



Sonoma County

Office of Education

Santa Rosa School District Reorganization Study

October 3, 2022

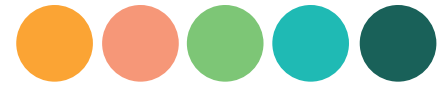


Who We Are



- **Steven D. Herrington, Ph. D.**, Sonoma County Superintendent of Schools, will discuss the executive summary
- **Christy White, CPA, CFE**, independent auditor whose firm prepared this report, will review her analysis
- **Erin Stagg**, legal counsel to the County Committee on School District Organization, considerations for actions and next steps
- **Greg Medici, JD**, Deputy Superintendent for Business Support Services, Sonoma County Office of Education
- **Sarah Lampenfeld**, Director of External Fiscal Services, Sonoma County Office of Education

Why we are here



Context for Today's Discussion

- **Declining Enrollment Challenges School Budgets**

Districts statewide face declining enrollment due to a range of factors, including an aging population, which stresses school finances. Enrollment in Sonoma County is expected to decline by 16.94% over the decade that began with the 2021-22 school year.

- **1 City, 10 School Districts**

While Santa Rosa City Schools currently serves all high school students from the greater Santa Rosa area, it has nine feeder elementary school districts, eight of which have their own boards and superintendents.

- **Partial Unification in Santa Rosa**

The Santa Rosa City Schools high school and elementary districts already have realized some cost savings by sharing a single governing board, superintendent, and district office staff, though they remain legally separate entities.

Why we are here



Santa Rosa City Schools' Request for a Study

- **The County Superintendent's Role**

The county superintendent of schools and the Sonoma County Office of Education (SCOE) provide statutory oversight of districts' budgets to make sure they can meet their financial obligations.

- **Santa Rosa's Recovery Plan**

Over the past five years, the SRCS board has had to submit and implement a plan with the county superintendent. Multiple boards have had to make major budget reductions totaling over \$20M in the last several years. The board continues to look at all options .

- **The Central Question**

SRCS asked the following question: **Would unification enhance the instructional opportunity for all students at a similar or reduced cost to the affected districts and/or taxpayers?**



About the Process

How the Unification Study Was Conducted

- **Unification Studies Are Rare**

The study we are presenting is the second in the state since the current Local Control Funding Formula for schools was adopted in 2013. (The first was the study we presented in June at the request of West Sonoma County Union High School District.)

- **About Christy White & Associates**

The study was conducted by Christy White & Associates. Ms. White's firm performs audits for school districts, including elementary districts in the area of study. To ensure neutrality, this study was conducted by individuals who are not involved in audits related to any Santa Rosa-area districts.

Scope of Study



Previewing Three Scenarios

With 10 districts, there are multiple combinations. For this study, we have narrowed our focus to three primary ideas. We will present the following scenarios and then take questions at the end.

