

RAVENSWOOD CITY SCHOOL DISTRICT FISCAL REFORM PACKAGE

February 8, 2018

INTRODUCTION

Twice each year, the Ravenswood City School District (RCSD) Board of Trustees is asked to certify interim financial reports regarding the Districts' current financial position and multi-year financial projections which are then submitted to the San Mateo County Office of Education (SMCOE) for review and analysis. For each interim report, the District must certify one of the following: **Positive:** that the District can meet the current year and subsequent two-year obligations; **Qualified:** that the District may not be able to meet the current year and subsequent two-year obligations; or **Negative:** that the District cannot meet the current year and subsequent two-year obligations.

The multi-year financial projection rests on a series of assumptions, including but not limited to, forecasted levels of state funding, forecasted increases in personnel expense, and assumptions regarding student enrollment. As forecasts are updated and in the event that some of the assumptions do not materialize as expected, the multi-year financial projection will change as well.

On December 14, 2017, the Board was presented with the First Interim Financial Report. The report indicated that due to significant declining enrollment, the District would need to reduce expenditures by at least \$3.3 million in the 2018-19 fiscal year to achieve a balanced budget. At this point in time, the District self-certified their First Interim Report as "positive", meaning that we can meet current and subsequent two-year obligations, under the auspices of Assembly Bill 1200.

Exercising its fiscal oversight authority under Assembly Bill 1200, the San Mateo County Office of Education (SMCOE) has provided the District with a letter from Denise Porterfield, Deputy Superintendent, Business Services Division to Ana Maria Pulido, President, Governing Board. The letter was dated January 22, 2018 (attached) and informed the District of the need to provide SMCOE with a proposal for addressing the fiscal condition of the District, i.e., the Fiscal Reform Package (FRP) as well as updated financial projections for fiscal year 2018-19 and 2019-20 that reflect the actions of the Board to implement the Fiscal Reform Package.

Due to the seriousness of the District's fiscal condition, the SMCOE is also requiring the District to implement specific steps prior to the Second Interim submission and provide regularly scheduled updates to the County Office. In the event any of the proposed Fiscal Reform Package is not implemented during the timelines specified by the SMCOE, the County Superintendent shall exercise the authority to call a Lack of Going Concern issue for the District or immediately change the District's interim certification, as appropriate.

SMCOE also informed the District that it is incumbent upon the District Governing Board to promote the successful implementation of the proposed Fiscal Reform Package to improve the fiscal condition of the District. The County Office reiterated its commitment to support the District throughout this process.

The Fiscal Reform Package lays the foundation for restoring fiscal solvency on a multi-year basis and will continue to be updated and revised. With this in mind, the following is the implementation schedule for the Fiscal Reform Package.

January 18, 2018 – A report was provided to the Board of Trustees on the development of the Fiscal

Reform Package that is required to maintain the District's Positive Certification.

February 8, 2018 - District staff to present the Fiscal Reform Package with budget reduction proposals for Board review and approval.

- SMCOE requires the District to present to the Board for approval budget reductions for both 2018-19 and 2019-20 in order to retain a positive budget certification, including a reduction of \$1.1 million of current funding through the Parcel Tax unless approved by the voters in June 2018.
- Board approval of the Fiscal Reform Package will authorize District staff to take steps required to implement the approved budget reductions and to prepare required layoff resolutions and bring them back to the Board for approval.
- Staff will recommend certificated probationary employees release/non-reelection and temporary certificated employee releases. The Board must act on these recommendations to preserve positive certification.

February 22, 2018 - District staff will present for Board approval the required Board resolutions for reduction of both certificated and classified services (layoff resolutions.)

March 8, 2018 - Second Interim Financial Report presented to the Board for approval.

- Second Interim report cannot include any projected budget or staffing reductions for 2018-19 or 2019-20 that have not yet been approved by the Board.

