



Santa Barbara School Districts

Date: April 14, 2008
 To: Dr. J. Brian Sarvis, Superintendent
 From: Eric D. Smith, Deputy Superintendent
 Subject: Second Reading of Fiscal Recovery Plan

Action Item (Time Required: 100 min.)

Background

On January 10, 2008, the Governor unveiled his proposed fiscal year 2008-09 budget. In the wake of a \$14.5 billion State deficit, the Governor's proposed 2008-09 proposed budget called for a 10 percent across the board cut to state-funded services, including K-12 education. In addition to a 6.99 percent deficit to the revenue limit, California school districts were subjected to a 6.5 percent deficit on most state-funded categorical programs. In totality, the proposed cuts to K-12 education result in most school districts having to operate on 2.4 percent less revenue in fiscal year 2008-09 than what they operated on in fiscal year 2007-08.

Results

Based on the assumptions included in the Governor's budget proposal, School Services of California (SSC) prepared an independent multi-year projection which showed that the structural deficit (i.e. the imbalance between ongoing revenues and expenditures) had grown to roughly \$6 million, and that the districts would have to *cut, at a minimum, \$4 million*, going into next year. At this point in time, the districts self certified their Second Interim Report as "negative", meaning (absent board approved expenditure reductions in the amount of \$4 million) that they could not meet their current and subsequent two year obligations.

Exercising their fiscal oversight authority under Assembly Bill 1200, the Santa Barbara County Education Office has informed us of our need to provide them with a proposal for addressing the fiscal condition of the districts (i.e., the Fiscal Recovery Plan) as well as updated financial projections for fiscal year 2008-09 and 2009-10 that reflect board approved expenditures.

On April 8, the board received public input on the proposed Fiscal Recovery Plan and directed staff to gather more information and perform additional analysis on specific items. The plan has been modified to reflect this information.

The attached plan represents our best thinking to date regarding expenditure reductions and/or revenue enhancements for the 2008-09 fiscal year. It also represents our attempt to comprehensively address all proposals from stakeholders during the budget development process. Changes and/or additions to the original plan have been underlined.

Fiscal Impact

At least \$4 million in expenditure reductions and/or revenue enhancements for the 2008-09 fiscal year.

Recommendation

Staff recommends that the Board approve the Fiscal Recovery Plan with at least four million dollars in ongoing expenditure reductions and/or revenue enhancements for the 2008-09 fiscal year.

Attachment(s)?	<input checked="" type="checkbox"/>	Yes (if so, please attach)	<input type="checkbox"/>	No	<input type="checkbox"/>	Powerpoint	<input type="checkbox"/>	Ovrhead	<input type="checkbox"/>	Consultant
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Santa Barbara
**SCHOOL
DISTRICTS**

SANTA BARBARA SCHOOL DISTRICTS FISCAL RECOVERY PLAN

April 22, 2008

Santa Barbara School Districts Fiscal Services Recovery Plan

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SANTA BARBARA SCHOOL DISTRICTS FISCAL RECOVERY PLAN

INTRODUCTION

Twice each year, the Santa Barbara School Districts Board of Education is asked to certify interim financial reports regarding the districts' financial position and submit them to the Santa Barbara County Education Office for review and analysis. For each interim report, the districts must certify one of the following: **Positive**: that the districts can meet the current year and subsequent two-year obligations; **Qualified**: that the districts may not be able to meet the current year and subsequent two-year obligations; or **Negative**: that the districts cannot meet the current year and subsequent two-year obligations.

The multi-year financial projection rest on a series of assumptions, including but not limited to, forecasted levels of state funding, forecasted increases in personnel expense, and assumptions regarding the continued decline in student enrollment. In the event that some of the assumptions do not materialize as expected, the multi-year financial projection could change as well.

On December 11, 2007, the board was presented with the First Interim Financial Report. The report indicated that due to significant declining enrollment in the secondary district, coupled with the compounding effect of multi-year salary agreements, the districts would need to reduce expenditures by at least \$1.5 million in the 2008-09 fiscal year to achieve a balanced budget. At this point in time, the districts self certified their First Interim Report as "qualified," meaning that they may not be able to meet its current and subsequent two year obligations, under the auspices of Assembly Bill 1200.

On January 10, 2008, the governor unveiled his proposed fiscal year 2008-09 budget. The governor's plan identified a \$14.5 billion deficit in the state's budget and then called for a ten percent across the board cut to state-funded services, including K-12 education. In addition to a 6.99 percent deficit to the revenue limit, California school districts were subject to a 6.5 percent deficit on most state-funded categorical programs. In totality, the proposed cuts to K-12 education result in most school districts having to operate on 2.4 percent less revenue in fiscal year 2008-09 than what they operated on in fiscal year 2007-08.

Based on the assumptions included in the governor's budget proposal, School Services of California (SSC) prepared its own multi-year projection that showed the **structural deficit** (i.e. the imbalance between ongoing revenues and expenditures) had grown to roughly **\$6 million**, and that the Santa Barbara School Districts would have to **cut, at a minimum, \$4 million**, going into next year. At this point in time, the districts self certified their Second Interim Report as "**negative**," meaning (absent board approved expenditure reductions) it could not meet its current and subsequent two-year obligations.

Exercising its fiscal oversight authority under Assembly Bill 1200, the Santa Barbara County Education Office (SBCEO) has informed the districts of the need to provide them with a proposal for addressing the fiscal condition of the districts (i.e., the Fiscal Recovery Plan) as well as updated financial projections for fiscal year 2008-09 and 2009-10 that reflect the actions of the board to implement the Fiscal Recovery Plan.

With this in mind, the board has approved the following timeline for fiscal year 2008-09 budget reductions:

- Public hearing and first reading of Fiscal Recovery Plan (April 8, 2008);
- Second and final reading of Fiscal Recovery Plan (April 22, 2008);
- Board approval of Third Interim Financial Report and updated Multi-Year Projections (May 27, 2008).

Recognizing that closing the current structural deficit of roughly \$6 million in one year could not be achieved without disrupting the districts; staff has prepared a Fiscal Recovery Plan which lays the foundation for restoring fiscal solvency on a multi-year basis.

RECOVERY PLAN COMPONENTS

The plan is the best work to date, given the unknown factors from the governor's May revision to the state's budget. The plan also represents our attempt to comprehensively address suggestions made for expenditure reductions and/or revenue enhancement from stakeholders. However, our analysis has been limited by the personnel resources necessary to examine every line item of every budget and by timelines imposed on the districts by external forces.

PLAN ASSUMPTIONS

The cost savings identified in this document are based on the following assumptions:

- That the average total compensation (medical and statutory benefits) for classroom teachers is estimated to be, in FY 2008-09, \$78,000.
- Classified personnel total compensation (medical and statutory benefits) is calculated at the approximate actual cost of the identified position.
- Estimated cost savings have been rounded.
- Cost savings are identified as ongoing unless explicitly identified as one time.
- For the purposes of the plan, expenditure reductions and revenue enhancements are both construed as cost savings.
- Only the cost savings to the unrestricted general fund is quantified, even though some cost savings may accrue to the restricted general fund.
- The plan already presumes that there will be a reduction of approximately 14 certificated full time equivalents to account for declining enrollment over the 2008-09 and 2009-10 fiscal years.
- For the purpose of this plan, all expenditure reductions in 2007-08 should be assumed to be for a one year period only.
- The plan does not contemplate costs that may be associated with the recommendations from SSC to reorganize the business office to improve operational efficiency.
- The plan contemplates salary increases for certificated, classified and management/confidential for the 2008-09 fiscal year.
- Certain items contained in the plan are negotiable and will require the cooperation of our employee associations to implement. In the event the board approves these recommendations and we fail to negotiate their implementation, the board will need to adopt additional measures to reduce expenditure and/or enhance revenues equal to the dollar value of those items that could not be negotiated.

DIRECT AND INDIRECT SUPPORT COSTS

It is highly recommended that the board develop a consistent policy of charging to all restricted and unrestricted funds consistent rates for direct and indirect costs. Over the years the definitions of what is chargeable by state accounting requirements have not been consistently applied, and some funds or grants have even been exempted. Consequently, it is recommended that the following guidelines be adopted and charged to all funds permitted by law:

Direct Costs

These are costs clearly identifiable by program service and relate to the delivery of the instructional program, i.e., principals, school secretaries, personnel in pupil support services, teacher salaries, textbooks, bus drivers, duplicating costs by program users.