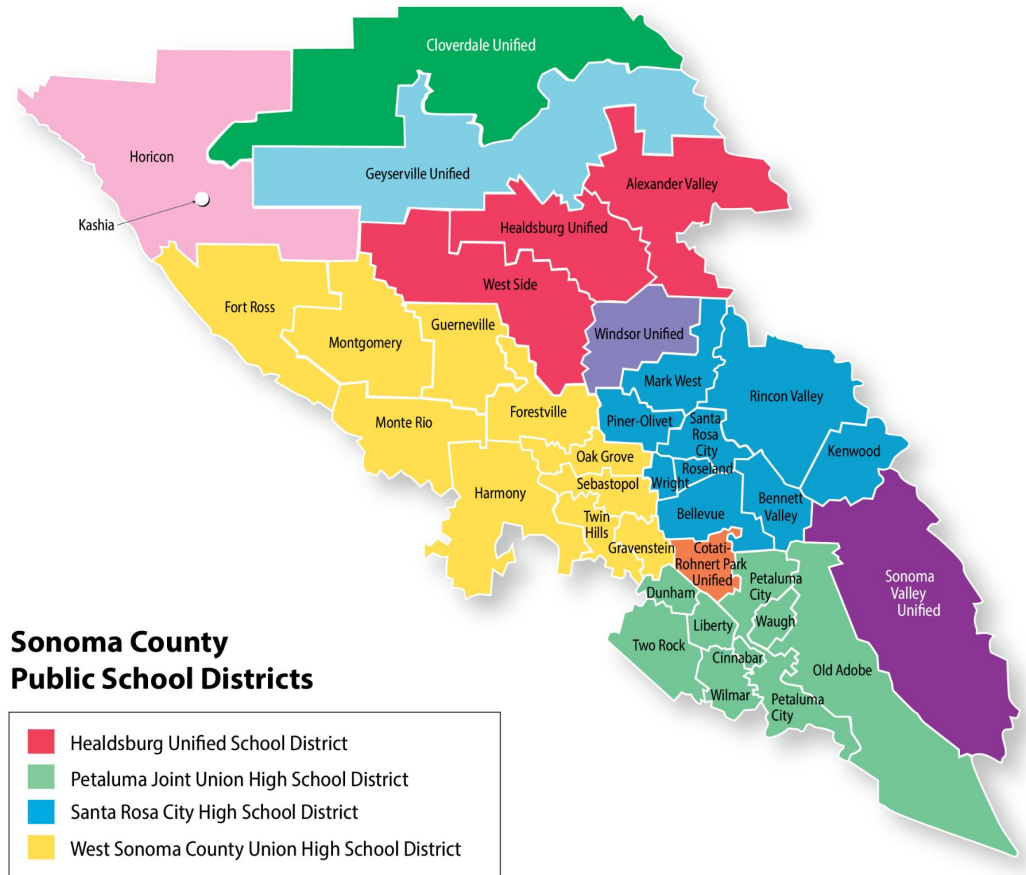
- Full unification of Santa Rosa High School District with all nine feeder elementary districts.
- Create two school districts: a Santa Rosa Unified, and, either a common administration Rincon Valley Area Elementary and High School District, or, a Rincon Valley Unified (with three independent feeder elementary districts)
- Create two large elementary school districts under common administration with Santa Rosa High School District

Where we are now

Current District Structure

September 2022

Right now, Sonoma County has 40 school districts, a blend of unified districts, like you see in the Sonoma Valley, Cotati-Rohnert Park, and Windsor, among others, as well as separate high school districts with feeder elementary districts, like what you see in west county, Petaluma, and Santa Rosa.



Map by Dennis Bolt



Glossary of Key Terms



Before we continue, it is important to know that school finances are extremely complex. Here is a glossary of key terms you will hear during this presentation.

- **State-Aid District:** A school district that is funded under the state's Local Control Funding Formula (LCFF), which guarantees a base rate of funding regardless of any property taxes that are collected. Note: Nine of the districts (all except Kenwood) are state-aid funded, but several receive basic aid supplement funds due to local charter operations.
- **Community-Funded District, aka Basic-Aid District:** These districts collect property taxes in excess of the state's minimum funding level, which means they are funded entirely by local property tax dollars and they are allowed to keep and spend local funds in excess of the LCFF rate. Such districts have higher per-pupil allocations than state-aid districts with the same demographics.
- **Thompson-Style Unification:** Named for former state Sen. Mike Thompson, now a congressman, a provision in state law allows for some districts to opt out of a district unification while still feeding students into the unified district for secondary grade-level programs. (This type of unification is what we have in Healdsburg, where the independent Alexander Valley and West Side districts send their students to Healdsburg High.)

Glossary of Key Terms



Here are some additional terms you may hear during this presentation.

