



Budget Review 2024-25

Ryland | STRATEGIC BUSINESS
CONSULTING

Live Oak School District

Agenda

- ▶ Introductions and Process
- ▶ Insights into Spending and Enrollment
- ▶ District Budget
 - ▶ Actions to Date
 - ▶ Adopted Budget Showed Deficit Spending
 - ▶ Review Process
 - ▶ Indicators of Fiscal Distress
 - ▶ Budget Recovery Planning
- ▶ Next Steps



Budget Review Process

- ▶ Collaborative review of budget, trends, and projections
 - ▶ Ryland SBC
 - ▶ Santa Cruz COE
 - ▶ Business Office Staff
- ▶ Have discussed or examined
 - ▶ Impact of declining enrollment
 - ▶ Special education contributions
 - ▶ Contracts
 - ▶ Balancing position control to payroll and the budget
 - ▶ Reviewing available restricted sources



Acronyms

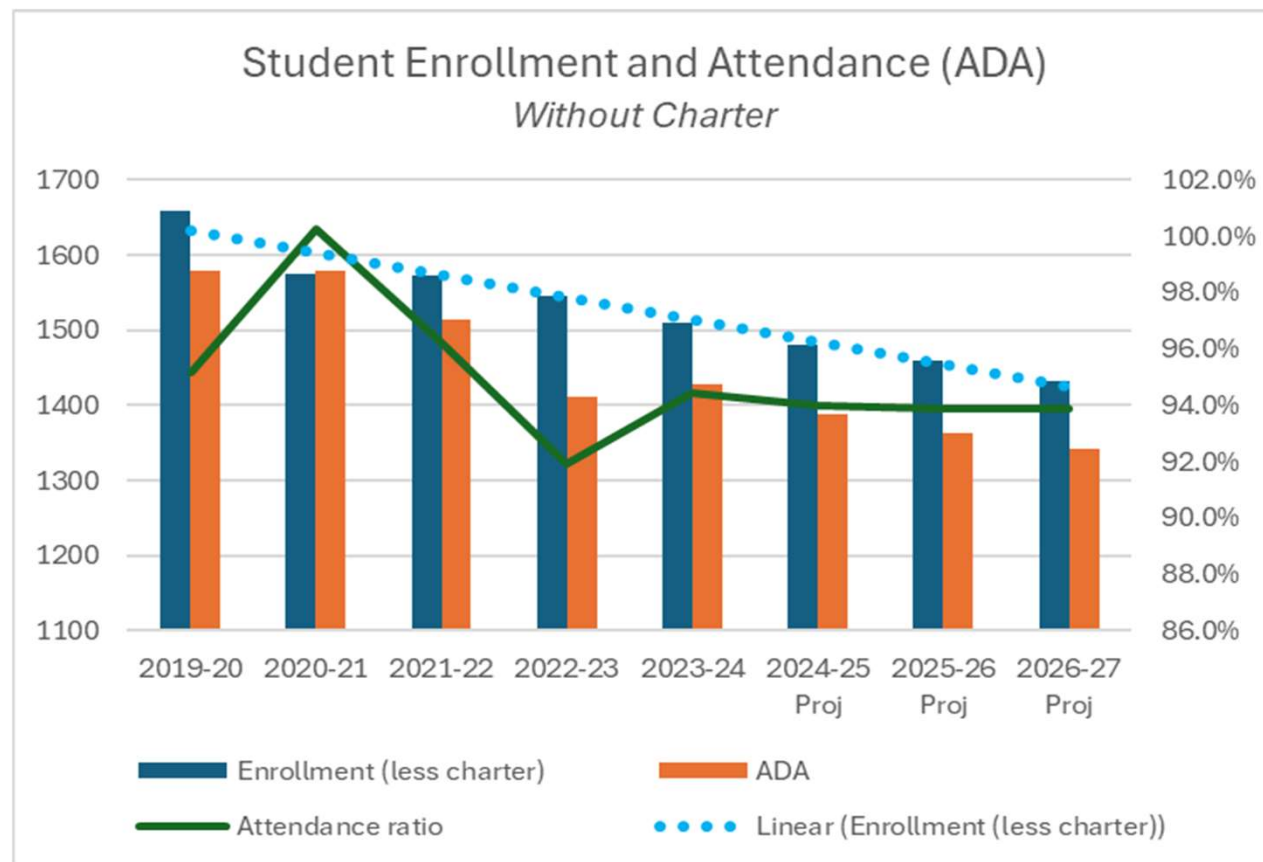
- ▶ AB1200 – Assembly Bill 1200 (1992)
- ▶ ADA – Average Daily Attendance
- ▶ COE – County Office of Education
- ▶ COLA – Cost of Living Adjustment
- ▶ ELOP – Expanded Learning Opportunities Program
- ▶ LAO – Legislative Analyst Office
- ▶ LCFF – Local Control Funding Formula
- ▶ LEA – Local Educational Agency
- ▶ MYP – Multi-Year Projection
- ▶ NSS - Necessary Small Schools
- ▶ PERS – Public Employee Retirement System (CalPERS)
- ▶ SE/SPED – Special Education
- ▶ STRS – State Teachers Retirement System (CalSTRS)
- ▶ USD – Unified School District
- ▶ UTK – Universal Transitional Kindergarten

