



SAN DIEGO COUNTY OFFICE OF EDUCATION

6401 LINDA VISTA ROAD, SAN DIEGO, CALIFORNIA 92111-7399 (858) 292-3500

Superintendent of Schools
Randolph E. Ward, Ed.D.

August 27, 2007

Thomas Bishop
District Superintendent
Del Mar Union School District
225 Ninth Street
Del Mar, CA 92014-2716

Dear Mr. Bishop:

Re: 2007-08 Budget Approval and Comments

Our office has completed its review of your final adopted 2007-08 Annual Budget Report (SACS Series) in compliance with the provisions of Education Code Section 42127 et seq. The County Superintendent of Schools is required to review the adopted budget and determine if the budget: (1) meets the Criteria and Standards for fiscal stability; (2) allows the district to meet its financial obligations during the fiscal year; and (3) is consistent with a financial plan that will enable the district to satisfy its multi-year financial commitments. We have concluded that your district has met the necessary requirements and that the district's budget was filed with our office in a timely manner. Enclosed is the district's copy of the adopted budget that has been approved by the San Diego County Superintendent of Schools.

During our review, we noted the following items for your review, analysis, and action:

Reserve for Economic Uncertainties

The state requires the district to maintain a Reserve for Economic Uncertainties equal to 3% of expenditures. The district projects that it will meet this requirement from 2006-07 through 2009-10.

Deficit Spending

The district is projecting deficit spending in its unrestricted General Fund of \$103,409 in 2006-07 and \$177,638 in 2007-08. Deficit spending erodes balances and impairs a district's ability to maintain the required General Fund unrestricted reserve. Caution should be taken to assure that these expenditures are singular in nature and are not ongoing, multi-year commitments of the district. We encourage the district to make ongoing expenditure reductions to minimize deficit spending in future years.

Board of Education

Nick Aguilar Susan Hartley Sharon C. Jones Robert J. Watkins John Witt

SERVICE AND LEADERSHIP

Property Taxes

As a basic aid district, the Del Mar Union School District is dependent on property taxes as its main source of revenue. The district budgeted a 5% increase in secured property taxes, which is reasonable given the historical trend of increases in secured assessed valuations. We recommend that the district monitor tax collections to ensure that revenues are on track with the district's estimate.

Multi-Year Commitments

The district has multi-year commitments totaling \$11.8 million as of July 1, 2007. These commitments should continue to be carefully monitored to preclude any adverse impact on the General Fund in future years.

Salary and Expenditure Increases

The proposed 2007 Budget Act includes a COLA of 4.53% for 2007-08. Be advised that any ongoing salary increase (including step and column) will need to be funded by the COLA, excess district reserves, or by additional expenditure reductions in 2007-08 and in future years. In addition, before granting any salary increases or making any other new ongoing expenditures, you are cautioned to protect the future financial integrity of your district by assuring a minimum of reserves (including adequate reserves for contingencies) for at least the following two years of operation.

New School Opening

The district's budget assumes that Ocean Air School will open in September 2007 and includes increased expenditures for the new school. The district should monitor the on-going costs associated of this school to ensure sufficient funds have been budgeted in the current year.

Collective Bargaining and Other Disclosure Requirements

Our office requests that all districts submit a collective bargaining disclosure form to our office 10 working days prior to board action on a proposed settlement. To be in compliance with AB 2756 (Daucher), both the Superintendent and Chief Business Officer must sign the collective bargaining disclosure form. The form is available in Excel format at <http://www.sdcoe.net/business2/dfs/?loc=formsdocs&m=1&pi=bas> Districts must make any budget revisions within 45 days of approval of a collective bargaining agreement. Please send an expenditure report by major object that has been generated by your financial system showing the budget before the changes and a second expenditure report showing the budget after the changes.

Districts are also required to disclose non-voter approved debt and self-insured workers' compensation claims. Copies of the required disclosure forms can be found on-line at: <http://www.sdcoe.net/business2/dfs/?loc=formsdocs&m=1&pi=bas>.

Conclusion

The district's adopted budget was developed prior to adoption of the state Budget Act and education trailer bills and is approved on that basis. Actual state budget data

should be reviewed and incorporated into the district operating budget and multi-year projection during the First Interim Report process if the 45-day revision option under Education Code Section 42127(i)(4) is not utilized. If the district uses the 45-day option, a summary of any such revisions to the 2007-08 budget must be provided to the County Office for review as soon as possible after adoption by the board.

Should you have any questions concerning this review, please feel free to call me at (858) 292-3537 or Dr. Carole Parks, consultant, Business Advisory Services at (858) 292-3810.

Sincerely,

A handwritten signature in black ink, appearing to read "Linda Visnick", written in a cursive style.

Linda Visnick
Executive Director
District Financial Services

LV:CDP:SR

Attachment: SACS Forms

cc: Board President
Chief Financial Officer