Indirect Support

Costs associated in this category are those remaining that cannot be easily identifiable by program user, or direct instructional support. As an example, the processing of paychecks, accounting services, data processing, purchasing, risk management, safety, utilities, etc. The indirect rate varies each year depending on inflation, enrollment, and employee work force.

Program administrators and business services have agreed on the definitions outlined and support the legal charge backs when applicable. The board's concurrence to implement a consistent policy will certainly benefit the general fund but it may cause budget modifications to some restricted programs.

We anticipate increased savings but presently this will need to be a part of next year's budget development in the spring and estimated savings are unknown at this time.

CASH MANAGEMENT

Symptomatic of organizations that experience continuing deficit spending is dwindling cash availability. An entity that continues to spend more than it receives depletes its cash resources. This is the circumstance for the Santa Barbara School Districts. For most California school districts, the major cash "in-flow" is from state "revenue limit" funds and local property taxes. The major cash "out-flow" is payroll. State revenue limit funds are distributed to school districts on a somewhat monthly basis throughout the year. Property taxes are received from the citizens in December and April and then distributed to districts soon after that. Payrolls for most districts start in July and increase significantly in September when teachers return to the school. As a result, low cash periods occur in November, December, March, and April because property taxes have not been received. As of the Second Interim Report, the districts are projected to start fiscal year 2008-09 with cash resources of \$7,704,142. However, given the rate of deficit spending, the districts may end the 2008-09 fiscal year with a negative cash balance, unless significant expenditure reductions are effected.

Low cash periods can be managed through cash-flow analysis and utilizing alternative cash resources. School districts in California have traditionally managed low or negative cash periods through short-term financing (issuing Tax Revenue Anticipation Notes, which are known as TRANS) or borrowing from other funds within the districts. TRANS have been the alternative of choice in the past for the districts as well as most school districts throughout the state. This is because of the advantage of the spread between interest cost and interest earnings on the available dollars borrowed.

The cash flow for the 2008-09 fiscal year is anticipated to be much lower and begins earlier than in previous years due to the shift in the state's July apportionment to September.

The continued monitoring and management of cash is important as the need for cash will fluctuate depending on how quickly the districts can stop deficit spending.

Due to the districts' negative certification on the Second Interim Report, our current financial advisor, Piper Jaffray, has notified us that we will not be able to participate in their TRANS pool. After investigating whether Piper Jaffray could accommodate our cash flow needs with a stand alone TRANS, we have opted to go with Banc of America Securities with their smaller Santa Barbara pool that will consist of us, Goleta Union School District, and the Santa Maria Joint Union High School District.

MID-YEAR REDUCTIONS, FISCAL YEAR 2007-08 DISTRICT OFFICE SERVICES

In February of this year the superintendent initiated a freeze in hiring, overtime, conference/travel and non mission critical purchase orders in an effort to reduce present year costs. Those savings to date have not yet been calculated in each object code account but the reductions in spending should be reflected in the Third Interim Report.

It is important to note that any on going expense reduced in current year avoids the compounding effect on next year's budget. Although the goal is to immediately reduce this compounding effect of costs, many proposed reductions in personnel, which could be made in the current year, adversely affect schools and programs and thus, were delayed until next year.

CHARGE RESTRICTED FUNDS THEIR PROPORTIONAL SHARE OF PAY-AS-YOU-GO COST FOR RETIREE HEALTH BENEFITS

The districts have provided a benefit to its retired employees if they met certain criteria at the time of retirement. The retirement benefit has been historically carried as a cost to the unrestricted general fund, even though all employees from all funding sources have been eligible for this benefit in the past.

The practical way to assign costs to other funds and resources for this expense is to express it as a payroll benefit and distribute it to each resource and fund. Costs would be distributed on a \$0.011 per one hundred dollar of salary rate based upon actual costs for each fiscal year. A similar method is used to allocate employer paid workers compensation costs among funds and resources. The current pay as you go cost for retiree health benefits is \$849,559 annually. Using the methodology above, approximately 28 percent of the pay-as-you-go cost should be allocated to categorical programs.

Establishing a rate based on payroll for the current year is estimated to be 0.011 percent. The actual cost for the benefit may adjust up or down from year to year depending on the final cost for all employee benefits and final salary costs based on the number of employees. However, the 0.011 percent rate should be used for budgeting purposes for all funds in the current budget year.

One-time savings: \$338,788

REFLECT ACCOUNTS RECEIVABLE FROM SELPA

During our review of year end closing entries, we were apprised of \$274,804 in low incidence funding that should have been set up as accounts receivable at the close of the 2006-07 fiscal year. Since the amount was not recognized in the 2006-07 fiscal year, we will recognize it as income in the current year.

One-time savings: \$274,804

USE PORTION OF ELEMENTARY AND SECONDARY DISCRETIONARY BLOCK GRANT TO MAKE DEFERRED MAINTENANCE CONTRIBUTION

During the 2006-07 fiscal year, school districts were apportioned district discretionary block grants to be used for instructional materials; classroom and laboratory supplies and materials, school and classroom library materials, and educational technology. It may also be used for deferred maintenance, professional development, home-to-school transportation, one-time expenditures designed to close the achievement gap, or one-time fiscal obligations of school districts. Based on our review, the elementary and secondary districts have \$60,000 and

\$144,000, respectively, remaining of their discretionary block grants. By making a portion of the deferred maintenance contribution with the discretionary block grant, a like amount can be “freed up” within the unrestricted general fund.

One-time savings: \$204,400

ADJUST WORKERS COMPENSATION RATE TO REFLECT EXPERIENCE MODIFICATION FACTOR FOR CURRENT YEAR

During our review of current year operations, we discovered that the rate of \$1.33 per \$100 of payroll for workers compensation was overstated and did not reflect the districts’ unique experience modification factor (i.e., ex mod) of .74. Applying the ex mod of .74 to the base rate of \$1.33 results in a workers compensation rate of \$.9842 per \$100 of payroll for a savings to the unrestricted general fund of \$197,153.

One-time savings: \$197,153

REVERSE ACCOUNTS PAYABLE TO SELPA

During our review of year end closing entries, we noted that accounts payable entries to the Santa Barbara County Special Education Local Plan Area (SELPA) were posted in error. After validating with the SELPA that these payables were posted in error, we reversed the entries, thereby increasing the current year fund balance.

One-time savings: \$180,843

CHARGE ROUTINE RESTRICTED MAINTENANCE ACCOUNT INDIRECT COSTS

School districts that participate in the state School Facilities Program for funding for the new construction or modernization of school facilities are required to dedicate three percent of their general fund expenditures toward the ongoing major maintenance of districts facilities. This account, commonly referred to as the Routine Restricted Maintenance Account (RRMA) is a restricted account to fund the maintenance operations of the districts. Since the RRMA is considered a restricted resource under the California School Accounting Manual (CSAM), it is appropriate for the districts to charge an indirect cost rate to the program. Because of the current year implementation, it was necessary for the budget manager in charge of the RRMA to relocate expenditures among major object groupings, and transfer some expenses to other funds to accommodate the indirect cost rate. Even with these efforts, it was not possible to charge the RRMA the full indirect cost rate in the current year.

One-time savings: \$150,902

SHIFT FULL-TIME EQUIVALENTS FROM CALIFORNIA HIGH SCHOOL EXIT EXAM (CAHSEE) CORE TO CAHSEE INTENSIVE

We will be shifting the payment of salaries and benefits for five teachers of non-passing CAHSEE students from a combination of CAHSEE hourly program funds and the unrestricted general fund to CAHSEE intensive instruction funds.

One-time savings: \$99,000

CHARGE THREE PERCENT ADMINISTRATIVE FEE TO CAPITAL FACILITIES FUND FOR CURRENT AND PRIOR YEAR

Education Code Section 17620 allows school districts to retain up to three percent of the fees collected in that fiscal year to pay for the administrative costs of collecting the fees. Although the districts were entitled to retain up to three percent of developer income received in prior fiscal years, we are limited to the prior year with respect to our ability to recoup these funds.

One-time savings: \$69,667

**POST ONE-TIME INSURANCE REBATE FROM SOUTHERN CALIFORNIA RELIEF
PROPERTY AND LIABILITY INSURANCE CARRIER**

The districts received a one-time rebate from Southern California Relief as a result of excess premiums it contributed to the joint powers authority in prior fiscal years. Southern California Relief has rebated this amount and we have receipted it as other local income.

One-time savings: \$51,264

COST REDUCTIONS AND REVENUE ENHANCEMENTS FISCAL YEAR 2008-2009

DISTRICT OFFICE SERVICES

An increase of responsibilities for district administration and a reorganization of duties and tasks among classified staff can potentially increase efficiency and generate savings. However, this will require some additional training, which needs to be budgeted, and an investment of time to learn new responsibilities.

