



# Budget Advisory Committee 11-6-2024

Ryland | STRATEGIC BUSINESS  
CONSULTING

Live Oak School District

# Agenda

---

- ▶ Introductions
- ▶ District Budget
  - ▶ Overview of Adopted Budget
  - ▶ Enrollment and Attendance
- ▶ Indicators of Fiscal Distress
  - ▶ Fiscal Recovery Plan to Date
- ▶ Budget Recovery
  - ▶ Process, Target solution and Timeline
- ▶ Public Comment
- ▶ Next meeting date November 20, 2024



# 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

# Introductions

---

The purpose of the Budget Advisory Committee is to advise the Superintendent in budget planning, development, reductions and implementation matters for recommendations to the Board of Trustees.



## Committee membership

Parents and School  
Community Members

Administration

Board Member

## District Budget

# Budget Adoption 2024-25

---

The District's Adopted Budget for 2024-25 includes the following funds:

Fund	2024-25 Adopted Budget				
	Beginning Fund Balance	Revenues	Expenditures	Other Sources/ (Uses)	Ending Balance
General Fund (01)	3,229,798	24,333,997	25,785,258	900,000	2,678,537
Child Development (12)	122,193	2,249,912	2,181,998	-	190,107
Cafeteria (13)	1,649,755	2,232,596	2,048,938	-	1,833,413
OPEB Reserve (20)	588,834	17,543	-	-	606,377
Capital Facilities Fund (25)	5,574,705	2,712,199	1,840,665	(900,000)	5,546,239
Capital Projects Fund (49)	1,168,473	150,232	335,748	-	982,957
Total all funds	12,333,758	31,696,479	32,192,607	-	11,837,630

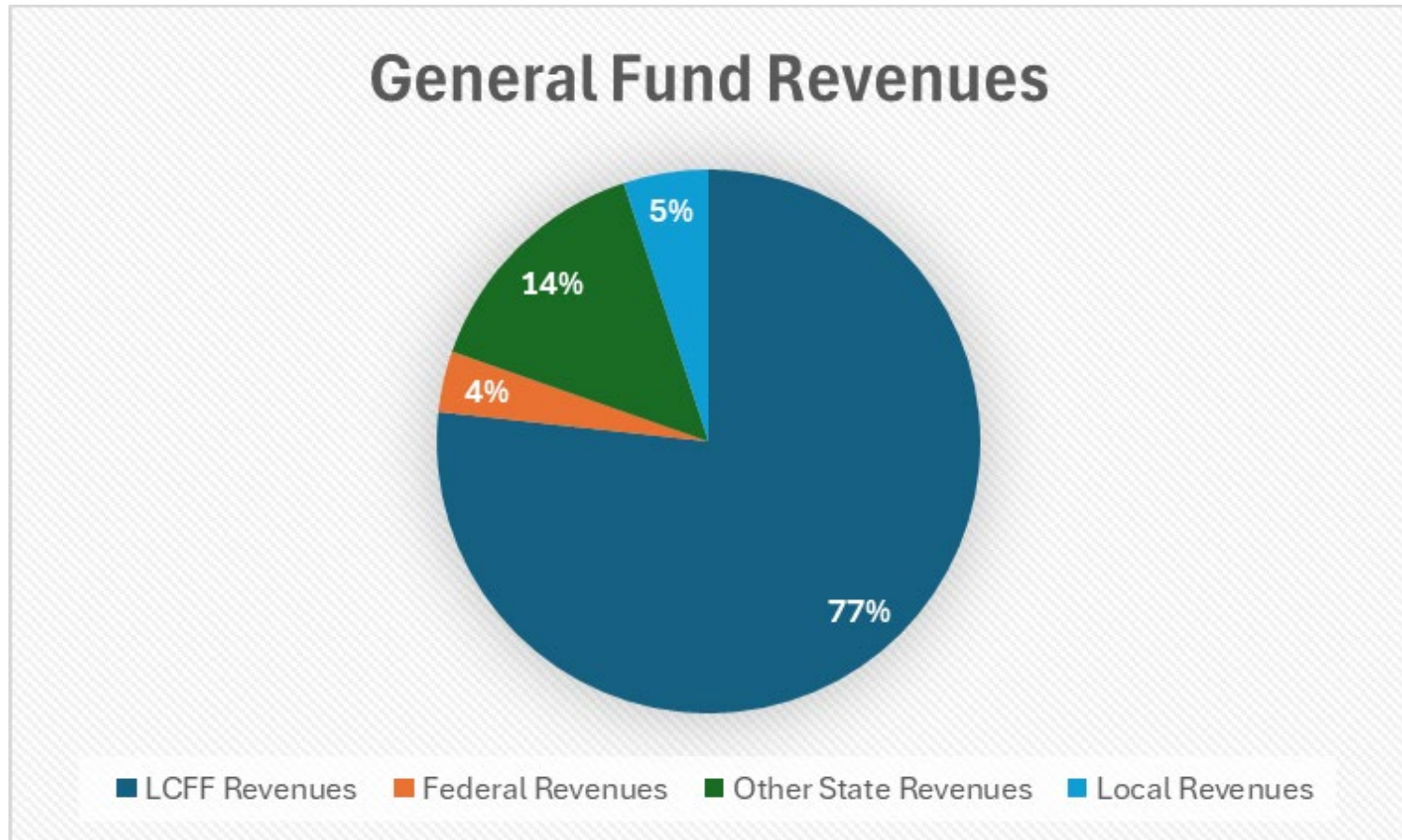
The budget advisory committee will be focused on the General fund. Special revenue and capital projects funds are required by law to keep certain restricted funds segregated according to their allowable uses.

