

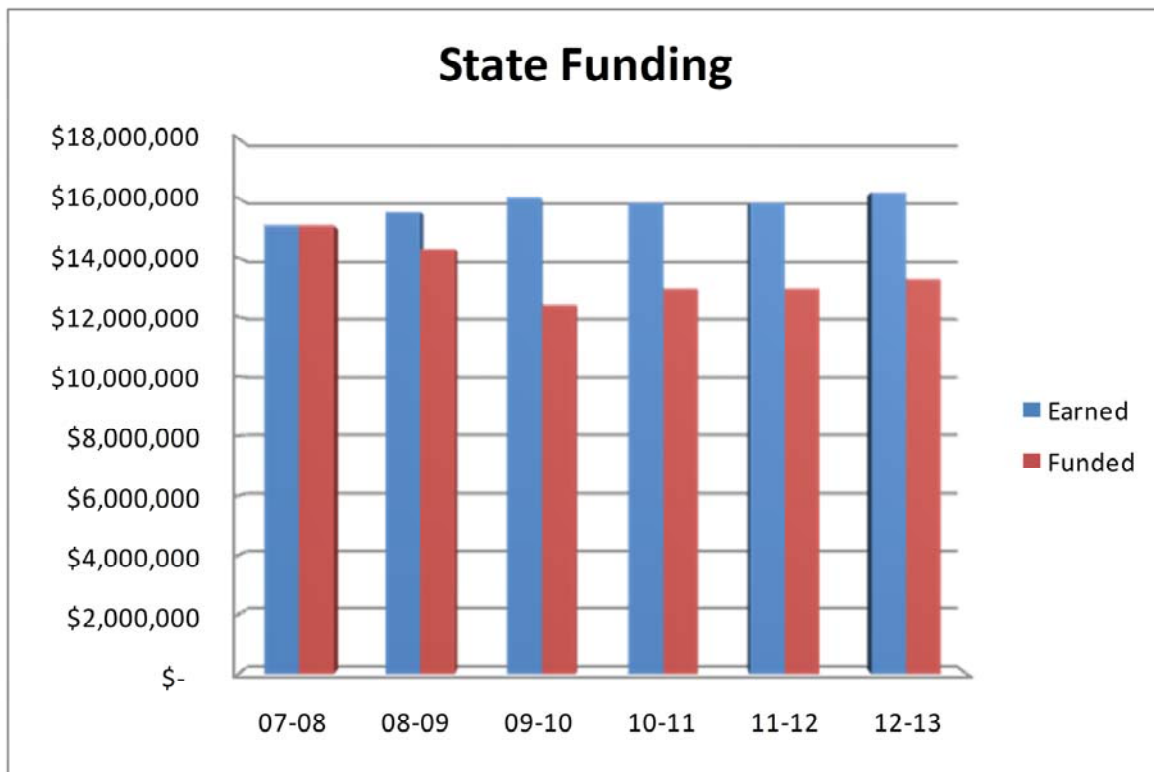


Scotts Valley Unified School District

Financial Forum

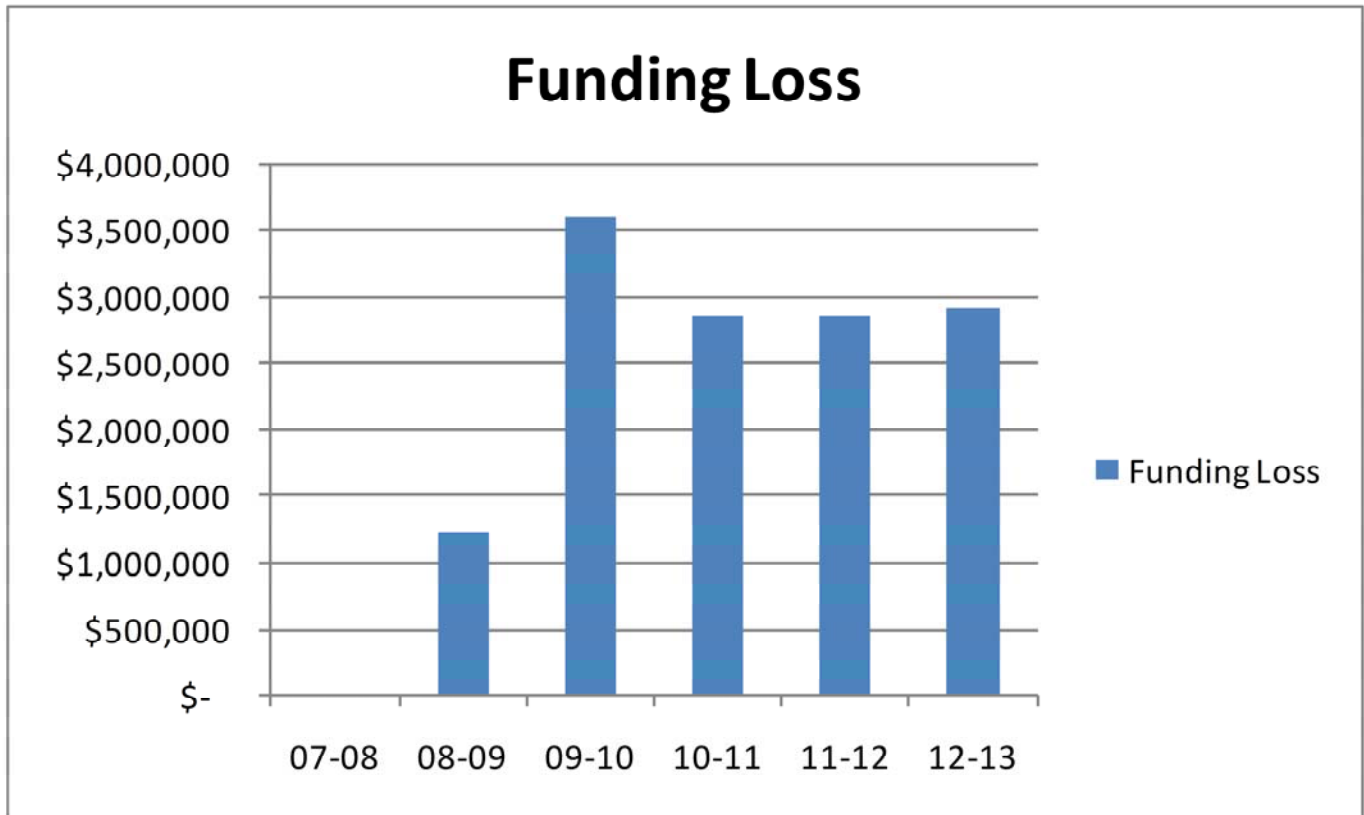
Five years ago, the Scotts Valley Unified School District, with assistance from over 100 teachers, staff, students, parents and community members, developed a strategic plan that guides the district. Each year, a team of about 35 review the accomplishments from the previous year, and set new goals for the coming year. In April, 2010, the committee agreed that the fifth component of the plan, Communication and Outreach, should be renamed "Public Relations." The Communications and Outreach component had focused on providing 1) adequate technology resources to support our staff and student learning, and 2) formal and informal processes for the District to share information with staff, students and the public and to involve them in decision-making processes. As part of the new PR component, the District is reaching out to community members via a number of community forums to help the public understand the challenges the District is facing from a financial perspective, and outline the options we have to continue to deliver a comprehensive education to our 2,600 students.

Effects of the Recession: A Revenue Crisis



Most school districts in the state of California share a fiscal situation similar to that of Scotts Valley. The primary source of a school district's revenue is earned based upon how many students are present each day, as opposed to the number of students enrolled. Additionally, the amount of funding per pupil is not the same for all California school districts. Scotts Valley receives one of the lowest per-pupil allocations of any K-12 district in the state. Because of the fiscal crisis, the amount of revenue we are entitled to is greater than the amount we actually receive. As you can see in the chart above, the last year that Scotts Valley Unified School District received its full entitlement was in 07/08. Since then, the amount we receive has declined significantly, and currently we receive about 81 cents for each dollar earned.

State Funds not received:



In 2007-08, the school district received revenues of approximately \$19 million; this year's budget is \$16.4 million. This graph shows the funding loss over the past few years, the worst year being 09-10, where we received approximately \$3.6 million less than our entitlement. The projections carrying out to fiscal year 2012-13 are based on the California State Budget Act as passed in October of this year. Please keep in mind two things: 1) Governor Schwarzenegger has called for a special legislative session to address an estimated \$6 billion budget deficit for the current year; and 2) the new governor and legislature will begin crafting the 2011-12 budget in January. Given the current magnitude of the state deficit, it is likely that these numbers will change.

