

# FCMAT

FISCAL CRISIS & MANAGEMENT  
ASSISTANCE TEAM

## Multiyear Financial Projection & Business Services Department Review

February 19, 2025



## Soledad Unified School District

Michael H. Fine  
Chief Executive Officer

February 19, 2025

Randy Bangs, Superintendent  
Soledad Unified School District  
1261 Metz Road  
Soledad, CA 93960

Dear Superintendent Bangs:

In September 2024, the Soledad Unified School District and the Fiscal Crisis and Management Assistance Team (FCMAT) entered into an agreement for FCMAT to conduct a review of the district's 2024-25 adopted budget and multiyear financial projections. The agreement stated that FCMAT would perform the following:

1. Review the district's 2024-25 adopted general fund budget and use it as a baseline to develop an independent multiyear financial projection (MYFP) for the current and two subsequent fiscal years. The MYFP will be a snapshot in time of the district's financial status. Make recommendations for expenditure reductions and/or revenue increases to help the district eliminate its structural budget deficit, if any.
2. Review operational processes and procedures in the Business Services Department and make recommendations for improved efficiency, if any, in the following areas:
  - Budget development
  - Budget monitoring

This report contains the study team's findings and recommendations. FCMAT appreciates the opportunity to serve the Soledad Unified School District and extends thanks to all the staff for their assistance during fieldwork.

Sincerely,



Michael H. Fine  
Chief Executive Officer

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# About FCMAT

## Purpose and Services

FCMAT was created by the California Legislature to help California's transitional kindergarten through grade 14 (TK-14) local educational agencies (LEAs) avoid fiscal insolvency. Today, FCMAT helps LEAs identify, prevent and resolve financial, management, program, data, and oversight challenges; provides professional learning; produces and provides software, checklists, manuals and other tools; and offers other related school business and data services.

FCMAT may be asked to provide fiscal crisis or management assistance by a school district, charter school, community college, county superintendent of schools, the state superintendent of public instruction, or the Legislature.

When FCMAT is asked for help with management assistance or a fiscal crisis, FCMAT management and staff work closely with the requesting LEA to meet their needs. Often this means conducting a formal study using a FCMAT study team that coordinates with the LEA for on-site fieldwork to evaluate specified operational areas and subsequently produces a written report with findings and recommendations for improvement.

For more immediate needs in a specific area, FCMAT offers short-term technical assistance from a FCMAT staff member with the required expertise.

To help meet the need for qualified chief business officials (CBOs) in LEAs, FCMAT offers four different CBO training and mentoring programs that consist of 11 or 12 diverse two-day training sessions over the course of a full year.

For agencies with professional learning needs, FCMAT offers workshops on specific topics. Popular topics include associated student body operations, use of FCMAT's Projection-Pro online financial forecasting software, use of FCMAT's Local Control Funding Formula (LCFF) Calculator, and data reporting for the California Longitudinal Pupil Achievement Data System (CALPADS). FCMAT staff and management also frequently make presentations at various professional conferences.

The California School Information Services (CSIS) service of FCMAT helps the California Department of Education (CDE) operate CALPADS; helps LEAs learn about CALPADS, resolve data issues and meet reporting requirements; and provides LEAs with training and leadership in data management. CSIS also developed and continues to host and improve the Standardized Account Code Structure (SACS) web-based financial reporting system for all California LEAs, and provides ed-data.org, which gives educators, policy-makers, the Legislature, parents and the public quick access to timely and comprehensive data about TK-12 education in California.

Since it was formed, FCMAT has provided LEAs with the types of help described above on more than 2,000 occasions.

FCMAT's administrative agent is the Kern County Superintendent of Schools. FCMAT is led by Michael H. Fine, Chief Executive Officer, and is funded by appropriations in the state budget and modest fees to requesting agencies.

Workshop schedules, manuals, presentation slide decks, Projection-Pro software, LCFF calculators, past reports, an online help desk, and many other resources are available for download or use at no charge on FCMAT's website.

## History

FCMAT was created by Assembly Bill 1200 (Chapter 1213, Statutes of 1991) and Education Code 42127.8. Assembly Bill 107 (Chapter 282, Statutes of 1997) added Education Code 49080, which charged FCMAT with responsibility for CSIS and its statewide data management work, and Assembly Bill 1115 (Chapter 78, Statutes of 1999) codified CSIS' mission.

Assembly Bill 1200 created a statewide plan for county offices of education and school districts to work together locally to improve fiscal procedures and accountability standards. Assembly Bill 2756 (Chapter 52, Statutes of 2004) gave FCMAT specific responsibilities for districts that have received emergency state loans.

In January 2006, Senate Bill 430 (Chapter 357, Statutes of 2005) amended Education Code 42127.8, and Assembly Bill 1366 (Chapter 360, Statutes of 2005) amended Education Codes 42127.8 and 84041. These new laws expanded FCMAT's services to include charter schools and community colleges, respectively.

Assembly Bill 1840 (Chapter 426, Statutes of 2018) changed how fiscally insolvent districts are administered once an emergency appropriation has been made, shifting oversight responsibilities from the state to the local county superintendent to be more consistent with the principles of local control, and giving FCMAT new responsibilities associated with the process.

# Introduction

## Background

Located in the Salinas Valley of Monterey County, the Soledad Unified School District serves students from transitional kindergarten through grade 12 across five elementary schools, one middle school, one comprehensive high school, and one continuation high school. The district also provides preschool programs to approximately 140 students and offers an adult education program.

According to DataQuest, the district's enrollment has fluctuated over the years, ranging from 4,800 student in 2017-18 to a peak of 4,911 in 2020-21, before declining to 4,700 students in 2023-24. As of the 2023-24 second principal apportionment certification — the most recent data available — 86.46% of the district's students were identified as English learners, foster youth, and/or eligible for free or reduced-price meals, highlighting the district's role in serving a high-needs population.

## Study and Report Guidelines

In September 2024, the district entered into an agreement with the Fiscal Crisis and Management Assistance Team (FCMAT) to review its 2024-2025 adopted general fund budget and use it as a baseline for developing an independent multiyear financial projection (MYFP) for the current and two subsequent fiscal years. The scope of the review also included recommendations for expenditure reductions or revenue increases to help the district address any projected structural budget deficit.

FCMAT visited the district on November 4-6, 2024 to conduct interviews with district staff, collect data and review documentation. Additionally, discussions and follow-up questions took place via email, zoom and phone after the site visit. The district provided relevant documents during and after fieldwork, as available, to support the review and compilation of the MYFP. This report is the result of those activities.

FCMAT's reports focus on systems and processes that may need improvement. Those that may be functioning well are generally not commented on in FCMAT's reports. In writing its reports, FCMAT uses the Associated Press Stylebook and its own short internal style guide, which emphasize plain language, capitalize relatively few terms, and strive for conciseness, clarity and simplicity.

## Study Team

The study team was composed of the following members:

Jennifer Noga  
FCMAT Intervention Specialist

Roslynne Manansala-Smith  
FCMAT Intervention Specialist

Cassady Clifton  
FCMAT Technical Writer

Each team member reviewed the draft report to confirm accuracy and achieve consensus on the final recommendations.

# Executive Summary

## Leadership and Financial Stability

Soledad Unified School District has experienced significant turnover in administrative personnel, particularly among those responsible for ensuring the budget aligns with and is spent according to district-approved expenditure plans. This instability has created a cycle in which new staff inherit complex financial plans they did not develop, requiring them to navigate a steep learning curve while addressing the district's immediate operational and educational needs.

One clear example of this challenge arose in September, when the district had to revise its Local Control and Accountability Plan (LCAP) because the version approved with the June budget failed to account for all goals and actions. As a result, new staff had to conduct a detailed, item-by-item review to realign the LCAP with the budget, delaying critical planning and implementation efforts.

The district's reliance on external consultants has further compounded its operational challenges. While consultants provide critical financial expertise, their remote operations and limited integration with district processes do little to build the capacity of site and business staff. Consultants often fail to explain their processes and reasoning, leaving district personnel without the tools or confidence to independently manage financial operations, which reinforces reliance on external support.

Additionally, communication among the consultants, cabinet-level administrators, and the chief business official is often inadequate. Reports are prepared and provided by consultants just before board submission deadlines, leaving district staff with little time for a thorough review. This limits their ability to identify issues, ask questions, and request necessary adjustments before the reports are presented to the governing board.

To address these challenges, the district must prioritize stabilizing its administrative leadership and strengthening collaboration with consultants to facilitate the transfer of knowledge, including processes, reasoning and methods. This approach will help build internal capacity and ensure the timely and accurate preparation of financial reports.

## Multiyear Financial Projection

Given its operational challenges, the district contracted with FCMAT to develop an independent multi-year financial projection (MYFP). The team created the MYFP using the district's 2024-25 adopted budget report, along with data from the district's financial system and staff. Additionally, the team reviewed a range of current and historical records, including the 2023-24 unaudited actuals report, enrollment and attendance data, and various financial documents and reports.

Financial projections rely on specific assumptions and criteria, including enrollment and average daily attendance (ADA) trends, cost-of-living increases, economic conditions, and revenue and expenditure estimates. As these underlying assumptions change, the projection results also change.

The district's budget was developed using the governor's May Revision and other available assumptions at the time of its creation. In contrast, FCMAT's budget and MYFP are based on the final 2023-24 enacted state budget. In addition, FCMAT incorporated its own enrollment and ADA projections into the MYFP.

The district's 2024-25 adopted budget and MYFP project an unrestricted general fund deficit of \$284,185 in 2024-25, \$883,195 in 2025-26, and \$875,360 in 2026-27. Despite these projected deficits, the district anticipates meeting its minimum reserve requirement for economic uncertainties in all three years of the projection.

FCMAT's MYFP, however, projects a budget surplus in the unrestricted general fund for 2024-25 but a significant deficit in both subsequent fiscal years. In 2025-26, the projected deficit is \$2.3 million, and in 2026-27, it is \$2.1 million. FCMAT projects that the district will meet and exceed the required reserve for economic uncertainties in both the current and subsequent fiscal years.

A continual structural deficit in the unrestricted general fund threatens the district's long-term fiscal health. Over time, deficit spending depletes reserves, reduces financial flexibility, and increases the risk of insolvency if corrective actions are not taken promptly.

## **Budget Development and Monitoring**

Effective budget development and monitoring are crucial for maintaining financial stability and aligning resources with educational priorities. The district's budget should be built on well-founded projections, with continuous monitoring to ensure spending stays within appropriations, revenues are accurately tracked, and necessary adjustments are made. However, inconsistencies in financial oversight have undermined the district's ability to maintain fiscal stability.

Staff turnover and inconsistent budget revisions have led to misalignment between the adopted budget, financial system and school spending, resulting in inaccuracies. Compounding this issue, the district's inability to provide timely, reliable financial information has eroded trust in budget figures among unions, staff, and the governing board. This distrust extends beyond internal partners, affecting the district's financial stability and its relationships with key educational partners (bargaining unions, consultants, governing board, etc.) and the local community.

Uncertainty about the district's financial position and projections has also made it difficult to finalize agreements with bargaining units before the end of the school year. Without reliable financial data, the district struggles to provide the necessary information for collective bargaining, leading to prolonged negotiations and delays in reaching settlements. These delays, in turn, hinder the district's ability to start negotiations earlier in the fiscal year, further complicating long-term planning.

The district has also struggled to effectively use its categorical funding, often returning unspent restricted grant dollars to the state. This inefficient use of available resources not only limits the district's ability to support programs and services but also increases reliance on the unrestricted general fund, further exacerbating financial strain.

Strengthening budget oversight, increasing transparency in revisions, and enhancing collaboration between fiscal and program staff will improve accountability and support more effective resource management. Additionally, ensuring the full use of categorical funds, maintaining clear and accurate financial communication, and establishing consistent budget development and monitoring processes will be critical to stabilizing district finances.

Implementing FCMAT's recommendations — reducing reliance upon consultants and providing comprehensive budget management training — will empower district staff to manage financial operations more independently and with greater confidence. By taking these steps, the district can restore trust in its financial practices, achieve long-term fiscal stability, and foster trust among educational partners.

# Findings and Recommendations

## Multiyear Financial Projection

This section examines the Fiscal Crisis and Management Assistance Team's (FCMAT's) multiyear financial projection (MYFP) for the district, including the methods and assumptions used in its development. It also presents findings related to the district's 2024-25 adopted budget and MYFP, along with recommendations to guide the district in preparing future budgets and projections.

## Background

### Fiscal Oversight and Intervention

Signed into law in June 2004, Assembly Bill (AB) 2756 (Chapter 52, Statutes of 2004) introduced substantive changes to the financial accountability and oversight process for monitoring the fiscal health of school districts and county offices of education. These changes granted the superintendent of public instruction (SPI) and county superintendents of schools greater authority and responsibility to intervene in fiscal crises and request support from FCMAT.

At any time during the fiscal year, if a school district cannot meet its financial obligations for the current or two subsequent fiscal years, or if it receives a qualified<sup>1</sup> or negative<sup>2</sup> interim report certification, the county superintendent must notify the district's governing board and the SPI. The county office must then follow Education Code (EC) 42127, which authorizes the development of "a multiyear financial recovery plan that will enable the school district to meet its future obligations." A multiyear financial projection (MYFP) is the primary tool used to create this plan and restore the school district's required reserve for economic uncertainties.

### Multiyear Financial Projections

Multiyear financial projections provide school districts and their governing boards with a fiscal planning framework to guide budget decisions and strategically allocate current and future resources in alignment with district goals, programs, and Local Control and Accountability Plans (LCAPs).<sup>3</sup> MYFPs are required by both AB 1200 (Chapter 1213, Statutes of 1991) and AB 2756 as part of the budget adoption and interim reporting processes.

Prudent financial planning is essential for all local educational agencies (LEAs), regardless of size or structure. Each school district has unique financial risk factors, including reserve levels, enrollment trends, employee compensation, revenue volatility, and other local conditions. Recognizing financial trends is critical for maintaining fiscal health. Monitoring and analyzing year-over-year trends in key budget areas allows school districts to identify financial risks early and take action to mitigate their effects. The primary goal of an MYFP is to support the development and maintenance of a balanced budget that ensures the district's fiscal solvency and prevents the loss of local governance.

<sup>1</sup>A qualified certification is assigned when a school district may not meet its financial obligations for either the current fiscal year or the two subsequent fiscal years.

<sup>2</sup>A negative certification is issued when a school district cannot meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year.

<sup>3</sup>An LCAP is a three-year plan that outlines a school district's goals, planned actions, and budget allocations to improve student outcomes.

Multiyear financial projections forecast the future fiscal impact of current decisions. However, all financial forecasts have inherent limitations because they rely on economic assumptions and key factors such as enrollment trends, cost-of-living adjustments (COLAs), estimates of one-time and ongoing costs, and shifting economic conditions at the federal, state and local levels. As a result, projections should be viewed as point-in-time trends based on the most recent assumptions rather than precise predictions of future amounts.

To remain effective, MYFPs should be updated regularly — at each financial reporting period, whenever economic forecasts change, and before making significant budget decisions, such as salary adjustments or major financial commitments. Ongoing budget monitoring is especially critical during periods of fiscal uncertainty, when projections may be less reliable due to frequent fluctuations in federal and state revenues.

## Developing Accurate Multiyear Financial Projections

School district management is responsible for preparing, monitoring, and reporting accurate budget and financial data to support the governing board in making informed decisions. As the ultimate stewards of the school district's financial health, governing board members must ensure fiscal stability while maximizing student services within available resources. The governing board holds a fiduciary duty to the school district — and by extension, to students, parents, community, and staff — to safeguard its financial condition and ensure it can meet its obligations.

To fulfill these responsibilities, school districts must engage in proactive financial planning to anticipate future needs and ensure long-term fiscal stability. Effective financial planning requires a structured approach to tracking and projecting funds. Over the past five years, significant investments in one-time and ongoing restricted programs for transitional kindergarten through grade 12 (TK-12) have made it essential to develop MYFPs by resource.<sup>4</sup> This level of detail ensures that projections accurately account for both one-time and restricted funds available for expenditure over multiple years.

Developing MYFPs by resource also helps school districts prioritize spending restricted funds before using unrestricted funds, plan effectively for the best use of funds, and accurately project general fund balances into subsequent years. This is particularly important given that one-time funding, such as federal and state COVID-19 relief funds, can temporarily conceal an ongoing operational deficit, making it difficult to assess long-term financial stability.

Recognizing the need for tools that support accurate financial planning, FCMAT created *Projection-Pro*, a free web-based application for generating multiyear and cash flow projections. This tool supports the development of MYFPs by resource, and LEAs can use the resulting projections for financial forecasting, interim reports, year-end financial reports, and evaluating local financial decisions. By engaging in proactive financial planning, LEAs can achieve their program goals and objectives while maintaining long-term fiscal stability.

<sup>4</sup>According to the *California School Accounting Manual*, the resource code categorizes revenues and related expenditures based on legal or regulatory restrictions and specific reporting requirements applicable to an LEA's financial activities.

## Adjustment Analysis

When developing its MYFP, FCMAT analyzed the district’s revenue and expenditure trends for the prior two years (2022-23 and 2023-24) to gain a historical understanding of its finances. The team used the district’s 2024-25 adopted budget as the basis for projecting the base year and the two subsequent fiscal years. FCMAT applied industry-standard assumptions from the Department of Finance (DOF), the California Department of Education (CDE) and the School Services of California Inc. (SSC) to ensure accuracy and consistency.

The first step in FCMAT’s MYFP development process was to establish base-year revenue and expenditures, with 2024-25 serving as the base year for analysis. Accurately estimating these amounts is crucial because these figures form the foundation for the financial projections in subsequent years. Inaccurate base figures can lead to flawed or unreliable projections, impacting long-term financial planning.

Table 1 below shows the differences between the district’s 2024-25 adopted budget and FCMAT’s analysis. The district used estimated 2023-24 revenues and expenditures to determine its adjusted beginning fund balance, nonspendable amounts, and restricted ending balance. In contrast, FCMAT used the district’s 2023-24 unaudited actuals, finalized in September 2024, to determine these amounts. As a result, the district’s 2024-25 general fund beginning balance was \$10,606,473.89 million lower than its actual 2023-24 general fund beginning balance.

FCMAT increased the district’s reserve for economic uncertainties to a total of 8.5% to align with the district’s historical practice of maintaining an additional 5.5% above the state-required minimum. However, because the district’s board policy does not formally approve this practice, FCMAT classified the additional 5.5% as assigned under Governmental Accounting Standards Board (GASB) Statement No. 54 guidelines. Assigned reserves lack the constraints of committed funds, allowing for greater flexibility in their use. Differences in projected revenues and expenditures are detailed in the “Multiyear Financial Projection Assumptions” section of this report.

