

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
BOARD OF TRUSTEES**

BOARD WORKSHOP

**THURSDAY, FEBRUARY 6, 2014
4:45 PM**

**DISTRICT OFFICE BOARD ROOM 101
710 ENCINITAS BLVD., ENCINITAS, CA. 92024**

The Governing Board of the San Dieguito Union High School District held a Board Workshop on Thursday, February 6, 2014, at the above location, in the Board Room.

Attendance / Board:

Joyce Dalessandro
Barbara Groth
Beth Hergesheimer
Amy Herman
John Salazar

Attendance / District Management:

Rick Schmitt, Superintendent
Eric Dill, Associate Superintendent, Business Services
Torie Norton, Associate Superintendent, Human Resources
Delores Perley, Director of Financial Services
Joann Schultz, Executive Assistant to the Superintendent / Recording Secretary

1. CALL TO ORDER

President Dalessandro called the meeting to order at 4:47 PM

INFORMATION ITEMS

2. BUDGET PLANNING UPDATE

Mr. Dill and Mrs. Perley gave an update on budget planning including budget perspectives, the Governor's budget proposal, the District budget, and timelines and next steps, as shown on the attached handout.

3. ADJOURNMENT

The meeting was adjourned at 5:46 PM.

Beth Hergesheimer
Beth Hergesheimer, Board Clerk

February 20, 2014
Date

W S O A
Rick Schmitt, Superintendent

February 20, 2014
Date

2014-15 Budget Planning

San Dieguito Union High School District
Board Workshop
February 6, 2014
District Office Board Room, 4:45 p.m.

Agenda

- Budget Perspectives
- Governor's Budget Proposal
 - State Economy
 - State Education Budget Proposals
 - Local Control Funding Formula
 - Local Control Accountability Plans
 - Common Core State Standards
- District Budget
 - Basic Aid Status
 - Budget History
 - Property Tax Revenue
 - Budget Planning
 - Multi-Year Projection
- Timelines & Next Steps

Budget Perspectives

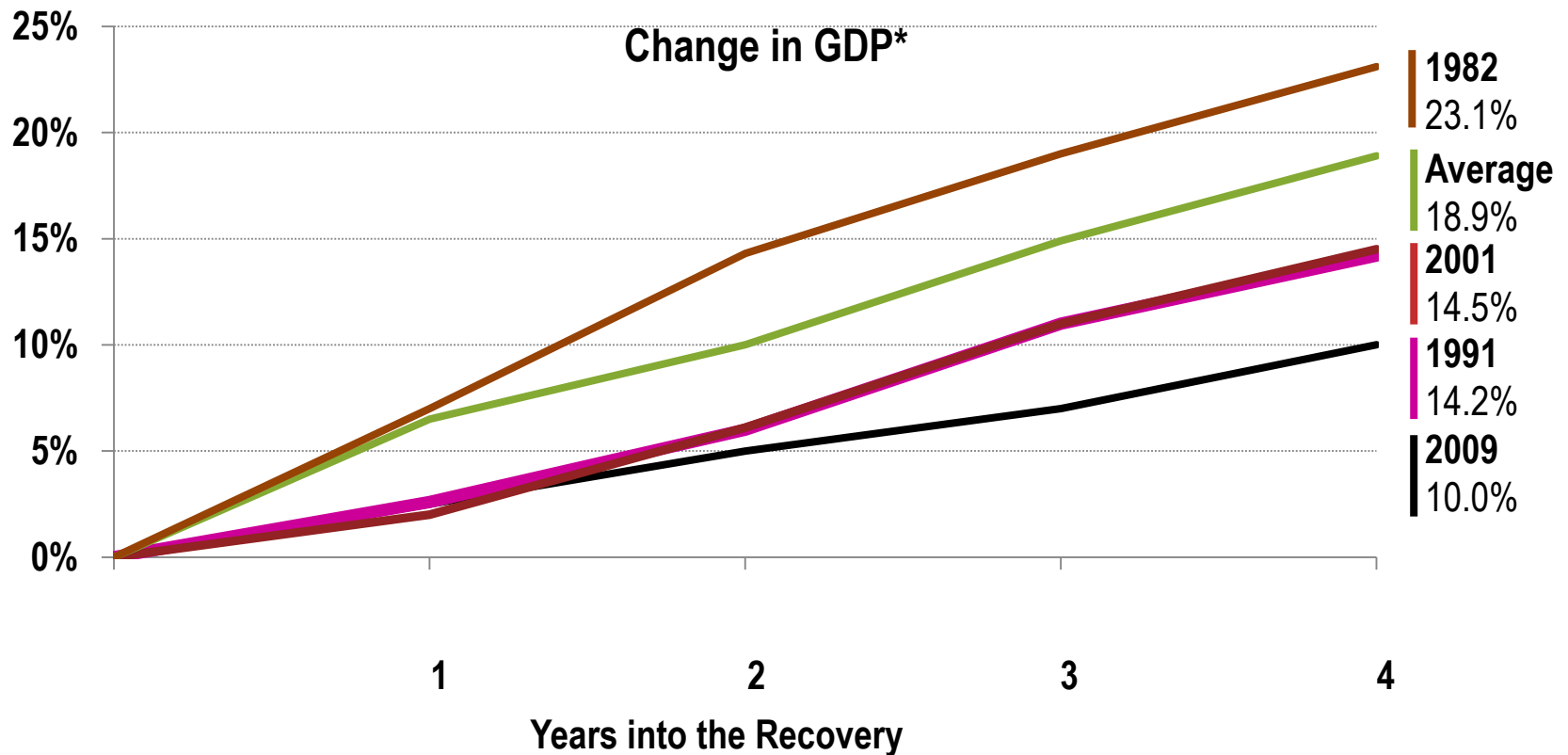
- We have reached the point of stabilization
- Second year of planning without the specter of cuts
- Strong reserves built before the Great Recession carried us through the bad times
- We must manage our recovery cautiously

State Economy Outlook

- Slow economic recovery continues
- Unemployment rate is falling
 - Still higher than pre-recession unemployment
 - Fifth-highest in the nation
- Housing market improving
- Consumer spending is up
- Stock market is hitting new highs

Comparing Recent Recoveries

How the expansion that began in 2009 compares with the first four years of other recoveries



