Budget Advisory Committee Regular Meeting (Wednesday, January 29, 2025)
Generated by Sandy Madeleine on Wednesday, January 29, 2025

Members present
Kate Lee, Marc Kulla, Kimya Sharifi, Shompa Bhattacharya, Stuart Rosenberg, Maria Fernandez, Michelle Herriage
Mary Alarid-Enright, Omar Batres, Jenn Lashier, Ava Chiao
Dan Halabe arrived at 9:55 am

Staff present: Chris Jew, Tina Bernal, Sandy Madeleine (for Kavitha Lakshmanan)

Meeting called to order at 9:33 AM
1. CALL TO ORDER
1.1 Roll Call

1.2 Approval of Committee Meeting Agenda

Motion By Stuart Rosenberg, second by Kimya Sharifi
Final resolution: Motion Carries
YES: Marc Kulla, Kimya Sharifi, Shompa Bhattacharya, Maria Fernandez, Michelle Herriage Mary Alarid-Enright, Omar Batres, Kate Lee, Ava Chiao, Stuart Rosenburg, Jenn Lashier
ABSTAIN: none
NO: none

2. MINUTES APPROVAL

2.1 Approval of the September 18, 2024 Regular Meeting Minutes
Members asked no clarifying questions and comments

Motion By Mary Alarid-Enright, Second by Marc Kulla
Final resolution Motion Carries
YES: Marc Kulla, Kimya Sharifi, Shompa Bhattacharya, Maria Fernandez, Michelle Herriage Mary Alarid-Enright, Omar Batres
ABSTAIN: none
NO: none

3. INFORMATION

3.1 2024-25 First Interim Financial Report
Presented information shared with the board on 12/9/24. Things change from month to month - next step will include the Governor's new input. Reminder where we are in financial process: adopted budget in June, 45 day update to board in August, ended FY 23-24/unaudited actuals presented to board on 12/12, working on 2nd interim - will bring to Board on March 13, getting into new budget cycle for 25-26 - early budget adoption in early June

Budget based on a set of several assumptions, and budget not always in a context of one year- reviewed over a period of 5 years. Goes through cycle from adopted budget thru 45 day updates, actual from last year, then 2 snapshots of actuals incurred during the current year to prove we will be on target

Purpose is to certify to the County and State that we can meet our obligations. In the event we are unable to meet our financial obligations in the current year or out year, we must file a qualified certification. If unable, file negative. Alternative to a positive certification, will bring the County or State to inject themselves into our financials

Q: Heard County hired a guy to look at the books who has the say that we have a positive or negative certification
- State has pushed down to the county. It has always been the county's responsibility.

Q: Do we have feedback from that person?
- Our communication is directly through Superintendent - they send a letter directed to our Board President. Did receive from County Superintendent that they approved our Positive Certification for first interim.

REVENUE:
As of 1st interim, overall increase in revenue of 3.1 million
Property taxes down 1.6 million, primarily a downturn in secured taxes - business & homes with land

Q: Dates when we find out actuals of property taxes?

- Get final actuals in June, deal projections for entire year. Even though don't have actual number, receiving an apportionment throughout the year-received first in November/December. 2nd installment in March/April. Final until end of FY in June. Annual amount we are projecting reduced 1.6 million. Apportionment adjusted accordingly. They are only paying out what they are receiving. Constantly adjusting their number.

Update on 2/7 from County assessors - will have update at 2nd interim
Lottery is about $400K higher
Other incomes - interest in cash, CuperDoodle, etc. - up $2 million
SPED increased about $500K
Transfers in RMMAs: Money set aside by general fund and fund 21, increased 1.4 million from Fund 21 to alleviate draw on our general fund. Overall increase, a summation of the 6 Revenue categories.

Q: Can you put numbers on slides in the future?

- Property Taxes unclear until 2/7. Contribution for SPED increased by an additional $500K. Lottery expecting increase by $400K. Federal up $400K, State down $100K, Medical up $180K - put numbers on chart in future. Other local funds up $2.6 million:, interest 1.6 million, facility use $300K CuperDoodle $168K. Within the first pages of the summary of our budget book there is a blow by blow detail for each category the State has us report.