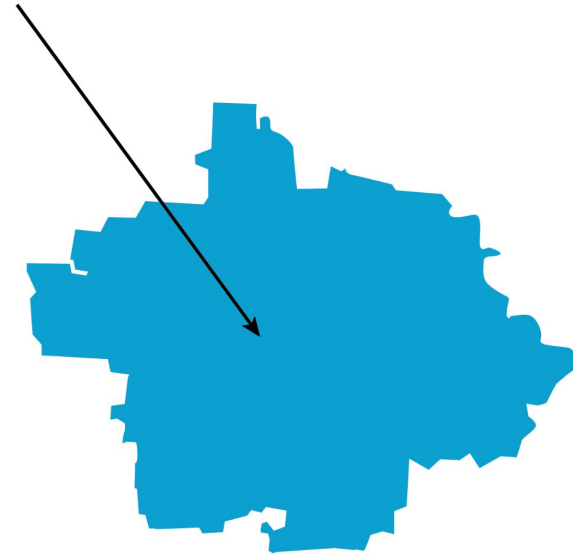
- **Unification:** This term refers to when districts combine to serve grades TK-12, for example if Santa Rosa City were to unify its elementary and high school districts to provide TK-12 services in one district.
- **Unionization:** This refers to the combination of districts serving the same populations, such as when districts that serve elementary-aged students combine.
- **Unduplicated Pupil Count (UPC):** The annual count of pupils who are either low-income or speak limited English. Districts can receive supplemental funding from the state for these students if they have a high percentage of them.
- **A Note about District Names:** Names used for what-if scenario district combinations are illustrative only and are chosen based on the largest district in each area being unified or unionized. A new district name in a reorganization would be chosen by the new governing board.

Scenario 1: Full Unification

- The most financially challenging scenario due to the merging of districts with such varied funding situations.
- A fully unified district would be a state-aid district and suffer the immediate loss of \$21.3 million per year in basic aid and supplemental funding, requiring deep cuts that might take years to be offset by cost savings.
- Total net savings could reach \$24 million per year but may take years to achieve.

Scenario 1

Santa Rosa City Unified School District that includes all ten school districts around SRCHSD's existing boundaries.



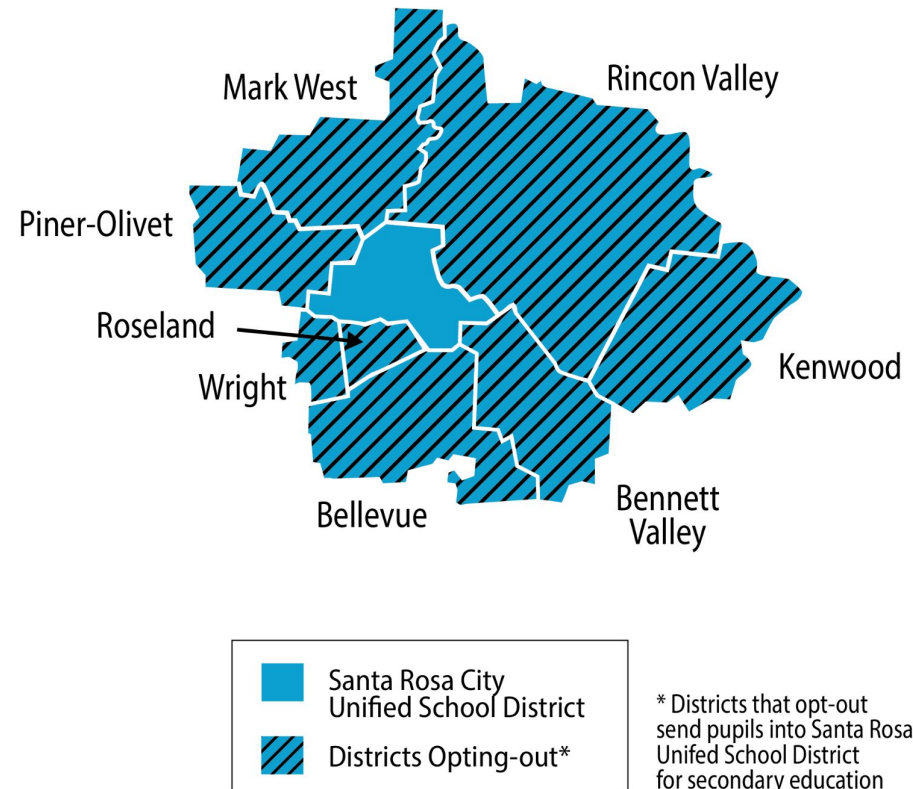
Map by Dennis Bolt



Scenario 1 Alternative: Unify SRCS

- If Santa Rosa City high school and elementary districts were to unify, it would result in an annual funding loss of about \$2.7 million.
- It is unclear whether this would be offset by savings, as the two districts already are served by a single board, superintendent, and administrative staff, meaning most potential savings likely already have been realized.

