

Santa Ynez Valley Union High School District
Economic Recovery Plan
2010 – 2012

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Introduction

Beginning in the 2005 – 2006 school year, the Santa Ynez Valley Union High School District developed a structural operating deficit, primarily based on the hiring of additional staff and from debt financing related to recent construction projects. In the 2008 – 2009 school year, the operating structural deficit was exacerbated by lower than projected increases in local property tax revenues from 2006 – 2008 and a decrease in revenues from local developer fees. In the spring of 2009, this issue was further aggravated by the State's fiscal crisis, which led to a nearly \$775,000 cut to the District's operating budget by the State of California. In total, the board of education was forced to cut the SYVUHSD 2009 – 2010 annual budget by 17% to address these factors.

For the third time in three years, the Governor's Office mandated unprecedented cuts to Education based on the state's massive deficits. In January of 2010, the Governor released a budget proposal that will levy \$1.2 billion in cuts to K – 12 education, and with cuts to the SYVUHSD totaling at least \$300,000. However, the legislature has still not adopted a budget, leaving our school district and education as a whole susceptible to yet another round of devastating cuts in the immediate future.

In order to move forward, the administration and the board of education took steps in the spring of 2009 to develop and implement a 3-year Economic Recovery Plan. The introduction of that plan stated:

Our long-term strategies, while rooted in economic recovery, will seek to recognize the needs of future generations of students who will need different skills than students of the past...By recognizing the need to alter our programs based on the economy, we give ourselves and our students a better chance of succeeding today and tomorrow. This is the foundation of our recovery plan – evolving with the market while improving our educational environment for every student.

This statement still applies to our long-term recovery plan. We have developed new partnerships while strategically reducing redundant or costly programs. Additionally, we continue to explore new methods to create a healthy, sustainable budget that will meet the needs of all students for years to come.

The 2010 – 2012 Economic Recovery Plan begins with *Phase IV*, and is followed by the original 2008 – 2011 Recovery Plan.

2009 – 2010 Additions and Updates

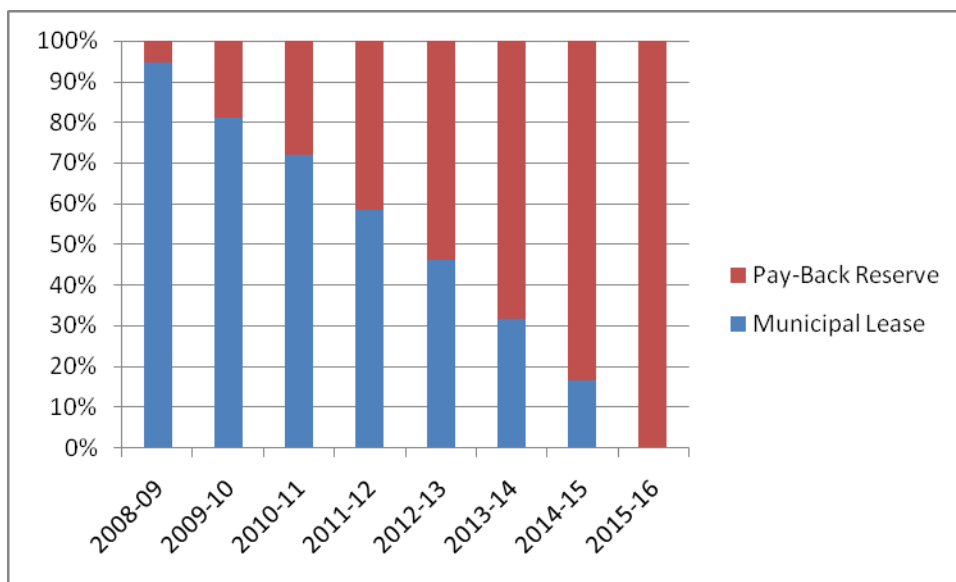
Phase IV (Continued Long term growth: July '10 – June '12)

Superintendent's Economic Advisory Committee: The mission of the Superintendent's Economic Advisory Committee continues to be focused on the development of ideas that will aid the district's economic recovery. The SEAC was instrumental in the development of this document, and continues to believe that a district budget should be dynamic, and should adjust to the external fiscal environment while continuing to place students at its core.

