

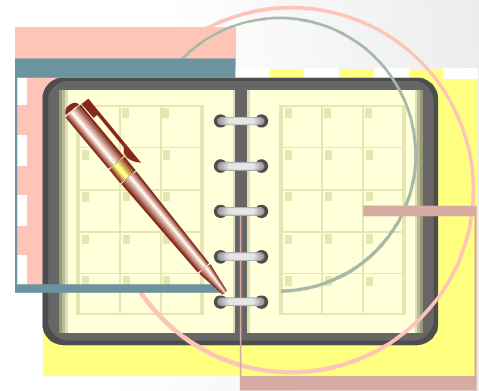


Second Interim Report
March 9, 2020

- ▶ San Rafael City Schools

Agenda

- ▶ State Budget Process
- ▶ Key Assumptions
- ▶ Enrollment and Attendance
- ▶ LCFF, Budget and MYP
- ▶ Prudence and Next Steps

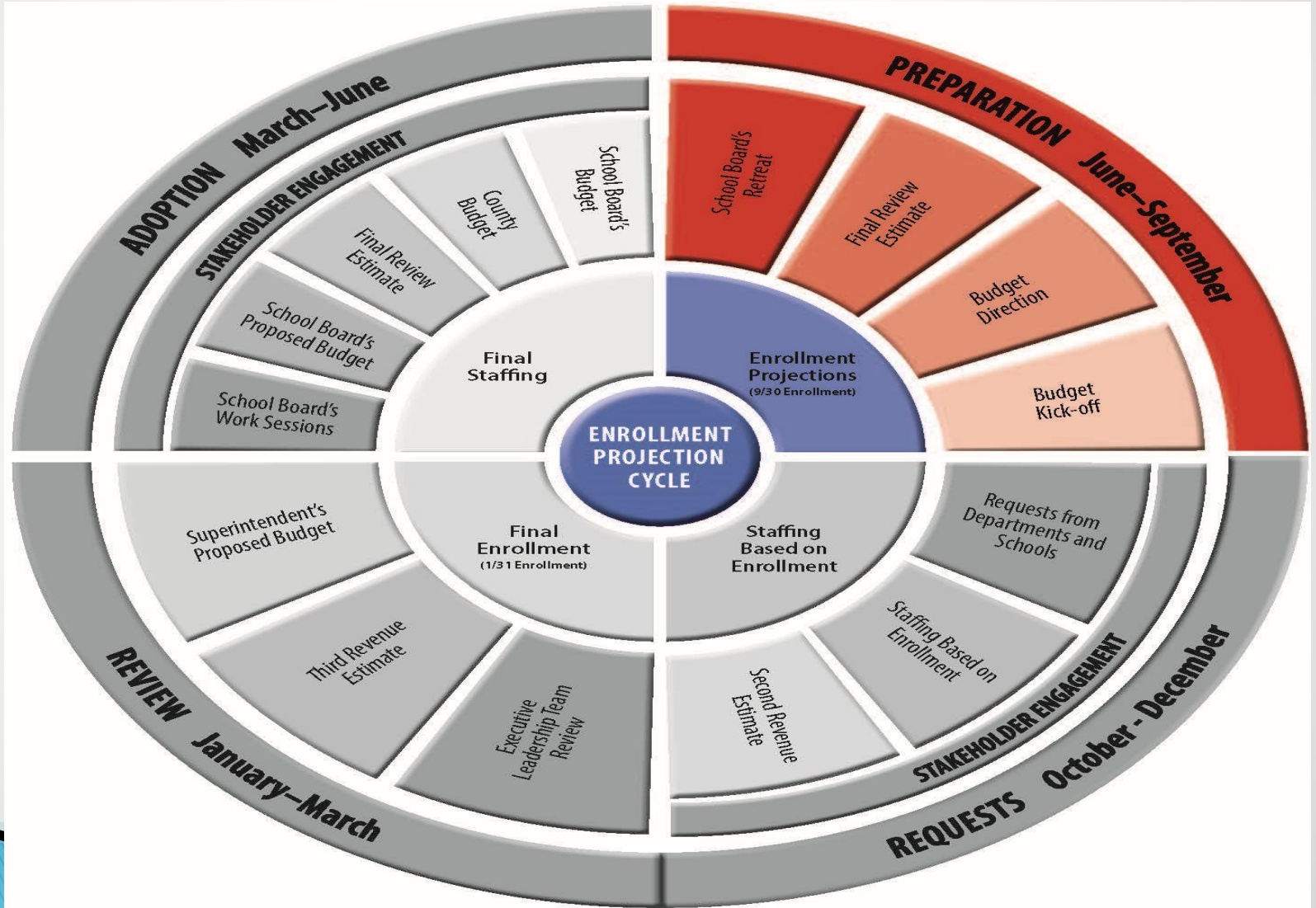


State Budget Process

- ▶ January
 - Governor's proposed budget for budget year
- ▶ February
 - Legislative Analyst review with comments
- ▶ April
 - Statutory COLA recalculated
- ▶ May
 - "May Revise" reflects tax adjustments
- ▶ June 15 (or later)
 - Final adopted State budget
 - COLAs, "gap" funding
 - Potential additional programs, or funding changes
- ▶ November
 - Legislative Analyst Report (LAO Report)
 - Projections for next year based on tax collections and economic predictors
- ▶ January
 - Governor's proposed budget for next budget year...



