

2019-20

First Interim Financial Report

December 17, 2019

Information Report No. 3

Presented by: Stephen Dickinson

Chief Business and Financial Officer

Budget Report No. 3



Excelling Together with Endless Pathways for Success!



First Interim Report and Certification

- AB 1200 and AB 1708 require county offices to monitor and review district budget and financial reports
- Districts are required to submit two interim budget reports determining if they can meet their financial obligations in the current and the two subsequent years
- The County certifies each report as “positive”, “qualified”, or “negative” based on the ability of the district to meet its financial obligations
- The first interim report represents the actual and projected financial position of the General Fund as of October 31, 2019



2019-20 Budget Calendar

Budgeting for schools is a continuous, year-round process

- Adopted Budget by June 30, 2019
- First Interim by December 16, 2019
 - *Using data through October 31, 2019*
- Second Interim by March 15, 2020
 - *Using data through January 31, 2020*
- Third Interim by June 1, 2020
 - *If a Qualified or Negative certification for the Second Interim*
 - *Using data through April 30, 2020*
- Public Hearing for the Local Control Accountability Plan (LCAP) & 2020-21 Budget by June 30, 2020
- Adopt LCAP & 2020-21 Budget
 - *Public Hearing and actual Adoption must be performed in two separate Board meetings*



