



Financial Oversight Committee Report

November 19, 2009

The District is in a Serious Financial Predicament Due to State Budget Cuts

As a result of cuts in state funding, the largest source of District revenues, the District's current financial outlook is bleak:

- The District is currently facing a \$10 million budget shortfall in 2009-2010 in our Unrestricted General Fund, and a \$12 million projected shortfall in each year thereafter.
- Further significant state revenue cuts are expected both at the mid-year point and for the 2010-2011 fiscal year due to continuing state budget problems. The state is projected to be facing a \$21 billion shortfall through the 2010-11 fiscal year.
- Economic recovery will not remove the dire budget problems for this year or next year. The state's financial problems predate the current recession.

The District is Burning Through Our Financial Reserves

Because of the mismatch between revenues and expenditures, we are burning through our financial reserves at an alarming rate:

- Without further action, our District is projected to burn through \$22 million in reserves within 18 months. The Financial Oversight Committee finds this prospect totally unacceptable.
- The current multi-year forecast shows that without substantial expenditure cuts or significant new revenues, or some of each, we will not meet our required 3% Reserve for Economic Uncertainty, beginning next year.
- This puts the District on an unsustainable financial path and risks future autonomy in local financial decision making.

3

District Financial Strategy Recommendations

To resolve our financial predicament and bring our budget into balance, the District needs to pursue three important strategies:

1. Adopt a process and timetable for making specific decisions concerning significant expenditure reductions.
2. In consultation with District bargaining units, aggressively pursue a range of cost savings strategies. 92% of the District's unrestricted expenditures are for salaries and benefits.
3. Implement new revenue enhancements to the maximum extent that is practical.

4

Expenditure Reduction Considerations

Given our District's precarious financial outlook, it is imperative that the District develop a proposed budget cut list now along with a public education campaign.

- The District must submit a preliminary plan to the Los Angeles County Office of Education in December. The plan must demonstrate financial solvency, focusing primarily on expenditure reductions rather than more speculative revenue enhancements.
- The Financial Oversight Committee recognizes that significant expenditure reductions are inevitable. Philosophically, we are in favor of the type of reductions that leave our core instructional program intact.
- Our community needs to understand the difficult financial context in which the School Board will be asked to make some very tough decisions.

5

Revenue Enhancement

The Financial Oversight Committee has investigated numerous revenue enhancement ideas:

- Potential revenue is estimated, which may take several years to fully develop
- Some of these items may require that the District bring in personnel with additional skill sets
- Some initiatives require an additional investment
- Ease of implementation should be considered
- Each initiative requires District commitment for success

6

Revenue Generation Opportunity Initial Evaluation (1 of 8)
School Funding Measure

Descriptor	Evaluation
Opportunity	<ul style="list-style-type: none"> Parcel tax Mostly successful in other California school districts
Gross Revenue	<ul style="list-style-type: none"> POTENTIALLY HIGH (\$0 - \$12 million/year) Polling and research being done to inform strategy for most feasible measure Each \$100/parcel = \$3 million in annual funding
Costs	<ul style="list-style-type: none"> \$250,000 for the election campaign \$5,000 audit costs/year Possible exemption for senior citizens age 65 or older
Net Revenue	<ul style="list-style-type: none"> POTENTIALLY HIGH after expenses have been paid Could generate additional revenue as early as 2009-2010
Skill Set Available	<ul style="list-style-type: none"> HIGH: Citizens Committee formed to determine feasibility
Ease of Implementation (Low = Difficult)	<ul style="list-style-type: none"> HIGH: Generally successful track record in District Current weak economy will require a strong election strategy
Timeline	<ul style="list-style-type: none"> Citizens Committee research underway now School Board to discuss further; election possible during FY 2009-2010

