

March 5, 2010

To: Board Members
From: Dr. Sharon McClain, Superintendent
Subject: Agenda Item 10.7: Recommendation for Future Cost Savings

BACKGROUND

The District is currently faced with difficult budget challenges due to the Fair Share funding requirements for Basic Aid School Districts, a state and nationwide financial crisis as well as a possible drop in property tax revenue over past years. The District has budgeted a -1.0% for property taxes this year, which is in line with other basic aid school districts around us: Solana Beach, Rancho Santa Fe, Cardiff. We will not know until August what the actual tax revenue is for this year. The most recent tax estimates received from the County Tax Assessor in February show a 2% increase in tax revenue above what the District has budgeted. Our district has only received 55% of the actual tax funding projected for this year. The District will not know the exact amount of tax revenue until August 15.

The Second Interim Report (presented 3-10-10) projects a decline in the District's resources over the next 4 years. This will cause the District to receive a "qualified" budget rating from the San Diego County Office of Education in 2010-2011 and a "Negative" budget rating in 2011-2012 because of the District's inability to balance its projected budget 3 subsequent years. An increase in revenues or reductions in expenses are needed to avoid "qualified" or "negative" certification.

The District's reserves are projected to decline to -\$3,893,398 in 2013-2014. In the 2009/2010 second Interim Report, after funding a deficit of \$881,788 the District will have a 25% Reserve of \$11,522,551. This amount will fund 3 District pay periods. Without the subsequent year funding guarantee afforded Revenue Limit school districts, Basic Aid Districts most often keep a Reserve equal to the difference between the Revenue Limit and Basic Aid Status. Del Mar's 2009/2010 Basic Aid status adds \$12,534,000 to the \$19,638,000 allocation provided to Revenue Limit Districts by the State.

On February 17, 2010, staff recommended that the Board not close a school to relocate the District Office as a cost savings measure. The Board approved the recommendation. At the last Board meeting, the Board directed staff to return with a recommendation for cost saving measures to:

1. Include redrawing boundaries with the intent to utilize capacity in schools with lower enrollment.
2. Reduce the enrollment at Sage Canyon School, which will lessen the need for additional administration.

The following recommendation will eventually affect every school in the District either through boundary changes or the combination of two schools. While there will unfortunately be disruption to students, staff has attempted to minimize that disruption whenever possible. Additionally, staff believes budget reductions must take place in order for the District to continue to offer its outstanding programs to students and to retain high quality staff.

RECOMMENDATION OF THE SUPERINTENDENT:

1. CONSIDER BOUNDARY ADJUSTMENTS

1. Move Palacios and Meadows Del Mar areas from Sage Canyon boundary to Ashley Falls boundary to lower the school enrollment at Sage Canyon beginning with the 2010-2011 school year.
 - a. Allow all students currently attending Sage Canyon from the Palacios and Meadows Del Mar areas to remain at Sage Canyon.
 - b. Allow siblings of Palacios and Meadows Del Mar area students entering Kindergarten to enter and remain at Sage Canyon.
 - c. Require all Palacios and Meadows Del Mar entering Kindergarten students without siblings and any new students in Palacios and Meadows Del Mar to attend Ashley Falls School.
2. Move Areas G, J, K in the Del Mar Hills/Del Mar Heights boundary area to Carmel Del Mar School boundary area beginning with the 2010-2011 school year. (Note: This boundary adjustment would take place with approval/direction to move forward of Recommendation #2 “Consider combining Del Mar Hills and Del Mar Heights Schools”.)
 - a. Allow all students currently attending Del Mar Hills or Del Mar Heights Schools from Areas G, J, K to remain at their current schools.
 - b. Allow siblings from Areas G, J, K who are entering Kindergarten to enroll and remain at the school their siblings attend.
 - c. Require all entering Kindergarten students without siblings and any new students in Areas G, J, K to attend Carmel Del Mar School.

RATIONALE:

- This plan will minimize as much as possible disruption to students and families and will, within a few years, accomplish the goal of adding students to the Ashley Falls boundary area and will in turn, reduce the number of students in the Sage Canyon boundary area. This will also reduce the need for additional administration at Sage Canyon School.
- With more students at Ashley Falls and Carmel Del Mar Schools, the ESC program offerings will have the benefit of having more full time ESC staff.
- Lower enrollment at Del Mar Hills Academy and Del Mar Heights schools will allow combining the two schools at one site as outlined in Recommendation #2.