# General Fund Budget Adoption 2024-25

Revenues	Unrestricted	Restricted	Total
LCFF Revenues	18,672,194		18,672,194
Federal Revenues		884,066	884,066
Other State Revenues	320,518	3,227,397	3,547,915
Local Revenues	1,046,886	182,936	1,229,822
<b>Revenues Total</b>	<b>20,039,598</b>	<b>4,294,399</b>	<b>24,333,997</b>
<b>Expenditures</b>			-
Certificated	7,379,926	2,829,033	10,208,959
Classified	3,116,392	1,666,685	4,783,077
Benefits	4,435,323	2,836,849	7,272,172
Supplies	495,007	244,469	739,476
Services	1,665,496	1,240,132	2,905,628
Other Outgo	-	34,058	34,058
Indirect Costs	(654,677)	496,565	(158,112)
		-	-
<b>Expenditures Total</b>	<b>16,437,467</b>	<b>9,347,791</b>	<b>25,785,258</b>
<b>Operating Change</b>	<b>3,602,131</b>	<b>(5,053,392)</b>	<b>(1,451,261)</b>
			-
Other Sources	900,000		900,000
Contributions	(4,850,663)	4,850,663	-
<b>Total Other Sources/Uses</b>	<b>(3,950,663)</b>	<b>4,850,663</b>	<b>900,000</b>
<b>Net Change</b>	<b>(348,532)</b>	<b>(202,729)</b>	<b>(551,261)</b>
			-
<b>Beginning Fund Balance</b>	<b>2,033,644</b>	<b>1,196,154</b>	<b>3,229,798</b>
<b>Ending Fund Balance</b>	<b>1,685,112</b>	<b>993,425</b>	<b>2,678,537</b>
<b>Ending Balance as % of total exp</b>	<b>6.54%</b>		

# General Fund Revenue sources

---





# General Fund Revenue sources

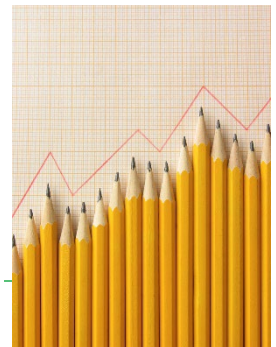
---

- Local Control Funding Formula (LCFF) Sources
  - State Aid, EPA (Education Protection Account), Property Taxes
  - Driven by student attendance and demographics
- Federal Revenue
  - Title Programs, Special Education
- Other State Revenue
  - Lottery, Expanded Learning Opportunity and After School Program, Arts & Music, Special Education, Mandated Costs
- Other Local Revenue
  - Donations, Facility leases and rental, Interest, SELPA special education

