

East Side Union High School District



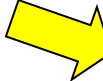
Budget Advisory Committee Meeting

**Chris Jew, Associate Superintendent of Business Services
and Silvia Pelayo, Director of Finance
February 5, 2020**

Agenda

- ▶ Welcome
- ▶ Review ESUHSD 2019–20 First Interim Report and Assumptions
- ▶ Review 2020–21 Governor’s Budget and Assumptions
- ▶ Review ESUHSD Budget Reduction Plan for 2020–21
- ▶ Other questions and answers

2019-20 and 2020-21 Budget Calendar

- 2019–20 Budget and LCAP Adoption – June 11, 2019
- 2018–19 Annual Financial Report (Unaudited Actuals) – September 12, 2019
-  2019–20 First Interim – December 12, 2019
- 2019–20 Second Interim – March 5, 2020

- 2020–21 Preliminary Budget Development – May 2020
- 2020–21 Budget and LCAP adoption – June 25, 2020

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 |

Adjustments made since the Adopted Budget

| Categories | 2019/20 Adopted Budget | | | 2019/20 First Interim | | | Variance |
|---------------------------------|------------------------|-------------------|--------------------|-----------------------|-------------------|--------------------|------------------|
| | Unrestricted | Restricted | Combined | Unrestricted | Restricted | Combined | |
| Revenues | | | | | | | |
| LCFF | 239,118,356 | - | 239,118,356 | 239,115,018 | - | 239,115,018 | (3,338) |
| Federal | - | 11,787,631 | 11,787,631 | - | 12,639,810 | 12,639,810 | 852,179 |
| Other State | 4,655,029 | 16,161,501 | 20,816,530 | 4,761,841 | 19,486,253 | 24,248,094 | 3,431,564 |
| Local | 4,007,984 | 5,778,299 | 9,786,283 | 4,394,204 | 10,251,672 | 14,645,876 | 4,859,593 |
| Total Revenues | 247,781,369 | 33,727,431 | 281,508,800 | 248,271,063 | 42,377,735 | 290,648,798 | 9,139,998 |
| Expenditures | | | | | | | |
| Certificated Salaries | 111,463,990 | 20,792,352 | 132,256,342 | 110,814,665 | 21,458,675 | 132,273,340 | 16,998 |
| Classified Salaries | 22,433,074 | 11,236,643 | 33,669,717 | 22,398,522 | 10,991,050 | 33,389,572 | (280,145) |
| Employee Benefits | 49,153,640 | 27,058,096 | 76,211,736 | 49,766,415 | 29,470,132 | 79,236,547 | 3,024,811 |
| Books & Supplies | 2,154,935 | 5,786,862 | 7,941,797 | 2,023,333 | 6,314,446 | 8,337,779 | 395,982 |
| Operation & Contracted Services | 22,361,349 | 12,722,088 | 35,083,437 | 21,848,898 | 13,257,179 | 35,106,077 | 22,640 |
| Capital Outlay | 10,850 | 654,677 | 665,527 | 10,850 | 490,784 | 501,634 | (163,893) |
| Other Outgo & ROC/P Transfer | 3,727,671 | 7,665,330 | 11,393,001 | 3,880,949 | 7,857,046 | 11,737,995 | 344,994 |
| Direct Support/Indirect Costs | (3,427,466) | 2,742,829 | (684,637) | (3,608,576) | 2,926,001 | (682,575) | 2,062 |
| Debt Services | 2,228,343 | - | 2,228,343 | 2,228,344 | - | 2,228,344 | 1 |
| Total Expenditures | 210,106,386 | 88,658,877 | 298,765,263 | 209,363,400 | 92,765,313 | 302,128,713 | 3,363,450 |