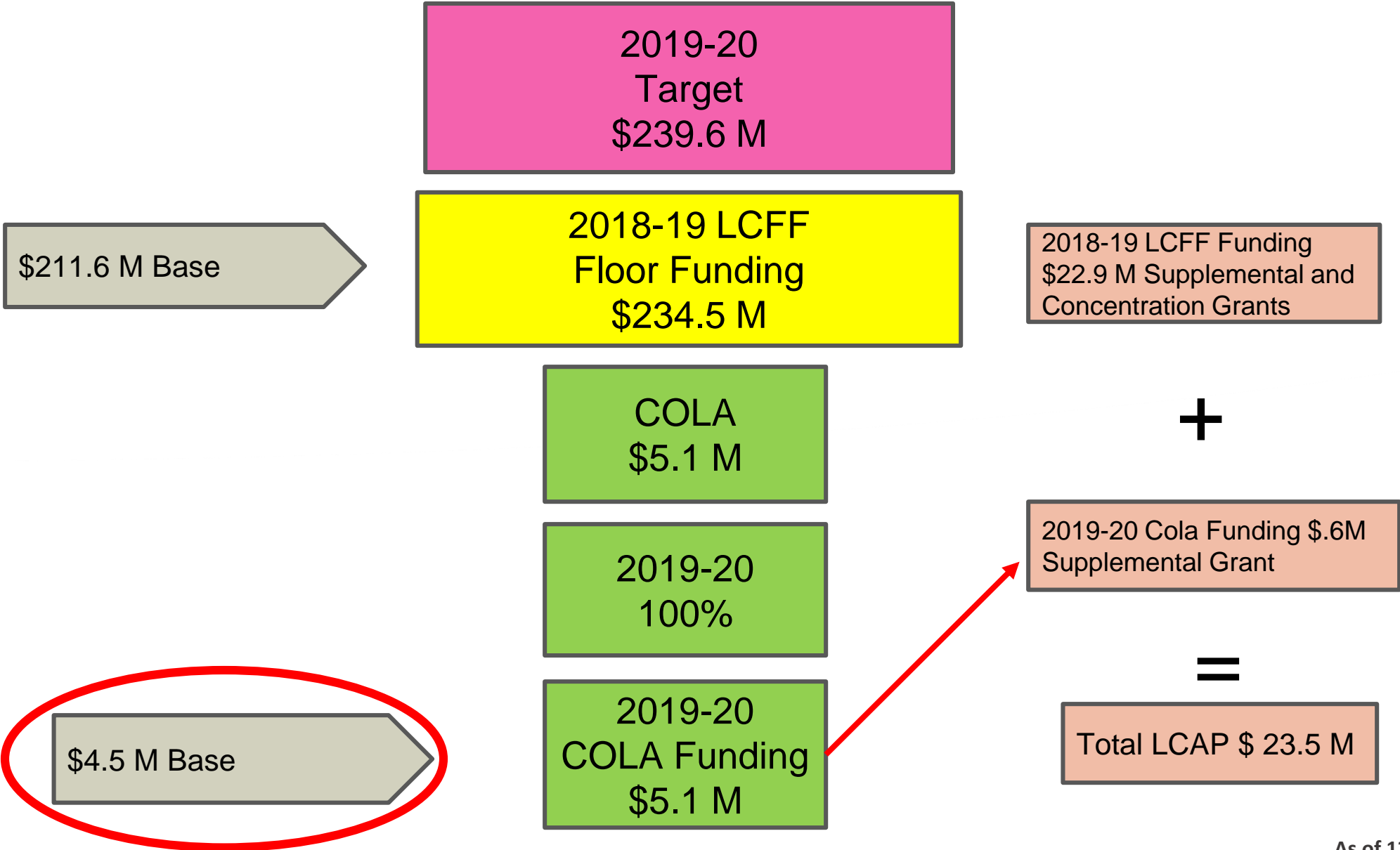
Certification Definition

- ✓ **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

Current Projections based on First Interim and Multi-Year Projection (MYP)



COLA Funding and Proportionality Calculation





Major Changes Since June Budget Adoption

	2019-20	2020-21	2021-22	2022-23	CUMULATIVE
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Revenue

LCFF Revenue	\$0.40 M ↓	\$0.9 M ↑	\$1.8 M ↓	\$7.8 M ↑	\$6.5 M ↑
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Unduplicated %	54.72%	54.44%	54.81%	55.03%
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Enrollment	27 ↑	229 ↓	238 ↓	288 ↓
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One-Time Preschool Special Education Funding (2019-20)	\$ 2.4 M ↑
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This increase is due to a 0% COLA Projected at Adopted Budget vs. 3.16% COLA at First Interim

NOTE: It is anticipated that the COLA will be below 2% for the future years.