**Table 1. Multiyear Financial Projection Comparison Summary, General Fund Unrestricted and Restricted Resources, 2024-25**

| Description                            | Object Code | District 2024-25 Budget (\$) | Adjustment to Base Year (\$) | FCMAT 2024-25 Budget (\$) |
|--|-------------|------------------------------|------------------------------|---------------------------|
| A. Revenues                            |             |                              |                              |                           |
| LCFF Sources                           | 8010-8099   | 69,435,812                   | 513,353                      | 69,949,165                |
| Federal Revenue                        | 8100-8299   | 2,788,842                    | 962,123                      | 3,750,965                 |
| Other State Revenues                   | 8300-8599   | 14,957,681                   | 1,067,461                    | 16,025,142                |
| Other Local Revenues                   | 8600-8799   | 4,675,831                    | 247,151                      | 4,922,982                 |
| Other Financing Sources - Transfers In | 8900-8929   | -                            | -                            | -                         |
| <b>Total, Revenue</b>                  |             | <b>91,858,166</b>            | <b>2,790,088</b>             | <b>94,648,254</b>         |
| B. Expenditures                        |             |                              |                              |                           |
| Certificated Salaries                  | 1000-1999   | 30,474,453                   | -534,350                     | 29,940,103                |
| Classified Salaries                    | 2000-2999   | 17,029,540                   | 406,384                      | 17,435,924                |
| Employee Benefits                      | 3000-3999   | 24,396,054                   | 454,160                      | 24,850,214                |
| Books and Supplies                     | 4000-4999   | 10,063,392                   | -2,487,036                   | 7,576,356                 |

| Description   | Object Code            | District 2024-25 Budget (\$) | Adjustment to Base Year (\$) | FCMAT 2024-25 Budget (\$) |
|---|------------------------|------------------------------|------------------------------|---------------------------|
| Services and Other Operating Expenditures                               | 5000-5999              | 12,937,786                   | 2,531,370                    | 15,469,156                |
| Capital Outlay  | 6000-6999              | 552,202                      | 715,328                      | 1,267,530                 |
| Other Outgo<br>(Excluding Transfers of Indirect Costs)                  | 7100-7299<br>7400-7499 | 2,571,455                    | -685,339                     | 1,886,116                 |
| Other Outgo<br>(Including Transfers of Indirect Costs)                  | 7300-7399              | -350,398                     | -                            | -350,398                  |
| Other Financing Uses - Transfers Out                                    | 7600-7629              | -                            | -                            | -                         |
| <b>Total, Expenditures</b>  |                        | <b>97,674,484</b>            | <b>400,517</b>               | <b>98,075,001</b>         |
| <b>C. Net Increase or Decrease in Fund Balance</b>                      |                        | <b>-5,816,318</b>            | <b>2,389,571</b>             | <b>-3,426,747</b>         |
| D. Fund Balance   |                        |                              |                              |                           |
| Beginning Fund Balance, July 1  | 9791                   | 28,369,141                   | 10,606,474                   | 38,975,615                |
| Audit Adjustments   | 9793                   | -                            | -                            | -                         |
| Adjusted Beginning Balance  |                        | 28,369,141                   | 10,606,474                   | 38,975,615                |
| <b>Ending Fund Balance, June 30</b>                                     |                        | <b>22,552,823</b>            | <b>12,996,045</b>            | <b>35,548,868</b>         |
| Components of Ending Fund Balance                                       |                        |                              |                              |                           |
| Nonspendable  | 9710-9719              | 7,500                        | -                            | 7,500                     |
| Restricted  | 9740                   | 9,940,649                    | 9,426,127                    | 19,366,777                |
| Committed   |                        |                              |                              | -                         |
| Stabilization Arrangements  | 9750                   | -                            | -                            | -                         |
| Other Commitments   | 9760                   | 4,224,197                    | -1,104,387                   | 3,119,810                 |
| Assigned  |                        |                              |                              | -                         |
| Board-Designated<br>Additional 5.5% Reserve                             | 9780                   | 5,450,242                    | -56,117                      | 5,394,125                 |
| Other Assignments   | 9780                   | -                            | -                            | -                         |
| Unassigned/Unappropriated   |                        |                              |                              | -                         |
| Reserve for<br>Economic Uncertainties                                   | 9789                   | 2,930,235                    | 12,015                       | 2,942,250                 |
| Unassigned/Unappropriated   | 9790                   | -                            | 4,718,406                    | 4,718,406                 |
| Special Reserve Fund -<br>Noncapital Outlay (Fund 17)                   | 9789                   | -                            | 119,540                      | 119,540                   |
| Total Available Reserves  |                        | 8,380,477                    | 4,793,844                    | 13,174,321                |
| Total Available Reserves as a Percentage of Total Expenditures and Uses |                        | 8.58%                        | -                            | 13.43%                    |

**Sources:** District’s 2024-25 adopted budget and 2023-24 unaudited actuals (beginning balances), and FCMAT’s MYFP.

**Notes:** Rounding used in all calculations.

The acronym “LCFF” stands for Local Control Funding Formula.

# Enrollment, Unduplicated Pupils, and Average Daily Attendance

## Enrollment and Average Daily Attendance Projections

The Local Control Funding Formula (LCFF) determines how all LEAs are funded, with the majority of an LEA's revenue based on this formula. Accurate enrollment and ADA projections are essential elements of any MYFP because student enrollment, unduplicated pupil count<sup>5</sup> (UPC), and ADA by grade level are all core components of the LCFF calculation.

Enrollment projections are critical for identifying changes that could significantly affect an LEA's estimated revenue in the current and subsequent years. Failure to anticipate ADA-related revenue declines and adjust staffing and expenditures accordingly can jeopardize an LEA's financial stability. Analyzing historical enrollment and attendance trends helps identify potential shifts in future enrollment.

Accurate and timely projections are also essential for determining instructional priorities, staffing ratios, grade-level configurations, and potential boundary changes. Enrollment projections should be detailed enough to monitor and project class sizes in future years. To maintain accurate and meaningful data, LEAs should regularly update and compare enrollment projections to actual enrollment. Ongoing monitoring of enrollment and attendance data helps LEAs anticipate staffing needs and potential layoffs.

Enrollment and ADA projections have inherent limitations because they are based on certain criteria and assumptions rather than exact calculations. Factors that may impact projections include the unpredictable timing of housing trends, unanticipated changes in enrollment (e.g., the COVID-19 pandemic), shifts in local and regional demographics and birth rates, and fluctuating local, state and national economic conditions. Other variables include historical ratios of enrollment progression between grade levels, changes in educational programs, and incoming and outgoing interdistrict transfers. Therefore, enrollment and ADA projections should be considered reasonable forecasts or trends, rather than a prediction of exact numbers.

FCMAT found that the district monitors and analyzes historical enrollment and ADA trends. However, interviews indicated that much of this work is managed by a consultant, who was recently contracted to train staff. This reliance on an external party raises concerns about the district's ability to consistently monitor this data and accurately project future trends.

To develop its MYFP, FCMAT used enrollment, UPC and ADA trends from 2019-20 through 2023-24. Due to anomalies caused by the COVID-19 pandemic, a three-year trend was used instead of the typical five-year trend. FCMAT then used Projection-Pro to prepare projections for 2024-25 and the two subsequent years, which were used to calculate LCFF and other federal and state revenue estimates.

## Enrollment

### Cohort Survival Method

Local educational agencies commonly use the cohort survival method to project enrollment, which is also the model used by FCMAT's Projection-Pro software. This method groups students by grade level upon entry and tracks them through each year they remain in school to evaluate the longitudinal relationship of the number of students advancing from one grade to the next. By doing so, the cohort survival method more closely accounts for student retention and new and departing students by grade.

<sup>5</sup>The acronym "UPC" refers to the number of students who are English learners, foster youth, or eligible for free or reduced-price meals. Each student is counted only once, even if they meet more than one of these criteria.

Cohort survival ratios are calculated using historical enrollment data certified on the Fall 1 census date for the California Longitudinal Pupil Achievement Data System (CALPADS), which is always the first Wednesday in October (also known as California Basic Educational Data System [CBEDS] or Information Day). This data is used to determine the percentage increase or decrease in enrollment between consecutive grade levels. For example, if 100 students were certified as enrolled in first grade in 2022-23 and that number increased to 104 in second grade in 2023-24, the survival would be 104%, or a ratio of 1.04.

Cohort survival ratios are calculated between each pair of grades over several recent years and are key to ensuring reliable projections. The accuracy of these ratios depends on the validity of the initial data. Each ratio collectively encompasses the variables that may contribute to increases or decreases in the size of a grade cohort as it progresses over time.

### Enrollment Projections and Methods

FCMAT uses the cohort survival method to project enrollment and typically recommends using a five-year average for greater accuracy. However, anomalies in enrollment during 2020-21 and 2021-22 due to the COVID-19 pandemic made this approach unreliable. To adjust for these fluctuations, FCMAT applied a three-year historical average instead. Additionally, FCMAT’s projections benefited from access to current-year CBEDS data, which was unavailable to district staff at the time of budget adoption.

Projecting TK and kindergarten enrollment presents unique challenges due to the limited data available on the number of four- and five-year-olds who may enroll in the district the following year. The industry standard for kindergarten projections involves expressing the number of kindergarten enrollments as a percentage of countywide live births from five years earlier. However, using a historical average is often a simpler and equally effective method. Accordingly, FCMAT used a five-year average for TK enrollment projections and a three-year average for kindergarten, as shown in Table 2.

The district’s enrollment projection process is aligned with industry practices and uses a weighted projection method similar to the one used in Projection-Pro. This approach has produced reasonably accurate results, with the district’s 2024-25 enrollment projection differing from FCMAT’s by only 38 students, and even smaller variances in 2025-26 (-3) and 2026-27 (-18).

While the district demonstrates a solid understanding of enrollment trends, it relies on a consultant to develop projections and provide staff training. Although this training is intended to build internal capacity, the district’s ongoing dependence on an external consultant raises concerns about its ability to independently maintain and refine its projection method over time.

**Table 2. Historical Data and FCMAT Enrollment Projections, 2019-20 – 2026-27**

|                            | Actual<br>2019-20 | Actual<br>2020-21 | Actual<br>2021-22 | Actual<br>2022-23 | Actual<br>2023-24 | Actual<br>2024-25 | Projected<br>2025-26 | Projected<br>2026-27 |
|----------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|----------------------|----------------------|
| <b>Enrollment by Grade</b> |                   |                   |                   |                   |                   |                   |                      |                      |
| Grade TK                   | 37                | 32                | 32                | 45                | 60                | 108               | 55                   | 55                   |
| Grade K                    | 330               | 342               | 309               | 296               | 289               | 309               | 313                  | 307                  |
| Grade 1                    | 298               | 335               | 343               | 321               | 302               | 306               | 323                  | 327                  |
| Grade 2                    | 357               | 301               | 338               | 338               | 309               | 314               | 310                  | 328                  |
| Grade 3                    | 363               | 361               | 305               | 343               | 336               | 316               | 318                  | 314                  |
| <b>Subtotal TK-3</b>       | <b>1,385</b>      | <b>1,371</b>      | <b>1,327</b>      | <b>1,343</b>      | <b>1,296</b>      | <b>1,353</b>      | <b>1,319</b>         | <b>1,331</b>         |

|  | Actual<br>2019-20 | Actual<br>2020-21 | Actual<br>2021-22 | Actual<br>2022-23 | Actual<br>2023-24 | Actual<br>2024-25 | Projected<br>2025-26 | Projected<br>2026-27 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|----------------------|----------------------|
| <b>Enrollment by Grade</b>                                   |                   |                   |                   |                   |                   |                   |                      |                      |
| Grade 4  | 379               | 363               | 365               | 316               | 342               | 351               | 325                  | 327                  |
| Grade 5  | 352               | 387               | 357               | 359               | 322               | 352               | 360                  | 333                  |
| Grade 6  | 374               | 361               | 387               | 366               | 368               | 334               | 364                  | 372                  |
| <b>Subtotal 4-6</b>  | <b>1,105</b>      | <b>1,111</b>      | <b>1,109</b>      | <b>1,041</b>      | <b>1,032</b>      | <b>1,037</b>      | <b>1,049</b>         | <b>1,032</b>         |
| Grade 7  | 400               | 389               | 362               | 396               | 369               | 373               | 338                  | 368                  |
| Grade 8  | 406               | 403               | 382               | 363               | 401               | 381               | 383                  | 347                  |
| <b>Subtotal 7-8</b>  | <b>806</b>        | <b>792</b>        | <b>744</b>        | <b>759</b>        | <b>770</b>        | <b>754</b>        | <b>721</b>           | <b>715</b>           |
| Grade 9  | 434               | 423               | 417               | 393               | 377               | 409               | 391                  | 393                  |
| Grade 10   | 408               | 433               | 421               | 415               | 388               | 377               | 407                  | 389                  |
| Grade 11   | 349               | 416               | 424               | 399               | 423               | 389               | 380                  | 410                  |
| Grade 12   | 384               | 365               | 407               | 398               | 414               | 413               | 388                  | 379                  |
| <b>Subtotal 9-12</b>   | <b>1,575</b>      | <b>1,637</b>      | <b>1,669</b>      | <b>1,605</b>      | <b>1,602</b>      | <b>1,588</b>      | <b>1,566</b>         | <b>1,571</b>         |
| <b>Enrollment Totals and Change</b>                          |                   |                   |                   |                   |                   |                   |                      |                      |
| Total Enrollment   | 4,871             | 4,911             | 4,849             | 4,748             | 4,700             | 4,732             | 4,655                | 4,649                |
| Enrollment Increase<br>or Decrease from<br>Prior School Year | -                 | 40                | -62               | -101              | -48               | 32                | -77                  | -6                   |

Sources: DataQuest and FCMAT’s MYFP.

Notes: Rounding used in all calculations.

In 2020-21, all school districts used their 2019-20 ADA figures and did not report actual ADA.

## Unduplicated Pupil Percentage

The district’s unduplicated pupil percentage (UPP) is used to determine a portion of its LCFF funding, specifically for supplemental and concentration grants. The UPP is the percentage of students who are English learners, foster youth, or eligible for free or reduced priced meals (collectively referred to as unduplicated students). Each student is counted only once, even if they meet more than one of these criteria. The UPP for LCFF funding is calculated using a three-year rolling average of the ratio of unduplicated students to total enrollment.

The district’s UPP has fluctuated over the past five years, peaking at 92.38% during the first year of the COVID-19 pandemic, when hold-harmless provisions and adjustments to data-reporting requirements temporarily boosted the percentage, before ultimately declining to 86.45% in 2023-24.

FCMAT used Projection-Pro to calculate a weighted trend ratio using a three-year historical ratio of the district’s UPC to total enrollment and applied this ratio to project the UPP for the subsequent years, as shown in Table 3 on the following page.

As shown in [Table 5](#), FCMAT's projections indicate a slight increase over the district's estimate for 2024-25 but are significantly lower in subsequent fiscal years, with variances of -71 in 2025-26 and -102 in 2026-27. This difference arises because the district used an average UPP of 86.46%, while FCMAT's projections account for a declining trend based on the district's historical data.

**Table 3. Historical Data and FCMAT Projections of Enrollment and Unduplicated Pupil Count, 2019-20 – 2026-27**

|  | Actual<br>2019-20 | Actual<br>2020-21 | Actual<br>2021-22 | Actual<br>2022-23 | Actual<br>2023-24 | Actual<br>2024-25 | Projected<br>2025-26 | Projected<br>2026-27 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|----------------------|----------------------|
| UPC  | 4,500             | 4,539             | 4,260             | 4,191             | 4,063             | 4,064             | 3,953                | 3,904                |
| Total Enrollment                           | 4,871             | 4,911             | 4,849             | 4,748             | 4,700             | 4,732             | 4,655                | 4,649                |
| UPC-to-Total-<br>Enrollment Ratio<br>(UPP) | 92.38%            | 92.43%            | 87.85%            | 88.27%            | 86.45%            | 85.88%            | 84.92%               | 83.97%               |

**Sources:** DataQuest and FCMAT's MYFP.

**Notes:** Rounding used in all calculations.

In 2020-21, all school districts used their 2019-20 ADA figures and did not report actual ADA.

### Maximizing Funding Through Accurate Student Eligibility Reporting

The decline in UPP underscores the district's challenges in accurately identifying and reporting students eligible for free or reduced-price meals, particularly as reporting requirements have reverted to pre-pandemic norms. Strengthening data collection and verification processes will be essential for maintaining accurate UPP levels and securing critical funding.

Precise identification and reporting of students eligible for free or reduced-price meals, English learners, or foster youth are crucial for maximizing a district's LCFF supplemental and concentration grant funding. Because UPP directly impacts LCFF funding, a thorough review and correction of CALPADS data by the appropriate departments and schools before submission to the state is essential.

In 2022-23, the state implemented the Universal Meals Program, requiring school districts to provide two meals a day to any student who requests one, regardless of their income. Consequently, families no longer have an incentive to complete the free and reduced-price meal application, which school districts use to qualify for federal meal reimbursements.

To mitigate the impact of reduced meal application submissions on school funding, best practice is to encourage families to complete an alternate income form, which is simpler than the meal application. The CDE has developed several [sample forms](#) to collect income eligibility information. The district can take proactive steps to increase form submissions by:

- Providing the forms online for easier access.
- Helping parents and guardians with completing the forms.
- Offering incentives, such as raffle prizes or school equipment, to encourage participation.

The district should also communicate to parents and guardians that submitting this information directly impacts school funding, potentially increasing revenue that supports improved or increased services for high-needs students.

Additionally, the district may consider leveraging the direct certification process, which identifies eligible students through a local data match with the county's social services or welfare department. This method improves accuracy and efficiency, particularly when direct certification matches are conducted at least monthly to capture newly eligible students.

The district must retain supporting documentation for all eligibility determinations and establish audit practices to verify a sample of submitted documents. These efforts will help ensure the district maximizes available funding while maintaining compliance with state and federal requirements.

## Average Daily Attendance

Average daily attendance is calculated by dividing the total number of student attendance days in a school year by the total number of instructional days. Traditionally, LCFF apportionments have been based on the greater of current year or prior year second reporting period (P-2) ADA. However, the 2022-23 state budget introduced a provision allowing school districts to use the greater of current year, prior year, or the average of the three most recent prior years' ADA. P-2 ADA is calculated using student attendance from the first day of school through the last school month ending on or before April 15.

During the COVID-19 pandemic, the state adjusted how ADA was reported and funded to accommodate disruptions in student attendance:

- For the 2019-20 school year, the second and annual attendance reporting periods were adjusted to include full school months from July 1, 2019 through the last month ending on or before February 29, 2020, inclusive.
- For 2020-21 funding, the state allowed school districts to use 2019-20 ADA as a proxy for 2020-21 ADA, preventing funding reductions due to pandemic-related attendance declines.
- For the 2021-22 fiscal year, LCFF funding was based on the greater of 2021-22 ADA or the 2019-20 attendance-to-enrollment ratio applied to 2021-22 enrollment, provided that classroom-based school districts met independent study requirements.

The district monitors enrollment and ADA on a monthly basis and by reporting period (i.e., first, second and annual) for each school. In its 2024-25 adopted budget, the district projected a 94% attendance ratio for ADA projections.

FCMAT reviewed the district's enrollment and ADA trends from 2019-20 through 2023-24, comparing October CALPADS enrollment counts to P-2 ADA to determine average ADA-to-enrollment ratios for grades TK-12. The district's historical attendance rates have ranged from 91% to 97%.

To account for the use of 2021-22 ADA in 2023-24, FCMAT used a three-year historical average to project ADA, as shown in Table 4 on the following page. Based on these historical ratios, Projection-Pro calculated a weighted average attendance-to-enrollment ratio of 93.34% and used it to project ADA for the 2024-25 and the two subsequent years. FCMAT's projected ratio is slightly below the district's 94% estimate.