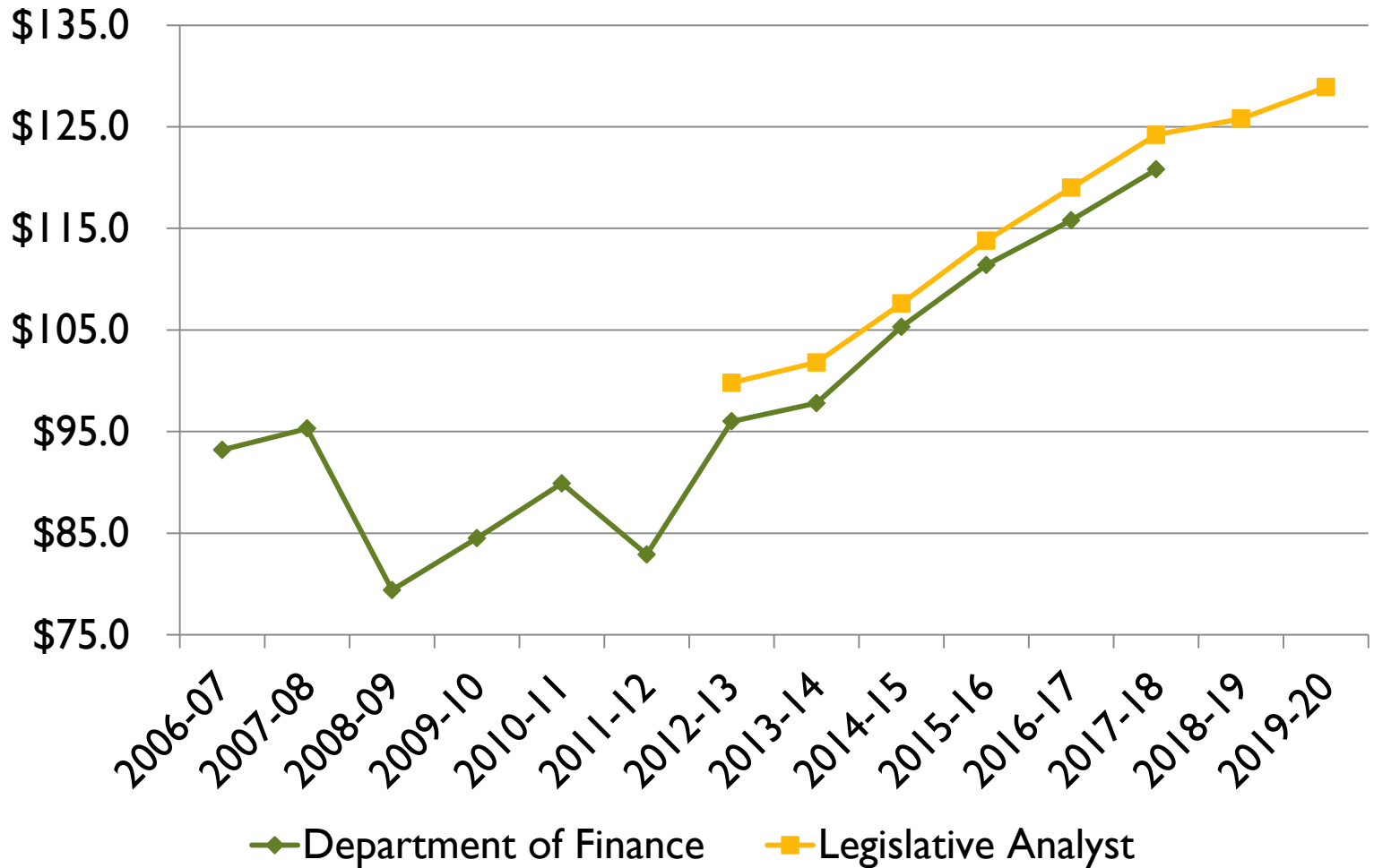
Note: Average is for recoveries after WWII, excluding the one that started in 2009

*Adjusted for inflation and the seasons

Source: Commerce Department / The Wall Street Journal, December 18, 2013 / School Services of California

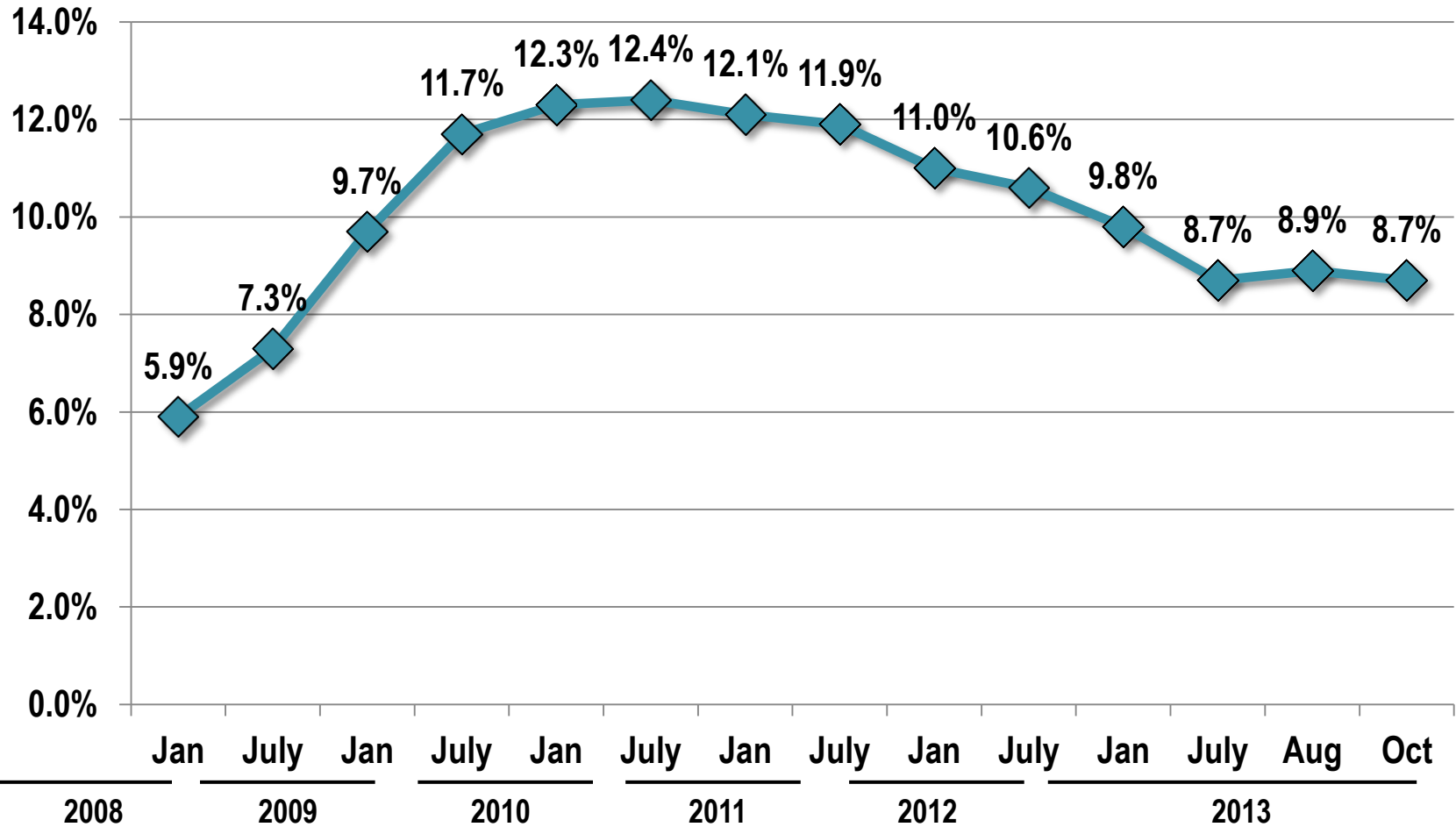
State General Fund Revenues

(Billions of Dollars)



