

June 10, 2009

TO: Board of Trustees
FROM: Ken Benny, Superintendent
Michele Rollins, Assistant Superintendent, Business Services

RE: Preliminary Budget 2009-2010

This memorandum provides background information for the Board related to the development and adoption of the 2009-2010 operating budget. Adoption is scheduled for June 16, 2009. Following our past pattern of reporting, we present a budget and its impact both as “*opportunities and challenges*”.

As a very brief historical overview, we characterize those opportunities and challenges in the context of our key **drivers** and **levers**.

Drivers

Those factors over which we have little or no control: *changes in property taxes and enrollment; and certain aspects of compensation (step and column, growth that requires additional teaching and support staff)*. (See Figure A.)

Levers

Those factors over which we have strategic control; and which continue to be our decision points around which we make our programmatic, personnel, and facilities/technology infrastructure decisions. These decisions are aligned with our mission and the four overarching strategic plan goals: *high levels of student learning; excellent staff; communications and community inclusion; and sound finance and infrastructure*.

Budget by the numbers

The District budget for fiscal year 2009-2010 is \$27 million, of which 90% comes from local sources that include property taxes, parcel taxes, funding partner contributions, leases and rentals, and interest. We bring forward a proposed budget that is balanced, that preserves a modest reserve for a basic aid district, and that includes a small number of budget decision packages that primarily address our continued enrollment growth and sustain currently implemented strategic plan initiatives. (See Figure B.) There is no expectation that any new programs will be added even if they are part of the strategic plan; and that all expenditures, regardless of their focus, will be closely monitored at the building and district level. **As a strong cautionary note, there is every indication that further cuts at the state level will move their way toward both revenue limit and basic aid districts will require an early budget revision in the coming fiscal year.**

While still taking advantage of state class size reduction funding, we have placed kindergarten students in our schools with the expectation that those classes could increase to twenty-four. Even by doing so, we continue to add payroll by way of three additional classroom teachers and the addition of certificated support in library, music and art. Additions to classified support include P.E., custodial, instructional aide and office. Our first significantly large grade group will push into fourth grade next year, resulting in added classroom teachers at that level. The proposed budget does not include increases for total compensation, salary and medical benefits. Significantly, this proposed budget does not include any employee layoffs as have been needed in many California school districts. The budget is built with the expectation that our enrollment will grow by nearly 200 students this next year, which captures a five year cumulative increase of over 400 students.

Figure A. These data points are evidence of challenging times. Enrollment continues to increase at unprecedented rates and property tax increases continue to slow.

Enrollment Trend by year:	# Students	Growth Difference By Year	% of Growth
• 2004-2005	2,235	-1	0.0
• 2005-2006	2,288	53	2.4
• 2006-2007	2,335	47	2.1
• 2007-2008	2,421	86	3.7
• 2008-2009	2,494	73	3.0
• 2009-2010 (Projected)	2,689	195	7.8

Property Tax Increases by year:	% Growth
• 2004-2005	7.2
• 2005-2006	9.4
• 2006-2007	7.8
• 2007-2008	6.8
• 2008-2009 (Projected)	5.5
• 2009-2010 (Projected)	3.0
• 2010-2011 (Projected)	3.0
• 2011-2012 (Projected)	3.0

Figure B. These data points are critical and must be watched carefully, especially as a basic aid district, still not deep into basic aid status. Additionally, the impact on our ‘capital’ budget, which funds our facilities, will continue to be strained as we must add classroom space and keep up with an ever growing list of facilities repairs. The completion of a 15-year Facilities Master Plan serves as the blueprint for our facilities future, but the work that will be needed to stay ahead of the growth and repair curve cannot be funded with our normal capital budgets.

Budget Decision Packages (BDP)	Estimated Cost 2009-10	Funding			Enrollment Growth	Urgent	Sustain Mission
		Unrestricted	Restricted	Onetime			
Sound Finance							
District Reserve for Economic Uncertainty	\$280,000	X					O
per 1.0% on Unrestricted Reserve							
High Levels of Student Learning							
0.4 FTE Library Media Teacher	\$32,000	X			O	O	
District Wide Website Solution	\$25,000	X					O
Response to Intervention Programs Prof Dev	\$35,000	X	X				O
Reading and Math Program	\$52,000	X			O		O
Formula Driven Costs for P.E. & IAs Growth	\$43,050	X			O		
Sound Infrastructure							
District Computer Hardware & Replacement	\$80,000	X					O
Excellent Staff							
0.5 FTE Custodian	\$35,000	X			O	O	
District Data Support	\$52,000	X			O	O	O
Total	\$634,050						

The State budget as a key driver for 2009-10

The Mill Valley community overwhelmingly supported our schools in November 2008 with the passage of a parcel tax that would “Keep Mill Valley Schools Great”. At that time, there was significant concern about the regional and national economies, yet the community stepped up. Also within that timeframe, we could not have predicted the even more dramatic downturn in the state’s economy, which quickly evolved toward a global recession. The Board is reminded that all of these events came on the heels of state budget cuts in 2008, which resulted in District budget cuts this past year of over \$600,000. Our educational partners stepped in to soften the blow by funding classroom and library aides; and supporting what would have been two consecutive years of cuts to school supplies and materials. Without their help and the passage of the parcel tax, we are certain we would be in an environment of employee layoffs and dramatic changes to our educational programs.

The current economic environment is bleak.

