

East Side Union High School District



Budget Advisory Committee Meeting

**Chris Jew, Associate Superintendent of Business Services
and Silvia Pelayo, Director of Finance
March 27, 2019**

Agenda

- ▶ Welcome and Introductions
- ▶ Review purpose and expectations of Budget Advisory Committee (BAC)
- ▶ Introduction to School Finances
- ▶ Review ESUHSD 2nd Interim Financial Report
- ▶ Review 2019–20 District Budget Assumptions
- ▶ Other questions and answers

Purpose

- ▶ Superintendent's Committee comprised of representatives from various District stakeholders
- ▶ To review the District's Budget
- ▶ Share the information with constituent groups
 - Disseminate information to as many parents, students, staff, and community members as possible
- ▶ Provide input or recommendations as requested by the Superintendent for consideration in the Budget development process
- ▶ The Committee is advisory in nature and will not have decision making responsibilities

BAC Expectations

- ▶ Start and end on time
- ▶ One person talks at a time (No side conversations)
- ▶ Everyone has a “voice” and to respect each others thoughts and opinions
- ▶ Address the issues, not the people (individuals)
- ▶ Confidentiality of discussions
- ▶ Stay on task at hand, keep to items on the “floor” at time of discussion
- ▶ No implied agreements
- ▶ Represent the needs of the entire District (Not a specific site or program)
- ▶ Any recommendations are advisory

Introduction to School Finance

- ▶ List of Acronyms
- ▶ Proposition 98
- ▶ History of School Funding
 - Revenue Limit and Average Daily Attendance (ADA)
 - Local Control Funding Formula (LCFF)
- ▶ LCFF vs. Basic Aid Funding
- ▶ Fiscal Solvency
- ▶ District Fund Accounts

What is Proposition 98 ?

- ▶ 1988 Voter approved constitutional amendment intended to provide a stable and growing source of funding for K-14 education
- ▶ Establishes the minimum level of state funding for school districts
- ▶ Education receives at least 40.319% of the State's general fund tax revenues

Revenue Limit Funding Model

- ▶ Revenue Limit Calculation

- Average Daily Attendance (ADA) is

- Total Number of Days of Student Attendance divided by Total Number of Days in School Year

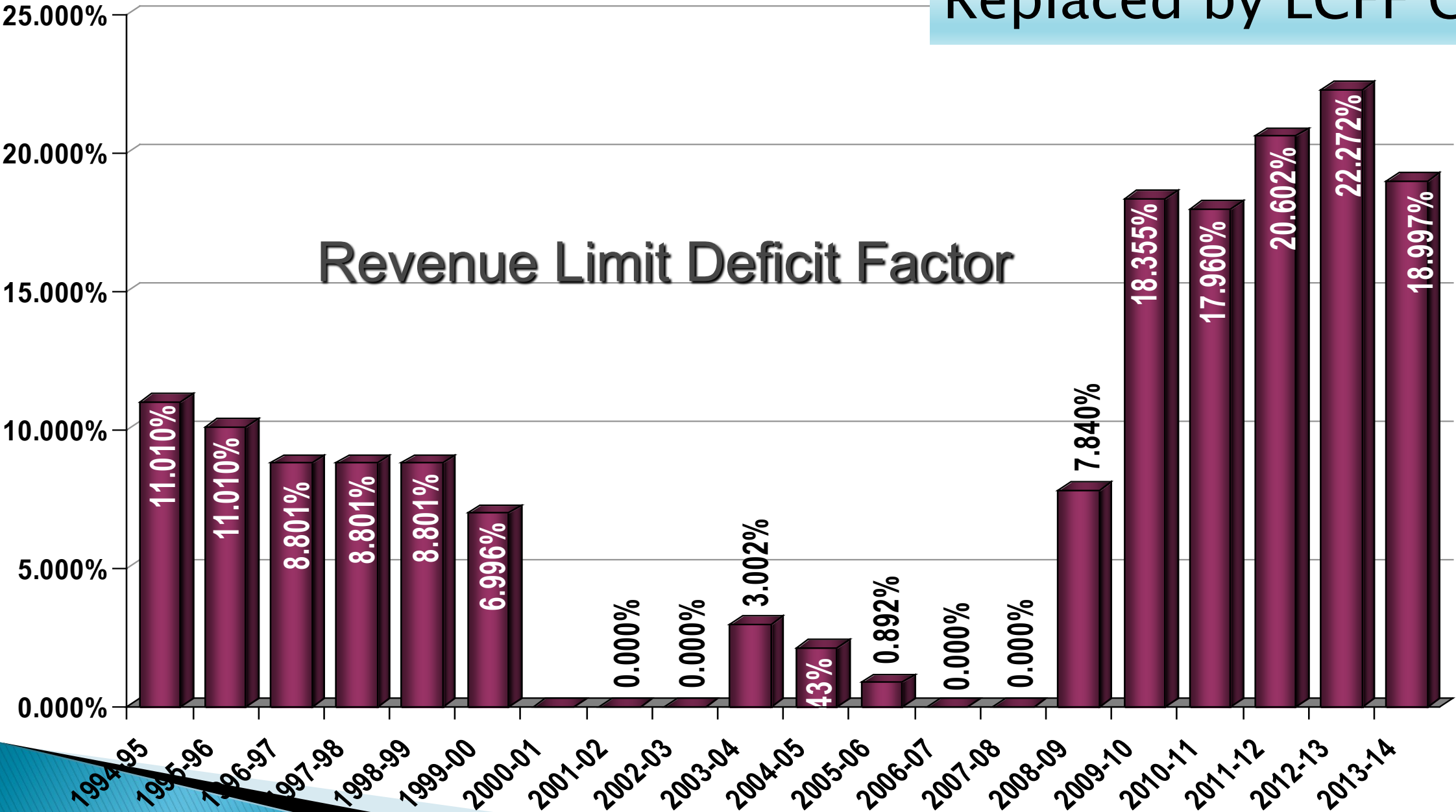
- ▶ Example.. Student attends all 180 day out of 180 school days = 1 ADA

- Student attends 175 out of 180 school days = .972 ADA

- ▶ Federal Funding and other State Funding

Replaced by LCFF Gap

Revenue Limit Deficit Factor



Local Control Funding Formula (LCFF) Assumptions

LCFF

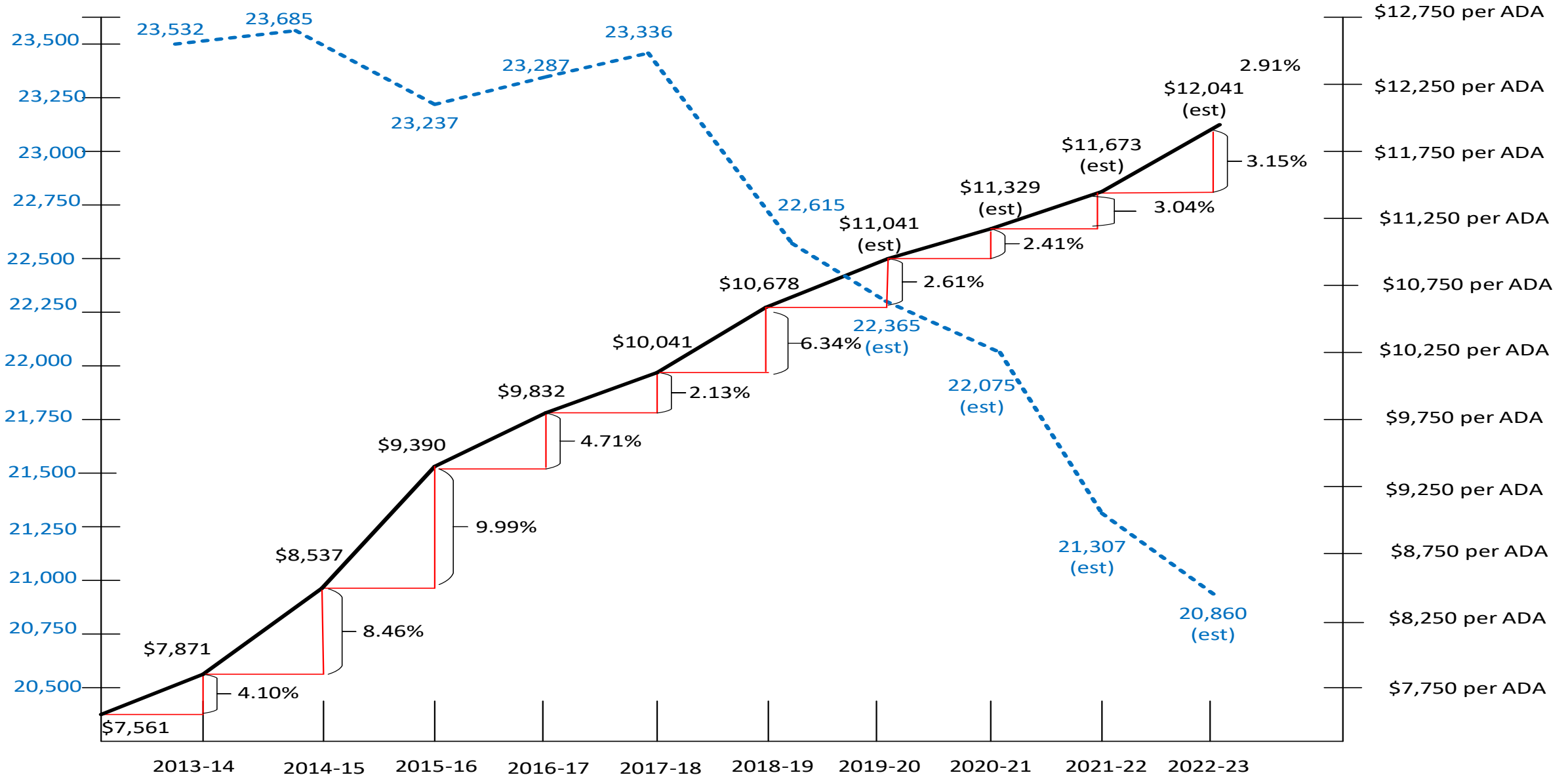
- ▶ Locally Controlled Funding Formula (LCFF)
 - In 2013–14, Governor’s plan to overall California’s system of school finance
- ▶ LCFF would replace revenue limits and most state categorical program funding
- ▶ Elements of the formula
 - Base target grant equal to undeficitated statewide average base revenue limit per ADA
 - Differential adjustments for early primary, primary, middle, high school grade spans; added funding for K–3 Class Size Reduction (CSR)
 - Additional funding based on the school’s demographics;
 - English Learner population
 - Pupils eligible for free and reduced–price meals
 - Foster Youth
 - Some exclusions to the formula Special Education, Child Nutrition, After School Education and Safety (ASES)
 - Transportation is a separate add–on to the formula, however COLAs will not be applied