California's Unemployment Rate

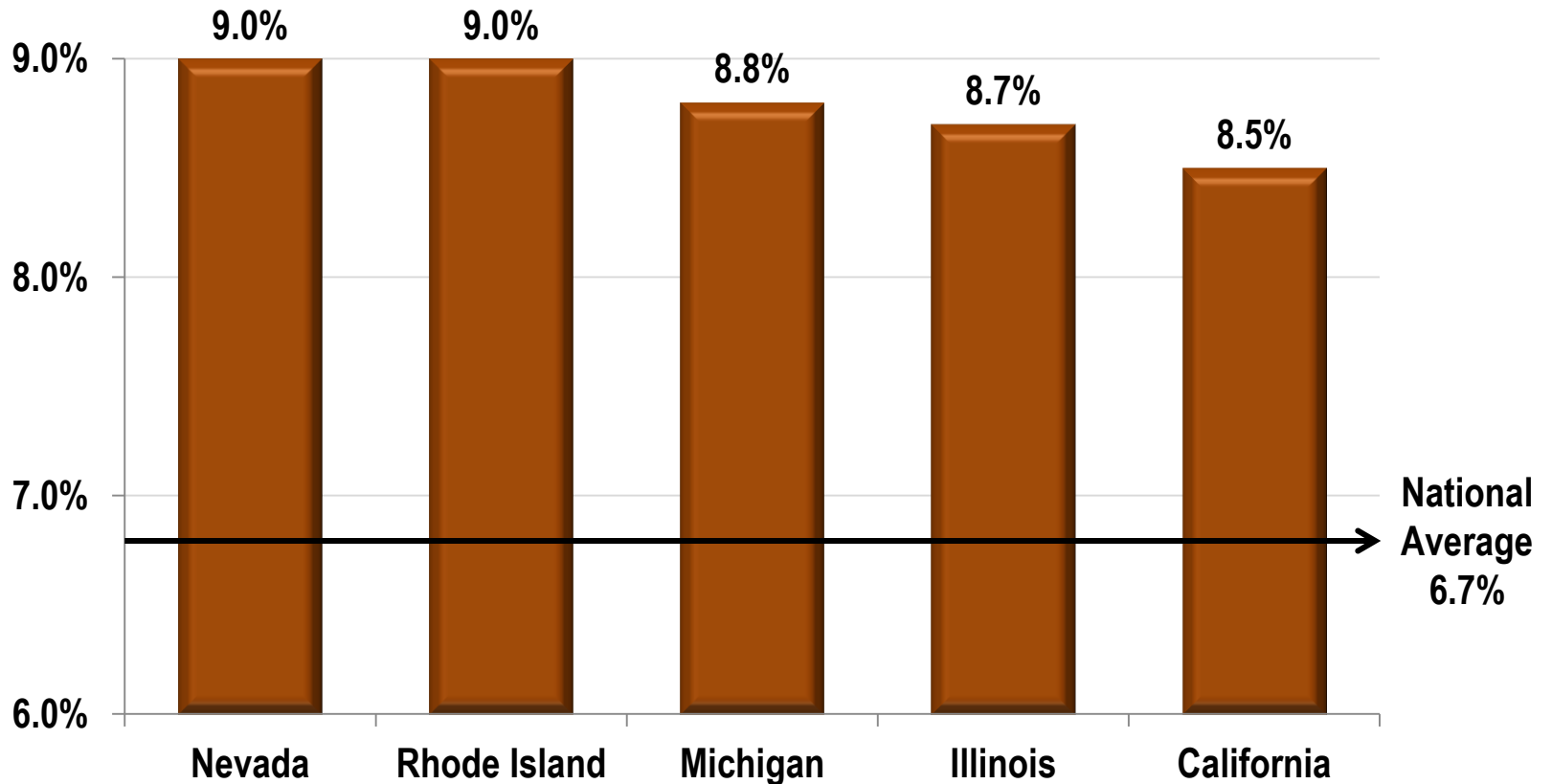
Unemployment Rate



Source: Employment Development Department, 2014 / School Services of California

California's Unemployment Rate vs. Other States

Highest State Unemployment Rates
(November 2013)



Source: Bureau of Labor Statistics, November 2013 / School Services of California

San Diego County Outlook

- San Diego's economic recovery is expected to continue in 2014
 - Region is expected to add 25,000 jobs and unemployment rate is expected to dip below 6% by year-end
 - Housing prices will continue to rise due to job growth, low interest rates, slow construction, and fewer distressed properties

Source: Alan Gin, 30th Annual San Diego County Economic Roundtable

State Education Budget Proposals

- Education was cut deeper than other areas of the state budget during the recession, and now the Governor is restoring funding faster
- Expectation to protect education came with passage of Prop 30
- Deferrals eliminated
- Increase in average per-student funding
- Creation of a Prop 98 rainy day fund