Revenue Generation Opportunity Initial Evaluation (2 of 8)
Targeted Fundraising

Descriptor	Evaluation
Opportunity	<ul style="list-style-type: none"> Development Objective: Help preserve District's current operations Focus on Annual Giving Target: alumni, businesses, parents, District families Naming rights
Gross Revenue	<ul style="list-style-type: none"> HIGH: \$2 million/year (three year ramp up period)
Costs	<ul style="list-style-type: none"> \$12,000/month for a top Development Officer, initial 6 month project Staff support and communications budget \$250,000 annual budget expected within three years
Net Revenue	<ul style="list-style-type: none"> HIGH: Up to \$400,000 in Year 1, and up to \$1.75 million by end of year 3
Skill Set Available	<ul style="list-style-type: none"> LOW: Need professional Development Officer, Core Campaign Committee, staff support (communications)
Ease of Implementation (Low = Difficult)	<ul style="list-style-type: none"> MODERATE: First time use of alumni for development purposes Need to separate Development from Relationship management
Timeline	<ul style="list-style-type: none"> Will take six months to establish Could raise up to \$500,000 in Year 1, and up to \$2 million by end of year 3

Revenue Generation Opportunity Initial Evaluation (3 of 8)

Generate Licensing Fees

Descriptor	Evaluation
Opportunity	<ul style="list-style-type: none"> • Clothing and Merchandise Licensing Fees • “Santa Monica High” and/or “Malibu High” brand opportunity
Gross Revenue	<ul style="list-style-type: none"> • HIGH: \$300,000 expected in first year. Potential of \$1.5 million over 3 years.
Costs	<ul style="list-style-type: none"> • No up front fees to licensee • Some legal contract review cost
Net Revenue	<ul style="list-style-type: none"> • HIGH: \$300M 1st year. Potential of \$1.5MM over 3 years
Skill Set Available	<ul style="list-style-type: none"> • MODERATE: Need some contract licensing expertise
Ease of Implementation (Low = Difficult)	<ul style="list-style-type: none"> • HIGH: Example set by Beverly Hills USD • Turnkey licensee/distributor ready
Timeline	<ul style="list-style-type: none"> • Initial revenue projected in 2011-2012 • Immediate, negotiate terms and conditions of licensing agreement

Revenue Generation Opportunity Initial Evaluation (4 of 8)

Better Utilize District Assets

Descriptor	Evaluation
Opportunity	<ul style="list-style-type: none"> • Increase utilization of assets to maximize value to District • Accelerate selected SAMO Memorial Greek Amphitheater renovations • Establish for-profit summer school (with scholarships to needy District students)
Gross Revenue	<ul style="list-style-type: none"> • HIGH: \$500,000 -1.2 million/year • Renovate Amphitheater (\$300,000-\$1 million/year) • Aggressively market SAMO Barnum Hall to increase commercial use (\$160,000/year)
Costs	<ul style="list-style-type: none"> • Essential Renovations: \$500,000 for new loading area, temporary restrooms, tent anchors, lighting positions, cable runs would make the space much more appealing to production companies • Add'l Renovations: \$1 million for power cap., light/sound booth, spot, seats and ramps • Note \$3.9 million has been estimated as a total renovation cost as part of the CCJUP; this is an <i>acceleration</i> of those funds rather than new additional funds • Personnel \$50,000/year
Net Revenue	<ul style="list-style-type: none"> • HIGH: Start at \$100,000 and increase to \$1.2 million/year
Skill Set Available	<ul style="list-style-type: none"> • MODERATE: Need outreach/communication/marketer to find/serve production cos.
Ease of Implementation (Low = Difficult)	<ul style="list-style-type: none"> • MODERATE: Renovation acceleration requires changing order of work in CCJUP • Public Use program recently updated; commercial use increased successfully
Timeline	<ul style="list-style-type: none"> • If renovations start in 2010, revenue stream begins 2011 reaches peak in 4-6 years

Revenue Generation Opportunity Initial Evaluation (5 of 8)
Attendance Campaign

Descriptor	Evaluation
Opportunity	<ul style="list-style-type: none"> Implement District-wide attendance goal of 96%. This represents a 0.72% increase from prior year.
Gross Revenue	<ul style="list-style-type: none"> MODERATE: \$450,000/year
Costs	<ul style="list-style-type: none"> Minimal costs - \$10,000 (marketing materials, school site incentive awards)
Net Revenue	<ul style="list-style-type: none"> MODERATE: \$440,000/year
Skill Set Available	<ul style="list-style-type: none"> HIGH: Can tap PTAs at sites but would need marketing expertise to drive the program.
Ease of Implementation (Low = Difficult)	<ul style="list-style-type: none"> HIGH: Relatively easy to implement. Awareness letter, School Site Tracking and Feedback mechanism and Incentive Program would need to be developed.
Timeline	<ul style="list-style-type: none"> Should be started ASAP as economic benefit occurs immediately.