LCFF Full Implementation

- ▶ 2018–19 Budget Act appropriated sufficient funding to close remaining LCFF Gap
 - 100% Gap closed in 6 years, not 8 years as projected
- ▶ Base grant funding is now equalized across all LEAs
- ▶ Supplemental and Concentration grant funding will be determined by the LEA's Unduplicated Pupil Count
- ▶ Annual growth in LCFF funding will be determined by;
 - The change in LEA's Average Daily Attendance (ADA) and Unduplicated Pupil Counts.
 - The statutory Cost of Living Adjustment (COLA)
 - Any funding provided in excess of the COLA

Enrollment

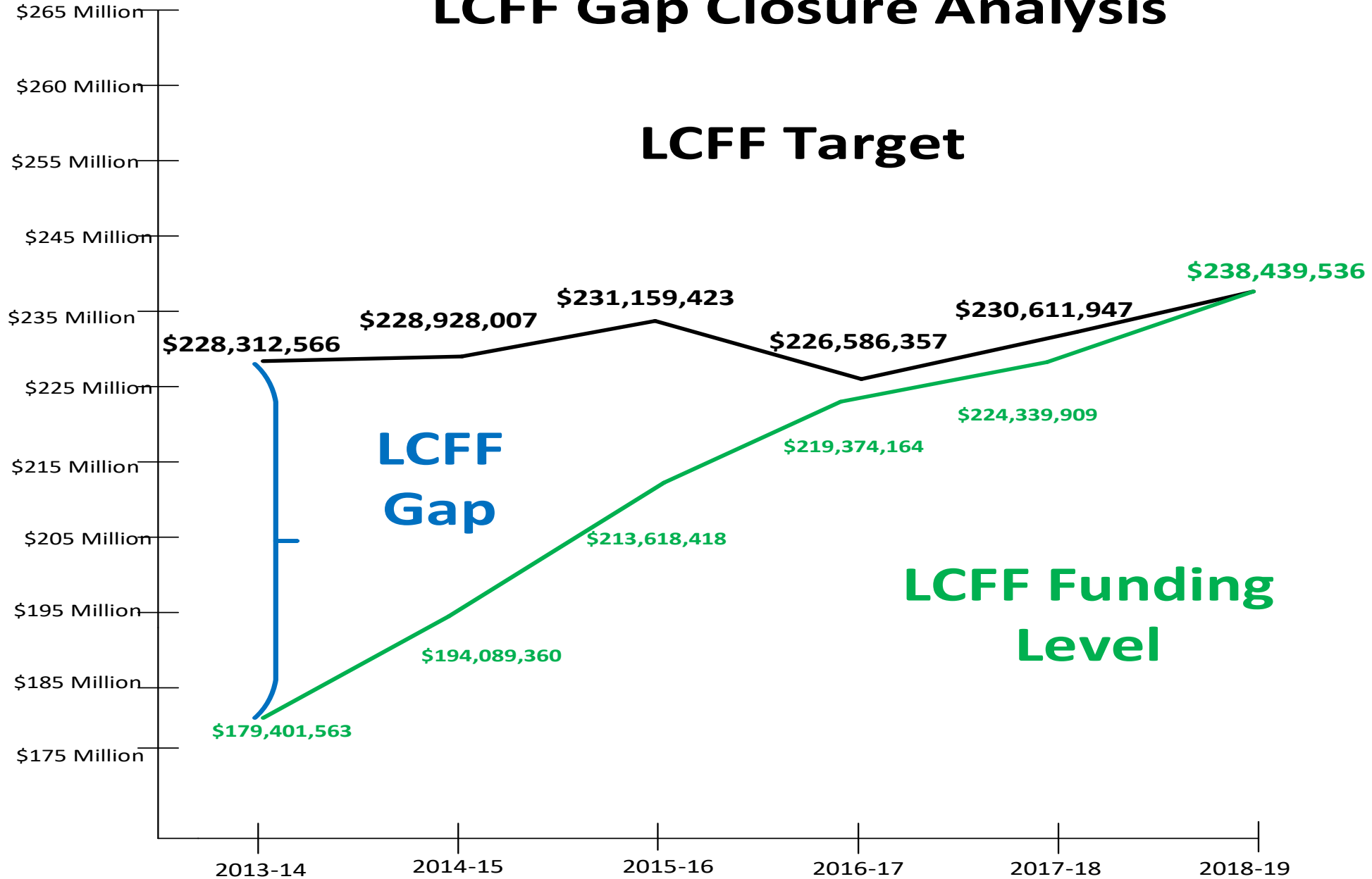
LCFF Funding per ADA



As of 2018-19 Second Interim

LCFF Gap Closure Analysis

LCFF Target



COLA

2013-14 @ 1.57%
 2014-15 @ 0.85%
 2015-16 @ 1.02%
 2016-17 @ 0.00%
 2017-18 @ 1.56%
 2018-19 @ 3.70%

GAP Closure Rate

2013-14 @ 12.00%
 2014-15 @ 30.16%
 2015-16 @ 52.56%
 2016-17 @ 56.08%
 2017-18 @ 42.97%
 2018-19 @ 100%

LCFF Additional Funding

2013-14 LCFF = \$4,999,443
 2.87%

2014-15 LCFF = \$14,687,797
 Base = \$13,822,012
 Supplemental = \$865,785
 8.19%

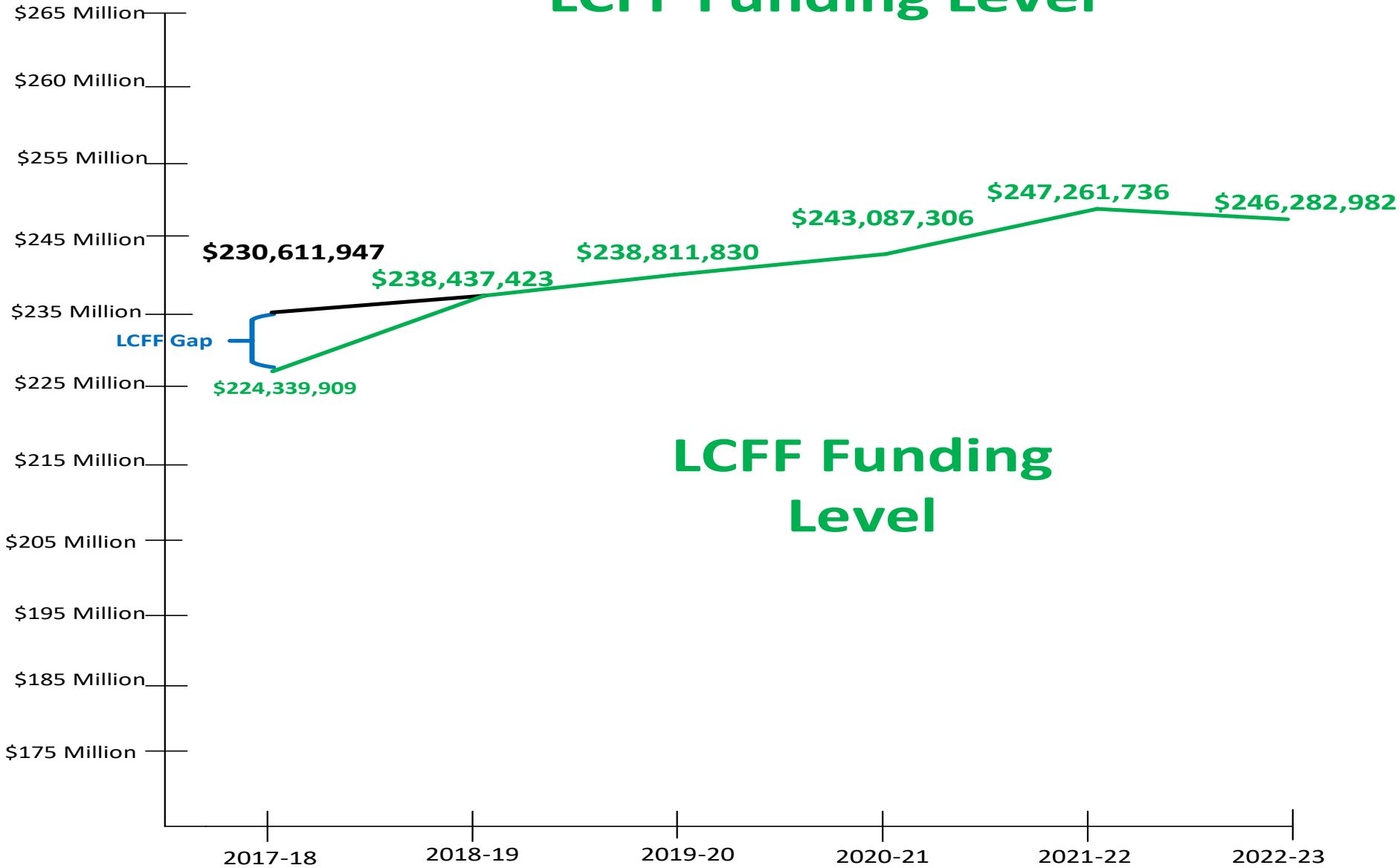
2015-16 LCFF = \$19,529,058
 Base = \$17,821,920
 Supplemental = \$1,707,138
 10.06%

2016-17 LCFF = \$5,755,746
 Base = \$5,515,398
 Supplemental = \$240,348
 2.69%

2017-18 LCFF = \$4,965,745
 Base = \$4,197,492
 Supplemental = \$768,253
 2.26%

2018-19 LCFF = \$14,099,627
 Base = \$13,003,220
 Supplemental = \$1,096,407
 6.28%

LCFF Funding Level



LCFF Funding Level

COLA

2017-18 COLA at 1.56%
 2018-19 COLA at 3.70%
 2019-20 COLA at 3.46%
 2020-21 COLA at 2.86%
 2021-22 COLA at 2.92%
 2022-23 COLA at 2.90%

GAP Closure Rate

2017-18 at 42.97%
 2018-19 at 100%

LCFF Additional Funding

2017-18 LCFF = \$4,965,745
 Base = \$4,197,117
 Supplemental = \$768,628
 2.26%

2018-19 LCFF = \$14,097,514
 Base = \$12,923,953
 Supplemental = \$1,173,561
 6.34%