CHARGE RESTRICTED FUNDS THEIR PROPORTIONAL SHARE OF PAY-AS-YOU-GO COST FOR RETIREE HEALTH BENEFITS

The districts have provided a benefit to its retired employees if they met certain criteria at the time of retirement. The retirement benefit has been historically carried as a cost to the unrestricted general fund, even though all employees from all funding sources have been eligible for this benefit in the past.

The practical way to assign costs to other funds and resources for this expense is to express it as a payroll benefit and distribute it to each resource and fund. Costs would be distributed on a \$0.011 per \$100 of salary rate based upon actual costs for each fiscal year. A similar method is used to allocate employer paid workers compensation costs among funds and resources. The current pay as you go cost for retiree health benefits is \$849,559 annually. Using the methodology above, approximately 28 percent of the pay-as-you-go cost should be allocated to categorical programs.

Establishing a rate based on payroll for the current year is estimated to be 0.011 percent. The actual cost for the benefit may adjust up or down from year to year depending on the final cost for all employee benefits and final salary costs based on the number of employees. However, the 0.011 percent rate should be used for budgeting purposes for all funds in projected budget year.

Savings: \$338,788

ADJUST WORKERS COMPENSATION RATE TO REFLECT EXPERIENCE MODIFICATION FACTOR AND TO REFLECT RATE DECREASE FOR FISCAL YEAR 2008-09

During our review of current year operations, we discovered that the rate of \$1.33 per \$100 of payroll for workers compensation was overstated and did not reflect the districts' unique experience modification factor (i.e., ex mod) of .74. Applying the ex mod of .74 to the base rate of \$1.33 results in a workers compensation rate of \$.9842 per \$100 of payroll for a savings to the unrestricted general fund of \$197,153. Additionally, SISC I indicates that our workers compensation rate will decrease to \$.6912 per \$100 of payroll for the 2008-09 fiscal year. This will result in an additional savings of \$170,108.

Savings: \$367,261

UNIVERSAL BREAKFAST

The nutrition services operations are currently projected to end the year with a negative fund balance and will require support from the general fund. The districts retained an outside consultant to analyze its food service operations and to make recommendations to improve its efficiency. The districts' consultant identified that the districts' labor cost exceeds the industry standard for food service delivery in school districts. The consultant also identified that the food service operation could generate a significant increase income if it changed its delivery of its universal breakfast program at the K-6 level. Studies have show that many students do not eat

a nutritionally adequate breakfast at home before school. As a result, by mid morning, they are calorie and nutrient deficient. Rather than provide breakfast before school, the districts should provide breakfast in the classroom or at a mid morning nutrition break. The districts will need the assistance of their employee associations to implement this proposal.

Savings through reduced encroachment: \$200,000

CHARGE ROUTINE RESTRICTED MAINTENANCE ACCOUNT INDIRECT COSTS

School districts that participate in the state School Facilities Program for funding for the new construction or modernization of school facilities are required to dedicate three percent of their general fund expenditures toward the ongoing major maintenance of districts facilities. This RRMA account is a restricted account to fund the maintenance operations of the districts. Since the RRMA is considered a restricted resource under the CSAM, it is appropriate for the districts to charge an indirect cost rate to the program.

Savings: \$175,000

CHANGE INSURANCE CARRIERS FOR PROPERTY AND LIABILITY INSURANCE AND RECOGNIZE RATE REDUCTION FOR FISCAL YEAR 2008-09

The district currently receives property and liability insurance through Southern California Relief, a joint powers authority of school districts administered by Keenan and Associates. For fiscal year 2006-07, the districts paid Southern California Relief a premium \$638,880. In addition, Keenan and Associates charges the districts an additional \$24,000 per year to process property and liability claims. However, last year the districts exceeded this amount and paid \$56,966 to Keenan directly for a combined total of \$695,486. In our ongoing effort to reduce expenditures and increase efficiency, the districts solicited an alternate proposal for property and liability insurance from SISC II. The quote for \$618,220.57 is inclusive of all claims administration, excess insurance, formerly provided by Southern California Relief. On February 26, 2008, the board approved this change, effective with the 2008-09 fiscal year.

SISC II recently notified us that the premium they originally quoted us for property and liability insurance would be decreased from \$618,220.57 to \$550,273.65 for an additional savings of \$67,946.92 effective with the 2008-09 fiscal year.

Savings: \$145,213

MAKE PORTION OF SECONDARY DEFERRED MAINTENANCE TRANSFER WITH ISLA VISTA AND GOLETA REDEVELOPMENT PROJECT AREA REVENUE

The secondary district is currently receiving redevelopment pass through revenue from the Isla Vista and Goleta redevelopment project areas. Since the expenditure of these funds is restricted to use on educational facilities, it is permissible to spend them on deferred maintenance. By making a portion of the secondary district's deferred maintenance contribution with redevelopment revenue, we can free up \$75,511 in unrestricted funds.

Savings: \$75,511

ELIMINATE BROKER OF RECORD FOR WORKERS COMPENSATION INSURANCE

During our review of the districts' workers compensation program, we noted that the districts' premium for workers compensation insurance included a commission for a broker. Since the districts participate in SISC I, a workers compensation insurance joint powers authority, the use of a broker is superfluous.

Savings: \$60,000

CHARGE THREE PERCENT ADMINISTRATIVE FEE TO CAPITAL FACILITIES FUND

Education Code Section 17620 allows school districts to retain up to three percent of the fees collected in that fiscal year to pay for the administrative costs of collecting the fees. Although the districts were entitled to retain up to three percent of developer income received in prior fiscal years, we are limited to the prior year with respect to our ability to recoup these funds. Unlike an indirect cost rate that is charged against expenditures, the three percent administrative fee is charged against annual income received.

Savings: \$34,833

INCREASE PRICE ON PAID MEALS FOR SCHOOL LUNCH

The nutrition services department is currently challenged with two objectives: providing the most nutritious meals for our students and decreasing its dependency on the districts' unrestricted general fund. With this in mind, staff proposed and the board approved a modest increase of \$.25 per paid meal. If participation rates for fiscal year 2008-09 remain the same as they were in fiscal year 2007-08, the increase will generate an additional \$31,746.75 for the cafeteria fund.

Savings through reduced encroachment: \$31,747

ENFORCE BOARD POLICY ON METROPOLITAN TRANS DISTRICT STUDENT BUS PASSES

Board Policy 3541.26 provides for a reduction in the cost of Metropolitan Transportation District (MTD) passes for secondary students if the student is unable to pay for the cost of the pass and lives at least three miles from their school of residence. Students on intradistrict transfers are responsible for their own transportation to school. A cursory review of student ridership shows that the districts are paying for bus passes for a large number of students that live within the three mile walking radius. Last year, the districts paid the MTD \$149,565 for bus passes. By enforcing Board Policy, 3541.26, we are projecting that the districts could save in excess of \$25,000.

Savings: \$25,000

IMPLEMENT VARIOUS ENERGY EFFICIENCY MEASURES

Our facilities and planning department has compiled a list of energy efficiency measures that will result in a financial savings to the districts if implemented. Some of these measures, such as reducing pool water temperatures from 80 to 78 degrees, have already been implemented. Others, such as standardizing heating and air conditioning temperatures, replacing failed incandescent light bulbs with compact fluorescent bulbs, and eliminating the use of HVAC overrides during off hours, will be implemented with the beginning of the 2008-09 fiscal year.

Savings: \$25,000

POTENTIAL ADMINISTRATIVE REDUCTIONS

The districts have been experiencing a declining enrollment pattern for at least the last four years. During this time, administrative, certificated and classified positions have been eliminated. However, it is clear that the rate of attrition has not kept pace with the rate of enrollment decline. As a result, we are recommending that the following positions be eliminated effective with the 2008-09 fiscal year:

ELIMINATE 2.85 ADMINISTRATIVE FTEs

The anticipated reduction is in three areas. The first is in assistant principal positions. The second is in the cost savings in not replacing the assistant superintendent for secondary education. The third is in reducing an administrative position in special education.

Secondary schools are generally staffed at one administrator for each 500 students. Assistant principal positions can be adjusted at secondary schools for enrollment declines. The board approved lay-off notices in anticipation of possible cuts at the February 26, 2008 board meeting for 1.6 FTEs.