**Table 4. Historical Data and FCMAT Projections of Enrollment and ADA by Grade Group, 2019-20 – 2026-27**

|                         | Actual<br>2019-20 | Actual<br>2020-21 | Actual<br>2021-22 | Actual<br>2022-23 | Actual<br>2023-24 | Actual<br>2024-25 | Projected<br>2025-26 | Projected<br>2026-27 |
|-------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|----------------------|----------------------|
| <b>Grades TK-3</b>      |                   |                   |                   |                   |                   |                   |                      |                      |
| ADA                     | 1,314.02          | 1,314.02          | 1,248.16          | 1,214.05          | 1,209.54          | 1,251.17          | 1,219.73             | 1,230.82             |
| Enrollment              | 1,385             | 1,371             | 1,327             | 1,343             | 1,296             | 1,353             | 1,319                | 1,331                |
| ADA-to-Enrollment Ratio | 94.88%            | 95.84%            | 84.06%            | 90.40%            | 93.33%            | 92.47%            | 92.47%               | 92.47%               |
| <b>Grades 4-6</b>       |                   |                   |                   |                   |                   |                   |                      |                      |
| ADA                     | 1,062.86          | 771.03            | 712.62            | 698.11            | 729.04            | 708.48            | 677.47               | 671.84               |
| Enrollment              | 1,105             | 1,111             | 1,109             | 1,041             | 1,032             | 1,037             | 1,049                | 1,032                |
| ADA-to-Enrollment Ratio | 96.19%            | 95.67%            | 96.26%            | 91.74%            | 93.83%            | 92.54%            | 93.54%               | 93.54%               |
| <b>Grades 7-8</b>       |                   |                   |                   |                   |                   |                   |                      |                      |
| ADA                     | 771.03            | 771.03            | 712.62            | 698.11            | 729.04            | 708.48            | 677.47               | 671.84               |
| Enrollment              | 806               | 792               | 744               | 759               | 770               | 754               | 721                  | 715                  |
| ADA-to-Enrollment Ratio | 95.66%            | 97.35%            | 95.78%            | 91.98%            | 94.68%            | 93.96%            | 93.96%               | 93.96%               |
| <b>Grades 9-12</b>      |                   |                   |                   |                   |                   |                   |                      |                      |
| ADA                     | 1,492.58          | 1,492.58          | 1,591.19          | 1,507.43          | 1,488.74          | 1,487.35          | 1,466.74             | 1,471.43             |
| Enrollment              | 1,575             | 1,637             | 1,669             | 1,605             | 1,602             | 1,588             | 1,566                | 1,571                |
| ADA-to-Enrollment Ratio | 94.77%            | 91.18%            | 95.34%            | 93.92%            | 92.93%            | 93.66%            | 93.66%               | 93.66%               |
| <b>Grades TK-12</b>     |                   |                   |                   |                   |                   |                   |                      |                      |
| ADA                     | 4,640.49          | 4,640.49          | 4,619.54          | 4,374.56          | 4,395.63          | 4,416.98          | 4,345.14             | 4,339.39             |
| Enrollment              | 4,871             | 4,911             | 4,849             | 4,748             | 4,700             | 4,732             | 4,655                | 4,649                |
| ADA-to-Enrollment Ratio | 95.27%            | 94.49%            | 95.27%            | 92.13%            | 93.52%            | 93.34%            | 93.34%               | 93.34%               |

**Sources:** DataQuest and FCMAT’s MYFP.

**Notes:** Rounding used in all calculations.

In 2020-21, all school districts used their 2019-20 ADA figures and did not report actual ADA.

## Comparison of Enrollment, UPP, and ADA Projections

Table 5 below compares the district's 2024-25 adopted budget projections for enrollment, UPC, and ADA with FCMAT's projections.

**Table 5. Comparison of District and FCMAT MYFP Projections, 2024-25 – 2026-27**

| Description       | 2024-25  | 2025-26  | 2026-27  |
|-------------------|----------|----------|----------|
| <b>Enrollment</b> |          |          |          |
| FCMAT             | 4,732    | 4,655    | 4,649    |
| District          | 4,694    | 4,652    | 4,631    |
| Difference        | 38       | 3        | 18       |
| <b>UPC</b>        |          |          |          |
| FCMAT             | 4,064    | 3,953    | 3,904    |
| District          | 4,061    | 4,024    | 4,006    |
| Difference        | 3        | -71      | -102     |
| <b>ADA</b>        |          |          |          |
| FCMAT             | 4,416.98 | 4,345.14 | 4,339.39 |
| District          | 4,412.36 | 4,372.88 | 4,353.14 |
| Difference        | 4.62     | -27.74   | -13.75   |

**Sources:** District's 2024-25 adopted budget report and FCMAT's MYFP.

FCMAT's enrollment projection for 2024-25 was 38 students higher than the district's because CBEDS enrollment numbers were unavailable at the time of budget adoption. Differences in the projections were relatively minor in the two subsequent fiscal years, with variances of 3 students in 2025-26 and 18 students in 2026-27.

For ADA, FCMAT's projection was 4.62 higher than the district's in 2024-25 but lower in subsequent years, with differences of -27.74 in 2025-26 and -13.75 in 2026-27. For UPC, FCMAT's projection was 3 students higher than the district's in 2024-25 but significantly lower in subsequent years, with differences of -71 in 2025-26 and -102 in 2026-27.

The largest discrepancy between FCMAT's and the district's projections was in the UPC-to-total enrollment ratio. The district assumed a UPC ratio of 86.45% for the current and two subsequent years, while FCMAT's historical analysis identified a steady decline from 92.38% in 2019-20 to 86.45% in 2023-24. To reflect this trend, FCMAT used a historical trend rather than a three-year average because it more accurately captures the district's ongoing challenges in identifying and reporting unduplicated students.

## Recommendations

*The district should:*

1. Continue to monitor and project enrollment, UPC and ADA based on trends and adjust them for local factors at each financial reporting period to ensure its budget assumptions reflect the most recent data.

2. Continue to regularly analyze enrollment and ADA projections, compare them to actual enrollment, and adjust the budget and staffing as needed.
3. Implement strategies to improve the identification of students who are eligible for free or reduced-priced meals, English learners, and foster youth.
4. Review and verify CALPADS data with student services, schools and relevant departments to ensure accuracy.
5. Use simple messaging, multilingual materials, and small incentives to clearly communicate to families the importance of submitting alternative income forms.
6. Reduce reliance on consultants and prioritize building the capacity of district staff.

## Multiyear Financial Projection Assumptions

### District Assumptions

As discussed earlier in this report, it is best practice for school districts to create their MYFPs by updating revenues and expenditures in each funding resource within both the unrestricted and restricted general fund. However, the district did not develop its 2024-25 adopted budget MYFP by resource. Instead, it was developed using the following major assumptions:

- **Unrestricted general fund revenues:** LCFF revenues were updated using the FCMAT LCFF calculator, with COLA factors of 2.93% for 2025-26 and 3.08% for 2026-27 applied to 2024-25 base year revenues for other state and local revenues.
- **Restricted general fund revenues:** One-time funding sources were removed from 2024-25 revenues. After this adjustment, federal, state, and local restricted revenues for the subsequent years remained unchanged from the base year.
- **Salaries:** A 2% step-and-column adjustment was applied to certificated and classified salaries in the base year for the subsequent fiscal years.
- **Certificated statutory benefits:** A total statutory benefit rate of 22.7% was applied to certificated salaries, plus a 5.0% increase for health and welfare costs for the subsequent fiscal years.
- **Classified statutory benefits:** Benefit rates were set at 36.85% for 2024-25, 37.40% for 2025-26, and 37.80% for 2026-27, plus a 5.00% increase for health and welfare costs for the subsequent fiscal years.
- **Nonsalary expenditures:** COLA factors of 2.93% for 2025-26 and 3.08% were applied to 2024-25 base year expenditures, excluding salaries and benefits.

The district needs to apply the California Consumer Price Index (CPI) inflation factors when budgeting books and supplies and services and other operating expenses in its MYFPs. Doing so will allow the district to more accurately account for cost fluctuations more accurately.

## FCMAT Assumptions

FCMAT's MYFP used the district's 2024-25 adopted budget as the baseline for its projections and included the impact of the state's 2024-25 enacted budget. The study team reviewed district records, interviewed staff members, and examined various financial documents to gather the necessary information for the MYFP. Assumptions were based on conservative economic factors and estimates, described by major revenue and expenditures categories in line with the object code.

In developing its MYFP, FCMAT used Projection-Pro to update each separate funding resource for the base year and subsequent fiscal years. The key planning factors and budget assumptions used in FCMAT's MYFP were based on the latest information available at the time, as shown Table 6 below and further described in the following paragraphs.

**Table 6. FCMAT MYFP Budget Assumptions 2024-25 – 2026-27**

| Description   | 2024-25  | 2025-26  | 2026-27  |
|---|----------|----------|----------|
| DOF Statutory COLA                                      | 1.07%    | 2.93%    | 3.08%    |
| LCFF COLA   | 1.07%    | 2.93%    | 3.08%    |
| State Categorical COLA                                  | 1.07%    | 2.93%    | 3.08%    |
| California CPI  | 3.23%    | 2.86%    | 2.81%    |
| California Lottery, Unrestricted per ADA                | \$191.00 | \$191.00 | \$191.00 |
| California Lottery, Restricted per ADA (Proposition 20) | \$82.00  | \$82.00  | \$82.00  |
| Mandate Block Grant, District (K-8), per ADA            | \$38.21  | \$39.33  | \$40.54  |
| Mandate Block Grant, District (9-12), per ADA           | \$73.62  | \$75.78  | \$78.11  |
| Interest Rate Trend for 10-Year Treasuries              | 3.89%    | 3.58%    | 3.60%    |
| CalSTRS Employer Rate                                   | 19.10%   | 19.10%   | 19.10%   |
| CalPERS Employer Rate                                   | 27.05%   | 27.60%   | 28.00%   |
| Certificated Staff Step and Column                      | 2.00%    | 2.00%    | 2.00%    |
| Classified Staff Step                                   | 1.50%    | 1.50%    | 1.50%    |
| Health and Welfare                                      | 4.00%    | 4.00%    | 4.00%    |
| State Unemployment Insurance Rate                       | 0.05%    | 0.05%    | 0.05%    |
| Workers' Compensation Insurance Rate                    | 2.05%    | 2.10%    | 2.15%    |
| District Indirect Cost Rate                             | 7.26%    | 7.77%    | 7.77%    |

**Sources:** FCMAT, DOF, CDE, SSC and district-provided data.

**Notes:** The acronym "CalSTRS" stands for California State Teachers' Retirement System.

The acronym "CalPERS" stands for California Public Employees' Retirement System.

## Recommendations

*The district should:*

1. Continue to update budgets and MYFPs regularly and at each financial reporting period.
2. Use the most current information available and assumptions aligned with industry standards when developing budgets and MYFPs.
3. Prepare general fund MYFPs at the resource code level; consider using FCMAT's Projection-Pro software.
4. Apply the most current CPI inflation factors to budgeted books and supplies and services and other operating expenses rather than the statutory COLA.

## Revenues

FCMAT validated the district's revenue using data from the CDE, the DOF, the SSC Dartboard, and grant letters. The team analyzed district estimates for sources that could not be independently verified and adjusted the MYFP to account for one-time funds and carryover<sup>6</sup> from previous years.

## Local Control Funding Formula Sources

The LCFF is the primary funding source for school districts. It was implemented in the 2013-14 fiscal year to replace the former revenue limit calculation and distribution method. The LCFF funding model also eliminated most of the state's categorical programs and redirected dollars into the LCFF. The LCFF provides the following:

- A base grant per student that varies by grade level.
- A supplemental grant that provides an additional 20% of the base grant, multiplied by the school district's percentage of unduplicated students (as measured by the UPC).
- A concentration grant that provides an additional 65% of the base grant, multiplied by the school district's percentage of unduplicated students exceeding 55% of total enrollment. (The district does not receive concentration grant funding because its UPP is below 55%).

The 2021-22 enacted state budget increased the concentration grant from 50% to 65%. For school districts that qualify for concentration grant funds, the additional 15% must be used to increase the number of credentialed and/or classified staff who provide direct services to students.

The LCFF requires school districts to increase or improve services for unduplicated students in proportion to the supplemental and concentration funds they receive relative to base funds. This requirement is known as the minimum proportionality percentage (MPP). Starting in 2021-22, if the increases and improvements in services do not meet the MPP requirement, any unused portion of the supplemental and concentration grant funds must be identified in the subsequent year's LCAP and used to provide increased or improved services to unduplicated students.

For most school districts, LCFF entitlement is funded through a combination of local property taxes and state aid. Property tax revenue is applied first toward the total LCFF entitlement, with the state covering any remaining balance. If a school district's local property tax revenue meets or exceeds its LCFF entitlement, it is classified as a basic aid or community-funded district.

<sup>6</sup>The term "carryover" refers to unspent funds from one year that are not spent and are thus retained to be spent in the next year. Typically, these are grant funds that are allowed to be carried over.

Proposition 30, passed in 2012, temporarily added a quarter-cent sales tax and increased state income tax rates on high-income taxpayers. The sales tax increase expired in 2016, while the income tax increase was initially set to expire in 2018 but was extended through 2030 by Proposition 55. These revenues are deposited into the state's Education Protection Account (EPA) and are a component of state aid for the LCFF entitlement. EPA revenues are received by all LEAs, including basic aid school districts, which receive a minimum of \$200 per ADA in EPA revenues.

## LCFF Projections

School districts are encouraged to use the [FCMAT LCFF Calculator for School Districts and Charter Schools](#) to estimate LCFF funding. FCMAT prepared an independent LCFF calculation for the district using this tool. Although the district also used the FCMAT LCFF calculator, some assumptions — such as COLA and enrollment — were updated by FCMAT based on more current information. Additionally, certain district assumptions, such as current-year ADA, were not available at the time the district developed its 2024-25 adopted budget MYFP.

As a result, FCMAT's projections for enrollment, ADA, UPP, and COLA led to LCFF revenue projections that differed slightly different from those used by the district in its 2024-25 adopted budget. FCMAT's projections for unrestricted LCFF revenues are approximately \$513,353 higher than the district's projection in 2024-25, \$184,936 higher in 2025-26, and \$344,678 lower in 2026-27.

## Recommendation

*The district should:*

1. Continue using the most recent version of the LCFF calculator, along with updated enrollment, UPC, and ADA estimates, when preparing and revising LCFF revenue projections.

## Federal Revenues

FCMAT reviewed, verified, and adjusted federal funding amounts for the base year 2024-25 where possible and appropriate. These adjustments resulted in a total estimated federal revenue of \$3,750,965, an increase of \$962,123 when compared to the district's projections.

Major budget adjustments include:

- Increased funding based on the CDE's most recent allocations and available 2023-24 unearned revenue:<sup>7</sup>
  - Title I: +\$214,232.
  - Title II: +\$52,994.
  - Title III +\$25,219.
  - Title IV: +\$3,118.
- Increased Elementary and Secondary School Emergency Relief (ESSER) III program revenues by \$643,430 to account for unearned revenue covering activities through September 30, 2024:
  - ESSER III Fund: +\$494,540.
  - ESSER III Learning Loss: +\$126,199.

<sup>7</sup>The term "unearned revenue" refers to funds that cannot be recognized as revenue until spent.

- Expanded Learning Opportunities Grant ESSER III State Reserve Emergency Needs: +\$20,391.
- After School Education and Safety (ASES) Rate Increase - ESSER III State Reserve Summer Learning Program: +\$2,300.
- Increased American Rescue Plan Act - Homeless Children and Youth II funding by \$4,816.
- Increased special education IDEA funding by \$18,344 (2%) based on the latest Monterey County Special Education Local Plan Area (SELPA) Local Plan estimates for the district.

Caution should be exercised when budgeting federal revenues due to the uncertainty surrounding the federal budget. This is particularly important because the district has allocated most of the federal funding to salaries and benefits in half of its federal programs. In the district's 2024-25 adopted budget MYFP, federal revenue projections for 2025-26 and 2026-27 remained unchanged from the 2024-25 base year.

After reviewing historical Every Student Succeeds Act (ESSA) funding revenues, the team maintained federal revenue projections in its MYFP for 2025-26 and 26-27 at the same levels as FCMAT's 2024-25 revised budget for the district. Similarly, after updating special education funding for 2024-25, FCMAT assumed no changes to special education revenues for 2025-26 and 2026-27. FCMAT also removed carryover and unearned revenues from the district's 2024-25 adopted budget in subsequent years of the projection.

The best practice is to regularly update the district's revenue estimates as entitlement allocations and grant amounts are finalized, ensuring that budgeted revenues align with the most recent funding allocation schedules. Carryover or unearned revenues from prior years should not be included in the current year budget until the prior year unaudited actuals are completed and should be eliminated from the MYFP's subsequent years. Including estimates of carryover or unearned revenues before those amounts are known may result in overbudgeting and overspending.

The district's 2024-25 adopted budget did not include any prior-year carryover or unearned revenues. While the district's consultant maintains a categorical workbook to track carryover or unearned revenues, it is unclear how and when this information is shared with the appropriate departments. To ensure consistency and proper understanding, the district should develop a training plan to guide staff on accessing, interpreting, and using this information effectively.

Carryover funds should be tracked separately from the district's financial system and once identified should be communicated promptly to the departments administering the programs to ensure necessary program adjustments can be made. Effective communication is essential to encourage the use of these revenues in accordance with the district's expenditure plans and within the required timelines of the federal programs.

## Recommendations

*The district should:*

1. Continue to regularly update revenue budgets throughout the year as entitlements and grant amounts become known, ensuring alignment with award letters and allocations from CDE, SELPA, and other grantor agencies.
2. Continue to track and monitor one-time revenues and expenditures to ensure they are appropriately removed from budgets and projections.
3. Continue to recognize carryover and unearned revenues in the current-year budget after completing prior-year unaudited actuals and ensure unearned revenue is excluded from subsequent years of the MYFP.

4. Communicate carryover and unearned revenue amounts with department administrators to support effective financial planning and ensure funds are spent appropriately.
5. Develop a training plan to guide staff on accessing, interpreting, and using the categorical workbook effectively to ensure consistency and proper understanding.
6. Estimate federal revenues conservatively, considering historical funding levels and enrollment trends.

## Other State Revenues

“Other state revenues” in a school district budget refers to state funding received outside the LCFF base allocation, such as lottery revenues and grants. These funds often support specific programs and initiatives, including career and technical education and arts and music. Unlike general LCFF funding, which provides unrestricted per-student allocations, other state revenues are typically restricted or categorical, meaning they must be used for designated purposes. Understanding and effectively managing these funds is essential for maximizing resources and ensuring compliance with state funding requirements.

Revenues fluctuate throughout the year, requiring school districts to continuously monitor allocations and adjust budgets accordingly. Failure to do so can result in overspending, underuse of grant funds, or expenditures exceeding available revenues. However, the district has not consistently updated its revenue budgets to reflect actual allocations, necessitating adjustments to align budgeted amounts with award notifications, account for new grant funding, and incorporate carryover and unearned revenues from the prior year.

In developing its MYFP, FCMAT verified the district’s 2024-25 other state grant award amounts using CDE schedules and grant award letters. These amounts were incorporated into the 2024-25 base year and carried forward to 2025-26 and 2026-27, with COLA applied to select revenues.

FCMAT increased other state revenues in 2024-25, resulting in a net increase of \$1,067,461 to align budgeted amounts with award notifications, incorporate carryover and unearned revenues from the prior year, and account for new grant revenues. This adjustment included \$12,786 in carryover funds for the ASSES grant and \$114,287 in unearned revenues for the Universal Prekindergarten Planning and Implementation grant.

FCMAT reduced other state revenues to account for unspent balances from one-time revenues that expired on September 30, 2024. This included \$263,505 in reductions for the Expanded Learning Opportunities Program (ELOP) Grant and \$5,971 for the Low-Performing Students Block Grant. The team also decreased revenues for the Classified School Employee Summer Assistance Program (CSESAP) by approximately 9% (\$47,859) because the district included reimbursement for employee benefit costs, which are not covered by the program. CSESAP only matches classified employee salaries.

## Unspent Grant Funds

It is best practice to spend restricted funds before using unrestricted funds. Restricted grant funds that are not spent in a timely manner may need to be returned to the granting agency. The district’s 2023-24 unaudited actuals shows unspent grant funds across several resources, with ending balances that remain unchanged or have increased. Table 7 on the following page details these programs and their balances as of June 30, 2024. The district should develop spending plans for these resources if they are not already in place.

