



Twin Ridges Elementary School District

Fiscal and Staffing Review

June 12, 2007

Joel D. Montero
Chief Executive Officer



CSIS California School Information Services

June 12, 2007

Larry Meek, Superintendent
Twin Ridges Elementary School District
P.O. Box 529
North San Juan, CA 95960

Dear Superintendent Meek,

In October 2006, the Fiscal Crisis and Management Assistance Team (FCMAT) entered into an agreement with the Twin Ridges Elementary School District for a fiscal review. Specifically, the agreement asked FCMAT to:

- 1) Conduct a review of the district's current fiscal status, past performance, and long term strategies.
- 2) Prepare a fiscal and staffing analysis of the impact of changes in the sponsorship of external and local charter schools in the 2007-08 fiscal year and beyond based on the following scenarios:
 - a. No district sponsored charter schools and no Enterprise fund
 - b. No district sponsored charter schools with an Enterprise fund
 - c. In-county charter schools only with no Enterprise fund
 - d. In-county charter schools only with an Enterprise fund
- 3) Review the district's 2006-07 first interim multi year projections for fiscal years 2007-08 and 2008-09 in the context of the scenarios noted above, and provide feedback and recommendations for changes.

On January 11, 2007 FCMAT was notified by the district's assistant superintendent that the Twin Ridges home study charter would be leaving the district as of June 30, 2007. FCMAT was asked to prepare multiyear scenarios based on no charter schools and no enterprise fund. Although FCMAT believes that the district may come under basic aid status in the future, the district requested that two multiyear scenarios be prepared: one with basic aid funding and one with the district remaining under revenue limit funding.

The attached final report contains the study team's findings and recommendations.

We appreciate the opportunity to serve you and we extend our thanks to all the staff of the Twin Ridges Elementary School District.

Sincerely,

Barbara Dean
Deputy Administrative Officer

c: Larry Pastore, Assistant Superintendent, Fiscal Services

FCMAT

Joel D. Montero, Chief Executive Officer

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Foreword

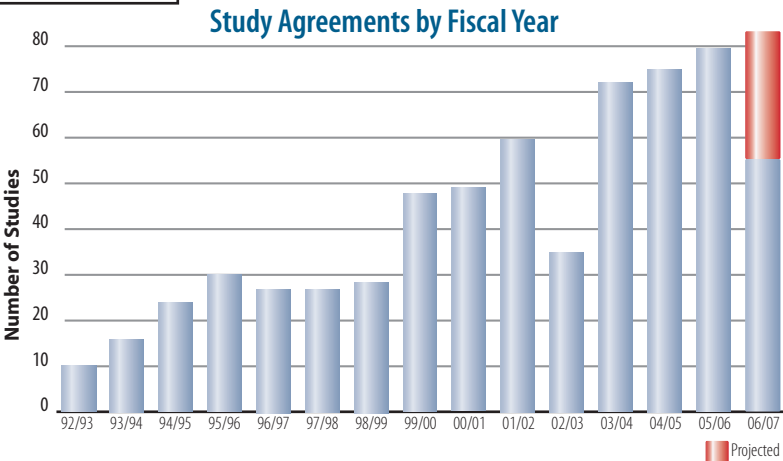
FCMAT Background

The Fiscal Crisis and Management Assistance Team (FCMAT) was created by legislation in accordance with Assembly Bill 1200 in 1992 as a service to assist local educational agencies in complying with fiscal accountability standards.

AB 1200 was established from a need to ensure that local educational agencies throughout California were adequately prepared to meet and sustain their financial obligations. AB 1200 is also a statewide plan for county offices of education and school districts to work together on a local level to improve fiscal procedures and accountability standards. The legislation expanded the role of the county office in monitoring school districts under certain fiscal constraints to ensure these districts could meet their financial commitments on a multiyear basis. AB 2756 provides specific responsibilities to FCMAT with regard to districts that have received emergency state loans. These include comprehensive assessments in five major operational areas and periodic reports that identify the district’s progress on the improvement plans

Since 1992, FCMAT has been engaged to perform more than 600 reviews for local educational agencies, including school districts, county offices of education, charter schools and community colleges. Services range from fiscal crisis intervention to management review and assistance. FCMAT also provides professional development training. The Kern County Superintendent of Schools is the administrative agent for FCMAT. The agency is guided under the leadership of Joel D. Montero, Chief Executive Officer, with funding derived through appropriations in the state budget and a modest fee schedule for charges to requesting agencies.

| | |
|--|--------------|
| Total Number of Studies..... | 637 |
| Total Number of Districts in CA..... | 982 |
| ● Management Assistance..... | 603 (94.66%) |
| ● Fiscal Crisis/Emergency | 34 (5.34%) |
| Note: Some districts had multiple studies. | |
| ● Districts (7) that have received emergency loans from the state. | |
| (Rev. 4/3/07) | |



Introduction

Background

The Twin Ridges Elementary School District is located on the San Juan Ridge in the Sierra Nevada foothills of Nevada County, midway between Sacramento, California and Reno, Nevada. The district was formed in the 1970s by a reorganization of several small rural school districts.