State Education Budget Proposals

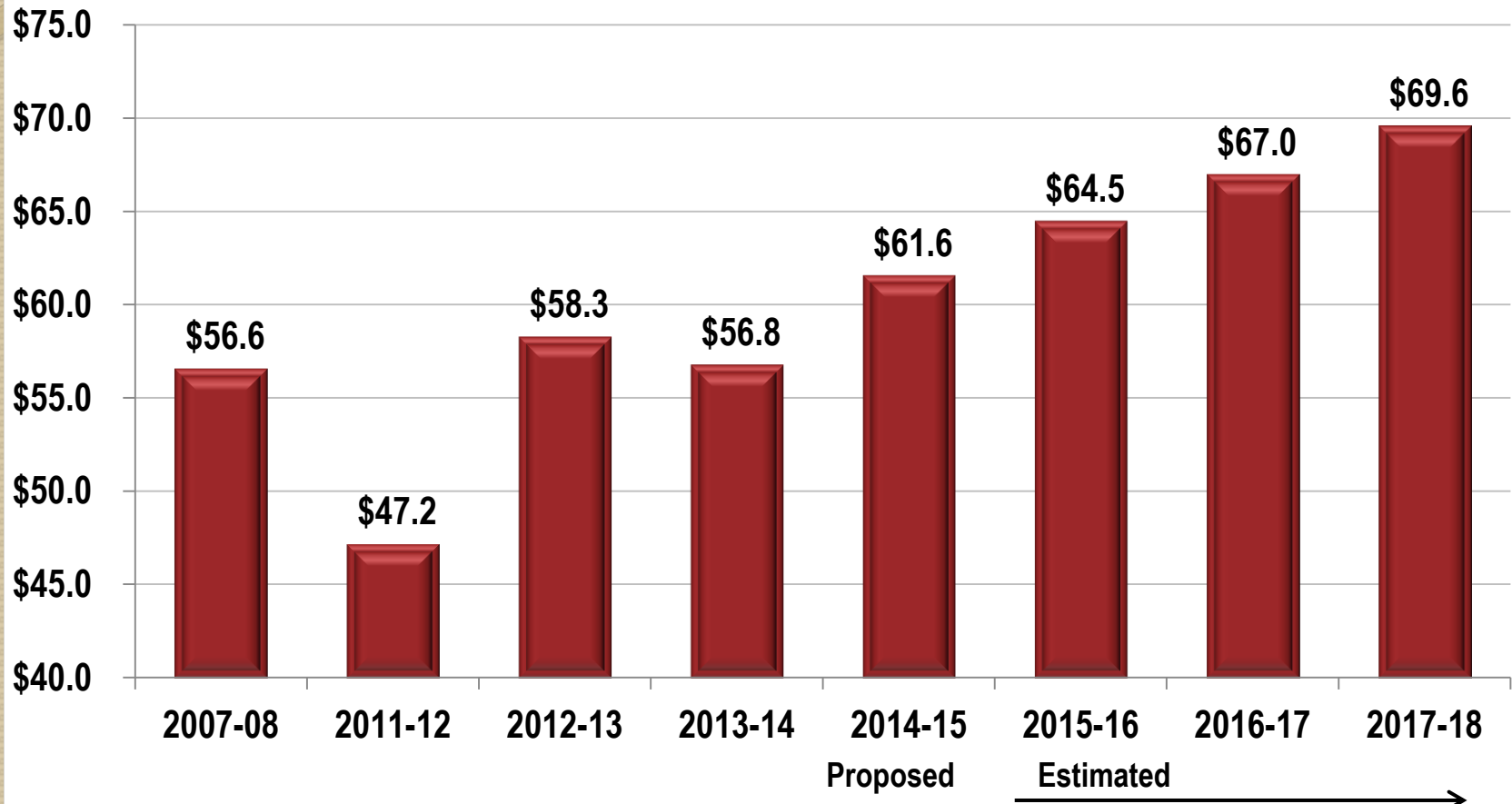
- Funding to shift Adult Education to regional consortia of community colleges and school districts
- No change in ROP maintenance of effort
- Governor recognizes the unfunded liability in CalSTRS
 - Governor believes districts and teachers should absorb any increased contributions
 - Speaker Perez acknowledges the state must be part of the solution
 - Controller Chiang believes we should meet the obligation today to avoid a fiscal crisis tomorrow

State Education Budget Proposals

- No proposal for statewide school facilities bond:
 - “Any future program should be designed to provide districts with the tools and resources to address their core facility gaps, but should also avoid an unsustainable reliance on state debt issuance that characterizes the current school facilities program.”
- Proposition AA was sized to accommodate our facilities needs without any anticipation of state funding

California's Investment in Education

Budget Continues to Invest in Education
(Proposition 98 Dollars in Billions)



Source: Governor's Budget Summary, page 5 / School Services of California

Proposition 98

- 11.4% Increase in K-14 funding
 - \$5.5 billion of one-time funding to eliminate deferrals
 - \$4.472 billion to continue LCFF implementation
- Statewide Average per ADA increase of \$751
- Most, if not all, of it going to Local Control Funding Formula (LCFF) districts
- Demographics will drive LCFF districts' recoveries
- No news for Basic Aid Districts

Local Control Funding Formula

- Additional Prop 98 funding expected to close the gap between 2013-14 LCFF funding levels and full implementation targets by 28.05%
- This is an increase in annual LCFF funding by approximately 10.9% over the current year.
- Actual funding increases will vary from district to district, because every school district is at a different funding level based on the old Revenue Limit model of funding, and the differences in each district's demographics.
- Theoretically, all LCFF districts will be at the same level of per-student funding when the formula is fully implemented...in 2020.

Local Control Accountability Plans

- Ed Services is taking the lead on the public outreach and input requirements of developing the Local Control Accountability Plan
 - Board Update scheduled for March 20, 2014
 - Board Workshop scheduled for May 5, 2014
 - LCAP Adoption at June 19, 2014 Board Meeting
- SDUHSD will not actually receive any additional Supplemental Grant funding,
- District will be required to adopt an LCAP and specify how additional revenue will benefit English Learners and lower income students

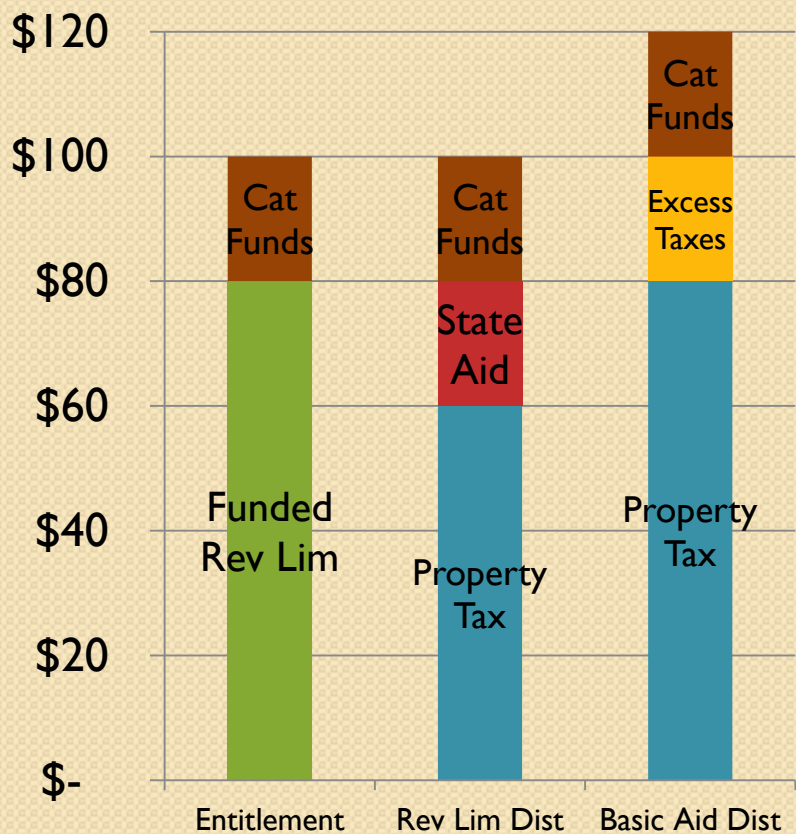
Common Core State Standards

- No additional funding for school districts
- One-time funding of \$200 / ADA received in 2013-14 must be spent by June 30, 2015
 - Professional Development
 - Instructional Materials
 - Technology related to CCSS

