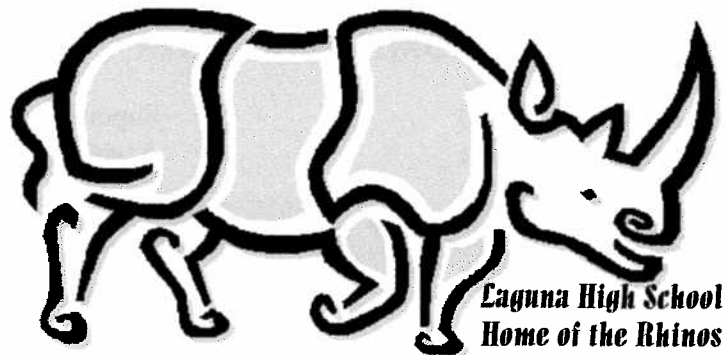


WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT



2008-09 Adopted Budget

**Prepared by: Steven L. Jorgensen, Assistant Superintendent
Shelley Stiles, Budget Manager**

Presented to the School Board: June 25, 2008

BOARD OF TRUSTEES

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Mr. Keller McDonald	Superintendent
Mr. Steven Jorgensen	Assistant Superintendent
Mr. Chris Heller	Principal, Analy High School
Mr. Frank Anderson	Co-Principal, El Molino High School
Ms. Doria Trombetta	Co-Principal, El Molino High School
Mr. Ross Bickford	Principal, Laguna High School

ADDRESS OF DISTRICT OFFICE

462 Johnson Street
Sebastopol, California 95472

GENERAL INFORMATION

The West Sonoma County Union High School District (District) is located in western Sonoma County, approximately 45 miles northeast of San Francisco and approximately 100 miles northwest of Sacramento. The District's boundaries consist of the City of Sebastopol and unincorporated areas of Sonoma County, including Forestville, Guerneville, Occidental, and Monte Rio. The District operates two comprehensive high schools—Analy High School and El Molino High School—and a continuation high school—Laguna High School. The district also maintains a necessary small school, independent study programs, an adult education program and will be opening a Community Day School in the 2008-09 school year. In addition, the District serves as the authorizing LEA for the Russian River Charter School.

The Budget Building Process

The District's budget process begins in January of each year with the Governor's State of the State Address and continues through his Adopted Budget plan for the coming fiscal year. Our district, like most school districts in California, is dependent upon the State for much of its revenue each year. The District's Adopted Budget revenue projection is developed based on the State Budget and the District's student enrollment projection for the budget year.

The District operates on a fiscal year that begins July 1, however, the budget process is virtually continuous. Forecasts of revenues, expenditures, and student enrollments begin in the fall, a year in advance. A budget is adopted prior to July 1 but generally continues to be adjusted. During the school year, the District confirms its financial status both officially, with first interim and second interim reports, and unofficially, with monthly budget updates. After the books for the year are closed, the process ends with an audit certifying the accuracy of the District's records. The School Board holds final responsibility for adopting the budget and assuring that the District can meet its current and future financial obligations.

The primary focus of budget development each year is related to General Fund revenues. These funds represent the bulk of the District's operating money for instruction. In California, a school district has little control over most of its revenue sources. Instead, the District's income is affected by state-determined funding formulas and the mandatory programs in which it must participate. The number of students who attend school is critical to the District's revenues because most of this funding is provided on a per-pupil basis, adjusted for actual attendance.

The District allocates teaching sections based on negotiated class sizes. Thus, the District's first step in determining staffing levels is to get an accurate projection of how many students will attend school. This calculation depends on planned class sizes and the preparation time for which teachers are paid. Both of these are negotiated as part of the collective bargaining agreement between the district and the teachers' bargaining unit. In addition to administrative and service staff (e.g., vice principals, counselors), the District also employs a number of classified staff—such as secretaries, custodians, groundskeepers, cafeteria workers, and teachers' aides—who help to keep the District going.

Because the budget development process is built heavily on assumptions about the District's students, revenues, and expenses, Business Services staff continually examine trend reports and financial forecasts to help improve the validity of these assumptions. The District must adopt a budget by July 1 and submit the adopted budget to the Sonoma County Office of Education for the County Superintendent's approval. On this submittal the district superintendent and chief business officer must personally certify that the District can meet its obligations in the current and following two years.