The superintendent notified the board in January 2008 that the assistant superintendent for secondary education would not be replaced and that district office administrative responsibilities would be reorganized. A significant amount of the savings (40 percent) was used to fund the new deputy superintendent position. As described by the superintendent to the board, the reorganization of district office responsibilities may also require some of the funds (ten percent). The reorganization plan will be presented, including upgrading position such as the current assistant superintendent for elementary education to associate superintendent, later this spring. The overall savings in not replacing the assistant superintendent for secondary education position is nevertheless planned to yield \$75,000 to the districts' unrestricted budget.

Lastly, as the administrative staffing study showed, district office departments are generally lean in administrative staff. However, the special education administrative staffing ratio is much higher than in any other district department. A reduction in the special education administrative staff would share the burden for lean administrative staffing. The board approved a lay-off notice of one special education coordinator at the February 26, 2008 board meeting. Postponing the cut for three months would yield a .75 FTE cut for the 2008-09 budget.

Savings: \$360,000

IMPOSE TEN PERCENT REDUCTION IN ALL DISTRICT OFFICE DISCRETIONARY BUDGETS

All district office administrators have been advised to plan a budget reduction of ten percent in object code 4000-6000 budgets for next year. In addition, the superintendent is planning a 15 percent reduction in the departments served through the superintendent's budget.

Savings: \$160,000

REDUCE ELEMENTARY ADMINISTRATIVE POSITIONS AT "SMALLER" ELEMENTARY SCHOOLS

Operating small elementary schools with fewer than 400 students is more expensive than operating schools with 500-600 students in large part because a full-time principal serves the school. A reduction of allocated principal time for schools with an enrollment of 300-400 students to 80 percent would make the school more cost-effective.

Presumably, principals at such schools could be given additional administrative duties funded from restricted funding source to provide 100 percent employment assignments.

Savings: \$51,000

PROVIDE DISTRICT LETTERHEAD AND NUMEROUS FORMS IN ELECTRONIC FORMAT RATHER THAN HARD COPY

Electronic letterhead and many forms are currently being sent to all users.

Savings: \$4,000+

POTENTIAL PROGRAM REDUCTIONS

ELIMINATE NINTH-GRADE CLASS SIZE REDUCTION

The Morgan-Hart Class Size Reduction Act allocates funds to school districts for participating high schools to reduce class size in ninth-grade English and one other course required for graduation (mathematics, science, or social studies).

Industry standard is to require restricted program to be self-contained rather than require assistance from the unrestricted general fund. Eliminating ninth grade class size reduction would result in an ongoing savings of \$571,000.

Savings: \$571,000 for both; \$285,500 for math only

REDUCE THE NUMBER OF INSTRUCTIONAL ASSISTANTS, ESPECIALLY IN SPECIAL EDUCATION

In August 2003, the California Department of Education (CDE) started monitoring compliance with federal special education maintenance-of-effort requirements (also known as the “supplement and not supplant” requirement). At that time, CDE indicated that since the state allocates federal aid to SELPAs, and since SELPAs meet the federal definition of a local educational agency (LEA), it would monitor compliance only at the SELPA level.

The general rule under this maintenance of effort requirement is that LEAs must spend the same level of state and local funds (or local funds only) on special education as in the prior year, either in terms of total or per-capita expenditures. If an LEA fails this initial test, it may make adjustments for any of the following several exceptions (ref. Sections 300.232 and 300.233 of the Title 34 CFR):

1. The departure of staff, either voluntarily or for just cause, who are replaced by qualified, lower-paid staff.
2. The termination of a special education program that is exceptionally costly to a pupil because the pupil has moved out of the district, is no longer age-eligible, or no longer needs the service.
3. A decrease in the enrollment of children with disabilities.
4. The termination of costly expenditures for long-term purchases.
5. To the extent of 20 percent of the increase in federal part B funds over the prior year.

Because the special education student numbers have declined it is appropriate to reduce staff who work with this population. Special education instructional assistants would be reduced by five employees from the elementary schools, five employees from the junior highs and five employees from the high schools. Along with declining enrollment, 1:1 aides per the IEP and maintenance of effort will be taken into consideration as we reduce this staff.

Savings: \$433,874

REDUCE SCHOOL PSYCHOLOGISTS FROM 18 TO 13 FTEs

The special education population of the combined districts has decreased 48 students over prior year, with a decrease of 18 students over prior year in the elementary and a decrease of 30 students over prior year in the secondary district. Because the number of special education students in the districts is declining, it is appropriate to reduce staff associated with serving this population. The ratios of pupils to school psychologists are as follows:

State ratio is 1,658:1

County Ratio is 1,482:1

Current District Ratio is 900:1

The new district ratio 1230:1 would be well below the county and state ratios.

Savings: \$425,000

STAFF ALL COMPREHENSIVE HIGH SCHOOLS AT PARITY

San Marcos High School (SMHS) is staffed at higher levels than other high schools in the district. The formula, established two superintendents ago, to staff SMHS uses certificated contract student/teacher ratios, currently 31:1 at San Marcos, and 35:1 at both Dos Pueblos High School (DPHS) and Santa Barbara High School (SBHS) (previously 30:1 and 32:1). The cost of staffing SMHS next year, based on an anticipated student enrollment of 1,920 students, would yield 73.0 FTEs. The cost of staffing at the other two high schools, assuming a comparable enrollment of 1,920 students, would be 64.8 FTEs. The differential is equivalent to \$640,000 more in funding for SMHS than for schools with comparable enrollment. The additional allotment is paid from the unrestricted general fund. (The smaller differential reported in the previous Fiscal Recovery Plan as potential savings, \$560,000, attempted to accommodate the needs of the block schedule, but objections were made regarding tying the formula to the block schedule.) We have been working with SMHS and Santa Barbara Teachers Association (SBTA) for a number of months in an attempt to resolve the discrepancy and believe that this change can be phased in over two years starting with a partial reduction in fiscal year 2008-09 and the remaining reduction in fiscal year 2009-10 for a total savings over two years of \$640,000. We are seeking an affirmative vote through the SBTA in order to achieve this goal.

Savings: \$320,000

PROVIDE CERTIFICATED RETIREMENT INCENTIVE

Approximately one-third of the districts certificated staff is of an age where retirement could be a viable option. The districts surveyed the staff to ascertain interest in accepting a retirement incentive if there was an overall savings to the districts. In order to implement this plan the districts prepared a preliminary cost analysis by comparing the salaries and benefits of potential retirees who responded to the survey with the number of reduction-in-services FTEs. Based on the actual number and salary range of the teachers who have submitted letters of retirement, we estimate the average savings to be \$345,744 for the 2008-09 fiscal year.

Savings: \$345,744 in 2008-09

ELIMINATE FOUR SITE-BASED RESOURCE PROGRAM SPECIALISTS AND REPLACE WITH CLERICAL POSITIONS

The districts provide funding to the three high schools to have one special education teacher take the responsibility of overseeing special education program services at each site. Each high school is given a .6 FTE from the general fund. The three program specialists each receive a stipend of \$3,476 and ten extra days of pay at their per diem rate. The total cost is \$133,576. The fourth program specialist was strictly funded by the site FTEs. Eliminating the districts funding for the program specialist would require the resource specialist to return to the classroom thereby replacing four other employees. The savings to the districts by replacing three resource specialists (\$234,000) with existing staff and eliminating their associated stipend and ten additional duty days is \$113,066.

As an alternative, the districts would provide one six-hour clerical position at each high school to assist the special education staff in continuing the essential program services. The cost of providing three clerical positions including salary and benefits is \$69,046

Savings: \$298,530

REPLACE RETIRING CERTIFICATED LIBRARIANS WITH MEDIA TECHNICIANS

Each of the secondary schools, with the exception of La Cuesta High School, has a librarian. Two of the secondary librarians will be retiring, one high school and one junior high school respectively. The savings to the district is \$182,285. Since the school libraries will still need staff to support the students and sites, the districts are proposing a plan to provide training and support for two library technicians who will replace the retiring librarians. The cost of two six-hour library technicians is \$66,000. The cost for training and support of the technicians will be approximately \$8,000.

Savings: \$108,285

REDUCE CLASSIFIED SUPPORT STAFF PROPORTIONAL TO ENROLLMENT DECLINE

Due to declining enrollment the districts will consider reducing classified support staff accordingly at each site. Based on student enrollment numbers, elementary health assistants, site clerical, maintenance and operations staff, and library technicians are a part of the support staff is under consideration for a proportional reduction.