Budget vs. Cash: Our economic recovery is continually built on a budget that aligns Board Focus Goals and school site goals, while also meeting state-required reserves over a 3-year span. We remain committed to building a robust reserve of one-time funds, specifically to offset any cash shortages the district may experience in the future.

Reserve Growth Plan: Our goal is still to achieve a minimum balance of \$1.7 million in our Fund 17 reserve. This is a necessary goal because as a Basic Aid school district, we operate from cash revenues generated from local property taxes instead of regular apportionments from the State. Property tax revenues are received by the District twice a year. As a result, there are times in the school year when cash balances in the District reserves assist the monthly payroll for staff, in addition to other necessary items such as utilities. Currently, one month's average salary, benefits, and utility needs in the District are approximately \$900,000. Therefore, a Fund 17 reserve of \$1.7 million will support just over one month's costs in a fiscal emergency.

As the **graph below illustrates**, the majority of our reserve is currently comprised of funds from a municipal lease (in blue). Over the course of the next seven years, we will replace the leased funds with our own (in red).



Staffing Adjustments: One-time funds from the Federal and State governments in 2009 – 2010 allowed us to retain a small number of certificated and classified staff who were laid off because of the District’s prior structural deficit. Through sound budget management, the individuals paid through governmental funds will be retained as District employees (paid from the District’s general fund) beginning in 2010 - 2011. This is a sign that the District is able to slowly enact its recovery plan, bringing back staff in strategic steps.

Community Partnerships: The SYVUHSD continues to successfully partner with non-profit organizations, local businesses, and other school districts. As a result of these community partnerships, we continue to receive multiple donations of cash and in-kind support, in addition to benefiting from the expertise of our partners in the form of committee members on school and district-level committees. We will continue to seek active partnerships with neighboring school districts in order to reduce costs in multiple areas.

Academic Partnerships: Our academic partnership with Allan Hancock College expanded significantly in 2009 – 2010. Specifically, Allan Hancock College is providing assistance with credit-recovery support for core academic classes, in addition to working with us to provide dual enrollment classes in a variety of subjects. Our partnerships also include the University of California President’s Office, who will assist us in monitoring student transcripts in order to maximize the number of students who can become eligible for entrance to a 4-year college.

Additional Economic Advisory Committee Recommendations to the Board

Capital Replacement Fund: The District currently contributes to a Deferred Maintenance Fund, setting aside funds for facility maintenance and repairs. However, this state-mandated fund is insufficient to cover the total needs of the District and its aging facilities. As such, the Economic Advisory Committee recommends increasing the District’s annual contributions to the Deferred Maintenance Fund.

In response, the District undertook the facility master plan process in order to prioritize “projects of need” and plan for the future. The next step in this process includes a recommendation for the potential development of a Capital Replacement Fund, followed by a clearly set policy for annual contributions to the fund. The economic advisory committee feels that an annual policy for a Capital Replacement Fund is necessary for the long term stability of the District facilities and ultimately, for student learning.

Healthcare Cost Adjustments: The Economic Advisory Committee recommends researching a tiered medical benefits program for new employees, in addition to considering the District’s current contributions toward medical benefits. These actions would serve to mitigate the ongoing cost increases associated with the volatile health care market. The committee recognizes that this is a negotiated item within the District’s personnel structure; however, the recommendation was made with the District’s long-term fiscal health as the driving factor.

**APPENDIX A:
2008 – 2011 Economic Recovery Plan
Adopted by the Board of Education on April 21, 2009**

The Road to Recovery

In order to make cuts to this extent and remain the top performing high school district in Santa Barbara County, we are determined to take action that puts students at the core of our decision-making. A transparent three-year economic recovery plan has been established to guide this process, and is as follows:

Phase I (Short term recovery: Sept. '08 – Jan. '09)

Spending Freeze: In October 2008, a spending freeze was initiated for all non-essential items throughout the school district. This was in anticipation of a significant economic “event”, helping us to store reserve cash flow in case the economy worsened. As it turned out, this action was prophetic and well-timed. This action, taken months before any other school district, allowed us to save valuable resources before the Governor’s budget proposal in January 2009.