Scenario 1 Alternative

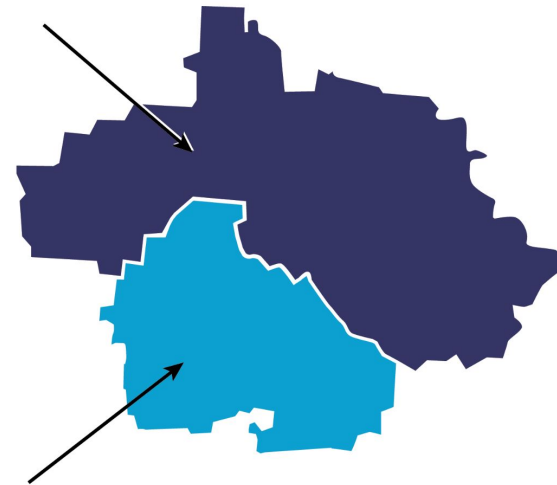


Scenario 2: Split SRCHSD Into Two School District Areas

- Creates TWO school district areas, each with its own board, superintendent, and administration.
- **Santa Rosa City Unified** would include Santa Rosa City, Bellevue, Roseland, Bennett Valley, and Wright elementary districts
- Secondary sites would include Montgomery, Santa Rosa, and Elsie Allen high schools, plus middle schools.

Scenario 2

Rincon Valley High School District
(37% of SRCHSD's pupils) and
Rincon Valley Union Elementary School District
both under one common administration.



Santa Rosa City Unified with SRCESD,
Bellevue, Roseland, Bennett Valley,
Wright, and 63% of SRCHSD's pupils.

Map by Dennis Bolt

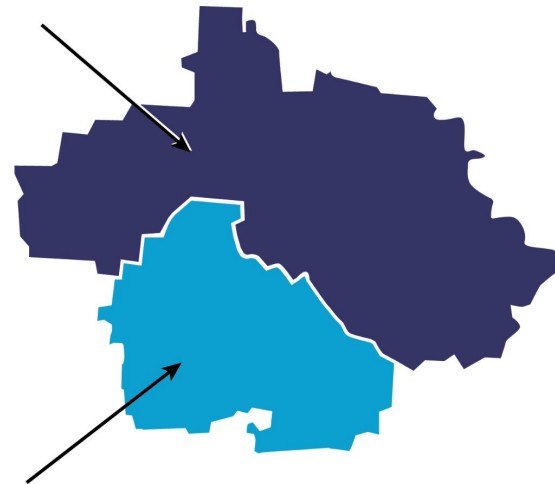


Scenario 2, Continued

- **Rincon Valley High School District** would include Piner and Maria Carrillo high schools.
- **Rincon Valley Union Elementary District** would include Rincon Valley, Piner-Olivet, Mark West, and Kenwood districts.
- High school and elementary districts share a common administration, similar to current SRCS.
- It is not financially advantageous for the two Rincon Valley districts to unify.

Scenario 2

Rincon Valley High School District (37% of SRCHSD's pupils) and **Rincon Valley Union Elementary School District** both under one common administration.



Santa Rosa City Unified with SRCESD, Bellevue, Roseland, Bennett Valley, Wright, and 63% of SRCHSD's pupils.

