

## RESOLUTION No. 19-11

### RESOLUTION OF THE BOARD OF TRUSTEES OF THE PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT CONFIRMING PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT'S COMMITMENT TO FISCAL SOLVENCY

**WHEREAS**, the Governing Board recognizes that the district is highly dependent on revenue from the State of California and that revenue source is dependent on the on-going stability of the California State economy, and

**WHEREAS**, the Governing Board recognizes that the Governor's 2018/2019 Budget proposal projects out year increases tied to cost of living adjustments only, and that these budget components have a direct impact on the District's multiyear projections, and

**WHEREAS**, the Governing Board further recognizes the impact of flat or declining enrollment and increasing STRS/PERS pension costs on the District's budget, and

**WHEREAS**, the Governing Board recognizes that the District's health and welfare benefits package is a significant factor in the District's ability to recruit and retain highly qualified teachers and staff, and the Governing Board is committed to minimizing the impact on the level of such benefits within the District's fiscal constraints and without major disruption to plan benefits, and

**WHEREAS**, The Education Code specifies that on or before July 1 of each year each school district shall adopt a budget, and

**WHEREAS**, Education Code section 42127(c) provides, in relevant part, that the County Superintendent of Schools shall:

"Determine whether the adopted budget will allow the school district to meet its financial obligations during the fiscal year and is consistent with a financial plan that will enable the school district to satisfy its multiyear financial commitments . . . [and] shall either conditionally approve or disapprove a budget that does not provide adequate assurance that the school district will meet its current and future obligations and resolve any problems identified in studies, reports, evaluations, or audits described in this paragraph." AND

**WHEREAS**, Education Code section 42131(2)(A) also repeats these requirements for a district at any Interim Financial Reporting Period and requires the County Office of Education to recertify to the State Superintendent of Public Instruction, any district to qualified or negative status. If a district has filed a positive or qualified certification on an Interim Financial Report and the COE finds that the district should be recertified on the basis of multi-year projections, and

**WHEREAS**, after planning for significant known reductions in expenditures and revenues for the 2019-20 fiscal year, the financial result is still not sufficient to produce the State-required minimum reserve of 3% for that year or the following 2020-21 fiscal year, and

**WHEREAS**, based on the District First Interim Report projections of revenue and expenditures and the District's current fiscal challenges, it is projected that the District will not meet its required minimum reserves in the 2018-19, 2019-2020 and 2020-21 fiscal years, and the District will have a negative ending fund balance (currently estimated at approximately (\$800,000) in 2020-21), and

**WHEREAS**, the Governing Board desires to minimize the impact on the level of service and quality of staff and education programs for District students, and

**WHEREAS**, the Governing Board desires to avoid draconian budget reduction measures beginning in the 2019-2020 fiscal year, and

**WHEREAS**, the Governing Board remains committed to collaboration with its employee representatives and bargaining units in addressing the District's fiscal challenges in hopes of avoiding any draconian cuts to Reductions in Force, and

**WHEREAS**, the Governing Board recognizes that the current multiyear projection included in the District's proposed budget projects a negative fund balance of approximately \$800,000 in 20-21 fiscal year and further recognizes that the projections may increase or decrease depending on the final State revenue allocated to Proposition 98 as adopted by the State of California in the 2019-20 and/or 2020-2021 state budget, or any other changes to the multi-year assumptions, and

**WHEREAS**, the Governing Board has been advised of the risk in delaying reductions which may allow the projected negative ending fund balance (approximately -\$800,000) by 2020-2021 to grow larger, and

**NOW, THEREFORE, BE IT RESOLVED**, based on the above recitals and in order to ensure that the PASO ROBLES JT UNIFIED SCHOOL DISTRICT remains fiscally solvent, the Governing Board is committed to reducing expenditures in all budget areas including salaries, employee benefits, services and operating expenses, capital outlay, other outgoing and other financing sources, and

**BE IT FURTHER RESOLVED** that, absent a material positive change in the District's projected revenues or reduction in District expenses, the District will be required to consider and implement budget reductions in force beginning in FY 2019-20 of Certificated positions and Classified, Management and Confidential positions, plus reductions in books and supplies, services and operating expenses, totaling approximately \$2.1 Million, to be identified on or before February 28, 2019 to address the District's negative ending fund balance for 2019-20; and an additional \$800,000 in additional reductions for Fiscal Year 2020-21, to be identified within the 2019-20 fiscal year, and

**BE IT FURTHER RESOLVED** that, given the District's history of budget and fiscal miscalculations, the Board will require the District to develop a budget plan for reductions to achieve a minimum of a 3% reserve and how that must occur, and

**BE IT ADDITIONALLY RESOLVED** that the Governing Board is committed to explore and pursue any and all options to increase revenue including local, state, federal grants, and additional remedies as provided by the State.

**PASSED AND ADOPTED** by the Governing Board of the PASO ROBLES JOINT UNIFIED SCHOOL