The district operates a charter home study program and two charter schools within Nevada County, and sponsors 10 out-of-county charter schools. The district provides these charter schools with support services and places revenues from these services in an enterprise fund to support two local district schools.

The district has a total enrollment of 2,121 students in of its charter and non-charter schools within and outside of the district. Of this total, 295 students attend charter or non-charter schools within the district.

Upcoming Changes

Education Code sections 47605 and 47605.1 require a charter school to seek authorization for charter renewal from a local educational agency (LEA) within whose geographic boundaries it is located. Under these provisions, the district-sponsored out-of-county charter schools whose charter petitions are subject to renewal after December 2007 may no longer be sponsored by Twin Ridges Elementary School District; they must seek LEA sponsorship within their home counties. The out-of-county charters include the following:

- Maria Montessori Charter Academy in Rocklin (Placer County)
- Village Charter in Santa Rosa (Sonoma County)
- River Oak Charter in Ukiah (Mendocino County)
- Golden Valley Charter in Citrus Heights (Sacramento County)

In addition, during FCMAT's review, discussions were under way regarding the possible transfer of five district-sponsored charter schools in Nevada County to sponsorship by the Nevada County Office of Education. These in-county charters include the following:

- Sierra Montessori Academy in Lake of the Pines
- Forest Charter School Home Study in Nevada City
- Nevada City School of the Arts in Grass Valley
- Bitney Springs Charter High School in Grass Valley
- Yuba River Charter in Nevada City

FCMAT has recently learned that the Twin Ridges home study program will not continue to operate as a district-sponsored charter.

Study Guidelines

In mid-August 2006 the district contacted FCMAT with a request for a management assistance review to identify the impact of the potential loss of the district-sponsored out-of-county charter schools. A FCMAT study team visited the district on October 11-12, 2006 to conduct interviews, collect data and review information. After discussion with the district's administration regarding the potential loss of one or more in-county charter schools, the scope of the review was amended as follows:

- 1) Conduct a review of the district's current fiscal status, past performance, and long term strategies.
- 2) Prepare a fiscal and staffing analysis of the impact of changes in the sponsorship of external and local charter schools in the 2007-08 fiscal year and beyond, based on the following scenarios:
 - a. No district sponsored charter schools and no Enterprise fund
 - b. No district sponsored charter schools with an Enterprise fund
 - c. In-county charter schools only with no Enterprise fund
 - d. In-county charter schools only with an Enterprise fund
- 3) Review the district's 2006-07 first interim multiyear projections for fiscal years 2007-08 and 2008-09 in the context of the scenarios noted above, and provide feedback and recommendations for changes.

On January 11, 2007 FCMAT was notified by the district's assistant superintendent that the Twin Ridges home study charter would be leaving the district as of June 30, 2007. FCMAT was asked to prepare multiyear scenarios based on no charter schools and no enterprise fund. Although FCMAT believes that the district may come under basic aid status in the future, the district requested that two multiyear scenarios be prepared, one with basic aid funding and one with the district remaining under revenue limit funding.

This report is the result of those activities and is divided into the following sections:

- I. Executive Summary
- II. District Operations and Staffing
- III. Fiscal Impact
- IV. Other Funds
- V. Available Reserves
- VI. Multiyear Projections

Subsequent to the completion of this report in late January 2007, FCMAT offered to request that Paul Goldfinger of School Services of California (SSC) prepare a revenue limit funding analysis on the district's behalf. The findings of SSC are included as appendices

to this report and support FCMAT's conclusion that the district will qualify for basic aid status in the upcoming years if local tax receipts follow past trends.

Study Team

The FCMAT study team was composed of the following members:

Barbara Dean
Deputy Administrative Officer
FCMAT
Bakersfield, CA

Linda Grundhoffer
FCMAT Consultant
CBO, Retired
Danville, CA

Rory Livingston
FCMAT Fiscal Consultant
Atascadero, CA

Laura Haywood
Public Information Specialist
FCMAT
Bakersfield, CA

Executive Summary

The Twin Ridges Elementary School District's creation of a charter home study program for district students in 1993 and its sponsorship of two Nevada County charter schools in the mid 1990s placed the district in a leadership role in the charter school movement.

In 1998 the district created an infrastructure to provide instructional and financial support services to charter schools both within and outside of Nevada county, tripling the district's enrollment. These services generated revenue to support the district's local schools, including professional development and the purchase of facilities, equipment and supplies.

In the fall of 2004, the Nevada County Office of Education requested that FCMAT review the Twin Ridges District Service Center (DSC) operations and compile the results of a customer satisfactions survey. In addition, the county office asked FCMAT to conduct a review of administrative support staffing. FCMAT found that some areas of improvement could be identified; overall, however, FCMAT concluded that the DSC's operations were appropriate and provided a good value to the charter schools. FCMAT's report, completed in February 2005, also commented on the effect of legislation which would eliminate the district's ability to sponsor charter schools located outside of Nevada County after the 2006-07 fiscal year. The report indicated that if the number of charter schools decreased, staffing needs at the DSC would be reduced.