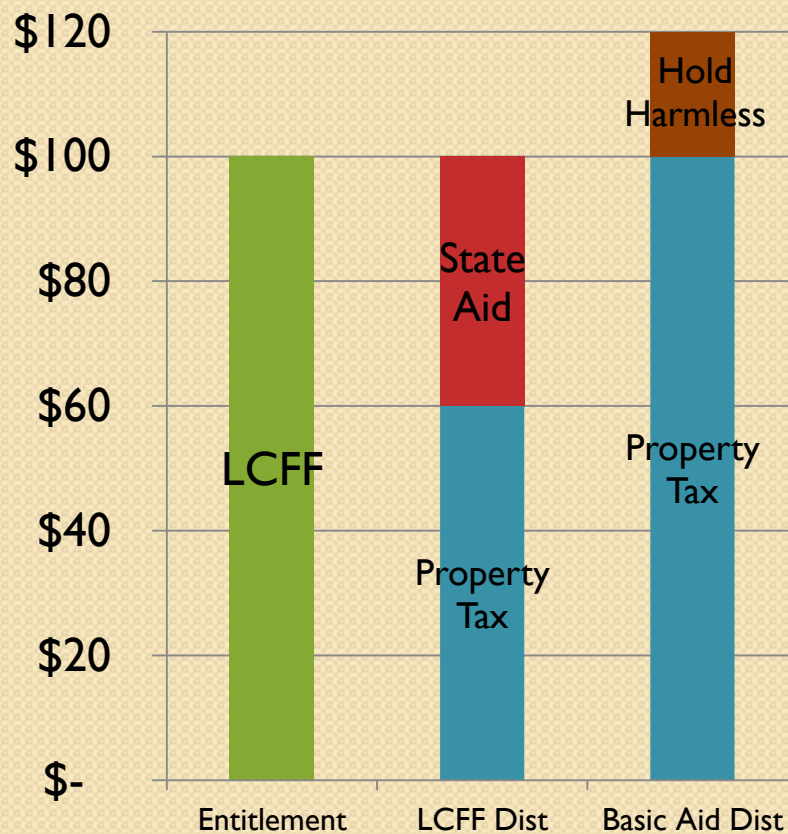
Basic Aid Status

- Basic Aid vs LCFF works essentially in the same manner as it did under the former state funding model EXCEPT...
 - Most state categorical funding is now part of the LCFF instead of additional funding outside of the Revenue Limit
 - LCFF now presumes that Basic Aid districts have the means to continue specialized programs within their existing local revenue
- The Fair Share Contribution is locked in going forward.
 - Net categorical funding, after Fair Share, will continue to be received (\$320K for 2013-14)
 - Under Revenue Limit funding, Basic Aid categorical revenue would have been restored as state funding to schools improved

Revenue Limit Model



LCFF Model



Basic Aid Status

Categorical Funding Losses

**Total 07/08 Categorical
Funding - \$8,712,487**

**Total 13/14 Hold Harmless
Funding (including Basic Aid
Fair Share) - \$320,093**

Programs:

Administrator Training

Advanced Placement Int'l Baccalaureate

Bilingual Teacher Training & Peer Review

Deferred Maintenance

Home-to-School Transportation

Math & Reading Prof. Dev.