Our initial propose is to reduce the hours of health assistants at all schools. Site clerical staffing is robust as compared to districts of like size. In addition to a school secretary and clerk, most sites are equipped with a .75 to 1.0 FTE health assistant positions. Additionally, the two year round school sites are equipped with 12-month health assistants. By reducing those health assistant positions with more than six hours to a .75 FTE, and reducing 12-month health assistant at the year round school sites to ten months, the districts can achieve a total savings of \$46,435. Alternately, site administrators may choose to reduce the hours of site clerical in lieu of reducing the hours of health assistants on a dollar-for-dollar basis.

Savings: \$46,435

PRO-RATE ELEMENTARY DISTRICT HEALTH ASSISTANTS ACCORDING TO SCHOOL SIZE

The districts have been experiencing a declining enrollment pattern for at least the last four years. During this time, administrative, certificated, and classified positions have been eliminated. However, it is clear that the rate of attrition has not kept pace with the rate of enrollment decline. Our previous recommendation with regard to health assistants stopped short of correlating their number of hours with the size of each elementary school site, however, we are of the opinion that the following adjustments need to be made at the elementary level:

Reduce health assistants

3 hours (.375 FTE) for 200 students based on prior year California Basic Educational Data System

4 hours (.5 FTE) for 300 students

5 hours (.625 FTE) for 400 students

6 hours (.75 FTE) for 500 students

Savings: \$40,715

STAFF ALL JUNIOR HIGH SCHOOLS AT PARITY

La Cumbre Junior High School receives an additional staffing allotment of 0.6 FTE to supplement the Core Knowledge Program. Staff recommends the elimination of this additional allotment because the contribution for these supplementary classes is made from the unrestricted general fund, not from categorical programs.

Savings: \$46,800

allotment because the contribution for these supplementary classes is made from the unrestricted general fund, not from categorical programs.

Savings: \$46,800

ELIMINATE THE EXPENSE OF ORAL-J TESTING INCLUDING ASSOCIATED COST FOR USE OF SUBSTITUTES

ORAL-J testing for reading concepts and literacy and substitute costs could be replaced by unit tests.

Savings: \$27,000

REQUIRE STUDENTS TO MAKE UP EVERY ABSENCE WITH SATURDAY SCHOOL

Currently only SBHS is operating Saturday School for the purposes of recapturing average daily attendance (ADA). As of March 14, 2008, the school had cleared 146 full day cuts at a current year funding rate of \$36.85 for a total of \$5,380.10 in recaptured ADA. Other secondary sites do operate Saturday schools, primarily for the purposes of truancy makeup and/or discipline. Staff is currently collecting data on how to expand Saturday school offerings at each site in order to recoup lost ADA. If a Saturday School model for recapturing ADA was implemented at DPHS and SMHS, we estimate an additional savings of \$6,300.

Savings: \$6,300

ADDITIONAL ANALYSIS AND LONG TERM HEALTH

It is a requirement that we demonstrate to the Santa Barbara County Education Office that we identify potential areas for reduction in order to give assurances that we can maintain solvency in future years. However, time to develop these additional recommendations requires meeting with our unions, staff, and community. Thus, more specific details regarding positions, programs and implementation strategies cannot be presented at this time. But, unless the assumptions used in the multi-year projection change dramatically, the following proposals may be necessary to balance our budget over the next two years.

PURSUE PARCEL TAX BALLOT MEASURE

California law allows school districts to assess parcel taxes on local residents if they can secure a two-thirds approval from voters. Parcel taxes are a non ad valorem tax, that is, a flat fee on each parcel rather than on the assessed value of property. Ballot language prepared by the school districts' governing board prescribes the purposes for which the money may be used.

The districts are aggressively investigating this avenue as an option to raise revenue. On March 11, 2008, the board hired a community opinion survey consulting firm to gauge whether there is community support for a parcel tax to fund educational programs. However, in order to place a parcel tax measure on the ballot, the governing board must call the election at least 90 days before the election. For example, an election held on November 4, 2008 would have to be called no later than August 6, 2008.

ELIMINATE THIRD-GRADE CLASS SIZE REDUCTION

When K-3 class size reduction (CSR) was introduced in 1996, it was funded based on the average cost to implement CSR. Over time, most districts have found that, as compensation costs have risen, CSR has not kept pace with the increase cost to operate the program. The original implementation of the K-3 CSR program required districts to implement the program first at first grade, then second and then either kindergarten or third grade. However, if a school decides to stop participating, it must "de-implement" the program in reverse order of implementation. In other words, the first classes to cease participation would be kindergarten and/or third grade followed by second grade and first grade, respectively.

Generally K-3 CSR funding has not kept pace with costs, primarily due to the fact that these slots are generally occupied by our most senior teachers. In the event that the districts discontinue CSR at the third grade, presumably due to retirements and resignations, less senior teachers would take their place. Under the SBTA contract class size, the third grade classes would return to a 28:1 ratio with a hard cap of 30:1. This would reduce staffing by a minimum of 12 FTEs and result in an ongoing savings of \$1,494,852.

Whether the change could be implemented for the 2008-09 school year would depend largely on the number of retirees from the elementary district.

PURSUE DEVELOPMENT OR EXCHANGE OF DISTRICT PROPERTIES FOR GENERAL FUND REVENUE

The board will be looking at request for proposal language in order to pursue development or exchange of the properties.

RE-EXAMINATION OF ASSEMBLY BIL 602 SELPA FUNDING MODEL FOR SPECIAL EDUCATION TO REDUCE ENCROACHMENT

The superintendent initiated a review of the funding model by the SELPA Joint Power Authority last spring. There is resistance to changes in the model by SELPA. Nevertheless, the deputy superintendent and assistant superintendent have undertaken a study of the model and alternatives with the SELPA director and accountant.

RELOCATE DISTRICT OFFICE TO SANTA BARBARA JUNIOR HIGH SCHOOL, LEASE OF COMMERCIAL PROPERTY AT 720 SANTA BARBARA STREET

The availability of commercial space in central Santa Barbara is limited. Lease rate for a commercial property are roughly \$2.65 per square foot per month. The district office has been located on a school campus in the past (Santa Barbara Junior High School) and may be moved if there is sufficient space anticipated for a significant period of time. The possibility is being investigated.

RENEGOTIATE GROUND LEASE OR OFFER TO SELL MODOC FIRE STATION PROPERTY TO CITY OF SANTA BARBARA AT FAIR MARKET VALUE

The districts and the city of Santa Barbara entered into a 50-year ground lease on May 1, 1966, for the construction of the fire station on Modoc Road. Currently, the city pays the district \$600 per year for this lease. Rather than wait until 2016, the districts should approach the city regarding their long-term plans with respect to this property.

REDUCE OVERIDENTIFICATION OF SPECIAL EDUCATION STUDENTS/OFFER ADDITIONAL SUPPORT CLASSES THROUGH THE STUDENT STUDY TEAM PROCESS BEFORE IDENTIFYING STUDENTS AS SPECIAL EDUCATION

These issues will be a major charge of the districts' new director of special education.

ADJUST STAFFING PATTERNS FOR SPECIAL EDUCATION TEACHERS TO REDUCE THE NEED FOR MORE TEACHERS

Each of the elementary schools is staffed to serve resource specialist program and special day class (SDC) students from the schools attendance areas. This service delivery model often results in low class sizes in SDC in several schools. It also creates classrooms with a wide age span between students who need special services, leading occasionally to safety concerns. The new director of special education will work on a revised service delivery model that may offer classrooms of different age spans and specific disability groupings in different schools in the district. Even with the potential increase in transportation needs, this model should reduce the number of teachers and improve student services.

TEACH SECONDARY SPECIAL EDUCATION STUDENTS TO USE METROPOLITAN TRANSIT DISTRICT BUSES IN LIEU OF CONTRACTED TRANSPORTATION.

This issue will also be charged to the new director of special education.

ELIMINATE DISTRICT OFFICE PROGRAM SPECIALIST (.6 FTE) AND ONE SECRETARY

If other personnel cuts in special education are enacted (e.g., coordinator position and teacher on assignment), these positions will be necessary to get the work done. Similar to the recommendation above, this should be considered as part of the general special education reorganization.

NEGOTIATE MEMORANDUM OF UNDERSTANDING FOR ADULT EDUCATION USE OF FACILITIES TO COVER COST OF MAINTENANCE

The secondary district and Santa Barbara City College are negotiating an agreement to pay for the maintenance, operation, and utilities of school facilities used by the adult education program.