Based on the 2005 CBEDS report, only 295 of the district's 2,121 students are enrolled at one of the district's three school sites or its community day program.

The district is now at a crossroads: it must make significant changes to district office staffing as a result of no longer providing charter school sponsorship. The district asked FCMAT to exclude enterprise revenues and staffing costs in its multiyear scenarios because of the uncertainty of attracting districts interested in contracting for Twin Ridges' financial services.

FCMAT believes that the district would enter into basic aid status in 2007-08 if no out-of-district charter schools are sponsored in that year. However, FCMAT has provided a scenario based on revenue limit funding in the event that the district does not enter basic aid status. The following two pages show a summary of the two financial scenarios developed by FCMAT using the district's 2006-07 first interim report data as the base year.

FCMAT's analysis shows that the most stable financial model for the district is based on the district becoming a basic aid district, a status which is determined by calculations of tax revenues rather than by choice. Should the district remain in revenue limit funding, a fiscal recovery plan must be developed to sustain financial viability in future years. The assumptions included in the multiyear scenarios are listed in the report.

This report reflects the district's anticipated staffing changes based on all charter schools leaving the district. The district's board and administration must immediately work collectively to set priorities for district office operations. The district should also evaluate its ability to purchase fiscal services from the county office or other nearby districts, and

determine whether purchasing lunches from the Grass Valley Elementary School District would cost less than operating its own food service program.

Regardless of how the district reorganizes, the district will need to review and update all job descriptions, job titles and reporting structures.

Communications regarding the downsizing of the district office should be distributed regularly to keep all parties informed.

If the district does not achieve or retain basic aid status, it should annually review the possibility of filing for necessary small school status for Grizzly Hill School to determine if this would provide additional revenue. The district should also annually evaluate the effects of the class size reduction (CSR) program for grades K-3 to ensure that it remains cost neutral. Reducing the general fund contributions to the special education and transportation programs is unlikely; however, these programs should be reviewed throughout the year to determine if costs can be reduced.

The district should determine priorities for use of the special reserve – non capital projects fund and should use this money sparingly to preserve this one-time revenue source.

Summary of the Two FCMAT Scenarios

| 2007-08 | Scenario #1 No Charters, No Enterprise (Basic Aid) | Scenario #2 No Charters, No Enterprise (Revenue Limit) |
|---|---|---|
| Revenues | 1,572,949 | 1,076,019 |
| Expenditures | 1,245,678 | 1,245,678 |
| Sources/Uses | -35,000 | 35,000 |
| Net Change | 292,271 | -204,659 |
| Beginning Balance | 222,399 | 222,399 |
| Ending Balance | 514,670 | 17,740 |
| Transfer from Fund 17 to make 5% reserve | | 74,013 |
| Fund 17 balance (if used only for reserve purposes) | | Approximately \$383,456 (based on 6/30/2006 ending balance) |

| 2008-09 | Scenario #1 No Charters, No Enterprise (Basic Aid) | Scenario #2 No Charters, No Enterprise (Revenue Limit) |
|---|---|--|
| Revenues | 1,569,220 | 901,950 |
| Expenditures | 1,253,668 | 1,253,667 |
| Sources/Uses | 19,867 | 19,867 |
| Net Change | 335,419 | -331,850 |
| Beginning Balance | 514,670 | 17,740 |
| Ending Balance | 850,089 | -314,110 |
| Transfer from Fund 17 to make 5% reserve | | 406,387 |
| Fund 17 balance (if used only for reserve pur- poses) | | Fund 17 would have a negative balance and the district would not make the reserve requirement without cuts |

Findings and Recommendations

The district's administration and board of trustees have been strong supporters of educational reform efforts, seeking to provide students with a comprehensive instructional program despite the remote location of district schools. To that end, the district formed the Twin Ridges home study program in 1993 and in the mid 1990s sponsored two Nevada County charter schools: Yuba River and Nevada City School of the Arts.

The district sponsors 10 charter schools throughout California and, as part of its business plan and district service center model, provides these schools with fiscal, special education, governance and other support services. Revenues from these services are recorded in an enterprise fund and are used to provide additional financial support to the district's Washington Elementary School and Grizzly Hill School sites.

District Operations and Staffing

The district's enrollment as reported in the October 2005 CBEDS was 2,121 students at 13 school sites. Of these sites, four are located outside of Nevada County, five are located within Nevada County but outside of the district's boundaries, three are district sites, and one is a district community day program. Enrollment at the district sites included 88 students at Grizzly Hill School, 12 students at Washington Elementary School, 192 students in the Twin Ridges home study charter program, and three students at the Twin Ridges 3R community day school program, for a total of 295 students. The remaining 1,826 students are enrolled at charter school sites outside the district.

