

East Side Union High School District



Budget Advisory Committee Meeting

**Chris Jew, Associate Superintendent of Business Services
and Silvia Pelayo, Director of Finance
November 13, 2019**

Agenda

- ▶ Welcome and Introductions
- ▶ Review purpose and expectations of Budget Advisory Committee (BAC)
- ▶ Introduction to School Finances
- ▶ Review ESUHSD 2019–20 Adopted Budget and 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

- ▶ 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

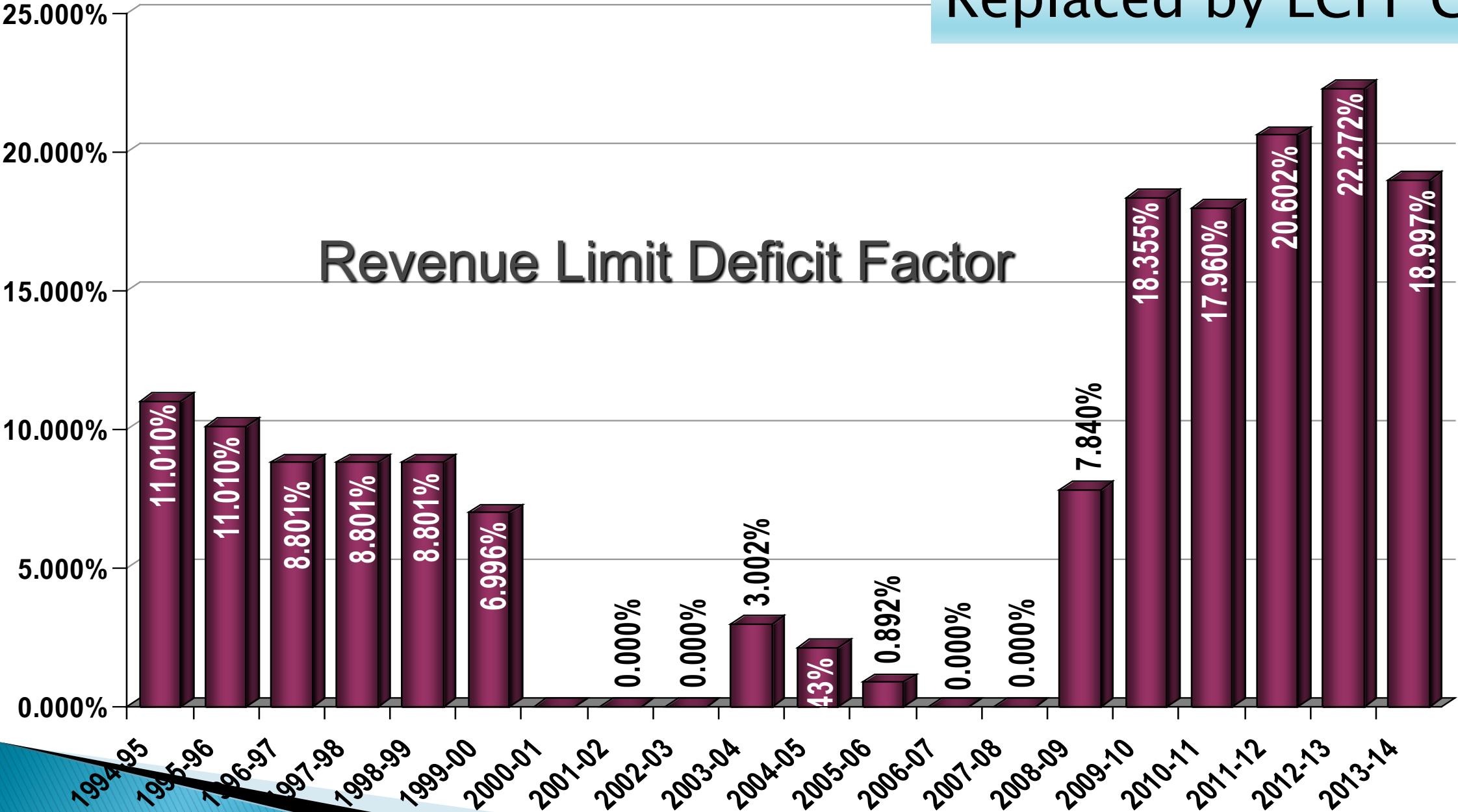
- ▶ Example.. Student attends all 180 day out of 180 school days = 1 ADA