Budget Development Cycle - Preparation



Basic Aid (HSD) vs State Funded (ESD)

- ▶ District is entitled to a calculated Entitlement
 - Comprised of property taxes and State Aid
 - If Property taxes fill the bucket and overflow, the district keeps the overflow \$\$ and only receives a minimum amount of State Aid



- ▶ District is entitled to a calculated Entitlement
 - Comprised of property taxes and State Aid
 - When property taxes don't fill the bucket, the State makes up the shortfall with State Aid



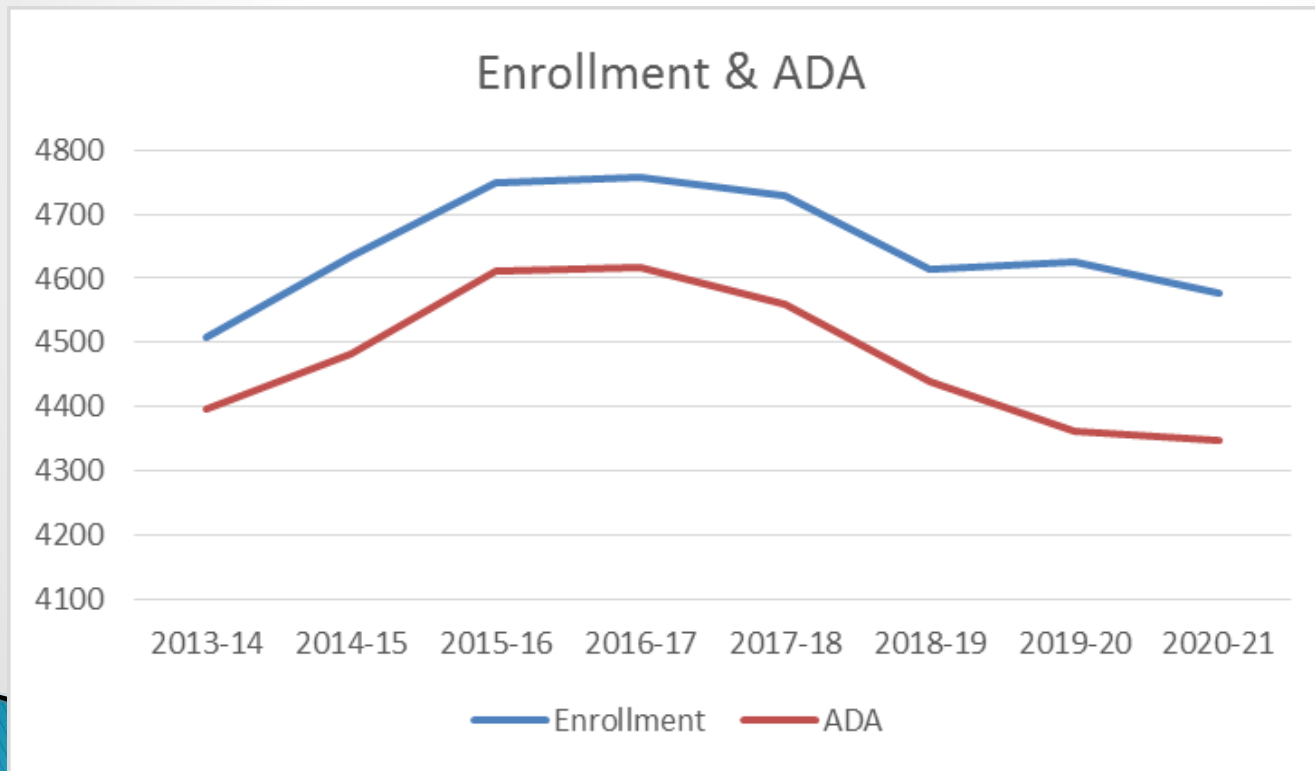
Components: Funding Factors

Planning Factors for 2019-20 and MYPs

	2018-19	2019-20	2020-21	2021-22
Statutory COLA - Estimates 1st Interim	3.70%	3.26%	3.00%	2.80%
Statutory COLA - Proposed Budget	3.70%	3.26%	2.29%	2.71%
STRS Employer Rates	16.28%	17.10%	18.40%	18.10%
PERS Employer Rates	18.062%	19.72%	22.80%	24.90%
Lottery per ADA				
Unrestricted	\$ 165.51	\$ 153.00	\$ 153.00	\$ 153.00
Restricted	\$ 70.16	\$ 54.00	\$ 54.00	\$ 54.00
Mandated Block Grant for Districts				
K-8 per ADA	\$ 31.16	\$ 32.18	\$ 32.92	\$ 33.81
9-12 per ADA	\$ 59.83	\$ 61.94	\$ 63.36	\$ 65.08
Routine Restricted Maintenance	Minimum of 3% of total GF expenditures (based on actual expenditures)			
Average Daily Attendance				
ESD	4,464.07	4,385.80	4,371.55	4,369.65
HSD	2,531.44	2,648.21	2,551.44	2,478.88
Enrollment				
ESD	4,641	4,648	4,597	4,595
HSD	2,669	2,831	2,678	2,603
Positions / Employees	Cert	Class	Mgmt/Conf	Employees
ESD	255.2 FTE	114.0 FTE	29.9 FTE	409
HSD	138.7 FTE	70.8 FTE	20.5 FTE	273

Components: ESD Funding Factors

- ▶ ESD Average Daily Attendance (ADA) and Enrollment decreasing
 - ESD – Since 2016–17 ADA has decreased 256ADA which translates to \$2.0Million in lost funding



Property Taxes > LCFF Funding = Basic Aid Status for HSD

19–20 Property Tax Revenue	\$ 28,405,078
Less: LCFF Transition Revenue	<u>\$ 27,955,485</u>
Excess Property Taxes	\$ 449,593

- Based on current assumptions and 5% annual property tax growth, SRHSD would be entitled to approximately \$28.2 million by 2021–22 under the LCFF
 - Amount is \$3.23 million less than projected property taxes that year; thus, more than likely SRHSD will remain designated as a “Basic Aid” District in the foreseeable future

