

Hello Everyone,

This communication finds us with just over a third of our school year left and our staff engaged in supporting our students through their hard work and commitment to giving our students our best. The Governing Board and I extend our appreciation for all of the effort that goes into serving our students, as well as the support and involvement that comes from our parents and community.

At the Board Meeting of February 7th, the Board approved a resolution committing to make budget reductions in the next two school years. In response to this item, as well as previous Board presentations and information shared with both labor groups, there have been discussions around the District and community regarding our budget and financial status, The Governing Board and I feel it is important to provide everyone with an update regarding where we currently stand. By doing so, we hope that some of the concerns that we have heard expressed will be alleviated.

Before getting into the details, I think it is wise to explain some of the oversight that we receive from the Solano County Office of Education based on state law. Our budget is approved by our Board in late June each year. It is then thoroughly reviewed at SCOE and requires their approval to be enacted. It can be rejected and a district must revise it if that is the case. SCOE reviewed and approved our 2018-19 budget without requiring revisions, but did caution us regarding our deficit spending, the trend of declining enrollment, and other ongoing financial considerations.

Each district is required to provide an updated budget with full financial accounting through what are called Interim Reports. First Interim is based on the budget through October 31st and Second Interim through January 31st. The First Interim is reported and approved by the Board in December each year. Our Board approved ours on December 13th. They will see the Second Interim on March 7th and be asked to approve it at that time. Like with the budget, SCOE reviews both of the interim reports and validates their accuracy.

Some specifics regarding our First Interim Report include:

- Our First Interim Budget Report, now fully reviewed and evaluated by the County Office of Education, was given a Positive Certification. A positive certification means that the County Office has determined that we are able to meet all of our financial obligations for this year and the next two years as well. These three years are the standard period that are legally required to be reviewed. The lower certifications of qualified and negative are used for districts that are experiencing fiscal problems.
- Our Interim did include the projected reductions of \$680,392 for 2019-20 and \$100,000 for 2020-21 included in the resolution mentioned above.
- The level of scrutiny that SCOE is applying to the review of the Interim Reports is higher than I have ever seen it in my many years as

superintendent, so maintaining our positive certification should be viewed as a sign of good fiscal health.

The First Interim Report verifies two important facts regarding our budget and the practices involved in executing it: we can meet all of our financial obligations and are maintaining accurate financial records. The First Interim Report is available on our website under the Board of Education section and within the agenda materials for December 13th, and may also be requested through my office.

Facts regarding specific elements of our budget situation that have been publicly stated at the last two Board Meetings include:

- For the third year in a row, the District has a structural or ongoing deficit.
- This year's deficit is much larger than either of the past two at slightly over \$1,000,000. Approximately half of the deficit this year is based on one-time factors and the other half is based on continuing inadequate revenue from state and federal sources and increasing operating costs.
- \$489,000 of our deficit is based on decreased revenue that was determined through the state budget process.
- This decrease of one-time revenue from \$344 to \$188 per student that was made in the state budget resulted in a decrease of \$489,000 in revenue for Dixon.
- This decrease was something that every district in the state has been faced with and is not based on any calculation errors at the local level.

Another area of concern in our budget is the amount of General Fund or Base revenue that is contributed to operate restricted programs – legally required programs that are not fully funded by the state or federal governments.

- Our contributions to restricted funds – Special Education, Routine Restricted Maintenance, and the ASPIRE Program – are projected to increase by \$438,894 over last year.
- Our total contribution to these restricted programs is estimated to be \$5,507,260 in the 2018-19 school year.
- Every district in the state makes contributions to restricted programs, with Special Education being the largest one in every district.

As part of our review of our budget for 2019-20, we are also looking at staffing levels at C.A. Jacobs and Dixon High School.

- We currently have classes in our middle and high school that are significantly lower than our ratio of 29 students to 1 teacher.

- As a result, we have determined the need to reduce certificated staffing at the secondary level for 2019-20.

In my public statements over the last two months I have stated that our recent First Interim Report is the leanest one that we have made in many years. If you follow education around the state you will know that many districts are in the same position and that budget cuts will unfortunately be fairly common.

I encourage anyone interested in the state of the District – in any regard – to attend or watch our Board meetings. We were not able to broadcast or record the meeting from last week as the City of Dixon could not provide a technician to run the equipment, but ordinarily we are live on Wave cable on channel 20 here in Dixon, stream live through the district website, and also have all the meetings archived through the website.

I will provide periodic updates to our budget situation as this year progresses, with the information that will be presented in the Second Interim on March 7th being the next substantial update that will be available.

The Board and I recognize that having to make any budget reductions makes for more challenging times in the District. We remain committed to working through these circumstances in good faith, with open communication, and the presumption that we are all here to do our best for our students, their families, and all of our staff.