

# Maintaining District Solvency & Financial Responsibility *Focusing on 2020-21*

August 27, 2019

Budget Study Session

Presented by: Stephen Dickinson

Chief Business and Financial Officer



*Excelling Together with Endless Pathways for Success!*

# Agenda

- Purpose of the Study Session
- Where We've Been and Where We Are Now
- Where We're Headed and Our Options
- Interactive Budget Information in the Future

With plenty of opportunity to pause for questions and discussion





## Purpose of the Budget Study Session

- Review updated financial information
- Review processes and timelines:
  - LACOE budget approval
  - Legislative
  - Budget reductions
- Discuss budget priorities, concepts, options and communications plan



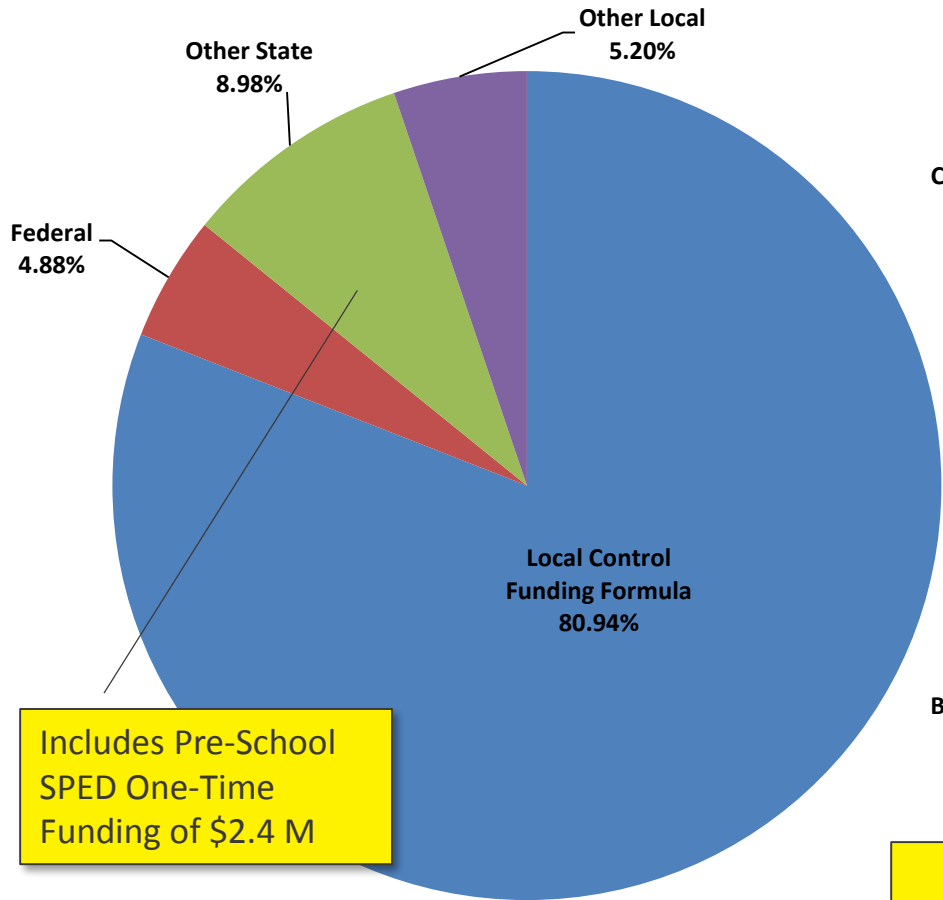
## Where We've Been and Where We Are Now

- Review final State budget and the impact on our 2019-20 budget
- Projecting our ending fund balance and understanding what is means to “hold everything else constant” -- This will guide us to the minimum required budget reduction needed for 2020-21
- Review the K-3 class size financial information