ELIMINATE REDUNDANT BULK MAILINGS

Previously, all bulk mail was handled at the district office by office services. School sites brought their bulk mailings to the district for processing. Due to budget reductions this process was curtailed and the responsibility for bulk mailing was transferred to the individual school sites in the secondary district.

Lack of training at the school sites in how bulk mail works creates a workload problem for the district office staff. The post office frequently rejects our bulk mailings for incomplete or missing paperwork, causing delays and additional labor. To save money, we want to encourage the school sites to use bulk mail for their large mailings. However, to ensure that there are no unintended consequences from the use of the bulk mail permit, we should require each site to designate one key person from each secondary site to attend a postal service training.

BID HOME-TO-SCHOOL TRANSPORTATION

Student Transportation of America provides home-to-school and special education transportation services pursuant to Education Code Section 39800 et. seq. Because Education Code Section 39803 provides for "continuing contracts," the districts are not legally obligated to "bid" these services and could continue with the status quo, ad infinitum. However, since the contract has not been competitively bid since 1997, the board may want to consider re-bidding these services in the near future. Moreover, the board may want to consider adding the transportation services being rendered by the MTD and the Goleta Union School District as an additive alternate to this bid.

INSTALL PHONE SYSTEMS THAT USE VOICE OVER INTERNET PROTOCOL (VoIP) TO REDUCE COSTS

The districts are pursuing E-rate funding for the infrastructure for phone systems that will accommodate VoIP which will ultimately reduce monthly telecommunications charged incurred by the unrestricted general fund.

INSTALL SOLAR PANELS ON ROOFS

The installation of solar panels will require a one time investment of capital funds. Since the districts' bond funds are already oversubscribed, the district would have to borrow to fund this investment. Because the districts currently have "negative certification" they cannot issue non voter approved debt without the approval of the Santa Barbara County Education Office. Although the installation of solar panels at specific schools may not be feasible at this time, it is something the districts will continue to evaluate in the future.

SELL CARBON OFFSET CREDITS

Carbon offsetting is the act of mitigating ("offsetting") greenhouse gas emissions. We are not aware of any school districts that are selling carbon offset credits but we will pursue this to see if it makes fiscal sense for our districts.

HAVE PUBLIC PAY FOR SPORTS EVENT PARKING

By calculating the approximate annual cost of facilities repairs to school parking lots, driveways, and gates, we can potentially charge for parking during large events in which the community

participates, such as football. We will investigate this option through California Education Code provisions and board policies, potentially leading to a relief of some expenditures from the general fund to maintain the quality of our facilities.

PROVIDE SECONDARY SCHOOLS WITH INCENTIVES TO REDUCE COSTS FOR SUBSTITUTE TEACHERS

Each secondary school is allotted a specific amount of money to cover the costs of substitute teachers during the school year. Many schools over spend this allotment, leading to an encroachment in the general fund. We will investigate a method to provide schools with an incentive for keeping the substitute costs within the budgeted amount (on an annual basis). For example, schools that do not spend the entire allotment may be allowed to keep the balance of the funds in the substitute fund for site-discretionary needs.

RECYCLE/HAUL TRASH FOR MONEY

Stepping up the districts' recycling efforts goes hand in hand with evaluating whether it makes sense for the districts to become their own waste hauler. The city of Santa Barbara currently contracts with two firms to haul solid waste for its customers, including the Santa Barbara School Districts. Their fees are based on the number of times they "tip" our waste containers, regardless of whether those containers are full, half-full or nearly empty. By becoming its own waste hauler, the districts would control the scheduling and frequency of waste collection and realize ongoing savings to the unrestricted general fund.

In order to implement this plan, the districts would need to cost out the acquisition of hauling equipment and waste containers, creation of a new job classification, hiring and training of personnel, as well as development of a workable operational plan.

HAVE COUNTY PAY FOR MORE REGIONAL OCCUPATIONAL PROGRAM (ROP) COURSES

The secondary district is working closely with the new South County ROP director to increase the number of qualified ROP-funded classes. In order to accomplish this, each high school will need to increase career technical education (CTE) course pathways, and ensure that staff is qualified to teach CTE courses.

IMPLEMENT PERS GOLDEN HANDSHAKE

The PERS Golden Handshake is a retirement incentive that provides for two additional years of PERS service credit to qualified classified employees wishing to retire. The plan is authorized under Government Code Section 20904. The PERS Golden Handshake can be used effectively during periods of declining enrollment.

In order for the PERS Golden Handshake to be offered, the districts would have to negotiate the impact of the retirement incentive with their classified employee association and adhere to the following:

1. The board must determine that because of an impending curtailment of or change in the manner of performing service, the best interests of the agency would be served by reducing staff.
2. Any vacancies created shall remain permanently unfilled, thereby resulting in an overall reduction in the workforce of the department or organizational unit.
3. The amount of additional service credit for those qualified retirees must be two years regardless of credited service.

4. An employee wishing to retire under the PERS Golden Handshake must have five or more years of service credit.

Before adopting a golden handshake early retirement benefit, the board must, with timely public notice, place the consideration of such an action on the agenda of a public meeting of the governing body. Disclosure must be made of the additional employer contributions and the funding necessary to implement the early retirement incentive.

The districts, in collaboration with California School Employee Association (CSEA), have circulated a survey to classified employees to determine if there is sufficient interest to participate in a PERS Golden Handshake retirement incentive plan.

REDUCE BOARD COMPENSATION

Education Code Section 35120 prescribes the manner in which board members are compensated for their work as trustees. Specifically Education Code Section 35120 (a) (4) states that:

“In any school district in which the average daily attendance for the prior school year was 25,000, or less, but more than 10,000, each member of the city board of education or the governing board of the district who actually attends all meetings held may receive as compensation for his or her services a sum not to exceed four hundred dollars (\$400) in any month. The board may increase this amount by no more than 5 percent on an annual basis.”

Currently, our board members receive \$400 per month. The board considered this issue and acted on it just last year.

ELIMINATE COORDINATOR OF SPECIAL PROJECTS

The coordinator of special projects serves a number of important roles in the district including responsibility for board policies and administrative regulations, emergency preparedness, communications, Public Records Act requests, daily parent information and media requests, diversity efforts, as well as other responsibilities. She is also the point person for district emergencies. With the elimination of the assistant superintendent of secondary education position, and other administrators absorbing the responsibilities of the assistant superintendent, the responsibilities of special projects cannot be absorbed by others. In fact, the position may need to be broadened in the district administrative reorganization.

REDUCE FISCAL SERVICES STAFF

The districts contracted with School Services of California (SSC) to perform, among other things, a review of business office staffing and operational efficiency. Based on preliminary information from SSC, it is likely that the districts' business office is understaffed by industry standards and that SSC will make recommendations to increase staffing rather than reduce staffing in their final report.

INSTITUTE PARENT PAY TRANSPORTATION

The districts' currently offer home-to-school transportation for our elementary students. Information obtained from Student Transportation of America indicates that our elementary ridership is roughly 533. As of the Second Interim Report, the home to school transportation program in the elementary district required a \$115,267 contribution from the unrestricted general fund.

In accordance with Education Code Section 39800, the governing board of any school district that provides home to school transportation may require all or some of the parents and guardians to pay a portion of the transportation costs. The governing board may establish the rate of the fee; however, in no instance shall the rate be greater than the statewide average non-subsidized cost of providing this transportation to a pupil on a publicly owned or operated transit system.

The current maximum allowable rates below are expressed on a "cost per passenger trip" basis:

<u>Cost per passenger trip</u>	<u>\$3.85</u>
<u>Daily round-trip cost</u>	<u>\$7.70</u>

School districts have had varying success in the implementation of parent pay transportation programs. However, there are at least two important considerations when opting to implement a parent pay fee program. The first is that parent pay fees plus the districts state home-to-school transportation apportionment cannot exceed the districts approved home to school transportation expense on an annual basis. The second is estimating the amount of ridership that will be exempt from the fees on the basis of indigence. Indigence is generally measured using free and reduced-price lunch program and/or proof of receipt of Temporary Assistance to Needy Families (TANF).

Given that 65 percent of the elementary district qualifies for free and reduced lunch, it is likely that this percentage would be applicable to home to school transportation rider ship, and that a significant proportion of the ridership's parents would be exempt from fees.