Collective Bargaining

The bulk of the District's expenditures are tied up in personnel with 82% of the General Fund spent on employee salaries and benefits. As a result, collective bargaining agreements have a dramatic impact on the District's budget, both in current and future years. The District determines the salary level for teachers and the majority of other employees based on a schedule that includes "steps" for years of service in the District and "columns" for the amount of education or training employees receive. Staff seniority usually has the greatest influence on average salaries and thus on the percentage of the budget spent for personnel.

Another significant cost for the District is employee benefits, including paid vacations and holidays, sick leave, health care, and retirement plans, all of which are negotiable. An additional area of great financial impact is class size because it relates directly to how many teachers the district must employ.

With the passage of Assembly Bill 1200 in 2004, the District's Superintendent and Chief Business Official (Assistant Superintendent) are now required to certify in writing that the costs incurred by the District under a proposed collective bargaining agreement can be met during the term of the agreement. It is critical to a district's long-term fiscal health that the multi-year impact of any collective bargaining agreement be analyzed before it is officially adopted.

Parcel Tax

In June, 2005, the school district community passed a parcel tax, (Measure K), a special assessment on parcels within the district's boundaries. The collection rate is \$26 per year per parcel for no more than eight (8) years. The funds generated have allowed the District to continue to offer courses in photography, art and ceramics, leadership, yearbook, foreign language, construction and computer technology. In addition, the District has been able to reduce class sizes, provide outreach crisis counseling, provide additional librarian hours, provide campus supervision support and additionally support district-wide efforts in technology connectivity.

Governor's May Revise Proposal

The Governor's May Revision included an additional \$1.8 billion increase to Proposition 98, the majority of which goes toward reversing the proposed reductions to revenue limits and special education included in the January Governor's Budget. The following are major highlights of the proposal:

COLA: Eliminates the proposed January cut to revenue limits, providing a "zero" COLA on revenue limits.

Special Education: Eliminates the proposed January cut to special education, providing a “zero” COLA for special education.

Deferred maintenance: Proposes shifting over \$222 million out of the state deferred maintenance matching fund and using the money to restore January’s proposed special education cuts, as noted above.

Categorical programs: Continues January’s proposal to reduce all categorical programs by 6.5% percent, except for special education and deferred maintenance, as noted above.

Lottery Proposal: The primary solution to the expanded Budget problem is the Governor’s proposal to borrow against the future stream of revenues generated by the State Lottery. Under the proposal, the state would borrow an estimated \$15 billion from the capital markets in exchange for Lottery revenues related to anticipated expanded sales. The Administration assumes that Lottery sales can be increased significantly through new games and advertising, thereby generating a sufficient stream of new revenues to allow education to retain its current \$1.2 billion in annual Lottery proceeds and to attract Wall Street lenders to loan the state \$15 billion. However, in order to reassure lenders that their loan to the state would be secure, education’s \$1.2 billion would be redirected to the bondholders if proceeds from expanded sales do not materialize as projected.

This proposal requires voter approval before it could be implemented and the Governor seeks to place the measure on the November 2008 General Election ballot. The Administration, however, acknowledges the risks involved with this plan—it may be rejected by the voters, it may be challenged in court, or it may not generate interest among institutional lenders. Thus, as a backup, the Governor proposes that the Legislature enact a standby one-cent increase in the state sales tax to be triggered if the plan to borrow from the Lottery falls apart or other Budget assumptions fail. Once enacted by the Legislature, the Department of Finance would determine if the conditions to trigger the sales tax increase had been met.

Overall Fiscal Condition of the District

The 2008-09 Adopted Budget includes the General Fund (Fund 01) and the West Sonoma County Special Education Consortium (Fund 06) for which the district is the Local Educational Agency (LEA). In addition, a brief summary of Other Funds (Funds 11, 13, 14, 21, 25, 40, 67 and 73) is provided.

