

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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Overview

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



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This image shows a single sheet of white paper with horizontal blue ruling lines. The lines are evenly spaced and run across the width of the page. There is no handwriting or other markings on the paper.

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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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- 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

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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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