Q: How do we get this info?

- Presentation to Board on 12/9, was sent out in this meeting's documents.

EXPENDITURES:
Certificated Salaries: originally included 3.1% increase, at 1st interim, additional 2% for January, 25 was not included. Management decided not to fill any vacant positions, which basically balances
Classified: Down $800K, added 2%, removed open positions
Health: Costs have kicked in and we know actuals. Benefits up about $200K
Supplies & Materials: keep in mind there are restricted and unrestricted in all categories.
Unrestricted: down in Fund 1 by 185K, but up almost $2 million in Fund 8, lottery money was up so were expenditures, school misc/local funds up about $1.5 m (after school sports, science camp, where parents pay for items) Fund 7 is SPED - increase SPED contributions as supplies and materials are up as well as services and operating expenditures
Services and Operating Expenses: overall up $3.8m
Unrestricted vs Restricted: Fund 1 up about $1 Million in utilities and contracts
Fund 7: vendor contracts around vacant positions is up as well as NPS services have increased dramatically in last 3 years - up $1.3m
Increase in FIeld trip admissions - not a lot taking place when we came out of pandemic, but field trips are happening now, vendor contracts increasing as well. Inflation rate - the normal cost of things are increasing - all adds up to $3.8M

Q: Clarify a revenue side and an expenditure side for things like field trips. Was our budget too low?

- Usually we are close to zero sum. Overall cost was too low so budget was too low. Are field trips all funded by parent organizations. For every new dollar that we collect as a donation is a new dollar expended toward a field trip. Funded through special programs in general fund. Under local revenue.

Capital Outlay: Kitchen Infrastructure Training - received a grant. Spending out that money now
Indirect Cost Transfers: includes debt services. Includes 1st payment on solar loan in June 25, enterprise lease vehicle, collect indirect costs from programs - expenditures are up by 6.6M

Reviewed changes from 1st interim budget. Summation of how we spend our money (instruction, non-instruction, student support, general administration, maintenance and facilities.

Q: Understand $604K for Kitchen is from a State issued grant?

- Coming from outside funds, not from any local resources. Under State on the other local revenue side.

Planned budget and expected review at this point - all just a plan at this point. Actuals will be reflected at the end of the FY.

Q: Certificated Salaries up $1 million for 2%. $1.8 million for all groups for 1% about $.5m for certificated and management. Why wasn't this incorporated in the January budget?

- Negotiations were not completed when the budget was created in late April. Board did not ratify until June. Couldn't wait to build the budget for negotiations to be complete. 3% was added in the adopted budget.

Q: Why wasn't the 2% included as it was ratified and approved by the Board? We knew there was the 2%.

- It's timing - building budget doesn't include anything until ratified. As negotiations are ongoing - know a bare minimum. Budget was already done when we knew the full 5%. It was in the ending fund budget. Adopted budget was in April. Ratified in June. Accounted for the 3%. Wasn't accounted in the actual line item at that time. The value was accounted for in the ending fund balance in June - we'll move the money into the budget line items later. Value of 2% was in the bottom line. Money reserved for this.

Q: How can we best show it so the general community is aware of the plan?

- Suggestion for future presentations: work off the accounts each item - sometimes a revenue increase drives an expenditure increase - add a slide to show these items. Could be solved by completing negotiations earlier.

Q: How much is solar monthly?

- Pay annually principal and interest, annual debt service is structured where initial years are less: First year $600K, next year jumps to about $3M. Debt schedule is in the 25 year lease. Will make it available. Savings will compensate - it is intended to be enough to cover the annual debt service payments. Some of our solar panels have been installed. The ones up and running are already generating electricity and we are banking that. Will bring finances around solar as a follow up item.

Q: Shifted to Basic Aid from LCFF - historical pattern. Now we will focus going forward with the projected growth of property taxes and with the decline of student enrollment. As our enrollment flattens or declines and property taxes are at 5% per year - what does that look like for projected revenues/our entitlement?

