
Spending Reduction and Resource Allocation Plan 2007-2008

February 13, 2007

FY06/07 Spending Revisions

FY06/07 Spending Increases -

- \$0.5M additional fall teaching positions
- \$0.1M special education settlements
- \$4.2M salary increases for all employees (\$2.1M Prior Year; \$2.1M Current Year)

Net Impact: \$2.1M shortfall in reserves

Solution: \$2.1M in one-time budget revisions approved by BOE, along with a timeline for FY07/08 ongoing spending reductions (Nov '06)

Alternatives and Recommendation

Alternative #1 – Not Recommended

- Spending reductions and enhancements of \$2.0M
- Set aside 80% of mandate costs reimbursement dollars, \$1.25M
- Available balance of \$440K for unbudgeted spending increases

Alternative #2 – Superintendent's Recommendation

- Spending reductions and enhancements of \$1.5M
- Set aside 75% of mandate costs reimbursement dollars, \$1.17M
- No available balance for unbudgeted spending increases
- Involves risk, and is a temporary fix
- Allows time for community advocacy

From \$2.0M to \$1.5M?

Alternative #1 – Not Recommended

- Spending reductions and enhancements \$2.0M
- Set aside **80%** of mandate costs reimbursement dollars, \$1.25M
- Available balance of **\$440K** for unbudgeted spending increases

Alternative #2 – Superintendent's Recommendation

- Spending reductions and enhancements \$1.5M
- Set aside **75%** of mandate costs reimbursement dollars, \$1.17M
- **No available balance** for unbudgeted spending increases
- **Involves risk, and is a temporary fix**
- Allows time for community advocacy

Mandate Cost Reimbursement Set Aside + Available Balance = Change

$$\$80K + \$440K = \$520K$$

Recommendation Factors

1. Impact on Core Values and Goals
2. Impact of Spending Revisions and Reductions
3. Uncertain Mandate Cost Reimbursement Income
4. Potential for Negotiated Salary Increases
5. Upcoming Liability for Other Post-Employment Benefits (OPEB) Needs Funding
6. Budget Reserves Required for Economic Uncertainties

Impact on Core Values and Goals

- Provided the framework for evaluating proposals for spending reductions and enhancements
- Community input and staff guidance established spending priorities for achieving Goals and maintaining Core Values

Impact of Spending Revisions and Reductions

- Spending increases that resulted in a shortfall in our fund reserve are **ongoing** costs
- Spending revisions that replenished our fund reserve are **one-time** sources
- Ongoing costs require ongoing sources

Uncertain Mandate Cost Reimbursement Income

- \$1.6M in one-time reimbursement revenue
- OSC audits – 80% disallowance rates
- Current lawsuit: Audit process is arbitrary and capricious and follows no clear standard
- ACOE recommends districts set aside 80% of reimbursements until audit period closes
- Risks of setting aside less than 80%

Potential for Negotiated Salary Increases

- Final calculation of prior year salary formula is in progress; triggers “me-too” clauses for all employees
- Current negotiations for a three year contract (2006-2009); triggers “me-too” clauses for all employees
- 1% salary increase for all employees is an ongoing cost of \$550K per year

Upcoming Liability for OPEB* Needs Funding

- GASB 45 requires districts to recognize financial liability of providing OPEB*
- Expect adverse financial consequences for not funding the liability
- Actuarial study will be completed this year to determine the amount of our liability
- Applies to the AUSD beginning FY08/09

*OPEB = Other Post-Employment Benefits

Budget Reserves Required for Economic Uncertainties

- 3% Reserve for Economic Uncertainties is required
- Minimum reserves limit funding options for spending increases, and increase likelihood of having to dip into 3% reserve
- Qualified districts may or may not meet financial obligations
- Negative districts will not meet financial obligations

Implications for Goals and Core Values

Alternative #1 consolidates middle schools into two, and makes greater reductions to clerical staff and the athletics programs

Alternative #2 eliminates the middle school consolidation and spreads the impact across the district

Implications for Mandate Cost Reimbursement Set Aside

Alternative #1 – Set aside 80% of the mandate cost reimbursement for final two years of open audit period

Alternative #2 – Set aside 75% of the mandate cost reimbursement for final two years of open audit period

Implications for Negotiated Salary Increases

Alternative #1 – If salary increases are negotiated, the fund balance would be impacted, and corresponding ongoing spending reductions would be implemented

Alternative #2 – If salary increases are negotiated, the fund balance would be impacted, and corresponding ongoing spending reductions would be implemented

Implications for Funding for Liability for Other Post-Employment Benefits

Alternative #1 – Use mandate cost reimbursement set aside (if available) to begin funding liability for post-employment benefits; if unavailable, identify another funding source