11

Revenue Generation Opportunity Initial Evaluation (6 of 8)
Special Education Center of Excellence

Descriptor	Evaluation
Opportunity	<ul style="list-style-type: none"> Build a Special Education facility of scale, infrastructure, and quality that would draw students from across the SELPA (bringing funds into the District) Drastically lower use of more expensive NPS therapy/counseling while increasing quality levels; provide continuity of services management Parent advocacy and support networking located on-site Potentially use Federal stimulus funds to jumpstart the faculty Use facility after school hours to run an autism or other private program
Gross Revenue	<ul style="list-style-type: none"> HIGH: 200 student center would bring in approximately \$6 million
Costs	<ul style="list-style-type: none"> \$4 million for 40 person staff at \$100,000/person \$1 million/year for operating expenses for school-hours use
Net Revenue	<ul style="list-style-type: none"> HIGH: \$1 million/year After school use assumed to be separate (in costs and revenues) and additive
Skill Set Available	<ul style="list-style-type: none"> LOW: Would require major startup, credentialing, and operational effort However, builds key expertise that could be strategically important to District
Ease of Implementation (Low = Difficult)	<ul style="list-style-type: none"> LOW: Requires new center vision / design / operations excellence commitment on part of District Requires site availability
Timeline	<ul style="list-style-type: none"> 3 years to obtain site, plan and design facility, complete construction, and startup operations

12

Revenue Generation Opportunity Initial Evaluation (7 of 8)
Generate Advertising Fees

Descriptor	Evaluation
Opportunity	<ul style="list-style-type: none"> • Approved advertising on school buildings, buses, scoreboards, and/or websites • Banners hung from schools • School mailings, newsletters, District website
Gross Revenue	<ul style="list-style-type: none"> • MODERATE: (\$250,000 - \$500,000/year)
Costs	<ul style="list-style-type: none"> • Marketing officer (\$80,000/year) to cultivate sponsors and advertisers • Access to graphics software (\$10,000)
Net Revenue	<ul style="list-style-type: none"> • MODERATE: \$160,000 - \$ 410,000
Skill Set Available	<ul style="list-style-type: none"> • MODERATE: Must add marketing skill set to District to identify and land clients • Need process and group responsible to ensure compliance with District's advertising policies
Ease of Implementation (Low = Difficult)	<ul style="list-style-type: none"> • MODERATE: Would need to determine appropriate use of school property for advertising • Need to establish relationships with advertising firms, sponsors • May need to order new scoreboards, bus signage, etc.
Timeline	<ul style="list-style-type: none"> • May take up to six months to generate steady flow of clients

13

Revenue Generation Opportunity Initial Evaluation (8 of 8)
Increase Number of Permit Students

Descriptor	Evaluation
Opportunity	<ul style="list-style-type: none"> • Increase number of permit students back to 2007-2008 levels. • This equates to an increase of 200 students over what is currently budgeted.
Gross Revenue	<ul style="list-style-type: none"> • HIGH: \$1.2 million
Costs	<ul style="list-style-type: none"> • Teachers, student supplies, and additional hours allocated to attendance department. • ~\$700,000
Net Revenue	<ul style="list-style-type: none"> • MODERATE: \$500,000
Skill Set Available	<ul style="list-style-type: none"> • HIGH: Process and staff exist already. • May need to hire an additional clerk to assist with processing.
Ease of Implementation (Low = Difficult)	<ul style="list-style-type: none"> • MODERATE: Likely to draw opposition from community
Timeline	<ul style="list-style-type: none"> • Could be implemented mid-year

14

Revenue Enhancement - Next Steps

Next Steps:

- Further develop financial projections and an implementation timeline
- Continue to meet with professionals who can guide us on how best to pursue revenue enhancement opportunities
- Consult with other school districts on how they are pursuing revenue enhancement
- Identify top revenue enhancement priorities for early implementation