Key Budget Assumptions

- ▶ All step and column adjustments, vacancy savings, and salary increases for SRTA reflected in budget
 - ESD potential vacancy savings \$326K
 - HSD potential vacancy savings \$331K
- ▶ Using P-1 Average Daily Attendance (ADA), projected to P-2
- ▶ Labor negotiations not settled for SRFT, CSEA, and Management
 - No costs for potential salary settlement included in MYP
- ▶ Restricted Local Revenue includes Parcel Tax for each district

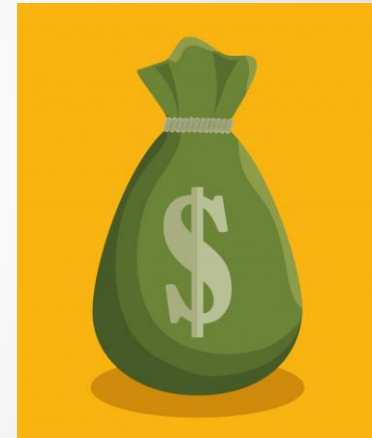
ESD Parcel Tax

PRIOR YEAR ENDING BAL: \$ 307,919
PARCEL TAX REVENUES : \$3,379,141

CERTIFICATED SALARIES : 2,115,802
CLASSIFIED SALARIES : 427,224
EMPLOYEE BENEFITS : 904,553
BOOKS AND SUPPLIES : 32,648
SERVICES: 80,862

TOTAL EXPENDITURES \$3,561,089

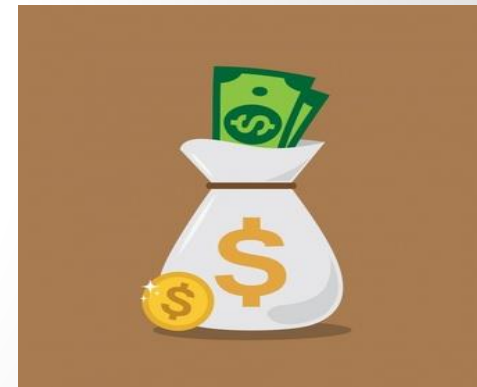
*Parcel Tax expenses reviewed by Parcel Tax Oversight Committee to ensure alignment with ballot measure. Committee presents report of approved expenditures annually in May.



HSD Parcel Tax

PRIOR YEAR ENDING BAL:	\$ 152,096
PARCEL TAX REVENUES :	\$3,403,804
CERTIFICATED SALARIES :	2,270,078
CLASSIFIED SALARIES :	244,953
EMPLOYEE BENEFITS :	869,806
BOOKS AND SUPPLIES :	92,500
SERVICES:	72,806
TOTAL EXPENDITURES	<u>\$3,550,143</u>

*Parcel Tax expenses reviewed by Parcel Tax Oversight Committee to ensure alignment with ballot measure. Committee presents report of approved expenditures annually in May.



Second Interim Budget Summary –ESD

- ▶ The General Fund is comprised of Unrestricted and Restricted dollars
 - Unrestricted is LCFF, most of Lottery, one-time dollars
 - Restricted is Title I, Special Ed, Parcel Tax, Prop 20 Lottery, Donations, etc.

ESD 2nd Interim General Fund Budget 2019-20			
Description	Unrestricted	Restricted	Total
Total Revenues	47,264,258	14,432,051	61,696,309
Total Expenditures	40,097,468	22,023,374	62,120,842
Excess/(Deficiency)	7,166,790	(7,591,323)	(424,533)
Other Sources/Uses	(8,913,972)	7,593,086	(1,320,885)
Net Increase/(Decrease)	(1,747,182)	1,763	(1,745,418)
Add: Beginning Fund Balance	15,343,861	3,224,856	18,568,717
Ending Fund Balance	13,596,680	3,226,619	16,823,299

Second Interim Budget Summary – HSD

- ▶ The General Fund is comprised of Unrestricted and Restricted dollars
 - Unrestricted is LCFF, most of Lottery, one-time dollars
 - Restricted is Title I, Special Ed, Parcel Tax, Prop 20 Lottery, Donations, etc.

HSD 2nd Interim General Fund Budget 2019-20			
	Unrestricted	Restricted	Total
Total Revenues	30,024,543	8,848,586	38,873,129
Total Expenditures	24,985,778	16,400,743	41,386,521
Excess/(Deficiency)	5,038,765	(7,552,157)	(2,513,392)
Other Sources/Uses	(6,865,250)	6,880,446	15,196
Net Increase/(Decrease)	(1,826,485)	(671,711)	(2,498,196)
Add: Beginning Fund Balance	6,396,720	1,617,180	8,013,900
Ending Fund Balance	4,570,234	945,469	5,515,704

Combined General Fund Revenue

▶ Elementary SD:

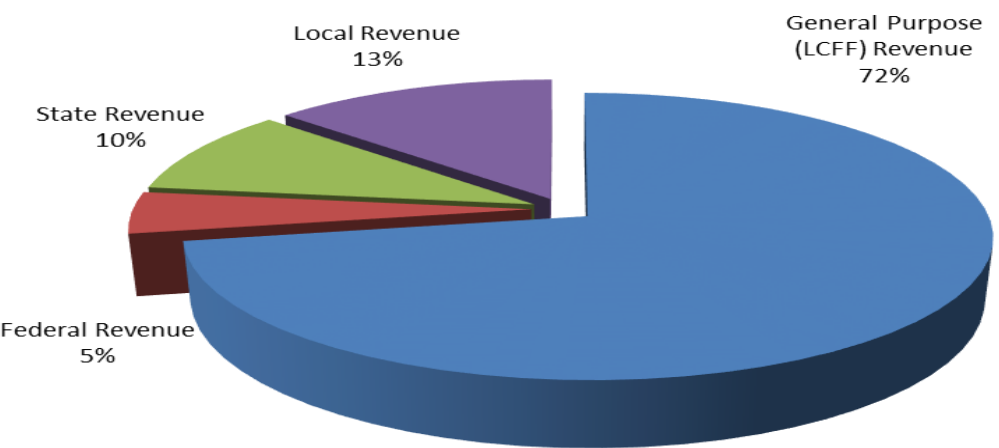
ESD DESCRIPTION	AMOUNT
General Purpose (LCFF) Revenue	\$44,575,569
Federal Revenue	\$2,936,272
State Revenue	\$6,021,130
Local Revenue	\$8,163,339
TOTAL	\$61,696,309

