



# 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.

January 22, 2009

Dr. Sharon McClain  
District Superintendent  
Del Mar Union School District  
225 Ninth Street  
Del Mar, CA 92014-2716

Dear Dr. McClain:

Re: 2008-09 First Interim Report

Our office has completed its review of your First Interim Report (SACS Form 01I) in compliance with the provisions of Education Code section 42130 et seq. The district has submitted a positive certification, which means that the district certifies that it will meet its financial obligations for the current fiscal year and subsequent two years.

The district's First Interim Report has been analyzed in the context of the 2008-09 State Budget Act and the School Services of California COLA projections for 2009-10 and 2010-11. Since the time that the State budget was approved, the Governor has called three special sessions of the Legislature to address a significant budget shortfall of \$14.8 billion in 2008-09 that would grow to \$41.6 billion in 2009-10 if unaddressed.<sup>1</sup> Our office has not asked school districts to take into account any of the proposals for mid-year budget reductions since no action had taken place by October 31, 2008.

All of the data submitted by the district has been analyzed and appears to adequately reflect the financial status of your district as of October 31, 2008. In accordance with the provisions of Education Code section 42131, the County Superintendent of Schools will inform the California Department of Education that your district submitted a positive certification in a timely fashion and we concur with this certification at this time.

During our review, we noted the following items:

### **Reserve for Economic Uncertainties and Cash Balance**

The state requires the district to maintain a Reserve for Economic Uncertainties (REU) equal to 3% of expenditures. Because of the volatility of basic aid district revenues, the 3% minimum amount required for the REU may not be sufficient. Based upon the assumption of a 3% increase in property tax revenue for the next two years, the district projects that it will meet this requirement from 2008-09 through 2010-11. In addition, the district is projecting that it will have a positive ending cash balance on June 30, 2009.

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<sup>1</sup> 2009-10 Governor's Budget: General Fund Proposals, December 31, 2008.

### **Board of Education**

Mark C. Anderson    Susan Hartley    Sharon C. Jones    Jerry R. Rindone    John Witt

**SERVICE AND LEADERSHIP**

### **Property Tax for Basic Aid Districts**

We recommend that the district continue to monitor its property tax income to ensure that the budgeted amount of \$30,767,297 materializes by year-end.

### **Multi-Year Projection**

The district's multi-year projection indicates deficit spending in the unrestricted general fund of \$1,867,011 in 2008-09, \$1,753,018 in 2009-10, and \$1,644,057 in 2010-11. Deficit spending is not projected to have an impact on the district's ability to meet its required reserve level in fiscal years 2009-10 and 2010-11. However, deficit spending erodes balances and needs to be carefully monitored to prevent any financial difficulties in future years.

### **Future Salary and Expenditure Increases**

The district has submitted the required disclosure for completing salary negotiations for 2008-09. Before granting any future salary increases or making any other new ongoing expenditures, the district should take into account the fact that the Governor and the State Legislature have been considering mid-year cuts and deferrals for 2008-09, and a state budget shortfall is projected for 2009-10. This creates uncertainty about future cost of living increases for school districts. We also recommend that the district protect its future financial integrity by assuring a minimum of reserves (including adequate reserves for contingencies) for at least the following two years of operation.

### **Conclusion**

In accordance with the provisions of the Education Code Section 42131, the County Superintendent of Schools will inform the California Department of Education that your district submitted a positive certification in a timely fashion and we concur with this certification at this time.

Please review this document carefully for any changes in data submitted. 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,



Linda Visnick  
Executive Director  
District Financial Services

LV: CDP: SR

cc: Board President  
Chief Financial Officer