# Restricted Funds - One-time

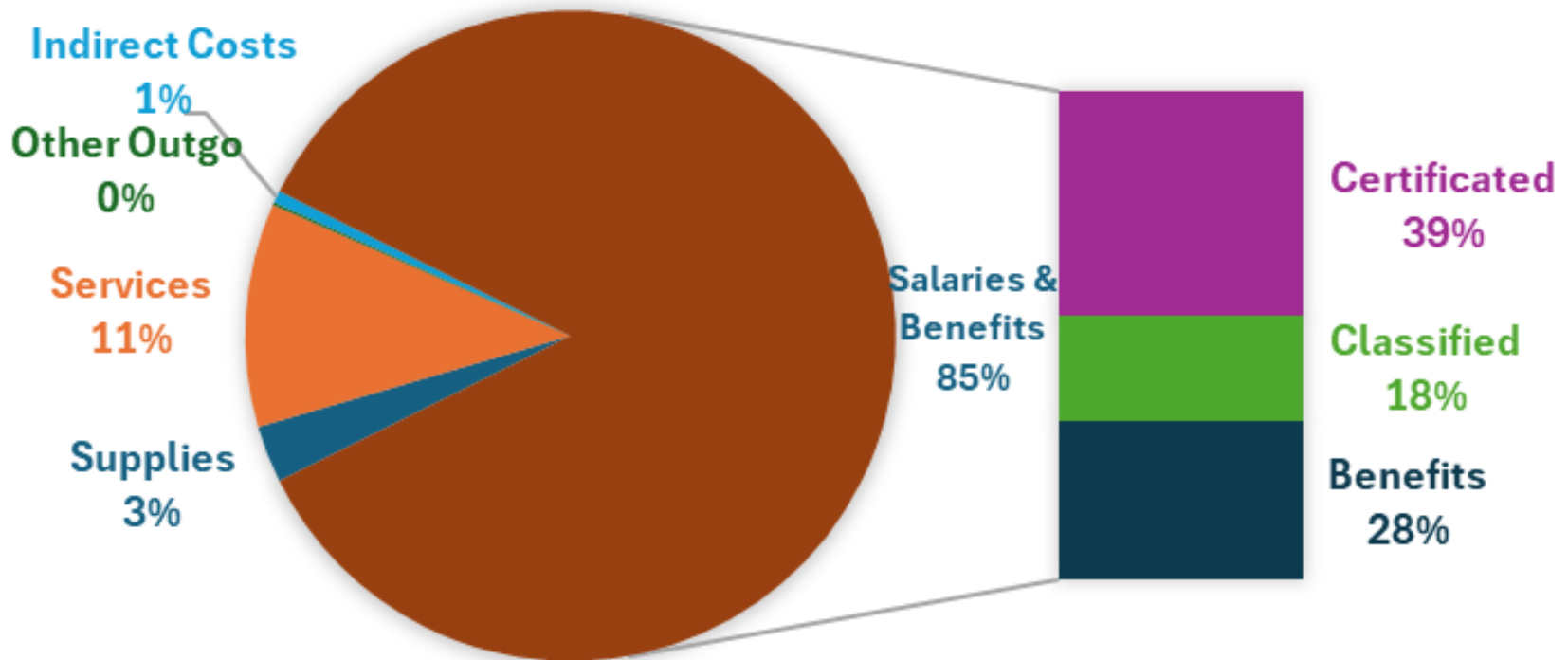
---

- ▶ 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



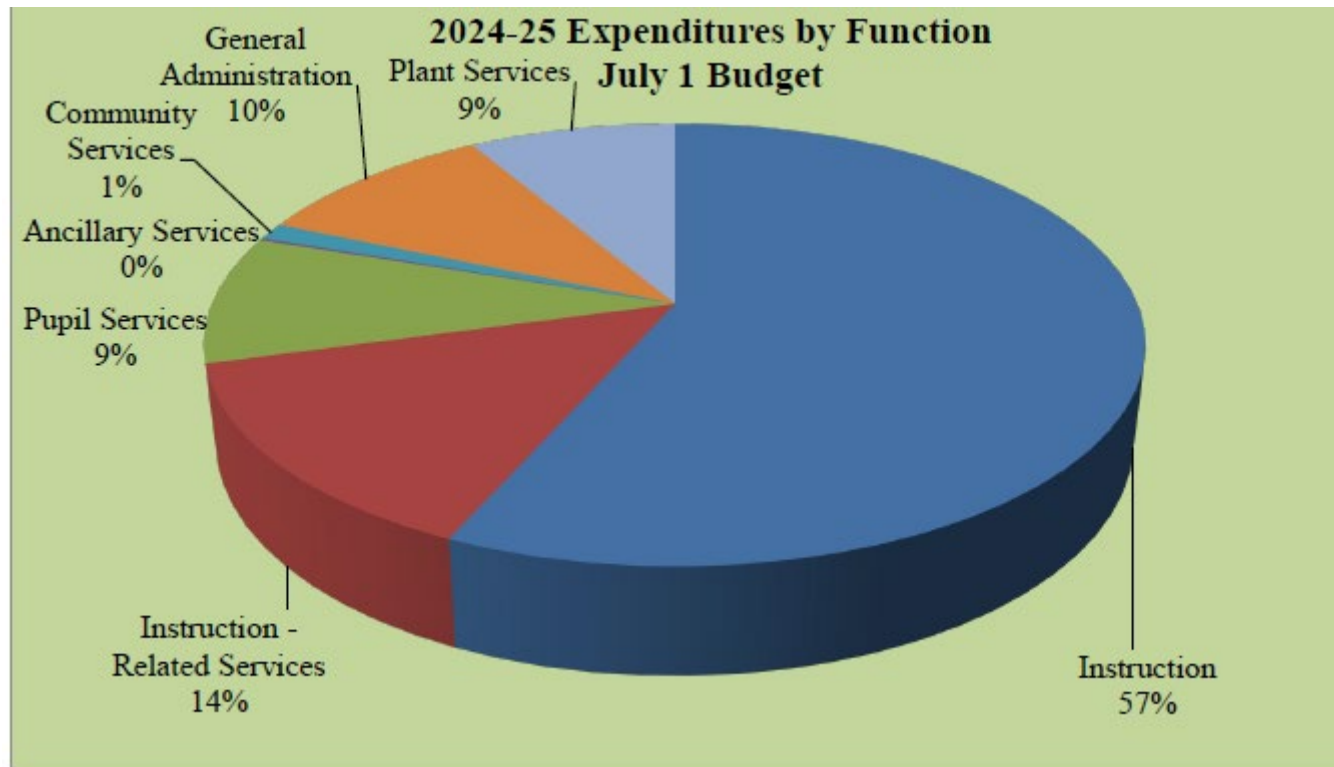
# Expense – Where does all the money go?