The district service center (DSC) was designed to meet the fiscal, special education, governance and other support needs of all sites and students. The center is staffed to accommodate the separate and unique needs of the sites served in the areas of personnel, salary, benefits, purchasing, instructional and student services. The DSC staff is comprised of 14 employees in the following positions:

- Superintendent (Interim)
- Assistant Superintendent of Fiscal Services
- Assistant Superintendent of Charter Services
- Director of Student Services
- Director of Classified Services
- Director of Payroll & Personnel Services
- Business Clerk – Payroll
- Business Clerk – Personnel
- Business Clerk – Accounts Payable/Purchasing
- Business Clerk – Accounts Payable/Purchasing
- Office Manager Accounts Payable/Student Testing
- Accountant
- Student Services Specialist
- Business Clerk – Receptionist/Student Testing

Based on information gathered during interviews, it appears that most positions at the district office spent approximately 80% of their time on charter school business support functions. Beginning with the 2007-08 fiscal year, the district will no longer sponsor any charter schools and likely will not provide financial services to other districts through its enterprise fund. This will dramatically reduce the number of positions to a minimum level and will make it necessary to reevaluate and update remaining job descriptions, duties and titles.

Recommendations

The district should:

1. Reorganize and restructure positions within the DSC as the district's sponsorship of all charters comes to an end.
2. Consider staffing the following positions to support and meet the fiscal and operational needs of the Grizzly Hill School and Washington Elementary School sites, based on need:
 - a. Superintendent
 - b. Technical Support
 - c. Principal/Teacher
 - d. Classroom Teacher
 - e. RSP Teacher
 - f. Psychologist
 - g. Speech Therapist
 - h. Business Manager
 - i. School Secretary
 - j. Site Caretaker
 - k. Bus Driver
3. Revise and update job descriptions for all remaining positions in accord with the new structure and responsibilities.

Fiscal Impact

District revenues and expenditures will be affected dramatically by the loss of the out-of-county charters. The loss of fees charged to charter schools will significantly reduce revenues, workload and required staffing levels. If the charter schools located in Nevada County transfer to the county office, the district will not be required to transfer to the charters the charter portion of its property tax revenue. This would allow the district to report all of the J 29 taxes in its revenue limit calculation. This revised calculation may result in the district becoming a basic aid district, in which the district's property tax receipts exceed any state aid it may have received. If this occurs, property taxes become the district's main revenue source and, as a result, the district's revenues neither decrease with declining enrollment nor increase with rising enrollment.

Washington Elementary School is funded as a necessary small school for the 2006-07 fiscal year. FCMAT conducted an analysis to determine if the district would benefit from pursuing necessary small school status for Grizzly Hill School for the 2006-07 or 2007-08 fiscal years. The analysis showed that small school status would not benefit the district financially in either year. If the district acquires basic aid status, it will no longer receive supplemental necessary small school funds. Should the district remain in revenue limit funding a fiscal recovery plan must be developed to sustain financial viability in future years.

Other Funds

FCMAT found that there have been general fund contributions to the food service fund for several years. Although the district has been able to absorb this cost in the past, it appears that the general fund can no longer sustain this assistance.

Recommendations

The district should:

1. Request that School Services of California confirm the impact of changes to the revenue limit calculations and verify the district's status as a basic aid district.
2. Review the revenue limit funding status annually to maximize revenue limit sources.
3. Set priorities for communicating and making decisions regarding the expenditure reductions needed to offset revenue losses. The district should consider all available options, including contracting for business services from other districts or the county office.
4. If basic aid status is not attained, or if it is later lost, review the feasibility of making Grizzly Hill School a necessary small school.
5. Review general fund revenues to ensure that all possible resources are being used to their full potential.
6. Determine if the food service program can be self-sufficient by reviewing its structure, staffing and operations to maximize revenues.
7. Explore the possibility of purchasing lunches from Grass Valley Elementary School District, which has an enterprise fund and provides meals for other districts. The contact person is Susanne Grass, food services director.

Available Reserve

The district's board of trustees established a special reserve – non-capital projects fund (Fund 17), which had a fund balance of \$457,468.67 as of June 30, 2006. The district is to be commended for setting aside funds that can help ease the impact of downsizing. It is time for the administration and board to set priorities for the use of these funds in the future. For example, the board could determine whether the funds should be used only for one-time major purchases to enhance the educational programs, or for emergencies when no other funds are available.

FCMAT's multiyear scenario showing the district funded by revenue limit rather than basic aid shows that a transfer to the general fund is necessary in 2007-08. By the 2008-09 fiscal year, the fund balance of the special reserve fund will have been exhausted by deficit spending and the district will fall short of the required 5% reserve by approximately \$23,000.

Recommendations

The district should:

1. Immediately develop and approve a board resolution that states the purposes for which Fund 17 special reserve funds can be used in the future.
2. Immediately freeze transfers from the general fund to the special reserve fund until it has been determined whether the district will be funded as a revenue limit or basic aid district.

Multiyear Projections

FCMAT developed two multiyear financial projection (MYFP) scenarios: one based on the district being funded as a revenue limit district and one based on the district being funded as a basic aid district. Both MYFPs assume the loss of all charters.