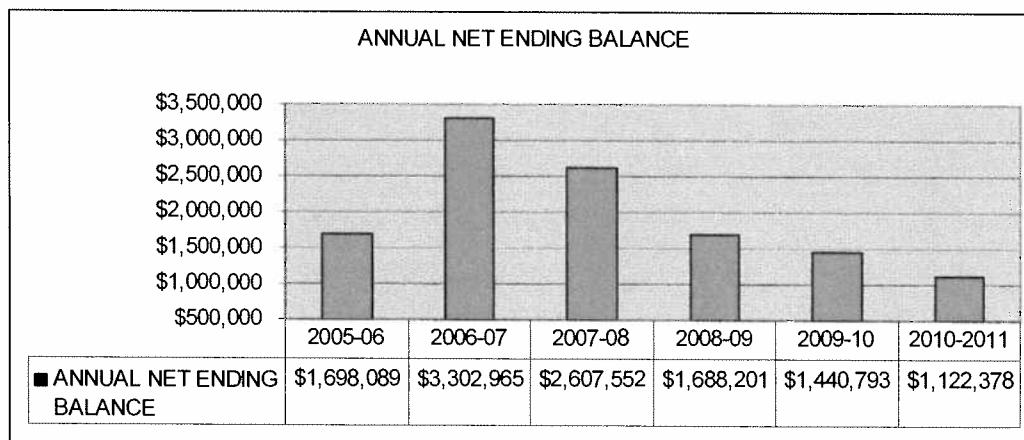
The following is a summary of the 2008-09 Adopted Budget report:

2008-09 Adopted Budget Report			
	Unrestricted	Restricted	Combined
Total Revenues	\$ 15,453,625	\$ 5,994,764	\$ 21,448,389
Total Expenses	<u>\$ 13,227,357</u>	<u>\$ 8,991,383</u>	<u>\$ 22,218,740</u>
Excess (Deficiency)	\$ 2,226,268	\$ (2,996,619)	\$ (770,351)
Total Other Financing Sources/Uses	<u>\$ (3,116,840)</u>	<u>\$ 2,967,840</u>	<u>\$ (149,000)</u>
Net Increase (Decrease) in Fund Balance	\$ (890,572)	\$ (28,779)	\$ (919,351)
Beginning Fund Balance	<u>\$ 2,043,605</u>	<u>\$ 563,947</u>	<u>\$ 2,607,552</u>
Ending Balance	\$ 1,153,033	\$ 535,168	\$ 1,688,201

The following is a summary of the multi-year financial projection:

Multi-Year Projection			
	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
Total Revenues	\$ 21,448,389	\$ 21,947,966	\$ 22,057,915
Total Expenses	<u>\$ 22,218,740</u>	<u>\$ 22,070,374</u>	<u>\$ 22,151,330</u>
Excess (Deficiency)	\$ (770,351)	\$ (122,408)	\$ (93,415)
Total Other Financing Sources/Uses	\$ (149,000)	\$ (125,000)	\$ (115,000)
Net Increase (Decrease) in Fund Balance	\$ (919,351)	\$ (247,408)	\$ (208,145)
Beginning Fund Balance	<u>\$ 2,607,552</u>	<u>\$ 1,688,201</u>	<u>\$ 1,440,793</u>
Ending Balance	\$ 1,688,201	\$ 1,440,793	\$ 1,232,378

The projected annual net ending balance continues its declining trend. The net ending balance shows a decline of \$491,837 in 2007-08, \$593,752 in 2008-09 and \$1,107,376 in 2009-10.



Beginning Balance

The 2008-09 beginning balance is \$2,607,552. Of this amount, \$2,043,605 (78%) represents the Unrestricted general fund balance and the Restricted fund balance is \$563,947 (22%). Of the \$2,607,552 in the Unrestricted general fund, \$672,982 is designated as per the state required 3% reserve for economic uncertainties. Another \$243,685 has been designated to address Assembly Bill 1200, Other Post Employee Benefits, which is the fund derived from a recent actuarial study.