▶ High School District:

HSD DESCRIPTION	AMOUNT
General Purpose (LCFF) Revenue	\$28,915,408
Federal Revenue	\$1,167,031
State Revenue	\$3,143,102
Local Revenue	\$5,647,588
TOTAL	\$38,873,129

General Fund Revenue Budget

**Total ESD General Fund Revenues
2nd Interim 2019-20**



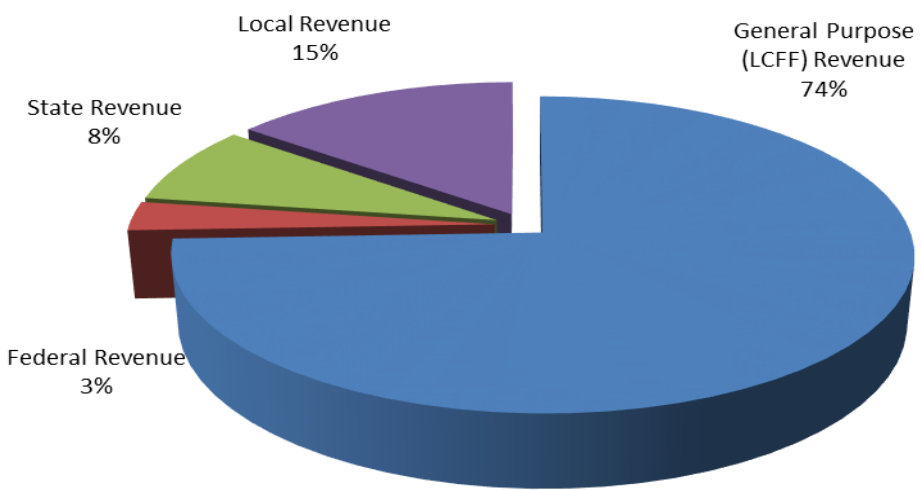
General Purpose – Property taxes, basic state aide, and education protection account funds

Federal – District must follow specific grant guidelines (Title I, Title II, etc.)

Other State – State funds not part of State Aid (Lottery, Special Education, Mandate etc.)

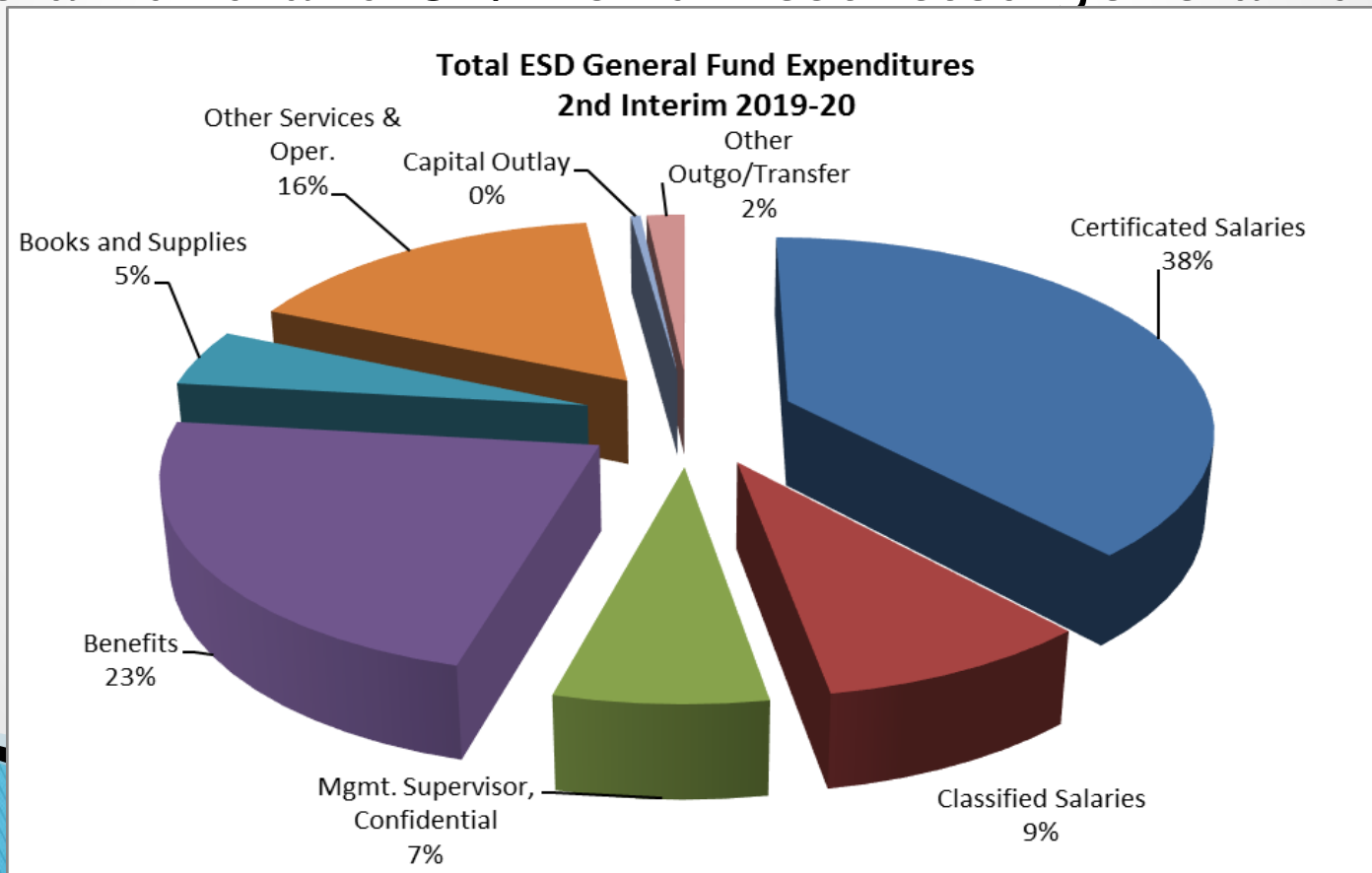
Local – Funds received from local sources (Parcel Tax, Foundation support, PTSA support, Interest, etc.)