Both MYFP scenarios also include the following assumptions:

- Under the revenue limit funding, a portion of the remaining special reserve fund balance will have to be transferred to the general fund in 2007-08 and the balance of the fund must be transferred in 2008-09. In 2008-09 the special reserve balance will be insufficient to fully meet the reserve requirement in for that year unless significant budget reductions are made.
- Cost of living adjustment (COLA), consumer price index (CPI) and Lottery numbers were taken from the School Services of California dartboard.
- Federal restricted revenues were adjusted for loss of federal special education funds.
- State revenues were increased by the COLA, and restricted state revenues were reduced to reflect the loss of 602 funds.
- Federal and state revenues were adjusted for declining enrollment.
- Expenditures were adjusted by CPI and declining enrollment.

Recommendations

The district should:

1. Ensure that there is no general fund contribution to the cafeteria fund after the 2006-07 fiscal year.
2. Pursue methods to reduce general fund contributions to special education and transportation.
3. Evaluate participation in the class size reduction program to ensure that it remains cost neutral if combination classes are needed.
4. Immediately begin to develop a multiyear plan for additional reductions to enable the district to maintain the required reserve for economic uncertainties in the 2008-09 fiscal year if the district remains as a revenue limit funded district.
5. Evaluate the cost of contracting for services from other local districts or the county office of education.

MYFP Scenario # 1 – No Charter Schools (basic aid), no enterprise fund

| | 2006-07 First Interim Report | Projected 2007-08 | Projected 2008-09 |
|-------------------------------|---|--------------------------|--------------------------|
| Revenues | | | |
| Revenue Limit sources | 2,390,840 | 1,247,271 | 1,254,827 |
| Federal | 358,215 | 105,482 | 100,198 |
| State | 363,934 | 172,885 | 170,700 |
| Local | 560,014 | 47,311 | 43,494 |
| Total Revenues | 3,673,003 | 1,572,949 | 1,569,219 |
| | | | |
| Expenditures | | | |
| Certificated Salaries | 1,285,428 | 494,575 | 509,413 |
| Classified Salaries | 808,090 | 163,127 | 168,021 |
| Employee Benefits | 604,591 | 181,749 | 187,201 |
| Books and Supplies | 190,697 | 180,837 | 174,614 |
| Services & Other Operating | 954,503 | 199,390 | 187,449 |
| Capital Outlay | 7,105 | | |
| Other Outgo | 1,683,506 | 24,000 | 24,970 |
| Direct/Indirect Costs | | | |
| Debt Service | | 2,000 | 2,000 |
| Total Expenditures | 5,533,920 | 1,245,678 | 1,253,668 |
| | | | |
| Excess/Deficit | 1,860,917 | 327,271 | 315,551 |
| | | | |
| Other Sources/Uses | 1,436,909 | -35,000 | 19,867 |
| | | | |
| Net Change | -424,008 | 292,271 | 335,418 |
| | | | |
| Beginning Fund Balance | 646,407 | 222,399 | 514,670 |
| Ending Fund Balance | 222,399 | 514,670 | 850,088 |

MYFP Scenario #2 – No charter schools (revenue limit), no enterprise fund

| | 2006-07 First Interim Report | Projected 2007-08 | Projected 2008-09 |
|-------------------------------|---|--------------------------|--------------------------|
| Revenues | | | |
| Revenue Limit sources | 2,390,840 | 750,341 | 587,558 |
| Federal | 358,215 | 105,482 | 100,198 |
| State | 363,934 | 172,885 | 170,700 |
| Local | 560,014 | 47,311 | 43,494 |
| Total Revenues | 3,673,003 | 1,076,019 | 901,950 |
| Expenditures | | | |
| Certificated Salaries | 1,285,428 | 494,575 | 509,413 |
| Classified Salaries | 808,090 | 163,127 | 168,021 |
| Employee Benefits | 604,591 | 181,749 | 187,201 |
| Books and Supplies | 190,697 | 180,837 | 174,613 |
| Services & Other Operating | 954,503 | 199,390 | 187,449 |
| Capital Outlay | 7,105 | | |
| Other Outgo | 1,683,506 | 24,000 | 24,970 |
| Direct/Indirect Costs | | | |
| Debt Service | | 2,000 | 2,000 |
| Total Expenditures | 5,533,920 | 1,245,678 | 1,253,667 |
| Excess/Deficit | 1,860,917 | -169,659 | -351,717 |
| Other Sources/Uses | 1,436,909 | -35,000 | 19,867 |
| Net Change | -424,008 | -204,659 | -331,850 |
| Beginning Fund Balance | 646,407 | 222,399 | 17,740 |
| Ending Fund Balance | 222,399 | 17,740 | -314,110 |

Appendices

Appendix A

Basic Aid Analysis from School Services of California

Appendix B

Basic Aid Analysis Calculations from School Services of California

Appendix C

Study Agreement

Appendix A

Basic Aid Analysis from School Services of California

Basic Aid Analysis for Twin Ridges School District

The Twin Ridges School District has approved numerous charter schools in the past, but effective 2007-08, will no longer have any charter schools. Due to this significant change in ADA, especially concerning the payment in lieu of property taxes, FCMAT contracted with School Services of California, Inc., to prepare this analysis of the district's revenue limit funding for fiscal years 2007-08 through 2009-10 to see if Twin Ridges would become basic aid and, if so, by how much.