POTENTIAL SAVINGS:

Future Assistant Principal Position

\$136,412

2. CONSIDER COMBINING DEL MAR HILLS AND DEL MAR HEIGHTS SCHOOLS

(Note: School A will house preschool and Kindergarten classrooms in an Early Childhood Education Center. School B will house Grades 1-6.)

2010-2011

1. Move Child Care/District Preschool from the District Office site to Sycamore Ridge School for one year.
2. Remodel identified classrooms as necessary for future preschool classrooms at School A using proceeds from the sale of Shores School.
3. Limit Intradistrict transfer approvals into the Del Mar Hills/Del Mar Heights attendance area to students currently attending both schools.
4. Allow siblings of intradistrict transfer students entering Kindergarten in the Del Mar Hills/Del Mar Heights attendance area to remain and stay.
5. Replace portables or build new classrooms as necessary and within budget at School B.

2011-2012

6. Move Special Needs Preschool and District Childcare from Sycamore Ridge School to School A.
7. Move first grade – sixth grade students to School B.
8. Move Kindergarten students to School A.
9. Create an Early Childhood Education Center of Preschool and Kindergarten students at School A. “Grow” the Center using the District’s plan to include more typical children as role model peers for special needs preschool students.

RATIONALE

- There is no major cost (except physical moving expenses) to re-locate the District Child Care program to Sycamore Ridge since space is available. No new bathrooms will need to be built, and the District Child Care program students will provide more typical peers as role models for special needs students already housed at Sycamore Ridge School. There may be some minor fencing and a shade structure needed.
- The Special Needs/Typical Child Preschool Program will attract typical children whose parents want a high quality preschool program run by the District. The program will grow, providing revenue to the District.
- The new Early Childhood Education Center will be served by a .5 principal, a .5 office manager a .5 health technician and a .5 plant manager.
- The remaining .5 in the principal position will be allocated to the responsibilities of the Coordinator of State and Federal Projects.
- With more students at School B, the ESC program offerings will have the benefit of having more full time ESC staff.

POTENTIAL SAVINGS 2011-2012:

Coordinator of State and Federal Projects	\$152,751
.5 Office Manager	28,372
1.0 Office Assistant	46,633
.5 Health Aide Tech	20,423
.5 Plant Manager	26,415
1.0 Library Media Specialist	22,006
Total	<u>\$296,600</u>

3. **USE SHORES SCHOOL PROPERTY PROCEEDS FOR PURCHASE OF NEW DISTRICT OFFICE**

4. **USE REMAINING SHORES PROPERTY PROCEEDS TO FUND CONSTRUCTION OF OCEAN AIR CHILD CARE FACILITY TO FREE UP ENTERPRISE FUND (CHILD CARE) FOR GENERAL FUND OPERATING EXPENSES.**
 1. Fund Child Care Facility buildings at Ocean Air School with Del Mar Shores School Funding (estimated at \$900,000 to \$1,000,000).
 2. Release remaining \$1.7m in the Enterprise Fund Child Care account less a reserve of \$100,000 into the General Fund to help decrease the \$3,268,017 deficit in 2010-2011. This will reduce the amount available in the Shores proceeds for District Office Relocation to approximately \$7,300,000.
 3. Replace portables and/or design new buildings at School B to accommodate combining of two schools. Cost: Approximately \$2,000,000 from Shores Proceeds leaving \$5,300,000 for a District Office.

TOTAL POTENTIAL GENERAL FUND SAVINGS:

Recommendation #1 (ongoing)	\$136,412 (11/12)
Recommendation #2 (ongoing)	\$296,600 (11/12)
Recommendation #4 (1 time only)	\$1,600,000 (10/11)
<u>GRAND TOTAL</u>	<u>\$2,033,012</u>

FISCAL IMPACT: **Cost** – Unable to quantify all construction costs and building purchase price.
Program or Department – Special reserve for capital outlay
Is this a Restricted Program? Yes
Was this expenditure anticipated in the adopted budget? 2010/2011 budget is not adopted yet.
Will this Program or Department be over budget after this expenditure? No

RECOMMENDED: The Superintendent recommends the Board approve moving forward with planning for the recommended cost savings.