Pupil Retention Block Grant

Supplemental School Counseling

Teacher Credentialing Block Grant

Adult Education

Arts & Music Block Grant

Community Based English Tutoring

Economic Impact Aid

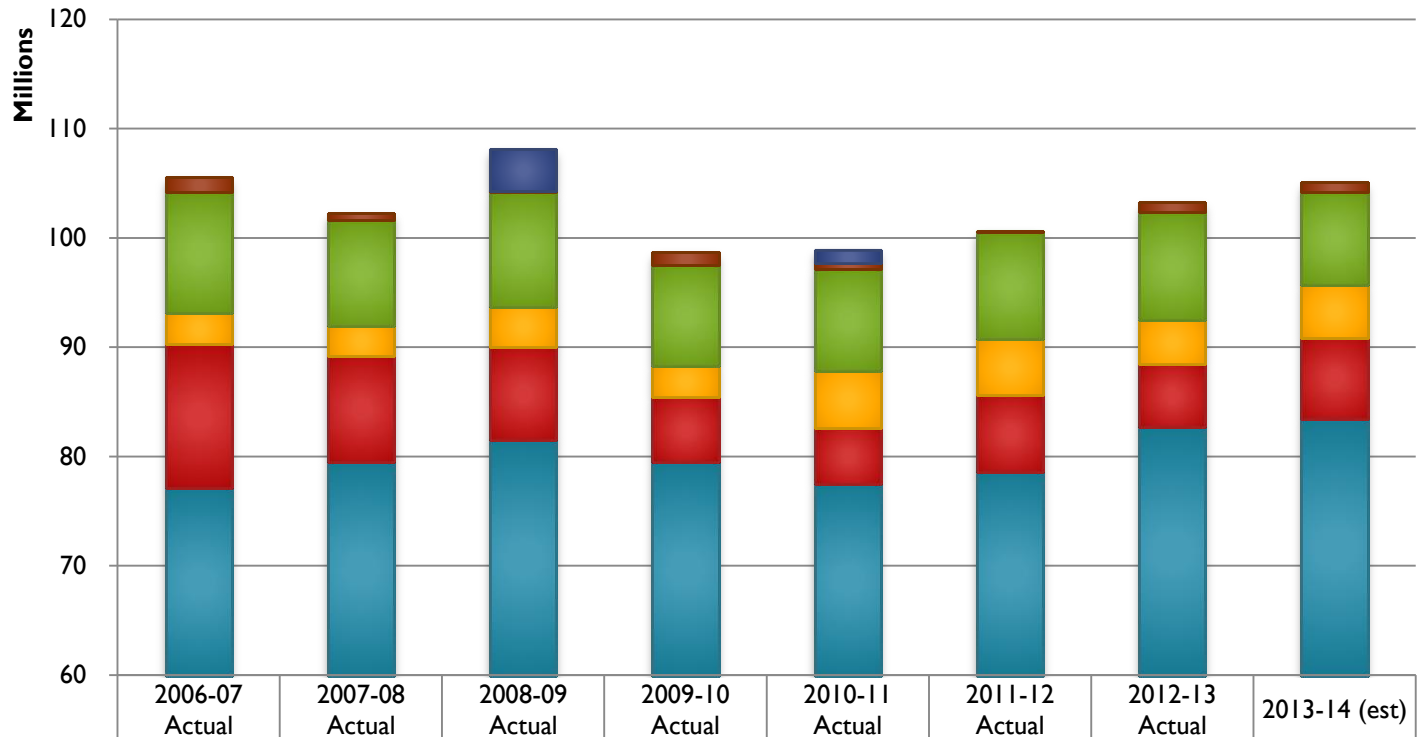
Instructional Materials Block Grant

Prof. Dev. Block Grant

Supplemental Instruction

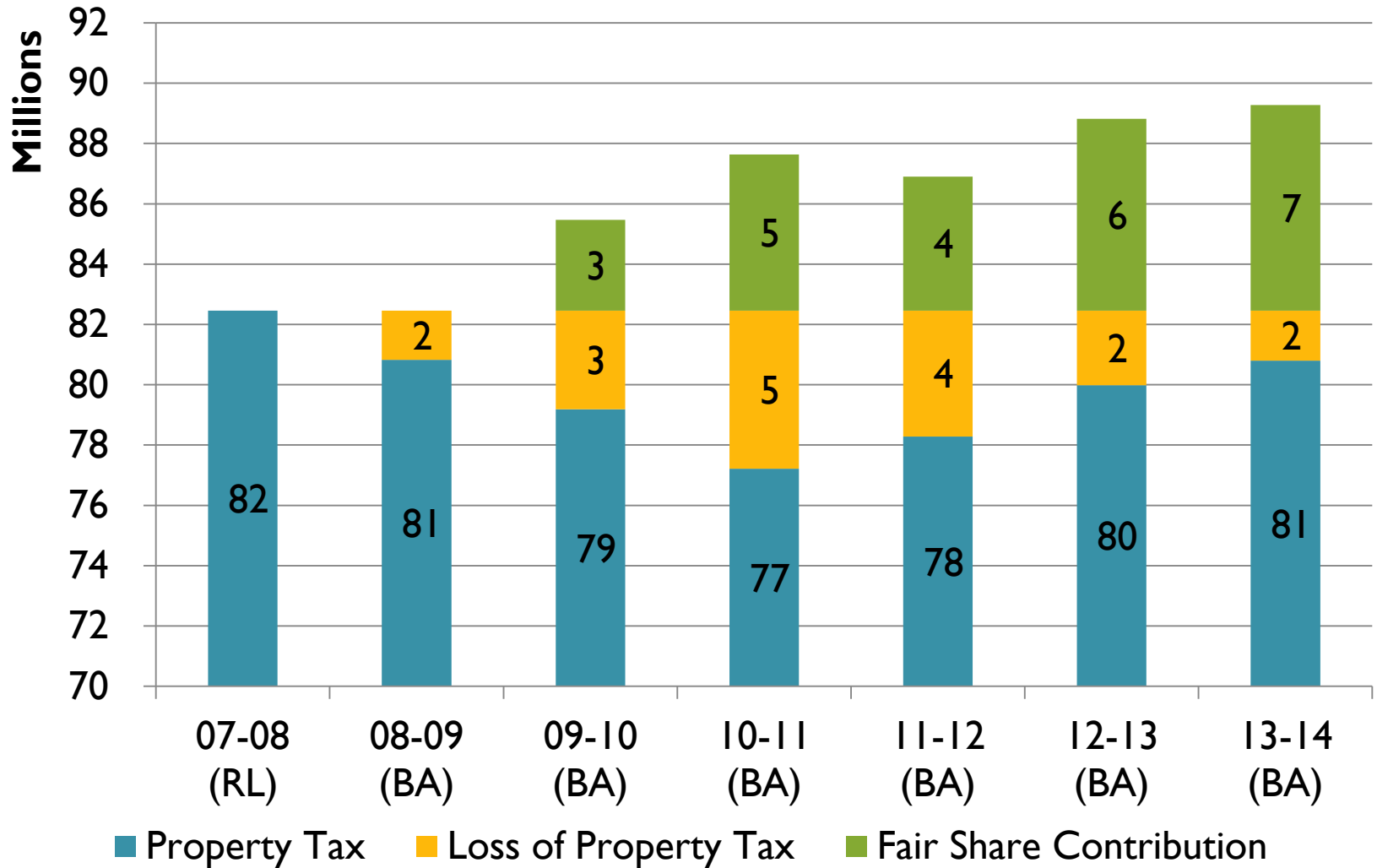
Targeted Instructional Improvement

Revenue History

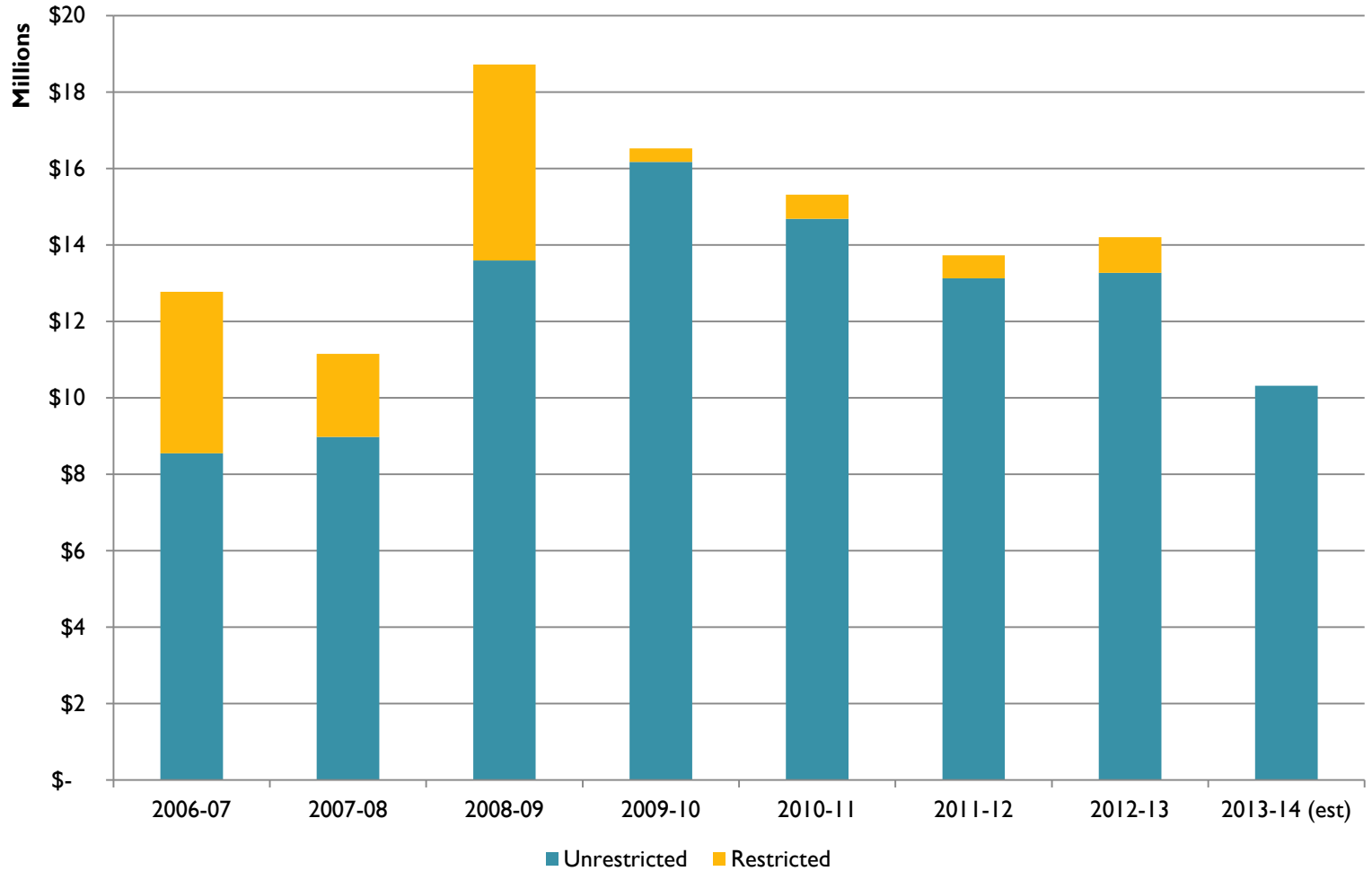


	2006-07 Actual	2007-08 Actual	2008-09 Actual	2009-10 Actual	2010-11 Actual	2011-12 Actual	2012-13 Actual	2013-14 (est)
■ Stimulus			3,755,292		1,130,131			
■ Transfers	1,245,720	533,154	75,478	1,098,915	525,772	0	765,588	765,588
■ Local	11,096,120	9,729,422	10,471,387	9,277,607	9,274,926	9,775,993	9,856,348	8,593,581
■ Federal	2,786,913	2,685,126	3,675,927	2,831,137	5,256,954	5,138,675	4,081,237	4,791,376
■ State	13,202,261	9,746,525	8,494,776	5,933,929	5,146,871	7,015,366	5,735,577	7,405,406
■ RevLim/ Prop Tax	77,169,394	79,536,681	81,585,691	79,529,471	77,524,419	78,639,154	82,752,071	83,499,778

