

Superintendent's Report- Budget

Erika Sanchez, Superintendent
February 22, 2022



Budget and fiscal solvency

Special Board Meeting- July 13, 2021

A budget focused meeting was held to discuss preliminary concerns.

LCAP revision, corrections and alignment to budget- August to October 2021

- Various meetings were held with San Benito County Office of Education staff to discuss discrepancies and review and finalize 50+ necessary corrections to LCAP.
- The LCAP submitted for re-approval to the San Benito County Office of Education in October, approval was granted.



Budget and fiscal solvency

Unduplicated Student Population Count:

The unduplicated student population count was previously reported at 32.71% during the 2020-2021 school year, which would have drastically reduced our LCFF funds. In early September, we received the notification and immediately addressed the issue. The threshold to receive the Supplemental and Concentration (S&C) funds is 55%. The District team worked on analyzing the report, updated current student data and identified and implemented the necessary changes needed to reach the 57.3%. This process was completed in September and saved the District's \$9.1 million of S & C funds.



Budget and fiscal solvency

45 Day Budget Revision Process:

The budget that was created in the Spring of the 2020-2021 school year and submitted for approval needed revisions and was re-submitted to the Board for approval on August 17, 2021. The Budget and 45 Day Budget revision was completed by consultant Ryland & Associates.

Unaudited Actuals:

The Unaudited Actuals process was completed by consultant, Ryland and Associates. The report was presented on September 28, 2021 for Board approval. The need for budget reductions was presented.



Budget and fiscal solvency

Budget Balancing Solutions:

- Budgetary reductions were discussed on July 13, 2021 and are necessary to allow for the District to work towards fiscal solvency.
- The District's goal is to continue providing essential services to students, maintaining appropriate staffing ratios, maintain current staff employed.
- Some recommendations will include freezing positions, freezing supplemental programs, implementing the goldenrod process and reducing expenses to purchasing only items needed.



Budget and fiscal solvency

Concerns with Unaudited Actuals and the 45 Day Revision:

Projected ADA

Completion of process

Reserve levels

2021-2022 45 Day Approved Budget Revision Letter from San Benito County Office of Education:

On October 11, 2021 the San Benito County Office of Education issued HSD a letter approving the District's budget but pointed out that the District is currently deficit spending, not allocating sufficient funds towards reserves,



Budget and fiscal solvency

Deficit Spending

The District is projecting a deficit spending plan for the 2021/2022 **(\$1,798,138)**, 2022/2023 **(\$2,522,987)** and 2023/2024 **(\$241,311)** fiscal years. It is important that the District continue to closely monitor revenues and expenditures to ensure that it is able to meet its future financial obligations, using one-time dollars to offset ongoing expenditures is not sustainable. The County Office expects the District to align revenues with expenditures in an ongoing manner.

District Reserves

The District's 2021/2022 budget, as submitted, indicates available unrestricted reserves at \$3,917,986, which is equivalent to 5.33% of your 2021/2022 Total General Fund Expenditures. The minimum State requirement for designation for economic uncertainties for your District is \$2,203,226. The Board of Trustees has established a goal of maintaining 12.0% reserves, the county recognizes the available reserves are not meeting this goal in the budget year, nor in the 1st and 2nd subsequent years. Maintaining sufficient cash is necessary in order to maintain control of your district operations, please ensure there are plans in place to reduce expenditures or minimize expenses in order to maintain sufficient cash in the future.

Alignment with SB 585 regulations requires commitments or assignments of any excess fund balance outside of the State required designation for economic uncertainties, the county supports the identification of the board goal reserve level assigned.

Budget and fiscal solvency

2021-2022 45 Day Approved Budget Revision Letter from San Benito County Office of Education:

On October 22, 2021 a copy of the letter was forwarded to HESTA and CSEA for their review.

Approval for Michael Bishop & Associates contract and scope of services approved on November 16, 2021: contract will include services until approximately June 30, 2023. Service include but are not limited to: review of the new HSD LCAP, HSD budget forensic analysis, support with building a sustainable and solvent budget, consultation for political ramifications, realistic facilities plans, budget balancing reductions, etc.



Budget and fiscal solvency

Annual outside audit process:

Each year the District undergoes an audit by Eide Bailey. The audit includes a comprehensive and thorough auditing of Unaudited Actuals (presented at the September 28, 2021 Regular Board Meeting), revenues, expenses, capital assets, fixed assets, etc.

Typically, the annual audit report is finalized on or before December 15th. This year the State has provided an extension through April 2022.



Budget and fiscal solvency

December 14, 2022 Superintendent's Report on Budget and fiscal solvency timeline

December 14, 2022 First Interim Report

January 28, 2022 Discussion on Lay-Off Process: Certificated and Classified Staff Regular Board Meeting discussion

February 15, 2022 Discussion and Report HSD Comparative Analysis of the 2021-22 First Interim Report



Where are we at now?

Current budget can not sustain the number of staff

\$3.3 million deficit

\$2.7 million of salary shifts from unrestricted resources to restricted resources

No action has been taken to implement a reduction in force of staff

Other actions to consider (February 15, 2022 Board Meeting)



Budget and fiscal solvency

Determine if the \$2.7 million on salary shifts can be made from unrestricted resources to restricted resources

Reevaluate the use of one-time federal and state resources with an aim on helping to mitigate the current funding difficulties

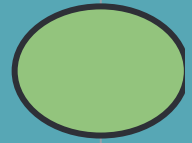
Determine reductions = \$3.3 million, which could produce reductions in force



Next steps

1. Special Board Meeting to discuss and consider resolution for staff reductions
2. Issue notifications to staff
3. Continue work on Actions to Consider from February 15, 2022





Questions