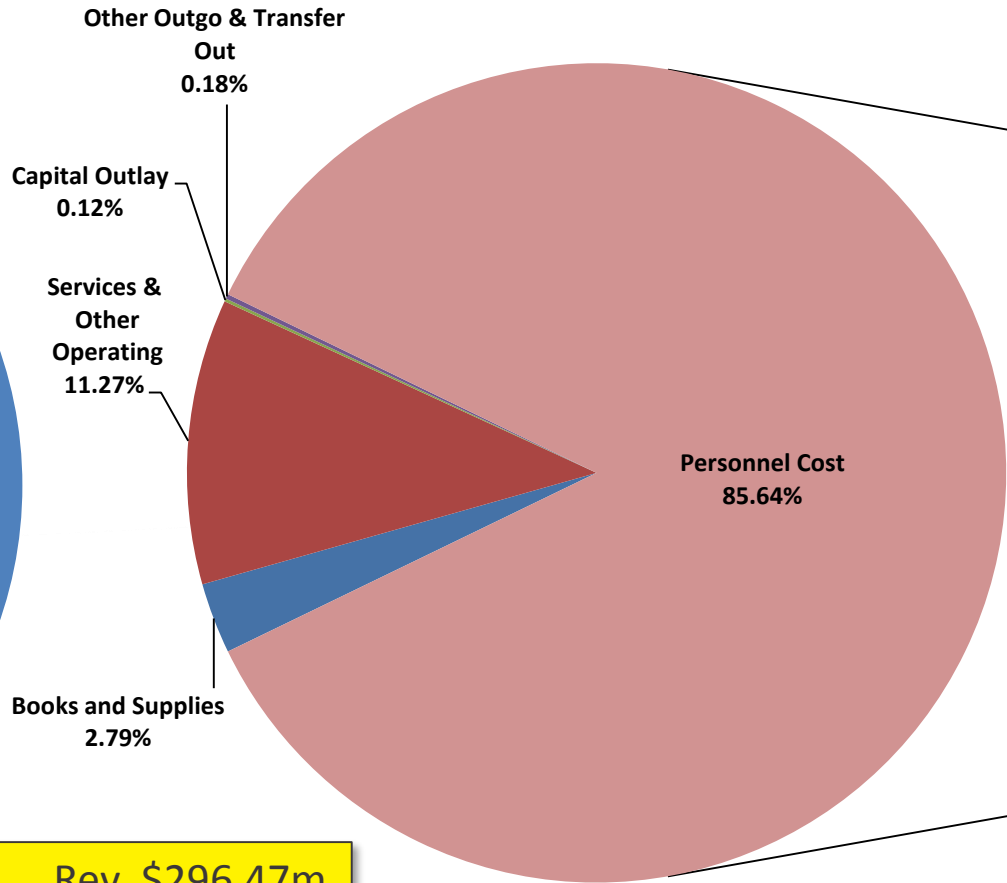
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# 2019-20 Adopted Budget (Revised) TOTAL REVENUES & EXPENDITURES – GENERAL FUND



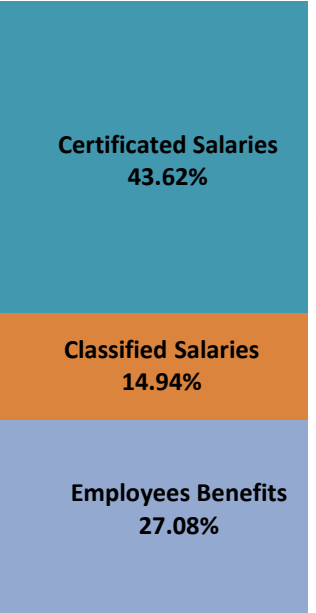
Includes Pre-School SPED One-Time Funding of \$2.4 M

**Total Revenues \$296,471,711**



Rev \$296.47m  
-Exp \$298.00m  
Deficit = (\$1.53m)