The attached Excel file shows the calculation of the revenue limit for Twin Ridges for these three years, along with projections of the district's property tax income for the same period. As indicated, Twin Ridges will certainly be basic aid, beginning in 2007-08.

In preparing these calculations, the following assumptions were made:

1. **ADA.** Twin Ridges will have two schools – Washington Elementary which will be funded as a necessary small school with 10 ADA in all years and Grizzly Elementary which will have an estimated 79 ADA in all years. In addition, it is assumed the District will continue to have an estimated 5.46 county educated ADA in each future year—3.49 special education ADA that are funded at the county special education rate (i.e. the District's base revenue limit minus the “reform” add-ons) and 1.97 county community school ADA funded at the district's base revenue limit.
2. **COLA.** The revenue limit COLA will be 4.53% for 2007-08 and the COLAs for the next two years are projected to be 3.7% in 2008-09 and 2.6% for 2009-10.
3. **Property Taxes.** Local property taxes are projected to grow by the average growth rate for the prior four years, except for Prior Year taxes and the Supplemental Roll. Prior year taxes are very small, and the simple average of the prior five years was used for each future year. Note that, since ERAF taxes are not allocated to a basic aid district, ERAF taxes were excluded from this analysis for all years.

Per state law, in each year at the Second Principal Apportionment a determination is made as to whether a district is basic aid (or within \$120 per ADA of being basic aid) – in which case the district does not receive any Supplemental Roll Taxes in the subsequent year (ref. Revenue and Taxation Code Section 75.70[d]). For 2007-08, since Twin Ridges is not basic aid in 2006-07, it will receive Supplemental Roll revenues. Because this revenue source has fluctuated so much from year to year, the amount projected for 2007-08 is simply the average of the prior five years. But since Twin Ridges will be basic aid in 2007-08, the projections exclude all Supplemental Roll funding for the subsequent years.

Based on these assumptions, Twin Ridges will be basic aid in 2007-08 and will have some \$356,000 in excess taxes in that year, since its local property taxes in that year will include Supplemental Roll revenues. While the District will have zero revenue limit state aid, the state will still subtract the amount transferred for county-educated ADA from other state apportionments. For simplicity, the spreadsheet shows the transfer for county-educated ADA as a reduction to excess taxes. It should be noted that, because Supplemental Roll revenues have varied so much from year to year, the amount of excess revenues in 2007-08 will be dependent on the amount of Supplemental Roll revenues, and could be significantly higher or lower than this projection.

Starting in 2008-09, since Twin Ridges will no longer receive Supplemental Roll revenues, its excess taxes will be much lower – some \$171,000 in 2008-09 and \$237,000 in 2009-10 (less the amount transferred for county-educated ADA).

While this analysis focused on future years, it is relevant to point something out concerning 2006-07, namely that Twin Ridges would be basic aid in 2006-07 absent any charter schools. Education Code Section 47663 provides that a basic aid district that is the sponsoring district for charter schools that serves ADA from a revenue limit district is eligible to receive 70% of the base revenue limit of the district that ADA is coming from (but zero if the sending district is a basic aid district). This section goes on to state that a district that loses basic aid status as a result of the payment in lieu of taxes is entitled to a prorata amount of the 70% payment (see subdivision [b] of section 47663 for the calculation of this proration factor). Thus, it appears that Twin Ridges is eligible for some portion of the 70% payment for ADA attending the district-sponsored charter schools coming from revenue limit districts. However, it is also important that any claim for this funding not jeopardize the receipt of Supplement Roll funding in 2007-08.

Appendix B

Basic Aid Analysis Calculations from School Services of California

| Analysis of Basic Aid Status for Twin Ridges School District | | | | | |
|--|------------|------------|------------|-----------------------------------|--|
| | 2007-08 | 2008-09 | 2009-10 | | |
| Prior Year Base Revenue Limit | \$6,767.21 | \$7,008.21 | \$7,214.21 | | |
| COLA Percentage | 4.53% | 3.70% | 2.60% | | |
| Inflation Increase (see below) | \$241.00 | \$206.00 | \$150.00 | | |
| Current Year Base Revenue Limit | \$7,008.21 | \$7,214.21 | \$7,364.21 | | |
| District Revenue Limit ADA | 79.00 | 79.00 | 79.00 | | |
| County Educated ADA | 5.46 | 5.46 | 5.46 | | |
| Total Revenue Limit ADA | 84.46 | 84.46 | 84.46 | | |
| Total Base Revenue Limit | \$591,913 | \$609,312 | \$621,981 | | |
| Necessary Small School Funding | \$132,741 | \$137,652 | \$141,231 | Based on 2006-07 amount plus COLA | |
| Revenue Limit Adjustments | | | | | |
| Beg. Teachers Salary | \$4,223 | \$4,379 | \$4,493 | Based on 2006-07 amount plus COLA | |
| Unemployment Insurance | \$9,182 | \$9,522 | \$9,770 | Based on 2006-07 amount plus COLA | |
| PERS Reduction | -\$21,367 | -\$22,158 | -\$22,734 | Based on 2006-07 amount plus COLA | |
| Total Revenue Limit | \$716,692 | \$738,707 | \$754,741 | | |