2019-20 LCFF = \$374,407
 Base = \$458,506
 Supplemental = <\$84,099>
 0.16%

2020-21 LCFF = \$4,275,476
 Base = \$4,215,972
 Supplemental = \$59,504
 1.79%

2021-22 LCFF = \$4,174,430
 Base = \$3,388,778
 Supplemental = \$785,652
 1.72%

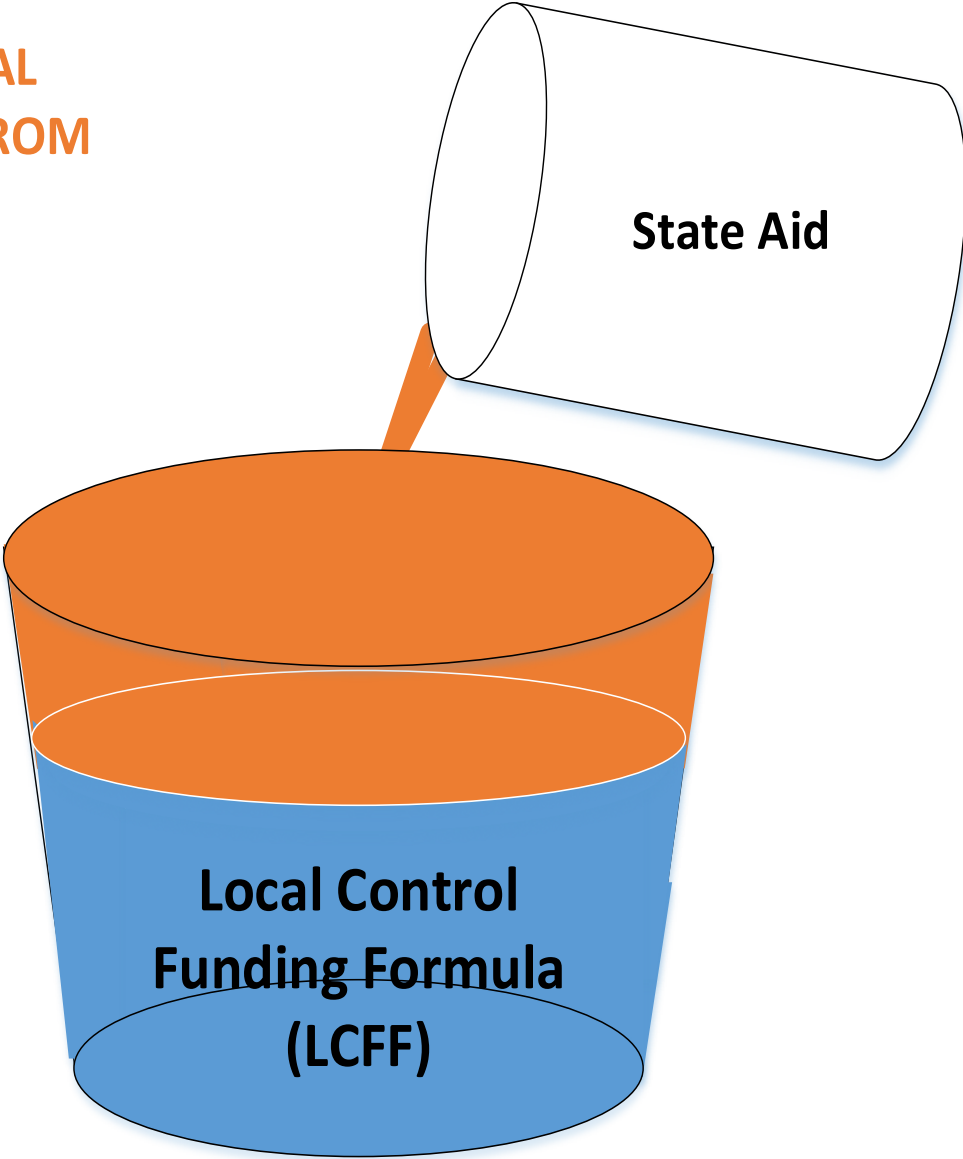
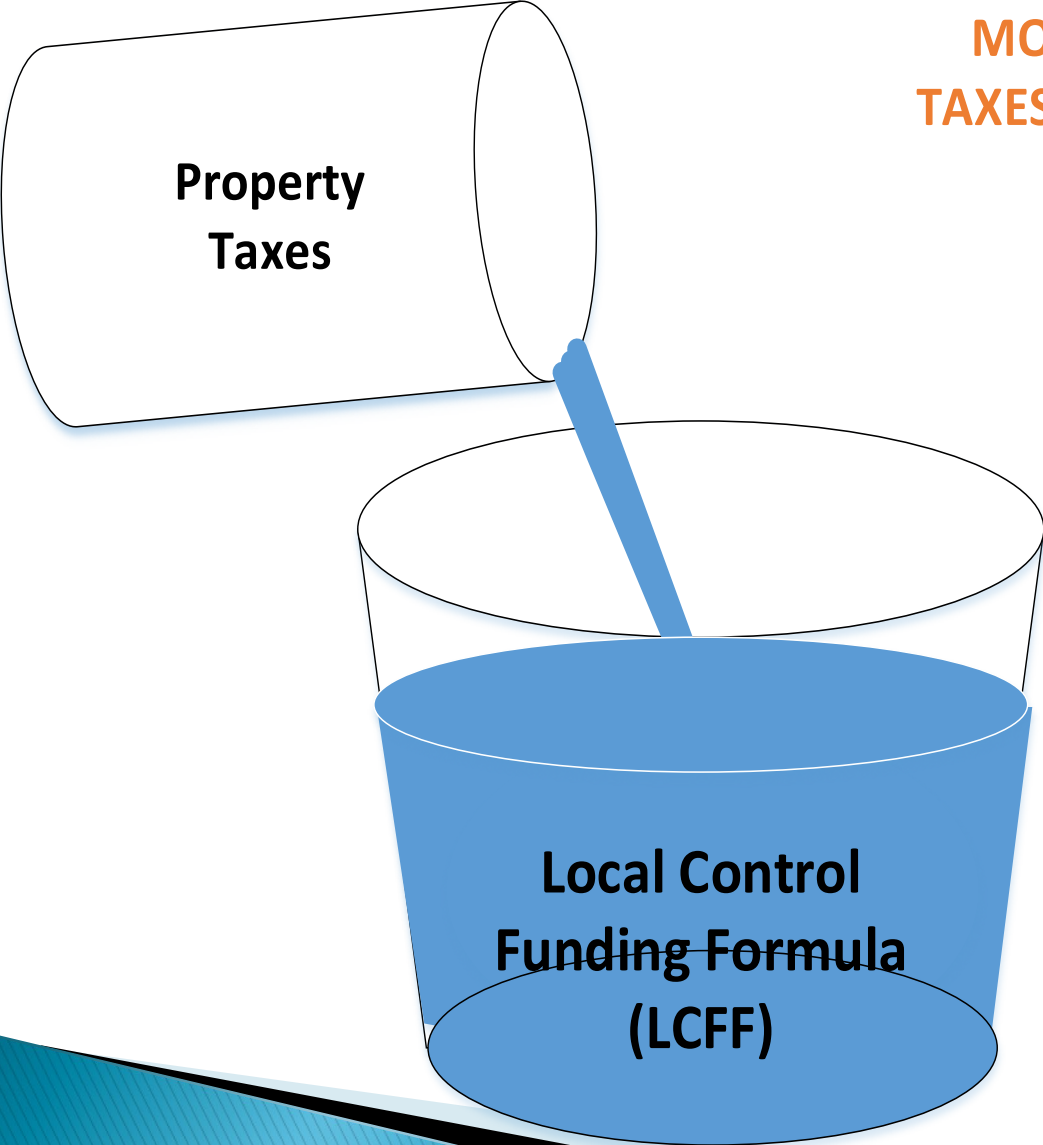
2022-23 LCFF = <\$978,754>
 Base = <\$1,356,749>
 Supplemental = \$377,995
 <0.40%>