Major Changes Since June Budget Adoption

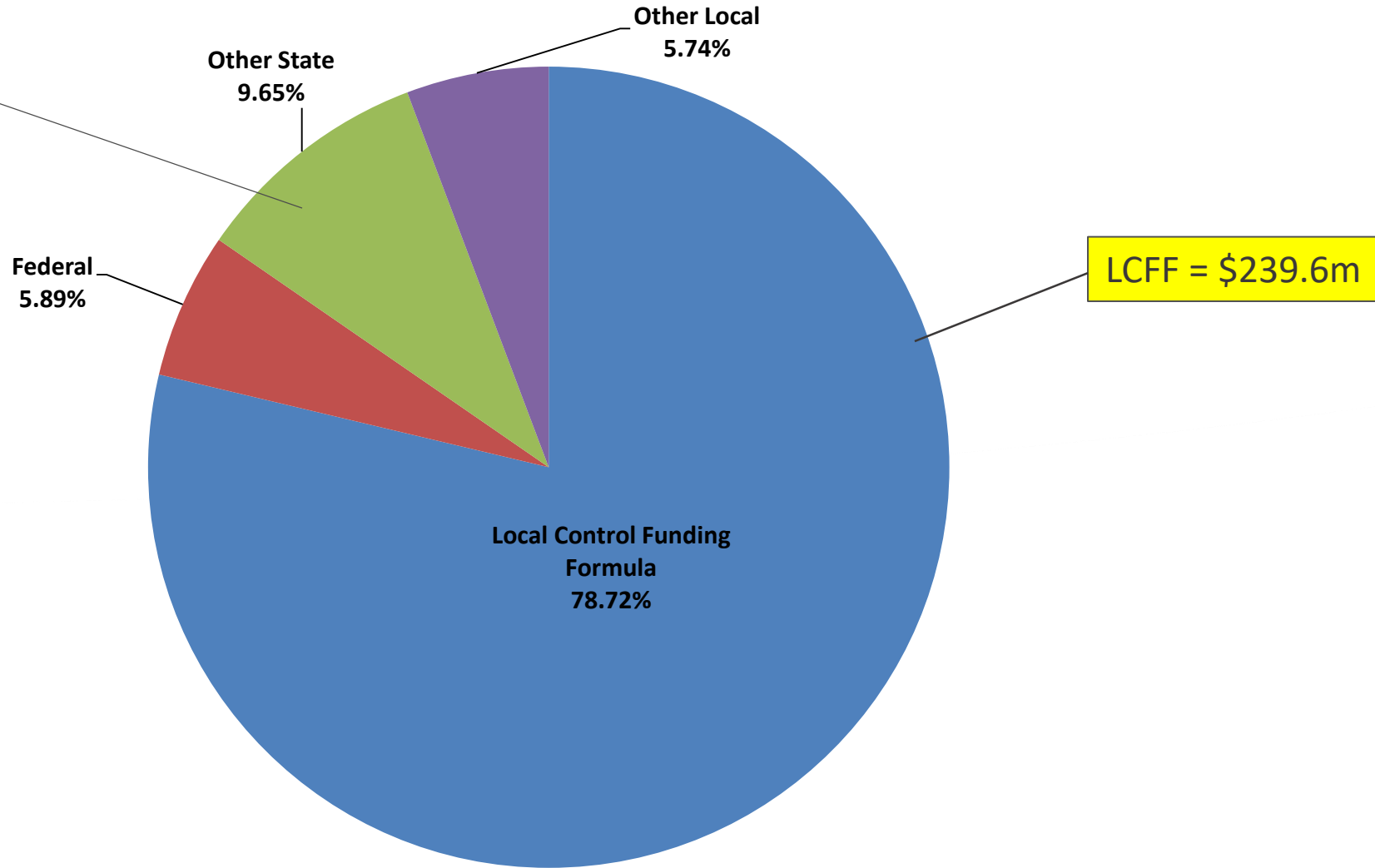
	2019-20	2020-21	2021-22	2022-23	CUMULATIVE
<u>Expense</u>					
Carry Over	\$3.5M	\$0	\$0	\$0	\$3.5M
Total	\$3.5M	\$0	\$0	\$0	\$3.5 M