- 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

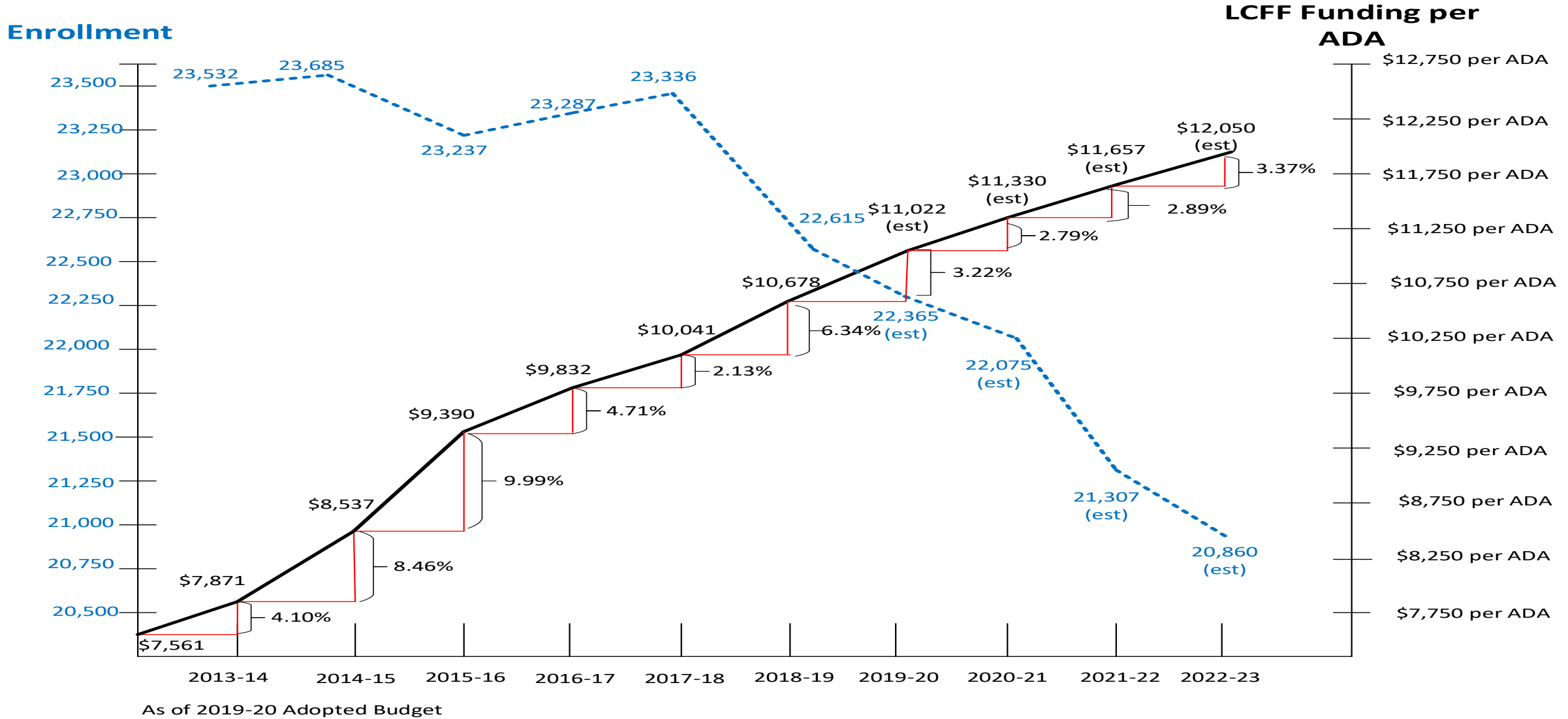
LCFF

- ▶ 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

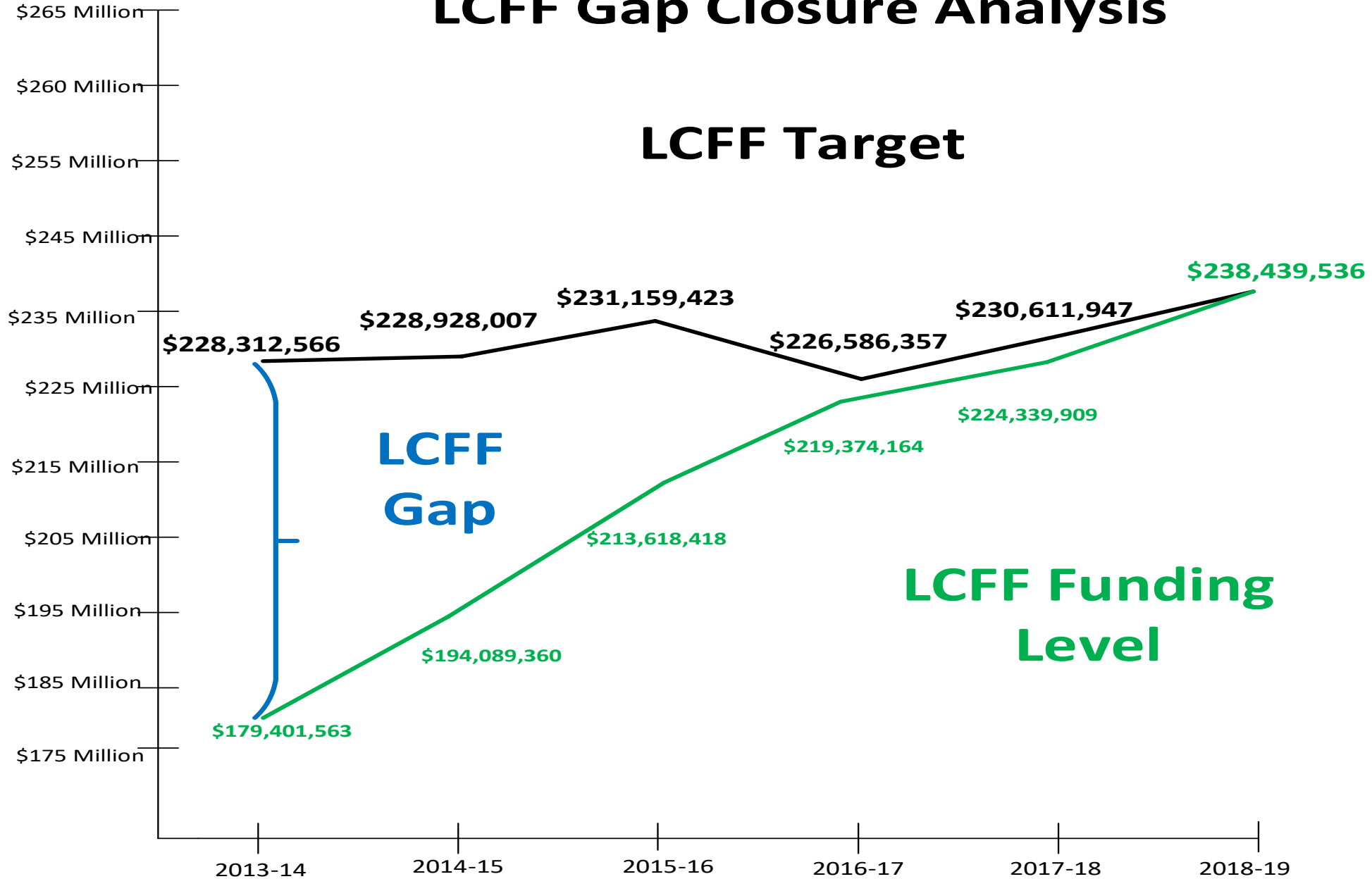
District Enrollment and Funding per Average Daily Attendance (ADA)



East Side Union High
School District

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%

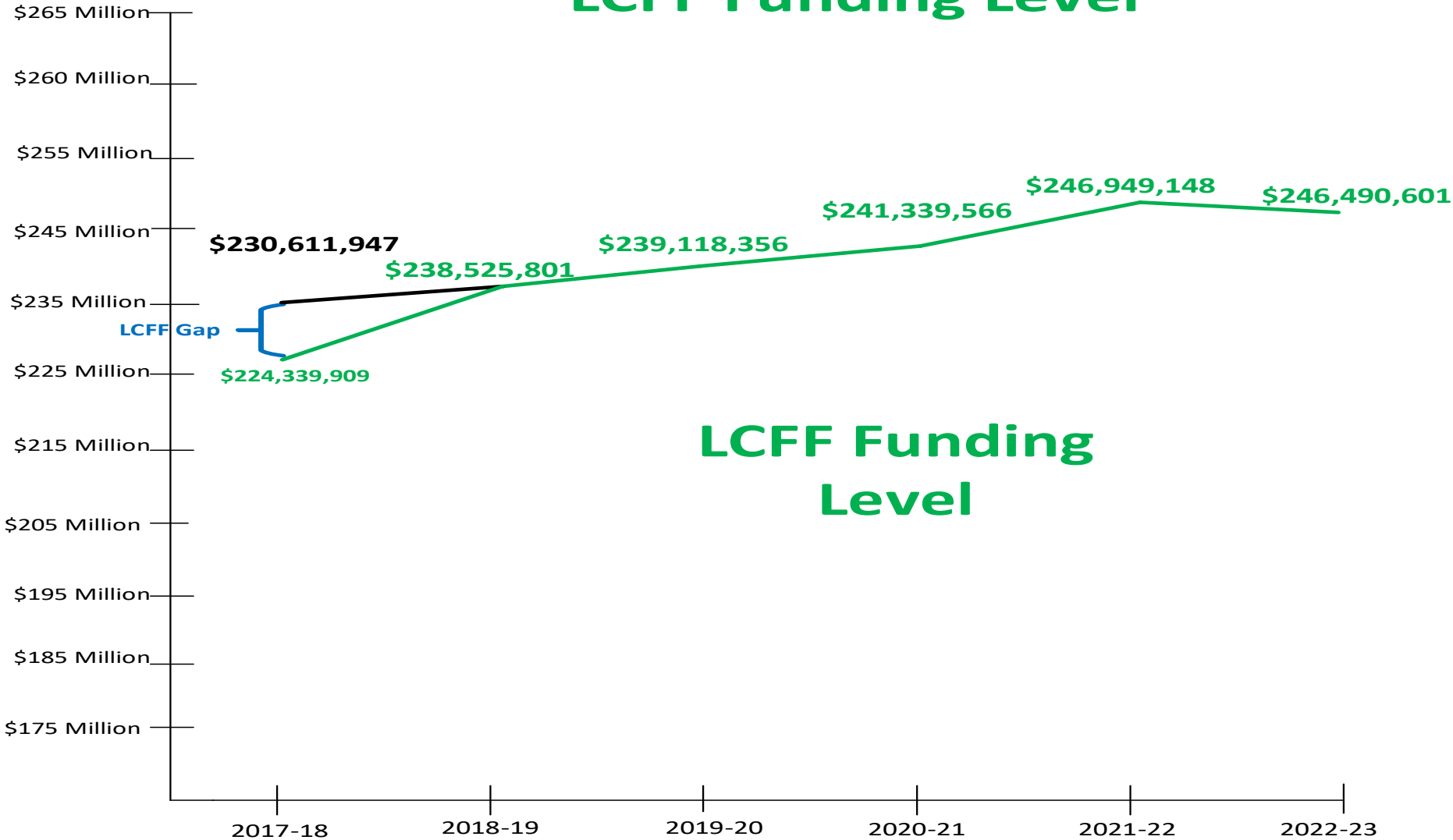
2015-16 LCFF = \$19,529,058
 Base = \$17,821,920
 Supplemental = \$1,707,138
 10.06%

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



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 = \$592,555
 Base = \$607,046
 Supplemental = <\$14,491>
 0.25%

2020-21 LCFF = \$2,221,210
 Base = \$2,354,472
 Supplemental = <\$133,262>
 0.93%

2021-22 LCFF = \$5,609,582
 Base = \$4,684,758
 Supplemental = \$924,824
 2.32%

2022-23 LCFF = <\$458,547>
 Base = <\$832,306>
 Supplemental = \$373,759
 <0.19%>