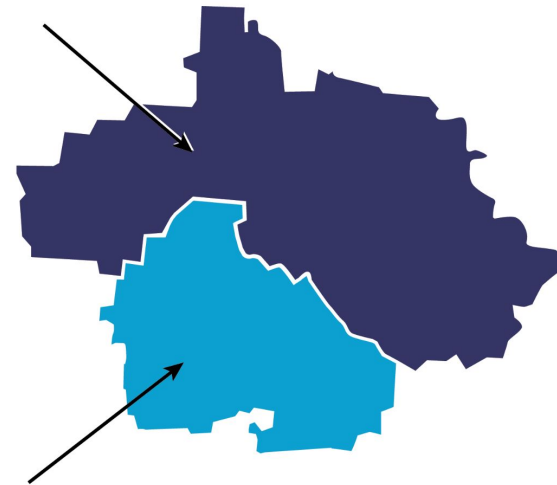
Map by Dennis Bolt

Scenario 2 Cost Savings

- The central **Santa Rosa City Unified** could see a total financial gain of \$17 million a year, made up of additional state funding of \$9.4 million related to unduplicated pupil count and potential cost savings of \$7.6 million.
- The **Rincon Valley** districts would lose about \$1.7 million in basic aid funding in the Kenwood district, but that would be more than offset by cost savings that could reach up to \$14 million per year.

Scenario 2

Rincon Valley High School District (37% of SRCHSD's pupils) and **Rincon Valley Union Elementary School District** both under one common administration.



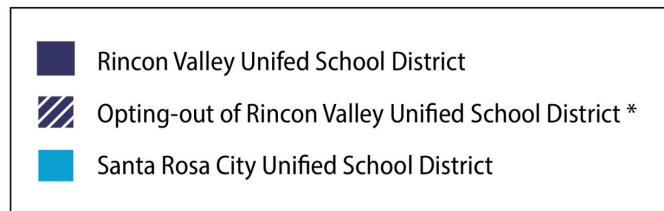
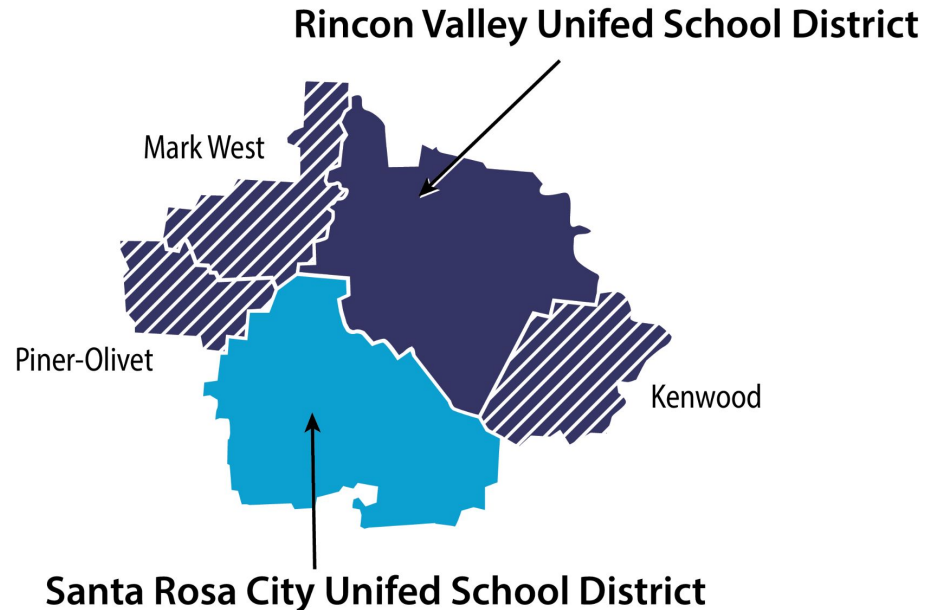
Santa Rosa City Unified with SRCESD, Bellevue, Roseland, Bennett Valley, Wright, and 63% of SRCHSD's pupils.

Map by Dennis Bolt

Scenario 2 Alternative: Rincon Valley Unified

- In this alternative scenario, **Rincon Valley USD** unifies the four-district area, while Mark West, Piner-Olivet, and Kenwood opt out for elementary purposes.
- The Rincon Valley Unified district stands to gain about \$10 million annually.
- Funding levels would stay the same at the three districts opting out, but cost savings related to potential consolidation of administrative functions would be lost.