These correlate with decreasing Designated reserves



2019-20 First Interim TOTAL REVENUE – GENERAL FUND

Includes \$2.4m of
Pre-school SPED
One-Time Funding

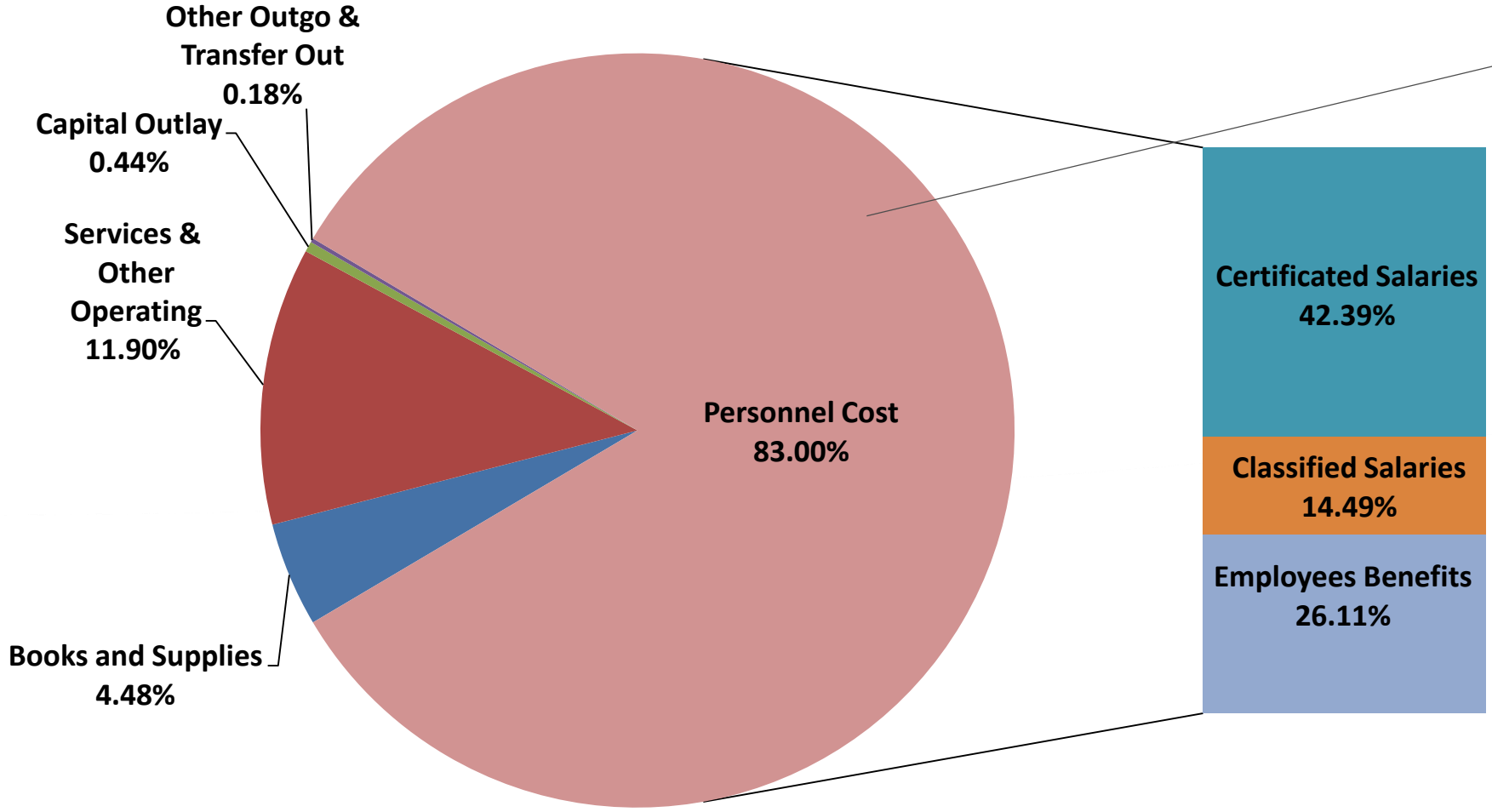


Total Revenues \$304,390,290



2019-20 First Interim TOTAL EXPENDITURES – GENERAL FUND

Employee costs = \$257m



Total Expenditures = \$ 310,182,880



First Interim Report

Unrestricted General Fund Ending Balance

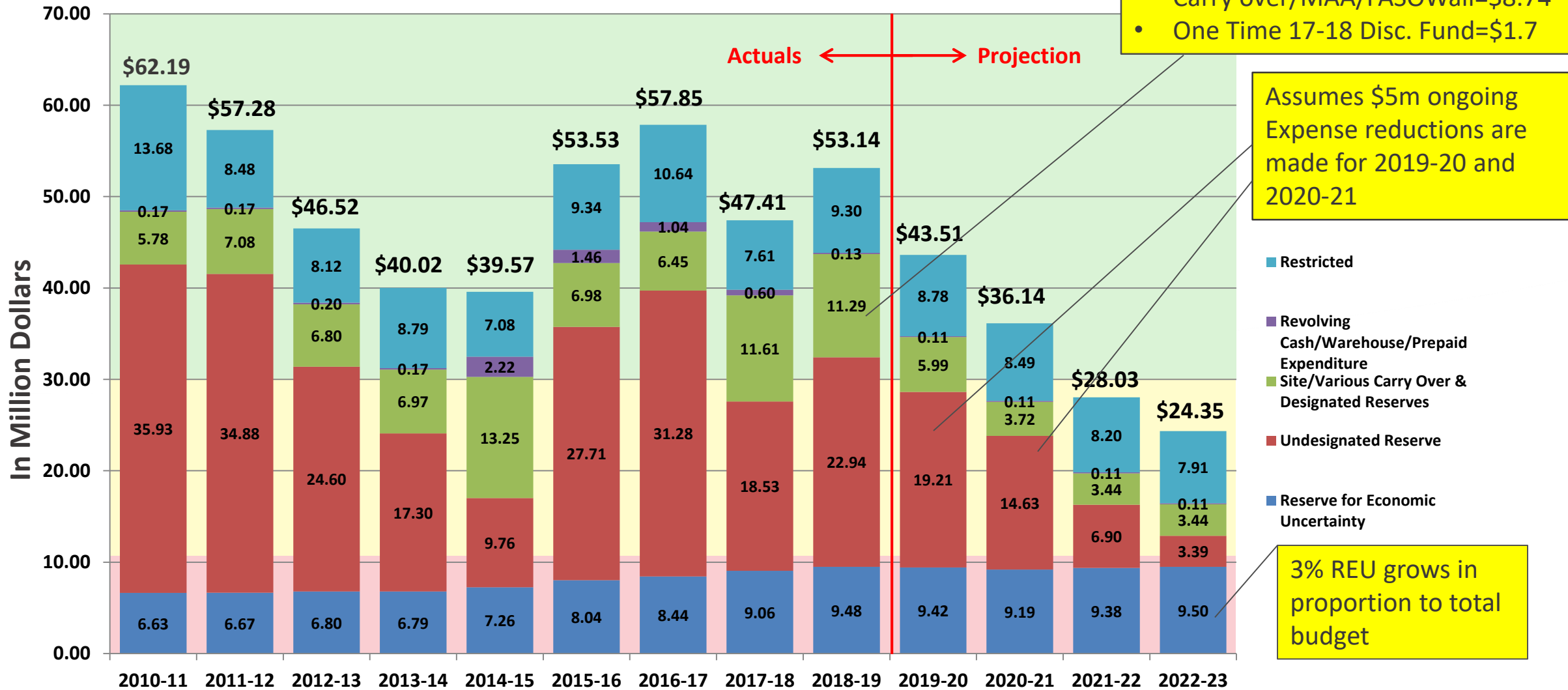
	In Millions				
	2018-19	2019-20	2020-21	2021-22	2022-23
Ending Balance	\$ 43.8	\$ 34.7	\$ 27.6	\$ 19.8	\$ 16.4
3% Mandated Reserve	(9.4)	(9.4)	(9.2)	(9.4)	(9.5)
Other Reserves	(11.4)	(6.0)	(3.8)	(3.5)	(3.5)
Balance in Excess of 3%	23.00	19.3	14.6	6.9	3.4
Without All Prior Solvency Transfers	\$ 17.8	\$ 14.1	\$ 9.4	\$ 1.7	\$ (1.8)



2019-20 First Interim Summary of General Fund Ending Fund Balances

Designated Reserves:

- LACOE charges=\$.84
- Carry over/MAA/FASOWall=\$8.74
- One Time 17-18 Disc. Fund=\$1.7



Assumes \$5m ongoing Expense reductions are made for 2019-20 and 2020-21

