgets were developed conservatively, and will be amended upon the receipt of the Consolidated Application forms. The District received funding at the end of the year (2008-09) for the State Fiscal Stabilization Fund (SFSF). Due to the late receipt of the funding \$10.4 million has been carried forward to 2009-10. Additional funding which should be received in 2009-10 is estimated to be \$4.3 million and has been accounted for in the federal restricted revenue budget. The total SFSF/ARRA funds will be used, providing for salary and benefits and program support in areas defined by the federal statutes (as per federal guidance regarding use of the funds), during the 2009-10 and 2010-11 years, \$7.3 million each year.

Since the adoption of the budget further guidance has been provided by the State and Federal agencies governing the Federal Stimulus funding, related to accounting methods. Previously, staff had understood that transfers of costs from the eligible unrestricted program areas would occur through the inter-program transfer process. This process is shown through budgets in the contracts and services categories, with the expense showing in restricted and the credit showing in unrestricted. We have since learned that the expenses must be booked directly into the restricted categories. The change is mentioned because it has resulted in a budget adjustment in the contracts category as well as the salary and benefits categories in both restricted and unrestricted.

### Other Areas of Concern

The Quality Education Investment Act program (QEIA) was part of the funding changes made in July by the State Legislature. This change resulted in what we believe were unintended consequences for school districts like ours. Specifically, we would lose \$5.3 million in revenues with no assurance of how we would access funding to cover the loss of those dollars. In the meantime, our district would be required to run the programs in spite of the loss of this funding. This issue has been addressed through the special legislative session, it passed and awaits the Governor's signature for enactment. Should this bill be vetoed, another \$5.3 million of our funding is in jeopardy, which has not been accounted for in this revision.

There has also been recent questioning regarding school districts ability to utilize the Special Education ARRA funding to offset encroachment. If disallowed this would cause an additional \$1.4 million deficit for the 2009-10 and 2010-11 years. This has not been accounted for in the budget or in the multi-year projection.

## **Multi-Year Fiscal Recovery Plan**

In April of 2007, the District received a report from MGT of America which conducted a performance audit in order to identify areas where financial, operational and functional effectiveness could be improved. This report identified two key areas to capture cost

## **Other Post Retirement Benefit Liability (OPEB) or Retiree Lifetime Benefits**

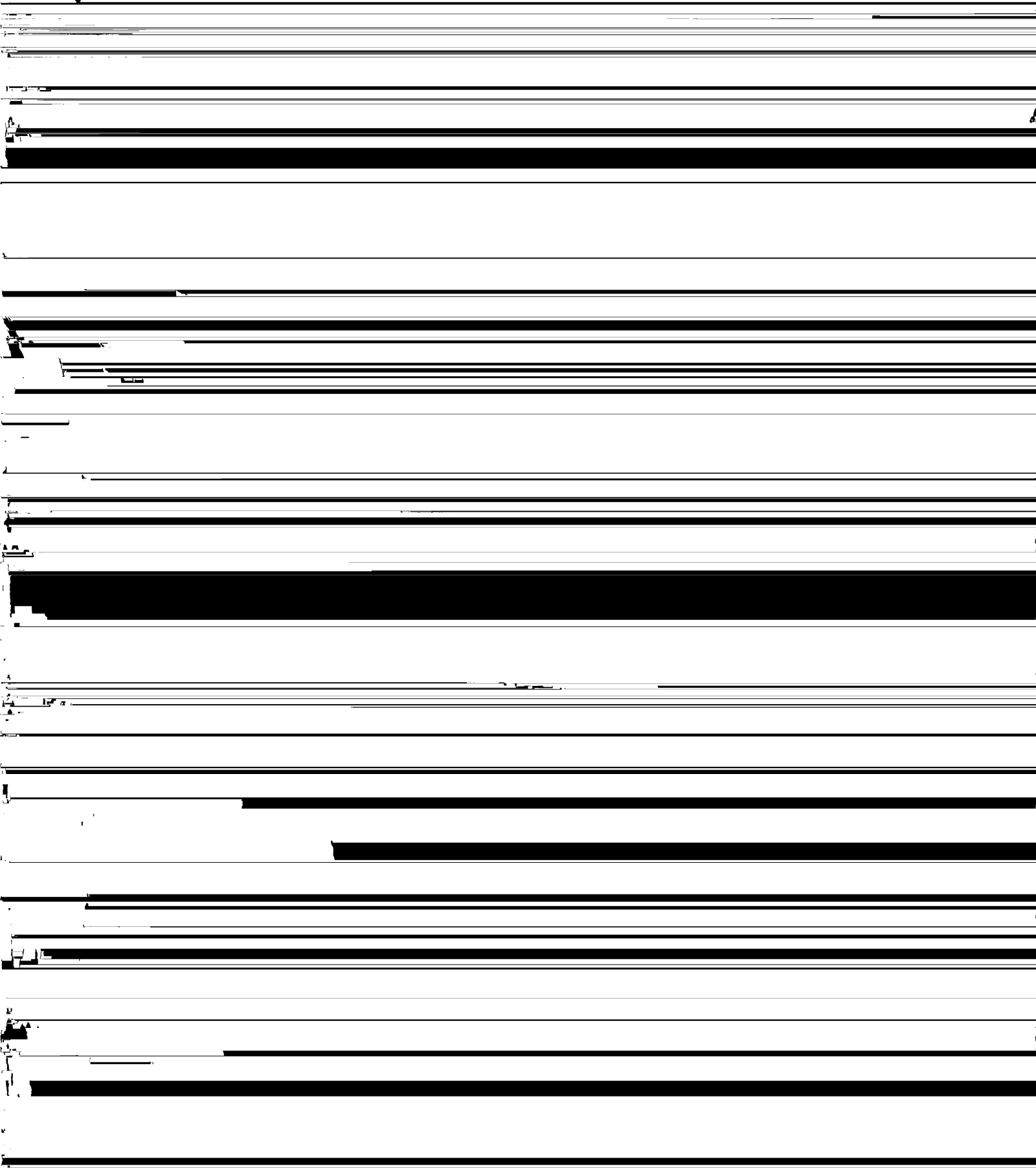
The long term fiscal health of the District cannot be discussed without an understanding of the financial liability incurred by the District due to the lifetime benefits program. Health benefit costs have been rising steadily and active and retiree benefit costs consume \$47.2 million or 17% of the District's total general fund.