Scenario 2 Alternative (Thompson-style Unification)



* Districts that opt-out send pupils to Rincon Valley Unified School District for secondary education

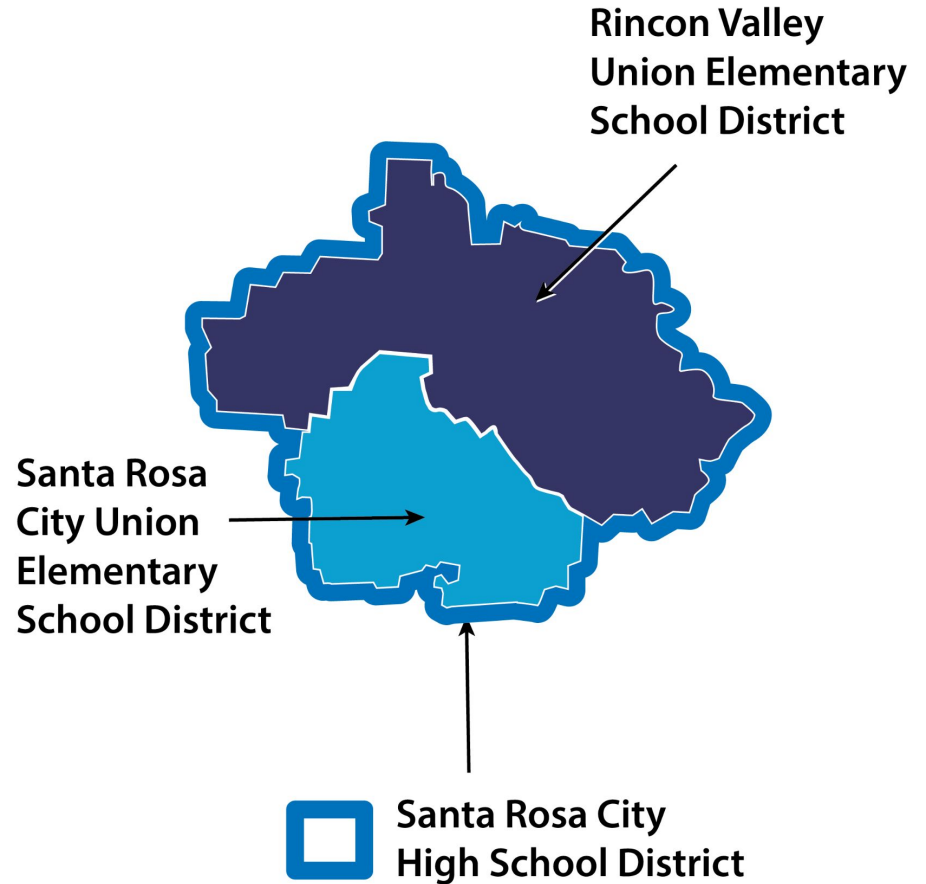
Map by Dennis Bolt



Scenario 3: Three Districts, One Common Administration

- Under this proposal, **Santa Rosa City High School District** remains the same.
- Santa Rosa City Elementary, Roseland, Wright, Bellevue, and Bennett Valley unionize.
- Rincon Valley, Piner-Olivet, Kenwood, and Mark West unionize.
- These three districts share a common administration but do not formally unify.