**Total Expenditures \$ 298,001,049**



Be aware of the annual carryover process



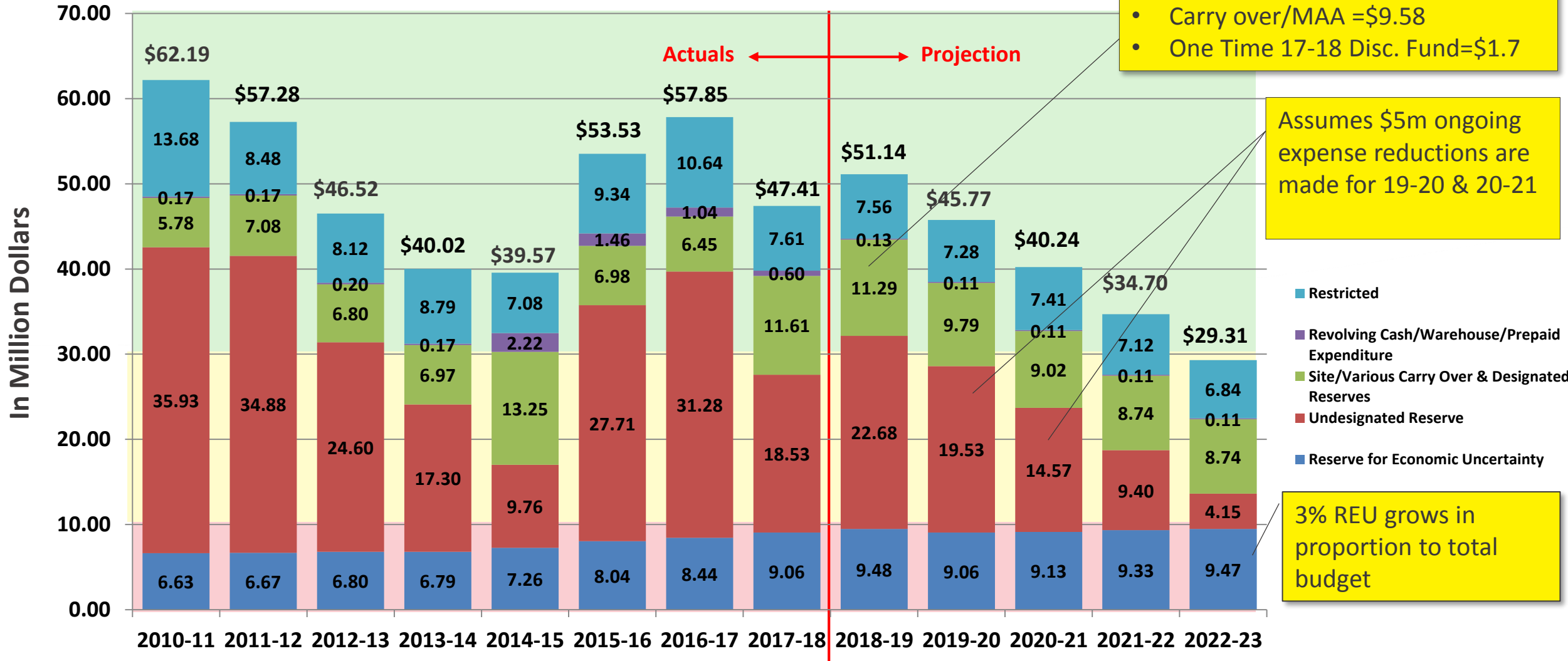
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## 2019-20 Adopted Budget (Revised) Summary of General Fund Ending Fund Balances

**Designated Reserves:**

- LACOE charges= \$.84
- Carry over/MAA = \$9.58
- One Time 17-18 Disc. Fund=\$1.7

Assumes \$5m ongoing expense reductions are made for 19-20 & 20-21



3% REU grows in proportion to total budget



# Class Size Reduction (CSR) Financial Analysis (32:1 to 24:1 Comparison)

CSR revenue is provided to school districts as a “grade span adjustment” within the LCFF to fund the cost of employing the number of teachers to meet the required TK-3 ratio of 24:1 (or higher if negotiated), compared to the average class size of that district prior to the CSR law.

## CSR Revenue

\$776 (grade span adjustment) x 7,933 (TK-3 ADA) = \$6.15 million

## CSR Cost

The staffing cost difference between 32:1 and 24:1

7,933 students / 32 = 248 FTE

7,933 students / 24 = 331 FTE

83 more FTE required or about \$8.3 million

(Every change of 1 student in the ratio equates to about 10-12 teachers or \$1m-1.2m)



## GLENDALE UNIFIED SCHOOL DISTRICT 2019-20 Fiscal Stability Plan (Detail)

Dept	Program	Est. Savings
T&L	Restructure funding source for professional development to LPS Block Grant	\$ 500,000
DO	Eliminate (1) ETIS Sr. Info Analyst	\$ 104,000
DO	Eliminate (1) Purchasing Agent	\$ 122,000
DO	Eliminate (1) Accounts Payable Supervisor and Realign to Accounting Tech	\$ 6,000
DO	Eliminate (1) TCIII in HR	\$ 36,000
DO	Eliminate (2.5) TC in CTE/T&L/Student Services	\$ 111,000
DO	4.5% reduction in all DO department budgets - supplies, services, conferences	\$ 1,130,000
DO	Reduce copier/printer equipment and supply costs due to new contract (phase-in)	\$ 150,000
DO	Reduce annual increase in projected H&W rates from +9%/yr to +8%/yr	\$ 300,000
FASO	Move up to 9 Grounds positions to Routine Restricted Maint funding	\$ 720,000
FASO	Eliminate (1) Asst. Operations Coordinator	\$ 91,000
FASO	Eliminate (1) Grounds position	\$ 85,000
Elem	Eliminate (1) Teacher Specialist	\$ 154,000
Elem	Eliminate (2.5) Teaching positions	\$ 265,000
Middle	Eliminate (7.2) Teaching positions due to declining enrollment	\$ 617,000
HS	Eliminate (7.2) Teaching positions due to declining enrollment	\$ 617,000
<b>Total</b>		<b>\$ 5,008,000</b>