## GENERAL FUND EXPENDITURES



# Expense – Where does all the money go?

- General Fund - Unrestricted/Restricted by function



# Expense – Where does all the money go?

---

- Expenditure by Function
  - Instruction – classroom staff, supplies and services
  - Instruction related – staff development, library & school site administration
  - Pupil Services – Counseling, Health Services, Transportation
  - Ancillary Services – athletics
  - Community Services – family engagement, MTSS & community schools planning
  - General Administration – Board and Superintendent, business, human resources & technology
  - Plant Services – custodial and facilities repair and maintenance

# Expense – 2024-25 Staffing Allocation Matrix

SCHOOL ALLOCATIONS			
Basic Supports	Elementary	Middle School	Alternative Program
Per School Site in FTE <i>1.0 FTE = 8 hours* 5 Days</i>	1.0 - Principal 1.0 - Administrative Secretary 1.0 - Custodian Day 1.0 - Custodian Night  GA: 0.5 - Principal/0.5 - Director C&I	1.0 - Principal 1.0 - Administrative Secretary 1.0 - Custodian Day 1.0 - Custodian Night	0.5 - Principal 0.75 -Administrative Secretary 0.5 - Custodian Day
Classroom Teachers in FTE <i>1.0 FTE = 7 hours* 5 Days</i>	1.0 - TK per 20 students (with aide) 1.0 - K-3 per 25 students 1.0 - 4-5 per 28 students 1.0 - Art (100% PTOC) 1.0 - Music (100% PTOC)	1.0 - per 30 students (plus prep period factor of 1.20 FTE)  0.56 - Art (100% PTOC) 1.0 - Music (100% PTOC)	1.0 per District K-8 Class Size Averages (factor of 1.20 FTE for RTI/IS Plans)
Yard duty/campus supervisor in FTE <i>1.0 FTE = 8 hours* 5 Days</i>	2 Yard Duty - 0.34 each	1.0 - Campus Supervisor	None
TK Aides in FTE <i>1.0 FTE = 8 hours* 5 Days</i>	0.625 - Inst. Aide I (dependent on TK enrollment)	None	None

# Expense – 2024-25 Staffing Allocation Matrix

Additional Supports	Elementary	Middle School	Alternative Program
School Office Support - Admin Specialist II	1.0 - Admin Specialist II	1.0 - Admin Specialist II	None
School Office Support - Admin Specialist I in FTE	None	0.25 - Admin Specialist I	None
School Support - Assistant Principal in FTE	None	1.0 - Assistant Principal	None
School Support - Recess coaches in FTE	0.0 - Recess Coach	Intramural Coordinator	None
School Supports -	0.0 - Family Liaison	0.0 - Family Liaison	0.25 - Family Liaison
School Support - Academic and mental health support in FTE	1.0 - Mental Health Clinician	0.80 - Mental Health Clinician 1.0 - Counselor Middle School	None
School Support - Media specialist/librarians in FTE	0.72 - Library Media Specialist	0.75 - Library Media Specialist	None
School Support - RTI Teacher in FTE	1.0 - Teacher Intervention	1.0 - Teacher Intervention	None
School Support - RTI Aides in FTE	0.625 - RTI Aide	None	0.38 - RTI Aide
School Support - Custodial in FTE	0.0 - Custodial Night	0.0 - Custodial Night	None
School Support - Crossing Guard in FTE	0.19 - Crossing Guard	None	None
School Support - Life Lab Aide III 1.0 FTE = 8 hours* 5 Days	OM: 0.91 - Life Lab Aide III LO: 0.91 - Life Lab Aide III GA: 0.38 - Life Lab Aide III	0.38 - Life Lab Aide III	None
Physical Education 1.0 FTE = 7 hours* 5 Days	1.0 - Physical Education Teacher for all Elementary Sites	None	None

