



2018/19 Third Interim

Board Meeting
May 16, 2019
Agenda Item No. 9.3

Outline

- May Revise Update
- Financial Reporting Timelines
- Review Budget Changes Prior to Third Interim
- Current Year Projections
- Update on Programs/Services - April Board Meeting
- Multi-Year Projection
 - Assumptions for 2019/20, 2020/21 and 2021/22
 - SACS Multi-Year Report
 - Recommended Plan Multi-Year Report
- Review Budget Adoption Timeline

May Revise Update

- COLA FY 19/20 – Change from 3.46% to 3.26%
 - \$800,000 loss of revenue
- STRS rate FY 19/20– Reduced from 17.1% to 16.7%
 - \$830,000 reduced expense
- Special Education Concentration Grant Proposal
 - Estimated \$15 million ongoing, \$4 million one-time
 - Different Special Education proposals by Legislature
 - Funds not in Third Interim

Financial Reporting Timelines

- State Financial Reports
 - Adopted Budget – June 30
 - First Interim – December 15
 - Second Interim – March 15
 - Third Interim – June 1
 - Unaudited Actuals – September 15
 - Independent Audit – December 15

Board Approved Current Year Changes Prior to First Interim - \$21.1 million

Amount	Reduction Item
\$5.0 million	Position control true up
\$5.0 million	Debt service to facility funds
\$3.0 million	Lowering OPEB contribution
\$1.5 million	Supplies and Services lowered to 2017/18 level
\$1.4 million	Utilities budget reduction
\$1.0 million	Central office classified reductions
\$1.0 million *	Legal settlement
\$900,000 *	Special education transportation
\$900,000 *	VAPA
\$800,000 *	ELSP carryover
\$300,000	Student Services
\$100,000	Board office reductions


* One-Time

Board Approved Future Year Changes

- February/March Board Meetings - \$7.8 million
 - One-Stop Staffing
 - Lower contribution to Child Development Fund
 - Other positions
- Total of First Interim (\$21.1M) and February/March Board Meetings (\$7.8M) = \$28.9M


Third Interim 2018/19 Current Year Revenues


 Local Control Funding Formula (LCFF)
– Decrease for projected 2018/19 ADA = \$485,000


 Local Income - \$1.9 million

- Interest
- Charter School Fees/Oversight
- Other Tuition
- ROP (one-time)

Third Interim 2018/19 Current Year Expenses

-  Captured one-time savings where appropriate
 - Salaries and Benefits – \$850,000
 - Supplies, Services, Capital Outlay – \$1.7 million

-  Move Expenses to Restricted Funds \$755,000
 - Teacher Trainers -Title II Professional Development

-  Contributions /Transfers Out - \$5.6 million
 - Special Education decrease
 - Charter School decrease
 - Children Center Fund decrease

- Teacher Salary Restructure – No increase in budget for current year

Update on Programs/Services from April Board Meeting

- Continuing to review/research items presented to Board
 - Program Impact
 - Program Funding Sources
- LCFF Funding
 - Base Funding – Expenses to support Education program
 - Supplemental/Concentration – \$76 million
- Grants – Specific purpose

Other Student Supports

- Elementary VAPA Programs and All City Band - \$67K
- Gifted and Talented Education (GATE) - \$977K
- Youth Development Programs - \$10.2 million
- Parent Teacher Home Visit - \$540K
- Student Support Centers - \$2.4 million
- District-wide Athletics - \$2.1 million
- Social Emotional Learning - \$890K
- Family and Community Empowerment (FACE) - \$506K
- Credit Recovery Program - \$1.4 million
- Enrollment Center - \$1.8 million
- Parent Participation Preschool - \$300K
- New Teacher Induction - \$967K

■ Supplemental/Concentration/Grant Funding ■ Partial Unrestricted ■ Unrestricted

Classroom Considerations

- Career Technical Education Programs - \$2.9 million
- International Baccalaureate (IB) Programs - \$973K
- Middle/High School Music Programs - \$664K
- Junior Reserves Officers Training Corps (JROTC) - \$1.2 million

■ Supplemental/Concentration/Grant Funding ■ Partial Unrestricted ■ Unrestricted

Multi-Year Projection Assumptions

Revenues

- LCFF COLA
 - 19/20 - 3.26% instead of 3.46% - \$800,000 loss
 - 20/21 - 2.86% (Jan budget) - revised ADA - \$7.8 million
 - 21/22 - 2.92% (Jan budget) - revised ADA - \$9.1 million
- Local Income
 - Interest Income
 - Charter School Fees/Oversight
 - Other Tuition

Multi-Year Projection Assumptions

Expense Changes Over Next Three Years

- Increase for Teacher Salary Schedule Restructure - Estimated \$8.1 million
- Increase contribution for STRS and PERS per statute - \$5.2 million
 - STRS rate lowered increase due to May Revise
- Increase in Health relatively flat in 19/20, + 4% est. for future years - \$4 million
- Increase RRM to 3% of General Fund expenses - \$3.5 million
- Increase charter school contribution - \$2.1 million
- Increase utilities estimates per various authorities - \$1.6 million