Enrollment and ADA

- ▶ 93% of the District's **unrestricted** funding comes from LCFF dollars. Excluding the charter school:
 - ▶ Projected enrollment - 1481
 - ▶ Projected ADA - 1376
 - ▶ Current year COLA – 1.07%
 - ▶ Preliminary enrollment as of end of September slight improvement - 1499
- ▶ “CBEDS” day
 - ▶ First Wednesday of October – October 2 this year
 - ▶ Data counts are reported to CDE
 - ▶ Later this fall, we can look at the compiled data and compare to the budget and start making projections for future years

Enrollment Trends

- ▶ The District has been declining in enrollment for years
- ▶ ADA has tracked with enrollment, averaging about 93.5% of enrollment each year



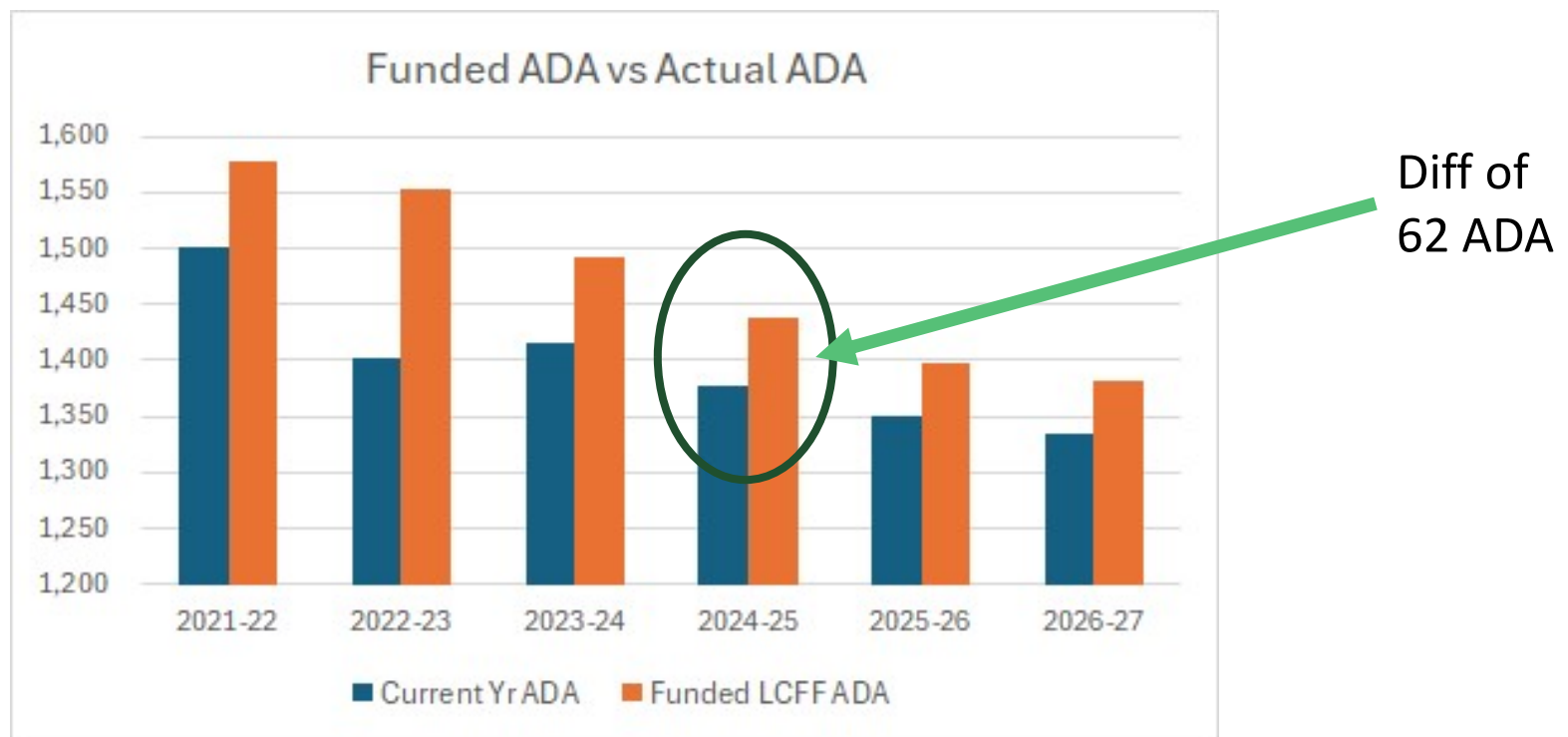
Funded ADA vs Actual ADA

- ▶ Under LCFF, districts are funded on the higher of:
 - ▶ Actual ADA
 - ▶ Prior Year ADA
 - ▶ 3-year average of last three years' actual ADA

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Current Yr ADA	1,500.26	1,400.99	1,415.98	1,376.48	1,351.22	1,335.55
Funded LCFF ADA	1,577.98	1,552.07	1,493.07	1,439.08	1,397.81	1,381.23
LCFF ADA Funding Method	<i>Prior Yr</i>	<i>3-PY Average</i>	<i>3-PY Average</i>	<i>3-PY Average</i>	<i>3-PY Average</i>	<i>3-PY Average</i>
Funded ADA less actual ADA	77.7	151.1	77.1	62.6	46.6	45.7
Equivalent enrolled students difference				67	50	49