# Enrollment and Attendance

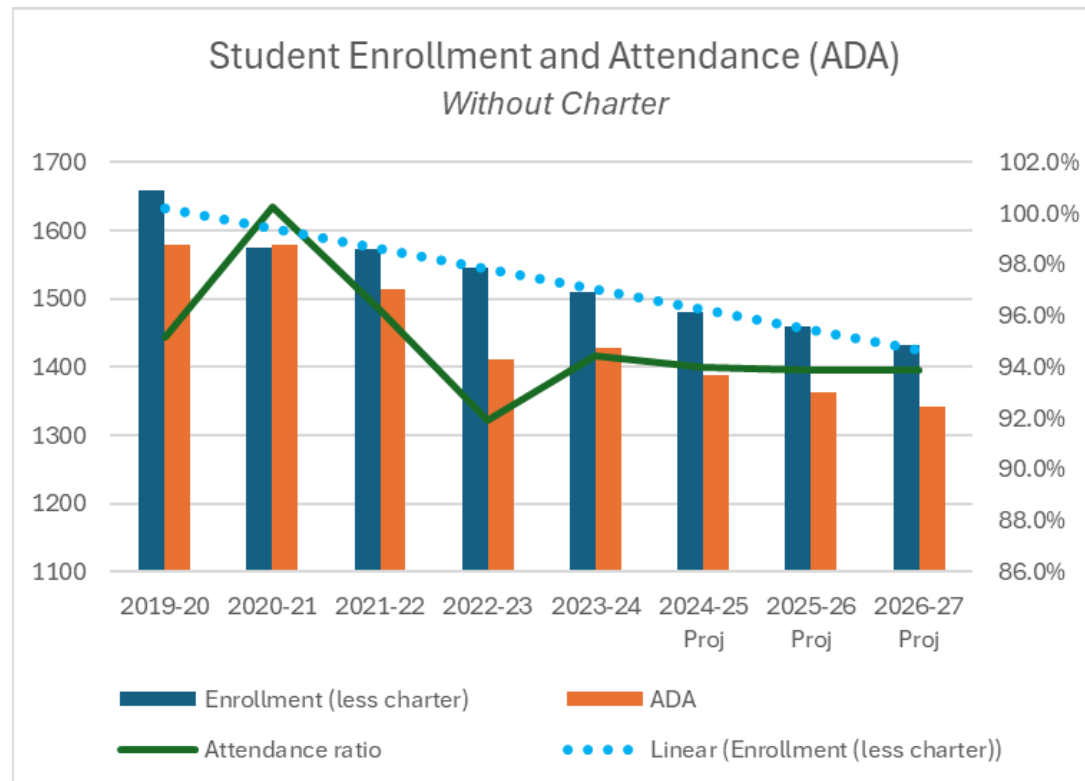
---

- ▶ 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



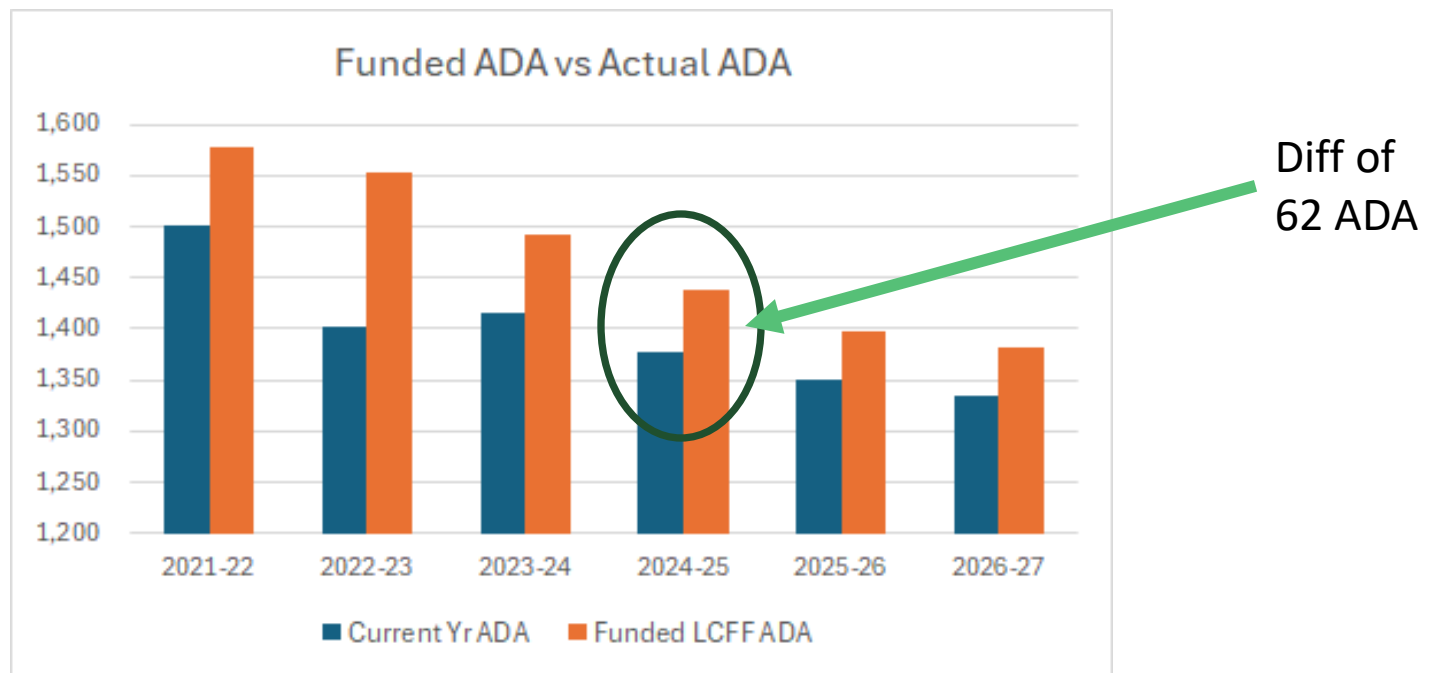
# Funded ADA vs Actual ADA

- ▶ 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

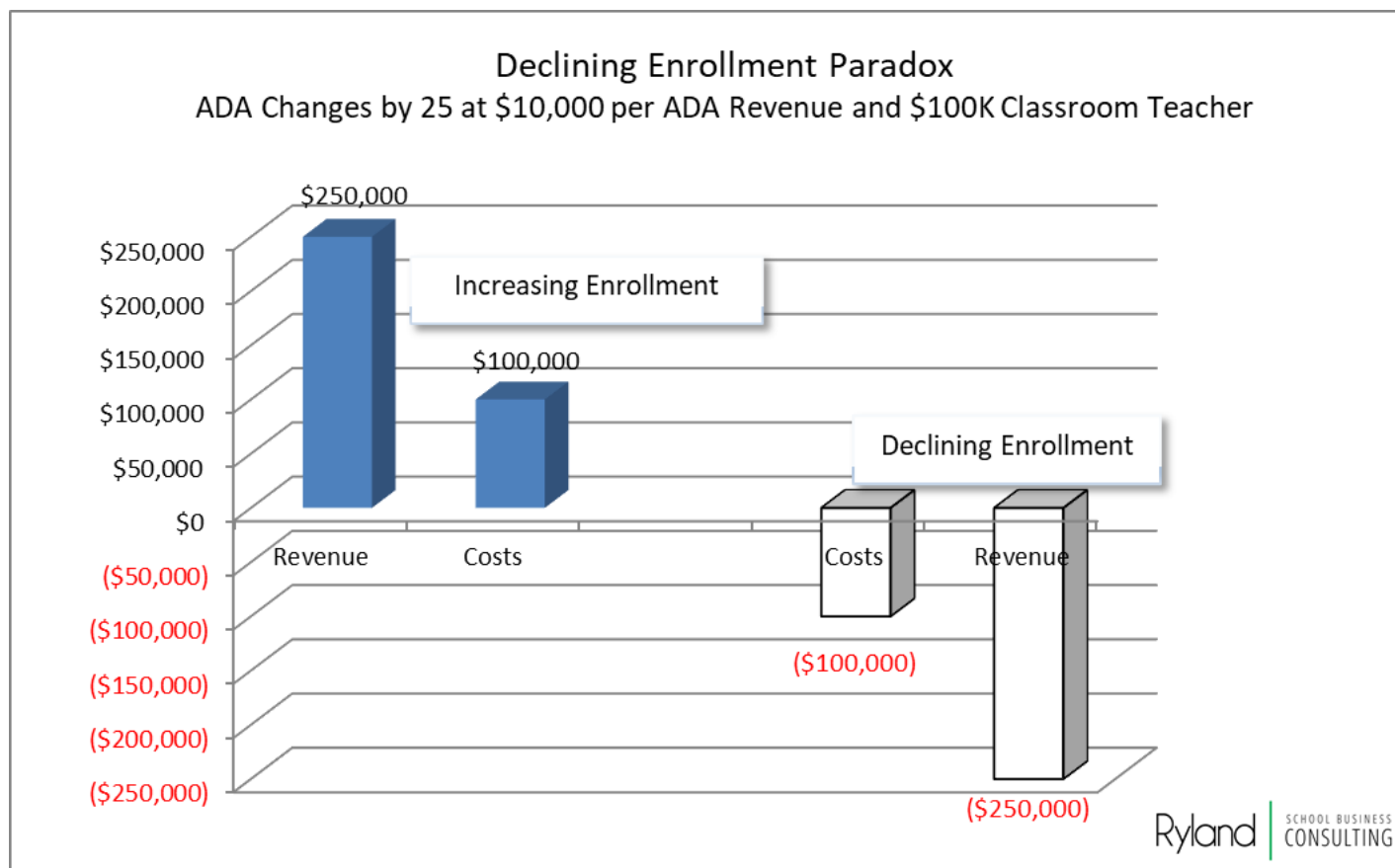
## 3-Year Average ADA This Year

- ▶ 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



# Table Talk

---

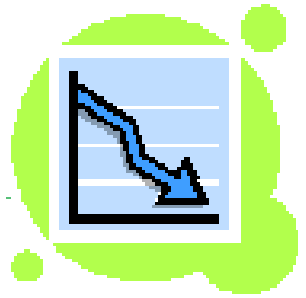
In break-out rooms, choose a group reporter and discuss the following questions:

- ▶ What surprises you about the district's budget?
- ▶ What questions do you still have about the district's budget?