At the time of this writing, California’s policy makers and legislators have yet to figure out how to close a gaping hole in the state’s budget unlike anything seen in the last seventy to seventy plus years. School districts across California must approve annual budgets for 2009-10 by June 30, 2009 and will do so with the knowledge that there are significant, yet to be determined, cuts to come for both revenue limit and basic aid districts. This will most certainly require our district to make significant budget revisions in the early going of the 2009-10 fiscal and school year. The theme for all of us right now is, “We don’t know what will happen and we don’t know how soon we will know what will happen. We only know it isn’t going to be positive for schools or for children in general”.

Because of this economic uncertainty, we bring forward a preliminary budget that is frugal, meets the basic needs of our programs, adds no additional programs, fills needs as a result of unprecedented enrollment growth, addresses a small portion of our strategic goals, and provides for security against economic uncertainty. This preliminary budget intends to preserve our workforce and address health benefits, but does not include anything for increased compensation for our employee groups.

Opportunities

There are good stories to tell about our District and its progress forward.

Student achievement, our primary mission, remains high.

On all measures, our students continue to perform at a very high level, and district-wide measures continue to improve. Continued incremental growth becomes more and more difficult as schools and school districts perform better each year. Our greatest challenges (and opportunities) in the area of achievement are three-fold: 1) implementation of Response to Intervention in a systematic fashion that serves all learners; 2) managing resources across the district to serve a growing English language learner population; and 3) managing the increasing need and requirements for data analysis.

The right people on the bus: Quality Staff.

At the heart of every great organization are its people and the quality of the work. As one measure of success, this year we have had a very low incidence of employee turnover. For nine (9) teaching vacancies this year, we accepted over three-hundred (300) applications; and for one District administrative post, we accepted fifty-two (52) applications. We continue to grow our teacher leaders throughout our schools and our district. Our grade leader program begins its fourth year next year and we are grateful to our first 3-year term leaders who will be stepping down and handing

leadership over to new leaders. Leadership and design teams function across the district in at least six areas of student learning and every school has built a cadre of collaborative teams as part of our District Collective Commitments. Our total compensation package remains competitive with our comparable school districts.

Communications and community inclusion is at our core.

Very little in the way of strategic decision making occurs without the voice of our stakeholders. We are acutely aware of the importance of our funding partners and the work we have done with them to secure that partnership through Board policy and regulation. The re-establishment of a 'Funding Alliance' that functions on a continuing basis is one example of a strategic alliance that builds inclusion. Value continues to be added to our district work through the Community Financial Advisory Commission (CFAC). One more example with great thanks due to them is the staff and citizen 'Facilities Master Plan Committee' whose work over the past eighteen months concluded in the District's fifteen year plan for its facilities. The aforementioned staff committees and design teams have created a powerful body of leaders and decision 'contributors'. When all are given the opportunity to participate, the results can be amazing. For example, Measure A, successfully approved by over 74% of our voters, is a result of reaching out to our learning community and expecting the learning community to 'reach in'.

Sound Infrastructure supports the mission of learning.

Our technology and communications infrastructure is strong with the approval and implementation of improvements to our systems that include up-to-date servers, security protections, wiring, telephone systems, and hardware. With cooperation from our PTAs and Kiddo!, we are weeding out obsolete computers and replacing them with those that will function well for our staff and students for the next four to five years. This will continue to be a 'Golden Gate Bridge painting project' that will need fiscal and managerial attention on an on-going basis. In fact, a comment by one of our TLC.org staff committee members made it clear that we cannot slip backwards, especially in the infrastructure area.

With the completion of a District Facilities Master Plan, we now have a blueprint for our facilities that not only includes programs and projects for bond measure consideration, but it also maps out a strategic plan that will guide all decisions related to on-going maintenance and management of all our facilities. We continue to move in the direction of environmentally responsible practices, right down to the materials with which we clean our floors.

Sound Finance provides the resources for mission centered work.

These are challenging times as we have described above; and solutions to problems are most likely going to be the most difficult school districts have encountered in decades. When we look at responsible financial stewardship, we point to the following:

- 1) Is the core mission of the District healthy, alive, and being acted upon strategically and systematically?
- 2) Has the Governing Board protected the District's funds against economic uncertainty?
- 3) Over time, has the District received positive audit reports; and in those cases where corrections may have been needed, has the District acted promptly to do so?
- 4) Does the District have reliable internal controls and multiple measures that not only guide its financial decisions on an annual basis, but also over multiple budget cycles?

In the case of our district, the answer to all of these questions is yes.

The Road Ahead – The Big Picture

- Stay committed to the mission and goals of the strategic plan.
- Keep kids at the center of all decisions.
- Always look at ways we can get better at what we *all* do to support the mission.
- Continue to work and learn together as a Learning Community.
- Use our limited resources wisely and strategically to support the mission.

The fiscal crisis in this state is unprecedented; and both the short and long term solutions are unknown. For us, we are genuinely concerned about the short term given the already perilous and immediate intersection between enrollment growth and the weak real estate market. The long term is of concern because there is not a systemic solution to the state's fiscal instability and it remains to be seen if our elected officials have the political will to solve this problem. In the end, we will continue to do what we have done for decades: deliver the best level of education we can and always look for ways to manage resources responsibly and creatively. The good news for the Mill Valley School District is commitment on the part of our Governing Board, community, parents, and staff to shape our destiny locally as much as is as possible.