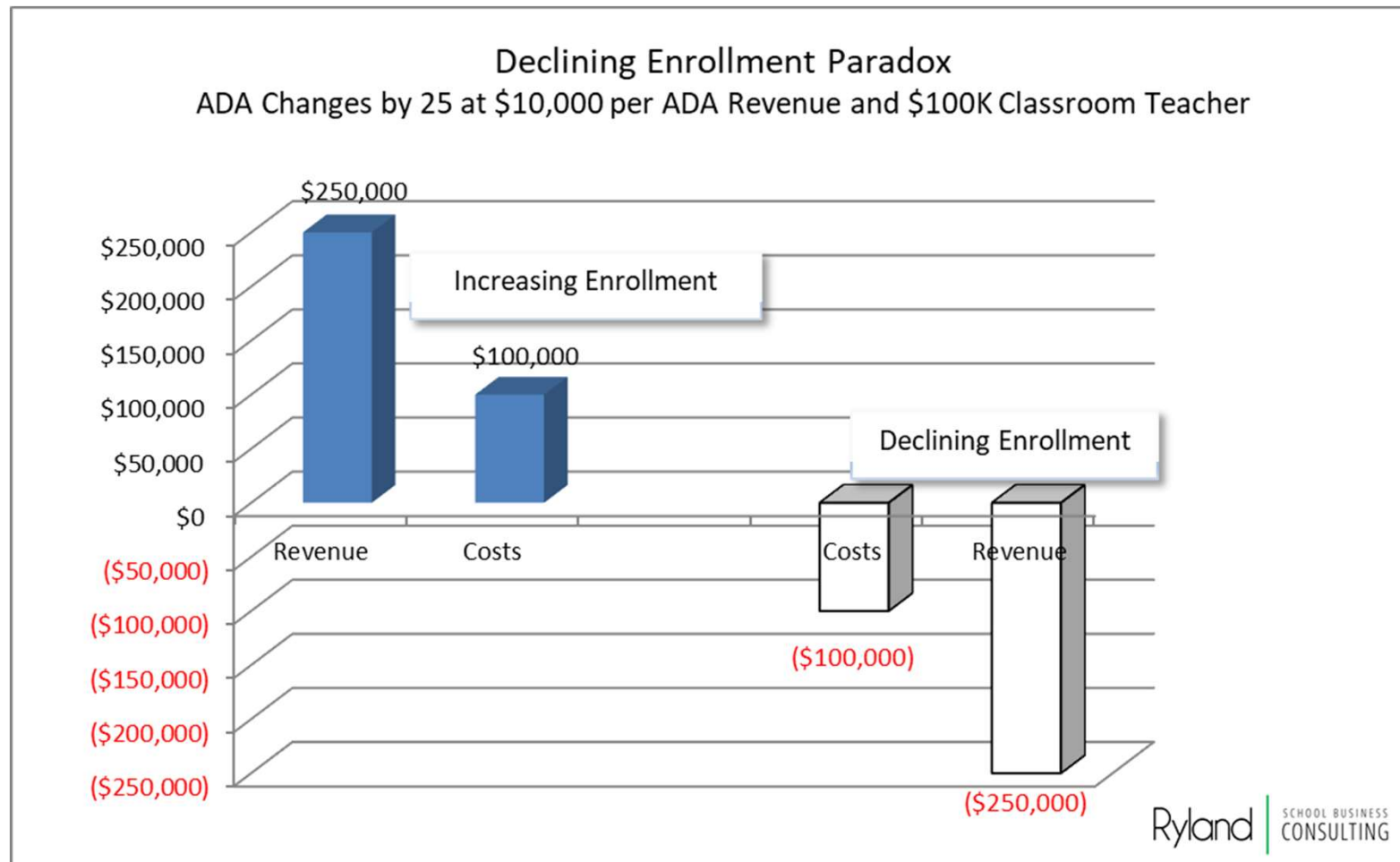
3-Year Average ADA This Year

- ▶ The funded ADA is approximately 62 above the projected actual ADA this year
- ▶ Even with an apparent increase in current year enrollment of 20, that is not enough to increase funding above projection