3% REU grows in proportion to total budget

As of 12/09/2019



Unrestricted General Fund MULTI YEAR PROJECTION

	2019-20	2020-21	2021-22	2022-23
Total Revenues	\$ 207,576,127	\$ 209,929,985	\$ 214,980,233	\$ 222,791,159
Total Expenditure	216,686,197	217,006,380	222,803,541	226,181,500
Net Increase/(Decrease)	(9,110,070)	(7,076,395)	(7,823,308)	(3,390,341)
Beginning Balance	43,834,842	34,724,772	27,648,377	19,825,069
Audit Adjustments	-	-	-	-
Ending Balance	34,724,772	27,648,377	19,825,069	16,434,728
Components of Ending Fund Balance:				
Revolving Cash	70,000	70,000	70,000	70,000
Stores	39,272	39,272	39,272	39,272
3% Reserve for Economic Uncertainties	9,420,770	9,194,901	9,382,022	9,498,686
Reserve for Carry Over, MAA, Board Election, LACOE Charges	5,496,880	3,716,880	3,436,880	3,436,880
Reserve for One-Time 2017-18 Discretionary Funding	489,767	-	-	-
Adjusted Balance in Excess of Assigned and 3% Reserve	\$ 19,208,083	\$ 14,627,324	\$ 6,896,895	3,389,890
Salaries and Benefits % of Exp.	89.40%	91.04%	91.16%	91.16%
Salaries and Benefits % of Rev.	93.32%	94.11%	94.47%	92.55%