## 2019-20 Budget Calendar

### ***Budgeting for schools is a continuous, year-round process***

- Adopted Budget by June 30, 2019
- First Interim by December 15, 2019
  - *Using data through October 31, 2018*
- Second Interim by March 15, 2020
  - *Using data through January 31, 2020*
- Public Hearing for the Local Control Accountability Plan (LCAP) & 2020-21 Budget by mid-June, 2020
- Adopt LCAP & 2020-21 Budget by June 30, 2020
  - *Public Hearing and actual Adoption must be performed in two separate Board meetings*



## Certification Definition

- ✓ **POSITIVE** = The district, based on current projections, **will be able** to meet its financial obligations for the current and subsequent two fiscal years
- **QUALIFIED** = The district, based on current projections, **may not be able** to meet its financial obligations for the current and subsequent two fiscal years
- **NEGATIVE** = The district, based on current projections, **will be unable** to meet its financial obligations for the current and subsequent two fiscal years



## Expected Timeline of Events

- Sept 17, 2019 Board Meeting – Finalize 2018-19 Unaudited Actuals, another enrollment update, 2020-21 budget reduction target will be more clear
- Oct/Nov 2019 – Continue to formalize the 2020-21 fiscal stabilization plan (FSP) so that it can be a part of the First Interim Report and meet the criteria for a “Positive” certification
- December 2019 – First Interim Report (including commitment to FSP)
- January 2020 – Governor’s 2020-21 Proposal – Modify the FSP as needed
- Jan/Feb 2020 – Particular Kinds of Services (PKS) Board action, if needed
- March 2020 – Second Interim Report (including revised and more detailed FSP)
- May 2020 – Governor’s 2020-21 Revised Proposal – Modify the FSP as needed
- June 2020 – Adoption of 2020-21 Budget (including final FSP)
- . . And then the cycle repeats



## Where We're Headed and Our Options

- When budgeting for 2020-21 and future, all budget assumptions must be reset



## Annual Cost Increases Exceed Annual Revenue Increases

COLA-only revenue increase = +\$6-7m

(COLA is not guaranteed)

Will future revenue increase by more?  
Will there continue to always be one-time funds?

We all must continue to lobby, advocate and organize

But in the meantime, GUSD must plan and take appropriate action

Built-in cost increase = +\$8-10m

- Step and column
- Health and welfare
- STRS and PERS rates
- Special Ed unfunded liability

Could be lower if H&W rate increases come in lower. Will be lower in a couple of years if STRS/PERS rates stop increasing

Does not include negotiated wage/benefit increases

# Personnel Costs

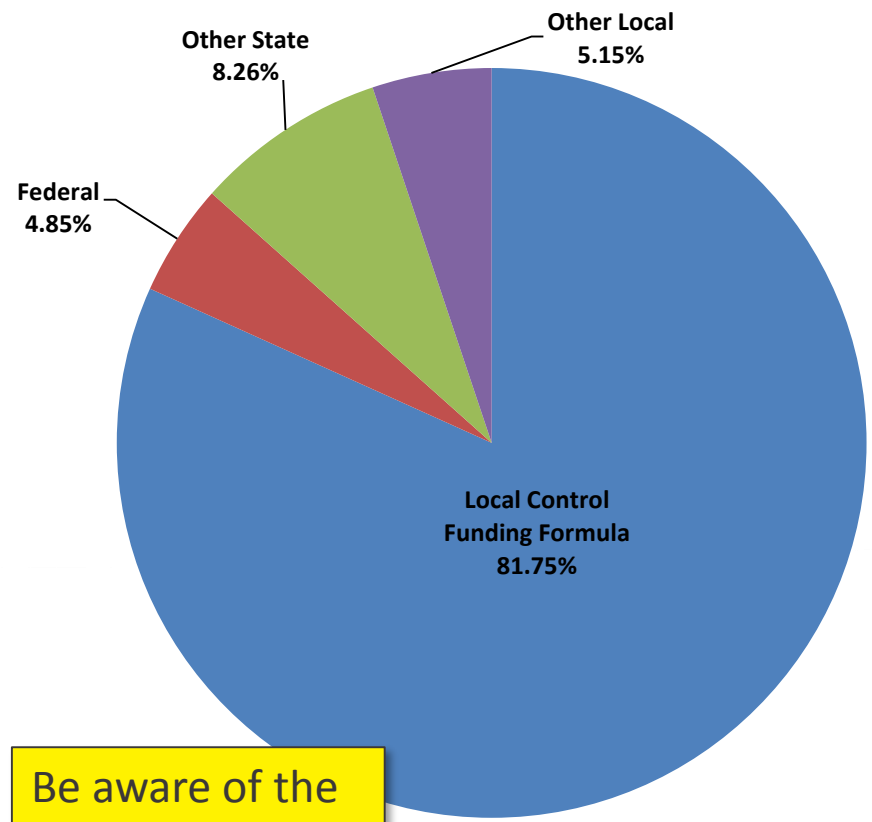
- Breakdown of the cost of 1% wages = \$2.22m
  - GTA = \$1,390,000
  - CSEA = \$557,000
  - GSMA = \$271,000
  