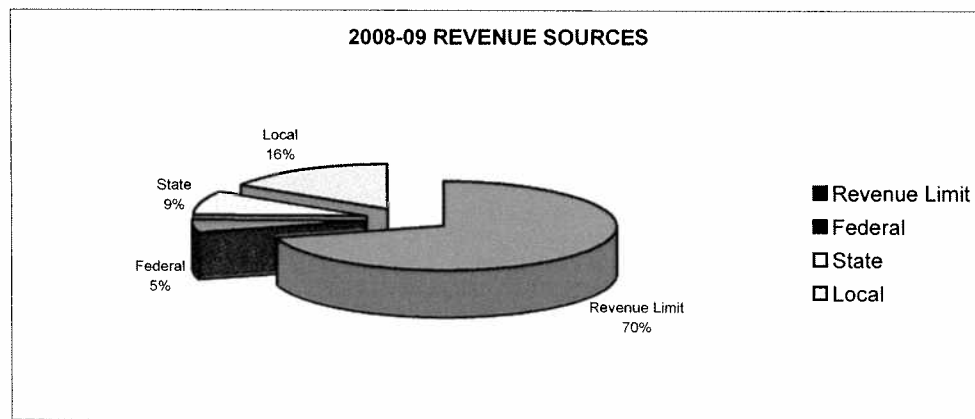
Revenue Summary

The district's enrollment is projected to be 2329, down 35 students from last year's CBEDS count. Districts are given the opportunity to choose from either prior year Period 2 (P2) average daily attendance (ADA) (minus the net shift of students from district schools to the Russian River Charter School per Senate Bill 1466) or current year P2 ADA as a final basis for funding. At this time the 2008-09 budget is based on prior year P2 ADA (April 2008) minus an estimated 1.5 net ADA for students transferring to the Russian River Charter School.

The Base Revenue Limit (BRL) per ADA for 2008-09 is \$7055.17, up \$379 from the previous year. The Cost of Living Adjustment (COLA) is used to fund employee salaries, related programs and the operations of the school district. The 2008-09 COLA is 5.66 % minus a deficit, netting a “zero” COLA.

Total revenues are projected to be \$21,448,389, down from the prior year by \$766,757. The majority of the revenue (70%) comes from the Revenue Limit and property taxes. Federal and State aid accounts for 14% of total revenue and miscellaneous sources accounts for the remaining 16%.

The following summary of 2008-09 revenue sources reveals Revenue Limit sources providing 70% of the district’s annual revenue and Local Revenue providing 16%.

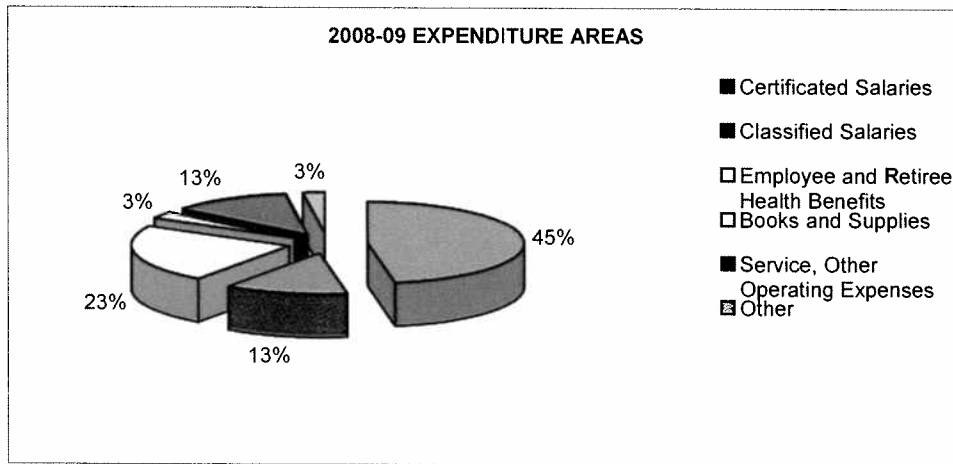


Expenditure Summary

The total cost of all programs and services is projected to be \$22,218,740, down from the prior year by \$671,820. Expenses are predominately related to educating and caring for students (85%). Pupil services, plant services, ancillary services, enterprise services, and other outgo account for the remaining 15%.

