**OPENING DAY BUDGET PRESENTATION NOTES**

**SEPTEMBER 20, 2012**

SO, AS ALL YOU KNOW **ONLY TOO WELL**, WE HAVE ENDURED SEVERAL YEARS IN A ROW OF BUDGET CUTS. AND WE HAVE FELT THE IMPACTS ACROSS THE BOARD, BOTH OPERATIONALLY AND PERSONALLY. FROM STAFFING CUTS---TO REDUCED CLASSES AND SERVICES FOR STUDENTS---TO CONCESSIONS IN OUR HEALTH BENEFIT PLAN. WITH FINAL FUNDING FROM SACRAMENTO STILL UNDETERMINED PENDING THE NOVEMEBR ELECTION RESULTS, 2012-13 IS SHAPING UP TO BE ANOTHER EXTREMELY CHALLENGING YEAR.

WE ARE STILL CARRYING A STRUCTURAL BUDGET DEFICIT IN THE TOTAL DISTRICT BUDGET THAT MOST OF YOU KNOW WE HAVE BEEN BALANCING WITH OUR AVAILABLE ONE-TIME DOLLARS EACH OF THE PAST THREE YEARS. THIS YEAR OUR BUDGET DEFICIT IS BETWEEN **$5.7M** AND **$11.9M** DEPENDING ON THE OUTCOME OF THE GOVERNOR’S PROPOSED TAX PACKAGE. WE REFER TO THIS AS THE “BEST CASE” AND “WORST CASE” SCENARIO.

CONSEQUENTLY, THIS WILL REQUIRE A TWO PRONGED APPROACH FOR MANAGING 2012-13. THE COLLEGES HAVE BUILT A CLASS SCHEDULE TO GAIN AS MUCH ENROLLMENT AS WE POSSIBLY CAN TO MAXIMIZE OUR REVENUE FROM THE STATE. BUT AT THE SAME TIME, WE MUST BUILD OUR BUDGET TO ALLOW FOR THE POTENTIAL ADDITIONAL FUNDING CUTS FROM THE STATE.

**SLIDE #2**

LOOKING AT THIS FIRST SLIDE, IN DEVELOPING THE 12-13 BUDGET WE FOCUSED ON :

* PRESERVING STUDENT ACCESS AND SUPPORT SERVICES
* DEVELOPING A STRATEGY TO CLOSE THE STRUCTIRAL DEFICIT IN OUR BUDGET AND
* IDENTIFYING CUTS WE COULD IMPLEMENT THIS YEAR
* **SETTING ASIDE ONE-TIME FUNDS TO POSTPONE THE REMAINING CUTS** FOR SOME ADDITIONAL TIME
* AND, ESTABLISHING A STABILITY FUND FOR THE 2013-14 FISCAL YEAR

**SLIDE #3**

OUR DISTRICT WIDE ENDING BALANCE FOR LAST YEAR WAS $38.2 MILLION.

THIS SLIDE DESCRIBES HOW THE MONEY IS ALLOCATED.

 $9.8 MILLION OF THE TOTAL IS OUR MANDATORY 5% RESERVE

THE REST OF THE DOLLARS FALL INTO THE FOLLOWING BUCKETS:

* WE ARE SAVING AS MUCH AS WE CAN OF THE COLLEGES AND THE DISTRICT’S $13.6M C/O DOLLARS THAT ARE DESPARATELY NEEDED TO BACKFILL THE LAST SEVERAL YEARS OF CUTS TO THEIR OPERATIONAL BUDGETS AND TO OFFSET FURTHER POTENTIAL STATE CUTS.
* $1M IS FOR EXPENSES INCURRED LAST YEAR THAT WE WILL PAY IN THIS FISCAL YEAR
* $2M IS FOR DISTRICT WIDE C/O OBLIGATIONS
* $3M IS FOR NEXT YEARS STABILITY FUND TO MANAGE THE ONGOING INSTABILITY OF STATE FUNDING
* $2M IS TO PAY FOR ADDITIONAL COSTS NEEDED TO MEET OUR FTES TARGETS (THAT I WILL ELABORATE ON A BIT LATER IN THE PRESENTATION)
* AND $6.6M IS FOR THIS YEAR’S STABILITY FUND, REQUIRED TO CLOSE APPOXIMATELY HALF OF THE GAP FOR THIS YEAR.

**SLIDE #4**

THIS SLIDE GIVES A QUICK VISUAL OF OUR BEST CASE AND WORST CASE SCENARIO…. SHOWING THAT WE STILL NEED TO CUT **$5.7M** IF THE TAX PACKAGE PASSES AND **$11.9M** IF IT FAILS.

**SLIDE#5**

SO, IN THE WORST CASE SCENRIO, WHICH IS WHAT WE MUST PLAN FOR, WE WILL HAVE ENOUGH ONE-TIME MONEY TO COVER A LITTLE MORE THAN HALF THE STRUCTURAL DEFICIT. FOR THE REMAING DEFICIT OF $5.2 MILLION DOLLARS, WE NEED TO FIGURE OUT THE RIGHT MIX OF BUDGET CUTS AND USE OF THE COLLEGES AND DISTRICT’S C/O DOLLARS TO BALNCE THE BUDGET.

SLIDE #6

AN ADDITIONAL CONSTRAINT IS THE STATE 50% LAW WHICH REQUIRES THAT WE SPEND A MINIMUM OF TOTAL DISTRICT GENERAL FUND EXPENDITURES ON DIRECT CLASSROOM TEACHING COSTS. AND THE BOARD HAS GIVEN CLEAR DIRECTION THAT WE WILL COMPLY WITH STATE LAW. SO ULTIMATELY, WE WILL BE CLOSING THE GAP WITH MORE POSITION AND BUDGET CUTS **AND** THE USE OF AS MANY ONE-TIME DOLLARS AS WE CAN, THAT STILL KEEPS US WITHIN THE CONSTRAINTS OF THE 50% LAW.