LCFF Funding Level

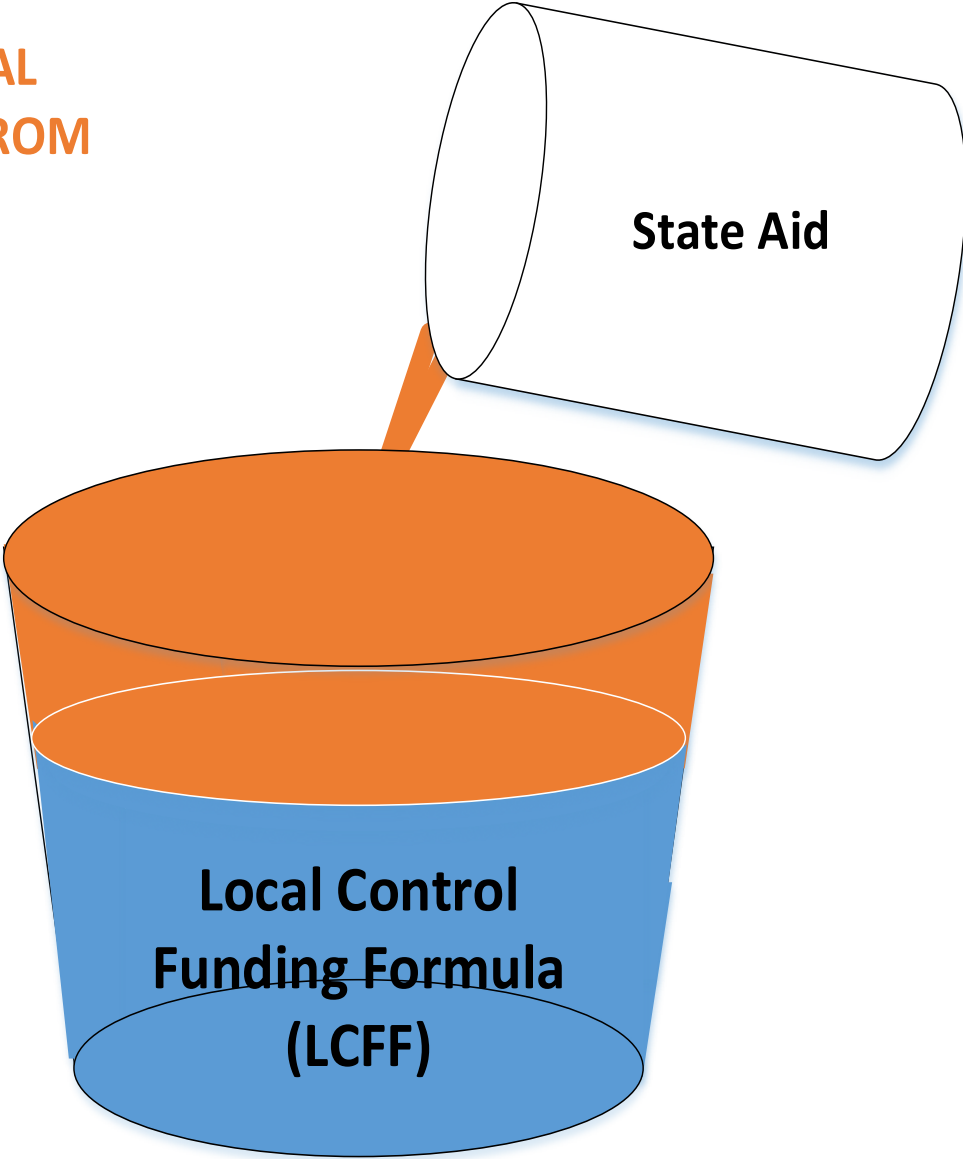
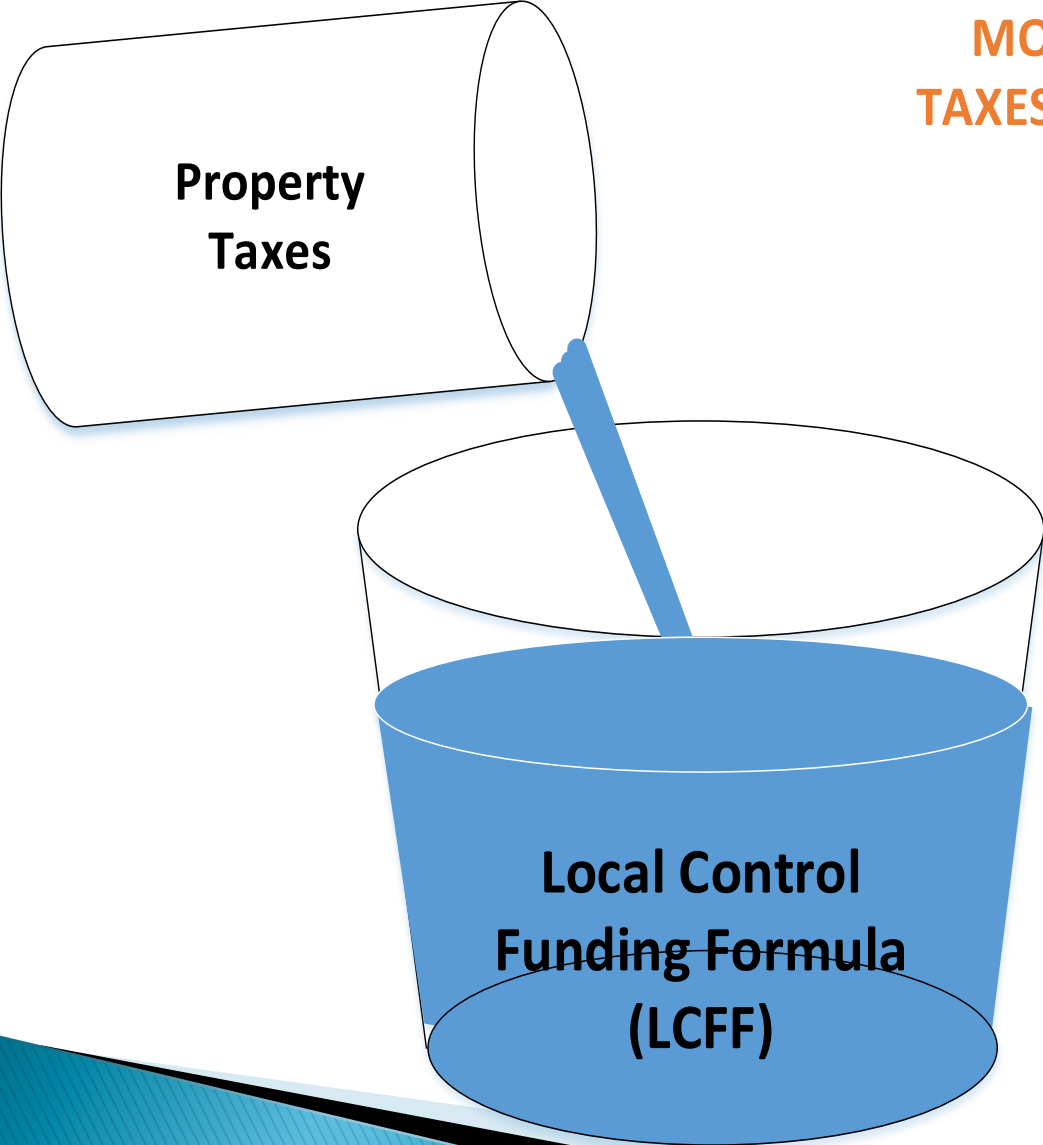
As of 2019-20 Adopted Budget