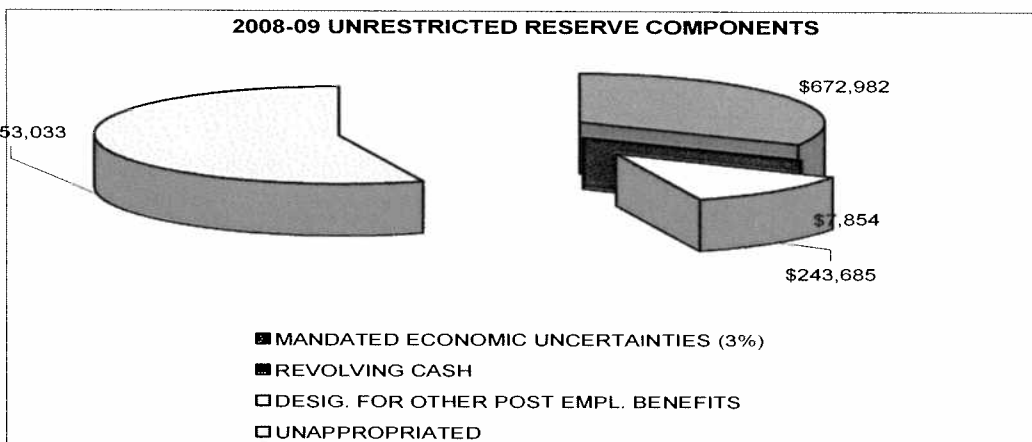
A deficit spending pattern continues but decreases in out years. The net ending fund balance shows a decrease of \$919,351 on 2008-09, \$247,408 in 2009-10 and \$318,415 in 2010-11.

The following summary of 2008-09 expenditure areas shows certificated salaries to be 45% of the district’s expenditures, employee benefits to be 23% and classified salaries to be 13%. Overall, employee salaries and benefits are 82% of the district’s total expenditures.



Sixty-eight percent (68%) of projected 2008-09 reserves are unrestricted and total \$1,153,033. The remaining restricted reserves total \$535,168, or thirty-two percent (32%). The net ending balance shows a decline of \$491,837 in 2007-08, \$593,752 in 2008-09 and \$1,107,376 in 2009-10.

The components of the 2008-09 Unrestricted reserves are listed below:

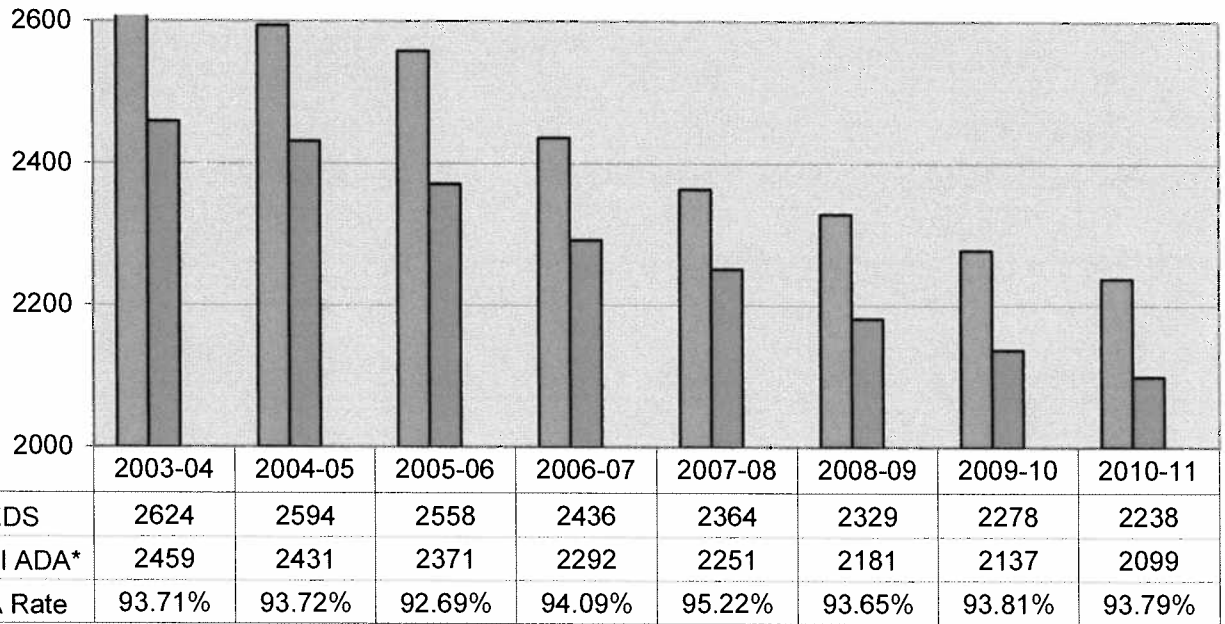


Enrollment/Average Daily Attendance Trends

As per the 2008 P2 enrollment count, the district’s average daily attendance was 2292; down 72 students from the 2007 CBEDS total enrollment count. It is anticipated that enrollment will continue to decline in 2008-09 and 2009-10.