- Average Step/Column/Net Attrition for the whole district equals about 1% = +\$2.22m/yr (GUSD step/column cost is below the State average of about 1.5% because GUSD has very good staff retention)
  
- H&W contract language states that the district contribution increase by 8% per year. Until the actual premium increases are known (May each year), the budget assumption is that premiums will increase by at least 8% = +\$2.4m/yr
  
- STRS/PERS varies each year but about = +\$2m/yr (final year of increase is currently 2021-22 for STRS and 2022-23 for PERS, but this is heavily dependent on the economy, investment returns, interest rates and Legislative influences)
  
- Special Education contribution annual increase varies each year, but about = +\$2m/yr

# Personnel Costs

- Recent history of GUSD wage increases:
  - Several years of 0% during the recession up through 2012-13
  - 2013-14 = 3% ongoing, plus 0.98% one-time
  - 2014-15 = 3% ongoing, plus 0.53% one-time
  - 2015-16 = 5.89% ongoing, plus 0.65% one-time
  - 2016-17 = 1.5% ongoing
  - 2017-18 = 1.5% ongoing
  - 2018-19 and beyond = not yet negotiated
  - Plus annual District health and welfare benefits contribution increases +8% per year (current 2019-20 contribution is \$27,080); this equates to a 1% annual wage increase.

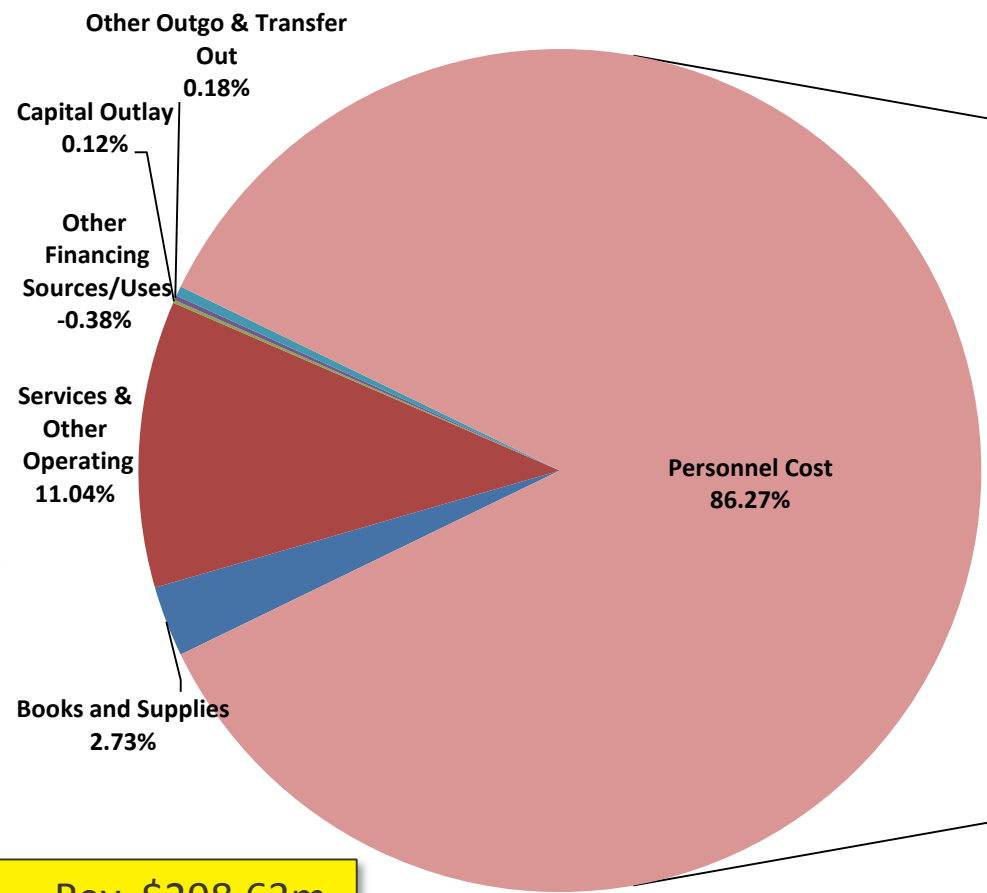
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# 2020-21 Projected Budget TOTAL REVENUES & EXPENDITURES – GENERAL FUND



