



Santa Clara County Office of Education

Mary Ann Dewan, Ph.D.
County Superintendent of Schools

August 28, 2023

Khoa Nguyen, Board President
Berryessa Union School District
981 Ridder Park Drive
San Jose, CA 95131

Dear Board President Khoa Nguyen,

Subject: Approval of the Berryessa Union School District 2023-24 Local Control Accountability Plan and Conditional Approval of the 2023-24 Adopted Budget

In accordance with Education Code (EC) Sections 42127 and 52070, the Santa Clara County Superintendent of Schools (County Superintendent) is required to approve, conditionally approve, or disapprove the Berryessa Union School District's 2023-24 Adopted Budget in conjunction with the Local Control Accountability Plan (LCAP).

As required, the LCAP must be reviewed and approved prior to the approval of the district's adopted budget per EC Section 52070(d) if staff determines that the following criteria have been met:

- The LCAP adheres to the template adopted by the State Board of Education (EC Section 52064).
- The budget includes expenditures sufficient to implement the specific actions and strategies included in the LCAP. [EC Section 52070(d)(2), EC Section 42127(d)(1)].
- The LCAP adheres to the expenditure requirements for funds apportioned based on the number and concentration of unduplicated pupils (EC Sections 42238.02 and 42238.03) pursuant to EC Section 42238.07 and Title 5, California Code of Regulations, Sections 15494-15497.
- The LCAP includes the required calculations to determine whether there is a carryover requirement pursuant to EC Section 42238.07 and, if applicable, includes a description of the planned uses of the specified funds and a description of how the planned uses of those funds satisfy the requirements for specific actions to be considered as contributing toward meeting the increased or improved services requirement. [EC Section 52070(d)(4)].

In accordance with EC section 52070, the SCCOE's District LCAP Advisory Services and District Business and Advisory Services teams have reviewed and determined the District is in compliance with the above criteria and therefore I **approve the District's 2023-24 LCAP**. The District's approved LCAP and Budget Overview for Parents have been posted on our SCCOE website.

A review of the budget was completed by my office that includes the following:

- Determine whether the adopted budget includes the expenditures necessary to implement the LCAP or annual update to the LCAP.

- Examine the adopted budget to determine whether it complies with the standards and criteria established pursuant to EC Section 33127, and identify any technical corrections needed to bring the budget into compliance with those standards and criteria.
- Determine whether the adopted budget will allow the district to meet its financial obligations during the current fiscal year and is consistent with a financial plan that will enable the district to satisfy its multiyear financial commitments.

Based on our review, I have determined the District is presenting as fiscally solvent in fiscal years 2023-24, 2024-25, and 2025-26. However, after reviewing the 2023-24 board approved budget report, I continue to have serious concerns for the long-term fiscal health of the District. On September 15, 2022, my office issued Berryessa a Budget letter and two subsequent letters at the First and Second Interim reporting periods in which I requested an update on the Budget Advisory Committee's recommended fiscal stabilization plans. Although we have been in communication regarding the District's budget stabilization committee's progress, we have not yet received a final fiscal stabilization plan.

The District is projecting significant reductions in certificated salaries in the two out years of the multi-year projection. Additionally, in each of the out years there are \$3M in unexplained reductions. Even with these reductions, the District's expenses outpace the projected revenues leaving the District dependent on the Reserves in Fund 17 (Special Reserve Fund for Other Than Capital Outlay) to be able to meet the mandated 3% reserve in each of the three years. Without these reductions, the District will not be able to meet the minimum required state reserve level of 3% by the end of the second year of the projection. The amount available in Fund 17 (\$2.7M) would not be enough to meet the required reserve if the proposed unexplained reductions are not realized.

The District is deficit spending such that over the three-year projection, the unrestricted beginning balance decreases from \$2.6M in fiscal year 2023-24 to a projected ending balance of \$99K in 2025-26, representing a projected loss of \$2.5M. The unrestricted general fund ending balance for 2024-25 is projected to be negative (-\$54K) with the District entirely dependent on Fund 17 to meet the minimum reserve.

In accordance with Education Code 42127(c)(2), it is the county office of education's responsibility to determine that the district is able to satisfy its multi-year commitments. Since the fiscal year 2023-24 multi-year budget adopted by the Board includes a projection that is dependent on the enactment of unexplained reductions to expenditures, without which the District is at risk of fiscal insolvency, the county office is not able to approve the fiscal year 2023-24 budget at this time.

Therefore, I am issuing a Conditional Budget Approval. For me to approve the District's 2023-2024 Budget, I require documentation that the District Budget Advisory Committee has finalized their recommendations to address the systemic deficit spending and has a plan to bring to expenditures into alignment with revenues.

By October 9, 2023, the 2023-24 budget and multi-year projection should be revised to reflect the following:

Khoa Nguyen, Board President

August 28, 2023

Page 3 of 3

- Any increases or decreases to fund balance as a result of the 2022-23 end of year closing.
- The Budget Advisory Committees' fiscal stabilization plan that provides for a reserve for economic uncertainty that exceeds the 3% minimum requirement in all three fiscal years of the multi-year projection.
- A multi-year projection incorporating the changes as a result of the year end closing balances and the recommendations of the Budget Advisory Committee. This may be produced in a spreadsheet but should break out the unrestricted, restricted, and combined revenues and expenditures as well as the components of ending balance.

In Accordance With Education Code 42127 (d)(3), I look forward to receiving the documents listed above by October 9, 2023. Should the District fail to comply with this request, I will be unable to approve the District's 2023-24 Budget.

In addition, as a condition for my approval of the First Interim Budget Report, due by December 15, 2023, I am requesting documentation of a detailed Board Approved Fiscal Stabilization plan to bring ongoing expenditures into alignment with projected revenues. The First interim budget should incorporate the fiscal stabilization plans.

I would like to recognize and thank the Board and leadership team of the Berryessa Union School District for their efforts in the development and submission of the Adopted Budget and LCAP. Additionally, I would like to thank Kevin T. Franklin and the business office team for all their diligent work throughout the budget and LCAP development process. We appreciate the timely submission of your budget and await your First Interim Report, which must be filed with our office no later than December 15, 2023. If you have any questions or concerns, please contact your District Business Advisor Ann Redd at (408) 453-6593.

Sincerely,



Mary Ann Dewan, Ph.D.

County Superintendent of Schools

cc: Roxane Fuentes, Ed.D., Superintendent, Berryessa Union School District
Kevin T. Franklin, Assistant Superintendent of Business Services, Berryessa Union School District
Joshua Quitariano, Director of Fiscal Services, Berryessa Union School District
Joe McCreary, Assistant Superintendent of Education Services, Berryessa Union School District
Beatrice Rowan, Coordinator - District Improvement and Support, Santa Clara County Office of Education
Stephanie Gomez, Assistant Superintendent of Business Services, Santa Clara County Office of Education
Susan Ady, Director, District Business Services, Santa Clara County Office of Education
Ann Redd, Sr. District Business Advisor, Santa Clara County Office of Education