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|-----------------------|------------------------|-------------------|--------------------|-----------------------|-------------------|--------------------|------------------|
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| Revenues | | | | | | | |
| LCFF | 239,118,356 | - | 239,118,356 | 239,115,018 | - | 239,115,018 | (3,338) |
| Federal | - | 11,787,631 | 11,787,631 | - | 12,639,810 | 12,639,810 | 852,179 |
| Other State | 4,655,029 | 16,161,501 | 20,816,530 | 4,761,841 | 19,486,253 | 24,248,094 | 3,431,564 |
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- ▶ LCFF – Funded ADA increased by 25.22 ADA and Unduplicated Count percentage count dropped from 52.87% to 52.22%
- ▶ Lottery – Funding increased from \$204 per ADA to \$207 per ADA
- ▶ MAA (MEDI-Cal Administration) – \$600K increase
- ▶ Use of Facilities – \$214K decrease
- ▶ New ESSA (Every Student Succeeds Act) Grant – \$690K increase
- ▶ New SWP (Strong Workforce Program) Grant – \$686K increase
- ▶ Deferred Income: CEIS (Coord. Early Intervention) and CTEIG (Career Tech) – \$580K increase
- ▶ PERS of Behalf – \$2M increase
- ▶ RDA (Redevelopment) – \$1.5M increase
- ▶ Deferred Income – Sweeping of old carryover funds from Prior Years – \$2.8M increase

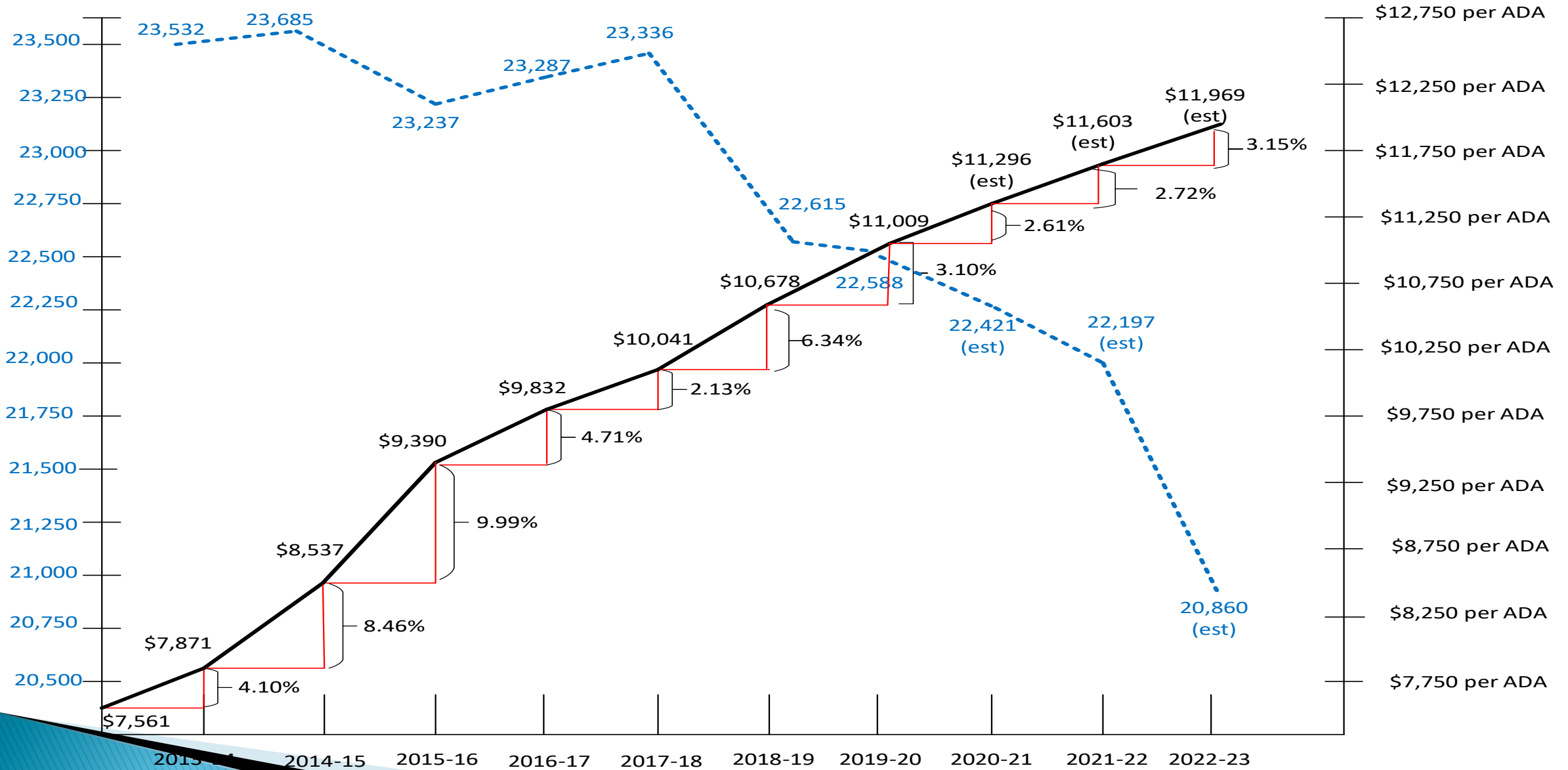
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| Expenditures | | | | | | | |
| Certificated Salaries | 111,463,990 | 20,792,352 | 132,256,342 | 110,814,665 | 21,458,675 | 132,273,340 | 16,998 |
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| Employee Benefits | 49,153,640 | 27,058,096 | 76,211,736 | 49,766,415 | 29,470,132 | 79,236,547 | 3,024,811 |
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| Capital Outlay | 10,850 | 654,677 | 665,527 | 10,850 | 490,784 | 501,634 | (163,893) |
| Other Outgo & ROC/P Transfer | 3,727,671 | 7,665,330 | 11,393,001 | 3,880,949 | 7,857,046 | 11,737,995 | 344,994 |
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| Debt Services | 2,228,343 | - | 2,228,343 | 2,228,344 | - | 2,228,344 | 1 |
| Total Expenditures | 210,106,386 | 88,658,877 | 298,765,263 | 209,363,400 | 92,765,313 | 302,128,713 | 3,363,450 |