East Side Union High
 School District

LCFF Funding vs. Basic Aid Funding

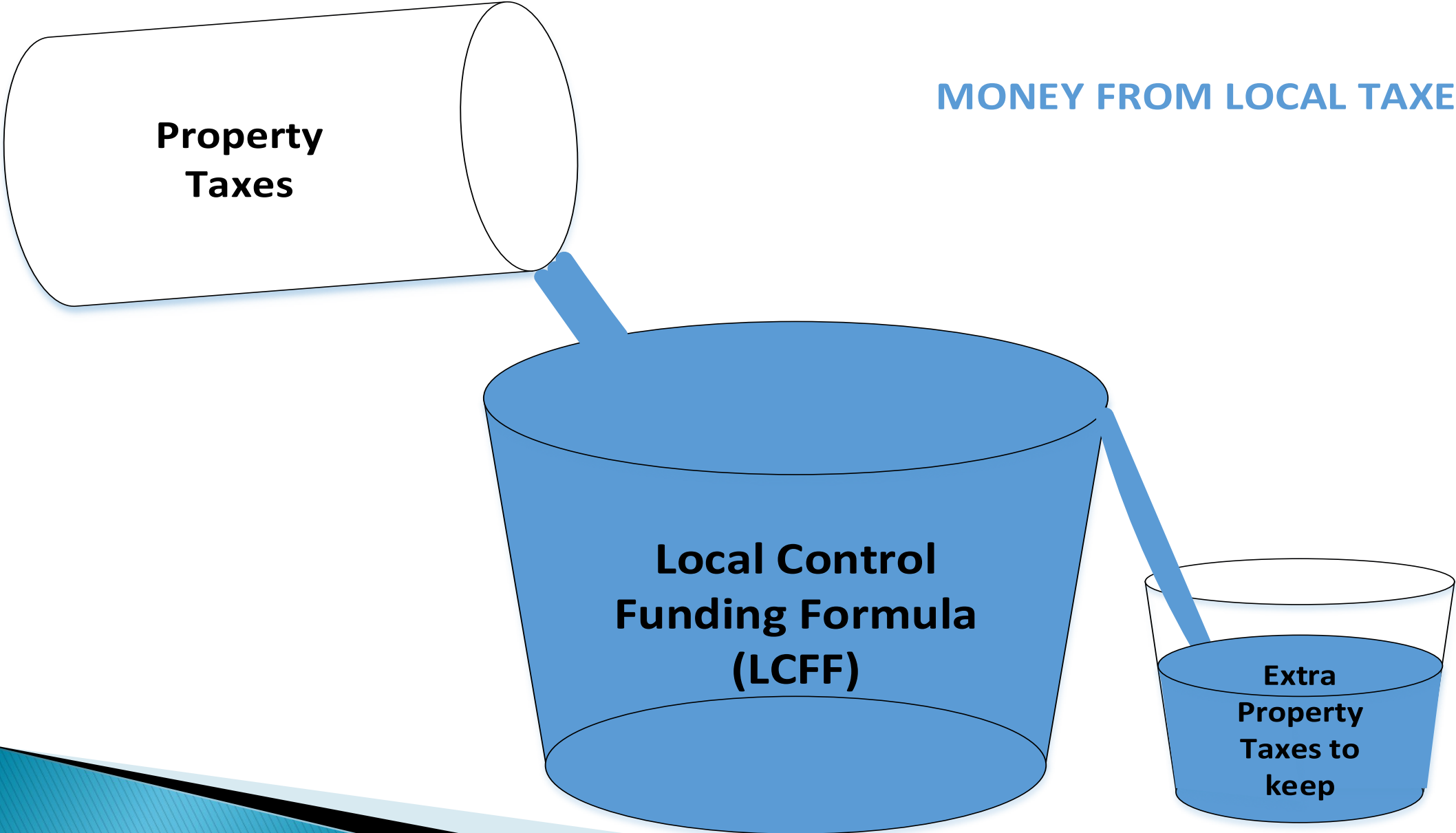
LCFF DISTRICT FUNDING

MONEY FROM LOCAL TAXES AND MONEY FROM THE STATE



BASIC AID DISTRICT FUNDING

MONEY FROM LOCAL TAXES



Fiscal Solvency Certification

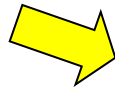
Certification	
Positive	District <u>WILL</u> meet its financial obligations for the remainder of the fiscal year and the subsequent 2 years
Qualified	District <u>MAY NOT</u> be able to meet its financial obligations either in the current year or the subsequent 2 years
Negative	District <u>WILL NOT</u>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

2019–20 Adopted Budget

2019-20 and 2020-21 Budget Calendar

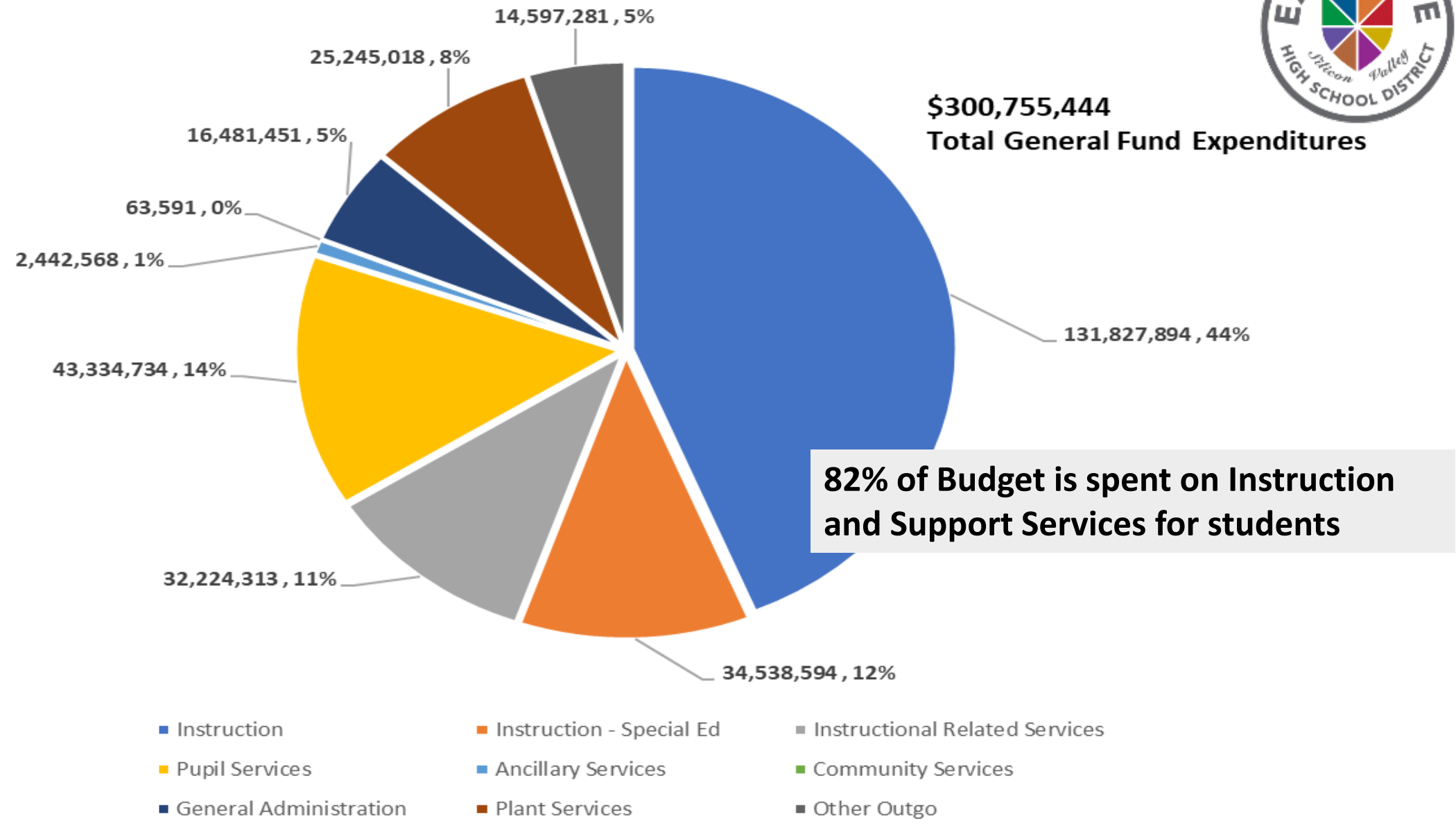
- 2019–20 Budget and LCAP Adoption – June 11, 2019
-  2018–19 Annual Financial Report (Unaudited Actuals) – September 12, 2019
- 2019–20 First Interim – December 12, 2019
- 2019–20 Second Interim – March 5, 2020

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

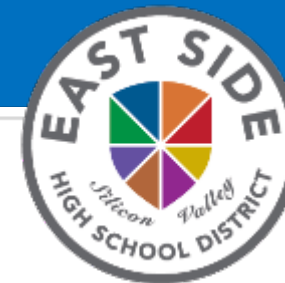
2019–20 Budget Graphs



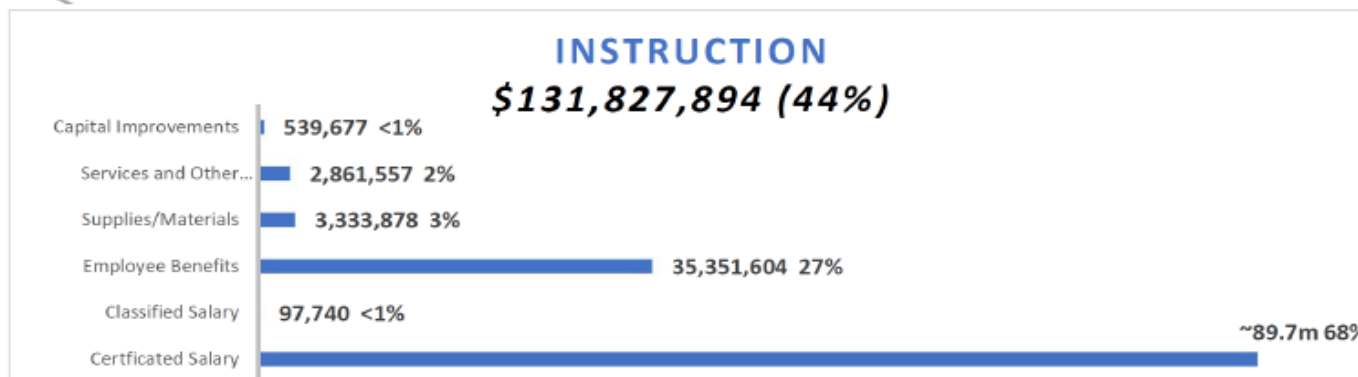
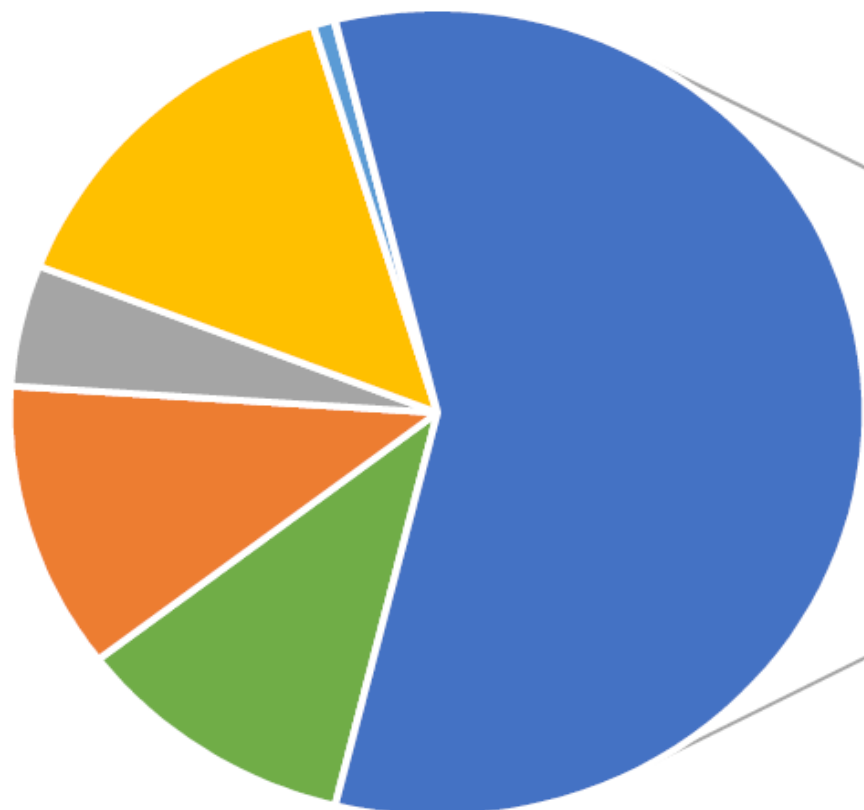
2019-20 General Fund Budget by Function