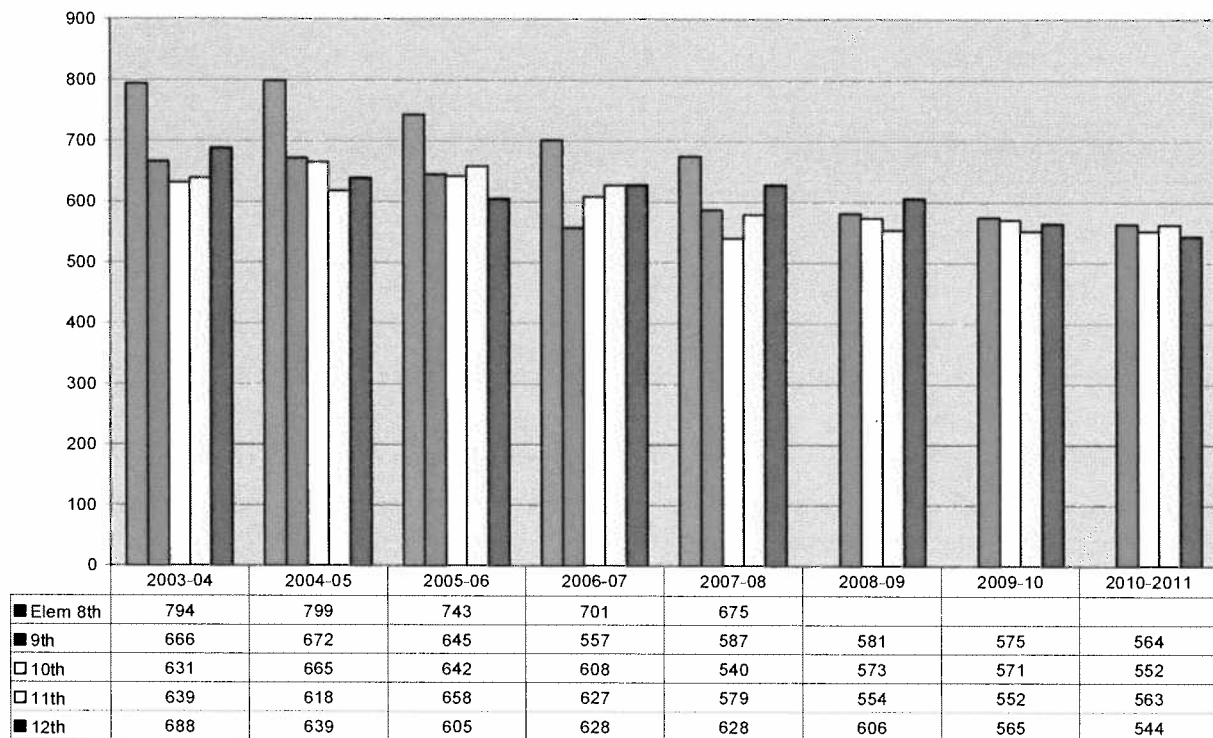
The following graph displays the annual CBEDS to the Average Daily Attendance (ADA) comparison and the ADA rate.

ANNUAL CBEDS TO ADA COMPARISON



The district receives approximately 85% of the potential incoming 9th graders living within the district's boundaries. The incoming 9th grade class is projected to continue its decline. Based on historical patterns it is projected that 94% of the current tenth and eleventh grade students at Analy High School students will continue attending the school and 95% of the current tenth and eleventh grade students at El Molino High School will continue to attend the school. The following graph displays the annual CBEDS count by grade level:

ANNUAL ENROLLMENT BY GRADE LEVEL



Status of Negotiations

Negotiations for the 2007-08 school year were completed in June. The District entered into the following agreements with the two represented bargaining units in the District. Negotiations for the 2008-09 school year are anticipated to commence this Fall with both bargaining units.