**Table 7. Unspent Grant Fund Ending Balances, June 2024**

| Resource                                  | Description   | Balance (\$)           |
|---|---|------------------------|
| 2600                                      | ELOP  | 5,338,500.00           |
| 6211                                      | Literacy Coaches and Reading Specialists Grant Program                                | 606,830.00             |
| 6266                                      | Educator Effectiveness, FY 2021-22  | 3,063.36               |
| 6300                                      | Lottery - Instructional Materials   | 537,092.01             |
| 6331                                      | CA Community Schools Partnership Act - Planning Grant                                 | 1,073.33               |
| 6332                                      | CA Community Schools Partnership Act - Implementation Grant                           | 2,627,924.77           |
| 6500                                      | Special Education   | 123,460.16             |
| 6547                                      | Special Education Early Intervention Preschool Grant                                  | 384,346.47             |
| 6762                                      | Arts, Music, and Instructional Materials Discretionary Block Grant                    | 869,907.87             |
| 6770                                      | Arts and Music in Schools - Funding Guarantee and Accountability Act (Proposition 28) | 832,453.00             |
| 7028                                      | Child Nutrition - Kitchen Infrastructure Upgrade Funds                                | 96,925.04              |
| 7032                                      | Child Nutrition - Kitchen Infrastructure and Training Funds                           | 742,440.42             |
| 7311                                      | Classified School Employee Professional Development Block Grant                       | 1,094.45               |
| 7339                                      | Dual Enrollment Opportunities   | 77,667.27              |
| 7399                                      | LCFF Equity Multiplier  | 251,049.00             |
| 7412                                      | A-G Access/Success Grant  | 283,586.18             |
| 7413                                      | A-G Learning Loss Mitigation Grant  | 48,971.23              |
| 7415                                      | Classified School Employee Summer Assistance Program                                  | 637,787.89             |
| 7425                                      | ELOP Grant  | 263,988.49             |
| 7435                                      | Learning Recovery Emergency Block Grant   | 6,001,293.91           |
| 7510                                      | Low-Performing Students Block Grant   | 5,971.45               |
| 7810                                      | Other Restricted State  | 1,544,542.02           |
| 8150                                      | Ongoing and Major Maintenance Account (RRMA - EC 17070.75)                            | 296,362.71             |
| 9010                                      | Other Restricted Local  | 2,015,429.23           |
| <b>Unspent Grant Fund Ending Balances</b> |   | <b>\$23,591,760.26</b> |

**Source:** District's 2023-24 unaudited actuals.

**Notes:** The acronym "FY" stands for fiscal year.

The acronym "RRMA" stands for routine restricted maintenance account.

## Mandate Funding

The Mandate Block Grant provides school districts with funding to support state-mandated programs and activities outlined in Government Code (GC) 17581.6(f). School districts can either accept this funding or submit a reimbursement claim to the State Controller's Office. To receive funding, school districts must file an application each year with CDE. Mandate Block Grant funds are allocated on a per-ADA basis, based on prior-year P-2 ADA by grade level, and adjusted annually by COLA.

FCMAT's MYFP projections for ongoing Mandate Block Grant funding are based on the team's ADA projections for 2024-25 and subsequent years, with funding calculated using a per-ADA amount from the SSC Dartboard<sup>8</sup> and COLA adjustments in subsequent years. FCMAT reduced mandated cost reimbursement by \$3,816 to align with the 2024-25 grant award amount.

## Lottery Funding

The state allocates lottery funds quarterly, using prior-year annual ADA, adjusted by a statewide absence factor of 1.04446. These allocations are further adjusted in the subsequent year based on the school district's final annual ADA.

FCMAT projected lottery revenues for 2024-25 and the subsequent years of its projection by multiplying projected annual ADA by \$191 for unrestricted funds and \$82 for restricted lottery instructional materials, per the SSC Dartboard. This resulted in increases of \$58,563 in unrestricted lottery revenues and \$43,527 in restricted lottery revenues.

## Transportation

The Home-to-School (HTS) Transportation Reimbursement program was established by AB 181 (Chapter 52, Statutes of 2022) and later amended by AB 185 (Chapter 571, Statutes of 2022). This program provides reimbursement funding to school districts and county offices based on two key factors: (1) prior-year eligible transportation expenditures; and (2) prior-year LCFF transportation-related add-on funding. HTS funding helps school districts offset transportation costs and ensures equitable access to school transportation services for students.

In its MYFP for 2024-25, FCMAT increased the HTS reimbursement by \$157,755, based on prior-year expenditures. For the subsequent years of the projection, FCMAT applied anticipated increases in transportation-related costs, including salary and expenditure adjustments, as outlined earlier in this report.

## Expanded Learning Opportunities Program

Launched in 2021-22, ELOP provides funding for before-school, after-school, summer school, and intersession enrichment programs for students in grades TK-6. Unspent funds must be returned to the state after the final expenditure reports for the school year have been submitted.

The district's 2024-25 adopted budget includes \$5,338,500 in ELOP revenue. In its MYFP for 2024-25, FCMAT increased this amount by 12%, bringing the total to \$5,989,088, based on prior-year P-2 ADA of 2,177.85 multiplied by \$2,750 (Rate 1). This rate applies to school districts with a prior-year UPP of 75% or higher and guarantees this funding level for at least three years, even if UPP falls below the threshold.

<sup>8</sup>The SSC Dartboard provides planning factors for the current fiscal year and the next three years. It includes key financial indicators such as the COLA, CPI inflation factors, unrestricted and restricted lottery funding, Mandate Block Grant allocations for school districts and charter schools, the 10-year treasury interest rate, employer contribution rates for CalSTRS and CalPERS, unemployment insurance rates, minimum wage levels, and state-mandated reserve requirements for school districts in the current year.

However, FCMAT also reduced 2024-25 ELOP revenue by \$3,490,110 to account for unspent prior-year funds from the 2021-22 and 2022-23 school years, which CDE will recapture in January or March 2025. In the subsequent years of the projection, FCMAT assumed Rate 1 (\$2,750) and projected ELOP revenue by multiplying this rate by 2,221.15 ADA for 2025-26 and 2,200.93 ADA for 2026-27. This resulted in a 2% increase for 2025-26, bringing the total to \$6,108,163, followed by a 1% decrease for 2026-27, totaling \$6,052,558.

## **LCFF Equity Multiplier**

Education Code 42238.024 provides additional funding beyond LCFF allocations to school districts for specific schools with a prior-year nonstability rate exceeding 25% and a socioeconomically disadvantaged student rate above 70%. LCFF Equity Multiplier funds should be used to provide evidence-based services and supports for students at these schools.

Beginning with the 2024-25 LCAP, school districts must document their efforts to improve outcomes for students at schools receiving LCFF Equity Multiplier funds. The district has included two equity multiplier focus goals in its 2024-25 LCAP for Pinnacles High School and Soledad Virtual Academy and Transition Center (Goals 6 and 7).

LCFF Equity Multiplier allocations were unavailable at the time of this report. Eligibility is determined annually using prior-year data from the [CDE stability rate report](#), which is typically released in December but had not yet been published. For 2024-25, this data is expected in December 2024, with funding allocations included in CDE's 2024-25 first principal apportionment certifications in February 2025.

The district's budget includes an estimated \$253,735, calculated by applying the 2024-25 COLA rate of 1.07% to the prior-year allocation of \$251,019. Once the CDE publishes the official funding amounts, the district should update its revenue accordingly.

## **California Community Schools Partnership Program**

In 2021, the California Legislature passed the California Community Schools Partnership Act to help school districts collaborate with local community agencies and governments to align resources and improve student outcomes. The state established two initial grants: the California Community Schools Partnership Program (CCSPP) Planning grant and the CCSPP Implementation grant.

The district received \$200,000 for the CCSPP Planning grant in May 2022 and has largely expended the funds. In 2023-24, it was awarded \$2,850,000 as a Cohort 2 participant in the CCSPP Implementation grant, a five-year grant spanning 2023–2028. In 2024-25, the district joined Cohort 3, receiving a \$5,700,000 award. FCMAT included 90% (\$5,130,000) of this award as revenue in 2024-25, with the remaining 10% (\$570,000) allocated to 2025-26.

## **Career Technical Education**

The district is a member of the Mission Trails Regional Occupational Program (ROP) Joint Powers Authority (JPA) and, as such, receives funding allocations from the Career Technical Education Incentive Grant (CTEIG) Program and Strong Workforce Program (SWP). These grant revenues are disbursed only after the district has incurred program-related expenses. As unearned revenues, they cannot be recognized as revenue until spent.

The district's 2024-25 CTEIG and SWP funding allocations were unavailable at the time of this report. To align revenue with estimated program expenses, FCMAT reduced CTEIG revenue by approximately 15%, estimating \$266,112 in its MYFP for 2024-25. This amount includes \$40,663 in unspent funds awarded in 2023-24 and an estimated \$225,449 from the current-year award. For 2025-26 and 2026-27, FCMAT adjusted this revenue by removing the 2023-24 unspent funds and applying COLA rates of 2.93% for 2025-26 and 3.08% for 2026-27 to the \$225,449 current-year award estimate.

FCMAT increased SWP revenue for 2024-25 by 26% (\$43,579) over the district's 2024-25 adopted budget, accounting for a \$160,345 carryover from the prior year and one-third of the estimated current-year award (\$47,752). For 2025-26 and 2026-27, estimated revenue totals \$191,008 annually, assuming the current-year award remains unchanged and incorporating one-third of the 2024-25 prior-year award.

The district also receives the Agricultural Career Technical Education Incentive Grant. For 2024-25, FCMAT estimated a \$15,000 current-year award and included a \$4,073 carryover from the prior year. After adjusting the 2024-25 revenue to exclude the carryover, COLA rates of 2.93% for 2025-26 and 3.08% for 2026-27 were applied to the \$15,000 base estimate.

## Arts and Music in Schools - Proposition 28

The DOF determines annual Arts and Music in Schools grant funding before the start of the school year as part of the May Revision. Each school district's allocation is calculated based on its share of statewide enrollment and the number of students eligible for free and reduced-price meals, as specified in EC 8820(c) (1). The school district then receives a proportionate share of the total statewide funding for the Arts and Music in Schools grant. However, the allocation is not finalized until the CDE certifies P-2 in June.

FCMAT reduced the district's estimated 2024-25 allocation by approximately 3% to \$810,356, based on the district's reported 2023-24 enrollment and the total statewide appropriation of \$907 million. Given the 3% statewide funding decline from 2023-24 to 2024-25, FCMAT conservatively assumed a 5% decrease in total statewide funding for the subsequent years of the MYFP.

## Recommendations

*The district should:*

1. Update revenue budgets regularly to reflect entitlements and grant amounts as they become known, ensuring alignment with award letters and allocations from the county office and other granting agencies.
2. Apply the statutory COLA only to state programs that are eligible for the adjustment under statute or the state budget act.
3. Ensure other state revenue projections are based on enrollment and ADA projections as appropriate.
4. Communicate program balances to the appropriate department administrators to support effective planning and ensure funds are spent within grant and program deadlines.

## Other Local Revenues

The district receives local revenues from a variety of sources, including interest earnings and SELPA pass-through payments. Because these revenues are not guaranteed, they should be budgeted and projected conservatively using historical trends. Budgeted amounts should also be monitored and adjusted throughout the year based on actual receipts. Additionally, any one-time revenues should be clearly identified.

FCMAT reviewed the district's budgeted amounts for local revenues for reasonableness using the prior two years' actual revenues. The team identified several local resources with significant fund balances, including:

- 21st Century Excess (RS 9015): \$266,407.
- Community Redevelopment Agency (RS 9028): \$44,175.
- Local Educational Agency Medi-Cal Billing Option Program (BOP) (RS 9640): \$1,251,226.

The district should develop spending plans for these resources if they are not already in place.

FCMAT increased other local revenue in its MYFP by \$247,151 for 2024-25. For 2025-26 and 2026-27, FCMAT assumed the spend down of the Community Redevelopment Agency balance and the LEA Medi-Cal BOP. No revenue was projected for 2025-26 and 2026-27 for all local resources under resource 9010, except for the Community Redevelopment agency (RS 9028), where revenue was conservatively budgeted at \$60,000 — only 58% of the amount received in 2024-25.

## Recommendations

*The district should:*

1. Ensure local revenues are budgeted conservatively and adjusted as needed to reflect actual amounts received.
2. Consider historical trends and one-time revenues when developing budgets and MYFPs with local resources.
3. Review and update spending plans for local resources with significant fund balances.

## Expenditures

FCMAT reviewed the district's 2024-25 adopted general fund expenditures budget for reasonableness, comparing base year projections to the prior two years' actual expenditures, grant agreements, and expenditure and encumbrance<sup>9</sup> activity through November 2024. This section summarizes FCMAT's adjustments to the MYFP. Ongoing costs from the district's 2023-24 adopted budget are assumed to continue unless otherwise adjusted, as noted below.

## Salary Budgeting and Position Control

The district uses the Escape financial system, hosted by the Monterey County Office of Education, for position control and to maintain salary and benefit data for regular permanent positions. Although Escape is integrated with the financial system, manual budget adjustments are often necessary to account for costs such as stipends, substitutes, extra duty, and overtime. These costs are typically budgeted based on prior-year actuals rather than projected needs.

<sup>9</sup>The *California School Accounting Manual* defines an encumbrance as "a commitment in the form of a purchase order or offer to buy goods or services." The encumbrance account in a general ledger tracks open purchase orders to prevent overspending of a budget account.

Interviews revealed significant gaps in the district's process for budgeting and tracking nonregular salaries, particularly for substitutes. For example, while the district has a system for hiring roving substitutes at each school to address staffing shortages, site administrators and clerical staff—including payroll, human resources, and business office personnel—were uncertain about how these substitutes were funded or coded in the budget. This lack of clarity resulted in inconsistent tracking and insufficient allocations. Misalignment among position control, payroll, and budget systems increases the risk of unanticipated budget shortfalls, potentially affecting the district's ability to meet financial obligations and plan for future needs.

The district's reliance on prior-year actuals to budget for nonregular salaries does not account for changing circumstances, such as fluctuations in substitute demand, new stipends, or increased overtime costs due to staff shortages. Without a robust forecasting process or detailed tracking system, the district struggles to align budgeted amounts with actual expenditures. As a result, frequent journal entries are required to correct payroll expenditures, highlighting inefficiencies in salary and benefit budgeting. These adjustments create additional administrative work and increase the risk of errors, further complicating reconciliation efforts. Rather than proactively analyzing payroll trends and adjusting budget allocations accordingly, the district often increases salary and benefit budgets without a thorough assessment of appropriate funding levels, leading to inconsistencies between position control data and the general ledger.

Compounding these issues, the district faces challenges in maintaining accurate position control data, which is essential for effective salary budgeting. The director of fiscal services typically oversees position control, but with this position vacant, the district has relied on consultants to manage key functions. Interviews and district documents indicate misalignment between the Human Resources and Business Services departments in updating position control data, leading to discrepancies across systems. These inconsistencies have prolonged the development of an accurate MYFP, as reconciliation efforts require substantial time and analysis.

To improve salary budgeting and position control, the district should establish a systematic approach to budgeting nonregular salaries by incorporating regular reviews of substitute use, overtime patterns, and staffing needs. Strengthening communication between site administrators and the business office will help ensure staffing decisions are accurately reflected in the budget. Additionally, investing in staff training and exploring tools to better integrate position control, payroll, and budget tracking systems can enhance accuracy and efficiency. Establishing clear protocols for maintaining position control data, particularly during staff transitions, will ensure accurate updates and better coordination between departments.

## **Certificated Salaries**

FCMAT reduced total certificated salaries in the MYFP for 2024-25 by a net amount of \$534,350. This adjustment includes an increase of \$240,398 in the unrestricted general fund and a \$774,748 decrease in the restricted general fund. Most adjustments to unrestricted salaries resulted from changes related to services and actions identified in the district's LCAP. Additionally, increases were made for nonregular pay, such as for substitutes, overtime, extra duty and stipends. All unfilled vacancies were projected at 50% of the remaining salary because only about half of the fiscal year remains.

FCMAT reduced restricted certificated salaries by a net total of \$1,118,795, offset by a \$344,047 increase. The largest reductions were due to vacancies in teachers, coordinators, and speech and language therapists for the district's special education and arts and music programs. Additional reductions were made for Title III, A-G Access Grant, A-G Success Grant, and Learning Recovery Emergency Block Grant (LREBG), lowering estimates for administrative certificated salaries, extra hourly and substitute costs, and vacant teacher on special assignment positions that were unfilled at time of the adopted budget but filled in the fall.

The \$344,047 increase primarily reflects salary adjustments based on actual payments to date for summer school, extra duty, and substitutes under ELOP, ASES, Title I, and Title II. Additionally, vacancies projected at only 50% in 2024-25 were restored to 100% in the subsequent years of the projection. Certificated salaries were also increased by 2% in the subsequent fiscal years of the projection based on step-and-column data from the district's Summary of Step and Column [sic] Adjustments report, which compares prior-year salaries to help project accurate step-and-column adjustments. This assumption aligns with the method used in the district's 2024-25 adopted budget.

## **Classified Salaries**

FCMAT increased total classified salaries in the MYFP for 2024-25 by a net amount of \$406,384. This adjustment includes a \$259,051 increase in the unrestricted general fund and an increase of \$147,333 in the restricted general fund. Most adjustments to unrestricted salaries stemmed from accounting for various positions funded by supplemental and concentration dollars outlined in the district's LCAP that were omitted from the budget, as well as increases for nonregular pay, overtime, and extra duty.

FCMAT increased restricted classified salaries in the MYFP for 2024-25 by \$327,419, offset by a \$180,086 decrease. The largest increases were for after-school activity leaders, counseling specialists, paraprofessionals, extra duty, substitutes, and overtime in the following programs: ELOP, ASES, Title I, special education, universal prekindergarten, LREBG, and the Student Behavioral Health Incentive Program (SBHIP).

All unfilled vacancies were projected at only 50% of the remaining salary because only about half of the fiscal year remains. Vacancies projected at 50% in 2024-25 were restored to 100% in 2025-26. Additionally, classified salaries were increased by 1.5% in the subsequent fiscal years of the projection based on step data from the district's Summary Cost of Step and Column [sic] Adjustments report. This assumption is lower than the 2% estimate used in the district's 2024-25 adopted budget.

## **Employee Benefits**

FCMAT increased total employee benefit expenditures in the MYFP for 2024-25 by a net amount of \$454,160. This adjustment includes a \$643,852 increase in the unrestricted general fund and a decrease of \$189,692 in the restricted general fund. Statutory benefits were calculated in proportion to the adjusted salaries budgeted for each fiscal year.

FCMAT reduced the district's workers' compensation rate from 2.1028% to 2.0500% for 2024-25, based on updated information from the district's JPA. Other statutory benefits in subsequent years primarily changed in proportion to adjustments in certificated and classified salaries.

FCMAT also adjusted health and welfare benefit costs, decreasing them by a net amount of \$35,316 in 2024-25 based on actuals and encumbrances through November 2024. This adjustment includes a \$70,701 increase in the unrestricted general fund and a \$105,417 decrease in the restricted general fund. For 2025-26 and 2026-27, FCMAT applied a 4% increase to health and welfare benefit costs.

## **Books and Supplies**

FCMAT adjusted total books and supplies expenditures in the MYFP for 2024-25, resulting in a net decrease of \$2,487,036. This includes a reduction of \$1,178,296 in the unrestricted general fund and \$1,308,740 in the restricted general fund due to various budget adjustments across all programs.

The district's 2024-25 adopted budget MYFP applies the statutory COLA rate of 2.93% for 2025-26 and 3.08% for 2026-27 to the general fund books and supplies budget. As discussed earlier in this report, the district should use the CPI factors for projecting the books and supplies budget for the two subsequent years.

FCMAT removed one-time expenditures from the subsequent years of its MYFP for the following programs: Special Education Early Intervention Preschool Grant, lottery, CCSPP, Tobacco-Use Prevention Education and Arts, Music, and Instructional Materials Block Grant. FCMAT also applied the most recent CPI inflation factors to all remaining books and supplies expenditures.

Additionally, because expenditure budgets exceeded projected revenues, FCMAT reduced books and supplies expenditures in the subsequent years of the MYFP for the following restricted programs: Navy Junior Reserve Officers Training Corps, ASES, SWP, CTEIG, and Agriculture Career Technical Education Incentive program.

## Services and Other Operating Expenditures

FCMAT increased total services and other operating expenditures in the MYFP for 2024-25 by a net amount of \$2,531,370, allocating \$525,588 to the unrestricted general fund and \$2,005,782 to the restricted general fund.

