

La Canada Unified School District Fiscal Update and 2019-2020 Budget with 2018-2019 Estimated Unaudited Actuals Report June 18, 2019

Presented by:

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Objectives

- Review Economic Factors
- 2018-19 Estimated Unaudited Actuals and Proposed 2019-20 Budget
- Current Variables
 - Pension Contributions
 - Special Education
- MYP General Fund Ending Balance/Reserve



Economic Factors



Economic Outlook

National - Continued but slowing growth

- Real GDP growth: 2.9% in 2018, slowing to below 2% in 2019 and lower in 2020
- Inflation: 2.4% in 2018, continuing in the 2%-3% range in the near future

California – Slowing and uneven growth

- Employment growing at 1.6% in 2018, slowing in 2019 and beyond
- Inflation: 3.7% in 2018, continuing into the near future; housing costs up by over 5%

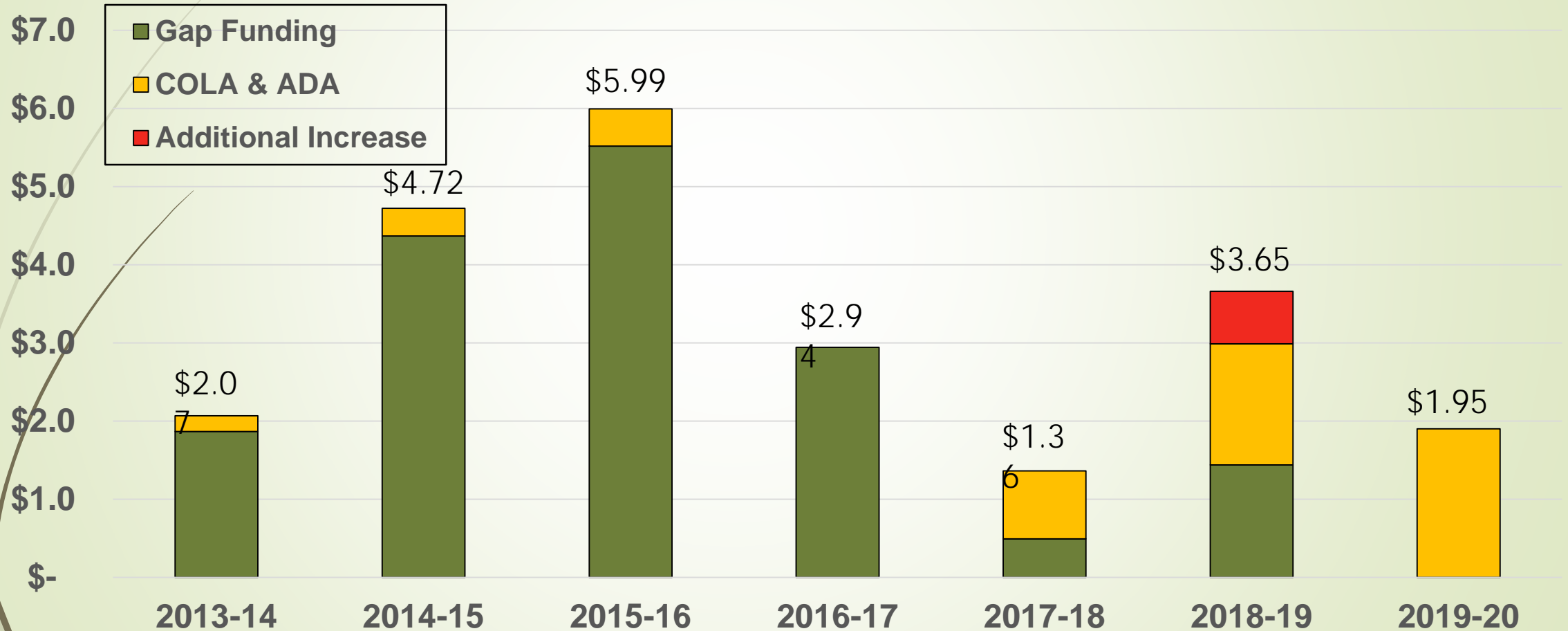


Economic Risks

- When will the recession come?
- Tax reform and federal spending - Federal deficits may lead to even slower growth and impact education spending
- Trade and immigration issues – impacts on California are even greater than on the nation
- Wildfires and other natural disasters
- Housing – cost of housing an impact on California economy

Increases in LCFF Funding

(Dollars in Billions)




Does the LCFF Restore Lost Purchasing Power?