Projected Employer Pension Increases

CalSTRS Employer Rates

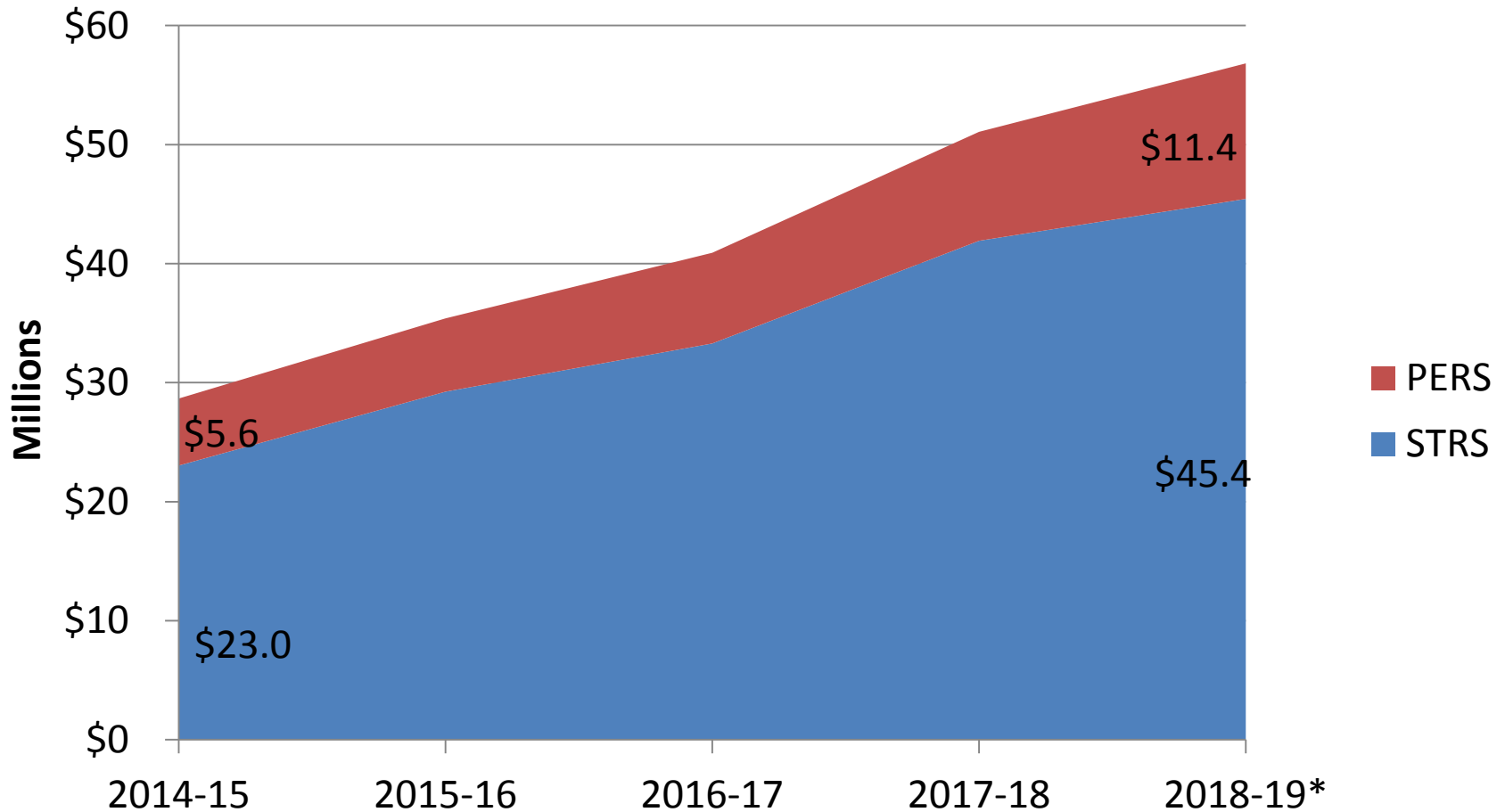
2013/14 – 8.25%
2014/15 – 8.88%
2015/16 – 10.73%
2016/17 – 12.58%
2017/18 – 14.43%
2018/19 – 16.28%
2019/20 – 16.70%
2020/21 – 18.10%
2021/22 – 18.10%
2022/23 – 17.60%

CalPERS Employer Rates

2013/14 – 11.442%
2014/15 – 11.771%
2015/16 – 11.847%
2016/17 – 13.888%
2017/18 – 15.531%
2018/19 – 18.062%
2019/20 – 20.733%*
2020/21 – 23.6%*
2021/22 – 24.9%*
2022/23 – 25.7%*
2023/24 – 26.4%*
2024/25 – 26.6%*