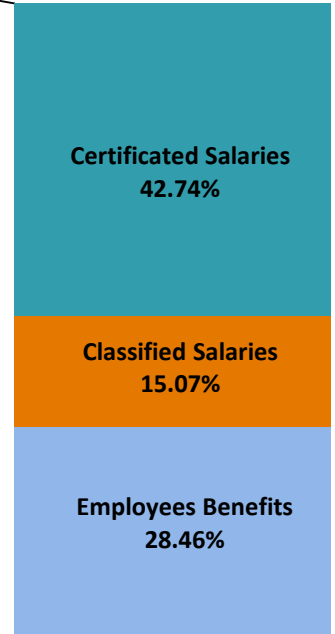
Be aware of the annual carryover process

**Total Revenues \$298,632,826**



Rev \$298.63m  
-Exp \$304.46m  
Deficit = (\$5.83m)

**Total Expenditures \$ 304,457,111**

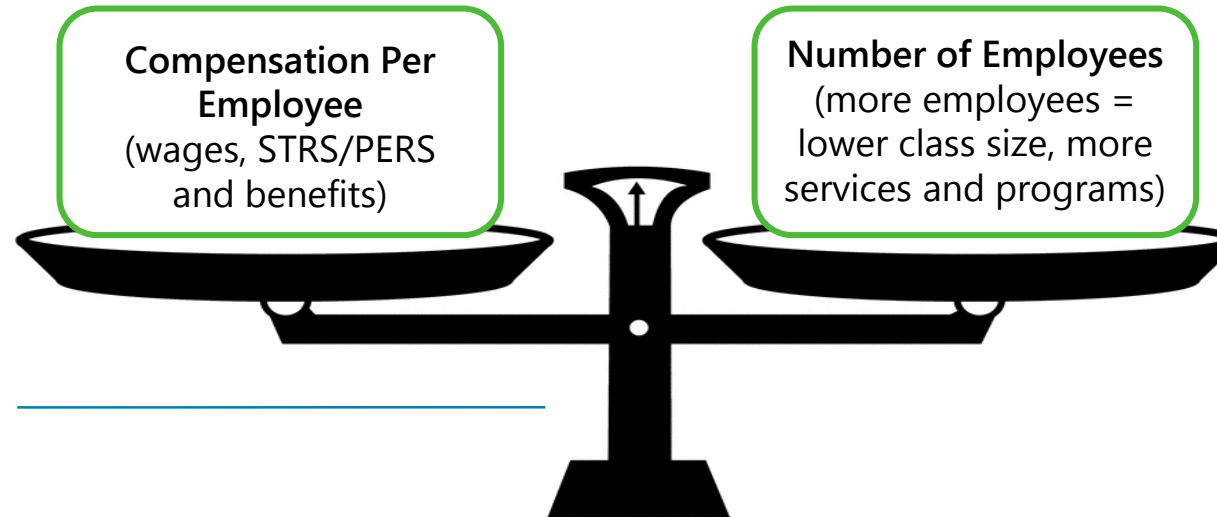


Already includes \$5m reductions, yet to be specified



# School Budgets: Finding the Right Balance

About 85% of a school district's budget is spent on personnel costs, made up of two competing components:



School districts can not sustain the best of both sides (with exceptions of parcel tax or basic aid)

School districts must find the right balance of compensating employees fairly while also providing the best possible services to our students and families.