Other Funds- Projected Totals - 2019-20

	Fund 12.0 Child Development Fund	Fund 13.0 Cafeteria Special Revenue Fund	Fund 21 Building Fund	Fund 25.0 Capital Facilities Fund	Fund 40 Special Reserve Fund for Capital Outlay Projects
Revenues	\$ 4,706,082	\$ 9,394,900	\$ 1,100,000	\$ 1,211,000	\$ 4,551,612
Expenditure	4,690,682	9,844,214	23,443,218	1,197,218	18,405,019
Net Incr./(Decr.) To Fund Balance	15,400	(449,314)	(22,343,218)	13,782	(13,853,407)
Beginning Fund Balance	314,314	3,590,684	67,807,907	10,867,407	29,717,893
Ending Fund Balance	\$ 329,714	\$ 3,141,370	\$ 45,464,689	\$ 10,881,189	\$ 15,864,486




NOTE TO CERTIFICATION

- The drop in enrollment will be having a direct impact in our revenue
- There is a Fiscal Stabilization Plan for 2020-21 (ongoing) of \$5.0 million that the Board of Education is approving with the 2019-20 First Interim.
- The 2019-20 and Multiyear Projections DO NOT include any additional salary increases except step and column salary adjustments.



Cautions and Challenges

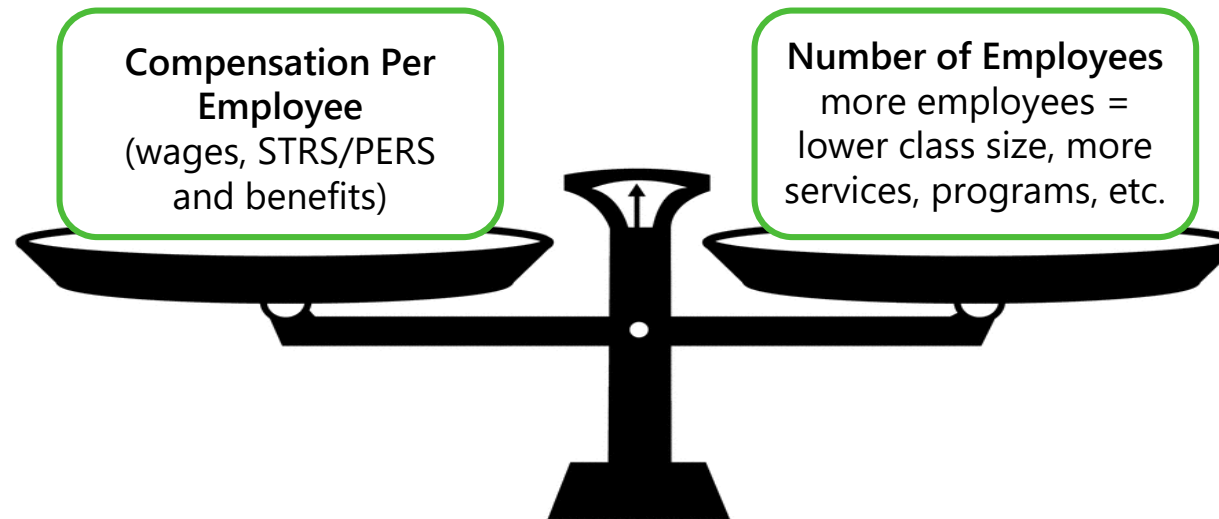
- **Future Funding - COLA% and Unduplicated Pupil Percent** 
- **Structural Deficit - Must Be Addressed**
- **Special Education - Program Needs Increasing**
- **No Additional Ongoing Funding to Cover CalPERS and Cal STRS Increases**
- **Fiscal Stabilization Plan for 2019-20 of \$5.0 million, and for 2020-21 additional \$5.0 million**
- **Impact of 2019-20 Negotiations – Already committed the 2018-19 LCFF increase to the previous wage increase – Can't spend the same increase twice**
- **Sagebrush Transfer – \$2.7m potential impact**
- **Enrollment Decrease – a drop of 250 this year compared to the prior year.**