Over \$43M in Lost Revenue Since 2007-08

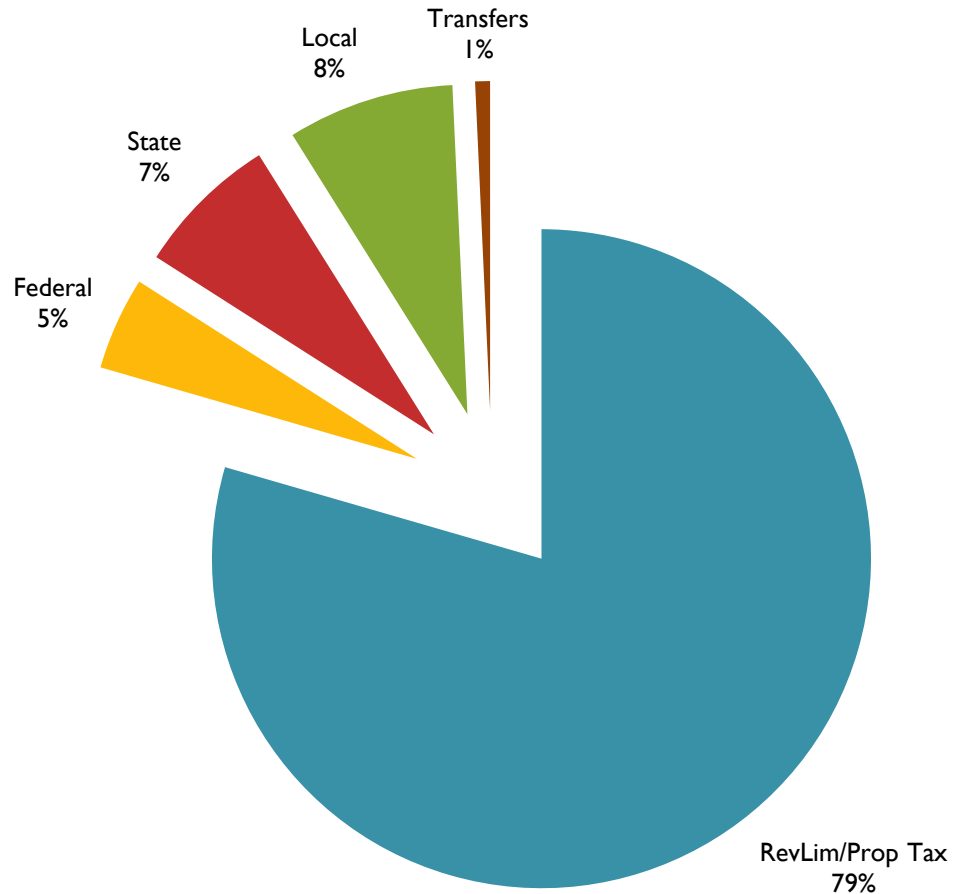


General Fund Ending Balance

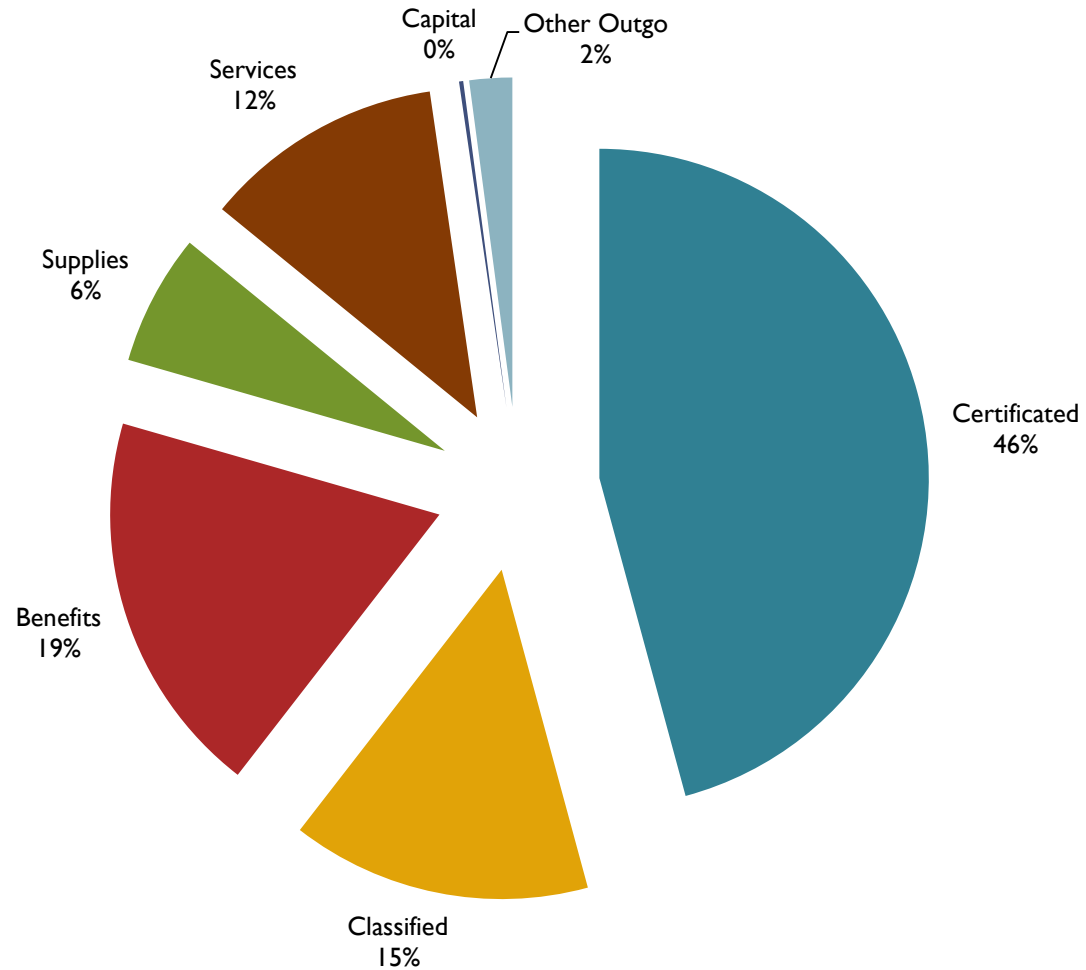


Where the Money Comes From

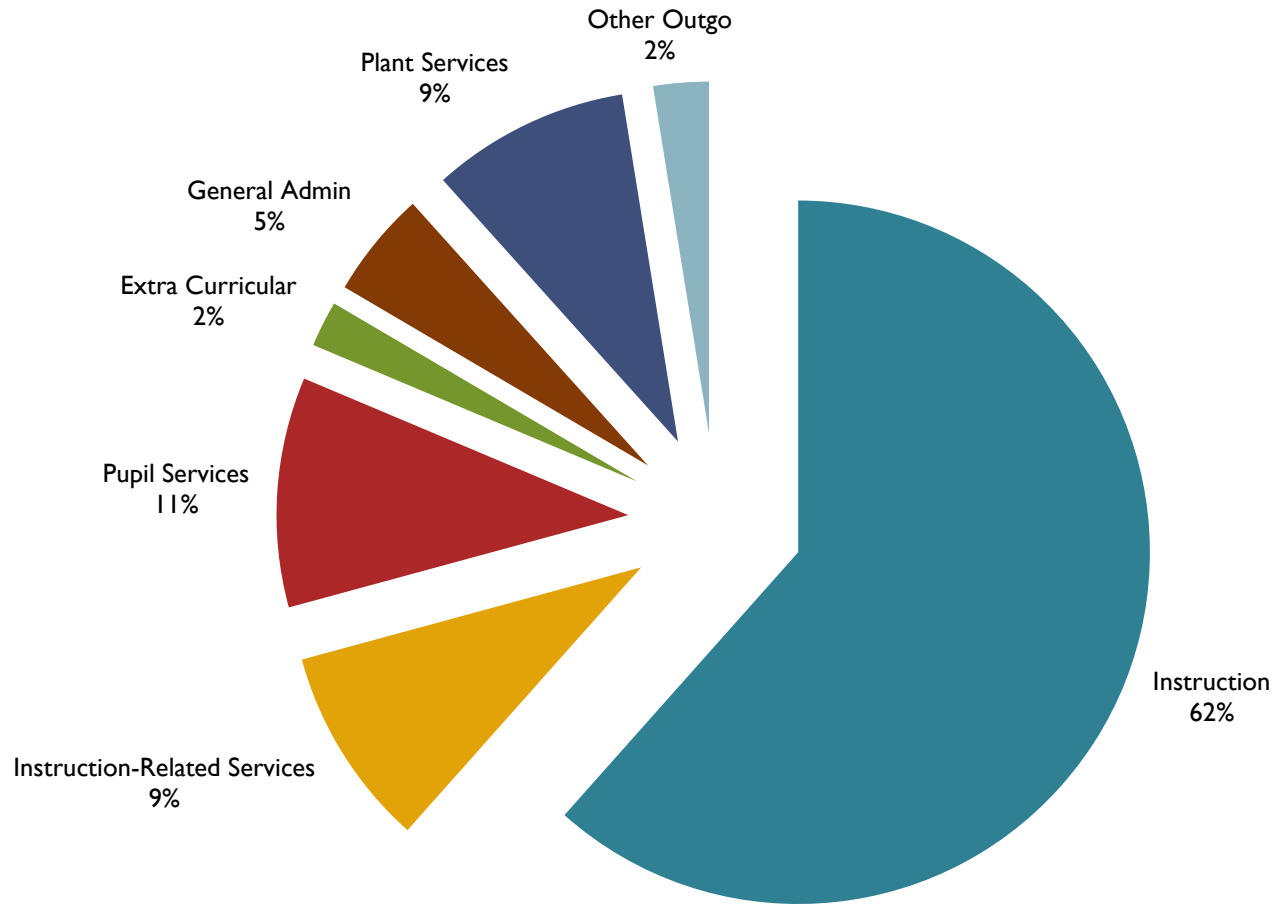
SDUHSD - Where the General Fund Money Comes From



Where the Money Goes



Where the Money Goes



Property Tax Revenue

- Meeting with the Assessor and Treasurer for 2014-15 assessed value changes
 - Preliminary AV estimate in February
 - Second AV estimate in May
 - Final AV change in July
 - First Property Tax estimate in early June
- 2013-14 Property Tax
 - SD County estimates are higher than current budget
 - Year-to-Date collections are up but subject to adjustments throughout the fiscal year

2014-15 Budget Planning Priorities

- Revenue
 - Projecting Property Tax revenue
 - Determining how increases in LCFF affect our status as a Basic Aid district
- Expenditures
 - Holding pattern
 - Some minor restoration, some reductions related to efficiency
 - Looking at staffing levels and ratios across the district
 - High School Shuttle Service
 - Enrollment growth tied to development
 - Preparing for new middle school
 - Implementing the Local Control Accountability Plan without additional state funding
- Restoring reserves before the next recession

Common Core

- One-time funding carry-over
 - Professional Development will be ongoing
 - Instructional Materials
 - Technology
- Instructional Materials adoptions will be phased in along with subjects and grade levels
- Instructional Materials needs are far greater than state funding provided

Multi-Year Projection

Multi-Year Projection 1/24/2014				
	2013-14	2014-15	2015-16	2016-17
Revenue	105,015,450	103,464,477	105,829,470	107,233,013
Expense	108,901,302	105,656,844	106,598,147	106,885,804
Surplus (Deficit)	(3,885,852)	(2,192,366)	(768,677)	347,209
Unrest. Ending Balance	10,311,915	8,119,551	7,350,873	7,698,083
GF Reserve	9.47%	7.68%	6.90%	7.20%
Unrestricted Reserve Surplus(Shortfall) of 3%	7,044,876	4,949,845	4,152,929	4,491,509
Special Reserve	2,453,145	2,477,676	2,502,453	2,527,478
Combined Reserve	12,765,060	10,597,227	9,853,327	10,225,561
Combined Reserve	11.72%	10.03%	9.24%	9.57%

Timeline

- Budget Preparation - Spring
- Governor's May Revision
- District 2014-15 Proposed Budget – June 5, 2014
- District 2014-15 Budget Adoption – June 19, 2014