Hiring Freeze: Part of our recovery plan has been an acknowledgment that we would eventually lose some of our valued employees. In an effort to reduce the number of employees who would receive a Reduction in Force notification, we redistributed the responsibilities of those individuals who left the school district during the summer and fall of 2008.

Staffing Reductions: In November 2008 and January 2009, the Board of Education voted to reduce staffing across all bargaining units. Administration, Classified Management, Classified, and Certificated employees were reduced in order to mitigate an identified structural deficit for the 2009 – 2010 school year. These reductions met the school district’s need for a balanced 3-year budget. However, the State’s fiscal crisis increased the need for potential layoffs in March 2009.

Phase II (Strategic Planning for long term recovery: Jan. '09 – June '09)

Superintendent’s Economic Advisory Committee: The mission of the Superintendent’s Economic Advisory Committee was to develop and implement a strategic plan for the district’s economic recovery. The SEAC was instrumental in the development of this document, and further believes that a district budget should be dynamic, adjusting to the external fiscal environment while continuing to place students at its core in order to maintain high levels of student achievement.

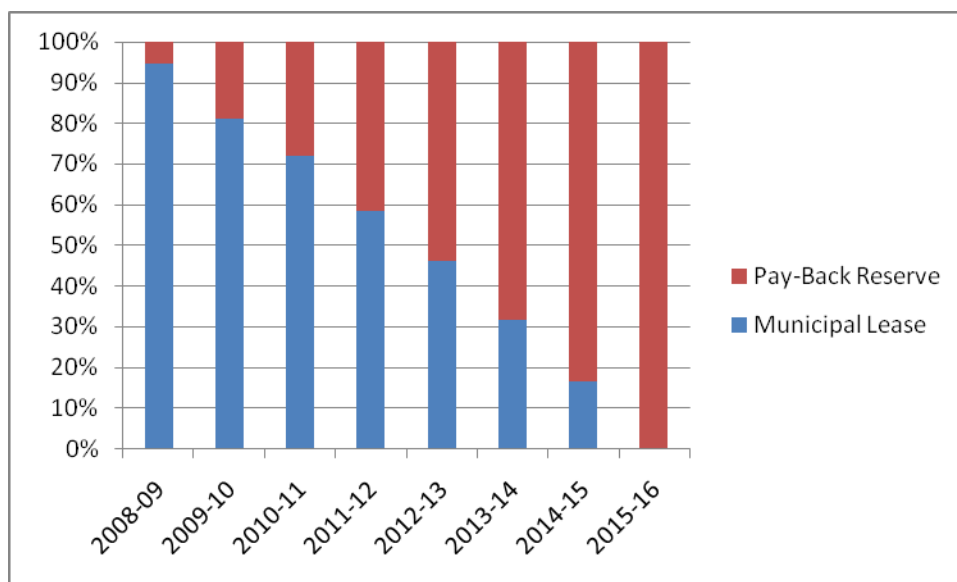
Municipal Lease: The SYVUHSD currently operates a special reserve (Fund 40), based on borrowed funds. This reserve acts as available cash for outstanding bills related to the improvement of our capital facilities. The lease was a necessary step in order to effectively replace the funds that were drained from the district’s reserves because of multiple non-payments by the California Department of Education in 2007-2008 and 2008-2009. At this point, we only anticipate some of the missing state funds to be paid over the course of the 2009 – 2010 school year.

Staffing Reductions: In March 2009, the Board of Education took a protective budgetary stance and voted to reduce staffing in the certificated and classified bargaining units. These employees were reduced in order to prepare for a potential round of devastating cuts from the State-level, based on the May 2009 special ballot. These cuts were enacted in order to allow the SYVUHSD to certify its 3-year budget as positive. If the Governor’s May revision projects significantly lower levels of cuts after the May ballot, the Reductions in Force will be rescinded to reflect the updated requirements on district funds. Additionally, retirement incentives for employees 55 years of age and over will be offered to offset any potential Reductions in Force for the 2009 – 2010 school year.

Phase III (Long term growth: July '09 – June '11)

Budget vs. Cash: As part of our economic recovery, we will work to build a healthy budget that aligns Board Focus Goals and school site goals, while also meeting state-required reserves over a 3-year span. We will also work to build a robust reserve of one-time funds, specifically to offset any cash shortages the district may experience in the future. Given our immediate situation, we have learned that without the one-time cash reserve we held in 2008, we would not have been able to survive this economic downturn without significant losses to staff and programs. Therefore, our budgetary goals are to build a sound budget and a solid reserve for economic uncertainties.