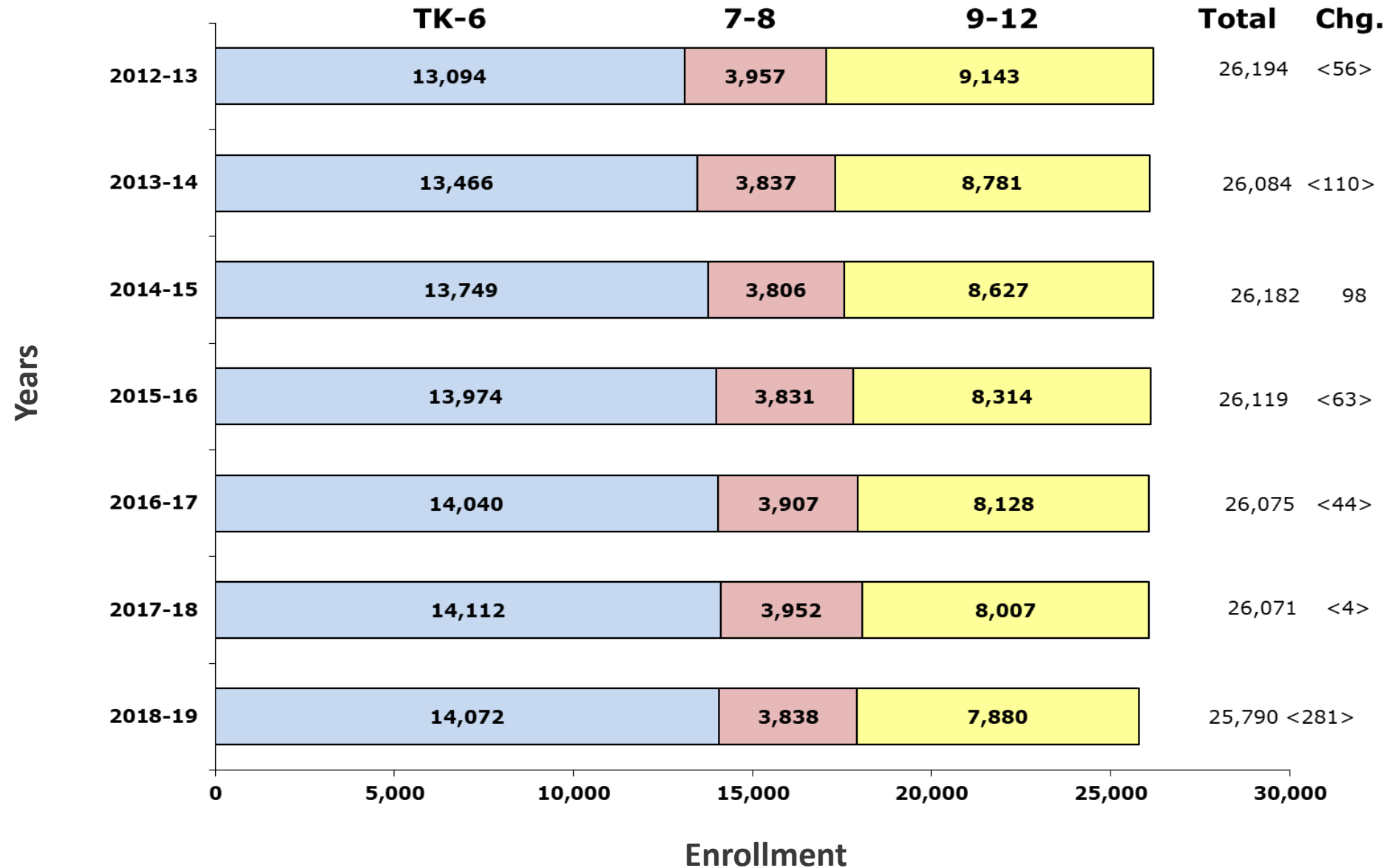
## GUSD Enrollment in 2018-19

- Enrollment Unexpectedly Fell Significantly
- Down 40 Students in Grades TK-6 ↓
- Down 114 Students in Grades 7-8 ↓
- Down 127 Students in Grades 9-12 ↓

The large decrease of 281 students breaks the improving trend of the prior four years.




