

**ESCONDIDO UNION SCHOOL DISTRICT
BUSINESS SERVICES DIVISION**

**BUDGET COMMUNICATIONS COMMITTEE MINUTES
November 30, 2011**

Welcome

The meeting was brought to order by Gina Manusov at 12:32 p.m. Gina introduced herself and Carol Rouse and welcomed new and returning members. The members introduced themselves, indicating which site/department they were representing.

Committee Objectives/Meeting Norms

Gina reviewed the committee objectives and stated that following the meetings, minutes would be prepared. The minutes, as well as the materials provided at the meeting, are posted to district's web site to help with communicating to their sites and respective groups. If anyone needs assistance with communicating the information provided, they can e-mail or call Gina or Carol.

Gina reviewed the meeting norms, which are the same as in previous years. No changes were requested by the group.

Financial Update

Carol Rouse presented a recap on what has taken place regarding the district's budget since the last committee meeting on June 1, 2011(see financial update presentation).

A committee member asked how much we still owe on the FBC payoff. Gina responded that up through September of this year we owed \$853,000, but this money would not be coming from the general fund but through refunding bonds funds. Run-off claims have continued to come in. We have \$2,000 in claims for October. The funds are sitting with U.S. Bank as trustee. This is reflected in our financials.

Regarding the slide on 2010-2011 estimated versus unaudited actuals, a committee member asked if the amounts are estimated, and Carol responded that they are based on factors gathered through the year until June 1 when the final work is done.

Regarding the slide on the financial condition of EUSD as of June 30, 2011, a committee member asked (in reference to the money that is owed but not paid to us and is only reflected on paper) if we ever know when that money is coming in. Carol said, no, we don't; the time frame is set depending on the state's own cash flow. It is variable and unpredictable. Since the use of state deferrals has been increased in recent years, the payment schedule the following year has been difficult each year.

Carol provided an explanation of the federal payment process for grants. A committee member wanted to know how quickly we get the money for grants, and Carol responded that we get the money pretty quick for programs such as the CARE Youth Project. It is slower for other projects, and there are no deferrals. It is a claim process in some cases,

and money is paid based on expenditures and claims filed, thus the timing can be variable.

Regarding the district's cash balance being at \$8.8 million as of June 30, a committee member asked how long the balance was that low. Carol said the cash balances were low for a couple of months. Revenue limit deferral was paid over three months (July, August, and September), but while this was paid, it is also important to remember that the state is not paying us for this year. 2011-12 payments due to the district for the first months of the year will not be paid until next year (2012-13).

2011-12 State Budget

Carol presented information on the 2011-12 State Budget, covering the following topics: continuing lag in California's education spending, major changes from the May Revision to the final state budget, history of Proposition 98 manipulations, five-year history of revenue limit funding, new AB 114 requirements, and trigger reduction exposure (see presentation).

Regarding the possible "trigger" of having the option to cut seven days from the school calendar, a committee member asked if that would be applicable for this year, and Carol said it would, subject to collective bargaining.

Regarding the possible "trigger" reduction exposure of \$250 per ADA for elementary school districts, a committee member asked if that figure would be different for a unified district, and Carol said it would be higher.

Budget Comparison Worksheet

Carol provided a three-column worksheet showing the 2010-11 Unaudited Actuals, the 2011-12 Adopted Budget, and the 2011-12 Budget Revision (2) and reviewed the highlighted figures with the group.

A committee member asked if the FBC payoff comes out of a restricted fund, and Carol said it does. We borrowed \$15 million (refunding bonds) to pay the FBC debt, and now we owe that \$15 million plus interest as a long-term debt, which we have to start paying on this year. The first payment of \$924,000 was made using our redevelopment revenue.