Declining Enrollment Paradox

- ▶ As true today as 30 years ago

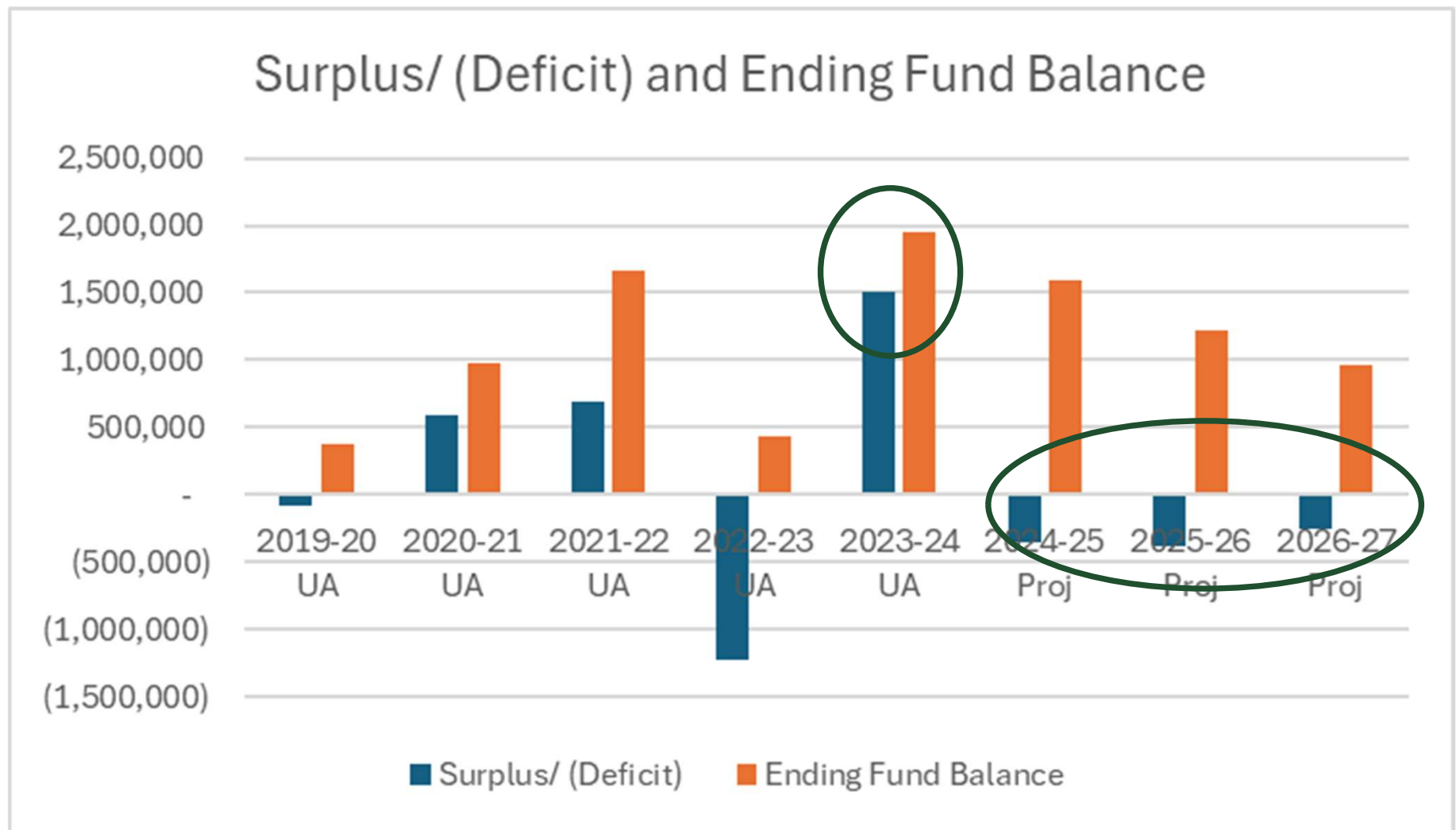


Surpluses, Deficits, and Fund Balance

- ▶ The district just closed a year with a large surplus
 - ▶ The district had a small operating surplus but transferred in \$1.5M from a special reserve fund
 - ▶ One-time only fix
 - ▶ Provided a decent reserve (saving account) for upcoming deficit spending
- ▶ The current and subsequent two years are projected to have deficit spending

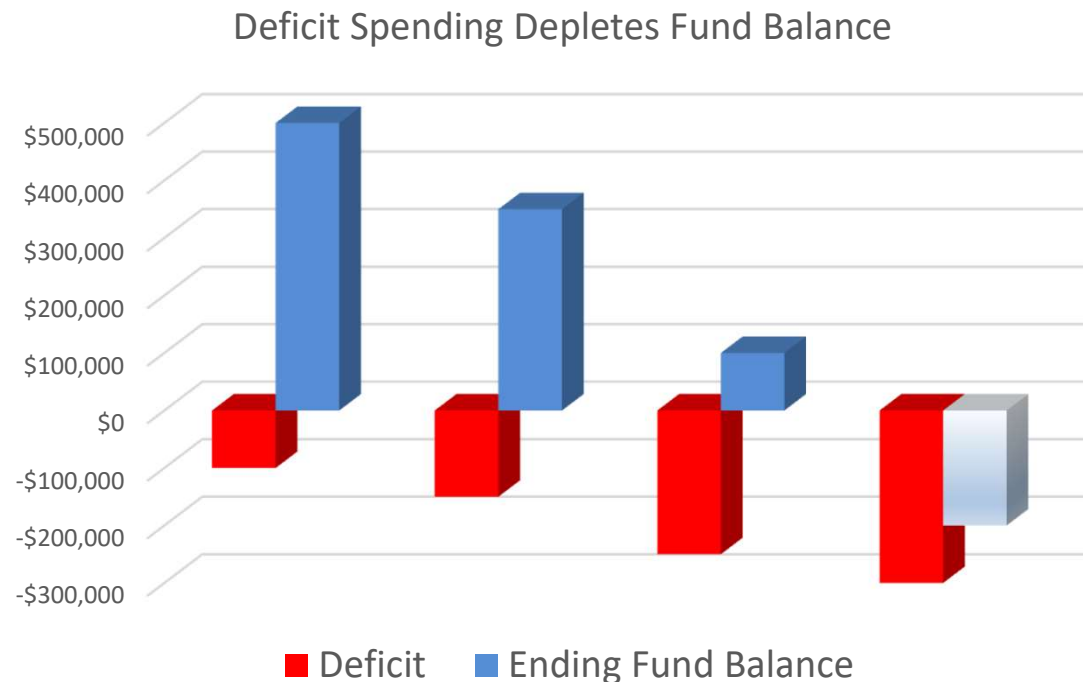
	2022-23 UA	2023-24 UA	2024-25 Budget	2025-26 Proj	2026-27 Proj
Surplus/ (Deficit)	(1,227,729)	1,512,796	(348,532)	(377,504)	(253,634)
Ending Fund Balance	431,683	1,944,479	1,595,947	1,218,443	964,809

Recent History of Spending in the District



Demonstration of Structural Deficit

- ▶ Deficit spending is unsustainable
- ▶ A Financial Recovery Plan or other budget-balancing solution must be addressed to reverse deficit spending
- ▶ The goal should be to eliminate deficit spending to regain stability



Start with the Adopted Budget (Unrestricted)