* CalPERS Board Approved Rates

General Fund PERS and STRS



* Escape Online5 report as of May 15, 2019

Multi-Year Projection Assumptions

Expense Changes Over Next Three Years

- Decrease Special Education increases from \$30 million to \$22.3 million = \$7.7 million
- Decrease Child Development contribution from original \$2.3 million to \$1.4 million = \$0.9 million
- Decrease teaching positions due to declining enrollment - \$1.5 million
- Capture more indirect costs from restricted programs - \$700,000

Multi-Year Projection does not include savings from excess OPEB contributions

SACS Unrestricted General Fund

Multi-Year Projections

	<u>Projected</u> <u>2018/19</u>	<u>Projected</u> <u>2019/20</u>	<u>Projected</u> <u>2020/21</u>	<u>Projected</u> <u>2021/22</u>
Ongoing Funds				
Revenues	\$414.11	\$426.58	\$434.27	\$443.46
- Contributions	\$83.55	\$98.71	\$106.03	\$113.34
- Expenses, Transfers In	\$346.70	\$347.54	\$355.01	\$361.17
- Supplemental/Concentration Expanded Programs			\$1.93	\$1.67
Ongoing Net Change in Fund Balance	(\$16.14)	(\$19.67)	(\$28.70)	(\$32.72)
One-Time Funds				
Revenues	\$7.10	\$0.00	\$0.00	\$0.00
- One-Time Expenses	\$0.00	\$0.00	\$6.00	\$4.00
One Time Net Change in Fund Balance	\$7.10	\$0.00	(\$6.00)	(\$4.00)
Total Unrestricted General Fund:				
Beginning Balance	\$60.28	\$51.23	\$31.56	-\$3.14
Ending Balance	\$51.23	\$31.56	(\$3.14)	(\$39.86)
Component of the Ending Balance				
Cash, Inventory, Prepaid Assets	\$0.55	\$0.55	\$0.55	\$0.55
Designated Funds	\$6.00	\$6.00	\$0.00	\$0.00
Reserve for One-Time Expenses and Carryover	\$0.00	\$0.00	\$0.00	\$0.00
Net Unrestricted General Fund Balance	\$44.69	\$25.02	(\$3.68)	(\$40.40)
Required Ongoing Reductions				
Change in Reserve	(\$15.24)	(\$19.67)	(\$28.70)	(\$36.72)
Reserve level	8.02%	4.48%	-0.63%	-7.22%

Recommended Plan for Unrestricted General Fund

Multi-Year Projections

	<u>Projected</u> <u>2018/19</u>	<u>Projected</u> <u>2019/20</u>	<u>Projected</u> <u>2020/21</u>	<u>Projected</u> <u>2021/22</u>
Ongoing Funds				
Revenues	\$414.11	\$426.58	\$434.27	\$443.46
- Contributions	\$83.55	\$98.71	\$106.03	\$113.34
- Expenses, Transfers In	\$346.70	\$347.54	\$326.01	\$327.17
- Supplemental/Concentration Expanded Programs			\$1.93	\$1.67
Ongoing Net Change in Fund Balance	(\$16.14)	(\$19.67)	\$0.30	\$1.28
One-Time Funds				
Revenues	\$7.10	\$0.00	\$0.00	\$0.00
- One-Time Expenses	\$0.00	\$0.00	\$6.00	\$4.00
One Time Net Change in Fund Balance	\$7.10	\$0.00	-\$6.00	-\$4.00
Total Unrestricted General Fund:				
Beginning Balance	\$60.28	\$51.23	\$31.56	\$25.86
Ending Balance	\$51.23	\$31.56	\$25.86	\$23.14
Component of the Ending Balance				
Cash, Inventory, Prepaid Assets	\$0.55	\$0.55	\$0.55	\$0.55
Designated Funds	\$6.00	\$6.00	\$0.00	\$0.00
Reserve for One-Time Expenses/ Carryover	\$0.00	\$0.00	\$0.00	\$0.00
Net Unrestricted General Fund Balance	\$44.69	\$25.02	\$25.32	\$22.60
Required Ongoing Reductions				
Change in Reserve	(\$15.24)	(\$19.67)	\$0.30	(\$2.72)
Reserve level	8.02%	4.48%	4.57%	4.07%

Third Interim Summary

- Captured current year additional income/expense savings
- Recognition of contribution changes for current/future years
- Recognition of additional cost for teacher salary schedule restructure in future years
- Cash flows shows positive cash through October 2020
- Need a negotiated solution to achieve \$34 million
- Keep a close eye on State Budget for potential changes in revenue and new expenditure obligations

Upcoming Budget Discussions

- Board Presentations – LCAP and Budget
 - June 6 and June 20, 2019
- Public Hearing - LCAP and Budget
 - June 6, 2019
- Adoption of LCAP and Budget
 - June 20, 2019