As of 2018-19 Second Interim

LCFF Funding vs. Basic Aid Funding

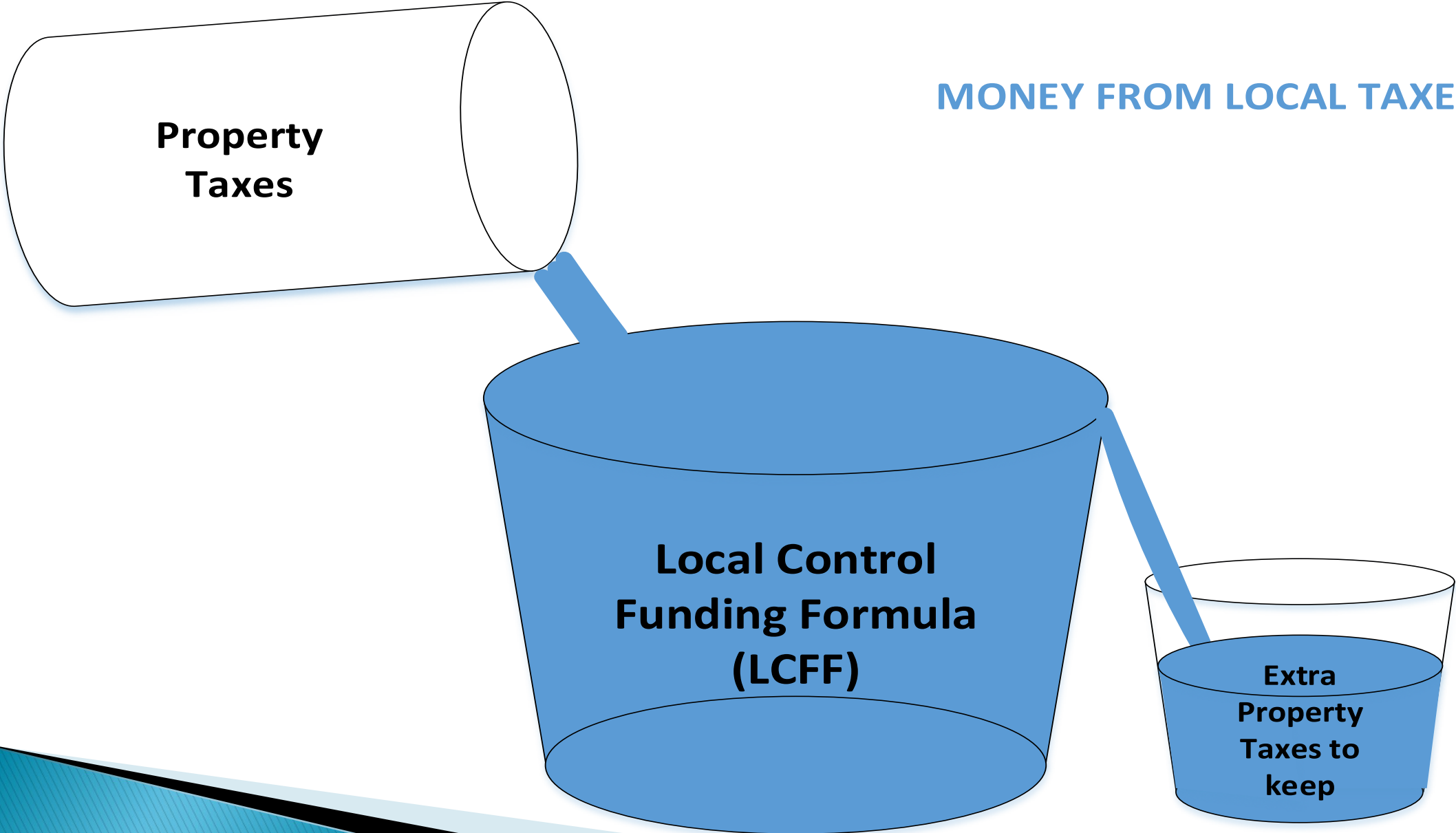
LCFF DISTRICT FUNDING

MONEY FROM LOCAL TAXES AND MONEY FROM THE STATE



BASIC AID DISTRICT FUNDING

MONEY FROM LOCAL TAXES



Fiscal Solvency Certification

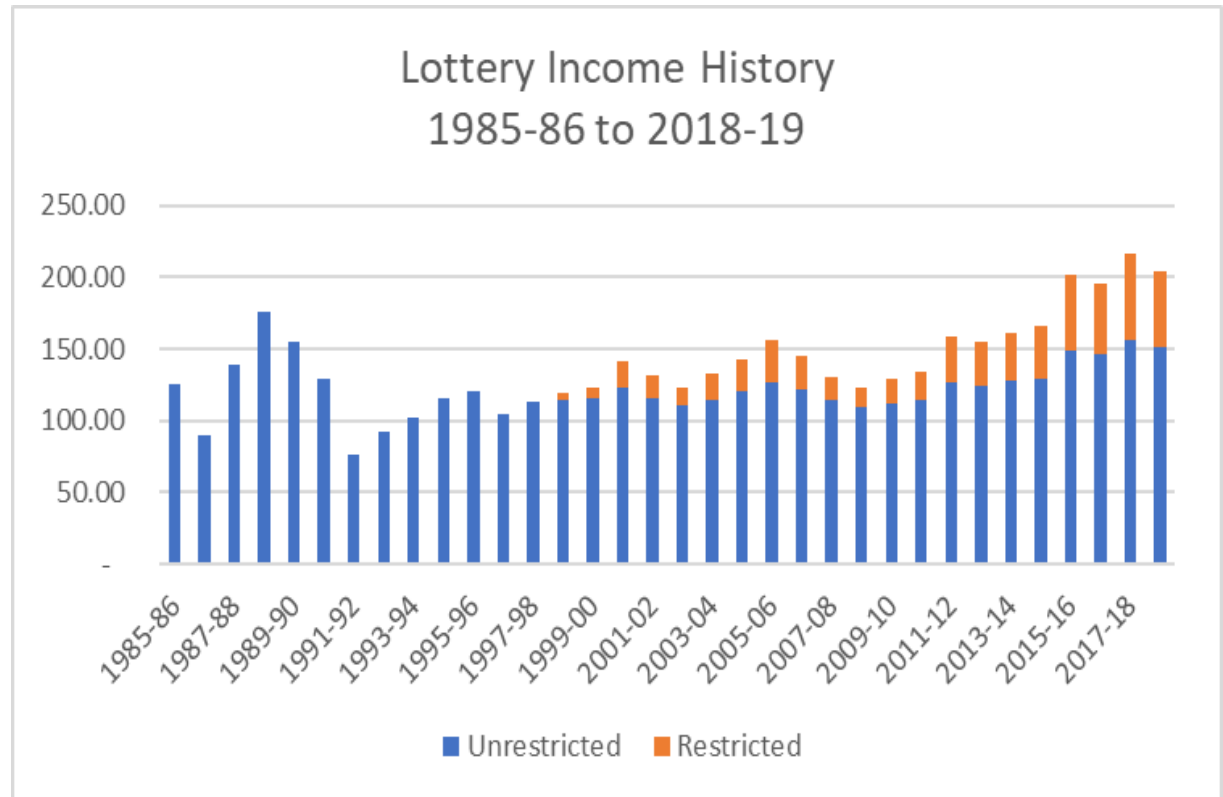
Certification	
Positive	District <u>WILL</u> meet its financial obligations for the remainder of the fiscal year and the subsequent 2 years
Qualified	District <u>MAY NOT</u> be able to meet its financial obligations either in the current year or the subsequent 2 years
Negative	District <u>WILL NOT</u> be able to meet its financial obligation for current fiscal year or subsequent year

District Fund Accounts

Funds	
General Unrestricted and Restricted	School District Operations
Special Reserve Fund for Other than Capital Outlay Projects	Reserve for Economic Uncertainties
Cafeteria	Child Nutrition Services Program
Adult Education	Adult Ed program
Building Fund	General Obligation Bond
Capital Facilities Fund	Developer Fees
Special Reserve Fund for Capital Outlay Projects	Capital Improvement Funds
School Facilities	State Modernization Program
Child Development Fund	Child Development Centers
Bond Interest & Redemption	Repayment of Bonds
Retiree Benefit Fund	Post Retirement Health Benefits
Enterprise	Child Care Program
Self Insurance	Self Funded Health, Dental & Vision Program

Did You Know??


- ▶ California State Lottery is projected to yield \$4,722,122, or approximately 1.63% of the District's income for 2018-19
- ▶ Lottery income is not a stable source of income for the District, but instead has ranged from a low of \$77 per ADA in 1991-92 to a \$216 per ADA in 2017-18
- ▶ 2018-19 Lottery Estimate
 - \$151 per ADA (Unrestricted)
 - \$53 per ADA (Restricted)



Second Interim Financial Report

2018-19

2018-19 and 2019-20 Budget Calendar

- 2018–19 Budget and LCAP Adoption – June 21, 2018
- 2018–19 First Interim – December 13, 2018
-  2018–19 Second Interim – March 7, 2019

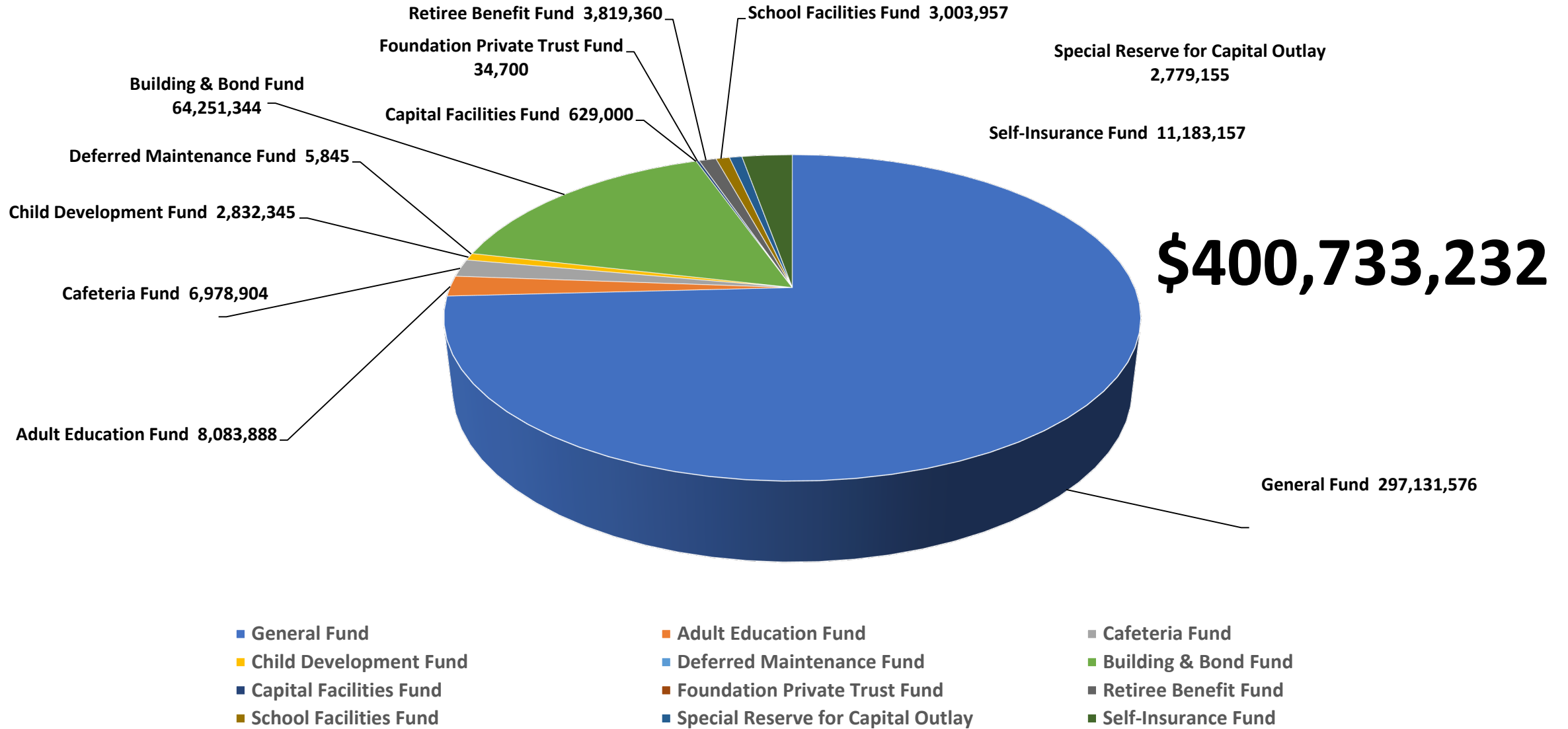
- 2019–20 Preliminary Budget Development – May 2019
- 2019–20 Budget and LCAP adoption – June 20, 2019