Regarding the \$4.4 million designated for mid-year reductions, a committee member asked how we can set that money aside with AB 114. Carol said that we can do it now, but we couldn't when we adopted our budget. The adopted language of AB 114 only applied to a district's adopted budget, not to revisions or interim reports. Gina added that when the state budget was adopted, we made some adjustments in terms of a budget reduction plan, and this committee had been a part of the process. When the state budget was adopted, we went back to the board with the first revision in August, based on the final state budget instead of the May Revision, which spurred board action to restore a number of things: custodial positions, an AP, the librarian hours, the music teachers, etc. It is typical to have 45 days to adjust our budget to align with the state budget. There are potential triggers looming, and our district is poised to respond. We talked about this

when the restorations were done. If the triggers are not pulled, we would restore two furlough days. If the triggers are pulled, we would be able to live out the rest of the year without further reductions. We will know in a couple of weeks about the triggers.

At 1:40 p.m., a 10-minute break was taken, and the meeting resumed at 1:50 p.m.

Budget Planning for 2012-13

Gina provided information on budget planning for 2012-13 (see budget planning presentation) with additional comments as follows:

OPEB Management Plan

This year we had a special request from the SDCOE with regard to our OPEB Management Plan, which stands for Other Post-Employment Benefits. We had set aside some funding separate from the general fund for OPEB, which is when an employee who is eligible can retire early, prior to the age of 65, and medical insurance benefits are available to them. The GASB folks also require us to quantify this obligation. An actuarial study is done every two years, which is required by law and recognized on our financial statements. We had set aside funds to officially start building the fund to meet this obligation, but we have been operating on a “pay-as-you-go” method, similar to other school districts and agencies. As one of our major budget balancing strategies last year, we took the set-aside money from the other fund and used it to balance our budget. When the county saw that, they said we needed to update our plan. The plan was rewritten to reflect what we are actually doing in the district now and to reiterate the priorities of the board.

State Budget Process

Legally, the state’s final budget is due by mid-June and has to be enacted by the end of June. Legislation was passed that if the legislature didn’t get it done by the legal deadline, legislators would start losing their pay checks on a per diem basis. From the May Revision to the June time frame, a lot of things happen. It takes Fiscal Services about a month to get all of the budgets put into the system. We work off of the May Revision. We must submit our budget to SDCOE by the end of June. There is always a lag in what our budget is and what the final state budget is.

Progress Report

Unification was brought up as a potential budget saving strategy; however, it is a complex issue, and the money-saving aspect hasn’t been fully determined. A lot of discussion has taken place with the two boards of education. Another meeting is scheduled for January 31, and everyone is invited to come. The study done by FCMAT is posted to the web site. No decision has been rendered yet.

Revenue-Generating Concepts

Parcel Taxes – A presentation was made by Martha Maes at a board meeting on July 14, which is on the web site under “added documents.” No specific direction has been given to either move forward or take the topic off the table.

A board member shared that a state senator has sent out a request for boards to do a resolution to make passage easier, lowering the voting approval percentage. This is something to keep on the radar.

Proposed Cell Tower Project – AT&T would like to install a cell tower on the education center property. The potential revenue is \$26,400 annually. The structure looks amazingly like a eucalyptus tree. There is the potential for additional revenue from another provider adding to the tower as well. The board has given direction to move forward with this project; however, no firm contract details have been approved. AT&T needs to draw up their plans. A committee member asked who would control a second provider, and Gina responded that we don't know yet. Legal counsel will have to be involved in it. Another committee member suggested asking for additional money each year.

Energy Saving Strategies

Not allowing personal appliances in the workplace has been put off and is being done on a voluntary basis for now. Some really good ideas came from the committee in June regarding purchasing energy-efficient refrigerators and strategically placing them at the sites. An energy committee will be convening after the holidays, which will deal with this topic. Infrastructure can't handle all of the appliances at some of our sites. The Conway committee member shared that all microwaves have been taken home and refrigerators are in pods only. The Rose committee member shared that a lot of refrigerators have been brought home and appliances consolidated in their pods also.

Meeting Schedule

We won't be meeting again until February 1 when more intensive work will begin after the Governor's budget has been released. There is always the possibility that we might need to call a special meeting in addition to those already scheduled.