Key adjustments to the 2024-25 unrestricted general fund include: (1) updating liability insurance costs to reflect actual costs incurred to date; (2) increasing utility costs based on actual expenditures to date and projected costs for the remainder of the year; and (3) increasing professional and consulting service costs to align with the district's LCAP. These adjustments ensure that the district's unrestricted general fund expenditures align more closely with actual and projected needs.

Key adjustments to the 2024-25 restricted general fund include: (1) adjusting budgeted service and operating expenses to reflect higher allocations or additional carryover funds; (2) increasing contracted service costs due to a large number of unfilled positions to ensure mandated services are provided; and (3) adjusting service contracts and other operating expenses to support enrichment programs.

FCMAT also made major adjustments to the following programs in 2024-25: Title I, Title II, Title III, LREBG, ESSER III, ELOP, special education, A-G Access Grant, A-G Success Grant, SBHIP, and LEA Medi-Cal BOP. These adjustments ensure that budgeted expenditures align with available funding while accounting for cost increases and program sustainability.

Similar to books and supplies, the district's 2024-25 adopted MYFP applies the statutory COLA rates of 2.93% for 2025-26 and 3.08% for 2026-27 to both unrestricted and restricted general fund services and other operating expenditure budgets. However, CPI inflation factors, rather than COLA, should be used for these costs. The CPI inflation factors in FCMAT's MYFP are 2.86% for 2025-26 and 2.81% for 2026-27.

FCMAT applied the most recent CPI inflation factors to all services and other operating expenditures in the subsequent years of its MYFP. Other key adjustments include: (1) eliminating one-time expenditures from programs such as the A-G Access Grant, A-G Success Grant, A-G Learning Loss Mitigation Funding, Title II, Educator Effectiveness, CTEIG, special education and other local programs; (2) transferring costs from expired ESSER III programs to the unrestricted general fund; and (3) allocating additional funding to support services and operating expenses of enrichment programs, including Perkins V Vocational Education Basic grant Award, Arts and Music in Schools, SBHIP, and LEA Medi-Cal BOP. These adjustments ensure that budgeted expenditures align with available funding while accounting for cost increases and program sustainability.

## Capital Outlay

Capital outlay expenditures include land, land improvements, buildings, and equipment exceeding a cost threshold established by the LEA (typically \$5,000). FCMAT increased total capital outlay expenditures in the MYFP for 2024-25 by \$715,328. Of this amount, \$38,141 was allocated to the unrestricted general fund to support infrastructure upgrades for the district's electric bus program, specifically for the purchase of an electronic switchboard. The remaining \$677,187 was allocated to the restricted general fund for ELOP, Arts, Music and Instructional Materials Discretionary Block Grant, ESSER III, CTEIG, Kitchen Infrastructure and Training Funds, and other local programs. Notable expenditures include the purchase of portables for elementary schools under ELOP and equipment under the Arts and Music in School grant.

FCMAT reduced capital outlay expenditures from the other listed programs for 2024-25. For subsequent years of the MYFP, only the ELOP budgets were carried forward.

## Other Outgo/Indirect Costs

All programs incur general management costs, commonly known as indirect costs. These costs typically include administrative functions such as accounting, budgeting, payroll processing, personnel services, purchasing, and central data processing. An indirect cost rate allows school districts to efficiently and uniformly recover a portion of these costs from restricted programs.

The CDE establishes the maximum indirect cost rates that school districts can charge to each program. A school district may charge up to its approved indirect cost rate, unless a specific authority—such as legislation—sets a lower limit. The district's 2023-24 unaudited actuals report indicates indirect costs were effectively applied to most programs. Charging each program and fund the maximum allowable indirect cost rate promotes equity across the district, ensures that general management costs are adequately supported, and establishes the true cost of each program.

FCMAT applied charges for indirect costs at the maximum allowable rate for each restricted program in the base year and subsequent years of the MYFP to ensure accurate program cost accounting. For 2024-25, indirect costs were calculated using the CDE-approved rate of 7.26%, resulting in an increase of \$898,010 charged to restricted programs. The largest increases occurred in special education, SBHIP, LCFF Equity Multiplier, and Title I. Based on the district's 2023-24 unaudited actuals Form ICR, FCMAT applied the preliminary proposed rate of 7.77% for the subsequent years.

## Other Financing Sources/Uses

### Interfund – Transfers In

The district's 2024-25 adopted budget does not include any transfers into the general fund from other funds. FCMAT's projections do not include any transfers into the general fund from other funds for 2024-25 or the two subsequent fiscal years.

### Interfund – Transfers Out

The district's 2024-25 adopted budget does not include any transfers out of the general fund to other funds. FCMAT's projections do not include any transfers from the general fund to other funds for 2024-25 or the two subsequent fiscal years.

## Contributions

Restricted programs should be financially self-sustaining, except for the routine restricted maintenance account (RRMA), special education, and other programs the district chooses to support with unrestricted general funds. When revenues in restricted programs do not fully cover program expenditures, the shortfall must be offset by a contribution from the unrestricted general fund to balance the budget.

The district's 2024-25 adopted budget estimates a contribution of \$15,620,202 from the unrestricted general fund to the restricted general fund for special education and RRMA. FCMAT adjusted this estimate, reducing the contribution by \$396,256 to a revised total of \$15,223,946 for 2024-25. This reduction primarily reflects lower projected salary and benefit costs in special education budgets after prorating expenditures for vacant special education positions.

## Recommendations

*The district should:*

1. Develop a structured approach to budgeting nonregular salaries that reflects current needs and trends.
2. Ensure all salaries and benefits are budgeted and encumbered in its financial system, including those for extra duty, substitutes, hourly and overtime salaries and benefits.
3. Establish and implement procedures to reconcile position control with the budget and payroll at least at each financial reporting period.
4. Improve communication among site administrators, human resources, payroll, and the business office to ensure all staffing decisions, including roving substitutes or new stipends, are accurately reflected in the budget.
5. Provide training to school personnel and department administrators on budget and financial management.
6. Apply the California CPI inflation factors to both unrestricted and restricted general fund books and supplies, as well as services and operating expenses, as appropriate.
7. Consider local factors (e.g., insurance costs) that may require unique escalation factors when preparing MYFP expenditures.
8. Track and monitor one-time revenues and expenditures to ensure they are removed from budgets and projections once the funding expires.
9. Continue to charge indirect costs to each restricted program and special revenue fund at the full allowable rate, even if it results in a contribution from the unrestricted general fund.

# Multiyear Financial Projection Analysis

The primary purpose of an MYFP is to evaluate a school district's long-term financial stability. When developing an MYFP, a school district uses current budget assumptions to project revenues and expenditures over several years to determine whether it can maintain a balanced budget and meet the state-required minimum reserve for economic uncertainties in the current year and the two subsequent fiscal years.

FCMAT conducted an analysis of the district's unrestricted, restricted, and combined general fund resources, along with expenditure categories by resource, for 2024-25 and the two subsequent fiscal years. This section summarizes FCMAT's findings and recommendations.

## Unrestricted General Fund

Unrestricted funds may be used for any educational purpose, providing school districts with the flexibility to support operations and priorities. FCMAT analyzed the district's unrestricted general fund resources and expenditure categories by resource for 2024-25 and the two subsequent fiscal years, as summarized in Table 8 below.

Although the district is projected to end 2024-25 with a balanced budget and a surplus of \$798,236, projections indicate deficit spending of approximately \$2.3 million in 2025-26 and \$2.1 million in 2026-27. A continual structural deficit in the unrestricted general fund threatens the district's long-term fiscal health. Ongoing deficit spending depletes reserves, limits financial flexibility, and increases the risk of insolvency if corrective actions are not taken promptly.

Despite these challenges, the district is projected to meet the minimum reserve requirement for economic uncertainties in all three years of the projection.

**Table 8. FCMAT Unrestricted General Fund Summary, 2024-25 – 2026-27**

| Description                            | Object Code | Adjusted Base Year 2024-25 (\$) | Year 2 2025-26 (\$) | Year 3 2026-27 (\$) |
|--|-------------|---------------------------------|---------------------|---------------------|
| <b>A. Revenues</b>                     |             |                                 |                     |                     |
| LCFF Sources                           | 8010-8099   | 69,949,165                      | 70,746,167          | 72,040,990          |
| Federal Revenue                        | 8100-8299   | -                               | -                   | -                   |
| Other State Revenues                   | 8300-8599   | 1,818,543                       | 1,886,499           | 1,849,814           |
| Other Local Revenues                   | 8600-8799   | 834,035                         | 792,262             | 795,347             |
| Other Financing Sources - Transfers In | 8900-8929   | -                               | -                   | -                   |
| Other Sources                          | 8930-8979   | -                               | -                   | -                   |
| Contributions                          | 8980-8999   | -15,223,946                     | -16,410,755         | -16,804,174         |
| <b>Total, Revenue</b>                  |             | <b>57,377,797</b>               | <b>57,014,173</b>   | <b>57,881,977</b>   |
| <b>B. Expenditures</b>                 |             |                                 |                     |                     |
| Certificated Salaries                  | 1000-1999   | 23,833,889                      | 24,550,567          | 25,041,578          |
| Classified Salaries                    | 2000-2999   | 10,908,997                      | 11,157,719          | 11,325,085          |

| Description   | Object Code            | Adjusted Base Year 2024-25 (\$) | Year 2 2025-26 (\$) | Year 3 2026-27 (\$) |
|---|------------------------|---------------------------------|---------------------|---------------------|
| Employee Benefits                                     | 3000-3999              | 16,937,063                      | 17,574,172          | 18,093,968          |
| Books and Supplies                                    | 4000-4999              | 2,183,878                       | 3,381,525           | 2,723,556           |
| Services and Other Operating Expenditures             | 5000-5999              | 4,752,981                       | 4,897,529           | 5,038,707           |
| Capital Outlay  | 6000-6999              | 77,350                          | 77,389              | 77,428              |
| Other Outgo (Excluding Transfers of Indirect Costs)   | 7100-7299<br>7400-7499 | 406,116                         | 409,548             | 413,016             |
| Other Outgo – (Including Transfers of Indirect Costs) | 7300-7399              | -2,520,713                      | -2,744,171          | -2,707,733          |
| Other Financing Uses - Transfers Out                  | 7600-7629              | -                               | -                   | -                   |
| <b>Total, Expenditures</b>                            |                        | <b>56,579,561</b>               | <b>59,304,277</b>   | <b>60,005,606</b>   |
| <b>C. Net Increase or Decrease in Fund Balance</b>    |                        | <b>798,236</b>                  | <b>-2,290,104</b>   | <b>-2,123,629</b>   |
| D. Fund Balance                                       |                        |                                 |                     |                     |
| Beginning Fund Balance, July 1                        | 9791                   | 15,383,855                      | 16,182,091          | 13,891,987          |
| Audit Adjustments                                     | 9793                   | -                               | -                   | -                   |
| Adjusted Beginning Balance                            |                        | 15,383,855                      | 16,182,091          | 13,891,987          |
| <b>Ending Fund Balance, June 30</b>                   |                        | <b>16,182,091</b>               | <b>13,891,987</b>   | <b>11,768,358</b>   |
| Components of Ending Fund Balance                     |                        |                                 |                     |                     |
| Nonspendable  | 9710-9719              | 7,500                           | 7,500               | 7,500               |
| Restricted  | 9740                   | -                               | -                   | -                   |
| Committed   |                        |                                 |                     |                     |
| Stabilization Arrangements                            | 9750                   | -                               | -                   | -                   |
| Other Commitments                                     | 9760                   | 3,119,810                       | 2,119,810           | 2,119,810           |
| Assigned  | 9780                   | 5,394,125                       | 5,510,181           | 5,521,471           |
| Unassigned/Unappropriated                             |                        |                                 |                     |                     |
| Reserve for Economic Uncertainties                    | 9789                   | 2,942,250                       | 3,005,556           | 3,011,711           |
| Unassigned/Unappropriated                             | 9790                   | 4,718,406                       | 3,248,939           | 1,107,866           |

Source: FCMAT's MYFP.

Note: Rounding used in all calculations.

# Restricted General Fund

Restricted funds are dollars designated for specific purposes, as mandated by law, external funding sources, or grant requirements. These funds must be spent only on the programs or activities for which they were allocated and cannot be used for general operating expenses.

FCMAT analyzed all general fund restricted sources and expenditure categories by resource for 2024-25 and the two subsequent fiscal years. Based on current assumptions, the district is projected to end 2024-25 with a restricted fund balance of \$19.37 million. FCMAT’s MYFP forecasts this balance will decline to \$14.98 million in 2025-26 and \$10.37 million in 2026-27. Table 9 provides a breakdown of the programs that comprise these restricted balances.

FCMAT allocated the balances of the Literacy Coaches and Reading Specialist Grant Program, CCSP, and LREBG evenly across the grant period to ensure full expenditure by the June 30, 2028 deadline. No expenditures were included for the Literacy Coaches and Reading Specialists Grant in 2024-25, with spending assumed to begin in 2025-26 and be distributed evenly through 2027-28.

The district’s Arts and Music in Schools grant budget includes certificated positions that remain vacant in 2024-25, so FCMAT adjusted the 2024-25 certificated salary budget accordingly. FCMAT assumed these vacant positions would be filled in 2025-26 and projected that the 2023-24 fund balance would be spent by 2025-26, with the 2024-25 balance fully expended by 2026-27.

FCMAT adjusted its projections based on information obtained during staff interviews, assuming the elimination of extra duty salaries, books and supplies, and services and operating expenses for the following expiring resources: Arts, Music, and Instructional Materials Discretionary Block Grant, A-G Access Grant, A-G Success Grant, and A-G Learning Loss Mitigation Grant.

Additionally, FCMAT assumed the district would remain eligible for the LCFF Equity Multiplier, despite the stability rate eligibility information not yet being published. The team also assumed the district would continue its membership in the Mission Trails ROP JPA and remain eligible for CTEIG and SWP.

**Table 9. FCMAT Restricted General Fund Summary, 2024-25 – 2026-27**

| Description                            | Object Code | Adjusted Base Year 2024-25 (\$) | Year 2 2025-26 (\$) | Year 3 2026-27 (\$) |
|--|-------------|---------------------------------|---------------------|---------------------|
| A. Revenues                            |             |                                 |                     |                     |
| LCFF Sources                           | 8010-8099   | -                               | -                   | -                   |
| Federal Revenue                        | 8100-8299   | 3,750,965                       | 3,132,719           | 3,132,719           |
| Other State Revenues                   | 8300-8599   | 14,206,599                      | 13,315,041          | 12,209,882          |
| Other Local Revenues                   | 8600-8799   | 4,088,947                       | 3,631,866           | 3,631,866           |
| Other Financing Sources - Transfers In | 8900-8929   | -                               | -                   | -                   |
| Other Sources                          | 8930-8979   | -                               | -                   | -                   |
| Contributions                          | 8980-8999   | 15,223,946                      | 16,410,755          | 16,804,174          |
| <b>Total, Revenue</b>                  |             | <b>37,270,457</b>               | <b>36,490,381</b>   | <b>35,778,641</b>   |

| Description   | Object Code            | Adjusted Base Year 2024-25 (\$) | Year 2 2025-26 (\$) | Year 3 2026-27 (\$) |
|---|------------------------|---------------------------------|---------------------|---------------------|
| <b>B. Expenditures</b>  |                        |                                 |                     |                     |
| Certificated Salaries   | 1000-1999              | 6,106,214                       | 7,244,065           | 7,417,191           |
| Classified Salaries   | 2000-2999              | 6,526,927                       | 6,777,794           | 6,816,709           |
| Employee Benefits   | 3000-3999              | 7,913,151                       | 8,547,953           | 8,704,334           |
| Books and Supplies  | 4000-4999              | 5,392,478                       | 4,374,224           | 4,053,877           |
| Services and Other Operating Expenditures                                   | 5000-5999              | 10,716,175                      | 9,619,293           | 9,128,022           |
| Capital Outlay  | 6000-6999              | 1,190,180                       | 443,835             | 427,306             |
| Other Outgo (Excluding Transfers of Indirect Costs)                         | 7100-7299<br>7400-7499 | 1,480,000                       | 1,480,000           | 1,480,000           |
| Other Outgo (Including Transfers of Indirect Costs)                         | 7300-7399              | 2,170,315                       | 2,393,773           | 2,357,335           |
| Other Financing Uses - Transfers Out  | 7600-7629              | -                               | -                   | -                   |
| <b>Total, Expenditures</b>  |                        | <b>41,495,440</b>               | <b>40,880,936</b>   | <b>40,384,775</b>   |
| <b>C. Net Increase or Decrease in Fund Balance</b>                          |                        | <b>-4,224,984</b>               | <b>-4,390,555</b>   | <b>-4,606,134</b>   |
| <b>D. Fund Balance</b>  |                        |                                 |                     |                     |
| Beginning Fund Balance, July 1  | 9791                   | 23,591,760                      | 19,366,777          | 14,976,222          |
| Audit Adjustments   | 9793                   | -                               | -                   | -                   |
| Adjusted Beginning Balance  |                        | 23,591,760                      | 19,366,777          | 14,976,222          |
| <b>Ending Fund Balance, June 30</b>   |                        | <b>19,366,777</b>               | <b>14,976,222</b>   | <b>10,370,088</b>   |
| Components of Ending Fund Balance   |                        |                                 |                     |                     |
| Nonspendable  | 9710-9719              | -                               | -                   | -                   |
| Restricted  | 9740                   | 19,366,777                      | 14,976,222          | 10,370,088          |
| <i>ELOP</i>   |                        | 2,203,285                       | 2,507,510           | 2,610,218           |
| <i>ASES</i>   |                        |                                 | 23,841              | 48,417              |
| <i>Literacy Coaches &amp; Reading Specialists Grant</i>                     |                        | 606,830                         | 403,872             | 196,167             |
| <i>Lottery - Instructional Materials</i>                                    |                        | 112,406                         | 7,804               | 3,360               |
| <i>CA Community Schools Partnership Act</i>                                 |                        | 6,118,309                       | 5,148,968           | 3,417,106           |
| <i>CTEIG</i>  |                        |                                 | 6,606               | 13,415              |
| <i>SWP</i>  |                        |                                 | 7,496               | 15,224              |
| <i>Mental Health-Related Services</i>                                       |                        | 69,006                          | 128,700             | 180,746             |
| <i>Special Education Early Intervention Preschool Grant</i>                 |                        | 368,877                         | 352,637             | 337,147             |
| <i>Arts, Music, &amp; Instructional Materials Discretionary Block Grant</i> |                        | 297,145                         | -                   | -                   |

| Description                          | Object Code | Adjusted Base Year 2024-25 (\$) | Year 2 2025-26 (\$) | Year 3 2026-27 (\$) |
|--------------------------------------|-------------|---------------------------------|---------------------|---------------------|
| Arts and Music in Schools (Prop. 28) |             | 1,136,218                       | 927,143             | 517,359             |
| Agricultural CTEIG                   |             |                                 | 440                 | 893                 |
| Kitchen Infrastructure Upgrade Funds |             | 85,320                          | 73,383              | 61,111              |
| Dual Enrollment Opportunities        |             | 52,236                          | 26,149              |                     |
| LCFF Equity Multiplier               |             | 251,049                         | 267,917             | 279,136             |
| A-G Access/Success Grant             |             | 110,620                         | -                   | -                   |
| A-G Learning Loss Mitigation Grant   |             | 24,696                          | -                   | -                   |
| CSESAP                               |             | 637,788                         | 637,788             | 637,788             |
| LREBG                                |             | 4,547,608                       | 3,053,259           | 1,524,397           |
| SBHIP Grant                          |             | 880,315                         | 193,945             | 25,226              |
| RRMA                                 |             | 287,856                         | 257,020             | 177,176             |
| Other Local                          |             | 1,577,212                       | 951,743             | 325,204             |

**Source:** FCMAT's MYFP.

**Note:** Rounding used in all calculations.

## Combined General Fund

FCMAT conducted an analysis of the district's combined (unrestricted and restricted) general fund resources for 2024-25 and the two subsequent fiscal years, as summarized in Table 10 below.