- 2018–19 Annual Financial Report (Unaudited) –
September 2019

2018-19 Budget Graphs

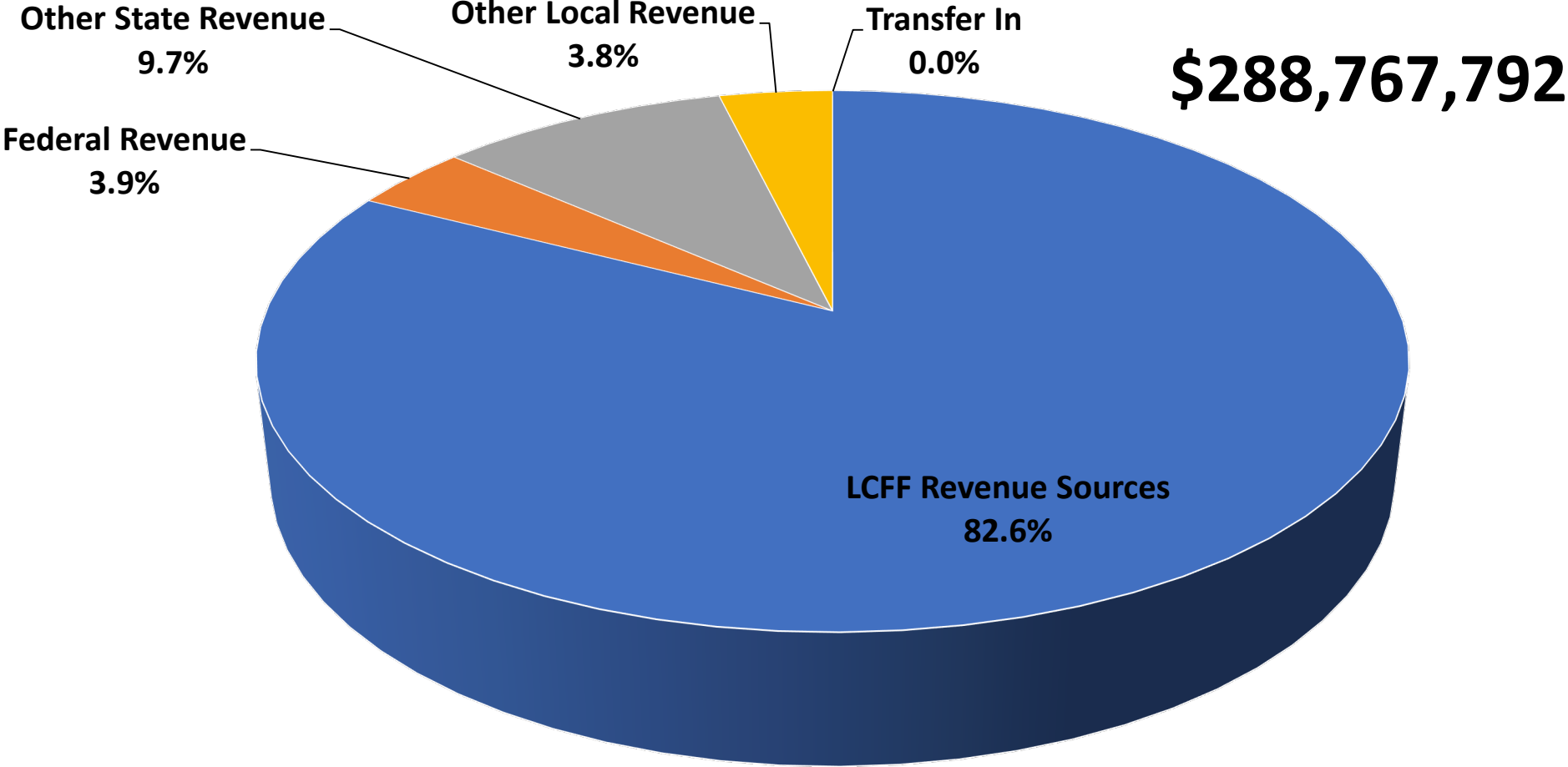
2018-19 Second Interim Report

“All” Funds – Expenditures/Other Uses Budgets



2018-19 Second Interim Report

General Fund Revenue and Other Sources - Unrestricted and Restricted



92.3% of Total Revenue comes from the State and Property Taxes

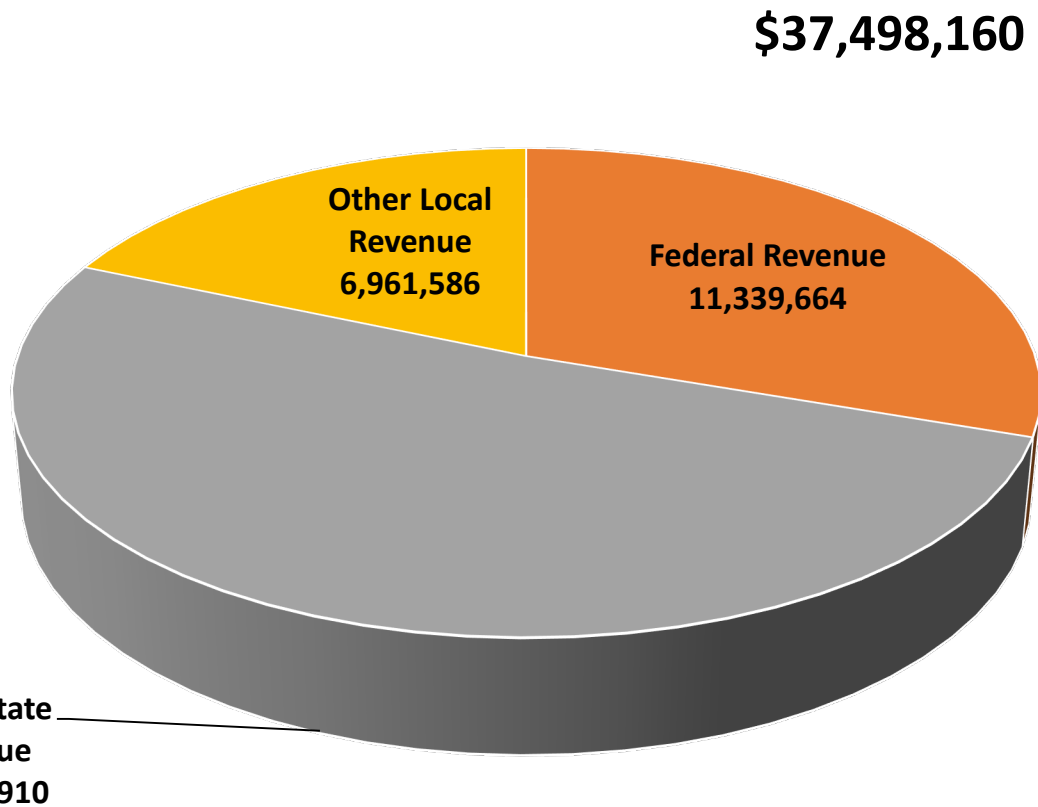
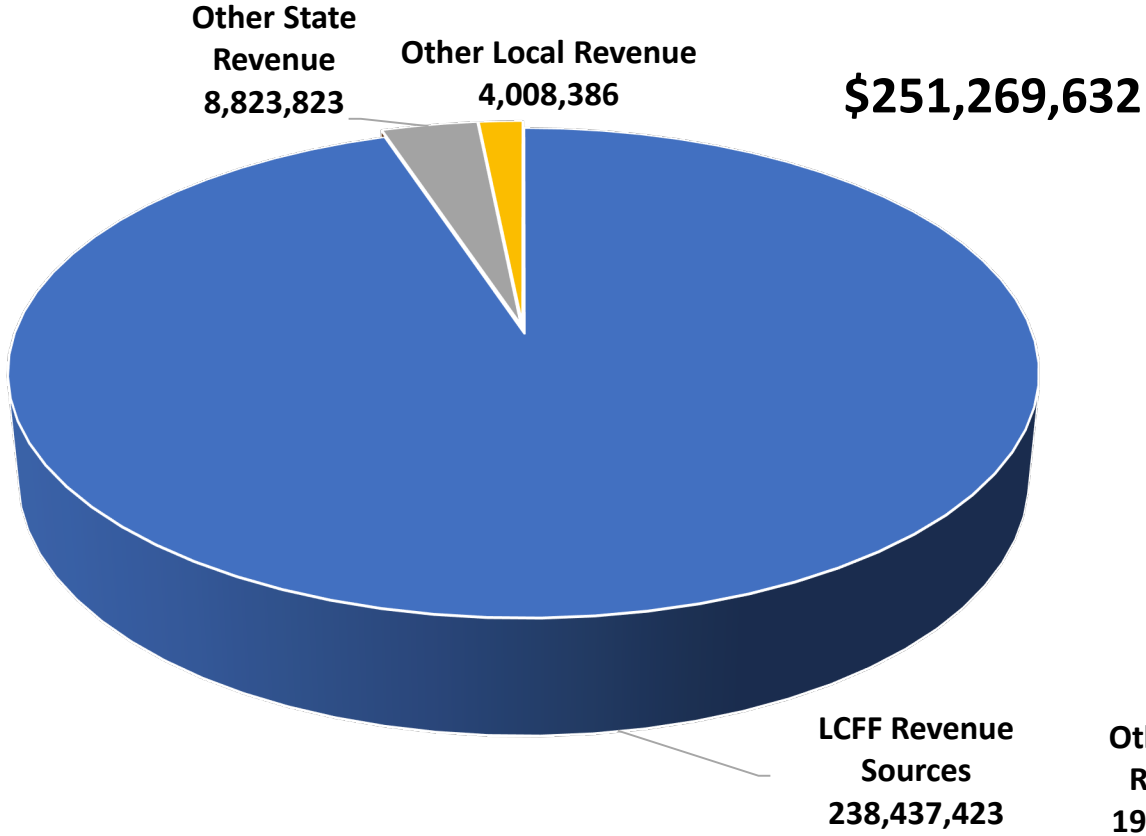
■ LCFF Revenue Sources ■ Federal Revenue ■ Other State Revenue ■ Other Local Revenue ■ Transfer In

2018-19 Second Interim Report

General Fund Revenue and Other Sources - Unrestricted and Restricted

Unrestricted

Restricted

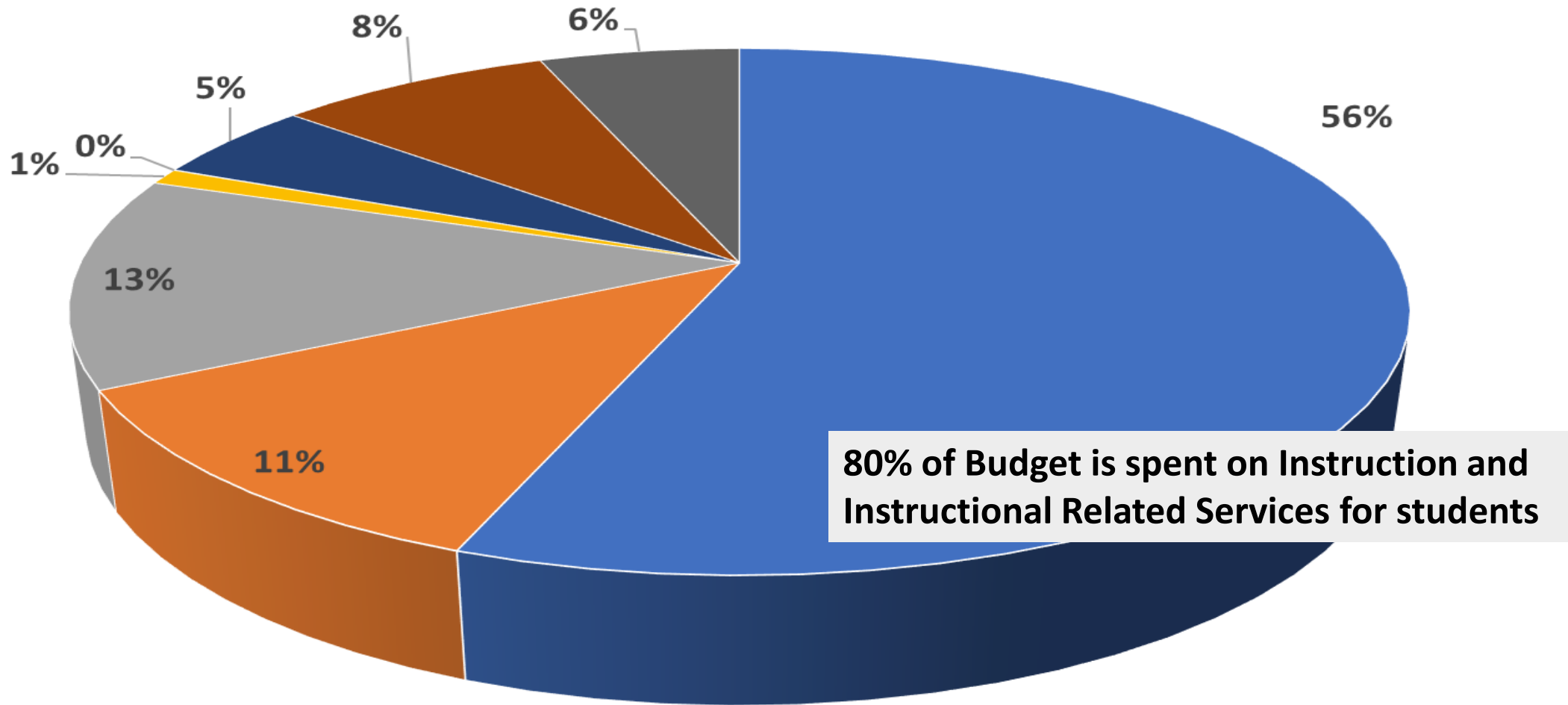


- LCFF Revenue Sources
- Other State Revenue
- Federal Revenue
- Other Local Revenue

