

Dec 8, 2025

Audit Committee Meeting Notes

In attendance: Mehdi Rizvi, Jennifer Shanoski, Pauline Follansbee, Dan Lindheim, Lauri Snowden, Isaiah Roter.

Attachments: First Interim Presentation

Summary

The committee, including Pauline Follansbee, Laurie, Isaiah Roter (Izzy), Mike Chang, Jen K., introduced themselves, and Pauline Follansbee noting the difficulty of recruiting strategic community members and the benefit of hiring Mehdi, the new fiscal director, who has previous school district experience. Pauline Follansbee clarified the Brown Act quorum requirements and explained the delay in the audit extension until January 29th due to unfinalized federal guidelines, while outlining the first interim presentation to the board, which shows a projected \$1.7 million shortfall in 25-26 and an unsustainable negative unrestricted general fund balance reliant on the **Vet** parcel tax. Key financial pressures discussed were disparities in supplemental and concentration funding across districts, the \$3.2 million contribution to Special Education (SPED) due to increased services and \$400,000 in settlement authority, and the need to analyze rising SPED costs which Mike Chang and others expressed concern over, while Pauline Follansbee reported a positive overall certification due to leveraging a \$2.7 million block grant and a \$1.9 million revenue increase from enrollment growth.

- **Supplemental and Concentration Funding Disparities** Pauline Follansbee discussed differences in supplemental and concentration funding across districts. They noted that some districts receive substantial supplemental and concentration funding due to high unduplicated student counts, such as a rural market district with 82% unduplicated counts. Comparing a similar-sized district

like San Leandro, they noted that the concentration funding gives them an additional \$9 million compared to their district, highlighting the critical need to look at concentration funding in negotiations, as that amount is significant.

- **Committee Member Introductions and Backgrounds** The committee members introduced themselves. Pauline Follansbee, Laurie, and Isaiah Roacher (Izzy) have been on the committee since its inception (around 20 years for Laurie) Mike Chang, the current School Board President, and Jen K., also a school board member, introduced themselves. Jen K. mentioned that this was their first audit committee meeting and they were subbing for Jennifer.
- **Committee Focus and Staffing Experience** Pauline Follansbee noted that in previous settings, finding community members for such committees was difficult, and when they did join, their focus was often on operational areas like transportation and food services rather than strategic activity. Follansbee expressed satisfaction with the hiring of Med, the new fiscal director, as it was the first time they had hired someone with previous school district experience for that role, noting that previous fiscal directors, including a budget person from San Francisco, had lacked experience and learned on the job.
- **Audit Extensions and Federal Guidelines** The committee discussed the audit extensions. Pauline Follansbee explained that a letter was sent to ACE because the federal guidelines for the audit have not been finalized, preventing the issuance of the audit. This delay applies to most districts in California receiving over \$750,000 in federal funds, and the district has received an extension through January 29th, with Eddie predominantly working on the necessary tasks.
- **Brown Act Quorum Clarification and Meeting Requirements** Pauline Follansbee clarified the Brown Act requirements for the committee, confirming that even if the two board members are absent, a quorum (three members) is still met, allowing the committee to function and meet the Brown Act requirements according to the bylaws. Vivian Ferguson brought up the new law (potentially AB77) requiring the provision of hybrid meetings for the public, which will necessitate posting a link for public attendance via Google Meet with the agenda
- **Presentation Outline and Budget Shortfalls** Pauline Follansbee outlined the agenda for the first interim presentation to the board, which is grounded in the mission statement and includes a review of funds one through four, changes since the adopted budget, ADA enrollment, multi-year projections, Fund 20, federal funding, other funds, and next steps. They highlighted that the district is starting with a shortfall, \$1.7 million less than the target for a balanced budget in

25-26, leading to a negative undesignated fund balance of -\$6,514 in 25-26 and -\$224,000 in 26-27 without negotiated increases.

- **Multi-Year Projections and Revenue Status** Pauline Follansbee explained that multi-year projections are based on current information, and assumptions will be updated at the second interim based on the governor's proposed budget in January. They noted that while they will have a positive certification due to reporting the unrestricted general fund combined with parcel taxes (Vet), the unrestricted general fund is internally relying on Vet for this positive status, a situation that has not occurred for about 15 years. They stressed that the negative unrestricted general fund balance for the current and subsequent year is unsustainable without board intervention.
- **Parcel Tax (Vet) Discussion** The discussion touched on the reliance on the Vet parcel tax and its recent collection history. The new measure for Vet was a significant increase, taking effect in 25-26. Dan noted that the last measure had substantially raised residential rates due to the absence of a commercial rate following the Alameda case, and that the current increase, while intended to be minimal, had caused confusion among taxpayers, resulting in a statement from the tax collector.
- **LCAP and Special Education (SPED) Funding Concerns** Pauline Follansbee presented items "not in the budget," including insufficient set-aside funds for the LCAP supplemental for all three years, and the \$400,000 settlement authority. A major pressure is the \$3.2 million contribution to Special Education (SPED) due to increased services, on top of the 47 additional Instructional Assistants (IEAs) already budgeted, which Follansbee is including fully at the first interim due to more realistic SPED projections. Mike Chang and others expressed concern that SPED costs are "ballooning" and need constraints, possibly through a need's assessment tied to compliance needs, given the rising costs for nonpublic schools and agencies.
- **SPED Program Management and Sustainability** Committee members discussed the need for a deeper dive into the SPED program's allocation of staff and whether all costs are truly compliance-driven, as anecdotal evidence suggests some expensive 1-on-1 IEAs might be provided beyond IEP requirements. Pauline Follansbee acknowledged that the lack of constraints and increasing demands make the \$3.2 million cost unsustainable, impacting the ability to fund salary increases across the district.