Reserve Growth Plan: As part of our long-term recovery plan, our goal is to maintain a balance of \$1.7 million or more in a restricted cash reserve. As the **graph below illustrates**, the majority of our reserve is currently comprised of funds from a municipal lease. Over the course of the next seven years, we will replace the leased funds with our own. When the reserve is fully comprised of our own funds, we will be prepared for future economic downturns such as the situation we are currently experiencing.



*100% = \$1.7million

Structural Reorganization: As part of the long-term recovery plan, we will seek to increase the efficiency of district-level offices. The administrative staff will be recommending the elimination of the Purchasing/Safety and Supervisor of Maintenance positions in order to create a new position – Maintenance & Operations Manager. This new position will increase the level of service to our staff and our community; have greater oversight of budgets, increased communication with external entities, while also decreasing overall costs to the unrestricted general fund.

Adjust Staffing through Attrition: In order to mitigate future layoffs, we will continue to review the need to rehire staff on an individual basis throughout the next two years. The administration will base all decisions to fill a vacant position on the ability of remaining staff members in any department to distribute the duties of a departing employee. Vacant positions will be filled if acceptable levels of performance cannot be met in affected departments, if credentialing requirements cannot be filled by existing staff, or if the position is specialized in nature.

Deferred Maintenance: While the State’s contribution to our deferred maintenance plan has been suspended for the 2009 – 2010 school year, we will endeavor to identify and prioritize “projects of need” in order to mitigate the potential for costly future facilities issues. We anticipate expending funds in this area in order to maintain an adequate learning environment for students, in addition to meeting unforeseen safety considerations that may arise. A prioritized list and associated costs will be developed and maintained, based on one-time expenditures that are available within our adopted 3-year budget.

Education Foundation: The Santa Ynez Valley has repeatedly shown the ability to raise funds for educational purposes. We will seek to build upon that history by investigating the viability of a SYVUHS Education Foundation, with the mission of building an endowment that will support specific educational programs. The presence of a foundation that is dedicated to furthering the success of our students will also help in mitigating future economic downturns.

Teacher Support: The Performance Assessment for California Teachers (PACT), in conjunction with SB2042, requires teacher preparation programs to use performance assessments as one measure in making credentialing decisions prior to a teacher being hired by a school district. The SYVUHSD will be working with UCSB and Cal Poly (SLO) to train a small cohort of our teachers in the observation and evaluation methods used for new teachers, with the goal of developing a model professional development program for new and continuing teachers. This pilot project will incorporate our ROP Intro to Education class to expose high school students to the teaching profession, and will be aligned with the California Beginning Teachers Support and Assessment (BTSA) standards. If successful, this little-to-no-cost project could potentially become a model for other school districts in the state of California for the recruitment and retention of highly-qualified teachers.

Student Support: Levels of student support were decreased for the 2009 – 2010 school year, based on a lack of funds to continue a partnership with People Helping People, and based on

an encroachment in the Supplemental Counseling program. We will endeavor to use potential one-time federal funds to back-fill the encroachment in the counseling office, which would restore staffing levels in 2009 – 2010 to current levels. Further, we are investigating the viability to use other restricted federal and state funds to hire a Drug and Alcohol counselor to provide external support for our at-risk student population. These funds are not comingled with the unrestricted general fund, and would meet a federal mandate for Safe and Drug Free Schools in the absence of the 2008 – 2009 People Helping People grant.

Community Partnerships: One of the hallmarks of a successful school district is a commanding partnership with community organizations. The SYVUHSD will continue its partnerships with organizations such as the YMCA, Santa Ynez Youth Recreation, the Chumash Tribe, local Rotary clubs, and People Helping People. These community partnerships will continue to be a source of local donations of cash and in-kind support, allowing us to upgrade and improve facilities and programs in the future.

