

User-Friendly Budget

MARCH 8, 2022



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8750 DORSETT DRIVE, HUNTINGTON BEACH, CA 92646

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A MESSAGE FROM

The Office of the Assistant Superintendent of Administrative Services

This User-Friendly Budget (UFB) has been created as a tool to improve the level of transparency and communication with parents and community members. It is our intent to assist our educational partners in understanding the District's financial commitments aligned to the instructional programs.

This issue of the UFB reflects the District's 2021-22 Revised Budget based on advisories from the county and state agencies. We also include information on COVID-19 related expenditures.

Huntington Beach City School District is committed to supporting student achievement and maintaining fiscal stability during these unprecedented times. Your support for our students is vital to their education and makes our schools and our community strong.

Sincerely,

Jenny Delgado
Assistant Superintendent,
Administrative Services

ABOUT HBCSD

The Huntington Beach City School District, established in 1903, is located in the western coastal area of Orange County, approximately 35 miles southeast of Los Angeles. The District currently operates six elementary and two middle schools. The projected enrollment for the 2021-2022 school year is 4,900 students.



SCHOOLS

- 6 Elementary
- 2 Middle
- 3 Preschool Academies
- 1 State Preschool Program
- 1 Charter



PROJECTED ENROLLMENT

- 4,900 Districtwide
- 23% Unduplicated
- 20% Socio-economical disadvantaged
- 12% Students with disabilities



ESTIMATED GENERAL FUND BUDGET

- \$74M Revenues
- \$71M Expenditures

Includes COVID-19 relief funds

THE PURPOSE OF THE BUDGET

The District's Budget is an expression in dollars of its educational program. The budget serves as an outline for estimated revenue and expenses for the fiscal year and is intended to serve a variety of purposes:

- A reflection of the educational goals of the District
- A statement of the District priorities
- A financial guide for the utilization of resources to meet the needs of students
- An accountability tool and a public information document

The General Fund is the primary operating fund and it is used to account for the ordinary operations of the District. The General Fund includes all transactions except those accounted for in a specialized fund, like Food Services, Measure Q, or Capital Projects.

GENERAL FUND REVENUES

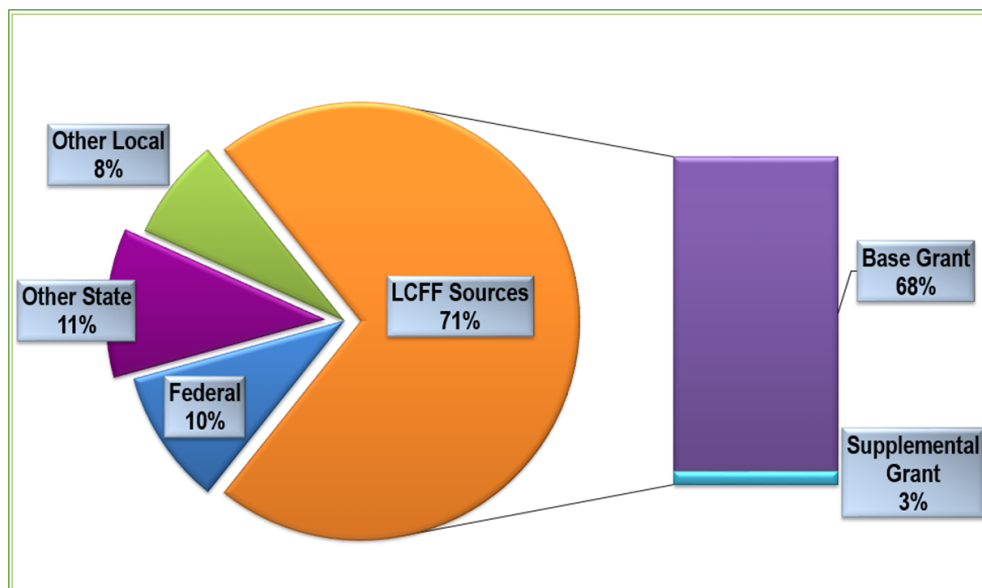
2021-22 REVISED BUDGET MARCH 8, 2022



The District receives funding from a variety of sources. The largest is the Local Control Funding Formula (LCFF), which is projected at \$ 56.6 million, or 71% of the District's total revenues. Driving factors for the LCFF apportionment calculation are Average Daily Attendance (ADA), the percentage of unduplicated English Learners, Low-Income students, and Foster Youth; and the cost of living adjustment. The last factor is determined at the State level. Due to the COVID-19 Pandemic, the State enacted a hold-harmless provision to continue funding districts based on the 2019-20 ADA. The 2021-22 LCFF Revenue projections include this provision.

Federal Revenues are projected at \$ 7.9 million, State Revenues at \$ 8.7 million, and Other Local Revenues at \$ 5.9 million, representing 10%, 11%, and 8% respectively of total revenues.

