

Multiyear Projections and AB 1200

San Mateo-Foster City School District

September 13, 2018



San Mateo-Foster City School District

Multiyear Projections and AB 1200

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Presented by

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Overview

- **Assembly Bill (AB) 1200 and AB 2756 Oversight Responsibilities**
- **Multiyear Projections**



Multiyear Projections and AB 1200

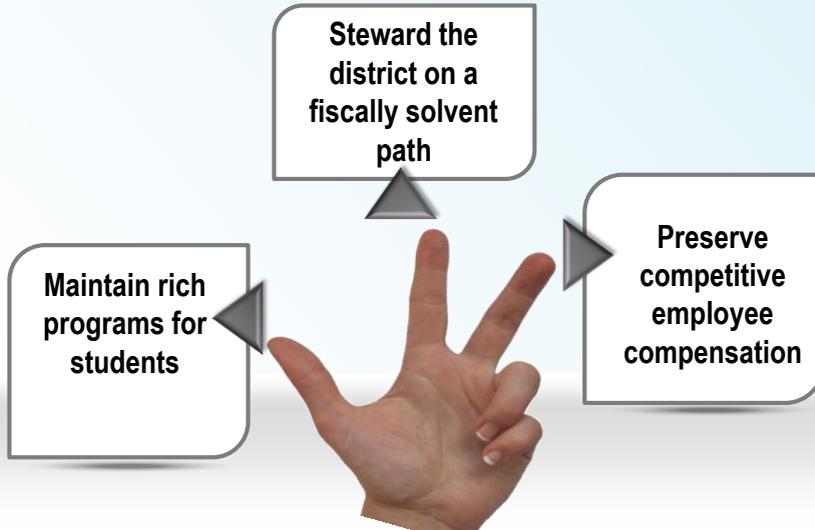
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Board of Trustees Responsibilities

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AB 1200 and AB 2756 Oversight Responsibilities



AB 1200 Oversight Responsibilities

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- AB 1200 sets financial standards for school districts and includes enough “teeth” to assure enforcement
- AB 1200 was enacted in response to a number of near bankruptcies, requests for state loans, or defaults on school district financial obligations
- AB 1200 created the Fiscal Crisis and Management Assistance Team
- AB 1200 empowered county offices of education (COEs) with fiscal oversight to:
 - Initiate action if financial problems are discovered
 - Lower a self-rating from “positive” to either “qualified” or “negative”
 - Appoint a fiscal advisor, or more stringent measures

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AB 1200 Oversight Responsibilities

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- The COEs are now the “first line of defense” to protect the state from liability for school district financial problems
- AB 1200 also allows the COE to place restrictions on school boards and superintendents if the budget is rejected
- But some districts discover that problems are too big or recognized too late for the COE to help resolve
- So AB 1200 also anticipates that the State Superintendent of Public Instruction, the Legislature, and ultimately the Governor may also have to play a role

AB 2756 Oversight Responsibilities

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- Just as AB 1200 was in response to emergency loans and districts in financial crisis – so was AB 2756
- AB 2756 increases oversight at all levels
 - Districts must be careful:
 - The chief financial officer and superintendent must sign collective bargaining disclaimers and certify they are affordable
 - Must allow more time for COE review
 - Cuts must be acted on by Board
 - County superintendent must take action:
 - Conditional approval of weak budgets
 - Earlier intervention
 - Must qualify or make negative if procedures not followed
 - Must take action to correct deficiencies

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The Impact of AB 1200/1708

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- Since 1992, multiyear budget projections have been required by law
 - AB 1200 lacked specifics, but the thrust was clear
 - To be approved, a district budget must meet “. . . financial obligations both in the current fiscal year and with respect to the district’s multiyear financial commitments.”
 - Interim reports had to meet the same multiyear standards
 - AB 1708 (Chapter 924/1993), clarified exactly what was meant by the term “multiyear” (ref. Education Code Section 42131)
 - For budget approval, must show solvency by meeting standards and criteria in budget year and next succeeding fiscal year
 - For positive interim report, must meet standards and criteria for budget year and two succeeding fiscal years

Notes

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Multiyear Projections



- Show that, as options or assumptions change, district balances change

“Long-range planning does not deal with future decisions, but with the future of present decisions.”