Scenario 3

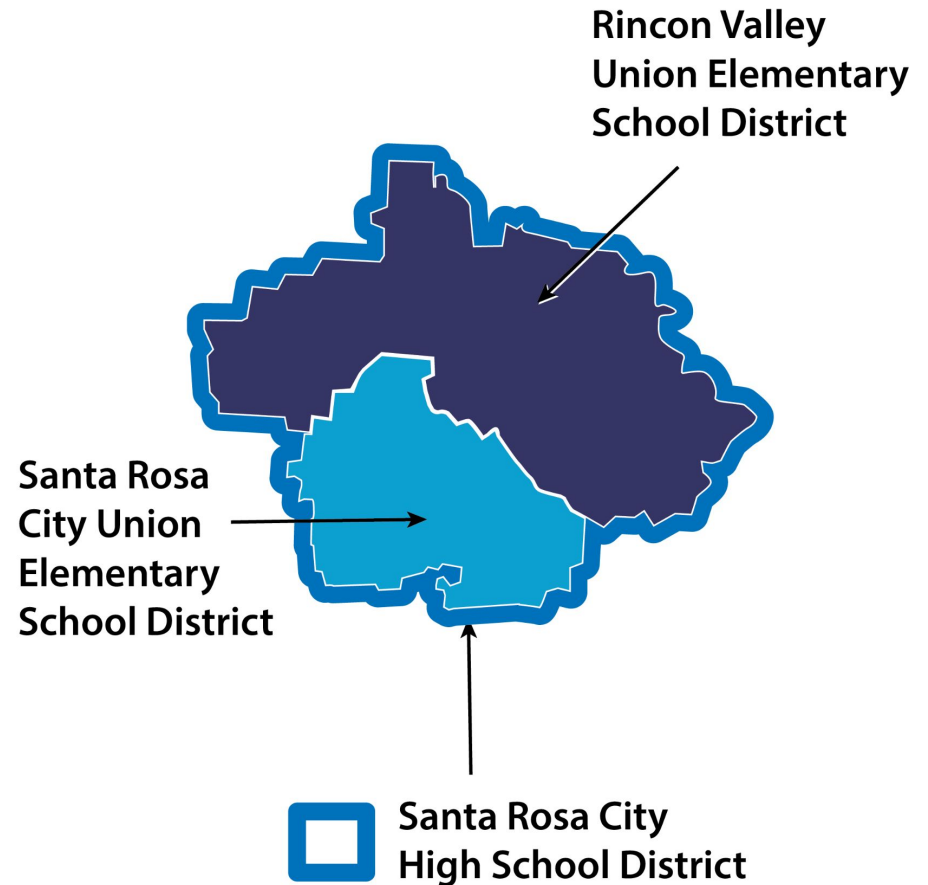


Map by Dennis Bolt

Scenario 3 Financial Impacts

- The unionized **Santa Rosa City** district could potentially realize up to \$7.1 million annually in positive financial gains.
- A fully unionized **Rincon Valley Elementary** district would realize a net financial gain of up to \$7.6 million per year.

Scenario 3



Map by Dennis Bolt



Which Scenario is Most Advantageous?



- Financially, **Scenario 2** offers the most significant near-term cost savings.
 - Should a Santa Rosa City Unified District be created with Santa Rosa, Elsie Allen, and Montgomery high schools, plus the middle schools and Santa Rosa City Elementary, Roseland, Bellevue, Wright, and Bennett Valley elementary districts, an estimated \$17 million could be saved each year.
 - A Rincon Valley High School District with Piner and Maria Carrillo high schools, plus a unionized elementary district of Rincon Valley, Mark West, Piner-Olivet, and Kenwood, could see a net gain of up to \$12.1 million if no districts opt out.
- **Scenario 3**, which creates two unionized elementary districts and keeps Santa Rosa City High School District the same, would also result in substantial revenue gains of up to \$14.7 million across the two unionized elementary districts.
- **Scenario 1, in which all districts unify**, offers significant potential cost savings long-term, at up to \$44.8 million a year, but it could be financially painful as that level of savings may take years to achieve and the newly unified district would have to grapple with an immediate revenue hit of \$21.3 million. This would force drastic, sudden, and potentially painful cuts, which may include school closures.



Study Methodology

About the Data

Data Sources: primarily state and local district-submitted reports. Used the most current closed fiscal year (2020-21 in most cases), along with historical data to analyze trends

Comparative Districts: CW identified districts of similar size and demographics for expenditure analysis for each scenario

Charter Schools: district-controlled charter schools were included in the expenditure analysis, independent charters excluded



Study Methodology

Analyzing the Data

- Compiled current district data on finances, personnel FTE and costs, facilities, tax revenues, enrollment/ADA, debt and demographics
- Tracked trends in enrollment/ADA and tax revenues
- Recomputed the Local Control Funding Formula (LCFF) for each scenario
- Quantified changes in revenues pre-and-post each scenario
- Developed a range of expenditures from districts of comparative size and demographic to each scenario
- Put the revenue and expenditure changes together to estimate net overall savings or costs