| | 2007-08 | 2008-09 | 2009-10 | | | | | | |
|--|-------------|------------|------------|--|--|--|--|--|--|
| Local Revenues (see below) | \$1,073,009 | \$909,830 | \$991,567 | | | | | | |
| Excess Taxes | \$356,317 | \$171,123 | \$236,826 | | | | | | |
| Less Payment for County Educated ADA (see below) | -\$35,721 | -\$36,751 | -\$37,502 | | | | | | |
| Net = Retained Excess Taxes | \$320,596 | \$134,371 | \$199,324 | | | | | | |
| Total Revenue Limit Funding | \$1,037,288 | \$873,078 | \$954,065 | | | | | | |
| | 2007-08 | 2008-09 | 2009-10 | | | | | | |
| Calculation of Inflation Increase | | | | | | | | | |
| Prior Year Elementary Statewide Average | \$5,326.00 | \$5,567.00 | \$5,773.00 | | | | | | |
| Inflation Increase | \$241.00 | \$206.00 | \$150.00 | | | | | | |
| Current Year Est. Elementary Statewide Average | \$5,567.00 | \$5,773.00 | \$5,923.00 | | | | | | |
| Calculation of County Special Ed Rate | | | | | | | | | |
| District Base Revenue Limit | \$7,008.21 | \$7,214.21 | \$7,364.21 | | | | | | |
| Less: Reform Add-Ons (Prior year amount + COLA) | -\$728.95 | -\$755.92 | -\$775.57 | | | | | | |
| County Special Ed Rate | \$6,279.26 | \$6,458.29 | \$6,588.64 | | | | | | |
| Revenue Limit Transfer to County | | | | | | | | | |
| 3.49 ADA at County Special Ed Rate | \$21,915 | \$22,539 | \$22,994 | | | | | | |
| 1.97 ADA Community School ADA at District Rate | \$13,806 | \$14,212 | \$14,507 | | | | | | |

| | 2007-08 | 2008-09 | 2009-10 | 2006-07 | 2007-08 | 2008-09 | 2009-10 | | | | | | | |
|---|-----------|-----------|-----------|-------------|-------------|-------------|-----------|-----------|--|--|--|--|--|---|
| Sum = Payment for County Educated ADA | \$35,721 | \$36,751 | \$37,502 | | | | | | | | | | | |
| Local Revenues | | | | | | | | | | | | | | |
| | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 | | | | | | Projection Assumptions |
| Secured | \$516,581 | \$541,888 | \$612,390 | \$623,527 | \$734,580 | \$803,517 | \$878,924 | \$961,408 | | | | | | Use 4-year average change |
| Unsecured | \$13,476 | \$12,399 | \$14,179 | \$15,567 | \$14,969 | \$15,430 | \$15,905 | \$16,394 | | | | | | Use 4-year average change |
| HOX | \$9,821 | \$9,144 | \$9,362 | \$9,056 | \$9,230 | \$9,095 | \$8,962 | \$8,830 | | | | | | Use 4-year average change |
| Timber Yield | \$23,950 | \$21,239 | \$18,547 | \$18,590 | \$8,852 | \$7,167 | \$5,803 | \$4,698 | | | | | | Use 4-year average change |
| Prior Year (Secured + Unsecured) | -\$563 | \$459 | \$153 | \$2 | \$1,131 | \$236 | \$236 | \$236 | | | | | | Average of prior 5 years in 2007-08, same in next two years |
| Supplemental Roll (Secured, Unsecured + PY) | \$217,309 | \$30,657 | \$25,537 | \$516,029 | \$398,287 | \$237,564 | \$0 | \$0 | | | | | | Amount in 2007-08 is average of prior 5 years, but zero thereafter* |
| Total Local Revenues (Excluding ERAF) | \$780,574 | \$615,786 | \$680,168 | \$1,182,771 | \$1,167,049 | \$1,073,009 | \$909,830 | \$991,567 | | | | | | |

| | 2007-08 | 2008-09 | 2009-10 | | | | * Ref. Revenue and Taxation Code Section 75.70(d) |
|--|---------|---------|---------|--------|--------|---------|---|
| Note: ERAF taxes are excluded since a basic aid district does no receive any ERAF revenues | | | | | | | |
| | | | | | | 4-Year | |
| Annual Percentage Change | | | | | | Average | |
| Secured | 4.9% | 13.0% | 1.8% | 17.8% | 9.4% | | |
| Unsecured | -8.0% | 14.4% | 9.8% | -3.8% | 3.1% | | |
| HOX | -6.9% | 2.4% | -3.3% | 1.9% | -1.5% | | |
| Timber Yield | -11.3% | -12.7% | 0.2% | -52.4% | -19.0% | | |

Appendix C
Study Agreement

MANAGEMENT ASSISTANCE TEAM
STUDY AGREEMENT
September 12, 2006
Amended October 11, 2006

The FISCAL CRISIS AND MANAGEMENT ASSISTANCE TEAM (FCMAT), hereinafter referred to as the Team, and the Twin Ridges Elementary School District, hereinafter referred to as the District, mutually agree as follows:

1. BASIS OF AGREEMENT

The Team provides a variety of services to school districts and county offices of education upon request. The District has requested that the Team provide for the assignment of professionals to study specific aspects of the Twin Ridges Elementary School District operations. These professionals may include staff of the Team, County Offices of Education, the California State Department of Education, school districts, or private contractors. All work shall be performed in accordance with the terms and conditions of this Agreement.