**SLIDE#7**

IN THIS WORST CASE SCENARIO, WE WILL BE FORCED TO IMPOSE A 7.3% WLR WHICH MEANS SERVING 2,155 FEWER FULL TIME EQUIVELENT STUDENTS.

AND IN TOTAL THIS WILL MEAN CUTS OF 21% OR **$38M** ACROSS THE ENTIRE DISTRICT IN THE PAST THREE YEARS.

**SLIDE#8**

SO THE CRITICAL STEPS TO BALANCING OUR BUDGET THIS YEAR WILL INCLUDE:

* SIGNIFICANTLY CUTTING THE NUMBER OF CLASS SECTIONS OFFERED FOR WINTER AND SPRING IF THE TAX PACKAGE FAILS
* MORE STAFFING REDUCTIONS BEGINNING IN THE SPRING QUARTER
* AND, USING OUR $6.6M STABILITY FUND TO HELP CLOSE THE GAP

**SLIDE #9**

AS IN THE PAST SEVERAL YEARS, WE WILL BE FACING A NUMBER OF RISK FACTORS IN MANAGING OUR BUDGET FOR 12-13. AND THESE ARE THE QUESTIONS WE WILL BE DEALING WITH.

* WHAT WILL BE THE OUTCOME OF THE TAX PACKAGE, WHICH WILL TELL US IF WE WILL BE FORCED TO CUT ANOTHER 7.3% ACROSS THE BOARD?
* WILL OUR BUDGET BE FURTHER NEGATIVELY IMPACTED BY WHAT WE CALL OUR ***DEFICIT FACTOR*** IF PROJECTED STATE REVENUS FALL SHORT?
* WHAT WILL STUDENT ENROLLMENT TRENDS BE CONSIDERING STUDENT FEE INCREASES HAVE TRADITIONALLY DIMINISHED DEMAND FOR CLASSES?

**WE NEED TO SERVE AS MANY STUDENTS AS WE POSSIBLY CAN!** WE WERE APPROXIMATELY 300 FTES BELOW OUR TARGET FOR MAXIMUM STATE FUNDING LAST YEAR. SO, AT $450,000 IN STATE FUNDING FOR EVERY 100 FTES THAT WE DID NOT GENERATE, WE LEFT OVER A MILLION DOLLARS OF ADDITIONAL STATE FUNDING ON THE TABLE LAST YEAR. TO AVOID EVEN DEEPER CUTS THAN WE ARE ALREADY FACING THIS YEAR, WE ABSOLUTELY MUST DO ALL WE CAN TO SERVE THE MOST STUDENTS POSSIBLE.

**SLIDE #10**

LOOKING AHEAD TO THE 2013-14 YEAR, WE PLAN TO ALREADY HAVE THE BUDGET CUTS REQUIRED IN PLACE TO BALANCE THE BUDGET….BUT WE WILL STILL BE FACING THE UNCERTAINTY OF THE STATE BUDGET FOR THE NEW YEAR AND WHAT ALL OF THIS INSTABILITY WILL DO TO ENROLLMENTS.

**SLIDE #11**

 IN SPITE OF ALL THIS DOOM AND GLOOM I HAVE SHARED, I LIKE TO REMEMBER THERE IS STILL SOME SILVER LINING IN OUR OVER ALL PREDICIMENT…….

* WE ARE STILL GOING TO SERVE BETWEEN **31** AND OVER **33** **THOUSAND** FULL TIME EQUIVELENT STUDENTS THIS YEAR. CERTAINLY NO SMALL FEAT.
* WE WILL DO OUR VERY BEST TO OFFER THE EXCELLENT STUDENT SERVICES WE HAVE ALWAYS PROVIDED,
* GOOD PLANNING AND EXTREME FRUGALITY ON EVERYONE’S PART HAS ALLOWED US TO BUILD **A SIZABLE STABILITY FUND** TO HELP US GET THROUGH MOST OF THIS YEAR,
* AND ALL THE BEST THINKING IN THE DISTRICT WILL KEEP SEARCHING FOR THE BEST STRATEGIES AND ANSWERS TO CONTINUE PROVIDING THE PROGRAMS AND SERVICES CRITICAL TO THE COMMUNITIES WE SERVE.

**CLOSING**

SO, THE MAIN TAKE AWAYS FROM ALL OF THIS CAN BOILED DOWN TO ;

FIRST;

* THESE ARE A LOT OF **REALLY BIG NUMBERS**,
* WE HAVE A BUDGET FOR 2012-13 **NOT YET FULLY BALANCED**,
* WE **WILL** HAVE **LAY-OFFS** TO ONE DEGREE OR ANOTHER THIS YEAR,
* AND WE **HAVE A PLAN** TO MANAGE ALL OF THIS FISCAL AMBIGUITY AND UNCERTAINTY.

AND SECOND,

* OUR PLAN WORKS **BECAUSE** OF THE **ONE-TIME MONEY** WE HAVE BEEN ABLE TO SAVE,
* LAYOFFS **ARE** NECESSARY TO BALANCE THE BUDGET **AND** TO COMPLY WITH THE 50% LAW,
* AND A **TOP PRIORITY** FOR **MAXIMIZING ENROLLMENT** IN EITHER SCENARIO IS CRITICAL TO OUR FUTURE.

THANK YOU FOR YOUR ATTENTION AND TIME LISTENING TO THIS DIFFICULT INFORMATION.