Academic Partnerships: We plan to expand our academic partnerships with local 2-year and 4-year colleges in the next two years, with the goal of providing our students with greater opportunities to experience college-level classes and obtain college-level credit before graduation. Specifically, Allan Hancock College is providing assistance with credit-recovery support for core academic classes, in addition to working with us to provide dual enrollment classes in a variety of subjects. We will also be partnering with UCSB to become part of a NSF linguistics study, allowing students to take a one-year class that will provide them with dual enrollment credit at the University of California level.

Technology: The SYVUHSD currently hosts a robust technological infrastructure, leading to classrooms with tremendous resources and highly qualified teachers in the area of technology. In order to further align the communication and learning styles of our students, parents, and staff, we will endeavor to upgrade the websites for each of our high schools and our district office. The cost of the initial upgrades will come from categorical funds that the State has identified for Tier III “flexibility” transfers. These funds would not otherwise be applicable in our efforts to retain staffing positions.

Renewable Energy: The State and Federal governments are supporting renewable energy efforts by making matching funds available for school districts that successfully pass general obligation bonds. This opportunity may alleviate some of our ongoing utility costs that represent regular school-day facility usage, in addition to our continued support for community events on campus. For example, we continually open our facilities to myriad community groups because we believe that our campus should be available to everyone in our Valley. However, we are seeing a continued burden on our facilities and on our general fund because we charge less than market-value rates for facility usage. To this end, we will investigate the viability of passing a Proposition 39 General Obligation Bond Measure on the June 2010 local ballot, with the goal of potentially lowering our annual utility costs that average \$360,000. If the bond measure is

successfully passed, we would be able to continue offering our facilities to community groups at the current below-market rate.

**APPENDIX B:
2008 – 2011 Economic Recovery Plan
“Learning from History” Section
Published January 2009**

Learning from History

As a successful school district, we have to acknowledge the factors that led us to this point. In addition to having outstanding employees, we have also enjoyed outstanding resources. As a Basic Aid school district, the Santa Ynez Valley Union High School District enjoys a greater overall amount of funding than neighboring high school districts. Our revenues come from local property taxes on an annual basis instead of the state’s allocation of funds on a “per-pupil” basis. The Board of Education and the administration have used these additional revenues to provide the best possible educational environment for students. For example, the Board of Education sought to build the best teaching corps, support staff, and administration possible. One means of achieving that goal included consistently offering employees fully funded medical benefits and offering the highest pay in the County, based on other high school districts.

Based on the steady increase of property tax revenues to the school district, the Board of Education met its mission in other ways. Working with the administration and the staff, class sizes were decreased, the technological infrastructure was upgraded, the world-class International Baccalaureate program was adopted, and the Refugio High School academic program was expanded.

When attempts to gain voter approval for general obligation bonds to improve some of our aging facilities fell short, funds from our special reserve and a Certificate of Participation (COP) were used to modernize our buildings and grounds. The funds from each of these sources were only to be used for capital improvements, not ongoing employee salaries, making the expenditures in these areas appropriate. While the most visible project included the stadium and surrounding bleachers and concession stands, the funding for that project also included new classrooms and technology in the EAST plaza, and a newly renovated barn for our highly successful agriculture program.

It is essential to recognize our community partners in these modernizations – the Chumash Tribe and the Santa Ynez Youth Recreation organization. Without a substantial leadership gift of \$3 million from the Santa Ynez Band of Chumash Indians, we would not have been able to initiate the stadium project and provide our students, our athletes, and our community with outstanding recreational opportunities. Without a gift of more than \$77,000 from SY Youth Recreation, we would not have been able to complete the new barn for our students and our agriculture program.

The constant factor to each of these improvements has been additional property tax revenue, year over year. In short, there was available cash and available credit for significant projects. Our history shows that previous Boards of Education and administrations had the ability to use

these additional revenues for the betterment of students' lives in the educational context. However, as we learned in the fall of 2008, the absence of cash and credit requires a significant alteration of previously approved plans.

As September 2008 concluded, it was apparent that the Santa Ynez Valley Union High School District was not immune to the financial crisis in the nation and in the state. We began to feel the effects of lower than projected increases in local property tax revenues from previous years, in combination with the state deferring annual payments for supplementary programs. In short, there was far less cash than just one year before. In response, we initiated a plan to adjust to short-term issues and recover in a long-term manner. To date, we have cut more than 8% out of our budget for the 2009 – 2010 school year.