**Table 10. FCMAT Combined General Fund Summary, 2024-25 – 2026-27**

| Description   | Object Code            | Adjusted Base Year 2024-25 (\$) | Year 2 2025-26 (\$) | Year 3 2026-27 (\$) |
|---|------------------------|---------------------------------|---------------------|---------------------|
| <b>A. Revenues</b>                                  |                        |                                 |                     |                     |
| LCFF Sources  | 8010-8099              | 69,949,165                      | 70,746,167          | 72,040,990          |
| Federal Revenue                                     | 8100-8299              | 3,750,965                       | 3,132,719           | 3,132,719           |
| Other State Revenues                                | 8300-8599              | 16,025,142                      | 15,201,540          | 14,059,696          |
| Other Local Revenues                                | 8600-8799              | 4,922,982                       | 4,424,128           | 4,427,213           |
| Other Financing Sources - Transfers In              | 8900-8929              | -                               | -                   | -                   |
| Other Sources                                       | 8930-8979              | -                               | -                   | -                   |
| Contributions                                       | 8980-8999              | -                               | -                   | -                   |
| <b>Total, Revenue</b>                               |                        | <b>94,648,254</b>               | <b>93,504,554</b>   | <b>93,660,617</b>   |
| <b>B. Expenditures</b>                              |                        |                                 |                     |                     |
| Certificated Salaries                               | 1000-1999              | 29,940,103                      | 31,794,631          | 32,458,769          |
| Classified Salaries                                 | 2000-2999              | 17,435,924                      | 17,935,513          | 18,141,794          |
| Employee Benefits                                   | 3000-3999              | 24,850,214                      | 26,122,125          | 26,798,303          |
| Books and Supplies                                  | 4000-4999              | 7,576,356                       | 7,755,749           | 6,777,433           |
| Services and Other Operating Expenditures           | 5000-5999              | 15,469,156                      | 14,516,822          | 14,166,729          |
| Capital Outlay                                      | 6000-6999              | 1,267,530                       | 521,223             | 504,734             |
| Other Outgo (Excluding Transfers of Indirect Costs) | 7100-7299<br>7400-7499 | 1,886,116                       | 1,889,548           | 1,893,016           |
| Other Outgo (Including Transfers of Indirect Costs) | 7300-7399              | -350,398                        | -350,398            | -350,398            |
| Other Financing Uses - Transfers Out                | 7600-7629              | -                               | -                   | -                   |
| <b>Total, Expenditures</b>                          |                        | <b>98,075,001</b>               | <b>100,185,213</b>  | <b>100,390,380</b>  |
| <b>C. Net Increase or Decrease in Fund Balance</b>  |                        | <b>-3,426,747</b>               | <b>-6,680,659</b>   | <b>-6,729,763</b>   |
| <b>D. Fund Balance</b>                              |                        |                                 |                     |                     |
| Beginning Fund Balance, July 1                      | 9791                   | 38,975,615                      | 35,548,868          | 28,868,208          |
| Audit Adjustments                                   | 9793                   | -                               | -                   | -                   |
| Adjusted Beginning Balance                          |                        | 38,975,615                      | 35,548,868          | 28,868,208          |
| <b>Ending Fund Balance, June 30</b>                 |                        | <b>35,548,868</b>               | <b>28,868,208</b>   | <b>22,138,445</b>   |
| Components of Ending Fund Balance                   |                        |                                 |                     |                     |

| Description  | Object Code | Adjusted<br>Base Year<br>2024-25<br>(\$) | Year 2<br>2025-26<br>(\$) | Year 3<br>2026-27<br>(\$) |
|--|-------------|--|---------------------------|---------------------------|
| Nonspendable   | 9710-9719   | 7,500                                    | 7,500                     | 7,500                     |
| Restricted   | 9740        | 19,366,777                               | 14,976,222                | 10,370,088                |
| Committed  |             |  |                           |                           |
| Stabilization Arrangements   | 9750        | -  | -                         | -                         |
| Other Commitments  | 9760        | 3,119,810                                | 2,119,810                 | 2,119,810                 |
| Assigned   | 9780        | 5,394,125                                | 5,510,181                 | 5,521,471                 |
| Unassigned/Unappropriated  |             |  |                           |                           |
| Reserve for Economic Uncertainties   | 9789        | 2,942,250                                | 3,005,556                 | 3,011,711                 |
| Unassigned/Unappropriated  | 9790        | 4,718,406                                | 3,248,939                 | 1,107,866                 |
| Special Reserve Fund –<br>Noncapital Outlay (Fund 17)                      | 9790        | 119,540                                  | 119,540                   | 119,540                   |
| Total Available Reserves   |             | 13,174,321                               | 11,884,217                | 9,760,588                 |
| Total Available Reserves<br>as a Percentage of Total Expenditures and Uses |             | 13.43%                                   | 11.86%                    | 9.72%                     |

**Source:** FCMAT's MYFP.

**Note:** Rounding used in all calculations.

## Components of Ending Fund Balance

Fund balance is unique to governmental accounting. It refers to the difference between a school district's assets and liabilities. A school district's fund balance serves as a key indicator of its fiscal stability and capacity to meet financial obligations. Maintaining an adequate fund balance is essential for sustaining operations, addressing unexpected expenditures, and ensuring compliance with financial reporting requirements.

To improve transparency and provide educational partners and the broader community with a clearer understanding of how funds are allocated and restricted, GASB issued *Statement No. 54*. This statement redefined fund balance classifications and introduced a standardized five-tier system to distinguish the level of constraints placed on fund usage.

The five fund balance categories are nonspendable, restricted, committed, assigned, and unassigned, each reflecting a different level of spending restriction. These classifications range from legally mandated constraints to funds that are available for general use. Every LEA is required to adopt a GASB 54 policy that governs the classification and use of fund balances.

The *California School Accounting Manual* states that "the separation of fund balance into these components is important to LEAs because it provides information on the funds available to cover unanticipated expenditures." It outlines the ending fund balance object codes, which FCMAT has paraphrased below:

- **Nonspendable fund balance (objects 9710–9719):** Funds that cannot be spent because they are not in a spendable form or are legally or contractually required to remain intact (e.g., inventory, prepaid expenditures, and revolving cash accounts).
- **Restricted fund balance (objects 9730–9749):** Funds subject to external or legally enforceable restrictions, such as limitations set by funding sources, constitutional provisions, or legislation.
- **Committed fund balance (objects 9750–9769):** Funds designated for specific purposes through formal action by the LEA's governing board. This includes reserves set aside for economic stabilization arrangements, provided they meet stricter requirements than the minimum recommended reserve for economic uncertainties.
- **Assigned fund balance (objects 9770–9788):** Funds intended for specific purposes but that do not meet the criteria for classification as restricted or committed.
- **Unassigned fund balance (objects 9789–9790):** Funds not classified as nonspendable, restricted, committed, or assigned within the general fund.

One concern during GASB 54 implementation was that the reserves for economic uncertainties required by the *State Standards and Criteria for Fiscal Solvency* might not qualify for classification as restricted or committed funds. To address this, object code 9789 was established to specifically identify these reserves.

Additionally, school districts may adopt policies to maintain reserves above the minimum reserve requirement for economic uncertainties (EC 42127). School districts that implement such policies may classify the additional reserves as committed funds under stabilization arrangements, provided they meet the formal requirements for this classification.

## District Priorities and Fund Balance Management

FCMAT's review of the financial reports indicates that the district maintains an additional 5.5% reserve, bringing its reserve for economic uncertainties to a total of 8.5%. However, this practice is not reflected in board policy. If the governing board has officially authorized this reserve set-aside, the district should adopt a board policy to account for these funds as committed under GASB 54 guidelines.

Because this set-aside reflects past practice rather than a board-approved commitment, FCMAT categorized the 5.5% reserve as assigned rather than committed — a distinction that means it does not carry the same level of restrictions.

The assigned fund balance consists of funds designated for specific purposes. The district has identified priorities and accounted for them appropriately under this classification. For example, \$600,000 is allocated annually for the replacement of two buses, and this amount is deducted from reserves.

## Recommendations

*The district should:*

1. Develop and adopt a balanced budget and MYFP that eliminate deficit spending and meet the minimum reserve requirement for economic uncertainties.
2. Establish a board-approved policy to formalize and maintain reserves above the minimum requirement for economic uncertainties, and adopt a GASB 54 resolution to ensure their proper classification.

## Other Concerns and Recommendations

This section provides additional FCMAT findings on the district's 2024-25 adopted budget and MYFP, along with recommendations for improvement.

### Other Funds

In addition to analyzing the general fund, FCMAT conducted a basic review of the district's other funds to assess their potential financial impact on the unrestricted general fund. The 2023-24 unaudited actuals and the 2024-25 adopted budget indicate that the district does not anticipate any of its other funds to require contributions from the unrestricted general fund in the current or two subsequent fiscal years.

### Student activity Special Revenue Fund (Fund 08)

School districts use Fund 08 to account for associated student body (ASB) activities that do not meet the fiduciary activity criteria pursuant to GASB Statement 84 and are therefore classified as governmental activities.

The district's 2024-25 adopted budget projects a surplus of \$7,505 in Fund 08, bringing the projected ending fund balance to \$283,693. ASB funds should generally be spent in the same year they are received to ensure that contributing students benefit from the funds and that they support current student activities as intended. According to FCMAT's *Associated Student Body Manual*, ASB funds "should be carried over only when there is a definite plan and purpose" for their use in the following year.

### Adult Education Fund (Fund 11)

School districts use Fund 11 to account for federal, state and local revenue allocated for adult education programs. The district's unaudited actuals show no deficit spending in Fund 11 in 2023-24. However, its 2024-25 adopted budget projects a \$35,335 deficit. To prevent ongoing deficits that could impact the unrestricted general fund, the district should closely monitor this fund.

### Child Development Fund (Fund 12)

School district use Fund 12 to manage federal, state and local revenue and expenditures for operating child development programs, including state preschool and child nutrition programs. Revenue sources typically include apportionments, parent fees, food service sales, and interest earnings.

The district's unaudited actuals show no deficit spending in Fund 12 in 2023-24. However, its 2024-25 adopted budget projects a \$108,187 deficit. To prevent ongoing deficits that could impact the unrestricted general fund, the district should closely monitor this fund.

### Cafeteria Special Revenue Fund (Fund 13)

School districts use Fund 13 to account for food service programs. They may charge this fund the lesser of their respective CDE-approved indirect cost rate or the statewide average indirect cost rate for that year.

In 2023-24, the district reported a surplus of \$1,786,934, and its 2024-25 adopted budget projected a surplus of \$74,622. The district's 2023-24 unaudited actuals shows that indirect costs were correctly charged to the food services programs. As previously discussed, FCMAT's MYFP also included indirect cost transfers from Fund 13 in all projection years.

## **Deferred Maintenance Fund (Fund 14)**

School districts use Fund 14 to account for revenues that are restricted or committed to deferred maintenance, as outlined in EC 17582. The primary revenue source for this fund is LCFF transfers from the unrestricted general fund.

The district's 2023-24 unaudited actuals and 2024-25 adopted budget do not include a transfer to this fund. In 2023-24, the district reported a \$14,288 deficit, and its 2024-25 adopted budget projects the full expenditure of the remaining fund balance.

## **Special Reserve Fund for Other than Capital Outlay Projects (Fund 17)**

School districts use Fund 17 to account for general operating funds that are not designated for capital outlay. In audited financial statements, this fund is combined with the general fund. Before expenditures can be made, funds from this reserve fund must be transferred to the general fund or another appropriate fund, as specified in EC 42842.

According to the district's 2023-24 unaudited actuals and 2024-25 adopted budget, Fund 17 accrues only interest revenue, resulting in a projected fund balance of \$123,039 for 2024-25.

## **Special Reserve Fund for Postemployment Benefits (Fund 20)**

School districts use Fund 20 to account for funds designated for future postemployment benefit costs that have not been irrevocably contributed to a separate fund. According to the district's 2023-24 unaudited actuals and 2024-25 adopted budget, Fund 20 accrues only interest revenue, with no projected expenditures. As a result, the fund balance remains unused.

## **Building Fund (Fund 21)**

School districts use Fund 21 to account for the proceeds from the sale of facilities bonds, which must be used for voter-approved projects. Interviews with staff indicated that the district's Fund 21 has sufficient resources to complete its ongoing projects. Additionally, the district recently passed Measure E, authorizing \$42 million in bonds to renovate, repair, and improve all schools, ensure compliance with the Americans with Disability Act, and construct a new track and field at the high school.

## **Capital Facilities Fund (Fund 25)**

School districts use Fund 25 to account for fees collected from development projects under EC 17620-17626 and GC 65995 and the following sections. These fees, along with interest earnings, are restricted for facility development and other expenditures specified in agreements with developers.

In 2023-24, the district reported a \$215,756 deficit in Fund 25, and the 2024-25 adopted budget projects a deficit of \$409,908. Continued deficit spending in this fund could eventually impact the unrestricted general fund, making it essential for the district to monitor expenditures and ensure alignment with available revenue.

## Developer Fees

Education Code 17620(a)(5) allows school districts to reimburse themselves for the administrative costs incurred in collecting developer fees by transferring up to 3% of the developer fees collected in a fiscal year to the unrestricted general fund. However, the district does not reimburse the unrestricted general fund for these costs.

Failing to recover these costs shifts the financial burden onto the unrestricted general fund instead of allocating it appropriately to the developer fee fund. To ensure proper cost recovery and compliance with the Education Code, the district should consistently transfer the allowable administrative fee from the developer fee fund to the unrestricted general fund.

## County School Facilities Fund (Fund 35)

School districts use Fund 35 to manage state apportionments for new school construction, modernization projects, and facility hardship grants under the Leroy F. Greene School Facilities Act of 1998. In 2023-24, the district reported a \$1,007,961 deficit in Fund 35. According to its 2024-25 adopted budget, the district projects to fully expend the remaining balance within the fiscal year.

## Special Reserve Fund for Capital Outlay Projects (Fund 40)

School districts use Fund 40 to accumulate general fund money for capital outlay purposes, as authorized by EC 42840. This fund may also account for revenue sources not restricted to other capital project funds, such as proceeds from the sale or lease-with-option-to-purchase of real property, rental income, and leases approved by the school district's governing board. Revenue sources include federal, state and local funding, interest earnings, and other authorized interfund transfers.

Expenditures from Fund 40 are restricted to capital outlay purposes, including property maintenance, renovations, and school improvements, typically classified under 6000 object codes. Salaries for employees directly involved in Fund 40 projects may also be capitalized as part of the project costs.

According to the district's 2023-24 unaudited actuals and 2024-25 adopted budget, Fund 40 is only accruing interest revenue, with no projected expenditures. As a result, the fund balance remains unused.

## Recommendations

*The district should:*

1. Regularly monitor and project revenues and expenditures for all other funds throughout the year.
2. Ensure that the financial impact of all other funds on the unrestricted general fund for the current and two subsequent years is fully accounted for in all MYFPs.

# Revenue Increases and Expenditure Reductions

This section outlines findings and recommendations to help the district identify opportunities to increase revenue and reduce expenditures.

## Revenue Increases

### Unduplicated Pupil Percentage (UPP)

As discussed earlier in this report, accurately identifying and reporting students eligible for free or reduced-price meals, English learners, or foster youth is essential for maximizing a district's funding under the LCFF. As the UPP increases, the district receives additional revenue through supplemental and concentration grants.

The district's UPP has steadily declined, dropping from 92.43% in 2020-21 to 85.88% in 2024-25. If this downward trend continues, the district could face a significant revenue loss, increasing budgetary pressure. To ensure data accuracy, the district should review and correct UPC data in CALPADS before submission to the state.

The implementation of the Universal Meals Program in 2022-23 removed the incentive for families to complete free and reduced-price meal applications, which school districts use to qualify for federal meal reimbursements. To mitigate this impact, the district should encourage families to complete an alternate income form and leverage direct certification, which matches eligible students through county social services data. Strategies such as providing forms online, assisting parents with completion, and offering incentives can improve submission rates. Additionally, maintaining supporting documentation and implementing audit practices will help ensure compliance with state and federal requirements while securing critical funding for high-needs students.

### Indirect Costs and Administrative Costs

All programs incur general management costs, commonly known as indirect costs. These costs typically include administrative functions such as accounting, budgeting, payroll processing, personnel services, purchasing, and central data processing. An indirect cost rate allows school districts to efficiently and uniformly recover a portion of these costs from restricted programs.

The CDE establishes the maximum indirect cost rates that school districts can charge to each program. A school district may charge up to its approved indirect cost rate, unless a specific authority—such as legislation—sets a lower limit. Charging each program and fund the maximum allowable indirect cost rate promotes equity across the school district, ensures that general management costs are adequately supported, and establishes the true cost of each program.

Historically, the district has charged indirect costs to most programs that receive support services from the district office. However, in recent years, the district has not consistently applied its full allowable indirect cost rate across all eligible programs, resulting in underreported operating costs and a loss of potential reimbursements to the unrestricted general fund.

- **2021-22:** The district did not charge any indirect costs to RRMA.
- **2022-23:** The district did not charge the full indirect cost rate to two federal ESSA programs (Title III and School Improvement Grant funding).

- **2023-24:** The district did not charge the full indirect cost rate to three special education programs (IDEA, IDEA preschool, and Mental Health) and two federal ESSA programs (Title I and Title IV).

As a result, the district missed an opportunity to collect approximately \$153,000 in indirect costs for the unrestricted general fund (although a portion of this amount may have been offset by additional contributions to restricted programs). To ensure equitable cost recovery and accurate financial reporting, the district should consistently apply the maximum allowable indirect cost rate to all eligible programs.

## Developer Fees

As previously noted in this report, the district does not consistently transfer the allowable administrative fee from the developer fee fund to the unrestricted general fund and should implement this practice.

## Facility Use Fees

School districts must rely on their general operating budget to cover ongoing facility costs such as utilities, maintenance, and custodial services. While construction funds, like general obligation bonds, can be used to build or renovate school facilities, they cannot be used for these recurring expenses.

To ensure that funds designated for student learning are not diverted to subsidize facility use by outside organizations, EC 38134 authorizes school districts to charge facility use fees to individuals and groups and sets limits on the amounts that may be charged. Without an appropriate fee structure, the district must absorb these costs when facilities are used at no charge or when fees do not fully cover associated expenses.

A well-defined facility use fee schedule ensures that external users contribute to the school district's ongoing operational costs, preserving funds for student learning. To maintain consistency and transparency, school districts should establish a structured process for managing facility use requests. This includes developing policies, procedures and standardized forms that comply with Education Code requirements. Additionally, facility use agreements should incorporate approved language from the school district's insurance carrier to clarify liability when outside organizations use school facilities.

The district's BP 1330 and Use of Facilities Exhibit outline its facility use policies and procedures, and the fee schedule is available on the district website. Facility use revenues were minimal in 2022-23 and 2023-24. To improve efficiency, the district should ensure consistency in managing facility use requests and billing processes across all sites. Conducting an annual review of facility use fees will also help ensure that charges remain appropriate and that revenues fully cover associated costs.

## Sales of Surplus Equipment

FCMAT's review of the current and prior two years found no recorded revenues from the sale of unused or obsolete property. The district has the ability to sell surplus items, including supplies and equipment (such as computers and servers), and district vehicles. Selling these items can generate revenue, reduce storage costs, and minimize the risk of theft.

As a best practice, school districts should regularly evaluate surplus equipment to determine whether items stored in empty classrooms or warehouses can be repurposed or designated for disposal or sale. Conducting routine reviews and maintaining an up-to-date inventory of all fixed assets can help guide these decisions. For larger items, such as vehicles, or bulk inventory, school districts can contract with private auction companies to streamline the surplus sale process.