Major Revenue Analyses

LCFF Funding Profiles

- The Local Control Funding Formula (LCFF) is the most variable revenue source in the study, other revenue sources would remain materially the same
 - Four of the districts (SRCESD, Wright, Roseland and Bellevue) received \$10M annually in concentration grant funds, due to high unduplicated pupil count
 - Four of the districts (Kenwood, Piner-Olivet, Rincon Valley and Mark West) receive basic aid or supplemental funding
 - Combining these different funding profiles results in lost revenues. Scenarios 2 and 3 offer the least funding loss.
 - Any scenario with major loss of LCFF funding means cost savings would need to fill the gap for continued financial stability



Major Expenditure Analyses

Estimating Cost Savings Potential

Estimating cost savings was done by examining comparative districts to each scenario on:

- General administration
- Current expense of education
- Cost by major function (activity)
- Comparing salary schedules and FTEs

Cost savings does not always mean making cuts

- Finding cost savings provides the governing boards with more flexibility to fund educational and operational priorities
- Eliminating duplicative services frees up dollars for use elsewhere in the district
- But, any revenue loss would need to first be backfilled with cost savings to break even



Range of Cost-Saving Analyses

- **Administration Costs:** total of all districts today spend \$9.2M more on administration costs compared to a similar sized unified district
- **Cost of Education:** all scenarios result in significant cost savings potential when compared to similar sized districts
- **Comparing to Cost by Function:** All scenarios are estimated to free up between \$15M - \$29M in costs
- **FTE Comparison:** 516 FTEs (all district combined) more than similar sized unified district
 - 343 certificated FTEs, 46 administrator FTEs, 86 pupil services FTEs, 41 classified FTES



Facilities and Long-term Debt

- There are 50 school sites in the Santa Rosa area, compared to the average of 32 school sites for similar sized unified districts
 - Geographically the area has 185 square miles which creates transportation challenges for some locations, but may not entirely justify the higher number of school sites
- Long-term debt levels for all districts combined are \$850M, the majority either state-mandated pensions or voter-secured bonded indebtedness
 - There is \$35M in retiree health benefits obligations, at an annual pay-as-you-go cost of \$1.7M

In Summary



- **Advantages of Unification or Unionization**

Unification and/or consolidation achieves cost savings by allowing districts to merge administrative services and reduce spending on administrative and operational costs.

No cuts are required unless the funding is less and in the case of Scenario 2 there is additional funding for a SRCUSD. In all other scenarios cost savings more than make up any potential funding loss.

Scenario 1 (full unification of all 10 districts) poses challenges for any administration to build budgets that match the projected loss in revenues, which in the full-unification scenario are immediate and steep.

Either Scenario 2 and 3 are financially advantageous from both a funding and cost perspective.

Considerations for Action



The Board may consider the following for action (at a later date)

- Select one option/scenario to close out the report.
- Once an option/scenario is selected, SCOE will complete a report that outlines the following:
 - Educational components (ex. Title I, Title III, Special Ed, etc...)
 - Governance/transition between old/new district
 - Employment within the new district

What's Next



A reorganization to unify or unionize Santa Rosa City High School District and/or any elementary districts may be initiated by:

- Petition signed by a majority of members of the governing boards of all affected districts
- A government entity (city council, board of supervisors, special district, or Local Area Formation Commission) petitions to unify.
- A petition signed by at least 25% of registered voters in the inhabited territory proposed to be reorganized/unified; if the reorganization or unification involves two or more school districts, signatures from at least 25% of the registered voters from that territory in each school district are required.
- County Committee plans and recommendations.

What's Next



Upon receipt of a valid petition, as determined by the County Superintendent or County Elections Department depending on the petition method, the **County Committee on School District Organization** is required to:

- Hold public hearings within affected districts.
- Determine the impact of the proposed reorganization using specific Education Code criteria.
- Within 120 days of the first public hearing, make a recommendation to approve or disapprove the petition.

Subject to certain exceptions, the committee's recommendation is then transmitted to the state Board of Education for additional hearings, analysis, and approval or disapproval.

If approval is given, the County Superintendent will call an election in an area determined by the State Board of Education.



Thank You!