– Peter Drucker

Multiyear Projections and AB 1200

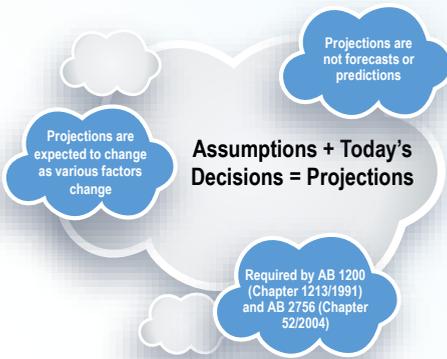
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Multiyear Projections

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- The cause of most local educational agency (LEA) insolvencies can be traced to a bad financial decision made during prosperous times that came back to bite the LEA during lean financial times, so caution is key
 - Resist using future projected dollars or one-time dollars to justify paying for ongoing expenditures in the current year
 - A future recession is predicted – the timing is unknown
 - Low cost-of-living adjustment environment on programs that require contributions
 - Increasing retirement/pension obligations

Start Early

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- The earlier reductions are in effect, the more impactful they become
 - Scenarios below illustrate a \$600,000 savings over three years in very different ways

Year	2018-19	2019-20	2020-21
Projected Surplus/(Deficit)	(\$500,000)	(\$600,000)	(\$500,000)
Ongoing Cut	\$600,000	\$600,000	\$600,000
Revised Surplus/(Deficit)	\$100,000	\$0	\$100,000

Year	2018-19	2019-20	2020-21
Projected Surplus/(Deficit)	(\$500,000)	(\$600,000)	(\$500,000)
Ongoing Cut	\$0	\$0	\$1,800,000
Revised Surplus/(Deficit)	(\$500,000)	(\$600,000)	\$1,300,000

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Progress Already Made

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- The Board has already implemented cuts of more than \$3 million to address the structural deficit

- No reduction is easy, but the deeper the reductions, the more difficult they become

Description: Budget Reductions	FTE	Savings 2017-18
Reduced 1 POSA (Ed Svs)	1	182,251
Reduced 2 Coordinator Posns. (Ed Svs)	2	347,656
Tightened classroom staffing to staffing ratios	9.83	1,144,015
Reduced 1 Elementary Assistant Principal	1	159,550
Bayside Principal Staffing	1	50,000
Reduced GASB 45 contribution		671,000
Eliminated Risk Mgmt and M&O consultant		24,000
Reduced attorney fees		187,000
Reduced 1 TOSA	1	107,271
Reduced Elem. Counselor	1	116,380
Reduced 1 program secretary	1	66,531
Reduced 3 FTE in M&O Dept.	3	240,000
Froze hiring of IT Tech position	1	86,726
Total Reductions	22	\$ 3,382,381

The Road Ahead

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- Most school districts in California spend approximately 83% – 87% of their budget on people
 - The other 13% – 17% of the budget is for everything else (e.g., textbooks, supplies, utilities)
- Goal is to reduce the impact on student programs, but only so much savings can be achieved by reducing materials and services budgets
- Districts in cost-savings mode can look at various areas:
 - Contract ratios – staffing to ratios established in their collective bargaining agreement
 - Staffing ratios – counselors, psychologists, maintenance, etc.
 - Revenue enhancements – parcel taxes, leasing out facilities

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The Road Ahead

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- The District has contracted with School Services of California, Inc. to perform a Budget Review to ensure all assumptions are reasonable
- The review will also incorporate comparative expenditure data
 - Data will illustrate how surrounding districts allocate their resources
- Comparative data along with a proposed list of reductions provided by the Chief Business Officer will provide a roadmap for the difficult decisions
- The goal of the reductions is to present a fiscally solvent budget, and to minimize the impact on student programs

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