School District Budgets and Financial Solvency
School Board Candidate Academy

Presented by:
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Agenda

- What is a budget?
- Budget Packet is Received with Board Agenda, now what?
- Reviewing the budget
- LCFF
- Cash flow
- Questions to ask
- Response letter from the County Superintendent of Schools
Without fiscal solvency, the District cannot focus on its educational goals!
What is a budget?

• It is a plan, not money

• The budget is a stack of papers with a bunch of numbers on it!!
Budget Packet Received with Agenda, now what.....

- **Read it?**
  - There are lots of tiny numbers

- **Time**
  - I don’t have time to read this book of numbers. I need to sleep at some point.

- **Other items**
  - There are other items on the agenda I’m more interested in. I will let others focus on the budget.

- **My vote**
  - As long as everyone else is okay with it.....
Reviewing the Budget

Adopted budget, 1st Interim, 2nd Interim

- Read the information provided and ask questions
- Discuss publicly
- Determine if the proposed budget aligns with the goals of the District (LCAP)
Important Aspects to Review

• Enrollment or ADA (Average Daily Attendance)
  • Are the expenditures fluctuating appropriately with changes in ADA?
    • Especially important in declining enrollment
  • Are expenditures greater than estimated revenues?
  • Cross check numbers across all information provided
Important Aspects to Review on SACS Reports

- SACS = Standardized Account Code Structure

- State required SACS reports could be an overwhelming amount of data

- Activity – examine sample SACS reports
LCFF

• Local Control Funding Formula – methodology to allocate state revenue to local education agencies (LEA)

• Additional revenue provided for English Learners, Low Income and Foster Youth students
This slide shows images that illustrate how the Local Control Funding Formula works. LCFF provides the same amount of funding per student (at full implementation) with two adjustments; grade level and demographics.
Cash Flow

Cash flow is the most critical aspect of School District Financial Planning or Budgeting

Cash needs to be tracked and projected monthly

A District can have an adequate reserve and still run out of cash
Cash Flow

• No District ends up in State receivership because of a budget crisis

• They end up there because of a cash flow crisis

• A budget crisis can lead to a cash flow crisis but a cash flow crisis can occur without a budget crisis

• Be very cautious with your general fund cash!
Most Important Number(s) on Cash Flow to read....

The cash balance at the end of each month!!!

If the number is negative, how will the District pay the bills and payroll that month?

Activity – cash flow report
Questions to Ask

• What are the revenue assumptions used?

• Expenditure assumptions?

• Does the budget include all of the expenditures listed in the LCAP?

LCAP = Local Control Accountability Plan
Questions to Ask

• What is not included in this budget that could be a risk?

• What are the cash flow back up plans?

• How much cash will the District have on June 30th?
Questions to Ask

• What is the current State Budget status?

• Has anything happened since these figures were put together that might change them?

• Is our enrollment or average daily attendance (ADA) up or down from the last budget projection?
Questions to Ask

• What numbers changed since the last time we reviewed the budget?

• If issuing a TRAN*, how much of the TRAN is being used to pay bills or payroll?

*TRAN = Tax & Revenue Anticipation Note
Questions to Ask

• Does this budget meet at least the minimum reserve requirements for three years?

• Is the reserve sufficient to maintain a positive cash balance at all times?

• How many months of payroll does the reserve cover?
Questions to Ask

• Does this budget allow us to maintain our facilities?

• Do we have a budget for unexpected facility repairs?

• Is there a plan to replace and maintain technology?

  (Devices, infrastructure and bandwidth)
Questions to Ask

• Is this budget dependent on any collective bargaining issues not yet agreed upon?

• Will we need to make any expenditure reductions within the next year or two years?

• Is the certification status appropriate or should we be certifying qualified or negative?
Questions to Ask

• Have we been presented with all available options for this budget?

• Are we giving ourselves sufficient reaction time for worst case scenarios?
Questions to Ask

- Will the Ventura COE approve this budget without reservation?
- What will the Ventura COE’s concerns be and how will we respond to them?
Budget Response Letter From County Superintendent of Schools

- The response letter discloses the action taken by the County Superintendent regarding your budget submission
- We highlight any points of concern or areas the District should stay focused on to avoid fiscal distress
- Now includes action to approve the LCAP
- Example in packet
Summary

• Important aspects to review on reports

• Cash is absolutely critical to monitor

• The one reason a district will fail financially

is...running out of cash!
Summary

• Questions to ask staff regarding the budget

• Discuss your questions at the public meeting

• Response letter from the County Superintendent of Schools
The Ventura County Office of Education is dedicated to providing school districts support and assistance to maintain fiscal solvency.

We are here to serve you!

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