## **Expenditure Reductions**

### **Staffing Formulas**

It is best practice for school districts to establish and adhere to certificated and classified staffing formulas to guide the number of full-time equivalent positions allocated to sites, programs and departments. Staffing ratios help school districts align staffing levels with enrollment trends and provide managers with a structured framework for making staffing decisions, such as when to add new positions or leave vacancies unfilled. They also support budget planning and strategic workforce management, and the effective allocation of staffing resources to meet operational needs.

The district has not established staffing formulas for administrative or classified positions. While the district has staffing formulas for certificated employees, the collective bargaining agreement includes only some maximum class size limits, which interviews indicate are not consistently followed. To improve consistency and efficiency, the district should adhere to existing staffing formulas and class size limits, and develop clear staffing ratios for administrative and classified positions.

### **Restricted Funds**

Restricted funds are allocated monies designated for specific purposes and governed by program or funding guidelines. Unlike unrestricted funds, which can typically be used for any educational purpose, restricted funds must be spent only on the programs, services, or activities for which they were allocated. Mismanagement of these funds can result in financial inefficiencies, compliance issues, and potential loss of funding.

When school districts receive restricted grants or funds, they should develop a spending plan for each grant program, whether the funding is one-time or ongoing. For multiyear grants, school districts should ensure they have a corresponding multiyear spending plan to prevent unnecessary contributions from the general fund unless required by the grant. If staffing costs are allocated to one-time restricted funds, the school district should work strategically with human resources to ensure contracts are structured appropriately.

The district has carryover balances in many restricted programs, including Title II, Part A, Supporting Effective Instruction, ELOP, Literacy Coaches and Reading Specialists Grant, CCSPP Implementation Grant, the Arts Music, and Instructional Materials Discretionary Block Grant and LREBG. The district should develop spending plans for these resources if they are not already in place.

To maximize financial flexibility, the district needs to ensure all qualifying expenditures are charged to the appropriate restricted programs before using unrestricted funds. Properly coding expenditures to the correct funding sources helps preserve unrestricted dollars, ensuring the district can allocate resources more effectively.

### **Health and Welfare Benefit Audit**

It is best practice for school districts to conduct a comprehensive verification and determination of benefit eligibility for active and retired employees and their dependents at least every five years. However, interviews indicated that the district has not conducted a benefit audit in recent years, and due to administrative turnover, staff could not confirm when this process was last completed. Additionally, FCMAT could not verify through interviews or documentation whether the district has historically adhered to this practice.

Although verifying benefit eligibility requires staff time, many school districts achieve cost savings by discontinuing benefits for ineligible individuals. Regular audits help ensure accurate management of benefit costs and the efficient allocation of school district resources. They also help prevent a potential gift of public funds due to errors in withheld amounts.

## Special Education

School districts must ensure that special education services are provided only to students who qualify for them. Special education programs consistently operate with insufficient funding, making it essential to allocate these limited resources exclusively to qualifying students. While special education services provide critical support for students with disabilities, students identified for special education may face stigma, lower expectations, and reduced access to the general education curriculum and teachers. These factors can adversely affect their academic achievement and long-term outcomes.

In 2023-24, the district's special education identification rate was 15.8%, exceeding the countywide and statewide averages of 13.7% by 2.1 percentage points. The district should examine whether it is overidentifying students for special education and review assessment requests to determine whether general education interventions should be implemented before proceeding with special education evaluations. Additionally, the district should ensure that structured interventions are in place to support special education students in the general education environment, ensuring they receive necessary services while maximizing their access to general education instruction.

The district's contribution to special education programs for 2023-24 is projected at \$11.3 million, or 58.79% of total special education expenditures, which falls below the last published statewide average of 64.3% in 2021-22, according to SSC. To maintain financial sustainability while upholding compliance and service quality, the district should evaluate cost drivers and explore strategies to optimize resources while maintaining compliance and service quality. FCMAT's [Special Education Efficiency Tool](#) can help with this process.

## Recommendations

*The district should:*

1. Charge each restricted resource and fund the full allowable indirect cost rate, even if it results in a contribution from the unrestricted general fund.
2. Charge and transfer a 3% administrative fee on developer fees to the general fund.
3. Annually evaluate and update facility use fees to ensure the full costs of facility use are recovered. Consistently charge a facility use fee that covers at least the direct costs associated with facility use.
4. Review inventories of supplies, equipment, and vehicles to identify obsolete or surplus items. Consider selling items that are no longer needed or useful.
5. Consider adopting staffing ratios for administrative and classified positions. Adjust staffing levels as necessary to align with enrollment trends and the established staffing ratios.
6. Ensure all qualifying expenditures are properly allocated to the appropriate restricted programs before using unrestricted funds.
7. Conduct a benefit verification and eligibility determination audit for all active and retired employees and their dependents at least once every five years.

# Business Services Operational Processes and Procedures

This section presents FCMAT's findings on the operational processes and procedures of the district's Business Services Department, along with recommendations for improvement.

## Budget Development

Budget development is a complex and continual process that requires careful planning, collaboration and transparency to ensure that financial resources are used effectively to support student learning and the school district's priorities. It plays a critical role in fulfilling the school district's educational mission and goals while meeting the needs of students, teachers and the broader community. As such, the allocation of resources through budgeting is one of the most important responsibilities of a school district's governing board and management.

School districts must adopt their annual budget and LCAP within the statutory timelines established by EC 42127. Before July 1 of each year, the governing board of each school district is required to hold a public hearing on, and adopt, the budget for the subsequent fiscal year. The budget must be prepared in the format prescribed by the superintendent of public instruction in accordance with EC 42126. Within 45 days of the governor signing the annual budget act, the school district is required to make available to the public any revisions in revenues and expenditures that were made to its budget in alignment with the funding allocated by that year's budget act.

Budget development is a detailed process that typically begins on or before January of the preceding fiscal year. During this process, position control is revised and updated, revenues and expenses are estimated, and the budget is aligned with the school district's LCAP. The LCAP, in turn, states the school district's goals and the actions necessary to achieve them.

School districts may use a variety of budget models, each with distinct advantages and challenges. The most effective models promote confidence among educational partners and the community by ensuring transparency and providing a clear framework for funding decisions. Throughout budget development, adoption, and monitoring, it is essential to clearly define how funding levels are determined and communicate the rationale behind resource allocation.

## District Budget Development Process

The district uses an incremental budgeting approach for its budget development process. This method builds upon the prior year's budget, making adjustments for known changes in revenues and expenditures. As the most widely used budgeting model among California school districts, incremental budgeting offers simplicity and stability. However, it can also perpetuate existing spending patterns and limit opportunities for strategic resource allocation. This challenge is particularly relevant for school districts where salaries and benefits comprise most expenditures.

The district applied uniform 10% budget reductions across all sites and departments without accounting for enrollment variations or the introduction of new programs, resulting in funding disparities. To promote a more equitable allocation of resources, the district should consider a per-student funding model based on current-year projected enrollment. This approach would help ensure that schools receive adequate funding to meet their unique needs, reducing inequities caused by across-the-board budget cuts.

## District Historical Budget Development Process

Interviews indicated that the district previously used a hybrid budgeting approach, combining incremental budgeting with performance-based budgeting. Introduced in 2018, the district's performance-based budgeting component was designed to align funding decisions with strategic goals. It relied on a districtwide committee composed of principals, teachers, department directors, and the chief business official (CBO). Subcommittees representing each grade level, program, and department developed budget proposals based on funding scenarios of 100%, 95%, or 90%, which were then reviewed and finalized by the districtwide committee.

While the district's performance-based budgeting model aimed to enhance accountability and strategic alignment, its implementation lacked clear benchmarks and metrics to evaluate effectiveness. Without defined criteria for assessing outcomes, the district struggled to determine whether funding decisions led to meaningful improvements in student achievement or program effectiveness.

Equity concerns also arose, particularly regarding the composition of the districtwide committee and the lack of a standardized rubric for evaluating proposals. Additionally, the budgeting process failed to account for the unique needs of individual schools. For example, some elementary schools with growing enrollments and new programs faced the same budget reductions as schools with stable or declining enrollment, resulting in inconsistent financial impacts across the district.

These challenges, exacerbated by staff turnover and disruptions caused by the COVID-19 pandemic, ultimately led the district to abandon performance-based budgeting and revert entirely to incremental budgeting.

## Budget Development Process Considerations

It is a best practice to continually evaluate budgeting methods to ensure they are equitable and aligned with the district's priorities and student needs. If the district considers reintroducing performance-based budgeting, it should first determine whether the model supports its objectives and operational needs. To strengthen its previous budgeting process, the district should establish clear metrics and benchmarks to assess the effectiveness of funding allocations and their impact on student outcomes. Additionally, the process should be fully aligned with district goals and the LCAP while incorporating input from educational partners and the community.

Implementing a standardized rubric for evaluating proposals would promote equity and mitigate perceptions of favoritism in decision-making. The district should also build flexibility into the performance-based budgeting process to account for the unique needs of individual schools and departments. Addressing these key areas will improve transparency and accountability in the budget process. When properly implemented, performance-based budgeting can serve as strategic tool for resource allocation and contribute to measurable improvements in student achievement.

## Budget Development Calendar

Establishing and adhering to a governing board-approved budget development calendar is a best practice for ensuring timely and effective budget development. This calendar serves as a vital tool for fostering clear communication, coordinating budget-related tasks, and engaging all schools and departments in the process. However, its effectiveness hinges on widespread distribution and consistent adherence across the school district.

The district maintains two budget calendars: one summarizing key monthly actions and another detailing specific tasks, the positions responsible, and due dates. However, many duties are assigned to vacant positions, leaving some tasks unassigned or overlooked due to staff being unaware of them.

Additionally, the district contracts with consultants to manage several budget development responsibilities, but their roles are not documented in the budget calendar. Interviews indicated that consultants often provide financial reports just in time to meet the governing board agenda's 72-hour posting requirement, leaving the CBO with little time to review the data or correct potential errors.

To improve efficiency and accountability, the district needs to update the budget calendar to clearly define consultants' responsibilities and establish firm deadlines. Doing so will ensure district staff receive necessary reports in a timely manner, allowing for thorough review, clarification, and any required revisions before submission to the governing board. Strengthening these processes will enhance budget transparency, improve accuracy, and support more effective financial decision-making.

## **LCAP Misalignment and Revision**

In September, the district revised its LCAP after determining that the version approved with the June budget did not fully align with all stated goals and actions. Correcting this oversight required new staff to conduct a detailed, item-by-item review to realign the LCAP with the budget, delaying critical planning and implementation efforts.

This misalignment highlights the need for greater coordination between the LCAP and budget development processes. To prevent similar delays in the future, the district should ensure that both documents are developed in close alignment, with thorough reviews conducted before approval. Strengthening this process will support the timely execution of strategic goals and improve overall fiscal and programmatic planning.

## **Position Control**

Accurately projecting employee salary and benefit costs is a critical component of budget development. The district allocates approximately 89% of its budget to salaries and benefits, which is consistent with the typical range of 80% to 90% in school districts. Given the substantial portion of the budget dedicated to these expenses, maintaining accurate and up-to-date salary and benefit data is essential for effective financial planning.

Although the district uses the position control module within its financial system to manage salary and benefit costs, the data is neither consistently updated nor fully accurate. Reliance on an off-site consultant has further hindered the district's ability to maintain up-to-date position control data. To ensure the position control module serves as a reliable budgeting tool, the district needs to prioritize reestablishing regular updates to the position control module once the vacant position responsible for this work is filled.

## **Site and Department Budgets**

Under the leadership of the CBO, each department budget should be developed in collaboration with the respective managers and staff. This approach fosters shared ownership and responsibility, improves understanding of budgetary issues, and may reduce the need for frequent budget transfers throughout the year.

However, the district's business office has not actively involved school and department managers in the budget development process. This is partly due to many administrators being new to their roles. As a result, the business office has primarily rolled forward the prior year's budget with minimal adjustments and limited input from site and department leaders.

Relying on this practice has resulted in numerous budget revisions early in the fiscal year to accommodate essential purchases and ensure timely payroll processing. While budget revisions are a normal and necessary part of ongoing budget monitoring, using them as the primary means of establishing the budget is inefficient. This approach increases the administrative workload, diverts district staff from their regular duties, and underscores the need for a more proactive and collaborative budget development process.

To improve budget accuracy and efficiency, the district should consistently hold annual budget development meetings with schools and departments and provide regular training for school and department administrators and staff on account coding and the district's financial software. Equipping staff with the necessary knowledge and tools will improve budget management and accuracy.

The district needs to ensure all sites and departments have online access to the financial system and budget data. Doing so would enhance transparency, allow administrators to track expenditures in real time, and reduce delays, ultimately leading to more efficient budget management.

## Recommendations

*The district should:*

1. Evaluate whether reintroducing performance-based budgeting aligns with its objectives and operational needs. If deemed beneficial, implement the following improvements to the previous process:
  - a. Establish clear metrics and benchmarks to assess the effectiveness of funding allocations and their impact on student outcomes.
  - b. Fully align the process with district goals and the LCAP, incorporating input from educational partners and the community.
  - c. Implement a standardized rubric for evaluating proposals to promote equity and mitigate perceptions of favoritism in decision-making.
  - d. Ensure flexibility to accommodate the unique needs of individual schools and departments.
2. Revise the budget development calendar to include consultant responsibilities and due dates, ensuring that reports are submitted with sufficient time for the CBO to review and correct data before presenting it to the governing board.
3. Regularly update position control data, ensuring that staffing information remains accurate and up to date.
4. Develop and implement a structured process that ensures school and department managers are actively engaged in budget development.
5. Conduct annual training sessions for school and department budget managers on budget and financial management.
6. Develop and document a process that ensures all components of the strategic plan are incorporated into budget development and integrated into the LCAP.

## Budget Monitoring

School district budgets are dynamic and subject to changes in estimated revenues and expenses. They are affected by factors such as state budget allocations, shifts in enrollment and attendance, expenditure items such as personnel, and negotiated settlements of employee bargaining agreements. Consequently, continuous monitoring and adjustments throughout the fiscal year are essential to maintaining fiscal solvency and ensuring resources are allocated efficiently to support the educational needs of all students.

Regular budget monitoring is critical to ensuring that revenue projections align with actual income, expenditures stay within budgeted amounts, and appropriations are not overspent. It reinforces accountability by ensuring that spending aligns with the school district's priorities and expectations while tracking the implementation of financial, operational, and capital plans approved during budget adoption.

Comparing budgeted amounts to actual expenditures serves as the foundation of the budget monitoring process, but a comprehensive approach should also evaluate how well the programs and initiatives are being delivered. When conducted consistently, thoroughly and transparently, budget monitoring provides valuable insights that strengthen collaboration between business and program staff and support the effective implementation of programs.

## Budget Revisions

Most school districts revise their budgets multiple times throughout the fiscal year as new information emerges and priorities change. These budget revisions generally fall into one of three categories:

- Material increases and decreases to estimated income and expenditure appropriations resulting from the receipt of new grant awards or donations.
- Budgeted carryover balances from prior years.
- Adjustments to expenditure appropriations to prevent budget overruns.

Budget adjustment and budget transfer conditions are governed by EC 42600-42603 and 42610. EC 42600 states, in part:

The total amount budgeted as the proposed expenditure of the school district for each major classification of school district expenditures listed in the school district budget forms prescribed by the Superintendent of Public Instruction shall be the maximum amount which may be expended for that classification of expenditures for the school year. Transfers may be made from the designated fund balance or the unappropriated fund balance to any expenditure classification or between expenditure classifications at any time by written resolution of the board of education of any school district governed by a board of education, when filed with the county superintendent of schools and the county auditor, or by written resolution of the board of trustees of any school district not governed by a board of education, when approved by the county superintendent of schools and filed with the county auditor. A resolution providing for the transfers specified in this section shall be approved by a majority vote of the members of the governing board.

FCMAT interprets this provision to mean that all budget adjustments and budget transfers should be approved at an official meeting of the school district's governing board. Some school districts submit budget revisions to the governing board only with interim reports, which is the minimum recommended practice, while others present revisions more frequently, such as monthly. Presenting revisions more frequently is especially important for adjustments that will significantly affect the ending fund balance or other key aspects of the budget.

The best practice is to make budget revisions as new information becomes available, as district needs evolve, and as often as necessary to keep the budget current. Many school districts find it ideal to present revisions on a monthly basis. At a minimum, revisions should be made in accordance with the deadlines established in EC 42130 for the first and second interim financial reports. These revisions should provide the governing board with the following information:

- Changes in operating costs.
- Employee and retiree benefit trends.
- Salaries and benefits as a percentage of all expenditures.
- Contributions to restricted programs.
- Ongoing versus one-time resources.
- General fund deficits.
- Projected balances of reserve funds.
- Cash flow projections.

The district's BP 3100 states, "Whenever revenues and expenditures change significantly throughout the year, the Superintendent or designee shall recommend budget amendments to ensure accurate projections of the district's net ending balance." However, despite this policy, the district does not regularly include specific budget revisions in its board agendas throughout the year. Given the high turnover in key business leadership positions, this may not have been a priority. Moving forward, it is essential that the governing board report explicitly states whether an interim report serves as a budget revision.

The district needs to provide additional details explaining the necessity of budget adjustments and the specifics of each revision to ensure transparency and accountability in budget management. Clear documentation is essential for maintaining trust, facilitating effective communication, and ensuring accountability throughout the budget process.

The best practice for budget revisions is to include the underlying assumptions along with a clear explanation of their impact. Without these details, the rationale and effects of revisions may be unclear, leading to potential misunderstandings, reduced transparency, and issues in decision-making. This lack of clarity can hinder educational partners, including board members, administrators, and the community, from making informed judgments about the school district's financial health and priorities.

Interviews with staff indicate that the district has a process for schools and departments to submit budget transfer request forms to the Business Department. These forms require approval and provide a structured process for reviewing and approving budget revisions in the financial system. Additionally, they and their supporting documentation can serve as part of the backup for overall budget revisions that should be presented to the governing board.

## **Effects of Staff Turnover on District's Budget Monitoring Process**

As noted earlier in this report, the district has experienced significant turnover in its CBO and director of fiscal services positions over the past 12 years. These key roles are responsible for monitoring the budget and ensuring that expenditures align with district-approved expenditure plans. Since 2012, nine individuals have served as CBO. Most recently, the CBO position was vacant in April 2024 and filled in July 2024, while the director of fiscal services position has been vacant since September 2024 and is currently backfilled by a consultant.

This turnover has disrupted the district's budget monitoring process. Typically, school districts develop their proposed budgets within their financial systems and upload them into the standardized account code state accounting software. A business administrator then presents the proposed budget to the governing board and, once approved, must ensure that the financial system accurately reflects the adopted budget.

However, due to the ongoing instability in the district's business administration, this process was not completed. Staff interviews indicate that the 2024-25 budget and LCAP adopted by the governing board did not align with the budget recorded in the district's financial system. Several staff members expressed frustration over this misalignment, which created confusion at schools — particularly when assigning proper account codes for substitute payroll time sheets and opening requisitions related to actions listed in the LCAP.

To maintain continuity and ensure efficient operations, it is best practice for school districts to maintain a comprehensive, regularly updated list of duties for each business position. This is especially critical for school districts experiencing frequent turnover. A well-documented list can also be shared with consultants or interim staff filling vacant positions, ensuring that all essential tasks are completed without disruption. Additionally, clearly defining roles and responsibilities strengthens internal controls, supports effective budget monitoring, and reduces confusion regarding school and department budgets.

## Site Budget Meetings

The district's administrators and secretaries responsible for overseeing site budgets meet every other month to review their financial standing. These meetings primarily focus on assessing each site's budget, tracking expenditures to date, and addressing any instances of overspending. However, when a site exceeds its budget, administrators or clerical staff must return to the district office after the meeting to submit a budget revision request. This additional step creates an unnecessary administrative burden on site staff, who are already managing the daily demands of running a school.

A more efficient approach would be to equip the district accountants with the ability to generate and print budget revision forms during these meetings. This would allow administrators to sign the paperwork on-site, eliminating the need for follow-up trips to the district office. By streamlining this process, the district could reduce delays and minimize the risk of forgotten requests, ultimately improving the timeliness and accuracy of budget adjustments. This change would not only enhance the operational efficiency of site staff but also foster a more collaborative and responsive budgeting process.