CONVERT YEAR ROUND ELEMENTARY SCHOOLS TO TRADITIONAL CALENDARS

The elementary district's two year round calendar schools, Cleveland Elementary School and Santa Barbara Community Academy have been more expensive to operate. The analysis of their operating costs covers four areas:

1. Historically, the health assistants at these two schools work during the two intersession periods under 12 month assignments, compared to the nine month assignments of the traditional calendar school health assistants. Reducing these current 12 month assignments to nine month assignments realizes a savings of \$13,256. In addition, these two smaller year round calendar schools would have their health assistants' assignments reduced to four hours per day under the proposed reduction plan based on student enrollment and staff ratios. This would bring an additional \$22,400 savings. The total savings of \$35,656 is already listed as a reduction in health assistants' hours.
2. Enrollment at the beginning of the school year in the year round schools can be slow in growing, particularly for kindergarten students if families don't realize school starts in July. If a gradual build-up in enrollment over the first six weeks of school, until the traditional schools begin, occurred at both schools with as many as 20 students each, the cost of teachers and the loss of ADA revenue could reach over \$16,000. During the 2007-2008 school year, neither year round school experienced a gradual build up in enrollment, incurring no additional cost. However, gradual enrollment build up has occurred in previous years.
3. Having only two year round schools affects teacher to student ratios and the ability to balance staffing needs across the district. In the past, there have been years when year round teachers have been retained for classes below capacity because the other district

schools were not in session yet. When all schools begin on the same start date, teachers and/or students can be shifted to balance teacher to student ratios.

4. District office staff in various departments may spend additional time in performing certain tasks twice following two school calendars. This cost however, would be very minimal.

Given that the two year round schools demonstrate academic achievement levels above other elementary district schools with similar student demographics, the potential savings of gradual build-up in enrollment, averaged over a three-year period does not appear to warrant a change in the year round school calendar.

IMPLEMENT NEW HOME SCHOOL PROGRAM

The design and implementation plan for the new K-12 Santa Barbara Home School is underway for a start up in August, 2008. Although we do not have exact figures at this time, we believe this new alternative program will generate additional ADA and therefore increased revenue.

ELIMINATE SUBSIDY FOR REDUCED FEE FOR METROPOLITAN TRANSIT DISTRICT PASSES

Board Policy 3541.26 provides for a reduction in the cost of MTD passes for secondary students if the student is unable to pay for the cost of the pass and lives at least three miles from their school of residence. Students on intradistrict transfers are responsible for their own transportation to school. We currently sell buss passes at a regular price of \$7.50 and a reduced price of \$5.50. Using actual data from fiscal year 2006-07 on the number of bus passes sold at a reduced rate, we estimate the elimination of subsidized MTD passes would generate an additional \$23,600, assuming that these riders' parents possess the ability to pay.

RENT ORTEGA STREET CAMPUS

The Facilities Master Plan adopted by the board in December 2007 anticipated relocating the Las Alturas School classrooms as well as some of the students from the La Cuesta High School facility at SBHS to the Ortega site. However, in the event that the board elects not to move this program to the Ortega site, then the site could eventually be leased as office space. As of January of 2008, rental rates for office space in Santa Barbara were averaging \$2.65 per square foot per month with a vacancy rate of 2.4 percent. Using total square footage of 17,570 and a rental rate of \$2.65 per square feet per month, the lease of the facility could generate \$558,726 annually. Education Code 17388 requires that the board appoint an advisory committee to advise the board regarding the disposition of property prior to its sale or lease. This committee, commonly referred to as a 7-11 Committee (because it must contain at least seven members and not more than 11). Presumably, the districts would first have to convene its 7-11 Committee before the property could be declared surplus and then leased.

ELIMINATE ATHLETIC TRAINERS AT EACH COMPREHENSIVE HIGH SCHOOL

The districts currently spend \$145,725 on athletic trainers, one for each of the comprehensive high schools. Although not all high schools in California have athletic trainers, a compelling argument can be made that athletic trainers help to reduce risk by preventing and treating student injuries.

RELOCATE PARMA CHILDREN'S CENTER TO AN EXISTING SCHOOL SITE AND LEASE MONTECITO STREET PROPERTY

The Parma Children's Center on Montecito Street is comprised of one permanent building of 3,185 square feet and two portable buildings that are far in excess of their useful life. If the districts relocated the children's center to another site, it could lease the permanent facility at a

rate of \$2.65 per square feet for an annual amount of \$101,283. Since the site is not currently used as a school site, we would have to consult with legal counsel to see if the 7-11 Committee would have to be convened prior to leasing the site. The rental of four portables to house the current programs would be roughly \$22,000 per year. In addition there would be one-time site development costs, of approximately \$83,000 per building.

CONSIDERED BUT WOULD PROBABLY NOT YIELD COST SAVINGS

The administration received numerous suggestions to reduce expenditures and/or enhance revenues. Each was carefully considered. However, many of the suggestions were discarded, either because they focused on negotiable items between the districts and their employee associations; could not be accomplished absent changes in current law; or could result in unintended consequences, including but not limited to a decreased level of funding elsewhere in the districts. The following items were considered but discarded:

SELL REAL PROPERTY OF COLLATERALIZE REAL PROPERTY TO FUND THREE PERCENT RESERVE REQUIREMENT

Education Code Section 17462 restricts the funds derived from the sale of real property to capital outlay and/or deferred maintenance. In the event the districts sold one or more pieces of real property, the proceeds from the sale could not be used to fund the reserve for economic uncertainties.

CLOSE AN ELEMENTARY SCHOOL

Education Code 17388 requires that the board appoint an advisory committee to advise the board regarding the disposition of property prior to its sale or lease. This committee, commonly referred to as a 7-11 Committee (because it must contain at least seven members and not more than 11) is required to do all of the following prior to the sale or lease of district surplus property:

1. Review the projected school enrollment and other data as provided by the district to determine the amount of surplus space and real property.
2. Establish a priority list of use of surplus space and real property that will be acceptable to the community.
3. Cause to have circulated throughout the attendance area a priority list of surplus space and real property and provide for hearings of community input to the committee on acceptable uses of space and real property, including the sale or lease of surplus real property for child care development purposes pursuant to Education Code Section 17458.
4. Make a final determination of limits of tolerance of use of space and real property.
5. Forward to the district governing board a report recommending uses of surplus space and real property.

Although there had been initial discussion regarding closing one or more of the elementary schools in the districts, it now appears that the declining enrollment pattern in the elementary district has flattened out and is projected to gradually increase over time. Moreover, with the recent action of the Hope School District board to discontinue interdistrict requests, the number of new students entering the elementary district may be further increased. The current projection for non-charter elementary enrollment for next year is an increase of 92 students in total enrollment.

ALL STAFF, INCLUDING THE SUPERINTENDENT, SHOULD REJECT THE PAY INCREASE FOR NEXT YEAR

The pay increase was negotiated by employee associations and a reduction would also have to be negotiated. When unfounded rumors circulated earlier this year that the districts would renege on the salary increase staff was upset. The superintendent is willing to join with staff in a rejection of the pay increase but it is not likely to be approved.

REDUCE LEGAL AND CONSULTANT FEES

Legal fees are largely used for student expulsion, resolving special education claims, charter school issues, and protection from lawsuits. Consultant fees (e.g., land use, parcel tax) are used to pursue additional revenue or to advise the district on fiscal or organizational issues.

ELIMINATE THE ELEMENTARY MUSIC PROGRAM

The elementary district funding for music instruction leverages funding from the Santa Barbara Education Foundation (SBEF). A total of 2.5 FTEs are jointly funded by the unrestricted general fund, a state music grant, and the SBEF donation. In addition, local donors contribute to our musical instrument maintenance fund, further reducing our costs in this area.

CONTRACT OUT MAINTENANCE

Senate Bill 1419 (Alarcon, D-Sylmar), which limits the flexibility school agencies and community colleges have to choose between permanent employees or contractors to provide services. Prior to the passage of SB 1419, school districts could select the high-value low-cost producer of services without regard to whether the service would be provided by a contractor or by in-house labor. Under SB 1419, the default position is that the district must hire in-house employees unless it can prove that it meets one of several exceptions:

- new functions for which the state legislature authorizes independent contractors' services are not available or can't be satisfactorily performed by district employees;
- the services are incidental to a purchase or lease contract;
- the goals of the district can't be accomplished through the regular hiring process;
- an emergency condition exists.

PROVIDE INCENTIVE FOR INSURANCE "OPT OUT"

Underwriter guidelines normally preclude employees from "opting out" on the basis that premium (i.e., income) estimates needed to pay claims are based on full participation. Excluding a portion of the population from the premium calculation would result in the cost of claims being spread across a smaller revenue base, thereby increasing insurance premiums in the future.