- LCFF Revenue Sources
- Other State Revenue
- Federal Revenue
- Other Local Revenue

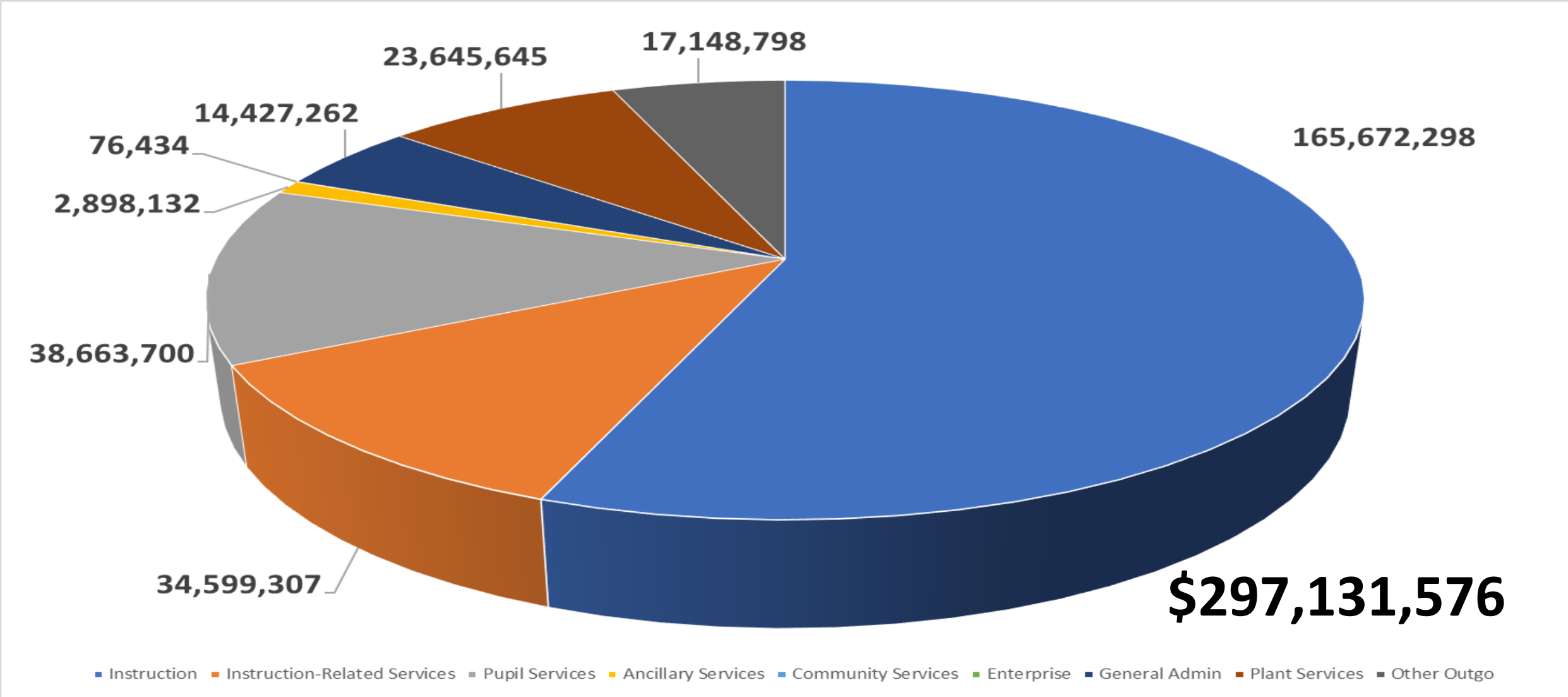
Restricted revenue total shown DOES NOT REFLECT \$48,309,160 Contribution from Unrestricted General Fund

2018-19 Second Interim Budget General Fund Expenditure Budget by Function



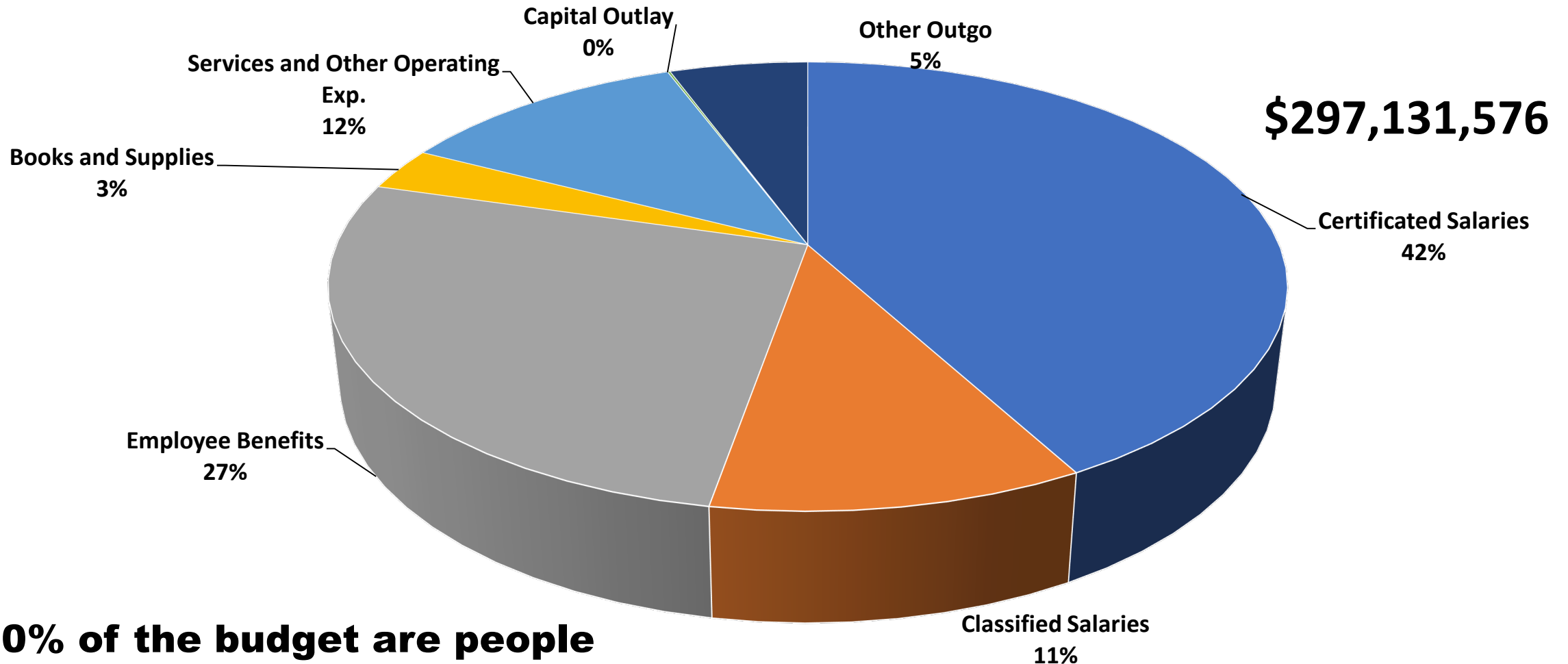
■ Instruction
 ■ Instruction-Related Services
 ■ Pupil Services
 ■ Ancillary Services
 ■ Community Services
 ■ Enterprise
 ■ General Admin
 ■ Plant Services
 ■ Other Outgo

2018-19 Second Interim Budget General Fund Expenditure Budget by Function



2018-19 Second Interim Report

General Fund Expenditures - Unrestricted and Restricted

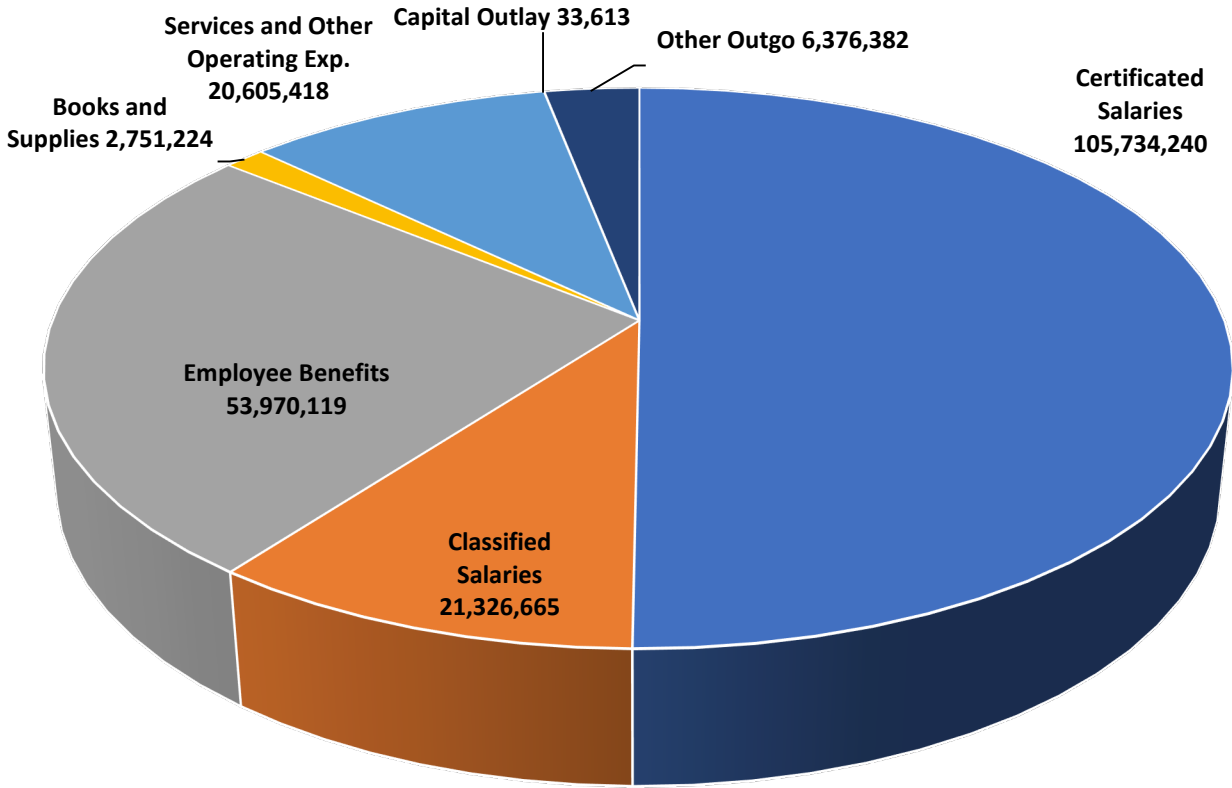


80% of the budget are people

- Certificated Salaries
- Classified Salaries
- Employee Benefits
- Books and Supplies
- Services and Other Operating Exp.
- Capital Outlay
- Other Outgo