Federal Funding: One-Time Revenue

- American Recovery & Reinvestment Act (ARRA)
 - \$985,000 received over two fiscal years (08-09 & 09-10)
 - Spent over two fiscal years (09-10 & 10-11)
 - Teachers, Counselors, Campus Supervision, Technology
- Federal Jobs Act
 - \$430,000 received in fiscal year 10-11
 - To be spent in fiscal year 11-12
 - Teachers and Counselors

While the recession has resulted in unprecedented state funding reductions to California public schools, the federal government has provided some relief in the form of one-time, or non-recurring revenues. Two pieces of legislation, the American Recovery and Reinvestment Act (or ARRA), and the Federal Jobs Act have provided Scotts Valley Unified School District with approximately \$1.4 million dollars spanning the 2008-09, 2009-10 and 2010-11 fiscal years. This money is being used to retain positions, or people, in fiscal years 2009-10, 2010-11, and 2011-12. Reports on how these funds are being spent are submitted to the Federal Government on a quarterly basis. While this money is helpful and needed, it does not compensate for the nearly \$3 million per year in state funding reductions. There are currently no projections of similar federal funding beyond 2010-11.

Expenditure Changes:

- Expenditure Reductions: \$1.85M FY07-08 to 09-10
 - Increased class sizes
 - Teachers
 - Reduced Services
 - Campus Supervision, Library, Custodial, Nursing, Classroom Aides, Clerical, Administration
- Expenditure Increases:
 - Salaries
 - Health Benefit Premiums
 - Utilities

In preparation for the reduction in state funding, the district made targeted expenditure reductions totaling nearly \$2 million, beginning in 2007-08. For example, we increased class sizes, which in turn reduced the number of teachers needed. We also reduced services at all sites, including but not limited to, campus supervisors, custodians, nursing services, classroom and library aides, clerical staff and administrative positions. On an ongoing basis, each time a resignation or retirement occurs, we carefully evaluate the need to replace that position or restructure in order to reduce costs.

Despite targeted reductions, as most of you are experiencing, some costs continue to rise which are beyond our control. Utility prices continue to rise, and health insurance costs increased by 40% this year. While we have not provided any Cost of Living Adjustment (COLA) to employees over the past 3 years, eligible staff do receive annual increases in salary based on length of service, or longevity, with the District (called “step” increases) as well as the completion of additional training or degrees (“column” increases). These types of salary increases are part of our labor contracts.

Current Staffing Levels: Elementary School

Enrollment	570	
Principal	1.000	P.E. Aides 0.500
Teachers	20.000	Classroom Instructional Aide 0.438
Special Day Class Teachers	1.000	Special Ed Instructional Aides 2.656
Resource Specialists	1.000	Library Clerk 0.490
Speech Therapists	1.000	Clerical 2.000
		Facilities Specialist 1.500
		Food Service Assistant 0.625
	Total:	32.209

As a result of budget reductions over the past three years, Scotts Valley Unified School District has reduced staff to what we believe to be minimal levels while sustaining day-to-day operations. To demonstrate the level of staffing that currently exists, we've taken a snapshot of each type of school. The chart above is that of an elementary school serving about 570 students. The number of employees is expressed in terms of "Full Time Equivalent" (FTE) positions, with a 1.0 representing one person working one full school day, or eight hours. At an elementary site, there is one principal, approximately 23 teachers to serve all students, including those with special needs. To assist in the classrooms, instructional aide support is limited to our kindergarten, combination, physical education, and special education classes only. Library clerks work about 15 hours a week, with the library being open either 3 hours each day, or 5 hours a day for 3 days a week.

There are two full time clerical staff in the elementary school office. Their responsibilities range from answering phones, ordering and receiving supplies, greeting visitors, sorting out student attendance and medical needs, as well as supporting the teachers and principal. The facilities specialists, or custodians, are responsible for cleaning nearly 23 classrooms and maintaining a campus several acres in size. At the elementary sites there is one full time facilities specialist present every day, and a second on alternating days. Consider the time and effort it takes to clean and maintain your home and yard, then imagine the effort required to maintain a site of this size. Finally, we have a food service assistant who works about 5 hours a day and is responsible for prepping, serving and cleaning up from breakfast, snack and lunch for the students.