Potential Positives

- **State Revenue – Keep Close Eye on Governor's Budget – January 2020**

School Budgets: Finding the Right Balance


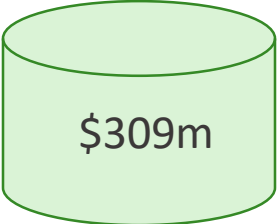
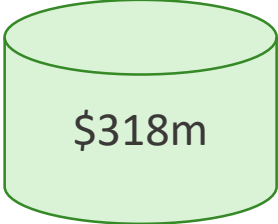
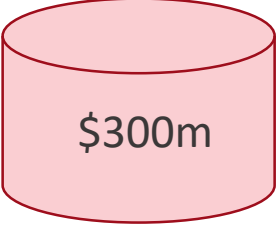
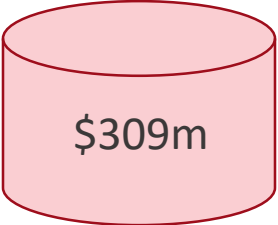
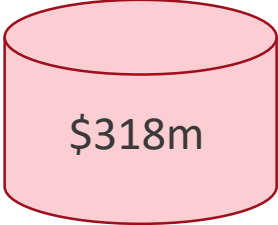



More than 80% of a school district's budget is spent on personnel costs, which have two competing components:



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

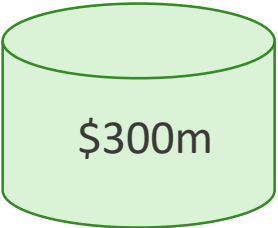

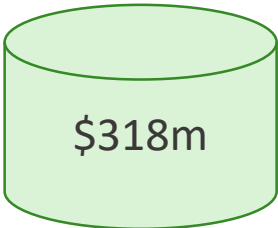
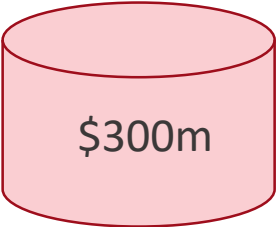
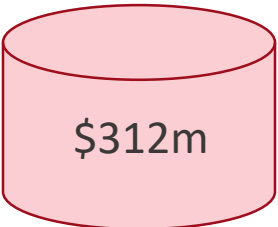
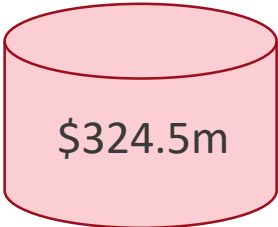
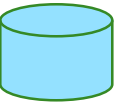
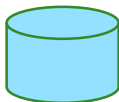
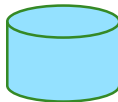
BALANCED

What is a “Structural Deficit”? A Simplified, but Relevant Example

	<u>Current Year</u>		<u>Next Year</u>		<u>And the Next Year</u>
Revenues	 \$300m	+3%	 \$309m	+3%	 \$318m
Expenses	 \$300m	+3%	 \$309m	+3%	 \$318m
Surplus/(Deficit)	\$0		\$0m/0%		\$0m/0%
Savings	 \$30m/10%		 \$30m/9.7%		 \$30m/9.4%

1% Structural Deficit

What is a “Structural Deficit”? A Simplified, but Relevant Example

	<u>Current Year</u>		<u>Next Year</u>		<u>And the Next Year</u>
Revenues	 \$300m	+3%	 \$309m	+3%	 \$318m
Expenses	 \$300m	+4%	 \$312m	+4%	 \$324.5m
Surplus/(Deficit)	\$0		(\$3m/1%)		(\$6.5m/2%)
Savings	 \$30m/10%		 \$27m/8.7%		 \$20.5m/6.3%



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
Balanced Budget		
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)



First Interim Summary

- The Superintendent is recommending a Positive Certification for First Interim.

QUESTIONS?