## Indicators of Fiscal Distress

# Signs of Fiscal Distress in a District

---



- ▶ 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

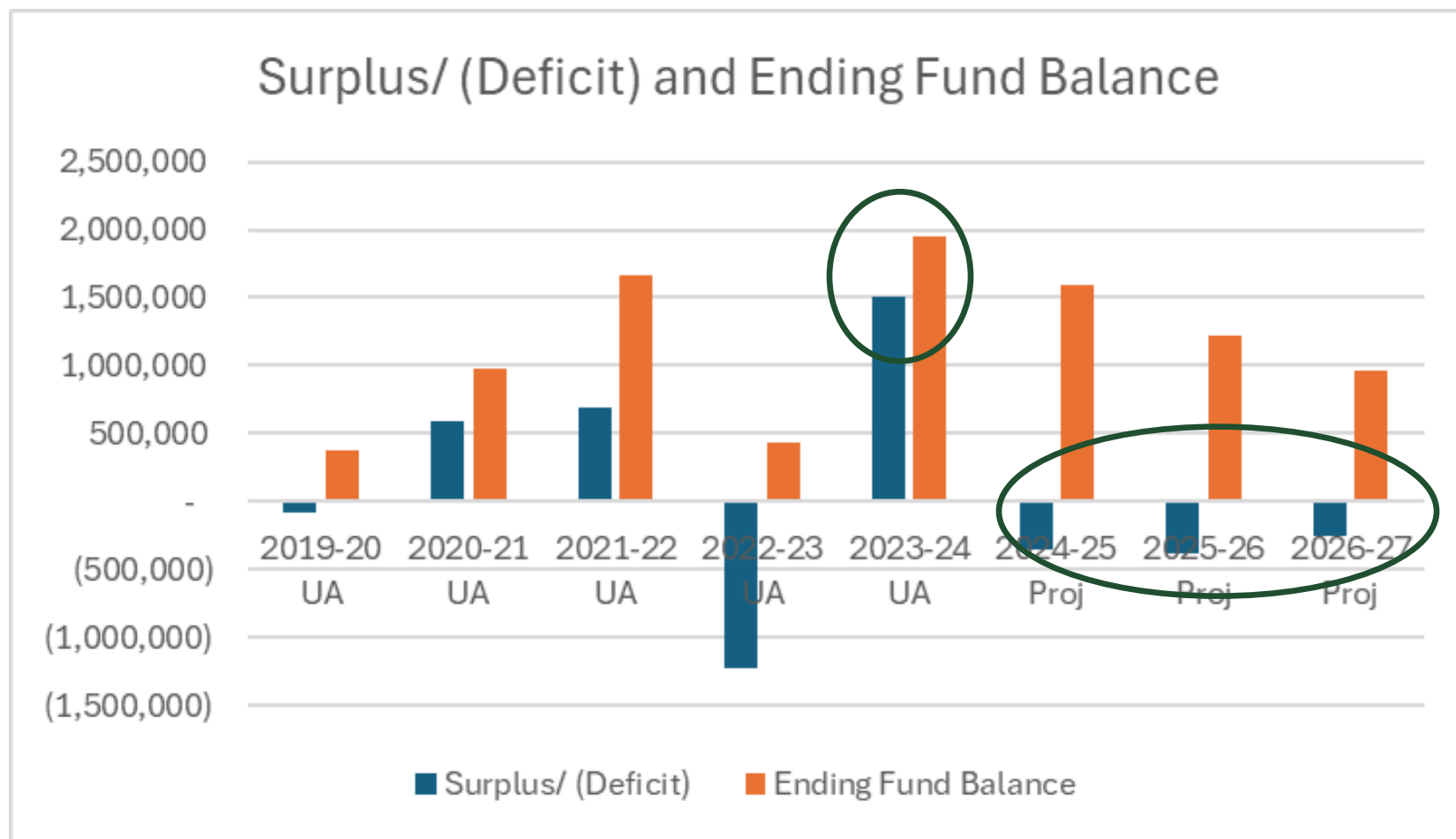
# Adopted Budget Multi-Year Projection (Unrestricted)

- ▶ The budget adopted by the board in June shows deficit spending the next three years
- ▶ The unrestricted fund balance meets the state's 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%