Current Staffing Levels: Middle School

Enrollment	601		
Principal	1.000	Special Ed Instructional Aides	1.688
Assistant Principal	0.500	Library Clerk	0.490
Teachers	24.267	Clerical	1.750
Special Day Class Teachers	1.000	Facilities Specialist	2.000
Resource Specialists	1.667	Food Service Assistant	1.000
Counselor	1.000		
		Total:	36.361

The Middle School is not much different, but serves a larger student body. Aside from the principal there is a half-time assistant principal, who teaches the other half of the day. There are just under 27 teachers, and one counselor for 601 pre-teens.

On the support side, the numbers are as lean. At the middle school, classroom aides are limited to those classes serving students with special needs. Instead of two full time clerical staff, there is one full-time and one 6-hour-per-day secretary.

As you might have guessed, middle school students are messier than elementary aged students, so there are two custodians (more classrooms and larger campus as well) and one food service assistant. The food service assistant is supported by many parent volunteers, but is essentially responsible for prepping, serving and cleaning up three meals (breakfast, lunch, snack) for 600 students.

Current Staffing Levels: High School

Enrollment	802		
Principal	1.000	Special Ed Instructional Aides	1.375
Assistant Principal	1.000	Library Clerk	0.490
Teachers	30.250	Career Technician	0.375
Special Day Class Teachers	1.000	Athletic Director	1.000
Resource Specialists	1.000	Clerical	3.750
Program Coordinator	0.150	Campus Supervisor	1.250
Counselors	2.000	Facilities Specialist	2.000
		Food Service Assistant	1.500
		Total:	48.140

At the high school, the student population jumps to over 800, but the overall staff remains very lean. The high school has both a full time principal and assistant principal. There are approximately 32 teachers and two counselors. Counselors are responsible for all grade levels, in addition to spending time with students preparing for college or other post-high school programs.

On the support side there is less than four hours a day of a library clerk and about three hours a day for the career technician, who staffs the career center and assists students with college applications, vocational opportunities and other post-graduation needs. A full-time athletic director manages the after-school sports program, which has over 80% of our student population participating in at least one sport each year. There are three full-time and one part-time clerical staff, which includes a registrar who manages all transcripts and grades. There are only about 10 hours a day of campus supervision shared by three overlapping part-time staff. Similar to the middle school there are two custodians to care for the entire campus; however, the campus is occupied not only during the school day but also after school for both co-curricular and athletic programs as well.

The food service assistants (about ten hours a day) are responsible for serving meals on the high school campus, but they also prepare meals for delivery to the elementary schools and middle school, servicing nearly 2600 students a day.

Current Staffing Levels: Staff Serving All Sites

Enrollment	2,574		
Adaptive P.E. Teacher	0.600	Special Ed Instructional Aides	0.750
Psychologists	1.000	Occupational Therapists	1.000
Speech Therapists	1.500	Facilities Specialists	2.000
Independent Study Teachers	0.850	Delivery Driver	0.375
Nurse	0.800	Food Service Manager	1.000
Total:	9.875		

There are also staff that serve the needs of students at all four sites. These include a four-day-a-week nurse (essentially one day at each site), three days a week for an adaptive PE teacher (serving all students with special physical needs), one psychologist, one occupational therapist and one and a half speech therapists. The independent study teacher serves students who learn at home through a directed curriculum. The Special Education aides on this chart support children with special needs in a program run by the County Office of Education.

Our two full time facilities specialists are tasked with all maintenance and repair needs at all four campuses, and the delivery driver (three hours a day) handles all food deliveries between campuses and other intra-district delivery needs. The food service manager directs and oversees all food service programs as well as the associated federal and state compliance regulations.