Instructional Budget



2019-20 General Fund: Instruction

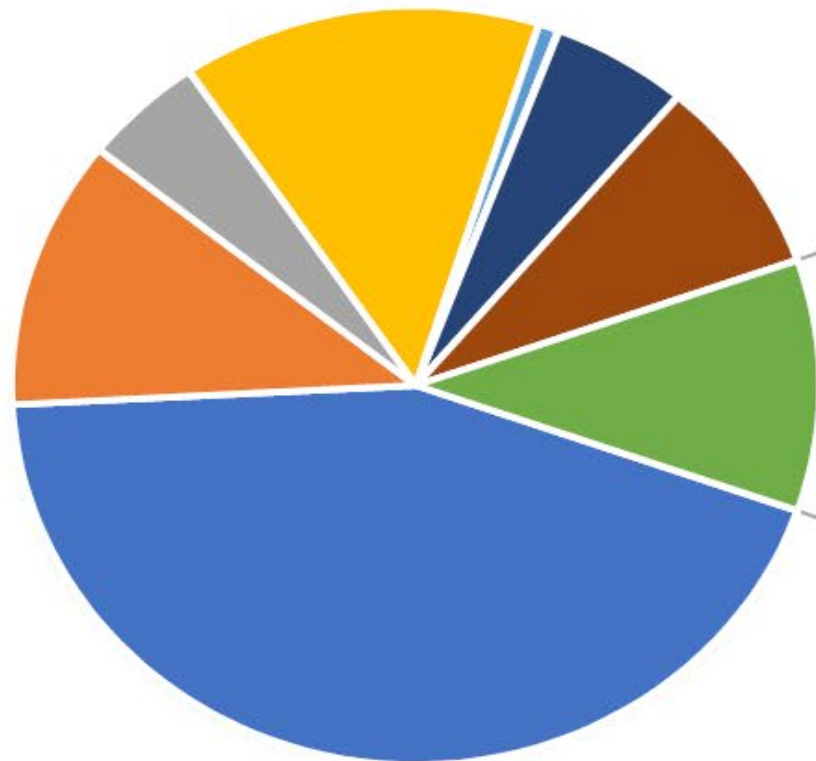


- Instructional Related Services
- Instruction - Special Ed
- Other Outgo
- Pupil Services
- Ancillary Services
- Community Services
- General Administration
- Plant Services
- Instruction

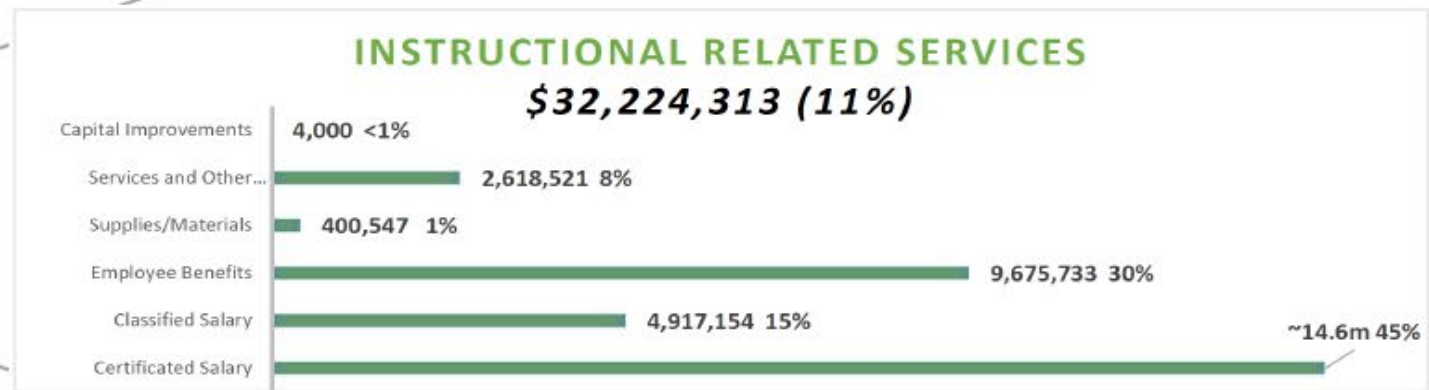
Instructional Related Services



2019-20 General Fund: Instructional Related Services



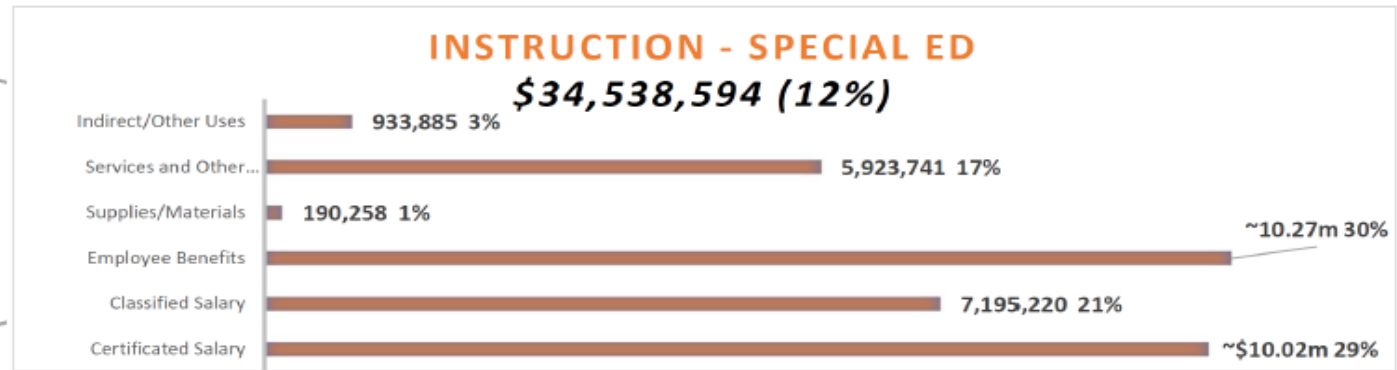
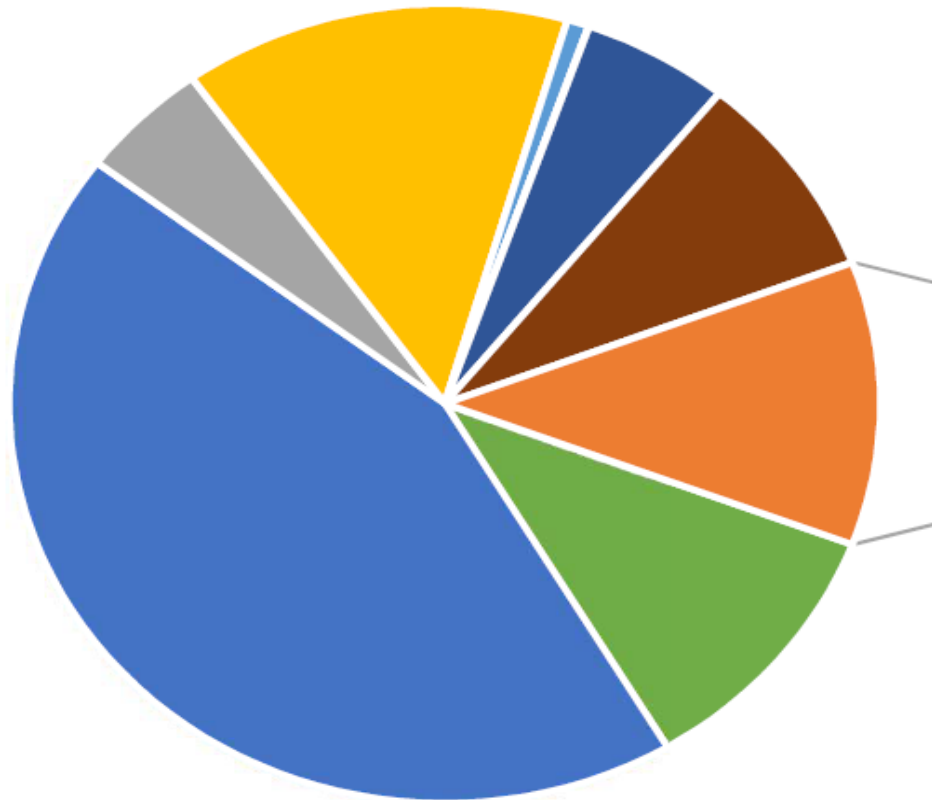
- Instruction
- Instruction - Special Ed
- Other Outgo
- Pupil Services
- Ancillary Services
- Community Services
- General Administration
- Plant Services
- Instructional Related Services