Russian River Charter School Oversight Responsibilities

As per Education Code section 47604.32, the District has oversight responsibilities for the Russian River Charter School (RRCS). These duties include ensuring that RRCS complies with all reports required by law and monitoring the fiscal condition of the school.

RRCS contracts with the District to provide for the management of receipts and disbursements, including all aspects of payroll reporting and contributions to the PERS and STRS retirement systems. The District earns \$44,000 for providing these services. In addition, the District prepares and submits RRCS attendance reports to the Sonoma County Office of Education.

Annually, a representative from the RRCS presents an annual report to the School Board. Of particular interest to the District are enrollment and attendance patterns, the number of students enrolled at RRCS who reside within the district's attendance area, credentialing of RRCS faculty, data regarding student safety (including the number of suspensions and expulsions this school year), special education services provided, measurable student outcomes for the current school year (including state assessment and accountability measures), plans to comply with all Western Association of Schools and Colleges criteria and perform a self-study and accreditation review before June 30, 2009, biggest challenges and successes for the current school year, and opportunities and goals anticipated for the coming school

OTHER FUNDS

Fund 11 Adult Education Fund This fund is used to account separately for federal, state, and local revenues for adult education programs. Analy Co-operative Nursery School is run as an Adult Education program with our certificated teachers working with parents of nursery school-age children. Adult Education programs should be self-sustaining and not require additional support from the General Fund.

<u>Est. Beginning Fund Balance</u>	+	<u>Revenue</u>	-	<u>Expenses</u>	=	<u>Projected Ending Fund Balance</u>
\$92.59		\$84,072.00		\$59,241.00		\$24,923.59

Fund 13 Cafeteria Special Reserve Fund This fund is used to account separately for federal, state, and local resources to operate the food service program. The principal revenues in this fund are: Child Nutrition Programs (Federal), Child Nutrition Programs (State), Food Service Sales, Interest, and Local Revenue. The General Fund currently contributes \$60,000 to this fund.

<u>Est. Beginning Fund Balance</u>	+	<u>Revenue</u>	-	<u>Expenses</u>	=	<u>Projected Ending Fund Balance</u>
\$8,814.43		\$669,050.00		\$668,718.00		\$9,146.43

Fund 14 Deferred Maintenance Fund This fund is used to account separately for state apportionments and the District's contribution for deferred maintenance purposes. The principal revenues for this fund are the Deferred Maintenance Allowance, Interest, and Transfers In from other district sources. Moneys in this fund may be expended only for the major repair or replacement of plumbing, heating, air-conditioning, electrical, roofing, and floor systems, exterior and interior painting, inspection and sampling and analysis of building materials and the removal of asbestos-containing materials. All expenditures must be approved by the State Allocation Board. \$90,000 is the required contribution to this fund from district sources.

<u>Est. Beginning Fund Balance</u>	+	<u>Revenue</u>	-	<u>Expenses</u>	=	<u>Projected Ending Fund Balance</u>
\$345,142.58		\$91,000.00		\$420,500.00		\$15,642.58

Fund 21 Building Fund (Bond Proceeds) This fund exists primarily to account separately for proceeds from the sale of bonds and may not be used for any purposes other than those for which the bonds were issued. Expenditures in this fund are most commonly made against the 6000 object codes for capital outlay. We are currently in the closeout process for modernization projects. This fund contributes \$25,000 to the Routine Restricted Maintenance Account in the General Fund. The current revenue is interest only.

<u>Est. Beginning Fund Balance</u>	+	<u>Revenue</u>	-	<u>Expenses</u>	=	<u>Projected Ending Fund Balance</u>
\$14,352.66		\$5,000.00		\$18,500.00		\$852.66

Fund 25 Capital Facilities Fund This fund is used primarily to account separately for moneys received from fees levied on developers or other agencies as a condition of approving a development. Expenditures are restricted to the purposes specified in *Government Code* sections 65970-65981 or to items specified in agreements with the developers.

<u>Est. Beginning Fund Balance</u>	+	<u>Revenue</u>	-	<u>Expenses</u>	=	<u>Projected Ending Fund Balance</u>
\$588,465.57		\$140,000.00		\$83,201.00		\$645,264.57

Fund 35 County School Facilities Fund This fund is established to receive apportionments from the State facilities funds which are authorized by the State Allocation Board for new construction and modernization projects. The principal revenues for this fund are State School Facilities Apportionments, Interest, and transfers in from other funds. Currently we are in the closeout process for modernization projects. Typical expenditures in this fund are payments for the costs of sites, site improvements, buildings and building improvements. Our current revenue is interest only.