Current Staffing Levels: District Office

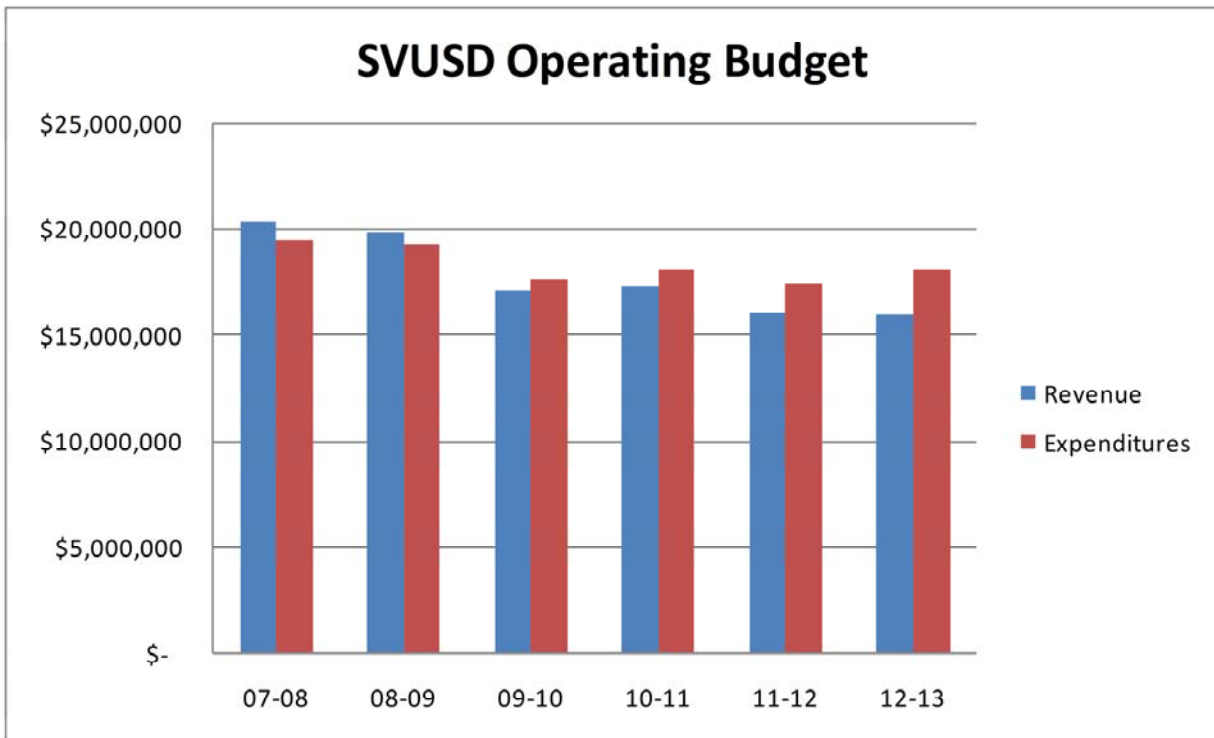
District Administration			
Superintendent	1.000	Administrative Assistant	1.000
Director of Curriculum	1.000		
Director of Student Services	1.000	Administrative Assistant	1.000
Special Ed Program Specialist	1.000		
Director of Technology	1.000		
Personnel Administrator	1.000	District Office Secretary	0.750
Chief Business Official	1.000		
Director of Business Services	1.000	Accountant	0.500
Payroll Technician	1.000	Accounts Payable Technician	0.500
Total:			12.750

Scotts Valley Unified School District has the smallest district office staff in Santa Cruz County with the exception of the single-school districts. The District has one Superintendent with one full-time administrative assistant and employs no Assistant Superintendents. Our Director of Curriculum and Instruction and Director of Student Services share one administrative assistant. The Special Education Program Specialist supports the Director of Student Services on special education matters and manages the Child Find program (federally mandated identifying, testing and placing all special needs students from the age of 3 to five and 18 to 22 years). There is one Director of Technology. The Human Resources department is staffed with one Personnel Administrator, who is assisted by a part-time secretary who is also responsible for answering phones and greeting guests.

The business department is staffed with a Chief Business Official, a Director of Business Services, a full-time payroll technician, a half-time accountant and a half-time accounts payable technician to manage a \$16 million dollar budget, pay all employees and bills, develop and monitor District budgets, fulfill reporting requirements and maintain the general ledger.

Given the staffing levels throughout the District, to reduce any further would make it very difficult to sustain core operations.