# Historical Enrollment (CALPADS Data)





# Cautions and Challenges

- **Future Funding - Unstable COLA%, UPP, and Enrollment** 
- **Special Education - Program Needs Increasing**
- **Projected Negative Unrestricted General Fund Adjusted Balances in future if budget reductions are not made**
- **Additional Funding to cover CalPERS and CalSTRS increases**
- **Financial Stability Plan for 2019-20 of \$5m, and for 2020-21 will likely be \$5m**
- **Impact of 2018-19 Negotiations – Already committed the 2018-19 LCFF increase to fund the previous wage increases for 2016-17 and 2017-18**
- **Potential Territory Transfer**

## **Solution: We Only Have a Few Options to Address a Deficit**

1. Implement reductions – Start furthest from the classroom and scale back programs instead of eliminating programs
2. Maximize restricted dollars (Routine Restricted Maintenance and Low-Performing Students Block Grant)
3. New/increasing revenue sources
4. Use of Reserves



# Future Options to Increase Enrollment and/or Revenue

- Average daily attendance (ADA%)
- Asset management
- Full-Day Kindergarten and expanding child care services
- Additional personalization opportunities such as enrichment and summer school
- Advocating for increased funding for public education
- Fundraising
- Grants
- Advertising/Promotion to increase enrollment



# PRELIMINARY DRAFT Plan for 2020-21

## *Planning for \$5 million*

Proposed Action	Target	Estimated Actual
2020-21 LCFF Improvement over current COLA projection – Jan/May 2020	TBD	\$0
Any other revenue assumption changes (ADA, others)	TBD	\$0
Services, supplies and all other non-personnel budgets	TBD	\$0
Admin/Mgmt staffing level	TBD	\$0
Classified staffing level	TBD	\$0
Certificated staffing level	TBD	\$0
Plus/minus staffing adjustments for actual enrollment of 2019-20	TBD	\$0
<b>Subtotals</b>	TBD	<b>\$0</b>
<b>Target Total</b>	<b>\$5,000,000</b>	<b>\$0</b>



# PRELIMINARY DRAFT Plan for 2020-21

## *Planning for \$5 million*

Proposed Action	Target	Estimated Actual
2020-21 LCFF Improvement over current COLA projection – Jan/May 2020	TBD	\$0
Any other revenue assumption changes (ADA, others) – <i>ADA increase of 0.25%</i>	\$600,000	\$600,000
Services, supplies and all other non-personnel budgets – <i>Year 2 (of 2) Copier/Printer</i>	\$150,000	\$150,000
Admin/Mgmt staffing level – <i>Exec. Dir. Of Secondary Ed position</i>	\$200,000	\$200,000
Classified staffing level	TBD	\$0
Certificated staffing level	TBD	\$0
Plus/minus staffing adjustments for actual enrollment of 2019-20	TBD	\$0
<i>Year 2 (of 2) Low-Performing Students Block Grant</i>	\$500,000	\$500,000
<b>Subtotals</b>	<b>\$5,000,000</b>	<b>\$1,450,000</b>

<b>Target Total</b>	<b>\$5,000,000</b>	<b>\$1,450,000</b>
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# Budget Modes: Deficit – Balanced – Surplus

Surplus/ Additions	8	
	7	
	6	Innovation
	5	Build reserves
	4	Increase employee compensation
	3	Build/expand programs
	2	Reduce class size
	1	LCAP goals
<b>Balanced Budget</b>		
Deficit/ Reductions	1	LCFF revenue increases above projections
	2	Use of one-time funds and/or current reserves
	3	Supplies & Equipment
	4	Contracted services
	5	Administrative and management staffing
	6	Classified staffing (reduce support and service)
	7	Certificated staffing (reduce programs and
	8	increase class size)



# GUSD Key Indicators

GUSD is a great school district for many reasons:

- Outstanding students
- Outstanding teachers and support staff
- Outstanding parent involvement
- Informed, responsible and proactive Board of Education
- Excellent class offerings, programs, curriculum and technology
- Competitive average class sizes
- Very good and competitive wages and excellent health insurance benefits
- Stable fiscal reserves



# Providing More Budget Information

- Preview of interactive budget information
- What is available now
- What we are working on for the near future
- Thoughts and ideas for us to develop

## Next Steps

- September 17, 2019 – Unaudited Actuals Report for 2018-19
- October/November 2019 – Board Information updates on the 2020-21 Fiscal Stabilization Plan
- December 17, 2019 – First Interim Report including Board-approved 2020-21 Fiscal Stabilization Plan
- January 2020 – Governor’s Initial Budget Proposal for 2020-21



# **BOARD DISCUSSION AND QUESTIONS?**