Instruction – Special Services

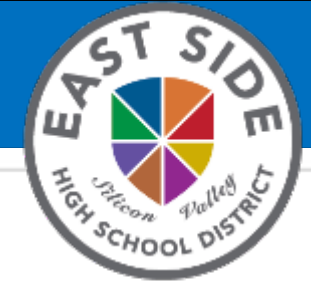


2019-20 General Fund: Instruction - Special Ed

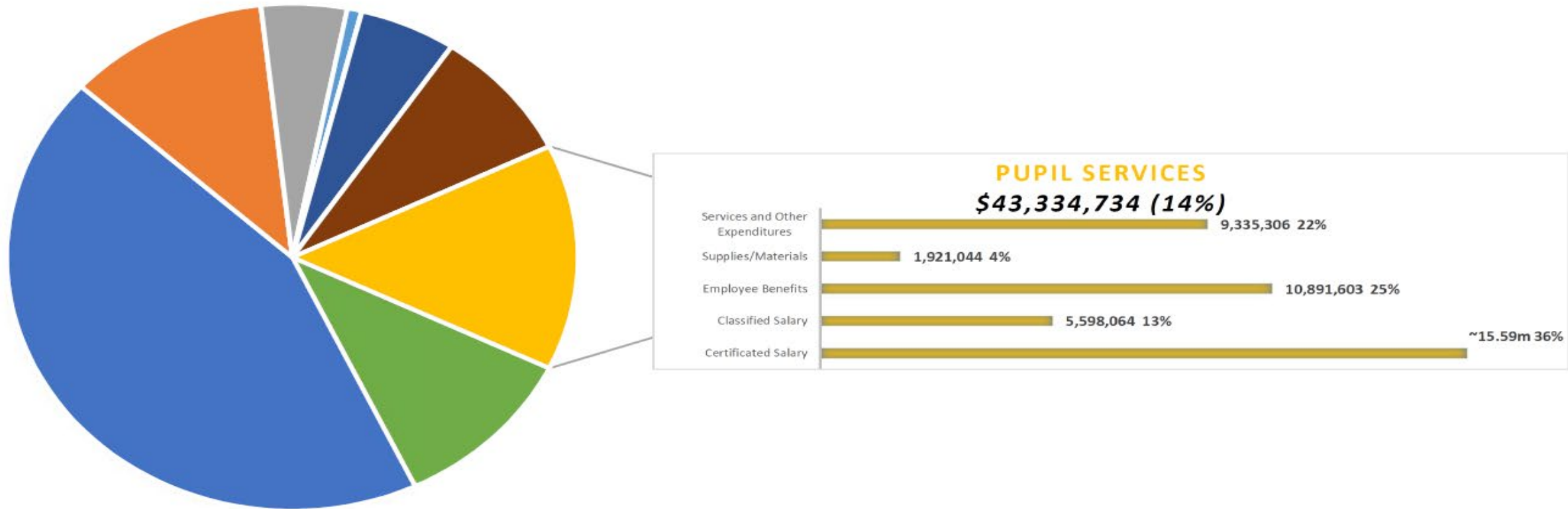


- Instructional Related Services
- Pupil Services
- General Administration
- Instruction
- Ancillary Services
- Plant Services
- Other Outgo
- Community Services
- Instruction - Special Ed

Pupil Services



2019-20 General Fund: Pupil Services

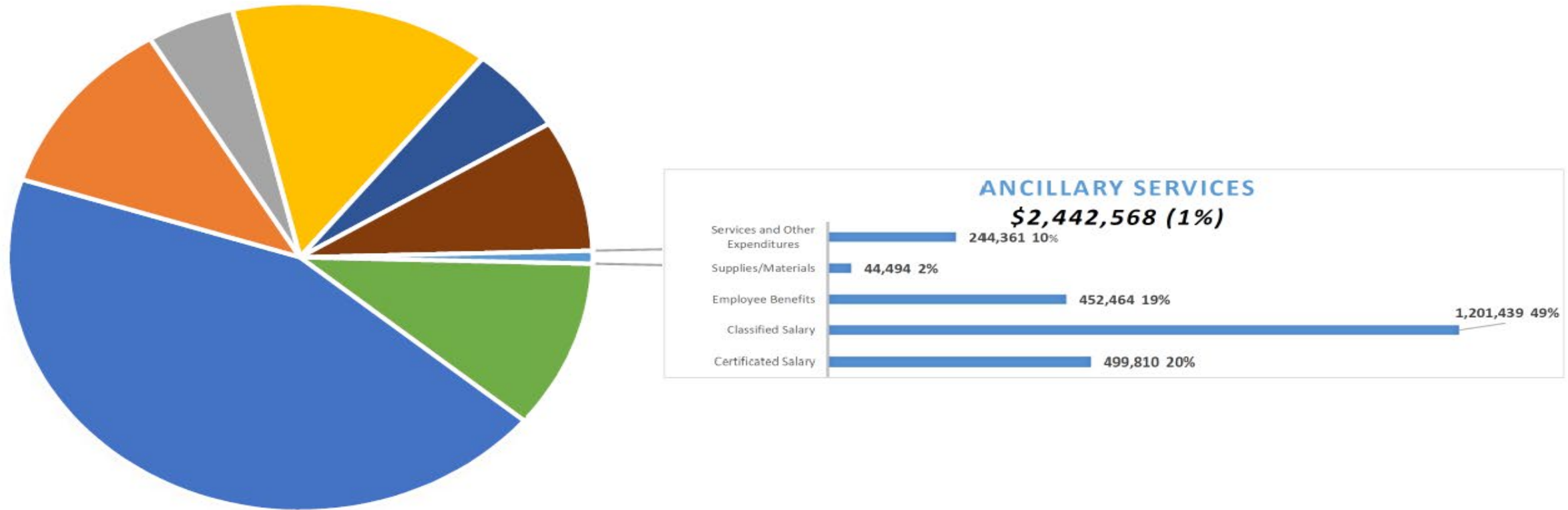


- Instructional Related Services
- Instruction
- Instruction - Special Ed
- Other Outgo
- Ancillary Services
- Community Services
- General Administration
- Plant Services
- Pupil Services

Ancillary Services



2019-20 General Fund: Ancillary Services

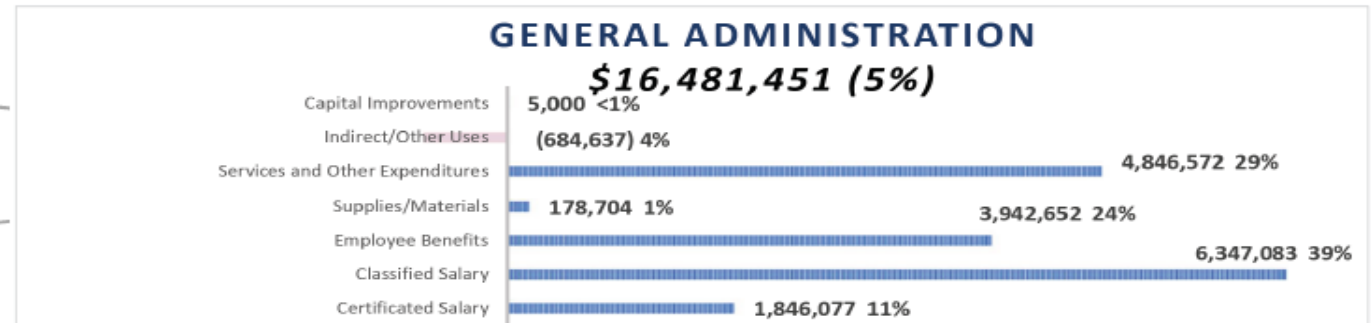
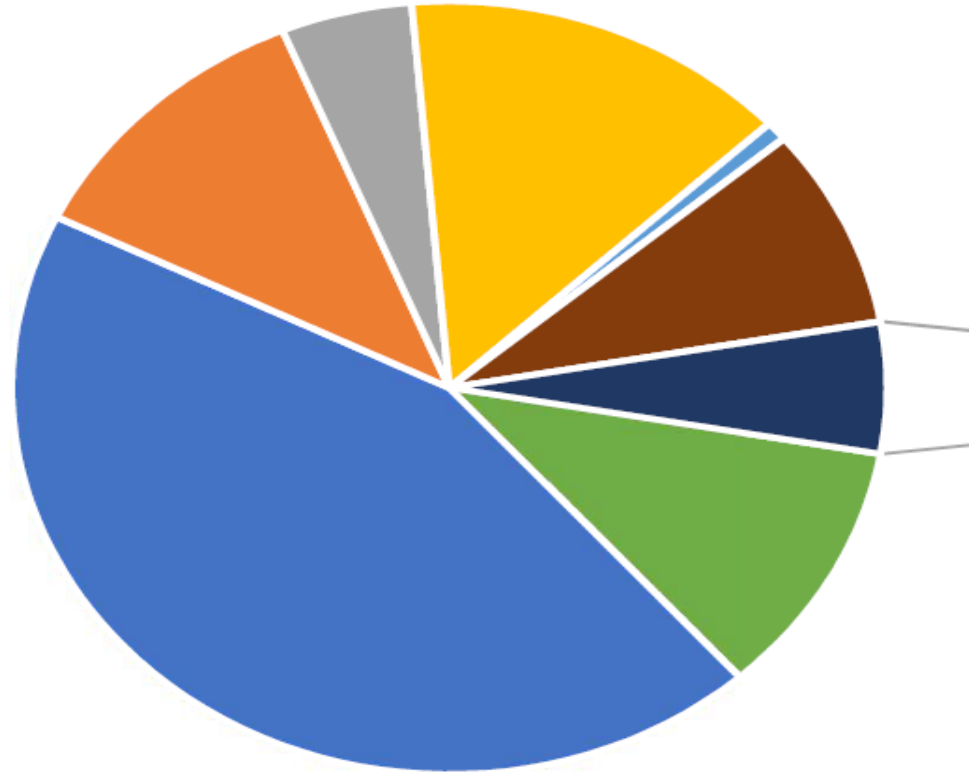