**Total HSD General Fund Revenues
2nd Interim 2019-20**



General Fund Expenditures (ESD)

- ▶ Reflects General Fund only (no Cafeteria, Bonds, Child Development)
- ▶ Employee costs are approximately 75% for combined general fund and 84% for unrestricted general fund



Changes Since First Interim- ESD

ESD Unrestricted Changes Since First Interim

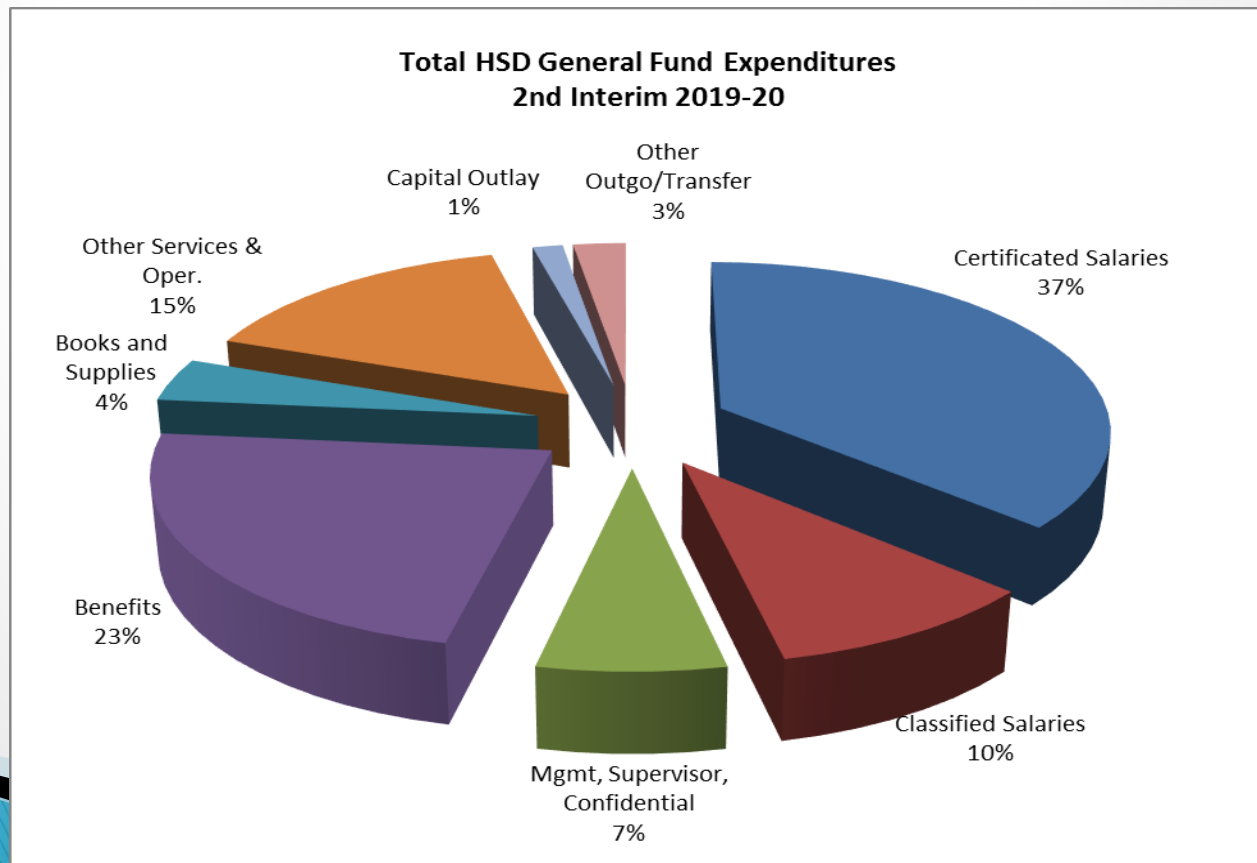
		Change in Fund Balance 2019-20
Excess of Expenditures over Revenues		\$ (2,081,345)
Revenue Changes		
LCFF Funding - unduplicated student count change	62,993	
Other State Revenue - Unrestricted Lottery increase	7,018	
Local Revenue - Interest income & local donations	126,869	
	<u>196,880</u>	\$ 196,880
Expenditure Changes		
Certificated Salaries - Net of cert 4.0% raise and trans to restricted	180,306	
Classified Salaries - vacancy savings	(61,833)	
Benefits - H&W true up	(73,096)	
Books and Supplies	(3,794)	
Other Services, Operations - donations	20,515	
Capital Outlay - reduction to IT budget	(15,000)	
Transfers of Indirect	(102)	
Transfers to Food Svc Program	(22,710)	
Cont to Restrict Bud - Net SpEd Trans inc & MCOE excess costs dec	(161,568)	
	<u>(137,283)</u>	\$ 137,283
Total Expenditure Change		\$ 137,283
Revised Excess of Expenditures over Revenues		\$ (1,747,182)

What Were the Changes to the ESD Budget?