- ▶ Certificated and Classified Salaries – Savings from Open and Closed positions
- ▶ Benefits – PERS on Behalf – \$2M increase and various adjustments for STRS on Behalf, PERS, and Health Benefits
- ▶ Books and Supplies – Expenditures related to new ESSA Grant and various carryover posted
- ▶ Operations & Contracted Services – Savings in Utilities and Communication projection, and Increase expenditures related to CTEIG and MAA

Local Control Funding Formula (LCFF) Assumptions

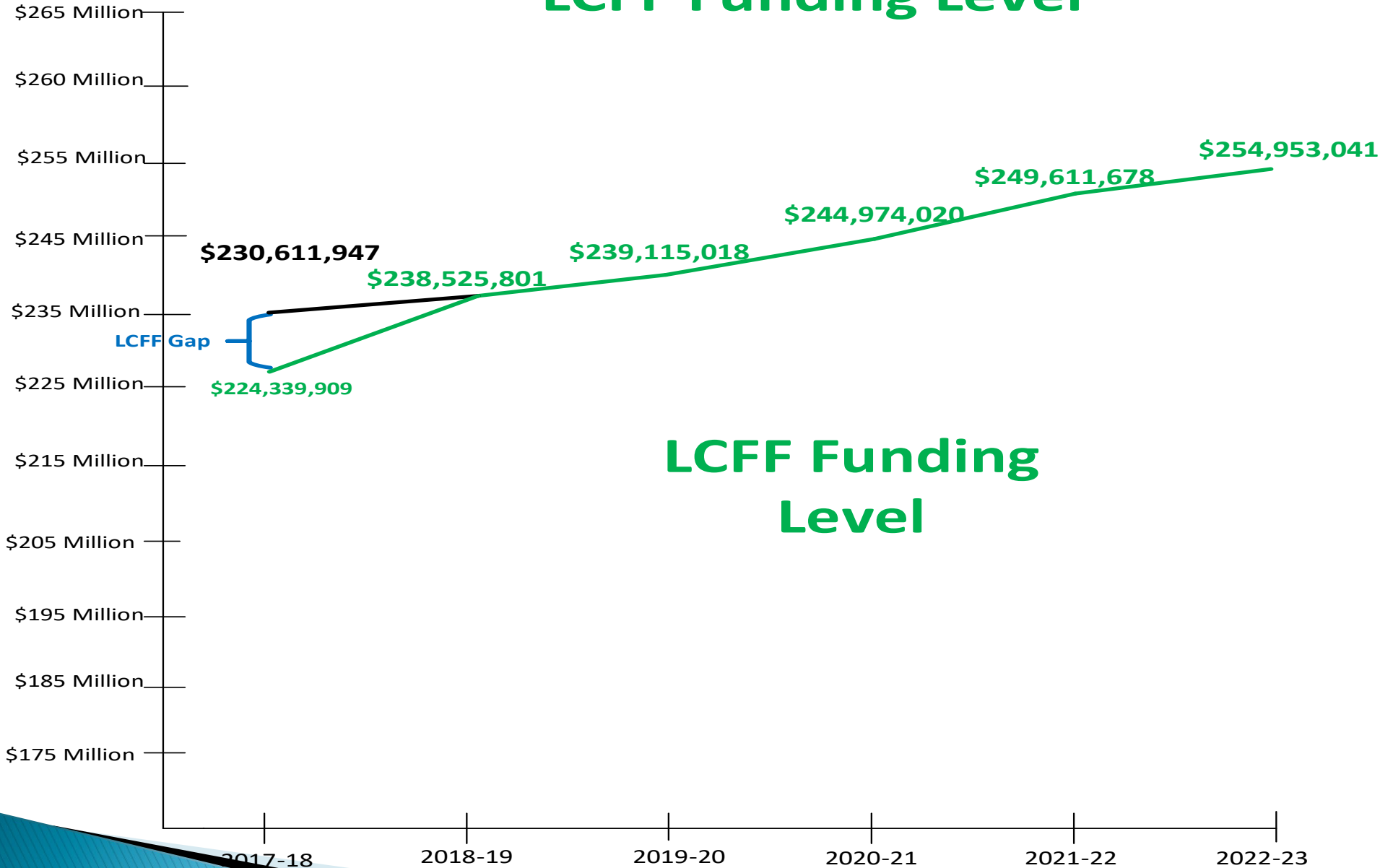
Enrollment

LCFF Funding per ADA



As of 2019-20 First Interim

LCFF Funding Level



LCFF Funding Level

COLA
 2017-18 COLA at 1.56%
 2018-19 COLA at 3.70%
 2019-20 COLA at 3.26%
 2020-21 COLA at 3.00%
 2021-22 COLA at 2.80%
 2022-23 COLA at 3.16%

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 = \$14,185,892
 Base = \$13,610,809
 Supplemental = \$575,083
 6.32%

2019-20 LCFF = \$581,528
 Base = \$841,501
 Supplemental = <\$259,973>
 0.24%

2020-21 LCFF = \$5,859,002
 Base = \$5,901,190
 Supplemental = <\$42,188>
 2.45%

2021-22 LCFF = \$4,607,658
 Base = \$4,200,644
 Supplemental = \$407,014
 1.89%

2022-23 LCFF = \$5,341,363
 Base = \$4,664,186
 Supplemental = \$677,177
 2.14%

As of 2019-20 First Interim

Multi-Year Assumptions and Projections

EAST SIDE UNION HIGH SCHOOL DISTRICT
2019 / 20 First Interim - Budget Assumptions