Alternative #2 – Use mandate cost reimbursement set aside (if available) to begin funding liability for post-employment benefits; if unavailable, identify another funding source

Implications for Fund Balance

Alternative #1 – allows for available balance of \$440K for other spending priorities (e.g., additional fall teaching positions, negotiated salary increases)

Alternative #2 – allows for no available balance for other spending priorities (e.g., additional fall teaching positions, negotiated salary increases); unbudgeted spending needs will draw down from the mandate cost reimbursement set aside because there is no available balance

Components of Fund Balance Alternative #1 – Not Recommended

In Millions	FY06/07 Projection	FY07/08 Projection	FY08/09 Projection
Ending Fund Balance	2.70	3.49	4.17
Revolving Cash	0.05	0.05	0.05
For Economic Uncertainties (3%)	2.50	2.43	2.47
Spending Reductions	-	(2.00)	(4.00)
Mandate Cost Audit (80%)	-	1.25	1.25
Contingent Prior Year Salary Entitlement	0.88	1.32	1.76
Negotiated Raise	TBD	TBD	TBD
Other Post Employment Benefits Liability	-	-	TBD
Available Unrestricted Reserve	(0.73)	0.44	2.64

Components of Fund Balance Alternative #2 - Recommended

In Millions	FY06/07 Projection	FY07/08 Projection	FY08/09 Projection
Ending Fund Balance	2.70	3.49	4.17
Revolving Cash	0.05	0.05	0.05
For Economic Uncertainties (3%)	2.50	2.43	2.47
Spending Reductions	-	(1.48)	(2.96)
Mandate Cost Audit (75%)	-	1.17	1.17
Contingent Prior Year Salary Entitlement	0.88	1.32	1.76
Negotiated Raise	TBD	TBD	TBD
Other Post Employment Benefits Liability	-	-	TBD
Available Unrestricted Reserve	(0.73)	0.00	1.68

FY07/08 Spending Reduction and Resource Allocation Plan

Item	Cut/ shift/ add	Alternatives	
		#1	#2
1. Consolidate Middle Schools	Cut	585.0	-
2. Modify Classroom Staffing			
a. Reduce Class Size Reduction – Grade 9	Cut	88.0	88.0
b. Consolidate High School Sections	Cut	43.0	43.0
c. Consolidate Middle School Sections	Cut	22.5	22.5
d. Consolidate Elementary School Classrooms	Cut	180.0	180.0
e. Eliminate JROTC	Cut	-	-
f. Shift ELD sections to categorical funds	Shift	102.0	102.0
g. Shift Intervention sections to categorical funds	Shift	133.7	133.7

Add = Spending Increase/Service Expansion; Cut = Spending Decrease/Service Reduction or Elimination; Shift = Spending transferred to categorical funds

FY07/08 Spending Reduction and Resource Allocation Plan

Item	Cut/ shift/ add	Alternatives	
		#1	#2
3. Restructure High School Administrative Counseling Services			
a. Restructure IHS Counseling	Cut	40.0	40.0
b. Restructure Administrative Counseling at EHS and AHS	Cut	140.0	140.0
4. Reduce Secondary Counseling Services			
a. Reduce MS Counselors	Cut	-	-
b. Eliminate College & Career Technicians	Cut	-	Item 16a
c. Reduce HS Counseling Services	Cut	-	-

Add = Spending Increase/Service Expansion; Cut = Spending Decrease/Service Reduction or Elimination; Shift = Spending transferred to categorical funds

FY07/08 Spending Reduction and Resource Allocation Plan

Item	Cut/ shift/ add	Alternative	
		#1	#2
5. Adjust Secondary School Management Staff			
a. Eliminate Chipman MS Vice Principal	Cut	-	-
b. Eliminate 1 Vice Principal at Encinal HS	Cut	-	-
6. Adjust School Site Support Staff			
a. Adjust staffing formula for ES and MS	Cut	154.0	101.6
b. Reduce Textbook Technician	Cut	31.4	Item 16a
c. Shift MS Campus Supervisors to other funds	Shift	45.0	45.0
d. Reduce HS Clerical work year by 1 month *	Cut	-	11.5

Add = Spending Increase/Service Expansion; Cut = Spending Decrease/Service Reduction or Elimination; Shift = Spending transferred to categorical funds

FY07/08 Spending Reduction and Resource Allocation Plan

Item	Cut/ shift/ add	Alternative	
		#1	#2
7. Restructure/Increase Technology Services			
a. Eliminate Media Teacher periods	Cut	42.2	42.2
b. Restructure/increase technology services	Add	(140.0)	(140.0)
8. Adjust Support for Athletic Programs			
a. Athletic stipends	Cut	94.0	47.0
b. Custodial overtime for athletics	Cut	6.0	6.0