- ▶ LCFF funding increased due to change in unduplicated student count percentage since 1st interim
- ▶ SRTA 4.0% Salary Increase
- ▶ Donations and local grants received since first interim
- ▶ Special Ed contribution reduced by \$162K for transportation and MCOE excess costs change

General Fund Expenditures (HSD)

- ▶ Reflects General Fund only (no Cafeteria, Bonds, Adult Ed)
- ▶ Employee costs are approximately 77% for combined general fund and 85% for unrestricted general fund



Changes Since First Interim – HSD

HSD Unrestricted Changes Since First Interim

Change in Fund Balance
2019-20

Excess of Expenditures over Revenues		\$	(1,995,383)
Revenue Changes			
LCFF Revenue - adj to Property Taxes	(117,085)		
Other State Revenue - Lottery revenue increase	39,596		
Other Local Revenue - Interest income, Donations	41,853		
	<u>(35,636)</u>	\$	(35,636)
Expenditure Changes			
Certificated Salaries	27,429		
Classified Salaries	17,481		
Benefits - adj to H&W	(33,009)		
Books and Supplies	(18,229)		
Other Services, Operations	(996)		
Other Changes - Indirect & Capital Outlay adjustments	(30,816)		
Transfer out - for Food Services FD13	(29,154)		
Contrib to Restricted Budget - SpEd Net Savings Trans & MCOE excess costs	<u>(137,240)</u>		
Total Expenditure Change	(204,534)	\$	204,534
Revised Excess of Expenditures over Revenues		\$	(1,826,485)

What Were the Changes to the HSD Budget?

- ▶ LCFF revenue adjusted for small decrease in property taxes
- ▶ Local revenue budgets are increased upon actual receipt of funds
- ▶ Adjusted H&W benefits to projected actuals
- ▶ Transfer to Food Services decreased
- ▶ Spec. Ed. contributions decreased by \$137K

2019-20 All Funds (ESD)

All Funds of the Elementary School District				
Fund Number and Description		Fund Balance July 1, 2019	Current Year Activity	Fund Balance June 30, 2020
01	General Fund	\$18,568,717	(\$1,745,418)	\$16,823,299
12	Child Development	\$36,126	\$0	\$36,126
13	Cafeteria	\$35,431	\$0	\$35,431
14	Deferred Maintenance Fund *	\$900,366	(\$31,338)	\$869,028
20	Special Reserve for OPEB	\$4,105,395	\$770,295	\$4,875,690
21	Building Funds	\$59,358,876	(\$56,323,067)	\$3,035,809
25	Capital Facilities Fund	\$163,520	\$15,655	\$179,175
40	Special Reserve for Capital Outla	\$1,952,997	\$167,035	\$2,120,032
51	Bond Interest Redemption	\$16,719,080	\$0	\$16,719,080



2019-20 All Funds (HSD)

All Funds of the High School District

Fund Number and Description		Fund Balance July 1, 2019	Current Year Activity	Fund Balance June 30, 2020
01	General Fund	\$8,013,900	(\$2,498,196)	\$5,515,704
11	Adult Ed Fund	\$400	\$0	\$400
13	Cafeteria	\$0	\$0	\$0
14	Deferred Maintenance Fund *	\$345,109	(\$3,700)	\$341,409
20	Special Reserve for OPEB**	\$2,068,167	\$30,000	\$2,098,167
21	Building Funds	\$60,142,024	(\$22,782,361)	\$37,359,663
25	Capital Facilities Fund	\$306,921	\$0	\$306,921
40	Special Reserve for Capital Outlay	\$771,269	\$140,286	\$911,555
51	Bond Interest Redemption	\$10,696,145	\$0	\$10,696,145



Multi-Year Assumptions



- ▶ Assumed flat to slightly decreasing enrollment and Dept of Finance (DOF) COLA funding assumptions
 - For high school district, assumed 5% increase annually in property taxes
 - For elementary school district, combination of declining enrollment and COLA only increases in LCFF funding equates to minimal increases in LCFF revenue in the next few years
- ▶ Step and Column cost increases 1.5% annually
- ▶ Increased STRS and PERS costs accordingly using current projected rates

Unrestricted Funds to Restricted Programs

▶ Contributions to Restricted programs for ESD:

ESD Contributions to Restricted	Amount
Special Ed IDEA	5,816,643
Special Capital Projects	185,000
Routine Maintenance	1,776,443
Total Contributions	7,778,086

▶ Contributions to Restricted programs for HSD:

HSD Contributions to Restricted	Amount
Special Ed IDEA	5,339,400
Special Ed Mental Health	180,610
Routine Maintenance	1,147,381
District ROP Programs	213,055
Total Contributions	6,880,446

Summary Elementary MYP

- ✓ Trend of deficit spending can be sustained due to sufficient fund balance in elementary district

ESD 2nd Interim Multi-Year Projection (Unrestricted GF)			
Description	2019-20 Revised Budget	Projected 2020-21	Projected 2021-22
Total Revenues	47,264,258	46,196,721	47,231,037
Total Expenditures	40,097,468	40,647,100	41,283,101
Excess/(Deficiency)	7,166,790	5,549,621	5,947,936
Other Sources/Uses	(8,913,972)	(9,409,100)	(9,718,650)
Net Increase/(Decrease)	(1,747,182)	(3,859,479)	(3,770,714)
Add: Beginning Fund Balance	15,343,861	13,596,680	9,737,201
Ending Fund Balance	13,596,680	9,737,201	5,966,487

ESD MYP Footnotes

Notes:

¹ LCFF funding estimates of future year increases are limited to COLA alone – or less than 3% per year

² Eliminated one-time apportionment for Pre-K SWD revenues of \$802K in 2020-21 (unrestricted)

³ Decrease of other local revenue due to not budgeting local grants and donations until received.