The District previously offered lifetime health benefits for qualifying employees and their dependents which were uncapped. The recent changes to the various employee contracts, which correspond with the Fiscal Recovery Plan, will begin to stabilize the long term obligations of the district related to retiree benefits.

The most recent complete actuarial study (June 2008), determined the present value of future post employment health care benefits, or GASB 45 liability, to be \$495 million as of July 1, 2008. The year end closing financial statements are now required to state the net OPEB obligation as a district liability. The 2008 actuarial study states the amount of the District's net OPEB obligation for 2009-10 is \$69 million. This liability is posted to the financial statements much the same as any long term debt or obligation. This amount goes up each year as long as the District maintains the current plan, vesting and contribution structure. A change in any one of these components, as well as a funding mechanism which contributes retiree benefit dollars to an irrevocable trust, will reduce the liability.

The liability in place for those already in retirement grows with each year based upon the increased cost of healthcare and the flow of retirees entering the system. The recent Contra Costa County Grand Jury Report No. 0907 states, "A fiscal disaster is looming on the horizon for Contra Costa County and other local governmental entities – school districts, cities and special districts." The School Board has acknowledged the size and gravity of the situation for the School District committed to reducing the liability in Resolution No. 91-0809 on May 20, 2009 through collective bargaining. This has been accomplished through the agreements with SSA, WCCAA and Local One, and the implementation of the teacher's contract, along with the provisions set in place for management, confidential employees and the Board. As a result of these changes the Board has guided the district into a more stable future funding model. This is because employees hired prior to July of 2009 now have a fixed maximum contribution program when they vest with the school district, while new hires have a new, more rigorous vesting along with a fixed contribution plan.



2009-10 Fiscal Recovery Plan  
 Budget Estimate Revision  
 October 7, 2009

id	Percent of Change	Fiscal Recovery Plan 2009-10	Percent of Change	Projected Budget 2010-11	Percent of Change	Projected Budget 2011-12	Percent of Change
000		\$70,000		\$70,000		\$70,000	
000		\$230,000		\$230,000		\$230,000	
\$0		\$0		\$0		\$0	
176		\$8,068,774	3.00%	\$8,044,824	3.00%	\$8,148,541	3.00%
\$0		\$0		\$0		\$0	
\$0		\$0		\$0		\$0	
\$0		\$0		\$0		\$0	
\$0		\$0		\$0		\$0	
<b>(475)</b>		<b>\$1,873,280</b>		<b>\$1,798,829</b>		<b>(\$6,644,552)</b>	
<b>(475)</b>		<b>\$1,873,280</b>		<b>\$1,798,829</b>		<b>(\$6,644,552)</b>	



Percent  
of  
Change

1.65%
-5.32%
1.43%
0.00%

0.76%
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1.01%
1.01%
2.23%
2.10%
2.10%
2.10%
-18.42%
0.00%

1.28%
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#DIV/0!
1.28%

13.71%
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-31.52%
-52.33%

to every Plan  
the Revision  
effective October 7, 2009

	Percent of Change
1,000	
1,000	
\$0	
1,541	3.00%
1,081	
\$0	
\$0	
\$0	
\$0	
<b>1,552</b>	

Combined  
Restricted