<u>Est. Beginning Fund Balance</u>	+	<u>Revenue</u>	-	<u>Expenses</u>	=	<u>Projected Ending Fund Balance</u>
\$416,731.25		\$15,000.00		\$117,500.00		\$314,231.25

Fund 40 Special Reserve Fund for Capital Outlay Projects This fund exists primarily to provide for the accumulation of general fund moneys for capital outlay purposes. The revenue for this fund comes from Redevelopment funds received through the county and interest. This fund contributes \$40,000 to the Routine Restricted Maintenance Account in the General Fund.

<u>Est. Beginning Fund Balance</u>	+	<u>Revenue</u>	-	<u>Expenses</u>	=	<u>Projected Ending Fund Balance</u>
\$29,249.30		\$42,700.00		\$42,000.00		\$29,949.30

Fund 67 Self-Insurance Fund This separate fund was established for our Self-Insured Dental Fund. The principal revenues in this fund are District premiums/contributions and interest. These funds are used for the payment of claims and other related costs. Amounts contributed to this fund are lawfully restricted for insurance purposes.

<u>Est. Beginning Fund Balance</u>	+	<u>Revenue</u>	-	<u>Expenses</u>	=	<u>Projected Ending Fund Balance</u>
\$9,098.13		\$430,000.00		\$430,000.00		\$9,098.13

Fund 73 Foundation Trust Fund This fund is used to account separately for gifts of bequests per *Education Code* Section 41031 that benefit individuals (scholarship fund).

<u>Est. Beginning Fund Balance</u>	+	<u>Revenue</u>	-	<u>Expenses</u>	=	<u>Projected Ending Fund Balance</u>
\$436,123.70		\$11,000.00		\$11,000.00		\$436,123.70

MULTI-YEAR PROJECTION (MYP)

2009/10

Revenues

Average Daily Attendance – The District projected enrollment count is 2278, down 48 students from last year’s CBEDS. The District used a prior year P2 ADA of 2181 in its revenue projection.

Revenue Limit Funding – The budget is based on a 4.83% COLA as per the School Services of California projection.

Expenditures

Salaries – Step increases for both certificated and classified employees have been included; no other salary increases are budgeted. 4.9 FTE certificated positions have been reduced as an adjustment for anticipated declining revenue. An additional 1.0 FTE classified reduction has been built into the budget.

Health Benefits – A 9.8% increase to medical benefits has been budgeted for classified, confidential and management employees. A 12% increase to medical benefits has been budgeted for certificated employees. In addition, adjustments have been included as a result of anticipated employee turnover.

Statutory Benefits – These will be adjusted proportionately with Step and Column increases and employee turnover.

Books and Supplies – A 10% decrease is budgeted for books and supplies.

Services and Other Operating Expenses – A 7% decrease is projected for services and other operating expenses and a \$6,000 increase is budgeted for rent for a Community Day School facility.

Unappropriated Balance – Unrestricted Dollars \$264,293
Restricted Dollars \$274,464

2010-11

Revenues

Average Daily Attendance – It is projected that the CBEDS enrollment count will be approximately 2238, down 40 students from prior year CBEDS. The District used a prior year P2 ADA of 22137 in its revenue projection.

Revenue Limit Funding – The budget is based on a 2.7% COLA as per the School Services of California projection.

Expenditures

Salaries – Step increases for both certificated and classified employees have been included; no other increases are budgeted. The budget includes a reduction of 3.0 FTE certificated positions as an adjustment for anticipated declining revenue. An additional 1.0 FTE classified reduction has been built into the budget.

Health Benefits – A 12% increase to medical benefits has been budgeted for all employees.

Statutory Benefits – These will increase proportionately with Step and Column increases and employee turnover.

Books and Supplies – A 3% decrease is budgeted for books and supplies.

Services and Other Operating Expenses – A 5% decrease is projected for services and other operating expenses.

Unappropriated Balance – Unrestricted Dollars \$131,885
Restricted Dollars \$ 44,202