2018-19 Second Interim Report General Fund Expenditures - Unrestricted and Restricted

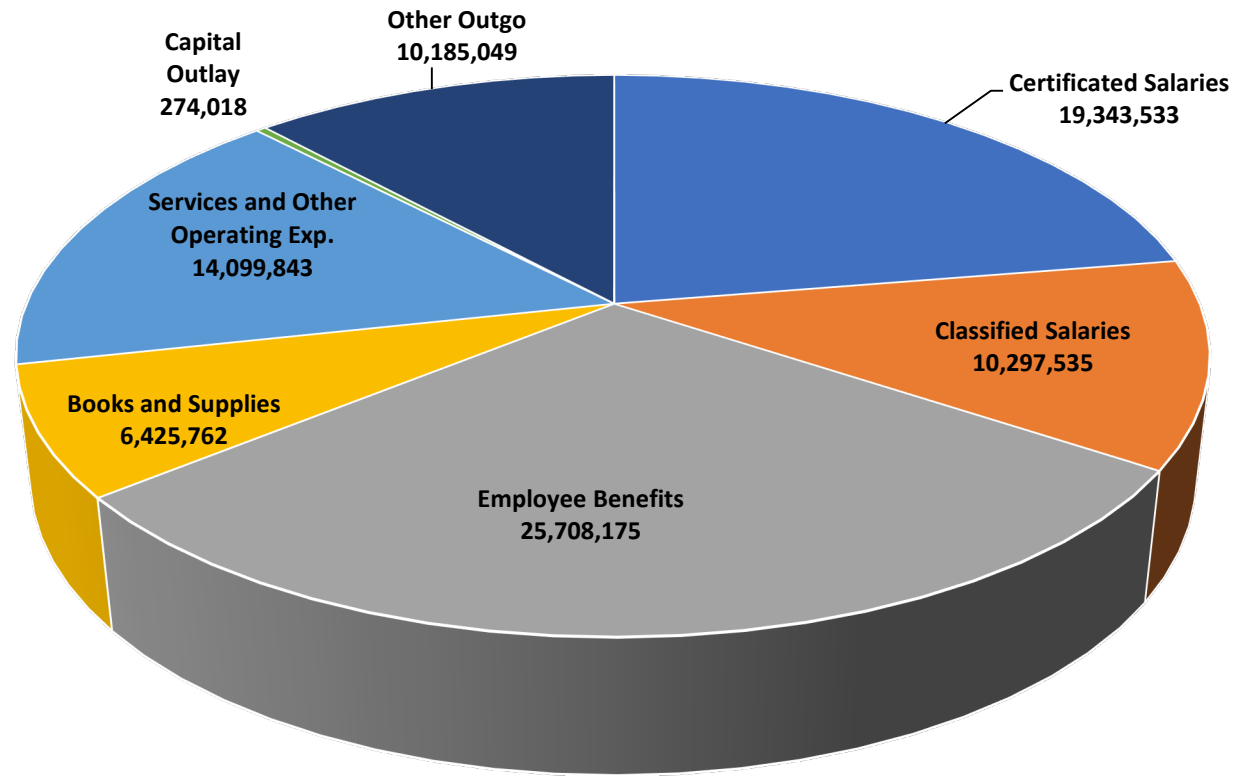
Unrestricted



\$210,797,661

- Certificated Salaries
- Employee Benefits
- Services and Other Operating Exp.
- Other Outgo
- Classified Salaries
- Books and Supplies
- Capital Outlay

Restricted



\$86,333,915

- Certificated Salaries
- Employee Benefits
- Services and Other Operating Exp.
- Other Outgo
- Classified Salaries
- Books and Supplies
- Capital Outlay

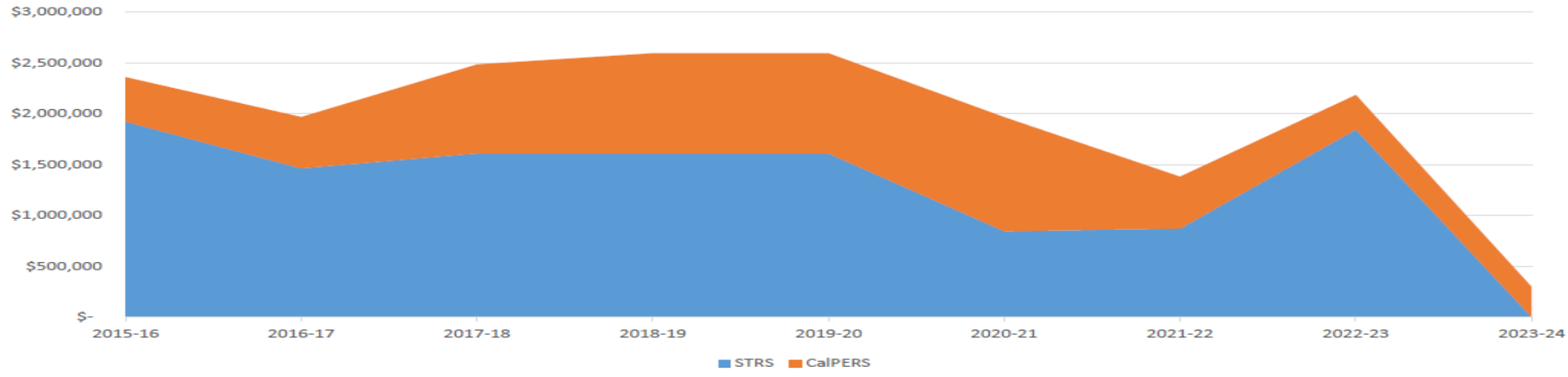
Multi-Year Assumptions and Projections

EAST SIDE UNION HIGH SCHOOL DISTRICT
2018 / 19 Second Interim - Budget Assumptions

	2018 / 19	2019 / 20	2020 / 21
Description	Second Interim	Projection	Projection
Based on SSC Dartboard			
Statutory COLA	2.71%	3.46%	2.86%
	3.70% (augmented)		
LCFF Target Base	9,034	9,347	9,614
LCFF CTE	235	243	250
LCFF Unduplicated Count Percentage	53.06%	52.74%	51.83%
LCFF Approved Funding Rate (GAP)	100.00%	100.00%	100.00%
LCFF Entitlement	238,437,423	238,811,830	243,087,306
Lottery Per ADA - Unrestricted	151	151	151
- Restricted	53	53	53
Mandate Cost Block Grant per ADA	60	62	64
Title I	3,719,279	3,731,538	3,831,170
Title II	637,053	593,186	609,024
Career Technical Incentive	3,071,589	0	0
California Career Pathway	1,337,744	0	0
One Time Discretionary Revenue	4,060,393	0	0
Use of Facilities Rental	1,466,550	1,466,550	1,466,550
Enrollment (CBEDS) Projected with NPS and Post Seniors	22,885	22,640	22,350
Projected Funded Average Daily Attendance (ADA) with East Side Special Ed ADA in County Program	22,079	21,438	21,201
	260	256	256
Salary Step and Column % Increases:			
Certificated	1.50%	1.50%	1.50%
Classified	2.00%	2.00%	2.00%
Management	1.50%	1.50%	1.50%
2% Salary Increases for Certificated & Classified Effective 2017-18	3,381,997	3,506,531	3,614,428
2% Salary Increases (Non-Bargaining Groups) Effective 2017-18	216,913	224,983	232,111
Decrease Teacher FTEs due to Enrollment Changes	(24.0 FTEs)	(8.0 FTEs)	(9.8 FTEs)
One time 2% off schedule Salary adjustment	(3,418,000)		
Reduction In Force Strategy			
Certificated Staff	(0.0 FTEs)	(0.0 FTEs)	(151.0 FTE's)
Classified Staff	(0.0 FTEs)	(0.0 FTEs)	(60.0 FTE's)
Administrators/Managers/Confidentials	(0.0 FTEs)	(0.0 FTEs)	(11.0 FTE's)
Projected Savings with RIF			(23,558,971)

Benefits:			
STRS	16.28%	18.13%	19.10%
PERS	18.062%	20.70%	23.40%
Medicare	1.45%	1.45%	1.45%
OASDI	6.20%	6.20%	6.20%
Workers' Comp	1.9199%	1.9199%	1.9199%
Unemployment Insurance	0.05%	0.05%	0.05%
Health & Welfare Increase	3.50%	6.00%	6.00%
SERP Annuity Paid by Fund 71	677,300	677,300	677,300
OPEB Paid by Fund 71	3,142,060	3,173,481	3,205,216
Medical Benefits Expenses to Self Insurance Fund, F68 (one time)		(7,000,000)	
Adjustment in Contribution to Self Insurance	(1,000,000)		
Add back Medical Benefits Expense in General Fund	5,100,000		7,000,000
Operations:			
Augment Math / Science Text Book Adoption		2,000,000	0
Utilities / Communication rates increase	10%	10%	10%
Properties/Liabilities Insurance rate increase	10%	10%	10%
Board Election Cost	480,000	(480,000)	320,000
Parcel Tax Expenses	(281,000)		
New Enterprise Resource Planning Solution (ERP)	500,000		
OPEB Debt Payment	2,187,272	2,228,343	2,275,529
Direct Cost Transfer for Ad Ed Concurrently Enroll	40,000	40,000	40,000
Contributions:			
Contribution to Special Ed	(43,765,964)	(45,743,667)	(47,776,618)
Contribution to Restricted Routine Maintenance from Unrestricted General Fund	(4,543,196)	(7,200,000)	(6,900,000)
Contribution to Restricted Routine Maintenance from Redevelopment Funds	(3,056,804)	(1,700,000)	(1,700,000)
Total Contribution to Restricted Routine Maintenance	(7,600,000)	(8,900,000)	(8,600,000)
Fund Transfers in/(out):			
Transfer from (to) General Reserve (F17)	(490,366)	0	284,000
Transfer to Child Development Fund (F12)	(1,673,893)	0	0
Transfer to Child Nutrition Services (F61)	(1,158,388)	(1,012,831)	(1,012,831)
Transfer to Property & Liabilities Fund (F67)	(100,000)	(100,000)	(100,000)