- **Financial Reporting and Variances** Pauline Follansbee reviewed the standardized account code structure (SACS) reporting, noting that the focus is on the total fund balance, which includes restricted and parcel tax funds like Vet, allowing for a positive overall certification despite the negative unrestricted general fund balance. They reported a \$1.9 million increase in revenue since the adopted budget due to a projected enrollment increase and TK expansion funding. A favorable variance in expenditures of \$2.2 million was attributed to transferring expenses out of the unrestricted general fund to utilize the \$2.7 million Student Support and Professional Development Block Grant, a one-time grant.
- **Financial Overview and Block Grant Advantage** Pauline Follansbee reported that the district is taking advantage of a block grant per board director, which decreases expenses since increasing revenue is not possible. They also noted that a higher indirect cost exists due to carrying over restricted program and other funds, resulting in a favorable variance predominantly due to leveraging the block grant. An alternative to fill funding gaps using Form 20 funds was mentioned for the second interim review.
- **Contribution Analysis and Program Review** The district saw an increase in contributions, specifically \$3.2 million, from the teacher template due to enrollment, with some funds also going toward teaching. This additional funding is primarily attributed to an increase in Non-Public Agency (NPA) agencies, not schools, and is subject to review for the second interim, where the amount may be adjusted based on tracking actuals against projections. The review will utilize a longer period to assess the budget-to-actuals and determine the recommended amount needed, as the current \$3.2 million is an estimate as of October.
- **Expense Estimates and Programmatic Issues** The \$3.2 million request from the program is an estimate on top of the 47 people the district planned to hire in-house, with the understanding that if enough people are not hired, funds will be transferred to agencies, albeit at a higher cost. Pauline Follansbee acknowledged that the estimate seems appropriate because a \$1.5 million contract for half the year was just approved, but also raised the separate programmatic issue of reviewing what the appropriate cost should be. The speaker also noted that contractors are significantly more expensive than district employees and that a deep analysis is warranted for managing program costs, especially to mitigate potential lawsuits.
- **Ending Fund Balance and Labor Adjustments** At the first interim, the ending fund balance is projected at \$2.2 million, which benefits from a transfer out to the block grant and a \$2 million offset against the \$3.2 million cost. Pauline

Follansbee detailed the breakdown of labor adjustments, totaling \$1.5 million, which includes an increase for Yuba's 2024-2025 settlement and a 1% set-aside plus \$200,000 based on board direction. They mentioned that the breakdown of these labor adjustments can be shared in closed session and that the district is contributing \$180,000 toward its share of the 3% increase.

- **ADA and Attendance Trends** the District's Average Daily Attendance (ADA) increased from 8,672 to 8,920, with the percentage of enrollment to ADA remaining consistent, which is used for projection purposes. The increase in 250 kids was predominantly in TK, with a small increase at the high school level. Pauline Follansbee emphasized a conservative approach by using 2023-2024 and 2024-2025 actuals to project future years and noted that the district is no longer benefiting from the COVID-era funding averaging.
- **Multi-Year Projections and Fund 20 Use** The multi-year projections include assumptions for Cost of Living Adjustment (COLA) and a reduction in the unduplicated pupil count and enrollment percentages based on current information. The \$2.2 million transferred out in 2025-2026, which was a one-time benefit, is pulled back into the 2026-2027 line, and expenses in the outer years do not include one-time impacts. Fund 20, which started at \$8.8 million in 2020-2021, is funded by a percentage attached to payroll but is being rapidly depleted due to increasing expenses and transfers to help the general fund, though the district aims to be cautious about using it on an ongoing basis. The current projections for 2025-2026 show \$700,000 transferred out of Fund 20 to the general fund, but Pauline Follansbee requested that Jennifer recommend an additional \$300,000 transfer at the second interim.
- **Self-Insurance Fund and AB 218 Claims** The self-insurance fund is not currently growing because not all expenses, particularly for AB 218 claims (sexual harassment), have been realized. There were three AB 218 claims in the hopper, one of which had a recent settlement of \$150,000 over four years, another needing an additional \$200,000 for a settlement conference, and a third that the attorney believes lacks merit. The speaker noted that the word is spreading about the district settling claims, which could lead to more claims coming forward.
- **Federal Funding and Upcoming Budget Process** Federal funding, particularly in child development and cafeteria programs, is a source of pressure due to potential reductions related to the president's efforts, although the adult education cuts were recently reinstated. The district will be waiting for the 2026-2027 proposed budget and will reconvene the superintendent's budget advisory

committee to look at budget balancing solutions, including increasing program costs and ongoing negotiations.

- **Next Meeting Date** Vivian Ferguson and Pauline Follansbee discussed setting the next meeting date for the audit review in January, as the second interim cut-off is January 31st. They agreed to set the next meeting for January 13th from 3:30 PM to 5:00 PM, contingent on no conflicts arising.

Suggested next steps

- Pauline Follansbee will amend the presentation to make sure it is clear for the board members, based on their questions and input.
- Pauline Follansbee will be implementing a recommendation to address the shortfall at the next reporting period.
- Pauline Follansbee will ask the board to approve the first interim budget.
- The group will include a link for the public to join audit committee meetings via Google Meet with the agenda to comply with the new law requiring hybrid meetings.
- Vivian Ferguson will send out an invite for the audit meeting on January 13th from 3:30 to 5.
- Pauline Follansbee will share the breakdown of the current labor adjustments in close session with the board.
- Pauline Follansbee will go back to the regular slide or improve the AI-generated slide for the ADA and attendance section, as the text was unreadable and the numbers were hard to interpret.