March 15, 2018 - This is the legal deadline for:

- provision of layoff notices to certificated employees
- notifying administrators of reassignment to a classroom teaching position
- notifying probationary certificated employees of their release/non-reelection

FISCAL REFORM PACKAGE ASSUMPTIONS

The cost savings identified in this document are based on the following assumptions:

- For the purpose of this plan, all expenditure reductions in 2017-18 should be assumed to be for a one-year period only.
- Cost savings are identified as ongoing unless explicitly identified as one time.
- For the purposes of the plan, expenditure reductions and revenue enhancements are both construed as cost savings.
- The average total compensation (medical and statutory benefits) for classroom teachers is estimated to be, in fiscal year 2018-19, \$85,000.
- Classified personnel total compensation (medical and statutory benefits) is calculated at the approximate actual cost of the identified position.
- The plan includes a reduction of 15 certificated teachers to account for declining enrollment over the 2018-19 and 2019-20 fiscal years.
- Only the cost savings to the unrestricted general fund are quantified, even though some cost savings may accrue to the restricted general fund.
- Certain items contained in the plan are negotiable and will require the cooperation of our employee associations to implement.

In the event the Board approves these recommendations and we fail to negotiate their implementation, the Board will need to adopt additional measures to reduce expenditures and/or enhance revenues equal to the dollar value of those items that could not be negotiated.

FISCAL REFORM PACKAGE COMPONENTS

The FRP is the best work to date, given the unknown factors from the Governor's May revision to the State's budget or precise funding levels for future years. The FRP also represents an attempt to incorporate and comprehensively address suggestions made for expenditure reductions and/or revenue enhancement from stakeholders. However, our analysis to date has been limited by the personnel resources available and a short time frame for actions, but staff will continue to examine every budget line item within the timelines imposed on the district by the SMCOE. District staff will continue to monitor budgets and seek incorporation of viable suggestions received from stakeholders.

FISCAL REFORM PACKAGE ACTIONS TAKEN

- In late January of this year, the Superintendent initiated a freeze in hiring, overtime, conference/travel, and non-mission critical purchases in an effort to reduce current year costs. Those savings to date have not yet been calculated in each object code account but the reductions in spending should be reflected in the Second Interim Report.
- Enacted close review of all budgets to identify other immediate on-going and one time savings, including identification of money budgeted but not yet spent. So far this has resulted in:
 - identification of approximately \$150,000 to date that will be frozen and not spent, and
 - identification of additional unrestricted expenditures that are appropriate to charge to restricted programs
 - approximately \$500,000 to date
- District staff developed a list of proposed staffing reductions for the Board to consider. A summary of the proposed services/staffing reductions for 2018-19 with projected savings is attached.
 - Certificated Management – 8 positions
 - Classified Management – 3 positions
 - Classified Confidential – 3 positions
 - Classified Staff – 54 positions
 - includes 28 CDC positions
 - Certificated Teachers – 28 positions
 - includes 15 positions not included in the development of the 2018-19 budget for fiscal year 2018-19
 - includes 13 positions funded by the current Parcel Tax and directed by the SMCOE to be reduced if the Parcel Tax is not approved by voters in June 2018.
 - **No layoff** of certificated staff will occur as we average the loss of 40 teachers per year through attrition.
 - Reduce the number of Special Education contracted services proportional to the number of students served.
- Administration recommends ending the District's operation and administration of the Child Development Center (CDC).

- Pursuit of a Parcel Tax measure in June 2018 (current Parcel Tax expires in June 2018) to preserve teacher positions.
- Opportunity for Input with RTA and CSEA
 - The District presented the proposed Fiscal Reform Package to RTA on January 31, 2018.
 - The District presented the proposed Fiscal Reform Package to CSEA on January 31, 2018. An email response from CSEA on February 2, 2018 is attached.

RECOMMENDATION

To continue to provide excellent educational services for our students and maintain the District's fiscal integrity, it is recommended:

(1) That the Board approve the Fiscal Reform Package, as presented, which includes service and staff reductions effective at the end of the 2017-2018 school year, including ending the District's operation and administration of the Child Development Center (CDC); and that the Board direct Staff to recommend to the Board appropriate resolutions to implement the service and staff reductions.

(2) That the Board direct Staff to continue the ongoing review of District revenue and budgeted expenditures to identify additional measures to assure the District's fiscal integrity and report back to the Board with additional recommendations for the Fiscal Reform Package as may be needed.