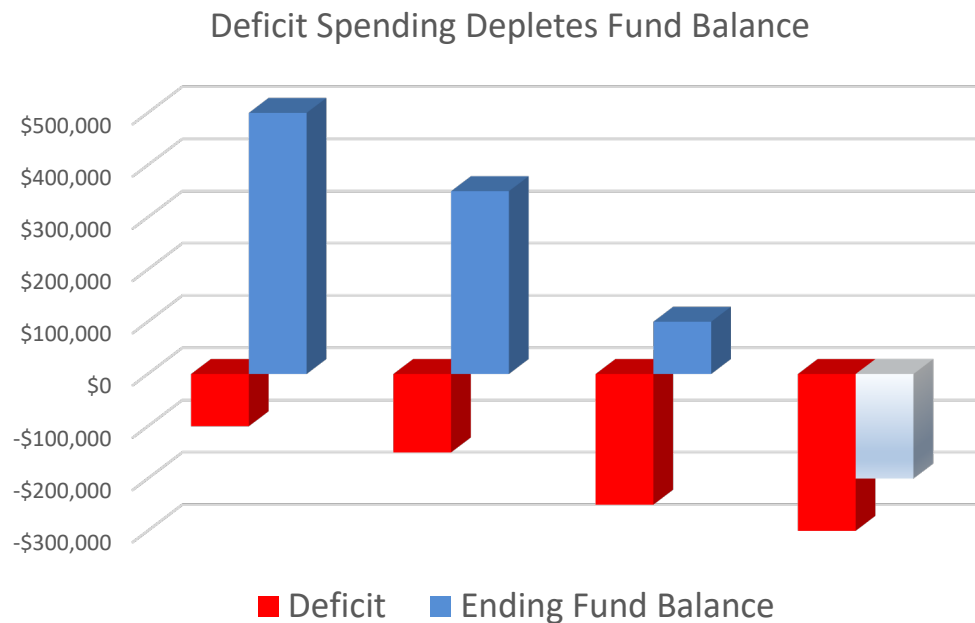


# Recent History of Spending in the District



# 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



# 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
  - ▶ Incorporating the financial recovery plan
- ▶ Budget Review October 2024
  - ▶ Indicates need to increase the budget for special education services in the current and both subsequent years
  - ▶ Identifies elements of the financial recovery plan the district was unable to implement
- ▶ Convene Budget Advisory Committee November 2024
  - ▶ Committee to provide recommendations for board to consider in December 2024 for inclusion in the second interim budget

# Table Talk

---

In break-out rooms, choose a group reporter and discuss the following questions:

- ▶ What elements of the recovery plan are working?
- ▶ Are there any elements of the recovery plan that are not working?

## Budget Recovery

# State Budget Process Continuum

---

- ▶ January
  - ▶ Governor's proposed budget for budget year
- ▶ February
  - ▶ Legislative Analyst review with comments
- ▶ April
  - ▶ Statutory COLA recalculated
- ▶ May
  - ▶ "May Revise" reflects tax adjustments
- ▶ June 15 (or later)
  - ▶ Final adopted State budget
    - ▶ COLA, discounts and deferrals
    - ▶ Potential additional programs, or funding changes
- ▶ November
  - ▶ Legislative Analyst Report (LAO Report)
    - ▶ Projections for next year based on tax collections and economic predictors
- ▶ January
  - ▶ Governor's proposed budget for next budget year...



# District/COE Budgeting Process

---

- ▶ All local education agencies must adhere to the same budget development, approval, and reporting schedules

Budget Action	Date
Adopted Budget	June 30
Unaudited Actuals (Prior Year Fiscal Activity)	September 15
Annual Independent Audit	December 15
1 <sup>st</sup> Interim Report (activity through October 31)	December 15
2 <sup>nd</sup> Interim Report (activity through January 31)	March 15
3 <sup>rd</sup> Financial Report (if required)	June 1

# County Office Oversight

---

- ▶ County offices of education are responsible for the fiscal oversight of districts within their jurisdiction (AB1200)
- ▶ School district budgets and interim reports must contain a three-year financial projection – current year plus two
- ▶ County offices are charged with approving or disapproving district budgets
  - ▶ At interim reporting periods, they either concur or change a district's certification of their financial projection



# County Office Review

---

- ▶ The Santa Cruz County Superintendent approved the District's Local Control and Accountability Plan and 2024-25 Adopted Budget with the following comments:
  - ▶ The 2024-25 LCAP centers on Live Oak's commitment to strengthen community relationships and family engagement. They have clear and targeted actions supporting academic growth for all students as well as creating a sense of belonging for students. Live Oak School District is to be commended for recognizing shared leadership as a way to engage educational partners.
  - ▶ The district is projecting to deficit spend in the unrestricted resources in the budget year by \$348,532 by \$377,504 in 2025-26 and by \$253,634 in 2026-27. This is in stark contrast to the May 22, 2024 3rd Interim, which did not project any deficit spending in the unrestricted general fund from 2023-24 through 2025-26. In comparison, and in a matter of a few weeks, the Adopted Budget's projected unrestricted ending fund balance for 2025-26 shows an erosion of over 40% from the 3rd Interim projections, which is a decline in excess of \$887,000. This is concerning, considering the delicate fiscal position the district finds itself in.
  - ▶ It is important note that at the time of the adopted budget, the statewide COLA was 0.76%, however, due to the decline in enrollment, the district's effect rate of COLA was calculated at negative 3.15%.

# Budget Advisory Committee Process & Timeline

---

## ▶ November 6, 2024

- ▶ Overview of the Adopted Budget
- ▶ Deficit reduction and reserve recovery plan:
  - ▶ Identify the recovery plan target
- ▶ Prepare a budget “Frequently Asked Questions” document incorporating questions from the committee meeting

## ▶ November 20, 2024

- ▶ Presentation of budget solutions including program impact

## ▶ December 4, 2024

- ▶ Presentation of additional budget solutions
- ▶ Finalize budget solution recommendations

# 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



# Budget Recovery Target

---

➤ Adopted Budget Annual Deficit	\$300,000
➤ Increased Special Education costs	\$200,000
➤ Increased contractual costs	\$200,000
➤ Reserve recovery 1%	<u>\$250,000</u>
Total Target	<u>\$950,000</u>

*Note: Any compensation increases negotiated through collective bargaining will require an increase to the target.*



# 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



# Table Talk

---

In break-out rooms, choose a group reporter and discuss the following questions:

- ▶ Should the target be increased and if so by how much?
- ▶ What ideas do you have to balance the district's budget?



# Public Comment

---

Members of the public have an opportunity to comment.

- ▶ A total of 15 minutes has been reserved with comments limited to two (2) minutes each.



*Thank You!*

