

**SYLVAN UNION SCHOOL DISTRICT
2009-10 BUDGET ASSUMPTIONS**

PURPOSE:

The purpose of the budget assumptions is to provide the District with an infrastructure for preparing the 2009/10 budget. The predominant influence in the following assumptions is the Governor's proposed budget for the State of California. Other assumptions will be based upon District input and prior year trends as well as external sources or conditions when appropriate. The following assumptions will be used in generating the initial budget proposal for the 2009/10 fiscal year.

OVERALL ASSUMPTIONS:

1. Enrollment projections for 2009/10 assume a decrease of 256 students as compared to 2008-09. The projected enrollment for 2009/10 is estimated at 7,935 compared to:

- o 2004/05 8,088
- o 2005/06 8,035
- o 2006/07 8,031
- o 2007/08 8,238
- o 2008/09 8,191 (estimated)

Funding for 2009/10 will be based on an ADA of 7,842. Actual ADA won't be known until P-2 is completed in mid-April.

2. Both site budgets and staffing allocations will be by formulas as follows:

2.1 Site Budget Formula:

K-5 Traditional	\$43.18 / enrolled with \$3,734
K-5 Year-Round	\$43.90 / enrolled with \$3,734
6-7-8	\$57.19 / enrolled with \$8,702

No site allocations will exceed 90% of previous year allocations

2.2 Staffing Formula Guidelines:

K - 3 =	(21.5) / 1
4 - 6 =	(32.0) / 1
7 - 8 =	(32.0) / 1

REVENUE ASSUMPTIONS:

3. The District revenue limit will be based on 2008/09 revenue limit with a 4.25% cost of living adjustment (COLA) increase. However, the governor has proposed to deficit the revenue limit yielding a reduction in revenue by an estimated 11.43%. The District's 2009/10 deficit revenue limit per ADA is estimated to be \$5,013.03 per unit of actual attendance. Based upon funded attendance projections of 7,842, the revenue limit funding (inclusive of adjustments) is estimated to be \$39,312,181. This is a reduction of revenue limit funding of approximately \$1.4 million from 2008-09.
4. There is no equalization aid planned for 2009/10.
5. The Public Employees Retirement System (PERS) revenue limit reduction is estimated to be \$218,701.
6. Lottery unrestricted revenue will be calculated at \$109.50 per unit of annual attendance and is projected to be \$899,965.
7. Lottery restricted revenue for instructional materials will be calculated at \$11.50 per unit of annual attendance and is projected to be \$94,517.
8. The District received federal funds through the American Recovery and Reinvestment Act in 2008/2009 for the purpose of saving jobs and stimulating the economy. The District received revenue through Title I, Individuals with Disabilities Education Act, and the State Fiscal Stabilization Fund. A portion of the revenue was received in June 2009 with the remainder to be received in fall of 2009. The District will be able to retain 25 teaching positions in each of two years.
9. State categorical programs are separated into three tiers for 2008/2009 through 2011/2012 with Tier 1 programs receiving a 0% COLA and no flexibility to move funds to unrestricted uses. These programs include Economic Impact Aid, English Learner Acquisition Program, Tobacco Use Prevention Program, Restricted Lottery and Special Education. Transportation is included with the Tier I programs however as of 2008/2009 the funding was from the Public Transportation Account and is reduced in the Governor's May Revise by 65% which leaves the funded amount at \$85,220.
10. The District will receive Special Education funding based on its average daily attendance input to a formula by the Special Education Local Plan Area (SELPA).

Actual costs for special education are dependent on the type of services that the District is required to provide each individual student. For the District to provide these specialized services a contribution from General Education is necessary. For 2009/2010 the contribution is initially projected to decrease with receipt of the federal American Recovery and Reinvestment Act revenue. Without the \$959,589 in federal revenue the contribution would be increasing approximately 1% or \$59,615.

11. Categorical programs under Tier 3 become unrestricted revenue in 2008-2009 and may be designated for any unrestricted use. For 2009/2010 revenue from the following programs is incorporated into the unrestricted revenue to cover operational costs.
 - Art and Music Block Grant
 - Supplemental School Counseling
 - Community Based English Tutoring
 - School Safety and Violence Prevention Program
 - Gifted and Talented Program
 - Instructional Materials Realignment
 - California Peer Assistance Review
 - Teacher Credentialing Block Grant
 - Professional Development Block Grant
 - Targeted Instructional Improvement Block Grant
 - Supplemental Hourly Programs (previously unrestricted)The total revenue amount is \$1,697,979.
12. The flexibility of categorical programs included the transfer of 2007/2008 balances excluding Instructional Materials, Transportation, Special Education, Deferred Maintenance, Routine Restricted Maintenance, and Targeted Instructional Improvement Block Grant. The District utilized this flexibility to transfer \$1,434,970 in 2008/2009.
13. Class Size Reduction program revenue will be based on projected funding of \$1,071 per student with an enrollment of 3,222 for K-3 classes. For the 2009/2010 school year the District will utilize the flexibility in the State Budget to increase the class size with an associated penalty. The projected revenue is \$3,184,083 with class sizes up to 25.

EXPENDITURE ASSUMPTIONS:

11. Salaries

11.1 Step increases will be reflected for those certificated, classified and administrative employees who qualify for movement based upon their longevity with the District.