- Timing: Shifting into Basic Aid - bulk of our expenses are known at the end of the year. Majority of our revenue assumptions are projections at the beginning and in the middle of the year. As apportionments come in we modify our interim. Over last 20 years - we know the actuals but haven't compared those to beginning of the year projections. May be a good project to compare. Helpful to shop preliminary projections, then show the apportionment. Identify points in time there is data available.

Comment: Need "Basic Aid 101" on the website. County has a schedule they're following. It would help to have a simple explanation/schedule of most important parts on the website. How can we make sure that people understand this change? Could save work later on if people understand now.

Q: We get one time payments. Take out temp loans because money doesn't come until Nov/Dec?

- For purposes of Cash Flow, moving to Basic Aid model cash comes in at specific times, rather than monthly apportionments as in LCFF. Moving to Basic Aid, we get at 2 intervals during the year. Cash Flow gets challenging in between - in October and March/April. So short term loans are used to bridge those periods. Board took action to participate into the CASH TRANs program through CSBA - tax revenue apportionment. Board approved option to borrow up to $20M

MULTI-YEAR PROJECTIONS ISSUES: First Interim - when looking at first Interim budget straightforward. As of 1st interim, for planning the out years we have a structural deficit of about $15 million. For approval we provided a road map of how to address that deficit - lay out all variables that we are projecting for 25/26. Not only dealing with structural deficits. Have some staffing deficits: full implementation of TK, 2nd MS elective, adding staff to lower class sizes. With declining enrollment and 2nd elective in middle school - cascading effect in the budget. How to balance the budget? Allow more time to come up with a specific list. Position List - identified that we need to make some amount of reductions about 16FTEs/year to get this budget balanced, knowing our incoming revenue and expenses. What can we do to bring that number down? Working on where those FTEs will be coming from. Assumptions. How will the new federal administration affect us? How do we assess the risk of new inflation? Building assumption of receiving the full $8.3m we are entitled to. Solar will definitely bring in half of it. Following the analysis is ongoing. Can President act on Executive Orders to wipe out the funding? IRA? Will congress to pause on that? Getting our application in as quickly as possible. Other half of our solar projects will be filed in different tax year and could be affected ($4m). What is the process for planning for the contingency- Now looking at where we can make up the $4M. Assuming for budgeting purposes that we receive the $8.3 million - contingency will have to come from somewhere else. Don't have that ability to pull from the building fund/capital improvement where we are used to meeting 100% of routine maintenance. Solar is financed through the general fund. Plan was to have the general fund make those future debt payments. If we find another way to pay off solar it will relive the general fund. Working on that with the Board. Measure Z could pay off the debt. Board hasn't had a chance to review.

$15M budget deficit. In the adopted budget there was a deficit. All the expense issues may not have been built into the multi-year budget at that time.

Q: How did we get to the $15M deficit?
- Really staffing doesn't get built in. As of 1st interim, we have dialed in staffing changes.

24-25 adopted budget had a projected $28M deficit, for the 24-25 FY.

Q: How did we explain that to the County?
- Didn't require. In first interim Revenue less Expenditures it was $31M, but the County asked for a fiscal stabilization plan. Talking about 2 different things. Presented original Stabilization Plan at first board meeting on 12/9. Didn't want this to be the part of the report going to the County. Legally can't modify as this was what was given to the Board. What went to the County was the presentation given today, but also the Fiscal Stabilization plan shared at the second meeting. County approved it.

Q: Can't we incorporate this doc into the existing BAC presentation? Please create an additional page to replace or at least explain that one page. Confusion. Concern because 48 jobs are on the chopping black over the next 3 years (16 FTEs per year.) Slide that is concerning is that it is broken down by bargaining units. Need a really clear explanation of what's going on. That slide is alarming to bargaining units, when we are adding TK, 2nd MS elective, etc. Board was clear that they don't want to have a reduction in staff going to the County.
- We are not at the stage to make that decision. Board direction was we need to analyze how we will do this to meet district priorities. Need a heading on that page that it's a projection. For the second board meeting where Board approved the second interim, had to post presentation. Didn't have any info from Board when needed to post.

Comment: Board directed removing the slides that shows reduction in force and District defied the Board. Extreme concern as we could remove 48 people from one bargaining unit, or perceived as that.
- That is no one's intention. It is a proposed plan, not a definitive direction.