- ▶ The budget adopted by the board in June shows deficit spending the next three years
- ▶ The unrestricted fund balance meets the state's meager minimum 3% reserve requirement - but just barely

	UNRESTRICTED GENERAL FUND			
	Unaudited Actuals	Budget Adoption	Adoption MYP	Adoption MYP
	2023-24	2024-25	2025-26	2026-27
ADOPTED BUDGET				
Surplus/ (Deficit) spending	1,512,796	(348,532)	(377,504)	(253,634)
Beginning Fund Balance	431,683	2,033,644	1,685,112	1,307,608
Ending Fund Balance	1,944,479	1,685,112	1,307,608	1,053,974
	7%	7%	5%	4%

Restricted Funds - One-time

- ▶ One-time restricted funds
 - ▶ The last several years have been flush with one-time funding. Of these, the only remaining one-time funds include:
 - ▶ ESSER Summer Learning Programs (\$17,853)
 - ▶ Special Education Supporting Inclusive Practices (\$18,663)
 - ▶ ARP Homeless (\$20,949)
 - ▶ Antibias Education Grant (\$62,645)
 - ▶ Kitchen Infrastructure (\$211,205)
 - ▶ All one-time funds are restricted and should not be used for on-going costs.
 - ▶ No new one-time funding in the 2024/25 budget year



Signs of Fiscal Distress in a District



- ▶ Statewide, the “Fiscal Cliff” of loss of one-time funds, declining ADA, and low COLA has arrived
 - ▶ Significantly declining reserves over the course of the MYP
 - ▶ Long-term declining student enrollment (loss of revenue)
 - ▶ Persistent structural deficits
 - ▶ Sizable increases in personnel costs (salaries and benefits)
 - ▶ Using one-time funding to pay for on-going expenditures
 - ▶ Cash shortfalls during the year

Live Oak's Recovery Plan Efforts

- ▶ The District and Board recognized the fiscal cliff and began taking steps
 - ▶ Financial Recovery Plan – March 2024
 - ▶ FCMAT Fiscal Health Risk Analysis – May 2024
- ▶ Adopted 2024/25 Budget – June 2024
- ▶ Budget Review
 - ▶ A general assessment of the adopted budget to updated position control indicates budget appropriately reflects details in position control
 - ▶ Budget comparison to prior spending and revenue, making adjustments as indicated
 - ▶ Identified available restricted sources
 - ▶ Met to discuss potential program and staffing changes

Potential Adjustments to Budget and MYP

- ▶ General changes being discussed as options to improve the budget and/or the MYP:
 - ▶ Shift a portion of custodial costs to the Cafeteria Fund
 - ▶ Districtwide restructuring and position changes
 - ▶ Potential fee adjustments with Tierra Pacifica Charter School
 - ▶ Use restricted funding sources, one-time and on-going, before unrestricted
 - ▶ Eliminate certain contracts



Target Solutions to Balance the Budget

- ▶ Adopted Budget reflected deficit spending in the \$300K range for the next three years
 - ▶ A review of Special Education contributions indicates needed increase in the \$200K range annually
 - ▶ Current contracts and professional services encumbrances exceed the budget by \$200K
 - ▶ Need to see if other savings can offset
- ✓ Future compensation increases or staffing increases are not included in the budget
- ▶ Adjusted on-going deficit spending of more than \$700K per year
 - ▶ This is the **target** to balance the budget
 - ▶ Plus, additional amount for anticipated future compensation increases

Additional Solutions to Restore Fund Balance

- ▶ A small district must maintain healthy reserves far above the meager state minimum of 3%
- ▶ The General Finance Officers Association (GFOA) recommends that a small district should aim for a reserve in the 12-16% range to cover unexpected swings in expenditures.
 - ▶ Note that a 16% reserve covers approximately 2 months of payroll and operating costs.
- ▶ To also restore fund balance to a more appropriate reserve level requires **additional** solutions



Next Steps



- ▶ Team continues to analyze the budget for savings
- ▶ **Reconvene districtwide Budget Advisory Committee**
 - ▶ Composition of committee
 - ▶ Timeline
 - ▶ First meeting November 6
 - ▶ Recommendations to Superintendent
- ▶ Implement system controls to prevent overspending
- ▶ Strategically scrutinize all spending ahead of time
- ▶ Prepare First Interim report with actual beginning balances and carryover
 - ▶ Reflect budget balancing plan
- ▶ Over the winter, identify specific actions needed to implement budget plan meeting all deadlines

Questions