11.2 Vacancies created due to retirements or those employees indicating the intent not to return will be budgeted as follows:

Certificated:	Class IV, Step 6
Classified:	Step 2, Range per Classification
Administrative:	Step 3, Range per Classification

11.3 2008-09 salary agreements have been reached for the following groups:

- Certificated Teachers
- Certificated Management
- Classified Management
- Confidential

All employee groups have agreed to furlough days in 2009/2010. Classified, confidential and management have agreed to six and a half days and certificated to two days. Salary negotiations for 2009/10 have not been started.

12. Column increases will be budgeted for those certificated employees who have indicated completion of the required number of units.

13. Costs resulting from a paid leave of absence will be budgeted under the corresponding program.

14. For categorically funded programs, the positions allocated will reflect the funding available.

15. Benefits:

15.1 The following reflects estimated employer rates for all statutory benefits for the budget year:

STRS -	8.250%
PERS -	9.709%
PERS Reduction -	3.311%
OASDI -	6.200%
Medicare -	1.450%
Workers Comp -	0.80%
Unemployment -	0.30%

15.2 The Public Employees Retirement System (PERS) revenue limit reduction transfer will total \$218,701, which matches the amount budgeted as an income appropriation as it is a flow-through account to the state.

16. Health insurance premium increases for the 2009/10 fiscal year are estimated as follows:

PacifiCare	10 %
Kaiser	10%
Dental	5 %
Vision	5 %

17. Costs resulting from early retirement will be budgeted under the General Education portion of the General Fund. Payments for retirements in 2007/2008, 2005/2006, and 2003/2004 are set up to be deferred over eight years. The payment for 2009/2010 is projected to be \$363,786.

18. Liability insurance rates are projected to increase 0% over the 2008/09 rates as advised by the District's Risk Manager for a total cost of \$180,230.

19. Insurance Deductible Set Aside - The District has set aside \$200,000 for the deductible for insurance claims. The goal is to establish a set aside amount of \$250,000, however, due to the fiscal situation facing the District the amount currently remains at \$200,000.

20. The following increases over the prior year Second Interim Financial Report and Budget Revision are anticipated for utilities:

Natural Gas	3.0%
Electricity	1.0%
Water	3.0%
Sewer	2.0%
Storm Drain	2.5%
Telephone	0.0%
Trash Disposal	0.5%
Gas and Diesel	0.0%

21. The Stanislaus County Office of Education (SCOE) service agreement is projected to be the 2008/2009 amount of \$220,759. County services include Audiology Screening Services, Internet/Telecommunications Access, Media Streaming, Mail Delivery, Behavioral Intervention Care Management, and Information Systems for accounting, budget, and human resources.

TRANSFERS:

22. The transfer to the Deferred Maintenance Fund is not in the 2009/2010 budget based on the Governor's January Proposal. Deferred Maintenance is among the categorical flexibility programs and will continue to be funded at the 2007/2008 maximum with the applied reductions. The amount the district would transfer if required is approximately \$300,000.
23. The District in financially secure years transfers \$50,000 to \$150,000 to the Special Reserve Capital Outlay Fund 40 for long-term capital outlay needs such as furniture, equipment and bus replacement. Given the financial difficulties facing the District funds are planned to be transferred from Special Reserve to General Fund matching the amount transferred in 2008/2009 of \$ 418,750.
24. Indirect / Direct Costs:
 - 24.1 Inter-program direct and indirect costs will be calculated at the maximum allowable rate per program.
 - 24.2 The Cafeteria Fund will be charged a 3.59% indirect cost for the 2009/10 fiscal year. Ed. Code Sections 38101(c) and 52616.4(a)(3) specify that the indirect cost charge for Cafeteria Funds is the lesser of the school district rate (3.59%) or the statewide average rate. In addition to indirect charges, the District charges applicable direct costs including telephone, electricity, natural gas, waste disposal, and laundry services.
 - 24.3 A direct cost will be charged to the Childcare Fund based on staff's time used to support the childcare program, rent, insurance, utilities, maintenance, and warehouse services.
25. Debt Service and Major Lease Payments:
 - 25.1 The District financed the acquisition and installation of 16 modular classrooms, communications equipment, and a lighting retrofit project in 1997. The debt service payment on the Certificate of Participation is scheduled to be \$29,105 for fiscal year 2009/10.
 - 25.2 The District is currently leasing 23 relocatable classrooms from the state. The lease cost per classroom is \$4,000 per year. Total relocatable classroom lease costs for 2009/10 will be \$92,000 and will be funded out of the Capital Facilities Fund (Developer Fees).
 - 25.3 The District will lease a copy machine for Somerset Middle School and a copy machine for Ustach Middle School at a cost of \$4,500 each per year for five years. The maintenance cost will be reduced for an overall net effect of zero.
26. Reserve for "Economic Uncertainty" of 3% will be maintained.

27. Required by the State School Facilities Program, an amount based on 3.0% of the total General Fund expenditures is to be transferred into an account for the purpose of providing routine repairs and maintenance of facilities. That amount is estimated at \$1,769,783. The Governor's Proposal has lowered this requirement to 1% for the 2009/2010 fiscal year. An amount equal to 1.5% or \$907,063 will be transferred to continue ongoing expenditures necessary for facilities.

Presented for Initial Adoption: February 3, 2009

Revised: June 23, 2009