Comment: We need to follow up on how to do it. Need to clarify - hope we are going to do it. This is plan A. Can't change what is in board docs, but you can update it and call it a new name to reduce confusion. Committee member doesn't have trust going forward that District will not circumvent the Board's direction. These are projected assumptions at First Interim. Does the district intend to let go 48 people?
- The district plans to reduce costs, may be people and may not.

Q: How will attrition relate to this number? Net?
- Built in the savings already of people coming off of the salary schedule.

Q: What is the current attrition rate? Plans for a retirement incentive?
- 24-25 assumptions: 20 certificated retirees and 7 classified retirees, re-hired at lower rate of pay. Contracting out costs us more.

Q: Can we move away from that? SEIU OT table - overworking people when could hire more people at a lower rate and reduce costs. Request agreement to not use the obsolete slide that shows cuts in FTE, the Board requested not to use. Bargaining units have seen this info and are quite concerned.
- Need a way to explain that we need to make cuts, but how we are going to do it has not been decided.

Q: Any risk we are going back into LCFF
- Don't anticipate unless we get a whole bunch more kids. Enrollment Projection at last board meeting showed minimal.

Q: The last time the district faced a big deficit, we had additional Budget Advisory meetings with study sessions to better understand planning. Can we do this again? Understand we are in the middle of all these decisions and all is in flux. What should union reps go back to tell their members?

- Once Superintendent has more specific info, staff will advocate that we bring this group together to discuss situations.

Comment: One way to cut costs is to quit hiring bus drivers, just because there are positions in the system. Drivers took a petition asking the District to stop hiring drivers. We now have more drivers than routes. Routes are so thin, they could absorb kids into other routes. But Transportation Manager keeps hiring new people when they are unnecessary. SEIU says manager was approved to hire total numbers, when the department doesn't need them. New driver was hired last month. Manager went to all other routes and picked off a kid to fill her bus, thinning out existing routes that are already smaller than capacity. Manager says she did that as she has such a high rate of absenteeism she has to maintain # bus drivers. Not true - absenteeism is not that bad. For every driver that we lose, assumes the route will remain the same. But number of kids is changing so should adapt to keep current employee routes full.

Q: Every day workers have ideas for cost savings. How does the district tap into hearing these ideas?

- By listening to the people on the ground, it could produce some cost savings unknown to management/Board.

SHORT ON TIME - 5 minutes left. ATTACHMENTS REQUESTED

Overall general summary of all the different contracts.
Overtime - SEIU included in email for maintenance
Fund 8 - understanding the different restricted projects; document can be emailed monthly for a monthly update

Staff asked what is the pleasure of GROUP: meet before the first 25-26 budget as an opportunity to look at ideas, more details can be raised when next year's agenda is being cooked. What are our shared interests in trying to get to a fiscally stable place. Find a time to meet right after 2nd interim is done - a better time to see what the 25-26 year budget model will look like. Once we have the staffing components, and a better idea of what we need to do to balance it. After March 15, probably the 1st week of April.

- Committee requesting to meet prior to 2nd Interim - so the group can advise, especially in relation to the FTE cuts. Should meet now. Focusing on 2nd interim and the assumptions. The 2nd interim are not as essential as focusing on the next year. Concern here is about making plans that could impact the Fiscal Stabilization Plan / positions which typically happens before March 15 - could be built into the interim. We all want to have an opportunity to share considerations prior to that. Some ideas were proposed today on how to save money in other ways. Requesting a voice in opportunities as a District and how it affects each bargaining unit.

Staff will look for a Meeting time before 2nd Interim, but if can't find, we'll meet in late March/April. All bargaining units have requested to meet in late February to affect/hear about Fiscal Stability Plan.

A lot of anxiety around people getting their hours cut or losing their jobs. Non-8 hour employees are especially concerned: SEIU has kitchen staff and bus drivers. Concerns with getting hours cut when don't have full time jobs. Other ideas? Can District offer an incentive to expedite retirements? How do we balance bus driver routes?

- Everybody is observing everybody.

All members agreed they were willing to adjust schedules to meet before next the Fiscal Stabilization Plan is submitted.

Meeting adjourned