Add = Spending Increase/Service Expansion; Cut = Spending Decrease/Service Reduction or Elimination; Shift = Spending transferred to categorical funds

FY07/08 Spending Reduction and Resource Allocation Plan

Item	Cut/ shift/ add	Alternative	
		#1	#2
9. Enhance Revenue			
a. Fingerprinting and Background Checks	Cut	8.9	8.9
b. Leases	Cut	20.0	20.0
c. Increase Rate – Facility Use Permits	Cut	20.0	20.0
d. Medical Administrative Activities	Cut	50.0	50.0
e. Interfund Transfer from Capital Funds *	Cut	-	65.0

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FY07/08 Spending Reduction and Resource Allocation Plan

Item	Cut/ shift/ add	Alternative	
		#1	#2
10. Adjust Business Services			
a. Transfer Fiscal Services to ROP	Shift	19.1	19.1
b. Mandatory Re-enrollment for Health and Welfare	Cut	37.0	37.0
c. Utilities – Electricity	Cut	37.5	75.0
d. Restructure MOF Management	Cut	7.5	7.5
e. Reduce Fiscal Services Overtime	cut	7.0	7.0

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FY07/08 Spending Reduction and Resource Allocation Plan

Item	Cut/ shift/ add	Alternative	
		#1	#2
11. Restructure Educational Services			
a. Shift Asst. Superintendent of Ed Services	Shift	-	-
b. Shift Assessment Coordinator	Shift	21.3	21.3
c. Restructure Directors of Curriculum PreK-8 and 9-12	Cut	20.0	20.0
d. Shift Director of Curriculum	Shift	28.0	28.0
e. Restructure Coordinators of ELD and Categorical Programs	Cut		
f. Restructure Franklin Principal	Cut	40.0	40.0
g. Add Administrator for ASTI	Shift	-	-

Add = Spending Increase/Service Expansion; Cut = Spending Decrease/Service Reduction or Elimination; Shift = Spending transferred to categorical funds

FY07/08 Spending Reduction and Resource Allocation Plan

Item	Cut/ shift/ add	Alternative	
		#1	#2
12. Reduce District-wide Discretionary Budgets			
a. Reduce District Office discretionary budgets	Cut	100.0	100.0
b. Categorical Block Grant Transfer	Cut	110.0	110.0
13. Restructure Superintendent Services			
a. Restructure public information services	Cut	25.0	25.0
b. Shift travel and conference *	Shift	-	7.0

Add = Spending Increase/Service Expansion; Cut = Spending Decrease/Service Reduction or Elimination; Shift = Spending transferred to categorical funds

FY07/08 Spending Reduction and Resource Allocation Plan

Item	Cut/ shift/ add	Alternative	
		#1	#2
14. Restructure/Increase Special Education Services			
a. Restructure/increase special education	Add	(180.0)	(180.0)
15. Shift Stipends			
a. Shift Teacher Stipends – Band and Art	Shift	62.3	62.3
16. Restructure Textbook Technician and College Career Technician Positions			
a. Restructure positions into a single positions *	Cut	-	73.9
Total		2,000	1,480

Add = Spending Increase/Service Expansion; Cut = Spending Decrease/Service Reduction or Elimination; Shift = Spending transferred to categorical funds

Recap of Recommendation - Alternative #2

- Spending reductions and enhancements of \$1.5M
- Eliminates middle school consolidation and spreads impact across the district
- Set aside 75% of mandate costs reimbursement dollars
- No available balance for unbudgeted spending increases, e.g., negotiated salary increases

Recap of Recommendation - Alternative #2

- Allows mandate cost reimbursement set aside to be used to fund Other Post-Employment Benefits (OPEB)
- Involves risk, and is a temporary fix
- Allows time for community advocacy

Components of Fund Balance Alternatives Side by Side

	Alternative #1			Alternative #2		
	06/07	07/08	08/09	06/07	07/08	08/09
Ending Fund Balance	2.70	3.49	4.17	2.70	3.49	4.17
Revolving Cash	0.05	0.05	0.05	0.05	0.05	0.05
For Economic Uncertainties	2.50	2.43	2.47	2.50	2.43	2.47
Spending Reductions	-	(2.00)	(4.00)	-	(1.48)	(2.96)
Mandate Cost Audit Set Aside	-	1.25	1.25	-	1.17	1.17
Contingent PY Salary Entitlement	0.88	1.32	1.76	0.88	1.32	1.76
Negotiated Raise	TBD	TBD	TBD	TBD	TBD	TBD
OPEB Liability	-	-	TBD	-	-	TBD
Available Unrestricted Reserve	(0.73)	0.44	2.64	(0.73)	0.00	1.68