- Instructional Related Services
- Instruction
- Instruction - Special Ed
- Other Outgo
- Pupil Services
- Community Services
- General Administration
- Plant Services
- Ancillary Services

General Administration



2019-20 General Fund: General Administration

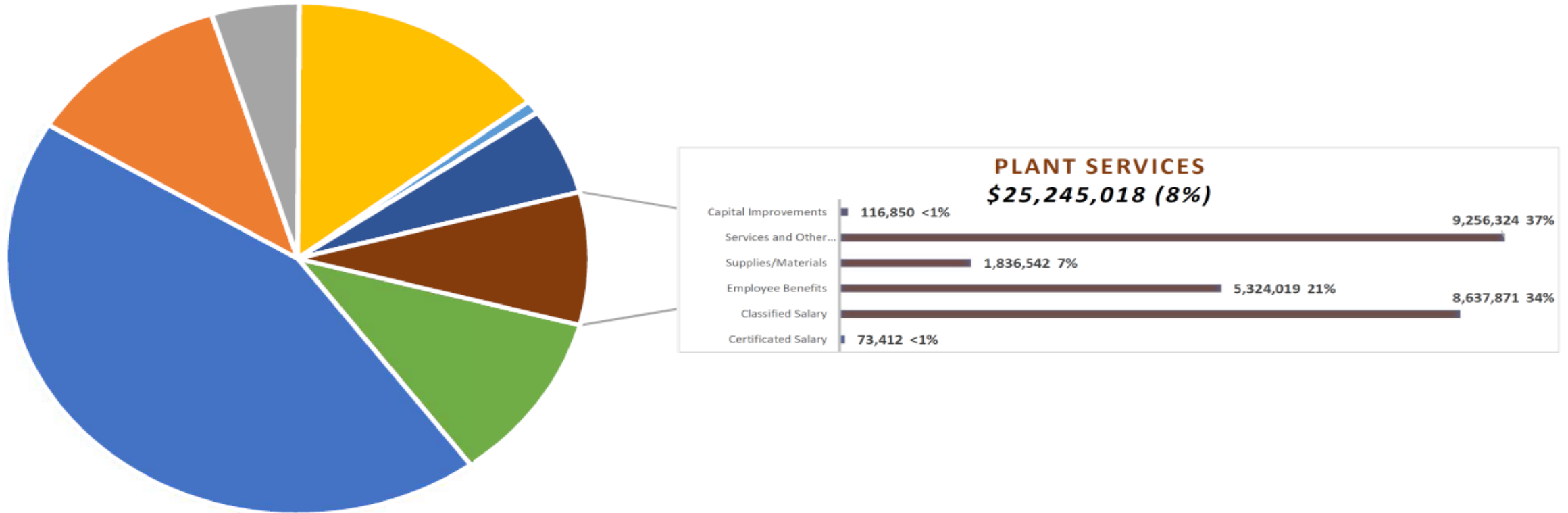


- Instructional Related Services
- Instruction
- Instruction - Special Ed
- Other Outgo
- Pupil Services
- Ancillary Services
- Community Services
- Plant Services
- General Administration

Plant Services



2019-20 General Fund: Plant Services

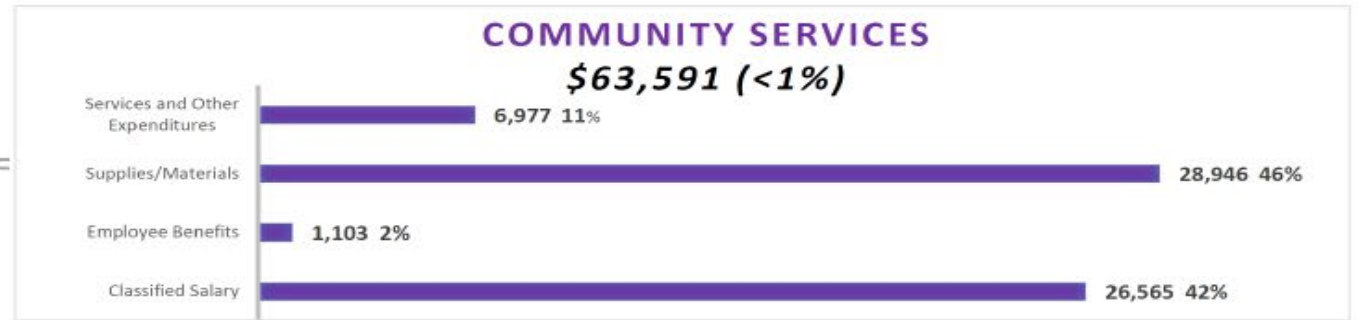
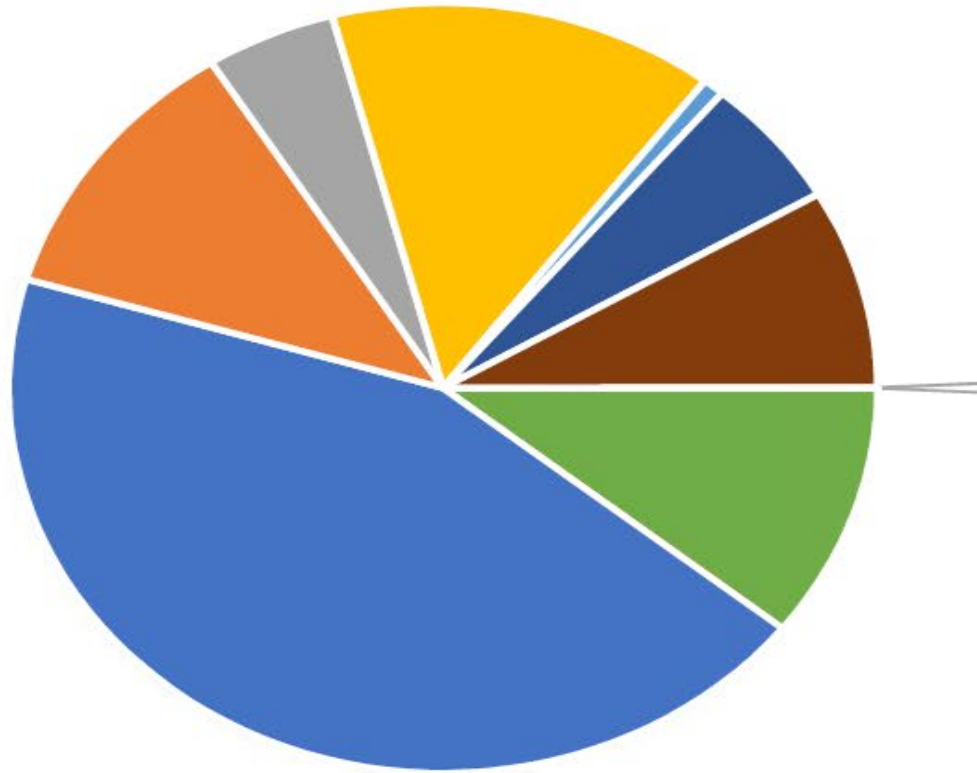


- Instructional Related Services
- Instruction
- Instruction - Special Ed
- Other Outgo
- Pupil Services
- Ancillary Services
- Community Services
- General Administration
- Plant Services