Reference Information

Internet addresses that might be useful as well as EUSD staff contact information was provided.

Meeting Follow Up

Gina provided some information that was pending from the committee meeting on June 1:

GATE Funding – There was a question on what grade levels are affected by GATE funding. It is grades K-8. The program has been dismantled, and the formal testing process is not going on any more.

NWEA – It is now in all of our schools. Cabinet is meeting regularly with technology staff, working on computer replacement needs and coming up with a plan to make sure we are servicing the kids. We set up a pilot for a thin client arrangement, which allows the use of older machines. There is a controlling machine that is updated, and the thin

client machines are operating as monitors only. We have done it on the administration side and are working towards doing this in the computer labs as well.

A committee member asked about the supply budget and specifically if we are planning any major supply purchases. Gina said that budget is a place holder account. An e-mail will be sent with a more thorough explanation.

A committee member asked if there will be a spending freeze again in the spring. Gina said that is always a possibility. We have a lot of review going on at the cabinet level currently. We allow purchases for essential services to kids and to keep our district running. All requisitions are scrutinized. She suggested speaking to the site principal if there is a need for any particular items.

A committee member asked who they could talk to about the quality of products. Gina said they can register a suggestion/complaint about a product with Pat Smith in Purchasing. The department has a process in place for this.

Cash Flow – We are dealing with cash flow issues where we have had to hold payments. Carol monitors it more closely than ever. We don't think we will have enough cash to make it through in June 2012. We might have to do some cross-year borrowing.

A committee member asked if there is anything in place where we would get interest on the money the state owes us when they finally pay us. Gina said no, and when they restore the funding, it will be based on the amount of students currently enrolled.

Good News - We submitted an application for funding for a project at Mission Middle School (electrical, HVAC remodeling, and fire alarm system replacement). We have fronted the money for the bulk of the project, but there is approximately \$500,000 worth of work remaining to be done. We received \$1.9 million recently in our account without any notice from OPSC that we had been funded. A month after the money came in, we finally received a notice. It is restricted money, but it gives us cash in our accounts that we can borrow against.

A committee member asked what our normal cash flow basis is. Gina responded that it varies from month to month. She will ask Carol to share a cash flow spreadsheet at a future meeting.

A committee member asked how we will be informed about the trigger. Gina said an announcement from the Department of Finance will be made if the trigger is pulled and will affect the current year budget. It is separate from the Governor's 2012-13 budget.

A committee member asked if tightening the numbers on class size has saved money. Gina said it has been effective saving money. A good number would be on our budget scenarios from a couple of years ago. Gina will provide a number at the next meeting. A committee member asked if we still have temporary teachers that haven't been hired back yet. Gina said she will find out and report back to the committee.

Talking Points

Gina asked for suggestions from the committee for talking points to report back to their sites/departments:

- The trigger – Even if the trigger is pulled, we don't have to panic in our district because we have set aside money in case this happens. If the trigger is not pulled, the board approved the restoration of two furlough days.
- The reserve has been decreased from 4.75 to 4.00 percent. Three percent is the absolute minimum. Historically, we have been at 4.75 percent, but the board decided it was important to lower it to 4 percent.
- Time line – In January, the Governor's budget proposal for 2012-13 will be released.

A committee member asked when we will be notified about restoring the furlough days. Gina said it will take some time, and please don't make travel arrangements! The calendars and pay checks that are out there now have the furlough days included. If the trigger doesn't happen, we will be back to the drawing board.

A committee member suggested that if the trigger doesn't happen, we should keep the furlough days and roll that money into the next year to try to avoid future cuts. Discussion was had regarding how the furlough days might affect retirement.

A committee member asked if there is a possibility that the school year could be reduced by seven days if the trigger is pulled this year. Gina said yes, it would be an available option, but it still would need to be negotiated. We won't need to do that for 2011-12. The trigger will be a factor for planning in 2012-13, but it won't "upset our apple cart" in the middle of the current year.

Adjournment

The meeting was adjourned at 3:14 p.m.