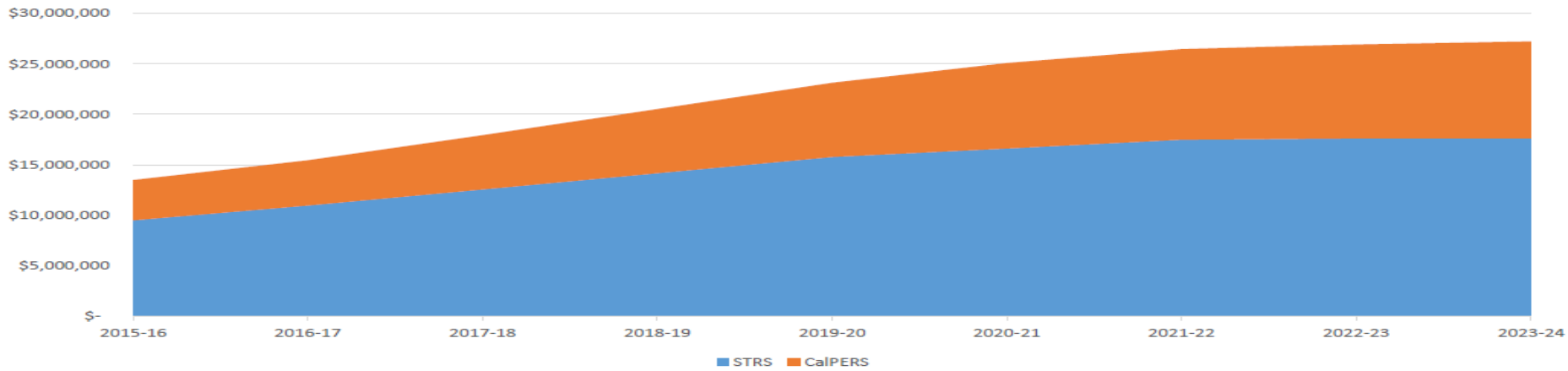
STRS and PERS Employer Rate Increases



Year	Rate Increase	Cumulative Rate
2013-14	0.000%	8.250%
2014-15	0.630%	8.880%
2015-16	1.850%	10.730%
2016-17	1.850%	12.580%
2017-18	1.850%	14.430%
2018-19	1.850%	16.280%
2019-20	1.850%	18.130%
2020-21	0.970%	19.100%
2021-22	0.000%	19.100%
2022-23	0.000%	19.100%

<u>Annual Increases</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>
STRS	\$ 2,713,033	\$ 2,636,140	\$ 2,427,213	\$ 2,662,780	\$ 2,314,043	\$ (880,652)	\$ -	\$ -	\$ -
CalPERS	\$ 150,365	\$ 776,471	\$ 415,435	\$ 991,613	\$ 1,007,066	\$ 288,445	\$ 330,893	\$ 210,569	\$ 150,406
Total	\$ 2,863,398	\$ 3,412,611	\$ 2,842,648	\$ 3,654,393	\$ 3,321,109	\$ (592,207)	\$ 330,893	\$ 210,569	\$ 150,406

STRS and PERS Employer Contribution Costs



Year	Rate Increase	Cumulative Rate
2013-14	0.000%	11.440%
2014-15	0.331%	11.771%
2015-16	0.076%	11.847%
2016-17	2.033%	13.880%
2017-18	1.651%	15.531%
2018-19	2.531%	18.062%
2019-20	2.738%	20.800%
2020-21	2.700%	23.500%
2021-22	1.100%	24.600%
2022-23	0.700%	25.300%
2023-24	0.500%	25.800%

<u>Employer Costs</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>
STRS	\$ 12,761,990	\$ 15,398,130	\$ 17,825,343	\$ 20,488,123	\$ 22,802,166	\$ 21,921,514	\$ 21,921,514	\$ 21,921,514	\$ 21,921,514
CalPERS	\$ 3,590,061	\$ 4,366,532	\$ 4,781,967	\$ 5,773,580	\$ 6,780,646	\$ 7,069,091	\$ 7,399,984	\$ 7,610,553	\$ 7,760,959
Total	\$ 16,352,051	\$ 19,764,662	\$ 22,607,310	\$ 26,261,703	\$ 29,582,812	\$ 28,990,605	\$ 29,321,498	\$ 29,532,067	\$ 29,682,473

Multi-Year Projection Years - 2018-19 Thru 2020-21
Total General Fund (incl. Fund 17) 2018-2019 2nd Interim Report

Description	2018-19	2019-20	2020-21
Beginning Fund Balance (incl. Fund 17)	\$ 43,435,288	\$ 35,679,681	\$ 19,208,596
Plus: Revenues/Other Sources	\$ 288,885,605	\$ 279,590,231	\$ 284,556,898
Total Available	\$ 332,320,893	\$ 315,269,912	\$ 303,765,494
Less: Expenditures/Other Uses	\$ 296,641,212	\$ 296,061,316	\$ 284,648,294
Ending Fund Balance (incl. Fund 17)	\$ 35,679,681	\$ 19,208,596	\$ 19,117,200
Projected Revenue Greater(Less) than Expenditure	\$ (7,755,607)	\$ (16,471,085)	\$ (91,396)
Restricted "RESERVE" or Legally Restricted Balance	\$ 4,008,599	\$ 2,950,586	\$ 1,491,599
"RESERVE" Required (3%)	\$ 8,913,947	\$ 8,881,839	\$ 8,539,449
Note: Fund Balance Reserves - Inventories/Prepays	\$ 2,289,846	\$ 778,498	\$ 686,827
Undesignated/Unappropriated	\$ 20,467,289	\$ 6,597,673	\$ 8,399,325
Reserve Percentage	10.68%	5.49%	6.19%

Note: Projections do NOT include projected impacts of 18-19 or subsequent collective bargaining agreements.

**Total Contributions
2018-19 Second Interim Report**

Description	2018-19 First Interim	2018-19 Second Interim	Increase/(Decrease)	% Change
Contribution - Child Nutrition Services	\$ 949,486	\$ 1,158,388	\$ 208,902	22.00%
Contribution - Child Development Centers	\$ 1,537,542	\$ 1,673,893	\$ 136,351	8.87%
Contribution - Special Education	\$ 43,506,675	\$ 43,765,964	\$ 259,289	0.60%
Contribution* - Routine Repair	\$ 4,543,196	\$ 4,543,196	\$ -	0.00%
Total Contributions	\$ 50,536,899	\$ 51,141,441	\$ 604,542	1.20%

Multi-Year Projection Without Reductions in Force (RIF)

Multi-Year Projection Years - 2018-19 Thru 2020-21

Total General Fund (incl. Fund 17) 2018-2019 2nd Interim Report – Without RIFs

Description	2018-19	2019-20	2020-21
Beginning Fund Balance (incl. Fund 17)	\$ 43,435,288	\$ 35,679,681	\$ 19,208,596
Plus: Revenues/Other Sources	\$ 288,885,605	\$ 279,590,231	\$ 284,556,898
Total Available	\$ 332,320,893	\$ 315,269,912	\$ 303,765,494
Less: Expenditures/Other Uses	\$ 296,641,212	\$ 296,061,316	\$ 308,207,265
Ending Fund Balance (incl. Fund 17)	\$ 35,679,681	\$ 19,208,596	\$ (4,441,771)
Projected Revenue Greater(Less) than Expenditure	\$ (7,755,607)	\$ (16,471,085)	\$ (23,650,367)
Restricted "RESERVE" or Legally Restricted Balance	\$ 4,008,599	\$ 2,950,586	\$ 1,491,599
"RESERVE" Required (3%)	\$ 8,913,947	\$ 8,881,839	\$ 9,246,218
Note: Fund Balance Reserves - Inventories/Prepays	\$ 2,289,846	\$ 778,498	\$ 686,827
Undesignated/Unappropriated	\$ 20,467,289	\$ 6,597,673	\$ (15,866,415)
Reserve Percentage	10.68%	5.49%	-1.93%

Note: Projections do NOT include projected impacts of 18-19 or subsequent collective bargaining agreements.

Other Budget Assumptions Changes Based on Governor's 2019–20 Proposed Budget

Relevant Budget Assumptions Changes

2018-19 Adopted Budget	2018-19	2019-20	2020-21	2021-22	2022-23
COLA	3.7%	2.57%	2.67%	3.42%	3.26%
Increase/ (Decrease)	6.28%	(0.44%)	1.29%	2.19%	(0.07%)
LCFF Funding	\$14,099,627	(\$1,052,385)	\$3,065,023	\$5,275,355	(\$167,803)
STRS	16.28%	18.13%	19.10%	18.60%	18.60%
PERS	18.062%	20.8%	23.50%	24.60%	24.60%
2019-20 Governor's Proposed Budget	2018-19	2019-20	2020-21	2021-22	2022-23
COLA	3.7%	3.46%	2.86%	2.92%	2.90%
Increase/ (Decrease)	6.34%	0.16%	1.79%	1.72%	(0.40%)
LCFF Funding	\$14,097,514	\$374,407	\$4,275,476	\$4,174,430	(\$1,356,749)
STRS	16.28%	17.10%	18.10%	18.10%	17.60%
PERS	18.062%	20.70%	23.40%	24.50%	25.00%

What do we know today?

- ❑ District's has a Structural Budget deficit
- ❑ Will New Governor get everything he is proposing with Education Budget
 - ❑ One-time Buy down of STRS Rate
- ❑ Current economic growth of State cannot last forever!
 - ❑ Will current estimated COLA projections hold?
- ❑ Will there be an economic slowdown or will there be another recession?
- ❑ Forecasted decline in District enrollment
- ❑ District's Attendance Rate is 94.79%
 - ❑ 1% increases in attendance = \$2.5 million additional revenue
- ❑ Will categorical programs come back?
- ❑ STRS and PERS cost impacts
- ❑ Collective Bargaining
- ❑ Budget reductions needed on the immediate horizon



Next steps.....

- ❑ Continue leveraging all available District resources
- ❑ Minimize contributions
- ❑ Monitor State and Federal economic news
- ❑ Anticipation of Governor's May Revision Proposal

Q & A