Community Services



2019-20 General Fund: Community Services

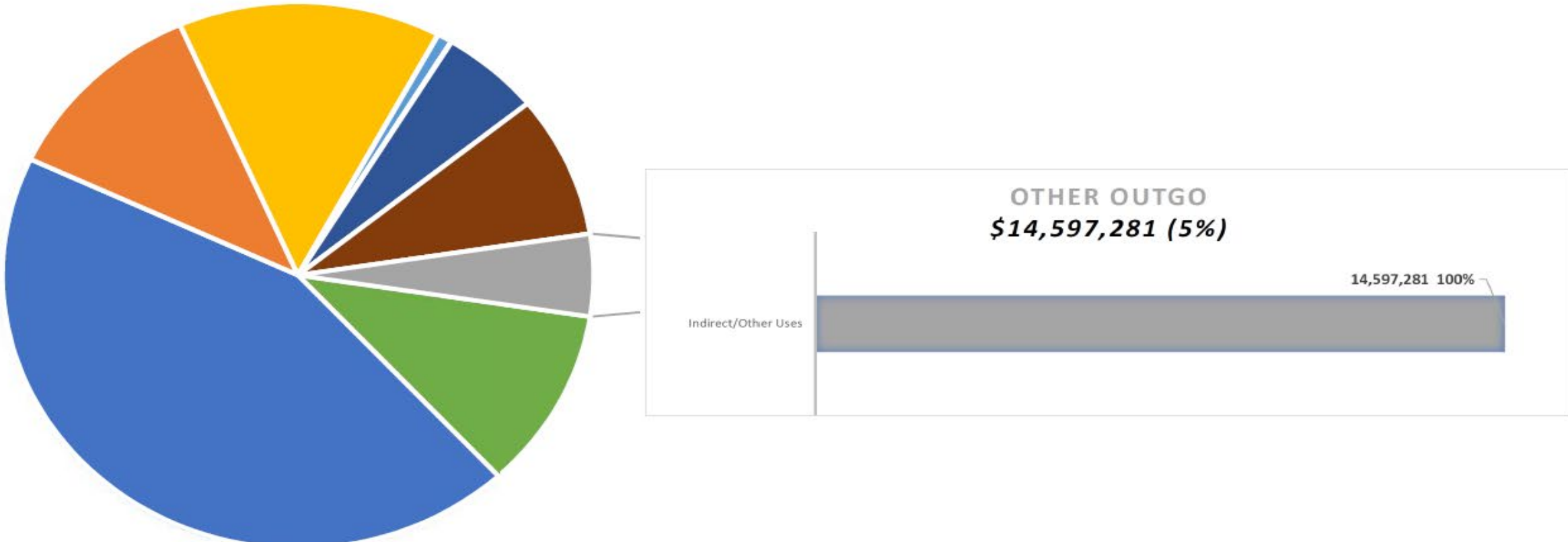


- Instructional Related Services
- Instruction
- Instruction - Special Ed
- Other Outgo
- Pupil Services
- Ancillary Services
- General Administration
- Plant Services
- Community Services

Other Outgo



2019-20 General Fund: Other Outgo



- Instructional Related Services
- Instruction
- Instruction - Special Ed
- Pupil Services
- Ancillary Services
- Community Services
- General Administration
- Plant Services
- Other Outgo

Multi-Year Assumptions and Projections

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

	2019 / 20	2020 / 21	2021 / 22
Description	Proposed Budget	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	52.87%	51.96%	52.98%
LCFF Approved Funding Rate (GAP)	100.00%	100.00%	100.00%
LCFF Entitlement	239,118,356	241,339,566	246,949,148
Lottery Per ADA - Unrestricted	151	151	151
- Restricted	53	53	53
Mandate Cost Block Grant per ADA	62	64	66
Title I	4,091,139	4,213,873	3,831,170
Title II	575,330	592,590	609,182
Career Technical Incentive	0	0	0
California Career Pathway	0	0	0
One Time Discretionary Revenue	0	0	0
Use of Facilities Rental	1,741,300	1,828,365	1,919,783
Enrollment (CBEDS) Projected with NPS and Post Seniors	22,472	22,350	21,582
Projected Funded Average Daily Attendance (ADA) with East Side Special Ed ADA in County Program	21,438	21,046	20,927
	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	(15.4 FTEs)	(4.0 FTEs)	(25.6 FTEs)

Reduction In Force Strategy			
Certificated Staff	(0.0 FTEs)	(171.0 FTEs)	(0.0 FTEs)
Classified Staff	(0.0 FTEs)	(73.0 FTEs)	(0.0 FTEs)
Administrators/Managers/Confidentials	(0.0 FTEs)	(12.0 FTEs)	(0.0 FTEs)
Projected Savings with RIF		(27,700,000)	
Benefits:			
STRS	16.70%	18.10%	17.80%
PERS	20.73%	23.60%	24.90%
Medicare	1.45%	1.45%	1.45%
OASDI	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	3,173,481	3,205,216	3,237,268
Medical Benefits Expenses to Self Insurance Fund, F68 (one time)	(7,000,000)		
Add back Medical Benefits Expense in General Fund		7,000,000	7,000,000
Operations:			
Augment Math / Science Text Book Adoption	0	0	0
Utilities / Communication rates increase	10%	10%	10%
Properties/Liabilities Insurance rate increase	10%	10%	10%
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 to Special Ed	(47,460,664)	(50,094,051)	(51,921,190)
Contribution to Restricted Routine Maintenance fr Unrestricted General Fund	(8,892,236)	(8,580,299)	(8,677,377)
Contribution to Restricted Routine Maintenance from Redevelopment Funds	(2,100,000)	(2,100,000)	(2,100,000)
Total Contribution to Restricted Routine Maintenance	(8,992,236)	(8,680,299)	(8,777,377)
Fund Transfers in/(out):			
Transfer from (to) General Reserve (F17)	115,001	277,437	(97,078)
Transfer to Child Development Fund (F12)	0	0	0
Transfer to Child Nutrition Services (F61)	(875,937)	(875,937)	(875,937)
Transfer to Property & Liabilities Fund (F67)	(100,000)	(100,000)	(100,000)

2018-19 Fund Balance (Combined) Estimated Actuals vs. Unaudited Actuals



	Estimated Actuals	Unaudited Actuals	Difference
Beginning Balance (Fund 01)	\$35,129,520	\$35,129,520	\$0
Beginning Balance General Reserve (Fund 17)	\$8,305,768	\$8,305,768	\$0
Total Fund Balance (Fund 01 & 17)	\$43,435,288	\$43,435,288	\$0
Revenue (Fund 01 & 17)	\$290,015,579	\$298,901,615	\$8,886,036
Expenditures (Fund 01 & 17)	\$294,119,648	\$299,303,673	\$5,184,025
Net Increase/(Decrease) to Fund Balance	\$35,129,520	\$35,129,520	\$3,702,011
Other Sources/Uses/Adjustment (Fund 01 & 17)	(\$2,476,755)	(\$2,777,006)	(\$300,251)
Ending Fund Balance (Fund 01)	\$27,945,678	\$40,256,224	\$12,310,546
Ending Fund Balance General Reserve (Fund 17)	\$8,908,786	\$0	(\$8,908,786)
Total Ending Balance (NOW COMBINED)	\$36,854,464	\$40,256,224	\$3,401,760

2018-19 General Fund Unaudited Budget - \$299,303,673

Updated Fund Balances based on 2018-19 Unaudited Actuals



Description	2019-20	2020-21	2021-22
Beginning Fund Balance (TOTAL COMBINED)	\$ 40,256,224	\$ 22,040,760	\$ 17,196,848
Plus: Revenues/Other Sources	\$ 281,721,909	\$ 289,281,205	\$ 293,710,214
Total Available	\$ 321,978,133	\$ 311,321,965	\$ 310,907,062
Less: Expenditures/Other Uses	\$ 299,937,373	\$ 294,125,117	\$ 299,416,053
Ending Fund Balance (TOTAL COMBINED)	\$ 22,040,760	\$ 17,196,848	\$ 11,491,009
Projected Revenue Greater(Less) than Expenditure	\$ (18,215,464)	\$ (4,843,912)	\$ (5,705,839)
Restricted "RESERVE" or Legally Restricted Balance	\$ 3,612,306	\$ 2,147,023	\$ 2,103,814
"RESERVE" Required (3%)	\$ 8,998,121	\$ 8,823,754	\$ 8,982,482
Note: Fund Balance Reserves - Inventories/Prepays	\$ 1,762,066	\$ 1,026,553	\$ 404,713
Undesignated/Unappropriated	\$ 7,668,267	\$ 5,199,518	\$ 0
Reserve Percentage	6.14%	5.12%	3.14%

Deficit Spending Amount

Reserve Amount – Needs to be at least 3% every year

What do we know today?

- ❑ District's has a Structural Budget deficit
 - ❑ District needs to reduce 2019-20 General Fund Budget by approximately \$24M (est.)
- ❑ 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

Next steps.....

- ❑ 2019-20 First Interim Report
- ❑ Continue leveraging all available District resources
- ❑ Minimize contributions
- ❑ Monitor State and Federal economic news
- ❑ Anticipation of Governor's January Budget Proposal for 2020-21



Q & A