| | 2019 / 20 | 2020 / 21 | 2021 / 22 |
|--|---------------|---------------|-------------|
| Description | First Interim | Projection | Projection |
| Based on SSC Dartboard | | | |
| Statutory COLA | 3.26% | 3.00% | 2.80% |
| LCFF Target Base | 9,329 | 9,609 | 9,878 |
| LCFF CTE | 243 | 250 | 257 |
| LCFF Unduplicated Count Percentage | 52.22% | 50.68% | 50.63% |
| LCFF Approved Funding Rate (GAP) | 100.00% | 100.00% | 100.00% |
| LCFF Entitlement | 239,115,018 | 244,974,020 | 249,611,678 |
| Lottery Per ADA - Unrestricted | 153 | 153 | 153 |
| | 3,403,849 | 3,378,683 | 3,344,928 |
| - Restricted | 54 | 54 | 54 |
| | 1,201,359 | 1,192,476 | 1,112,020 |
| Mandate Cost Block Grant per ADA | 62 | 64 | 66 |
| | 1,327,992 | 1,368,185 | 1,405,533 |
| Title I | 4,094,593 | 4,217,431 | 4,335,519 |
| Title II | 682,688 | 703,169 | 722,857 |
| ESSA Comprehensive Supp & Improv | 689,768 | 0 | 0 |
| Career Technical Incentive | 2,386,180 | 2,200,000 | 2,200,000 |
| K-12 Strong Workforce (SWP) | 685,715 | 685,715 | 685,715 |
| One Time Discretionary Revenue | 0 | 0 | 0 |
| Use of Facilities Rental | 1,541,300 | 1,618,365 | 1,699,283 |
| Enrollment (CBEDS) Projected with NPS and Post Seniors | 22,863 | 22,696 | 22,472 |
| Projected Funded Average Daily Attendance (ADA) with East Side Special Ed ADA in County Program | 21,464 | 21,430 | 21,257 |
| | 256 | 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% |
| Salary Increases for Certificated & Classified Effective 2018 - 19 | 3.25% | 3.00% | |
| Decrease Teacher FTEs due to Enrollment Changes | (0 FTEs) | (5.6 FTEs) | (7.6 FTEs) |
| Reduction in Force Strategy | | | |
| Certificated Staff | (0.0 FTEs) | (122.0 FTE's) | (0.0 FTEs) |
| Classified Staff | (0.0 FTEs) | (49.0 FTE's) | (0.0 FTEs) |
| Administrators/Managers/Confidentials | (0.0 FTEs) | (10.4 FTE's) | (0.0 FTEs) |
| Projected Savings with RIF | | (21,800,000) | |

| | | | |
|---|--------------------|--------------------|--------------------|
| Benefits: | | | |
| STRS | 17.10% | 18.40% | 18.10% |
| PERS | 19.72% | 22.70% | 24.60% |
| Medicare | 1.45% | 1.45% | 1.45% |
| OA SDI | 6.20% | 6.20% | 6.20% |
| Workers' Comp | 1.9390% | 1.9390% | 1.9390% |
| Unemployment Insurance | 0.05% | 0.05% | 0.05% |
| Health & Welfare Increase | 0.10% | 6.00% | 6.00% |
| SERP Annuity Paid by Fund 71 | 677,300 | 677,300 | 677,300 |
| OPEB Paid by Fund 71 | 2,858,177 | 2,943,922 | 3,032,240 |
| Medical Benefits Expenses to Self Insurance Fund, F68 (one time) | (7,000,000) | | |
| Add back Medical Benefits Expense in General Fund | | 7,000,000 | 0 |
| Operations: | | | |
| Augment Math / Science Text Book Adoption | 0 | 0 | 0 |
| Utilities / Communication rates increase | 10% | 10% | 10% |
| Properties/Liabilities Insurance rate increase | 15% | 15% | 15% |
| Board Election Cost | (480,000) | 320,000 | (320,000) |
| OPEB Debt Payment | 2,228,343 | 2,275,529 | 2,318,312 |
| Direct Cost Transfer for Ad Ed Concurrently Enroll | 40,000 | 40,000 | 40,000 |
| Contributions: | | | |
| Contribution from Restrcted Local Funds | 2,800,000 | | |
| Contribution to Special Ed | (46,388,407) | (49,565,093) | (51,611,496) |
| Contribution to Restricted Routine Maintenance fr Unrestricted General Fund | (5,463,182) | (6,020,599) | (6,210,599) |
| Contribution to Restricted Routine Maintenance from Redevelopment Funds | (3,636,818) | (2,984,401) | (2,984,401) |
| Total Contribution to Restricted Routine Maintenance | (9,100,000) | (9,005,000) | (9,195,000) |
| Fund Transfers in/(out): | | | |
| Transfer from (to) General Reserve (F17) | 0 | 0 | 0 |
| Transfer to Child Development Fund (F12) | 0 | 0 | 0 |
| Transfer to Child Nutrition Services (F61) | (972,212) | (972,212) | (972,212) |
| Transfer to Property & Liabilities Fund (F67) | (100,000) | (100,000) | (100,000) |