ELIMINATE EDUSOFT CONTRACT NOT REQUIRED FOR COMPLIANCE

The Edusoft contract is necessary for compliance program monitoring and as a vehicle for building common assessments to allow more data-based instructional decisions. The contract does not have separate modules and is paid out of categorical funds. Elimination of the contract would put us out of compliance and would not save money from the unrestricted fund.

CONVERT HIGH SCHOOL FOREIGN LANGUAGE CLASSES AND ADVANCED PLACEMENT COURSES TO DUAL ENROLLMENT COURSES, AND CONVERT CAREER TECHNICAL ELECTIVE CLASSES TO REGIONAL OCCUPATIONAL PROGRAM

Santa Barbara City College (SBCC) determines the qualifications of their instructors. In the case of high school dual enrollment courses, many teachers are not qualified to teach these classes because the teachers do not meet the SBCC requirements; therefore, this is not a consistently viable option. Further, SBCC pays the school sites and the "adjunct" faculty directly with small curricular stipends. These stipends do not consistently allow sites to offset the costs of instructor salaries and benefits.

CANCEL DISTRICT STAFF TRAININGS

Almost all district staff trainings are funded by categorical income. As a result, elimination of trainings would not result in a savings to the unrestricted general fund and therefore would not improve the districts' financial position.

HIRE A SPECIAL EDUCATION LAWYER TO BE AT NEEDED INDIVIDUALIZED EDUCATION PLANS

Use of additional legal services would be more expensive and would not replace the need for more training.

HIRE A GRANT WRITER

Hiring a grant writer would not result in more unrestricted revenue since the majority of grants available have "supplement and not supplant" provisions that do not allow the districts to "backfill" unrestricted expenditures from grant funds. Moreover, since the grant writer would have to be paid with unrestricted funds, this would result in a greater impact to the districts' unrestricted general fund.

ELIMINATE GENERAL FUND SUPPORT FOR ATHLETICS

The unrestricted general fund does not pay for athletics, with the exception of coaching stipends. Sports are self-funded through gate receipts and fundraisers. The unrestricted general fund offsets the cost of ambulance and additional police only.

CHARGE STUDENTS FOR PARKING AT HIGH SCHOOLS, WITH REDUCED FEE FOR ECONOMICALLY DISADVANTAGED STUDENTS

Charging students would encourage parking off-campus and would have a negative impact on nearby neighbors and business.

REDUCE ONE PERSONNEL OFFICE EMPLOYEE

Under consideration is an office assistant position that is shared between the personnel office and fiscal services. Reducing this position would not allow both departments to get necessary work completed without having a negative impact on day-to-day operations.

ELIMINATE EITHER STIPEND OR OVERTIME FOR FOOD SERVICE ADMINISTRATIVE ASSISTANT

Overtime for this position has been curtailed and the stipend is scheduled to expire in April 2008.

REDUCE HOURS FOR DISTRICT COMPUTER OPERATOR

Reducing the hours of this four hour position would slow down the processing of purchasing and payroll and generally result in operational inefficiency.

TWO YEAR MORATORIUM ON CSBA DUES (ONE-TIME)

The districts pay the California School Board Association (CSBA) dues of \$13,626 on an annual basis, which includes a portion that goes to fund the CSBA Legal Alliance. By placing a two-year moratorium on this membership, the districts could save \$27,252 over two years. However, it should be noted that CSBA provides us access to updated board policies through GAMUT, their online board policy service at a cost of \$3,250 per year. In the event that the districts terminated their membership with CSBA, the districts would no longer be able to access the GAMUT board policy service.

One-time savings: \$16,876

CSEA FURLOUGH DAYS

CSEA has asked us to consider furlough days in lieu of reductions in force as their contribution toward the districts' efforts to regain fiscal solvency. We estimate that the savings to the unrestricted general fund is roughly \$60,000 per furlough day. While we appreciate CSEA's recognition of the districts' financial status, and their efforts to problem solve, we have serious reservations about the use of furlough days. For one, we feel the use of furlough days is one size fits all approach to deal with budgetary problems. Rather than implement a uniform reduction in work days district-wide, we prefer to look at the operations of the districts independently and then make systematic reductions that don't reduce the districts' entire organizational capacity. However, we want to commend CSEA for their willingness to problem solve and will continue to look for their input during this period of financial difficulty for the districts.

BOARD ACTIONS

On April 8, 2008 the board unanimously approved removing the following items from the proposed cut list for the 2008-09 fiscal year:

REDUCE 7.4 CERTIFICATED FTEs PROVIDING JUNIOR HIGH ELECTIVES

Each of the junior high schools receives an additional staffing allotment of 2.0 FTE (although not fully used) for additional elective offerings in the master schedule. This additional staffing allotment is the result of cuts to the junior high school programs in 2002-2003 when the seven-period day was reduced to a six-period day. While an additional FTE was allowed this year at each junior high school, due to student schedule changes after the school year began, only a total of 3.4 FTEs were actually added this year, bringing the total number of additional FTEs provided by the current budget to 7.4. Full funding for all eight FTEs would cost \$46,800 more next year than is currently funded. Half of the additional electives are used to support music, art, and performing arts.

The board may consider:

- Maintaining the additional elective FTE level of 8.0 FTEs, allocating 0.2 FTE to schools for every 75 students, which would ensure an equitable level of staffing, based on student enrollment.
- Capping the additional elective FTE level at 4.0 FTEs for next year, allocating 0.2 FTE to schools for every 150 students, which would ensure an equitable level of staffing, based on student enrollment.
- Eliminating all of the additional electives because the additional allotments place a further burden on the unrestricted general fund.

Amount: \$577,000

**MID-YEAR REDUCTIONS FISCAL YEAR 2007-08
DISTRICT OFFICE SERVICES (one-time)**

	Description	Savings
A	Charge restricted funds their proportional share of pay-as-you go cost for retiree health benefits	\$338,788
B	Reflect accounts receivable from SELPA	\$274,804
C	Use portion of elementary and secondary discretionary block grant to make deferred maintenance contribution	\$204,400
D	Adjust workers compensation rate to reflect experience modification factor for current year	\$197,153
E	Reverse accounts payable to SELPA	\$180,843
F	Charge RRMA indirect costs	\$150,902
G	Shift FTEs from CAHSEE core to CAHSEE intensive	\$99,000
H	Charge three percent administrative fee to capital facilities fund for current and prior year	\$69,667
I	Post one time insurance rebate from Southern California Relief property and liability insurance carrier	\$51,264
	TOTAL	\$1,566,821

COST REDUCTIONS AND REVENUE ENHANCEMENTS FISCAL YEAR 2008-09

	Description	Savings
A	Charge restricted funds their proportional share of pay-as-you-go cost for retiree health benefits	\$338,788
B	Adjust workers compensation rate to reflect experience modification factor and to reflect rate decrease for fiscal year 2008-09	\$367,261
C	Universal breakfast	\$200,000
D	Charge RRMA account indirect costs	\$175,000
E	Change insurance carriers for property and liability insurance and recognize rate reduction for fiscal year 2008-09	\$145,213
F	Make portion of secondary deferred maintenance transfer with Isla Vista and Goleta redevelopment project area revenue	\$75,511
G	Eliminate broker of record for workers compensation insurance	\$60,000
H	Charge three percent administrative fee to capital facilities fund	\$34,833
I	Increase price on paid meals for school lunch	\$31,747
J	Enforce board policy on MTD student bus passes	\$25,000
K	Implement various energy efficiency measures	\$25,000
L	Eliminate 2.85 administrative FTEs	\$360,000
M	Impose ten percent reduction in all district office discretionary budgets	\$160,000
N	Reduce elementary administrative positions at smaller elementary schools	\$51,000
O	Provide district letterhead and numerous forms in electronic format rather than hard copy	\$4,000
P	Eliminate ninth-grade class size reduction	\$571,000
Q	Reduce the number of instructional assistants, especially in special education	\$433,874
R	Reduce school psychologists from 18 to 13 FTEs	\$425,000
S	Staff all comprehensive high schools at parity	\$320,000
T	Provide certificated retirement incentive	\$345,744
U	Eliminate four site-based resource program specialists and replace with clerical positions	\$298,530
V	Replace retiring certificated librarians with media technicians	\$108,285
W	Reduce classified support staff proportional to enrollment decline	\$46,435
X	Pro-rate elementary district health assistants according to school size	\$40,715
Y	Staff all junior high schools at parity	\$46,800
Z	Eliminate the expense of Oral-J testing including associated cost for use of substitutes	\$27,000
AA	Require students to make up every absence with Saturday School	\$6,300
	TOTAL	\$4,723,036