	Unrestricted	Restricted	Total
LCFF Sources	\$56,713,318	\$0	\$56,713,318
Federal Revenues	\$0	\$7,934,198	\$7,934,198
Other State Revenues	\$975,208	\$7,760,140	\$8,735,348
Other Local Revenues	\$589,250	\$5,405,370	\$5,994,620
TOTAL REVENUES	\$58,277,776	\$21,099,708	\$79,377,484



TRANSITION TO COMMUNITY-FUNDED STATUS

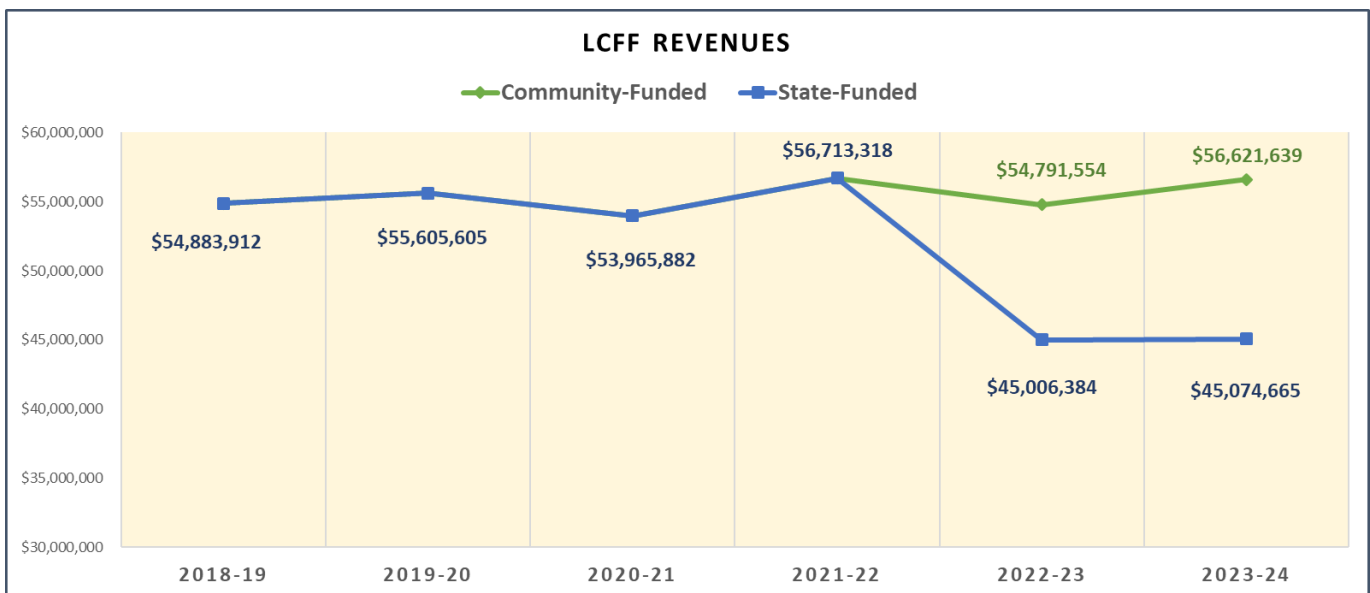
California has two types of districts based on their funding: community-funded, also known as basic aid, and State-funded. Huntington Beach City School District is currently a State-funded district. However, our staff has been monitoring a possible transition to community-funded status in the 2022-23 fiscal year.

A community-funded district receives most of its funding from local property taxes because local property taxes exceed the State's guaranteed per-student funding under the LCFF calculation. Community-funded districts are allowed to retain all their allotted property tax revenue, and State contributions to a community-funded district's budget are minimal.

In recent years, HBCSD has been tracking a potential transition to community-funded status as local property taxes increase at a higher pace than state funding. The chart below is a historical comparison of HBCSD's LCFF revenues under the current State-funded status (blue line), which shows a significant reduction in 2022-23 due to enrollment decline and the expiration of the State hold-harmless funding provision. The green line depicts the estimated funding under community-funded status, assuming an annual property tax growth of 4%.

While community-funded districts typically have relatively higher property tax bases, districts do not know their estimated property tax revenue until well into the fiscal year, and future year projections are subject to volatility. This is the main reason why community-funded districts usually maintain a reserve level higher than the State-required minimum of 3%. HBCSD has a board policy to maintain reserves of at least 7% of annual expenditures.

The Governor's proposal to fund districts based on the average of the prior three years' attendance could bring the State funding closer to or surpass the local property tax revenues in 2022-23, delaying this transition.



Transition to Community-Funded Status

GENERAL FUND EXPENDITURES

2021-22 REVISED BUDGET MARCH 8, 2022

The General Fund Expenditures for 2021-22 are projected at \$ 72.8 million, with approximately 85% of those expenses covering the salaries and benefits of teachers and support service providers. Salaries and benefits are budgeted based on established staffing ratios and Board approved positions.

	Total
Certificated Salaries	\$31,618,848
Classified Salaries	\$10,877,274
Employee Benefits	\$19,233,134
Books and Supplies	\$3,338,713
Services and Other Operating	\$5,391,018
Capital Outlay	\$355,446
Other/Transfers Out	\$1,977,260
TOTAL EXPENSES	\$72,791,693

The 2021-22 budgeted expenditures also include \$ 8.7 million of pandemic-related costs funded by Federal and State COVID-19 relief funds, as described on Page 7.