In addition, the district accountants should meet regularly (at minimum during each budget reporting period in May, November, and February) with department administrators overseeing districtwide grants.

## One-Time State and Federal Funds

Ongoing budget monitoring involves helping schools and departments manage their available funds effectively, preventing over- or underspending, and ensuring accurate financial coding. Collaboration between each school district's business department, schools, and other departments is especially critical as districts continue to navigate an unprecedented influx of one-time state and federal funding due to the COVID-19 pandemic.

Although the consultant maintains a categorical workbook for closing the books, it is unclear whether the district has its own comprehensive documentation to track all ongoing and one-time state and federal funding sources. As a best practice, school districts should work closely with their schools and departments to strategically plan the use of restricted funds, align expenditures with district goals, and ensure timely spending to maximize funding resources.

## Unspent COVID-19 and ELOP Funds

Federal COVID-19 relief funds were required to be expended by September 30, 2024, and ELOP funds allocated for 2021–22 and 2022–23 had to be used within their respective years. Any unspent funds are subject to recoupment by the CDE.

FCMAT identified \$873,381 in unspent one-time federal COVID funds that should have been used before the September 30, 2024 deadline. Additionally, \$3,490,109 in unspent ELOP funds from 2021–22 and 2022–23 will be recouped by CDE in January or March 2025, reducing the district’s financial resources.

It is also unclear whether the district accurately charged all eligible expenditures to the COVID-19 and ELOP programs. Before submitting final expenditure reports, the district must verify that all qualifying expenses have been accurately charged. If the district determines that eligible expenditures were inaccurately coded, it will be required to return those funds to CDE.

Several factors contributed to these financial oversight issues, including the transition of key fiscal staff, such as the CBO and director of fiscal services, as well as unclear staff roles and responsibilities for budget monitoring. Additionally, poor communication and collaboration may have led to these funds remaining unspent despite statutory deadlines.

These issues highlight deficiencies in financial oversight and compliance, which could affect the district’s ability to effectively manage future funding. Strengthening internal controls, improving communication, and clarifying budget monitoring responsibilities will be critical to preventing similar challenges in the future.

## Unrestricted General Fund Variances

FCMAT’s review of the district’s unrestricted general fund variances between the adopted budget and unaudited actuals found that in three out of the past five years, the unaudited actuals unrestricted ending fund balance was significantly larger than projected in the adopted budget. To improve financial accuracy and accountability, the district needs to work to minimize these variances throughout the year and at year-end closing. Providing the governing board with accurate, timely data will support decision-making and ensure that resources are strategically used within required timelines.

Reducing these discrepancies requires not only improved budget monitoring but also clear and consistent communication with all educational partners. Strengthening transparency in budget management fosters trust and ensures that financial decisions are well-informed. By proactively monitoring the budget and clearly communicating revisions, the district can enhance credibility with district departments, employee associations, the governing board, and the local community. Budget revisions and their impact should be shared regularly with detailed explanations to ensure all educational partners have a clear understanding of the district’s financial position.

## Aligning LCAP Expenditures with the Financial System

The district tracks LCAP expenditures using local codes, which may change annually as LCAP goals and expenditures are updated. However, staff interviews revealed uncertainty regarding the correct codes for 2024-25 LCAP budgeted expenditures. This confusion led to delays in processing time cards, setting up requisitions, and additional work for school staff to obtain the correct account codes.

To address these issues, the district held several meetings in the fall with each school and several departments to align the financial system with the approved budget and LCAP. Ensuring ongoing clarity and consistency in coding practices will help streamline financial processes, reduce administrative burdens, and improve overall efficiency.

## Recommendations

*The district should:*

1. Ensure compliance with BP 3100 by submitting budget revisions to its governing board for approval whenever a material change in revenues or expenditures occurs.
2. Revise BP 3100 to require that all budget revisions submitted for approval include detailed explanations.
3. Develop a comprehensive list of duties by position and update it regularly to reflect any changes in responsibilities.
4. Designate key position(s) within the Business Department to communicate significant variances between actual revenues and expenditures and the budget to the appropriate school or department.
5. Ensure funds are spent timely and in alignment with program objectives.
6. Regularly monitor and revise the budget throughout the fiscal year to prevent over- or underspending, maintain accurate revenue projections, and ensure actual expenditures align with the budget.
7. Require the business office to maintain internal documentation tracking ongoing and one-time state and federal funding sources, including timelines for each.
8. Ensure the district business office collaborates with department and school administrators to ensure restricted funding sources are fully used and spent within grant timelines.
9. Authorize district accountants to process and finalize budget adjustments during budget meetings, based on discussions and agreements with site or department administrators.

# Appendix

## Study Agreement

# Study Agreement

## FCMAT

FISCAL CRISIS & MANAGEMENT  
ASSISTANCE TEAM

### FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM STUDY AGREEMENT FOR MANAGEMENT ASSISTANCE

This study agreement, hereinafter referred to as Agreement, is made and entered into by and between the Fiscal Crisis and Management Assistance Team, hereinafter referred to as the Team or FCMAT, and the Soledad Unified School District, hereinafter referred to as the Client; collectively, FCMAT and Client are hereinafter referred to as the Parties. This Agreement shall become effective from the date of execution hereof by FCMAT.

#### 1. BASIS OF AGREEMENT

FCMAT provides a variety of services to local education agencies (LEAs) as authorized by Education Code (EC) 42127.8(d). The Client has requested that the FCMAT assign professionals to study specific aspects of the Client's operations. The professionals will include FCMAT staff and may include professionals from county offices of education, school districts, charter schools, community colleges, other public agencies or private contractors. All professionals assigned shall work under the direction of FCMAT. All work shall be performed in accordance with the terms and conditions of this Agreement.

FCMAT will notify the Client's county superintendent of schools of this Agreement.

#### 2. SCOPE OF THE WORK

##### A. Scope and Objectives of the Study

1. Review the district's 2024-25 adopted general fund budget and use it as a baseline to develop an independent multiyear financial projection (MYFP) for the current and two subsequent fiscal years. The MYFP will be a snapshot in time of the district's financial status. Make recommendations for expenditure reductions and/or revenue increases to help the district eliminate its structural budget deficit, if any.
2. Review operational processes and procedures in the Business Services Department and make recommendations for improved efficiency, if any, in the following areas:
  - Budget development
  - Budget monitoring
3. The Team will present the final report to the district's board of trustees at a public meeting following the completion of the review.

##### B. Services and Products to be Provided

###### 1. Orientation Meeting

The Team will conduct an orientation session at the Client's location to brief the Client's management and supervisory personnel on the Team's procedures and the purpose and schedule of the study. This orientation meeting is normally held at the beginning of fieldwork for the study.

2. Fieldwork

The Team will conduct fieldwork at the Client's office and/or school site(s), or other locations as needed. Limited fieldwork may also be conducted remotely via telephone or videoconferencing services, in addition to the Public Safety Considerations outlined in Section 13 below.

3. Exit Meeting

The Team will hold an exit meeting at the conclusion of the fieldwork to inform the Client of the status of the study. The exit meeting will include a review of the scope of work; outstanding items, including documents, data and interviews not yet received or held; and the estimated timeline for a draft report. The meeting will not memorialize details regarding findings because the Team's conclusions may change after a complete analysis is finished. Exceptions to this will be findings of immediate health and safety concerns for students or staff, and other time-sensitive items that include the potential for risk or exposure to loss.

4. Exit Letter

Approximately 10 business days after the exit meeting, the Team will issue an exit letter briefly memorializing the topics discussed in the exit meeting.

5. Draft Report

An electronic copy of a preliminary draft report will be delivered to the Client's point of contact identified below for review and comment.

6. Final Report

An electronic copy of the final report will be delivered to the Client's point of contact and to the Client's county superintendent of schools following completion of the study. FCMAT's work products are public and all final reports are published on the FCMAT website.

7. Board Presentation

Presentations to the Client's board are optional and are made at the request of the Client. If a board presentation is requested, it will be noted in the scope and objectives of the study or can be added as a change in scope at a later date.

8. Follow-Up Review

If requested by the Client within six to 12 months after completion of the study, FCMAT, at no additional cost, will assess the Client's progress in implementing the recommendations included in the report. This follow-up support is primarily a document review-based study. Progress in implementing the recommendations will be documented to the Client in a FCMAT management letter. FCMAT will work with the Client on a mutually convenient time to return for follow-up support that is no sooner than eight months and no later than 18 months after the date of the final report.

### 3. PROJECT PERSONNEL

The personnel assigned to the study will be led by a FCMAT staff person (job lead) and will include at least one other professional. FCMAT will notify the Client of the assigned personnel when the fully executed copy of this Agreement is returned to the Client.

FCMAT will communicate to the Client any changes in assigned project personnel.

### 4. PROJECT COSTS

The cost for studies requested pursuant to EC 42127.8(d)(1) and 84041 shall be as follows:

- A. \$1,100 per day for each FCMAT staff member while on site conducting fieldwork. The cost of independent FCMAT consultants will be billed at their daily rate for all work performed. On-site is defined as either 1) physically at the Client's office or school site(s), or 2) in a scheduled virtual meeting with the Client's personnel, representatives or others associated with the scope of work pursuant to Section 13 below.
- B. All out-of-pocket expenses, including travel and its associated costs, and miscellaneous items necessary to complete the scope and objectives of the study.
- C. The applicable indirect rate at the time work is performed on the study will be added to all costs billed.
- D. The Client will be invoiced for 50% of the not-to-exceed cost shown below following completion of fieldwork (progress payment) and the remaining amount shall be due upon the issuance of the final report or presentation to the Client's board, whichever is later (final payment). The Parties agree that changes documented in a revised study agreement may change the original not-to-exceed amount shown below. If changes are made before or during fieldwork, the new not-to-exceed amount documented in such a revised study agreement will constitute the basis for the progress payment. If changes are made after fieldwork, 100% of the total changed value documented in a revised study agreement, less progress payments made, will constitute the final payment due. All payments shall be due immediately based on the terms of the invoice.

**Based on the scope and objectives of the study, the total not-to-exceed cost of the study will be \$19,000.**

- E. Any change to the scope of work will affect the total cost. Changes may include, but are not limited to, delays, revisions to the scope of services, and substitution or addition of personnel. The need for changes shall be communicated by FCMAT to the Client in advance in the form of a revised study agreement.

Payments for FCMAT's services are payable to Kern County Superintendent of Schools, Administrative Agent, 1300 17th Street, City Centre, Bakersfield, CA 93301.

## **5. RESPONSIBILITIES OF THE CLIENT**

- A. Return current organizational chart(s) that show the Client's management and staffing structure with the signed copy of this Agreement. Organizational charts should be relevant to the scope of this Agreement.
- B. Provide private office or conference room space for the Team's use during fieldwork.
- C. Provide for a Client employee to upload all requested documents and data to FCMAT's online SharePoint repository per FCMAT's instructions. Provide FCMAT with the name and email of the person who will be responsible for collecting and uploading documents requested by FCMAT with the signed copy of this Agreement.
- D. Provide documents and data requested on the Team's initial and supplementary document request list(s) by the date requested.

All documents and data provided shall be responsive to FCMAT's request, in quality condition, readable and in a usable form. With few exceptions, documents and data requested are public records and records maintained by LEAs in the routine course of doing business. Some data requested may require exporting LEA financial system reports to Microsoft Excel or another usable format agreed to by FCMAT.

All documents shall be provided to FCMAT in electronic format, labeled as instructed by FCMAT. Upon approval of this Agreement, access will be provided to FCMAT's online SharePoint repository, to which the Client will upload all requested documents and data.

- E. Ensure appropriate senior-level staff are available for the orientation and exit meetings.
- F. Facilitate access to requested board members, officers and staff for interviews.
- G. Facilitate access to requested information and facilities to include, but not be limited to, files, sites, classrooms and operational areas for observation.
- H. Review a draft of the report and return it to FCMAT by the date FCMAT requests with any comments regarding the accuracy of the report's data or the practicability of its recommendations. The Team will review this feedback in a timely manner and make any adjustments it deems necessary before issuing the final report.
- I. Return the requested evaluation survey to FCMAT as described below.

## **6. PROJECT SCHEDULE**

Time is of the essence. The Parties acknowledge that the goal of the scope and objectives of the study under this Agreement is to produce a timely and thorough report that adds value for the Client. To accomplish this goal, the Parties agree to communicate and mutually agree to honor established time commitments. These commitments include the Client providing requested documents, setting and keeping interview appointments and returning comments on the draft report consistent with the established project schedule.

The following project schedule milestones will be established by FCMAT upon receipt of a signed Agreement from the Client:

| <b>ACTION</b>   | <b>TIMELINE</b>   |
|---|---|
| FCMAT provides the Client with a draft Agreement.   | Draft Agreements are usually provided within 20 business days of the Client's initial request for services.                   |
| Client returns partially executed Agreement to FCMAT along with the applicable organizational chart and the name and email of the person who will be responsible for collecting and uploading documents requested by FCMAT. | Draft Agreements are valid for 30 business days.  |
| FCMAT returns a fully executed Agreement to the Client and identifies the project schedule and the lead and other personnel assigned to the job.  | Within five business days of the Client's return of the signed Agreement.   |
| Client uploads initial requested documents and data to FCMAT's online SharePoint repository.  | Within 10 business days of the Client's receipt of the FCMAT document and data request list.                                  |
| Fieldwork   | Mutually agreed upon; usually, to commence within 10 business days of FCMAT's receipt of requested documents and data.        |
| Orientation meeting   | First day of fieldwork.   |
| Exit meeting  | Last day of fieldwork.  |
| Follow up fieldwork, if needed (e.g., rescheduled interview, additional interviews).  | Mutually agreed upon; usually, within five business days of FCMAT's request.  |
| Client uploads supplemental documents and data to FCMAT's online SharePoint repository.   | Within two business days of the Client's receipt of FCMAT's supplemental document and data request(s).                        |
| Draft report submitted to the Client.   | To be determined, usually, within eight weeks of the conclusion of fieldwork and receipt of all documents and data requested. |
| Client comments on draft report   | Within 10 business days of FCMAT providing a draft report to the Client.  |

The Client acknowledges that project schedule deadlines build upon and are contingent on each previous deadline. Missed deadline dates will affect future deadline dates and ultimately the timing of the final report. For example, if the Client does not provide requested documents and data by the specified date, the fieldwork may not be able to proceed as originally planned.

FCMAT acknowledges that the Client has an educational program to administer, is balancing many priorities, and in some cases may have records management difficulties, staffing

capacity issues, staff on various types of leave, or other circumstances, all of which will affect the project schedule.

The Parties commit to regular communication and updates about the study schedule and work progress. FCMAT may modify the usual timelines as needed.

## **7. COMMENCEMENT, TERMINATION AND COMPLETION OF WORK**

FCMAT will commence work as soon as it has assembled an available and appropriate study team, taking into consideration other jobs FCMAT has previously undertaken, assignments from the state, and higher priority assignments due to fiscal distress. The Team will work expeditiously to complete its work and deliver its report, subject to the cooperation of the Client and any other related parties from which, in the Team's judgment, it must obtain information. Once the Team has completed its fieldwork, it will proceed to prepare a report. In the absence of extraordinary circumstances, FCMAT will not withhold preparation, publication and distribution of a final report once fieldwork has been completed.

Prior to completion of fieldwork and upon written notice to FCMAT, the Client may terminate its request for service and will be responsible for all costs incurred by FCMAT to the date of termination under Section 4 (Project Costs). If the Client does not provide written notice of termination prior to completion of fieldwork, the Team will complete its work and deliver its final report and the Client will be responsible for the full costs.

FCMAT may terminate this Agreement at any time if the Client fails to cooperate with the requested project schedule, provide requested documents and data and/or make staff available for interviews as requested by FCMAT.

## **8. INDEPENDENT CONTRACTOR**

FCMAT is an independent contractor and is not an employee or engaged in any manner with the Client. The manner in which FCMAT's services are rendered shall be within its sole control and discretion. FCMAT representatives are not authorized to speak for, represent, or obligate the Client in any manner without prior express written authorization from an officer of the Client.

## **9. RECORDS**

The Client understands and agrees that FCMAT is a state agency and all FCMAT reports are public records and are published on the [FCMAT website](#). Supporting documents and data in FCMAT's possession may also be public records and will be made available in accordance with the provisions of the California Public Records Act.

FCMAT has a records retention policy and practice, and every effort will be made to maintain records related to this Agreement in accordance with this policy.

## **10. CONTACT WITH PUPILS**

Pursuant to EC 45125.1, representatives of FCMAT will have limited contact with pupils. The Client shall take appropriate steps to comply with EC 45125.1.

## **11. INSURANCE**

During the term of this Agreement, FCMAT shall maintain liability insurance of not less than \$1 million unless otherwise agreed upon in writing by the Client, automobile liability insurance in the amount required by California state law, and workers' compensation as required by California state law. Upon the request of the Client and receipt of the signed Agreement, FCMAT shall provide certificates of insurance, with the Client named as additional insured, indicating applicable insurance coverages.

## **12. HOLD HARMLESS**

FCMAT shall hold the Client, its board, officers, agents, and employees harmless from all suits, claims and liabilities resulting from negligent acts or omissions of FCMAT's board, officers, agents and employees undertaken under this Agreement. Conversely, the Client shall hold FCMAT, its board, officers, agents, and employees harmless from all suits, claims and liabilities resulting from negligent acts or omissions of the Client's board, officers, agents and employees undertaken under this Agreement.

## **13. PUBLIC SAFETY CONSIDERATIONS**

Whether due to public health considerations, extreme weather conditions, road closures, other travel restrictions or interruptions, shelter-at-home orders, LEA closures or other related considerations, at FCMAT's sole discretion, the Scope of Work, Project Costs, Responsibilities of the Client, and Project Schedule (Sections 2, 4, 5 and 6 herein) and other provisions herein may be revised. Examples of such revisions may include, but not be limited to, the following:

- A. Orientation and exit meetings, interviews and other information-gathering activities may be conducted remotely via telephone, videoconferencing, or other means. References to fieldwork shall be interpreted appropriately given the circumstances.
- B. Activities performed remotely that are normally performed in the field shall be billed hourly as if performed in the field (excluding out-of-pocket costs that can otherwise be avoided).
- C. The Client may be relieved of its duty to provide conference and other work area facilities for the Team.

## **14. FORCE MAJEURE**

Neither party will be liable for any failure or delay in the performance of this Agreement due to causes beyond the reasonable control of the party, except for payment obligations by the Client.

## **15. EVALUATION**

In the interest of continuous improvement, FCMAT will provide the Client with an evaluation survey at the conclusion of the services. FCMAT appreciates the Client's honest assessment of the Team's services and process. The Client shall return the evaluation survey within 10 business days of receipt.

**16. CLIENT CONTACT PERSON**

The Client’s contact person designated below shall be the primary contact person for FCMAT to use in communicating with the Client on matters related to this Agreement. At any time when this Agreement or FCMAT’s process requires that FCMAT send information, document request lists, draft report or final report, or when FCMAT makes other requests for the Client to act upon, this is the person whom FCMAT will contact. The Client may change the contact person upon written notice to FCMAT’s job lead assigned to the study.

Name: Sarah Doherty, Chief Business Official

Telephone: (831) 678-3950

Email: [sdoherty@soledad.k12.ca.us](mailto:sdoherty@soledad.k12.ca.us)

**17. SIGNATURES**

Each individual executing this Agreement on behalf of a party hereto represents and warrants that he or she is duly authorized by all necessary and appropriate action to execute this Agreement on behalf of such party and does so with full legal authority.

For Client:



9/25/2024

Randy Bangs, Superintendent  
Soledad Unified School District

Date

For FCMAT:



9/30/24

Shayleen Harte, Deputy Executive Officer  
Fiscal Crisis and Management Assistance Team

Date