2. SCOPE OF THE WORK

A. Scope and Objectives of the Study

Based on discussions with the TRESA Interim Superintendent and Assistant Superintendent of Fiscal Services, and correspondence from the Nevada County Superintendent of Schools, this scope and objectives of this study have been amended as follows:

- 1) Conduct a review of the District's current fiscal status, past performance, and long term strategies.
- 2) Prepare a fiscal and staffing analysis of the impact of changes in the sponsorship of external and local charter schools in the 2007-08 fiscal year and beyond based on the following scenarios:
 - a. no district sponsored charter schools and no Enterprise fund
 - b. no district sponsored charter schools with an Enterprise fund
 - c. in-county charter schools only with no Enterprise fund
 - d. in-county charter schools only with an Enterprise fund
- 3) Review the districts 2006-07 First Interim multi year projections for fiscal years 2007-08 and 2008-09 in the context of the scenarios noted above and provide feedback and recommendations for changes.

B. Services and Products to be Provided

- 1) Orientation Meeting - The Team will conduct an orientation session at the District to brief District management and supervisory personnel on the procedures of the Team and on the purpose and schedule of the study.

- 2) On-site Review - The Team will conduct an on-site review at the District office and at school sites if necessary.
- 3) Progress Reports - The Team will hold an exit meeting at the conclusion of the on-site review to inform the District of significant findings and recommendations to that point.
- 4) Exit Letter - The Team will issue an exit letter approximately 10 days after the exit meeting detailing significant findings and recommendations to date and memorializing the topics discussed in the exit meeting.
- 5) Draft Reports - Sufficient copies of a preliminary draft report will be delivered to the District administration for review and comment.
- 6) Final Report - Sufficient copies of the final study report will be delivered to the District following completion of the review.

3. PROJECT PERSONNEL

The study team will be supervised by Anthony Bridges, Deputy Executive Officer, Fiscal Crisis and Management Assistance Team, Kern County Superintendent of Schools Office. The study team may also include:

- A. Barbara Dean, FCMAT Deputy Administrative Officer
- B. Linda Grundhoffer, FCMAT Fiscal Consultant
- C. Rory Livingston, FCMAT Fiscal Consultant

Other equally qualified consultants will be substituted in the event one of the above noted individuals is unable to participate in the study.

4. PROJECT COSTS

The cost for studies requested pursuant to E.C. 42127.8(d)(1) shall be:

- A. \$500.00 per day for each Team Member while on site, conducting fieldwork at other locations, presenting reports, or participating in meetings.
- B. All out-of-pocket expenses, including travel, meals, lodging, etc. Based on the scope of work identified in section 2 A, estimated total cost is \$6,000. The District will be billed based on actual cost. **The 10/11/06 amendment to the scope may result in additional cost.****
- C. The District will be invoiced at actual costs, with 50% due following the completion of the on-site review and the remaining 50% due upon acceptance of the final report by the District.

Payments for FCMAT services are payable to Kern County Superintendent of Schools-Administrative Agent.

5. RESPONSIBILITIES OF THE DISTRICT

- A. The District will provide office and conference room space while on-site reviews are in progress.
- B. The District will provide the following (if requested):
 - 1) A map of the local area
 - 2) Existing policies, regulations and prior reports addressing the study request
 - 3) Current organizational charts
 - 4) Current and four (4) prior year's audit reports
 - 5) Any documents requested on a supplemental listing
- C. The District Administration will review a preliminary draft copy of the study. Any comments regarding the accuracy of the data presented in the report or the practicability of the recommendations will be reviewed with the Team prior to completion of the final report.

Pursuant to EC 45125.1(c), representatives of FCMAT will have limited contact with District pupils. The District shall take appropriate steps to comply with EC 45125.1(c).

6. PROJECT SCHEDULE

The following schedule outlines the planned completion dates for key study milestones:

| | |
|------------------------------|---|
| Orientation: | October 11, 2006 |
| Staff Interviews: | October 11-12, 2006 |
| Exit Interviews: | October 12, 2006 |
| Preliminary Report Submitted | Timeline will be affected by scope amendment |
| Final Report Submitted | To be determined |
| Board Presentation | To be determined |

7. CONTACT PERSON

Please print name of contact person: Larry Pastore, Assistant
Superintendent Fiscal Services

Telephone 530 292-4221, ext 14 FAX 530 292-3691

Internet Address lpastore@tresd.k12.ca.us

Larry Meek, Interim Superintendent Date

Twin Ridges Elementary School District

Barbara Dean, Deputy Administrative Officer
Fiscal Crisis and Management Assistance Team

Date

In keeping with the provisions of AB1200, the County Superintendent will be notified of this agreement between the District and FCMAT and will receive a copy of the final report.