Expenses associated with State and Federal categorical programs are projected not-to-exceed program revenues, except for Special Education, since the apportioned state funds are inadequate to meet the needs of students served. The General Fund contribution to categorical programs including Special Education and Routine Restricted Maintenance totals \$ 7.2 million.

The Revised Budget also includes allocations to each school site on a per-student basis to cover operational costs like instructional materials, postage, printing, office and library supplies.

Our educational partners often inquire about the use of Lottery funds, which represents 2% of our annual General Fund budget, or approximately \$ 1.2 million (\$199 per ADA). The District uses the funds to purchase textbooks, other instructional materials, and to support site administrators.

A PEOPLE BUSINESS

Education is a service-oriented business where students are served by teachers and support service providers. Approximately 82% of General Fund expenditures are for employees, including those who directly serve the children of this District.

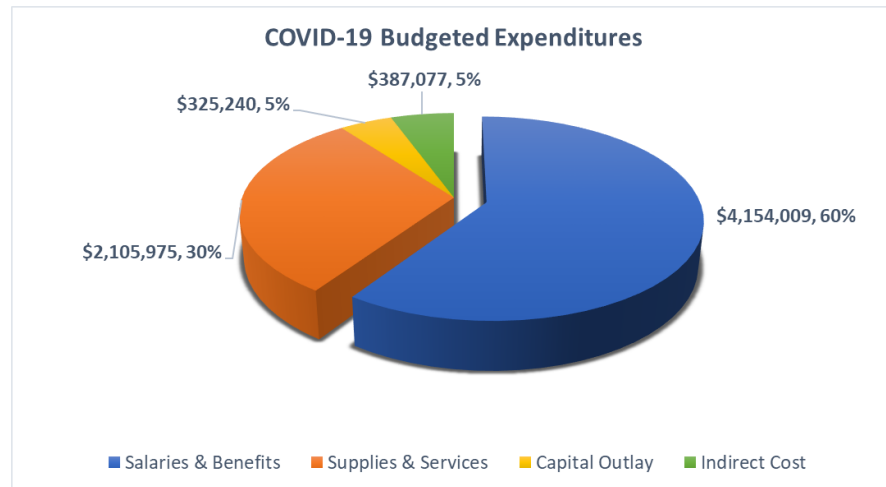
Services are provided by teachers, nurses, counselors, librarians, psychologists, speech therapists, custodians, secretaries, clerks, maintenance workers, bus drivers, technical support personnel, instructional aides, substitutes, principals, supervisors, and other administrative and support staff.

Since our business relies so heavily on people, our budget is impacted by increasing costs of employee benefits and by the cost to attract and retain quality employees who are qualified to serve our children.

The 2021-22 Federal and State expenditures include approximately \$ 6.9 million of budgeted COVID-19 relief funds to cover pandemic-related costs, such as learning acceleration, providing social-emotional support, independent study instruction, personal protective equipment, cleaning and disinfecting measures, and providing all students with access to meals among other strategies. Below is a breakdown of the 2021-22 projected COVID- 19 expenditures by category. We are estimating to carry over approximately \$ 1.7 million to the 2022-23 fiscal year. These funds are considered restricted and subject to audits and ongoing reporting requirements.

2021-22 COVID-19 RELATED EXPENDITURES

- Class-size reduction
- Additional support staff - supervision
- Student and staff devices
- Educational software
- Connectivity software and hotspots
- Personal protective equipment
- Cleaning and disinfecting measures
- Social-Emotional Support
- Summer Enrichment Programs



GENERAL FUND MULTI-YEAR PROJECTIONS

At each reporting period, multi-year projections are included with the financial statements. Therefore District staff regularly estimates the current, plus two subsequent years, based on the latest economic indicators and advisories provided by State agencies and the Orange County Department of Education. Based on current projections, the District is on a trajectory to becoming a basic aid or community-funded District in the 2022-23 fiscal year as property taxes are estimated to exceed the current funding entitlement established by the State.

These Multi-Year Projections are a snapshot as of March 2022 and will be updated in June, the next reporting period.

	2021-22	2022-23	2023-24
TOTAL REVENUES	79,377,484	69,035,298	70,865,385
TOTAL EXPENDITURES	72,791,693	70,474,612	69,587,189
CHANGE IN FUND BALANCE	6,585,791	(1,439,314)	1,278,196
BEGINNING BALANCE	12,808,855	19,394,646	17,955,332
PROJECTED ENDING BALANCE	19,394,646	17,955,332	19,233,528
Components of the Ending Fund Balance			
Stores, Revolving Cash, and Restricted Reserves	(7,811,335)	(6,845,378)	(7,580,712)
Other Assigned Reserves	(5,268,871)	(5,176,187)	(5,140,691)
Reserve for Economic Uncertainty 3%	(2,183,751)	(2,114,238)	(2,087,616)
Unassigned Amount	4,130,689	3,819,529	4,424,509



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