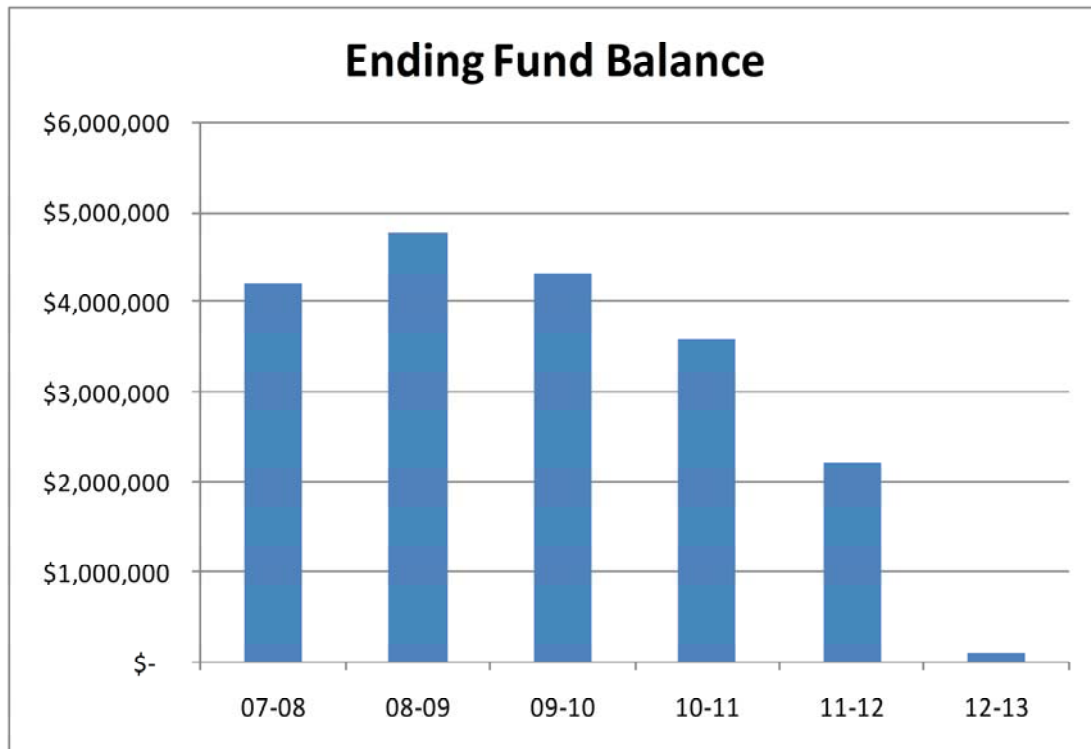
Structural Deficit



Scotts Valley Unified School District has been deficit spending for a number of years, due primarily to the lack of state funding. Essentially, our revenues cannot support our expenditures and we have been effectively using prior year fund balance to cover the difference over the past few years.

The graph above compares revenues to expenditures each year. Despite reducing expenses significantly since 2007-08, we continue to deficit spend because revenues have declined even more rapidly.

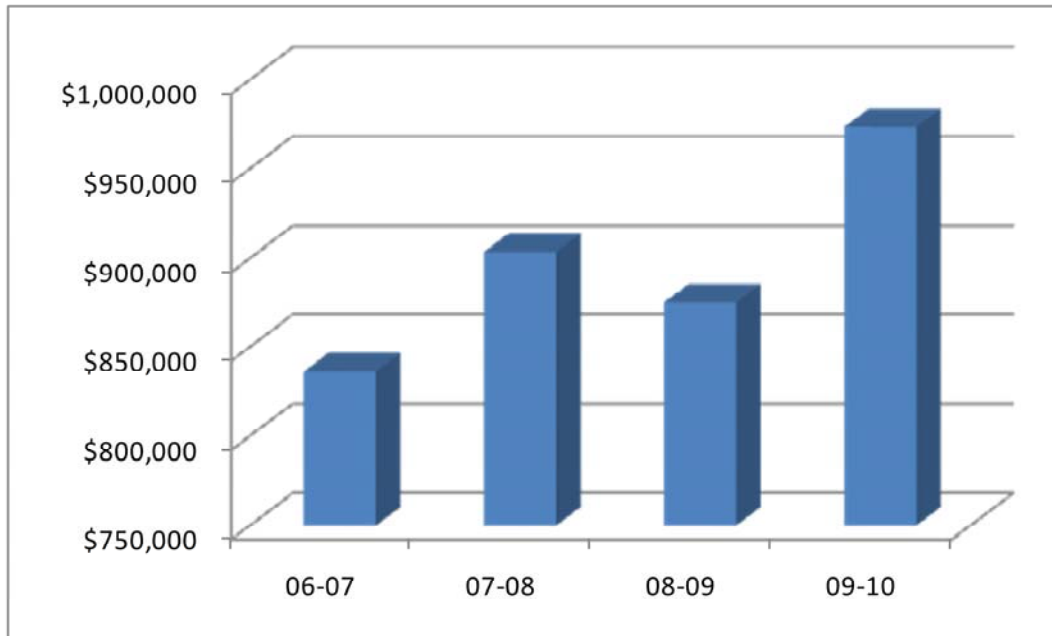
Effects of Deficit Spending:



This graph shows the remaining fund balance at the end of each fiscal year. With the exception of the 2008-09 fiscal year, which was the year we received the ARRA funds, the balance grows smaller each year. If the District does not see an increase in state funding or does not reduce expenses, the reserves will soon be depleted and we will end the 2012-13 fiscal year with an anticipated balance of approximately \$100,000.

Local Donations & Grants

- Individual Parents
- PTA & Boosters
- Scotts Valley Education Foundation
- Local Foundations



It's important to note that our parent community and local foundations have been working hard for many years to offset our loss in revenue. You can see here that going back to just 2006-07, organizations such as the Parent Clubs, PTAs, Falcon Club, Scotts Valley Educational Foundation, community service organizations and other local foundations have each year actively raised funds to support programs such as music, art and athletics, reaching nearly \$1 million in donations in 2009-10.

These school and community organizations have been successful in providing much needed revenue to the school district despite the fact that many families and businesses are also burdened by the economy and recession. However, in order to continue to provide a quality education to the students of Scotts Valley Unified School District, we will need to broaden that level of support to the community at large in the very near future.

Multi-Year Projection

Scotts Valley School District	2010-11 Projected	2011-12 Projected	2012-2013 Projected	2013-2014 Projected
Summary				
Revenues	\$ 17,317,299	\$ 16,065,422	\$ 15,968,024	\$ 15,968,024
Expenditures	\$ 18,045,929	\$ 17,422,307	\$ 18,092,467	\$ 18,092,467
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (728,630)	\$ (1,356,885)	\$ (2,124,443)	\$ (2,124,443)
Interfund Transfers out	\$ -	\$ -	\$ -	\$ -
NET INCREASE (DECREASE) IN FUND BALANCE	\$ (728,630)	\$ (1,356,885)	\$ (2,124,443)	\$ (2,124,443)
Beginning Balance	\$ 4,318,201	\$ 3,589,571	\$ 2,232,686	\$ 108,243
Ending Balance	\$ 3,589,571	\$ 2,232,686	\$ 108,243	\$ (2,016,200)

This projection is a simplified overview that shows the district will be unable to sustain current services beyond the 2012-13 school year, and in the absence of taking any action, will experience a deficit of over \$2 million. To address this shortfall the District could wait and cut \$2 million from the 2013-14 budget (which would be virtually impossible to do). Another option is to cut \$1 million from the 2012-13 budget and maintain those cuts in 2013-14 to reach a total of \$2 million. The best solution, absent any new revenue, would be to tackle the problem in the coming year, reducing approximately \$700,000 from the 2011-12 budget, and maintain those cuts in 2012-13 and 2013-14.

Budget/Recession Solutions

- Revenue recovery (State Budget)
- Expenditure reductions (SVUSD Budget)
 - Required in absence of revenue solution
 - If made in Fiscal Year 2011-12, would require \$700,000
 - If made in Fiscal Year 2012-13, would require \$1,000,000
- Local Revenue Bridge (Parcel Tax)
 - For anticipated duration of recession

The solutions that are currently available to us include taking a “wait and see” attitude and hoping that the state’s economy will recover quickly (similar to the state’s approach to its own budget woes), decreasing our expenditures to the tune of about \$700,000 a year beginning next year or looking to a new source of revenue such as a local parcel tax.

Schools districts are afforded only two legal ways of raising revenue. One is a bond, which can only be used to build or renovate facilities, is based on the assessed value of property and is similar to a mortgage, typically being funded over a period of 30 years. The other type of revenue is a parcel tax, which is levied typically as a flat or equal tax on each parcel of land and can run anywhere from 3-10 years or more in duration. A parcel tax can not be used for facilities, but instead is used to fund operational programs; it requires passage by 2/3rds of the voting community and can include a senior exemption, so seniors would not be required to pay the tax.

Likely, the solution for Scotts Valley Unified School District would be a combination of all three options: some economic recovery, some cuts and a parcel tax of \$700,000 to \$1 million a year to get us through the crisis.