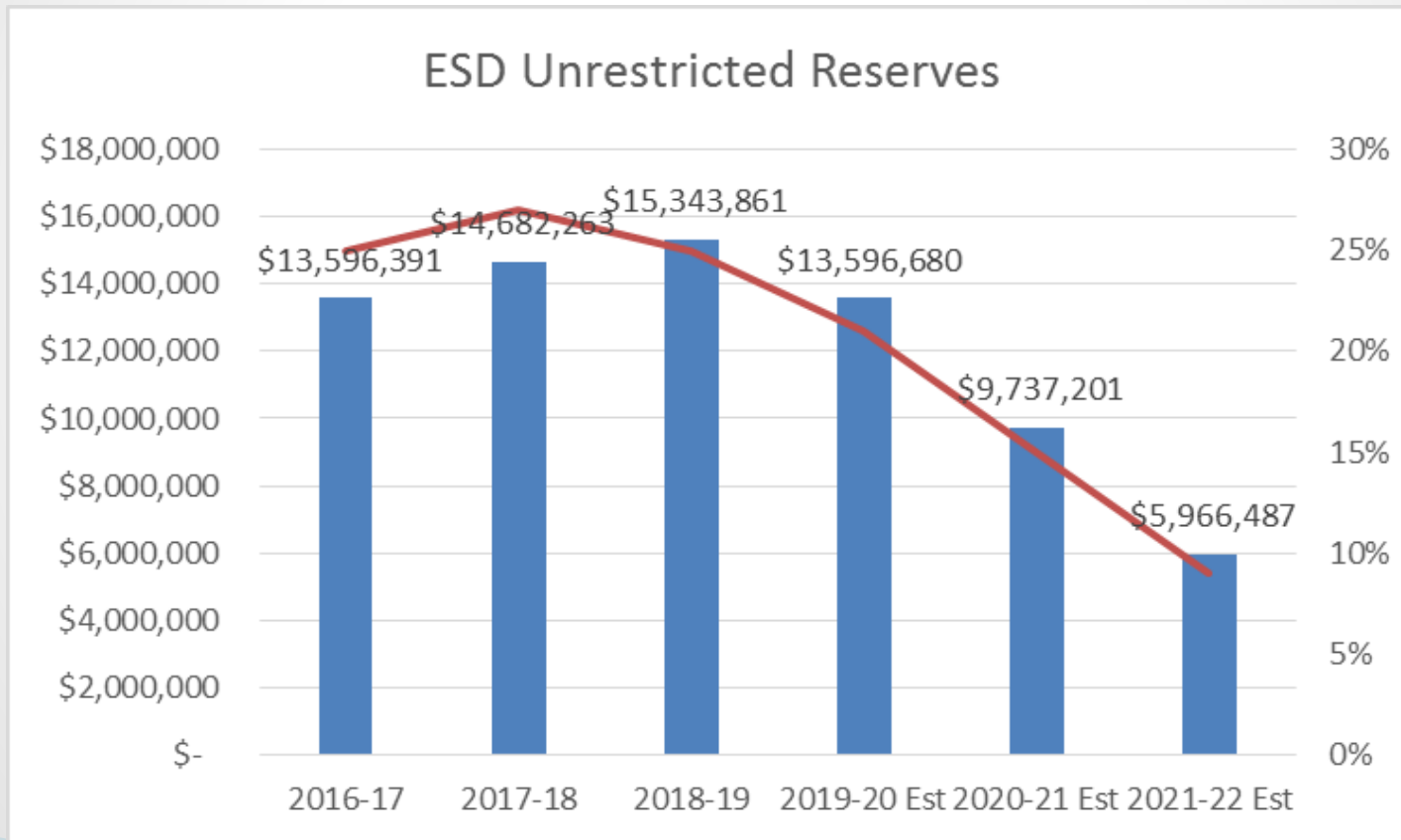
⁴ Projections include step and column movement of 1.5% certificated and 1.5% classified.

⁵ Projection includes estimated increases in state pension percentages for both STRS & PERS, as well as increased statutory benefits for increased salary costs. Assumes 2.5% increase in health & welfare benefits beginning in January of budget year.

⁷ Additional contributions primarily relate to the increase of the following: step & column costs, and pension (STRS & PERS)

⁸ This amount represents level of fund balance above or (below) the required 3% State mandated reserve + 14% Board designated reserve