Multi-Year Projection Years - 2019-20 Thru 2021-22
Total General Fund 2019-2020 1st Interim Report

| Description | 2019-20 | 2020-21 | 2021-22 |
|---|-----------------|----------------|----------------|
| Beginning Fund Balance | \$ 40,256,224 | \$ 27,704,097 | \$ 20,512,715 |
| Plus: Revenues/Other Sources | \$ 290,648,798 | \$ 292,828,851 | \$ 297,037,550 |
| Total Available | \$ 330,905,022 | \$ 320,532,948 | \$ 317,550,265 |
| Less: Expenditures/Other Uses | \$ 303,200,925 | \$ 300,020,233 | \$ 306,241,028 |
| Ending Fund Balance | \$ 27,704,097 | \$ 20,512,715 | \$ 11,309,237 |
| Projected Revenue Greater(Less) than Expenditure | \$ (12,552,127) | \$ (7,191,382) | \$ (9,203,478) |
| Restricted "RESERVE" or Legally Restricted Balance | \$ 2,854,863 | \$ 2,140,024 | \$ 1,555,206 |
| "RESERVE" Required (3%) | \$ 9,096,028 | \$ 9,000,607 | \$ 9,187,231 |
| Note: Fund Balance Reserves - Inventories/Prepays | \$ 1,687,417 | \$ 1,065,025 | \$ 180,557 |
| Undesignated/Unappropriated | \$ 14,065,789 | \$ 8,307,059 | \$ 386,243 |
| Reserve Percentage | 8.20% | 6.12% | 3.19% |

Total Contributions 2019-20 First Interim Report

| Description | 2019-20 Adopted | 2019-20 First Interim | Increase/(Decrease) | % Change |
|--|----------------------|-----------------------|---------------------|---------------|
| Contribution - Child Nutrition Services | \$ 875,937 | \$ 972,212 | \$ 96,275 | 10.99% |
| Contribution - Property & Liability Fund | \$ 100,000 | \$ 100,000 | \$ - | 0.00% |
| Contribution - Special Education | \$ 47,460,664 | \$ 46,388,407 | \$ (1,072,257) | -2.26% |
| Contribution* - Routine Repair | \$ 8,992,236 | \$ 9,100,000 | \$ 107,764 | 1.20% |
| Total Contributions | \$ 57,428,837 | \$ 56,560,619 | \$ (868,218) | -1.51% |
| | | | | |

Governor's 2020–21 Budget Proposal and Assumptions

2020-21

- ▶ Governor is proposing a \$157 billion General Fund State Budget
 - Increase of 2.23% over the current year
- ▶ State Economic Outlook
 - 2020-21 Revenue Forecast is over \$5 billion more than the enacted 2019-20 State Budget
 - Personal Income Taxes – Up \$1.2 billion
 - Corporate Taxes – Up \$700 million
 - Sales Tax – Up \$1.1 billion
- ▶ Governor continues to build additional State reserves beyond \$16 billion currently set aside in the Rainy Day Fund

2020-21

- ▶ Proposition 98 Funding Guarantee is estimated to be \$84 billion
 - Up by \$3 Billion
- ▶ Cost of Living Adjustment (COLA)

| | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
|---------------------------|---------|---------|---------|---------|
| As of First Interim | 3.26% | 3.00% | 2.80% | 3.16% |
| As of Governor's Proposal | 3.26% | 2.29% | 2.71% | 2.82% |

ESUHSD Reduction Plan for 2020-21

What do we know today?

- ❑ District's has a Structural Budget deficit
- ❑ Current economic growth of State cannot last forever!
- ❑ Will there be an economic slowdown?
- ❑ Forecasted decline in District enrollment
- ❑ District's Attendance Rate is 94.79%
 - ❑ 1% increases in attendance = \$2 million additional revenue
- ❑ STRS and PERS cost impacts
- ❑ Other rising cost
- ❑ Target Reductions for 2020-21 was \$28.8 million. Was \$21.8 million as of First Interim. Is now \$23.4 million based on Governor's Proposed 2020-21 Budget



Next steps.....

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



Q & A