ESD 2019–20 Budget projects decline in reserves



Summary High School MYP

- ▶ Out years include \$1.33 million in projected budget reductions
- ▶

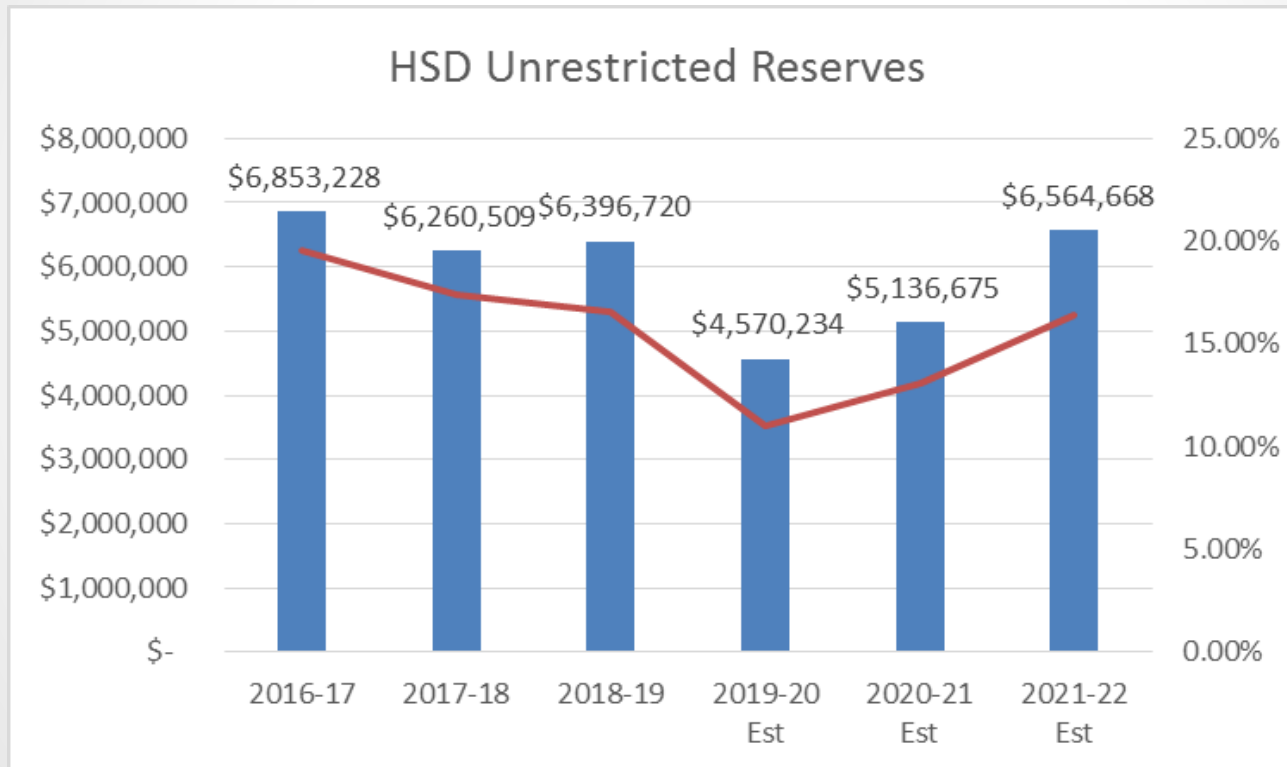
HSD 2nd Interim Multi-Year Projection (Unrestricted GF)			
Description	2019-20 Revised Budget	Projected 2020-21	Projected 2021-22
Total Revenues	30,024,543	31,566,343	32,995,060
Total Expenditures	24,985,778	23,994,979	24,400,681
Excess/(Deficiency)	5,038,765	7,571,364	8,594,379
Other Sources/Uses	15,196	15,196	15,196
Contribution to Restricted	(6,880,446)	(7,020,119)	(7,181,582)
Net Increase/(Decrease)	(1,826,485)	566,441	1,427,993
Add: Beginning Fund Balance	6,396,720	4,570,234	5,136,675
Ending Fund Balance	4,570,234	5,136,675	6,564,668

HSD MYP Assumption Footnotes

Notes:

- ¹ For high school district, assumes 5.0% and 5.0% increase annually in secured prop taxes for 20-21 and 21-22.
- ² Decrease of other local revenue due to not budgeting local grants and donations until received.
- ³ Projections include step and column movement of 1.5% certificated and 1.5% classified.
- ⁴ Projection includes estimated increases in state pension percentages for both STRS & PERS, as well as increased statutory benefits for increased salary costs.
- ⁵ Additional contributions primarily relate to the increase of the following: SpEd step & column costs, and pension (STRS & PERS)

2019-20 Budget projects restoration of reserves with reduction plan



Cash Flow



- ▶ As a result of deficit spending there may be months where the general fund reflects negative cash balances (districts pay their bills faster than property taxes come in)
 - This is why districts, especially those that are deficit spending, must maintain larger fund balances than the meager state 3% minimum.
- ▶ The June 30, 2019 cash balance is projected to be positive for both districts, however, the “dry period” of October through December, before property taxes are received, indicates a cash shortfall in Oct./Nov. (HSD)
 - The District has prepared to cover the “dry period” with short-term borrowing from the County Treasurers Office via a Tax Anticipation Note

Uncertainties and Prudence

- ▶ Enrollment and ADA are fairly flat to slightly decreasing going forward for both districts
 - ▶ Pension reform continues to escalate
 - ▶ Eventual downturn in the economy (every 8–10 years) based on past trends
 - ▶ Deficit spending erodes fund balance in next two – three years (ESD)
- ✓ In the absence of revenue increases, on-going expenditure reductions must be made in the near future



Second Interim Certification for Elementary District

- ▶ Per AB 1200
- ▶ *The Second Interim projection indicates that, as defined in AB 1200, “the district will be able to meet its financial obligations for the current fiscal year and subsequent two years.”*
- ✓ *The District is self-certifying as “Positive”*



Second Interim Certification for High School District

- ▶ Per AB 1200
- ▶ *The Second Interim projection indicates that, as defined in AB 1200, “the district will be able to meet its financial obligations for the current fiscal year and subsequent two years.”*
- ✓ *The District is self-certifying as “Positive”*



Next Steps



- ▶ Budget development is underway, meetings with budget managers (principals and department directors) were scheduled over the last couple of months
- ▶ The Governor's May Budget Revision may impact the District's budget through COLAs, program changes
- ▶ LCAP and budget public hearings are scheduled on June 22nd, and adoption/approval on June 24th

Questions