- The LCFF addresses an LEA's revenues – what about its costs over the same period?
 - Cost of living increases have been outpaced by increases in pensions, and other operational increases.
 - Our district budget will be impacted by over \$2.5 million dollars for increased pension costs. These were not part of expenses in 2007-2008 – the baseline for the LCFF to restore purchasing power.
 - The final results from the State Budget may provide relief in the upcoming year as well as the future years.



Economic Status: Local Pressures

- Items pressuring local budgets
 - CalSTRS and CalPERS – but less than in the past
 - Contributions to programs
 - Unknown – Federal Government funding
 - Inflation vs. COLA
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Estimated Actuals for 2018-2019

Revenue – General Fund

	Budget 2018-19	2nd Interim 2018-19	Estimated Actuals 2018-19	Variance
LCFF	\$34,496,881	34,492,292	\$34,445,962	-1.5%
Federal	\$886,541	\$888,447	\$932,400	5.1%
Other State	\$3,969,451	\$4,369,173	\$4,301,041	8.4%
Other Local	\$8,575,978	\$8,862,081	\$8,833,303	3%
	\$47,928,551	\$48,611,993	\$48,512,016	1.3%

Expenditures – General Fund

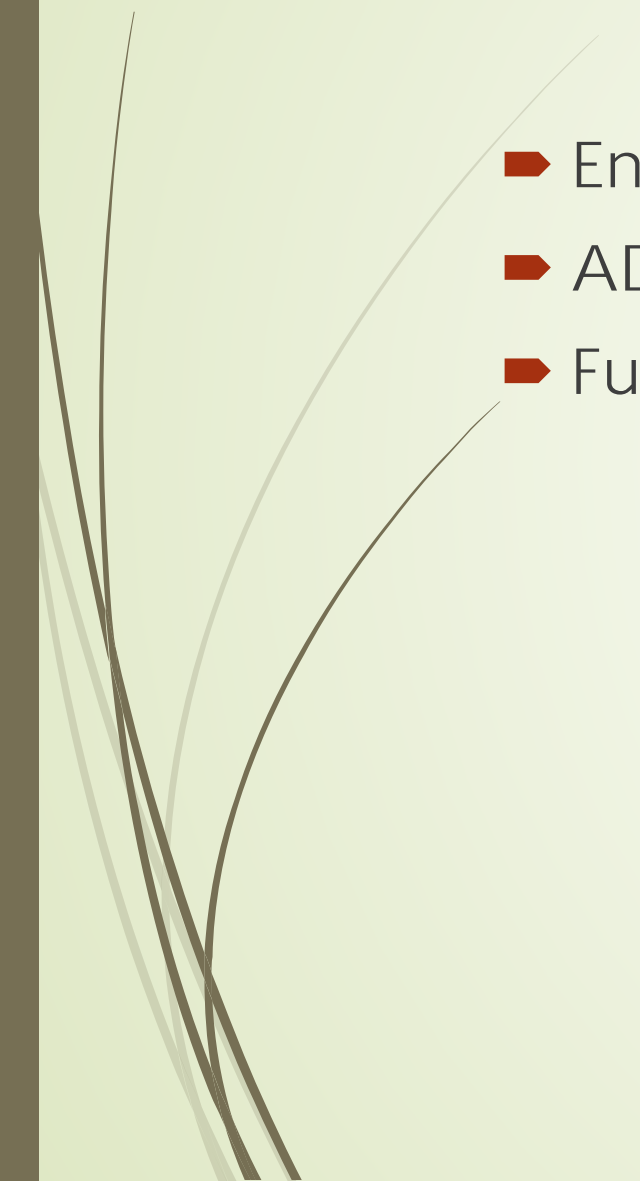
	Budget 2018-19	2nd Interim 2018-19	Estimated Actuals 2018-19	Variance
Certificated	\$20,822,011	\$20,398,691	\$20,907,766	0.4%
Classified	\$8,183,830	\$8,015,120	\$7,971,749	-2.6%
Benefits	\$9,475,850	\$9,253,960	\$9,347,322	-1.2%
Supplies	\$2,264,053	\$3,005,223	\$2,263,004	-.05%
Services	\$6,215,868	\$6,824,733	\$7,227,785	16.2%
Capital Outlay	\$104,264	\$668,419	\$807,710	775%
Other Outgo	0	0	0	0
Direct/Indirect	\$(43,000)	\$(43,000)	\$(43,000)	0
	\$47,022,876	\$48,123,146	\$48,482,336	3.1%



Proposed Budget for 2019-2020

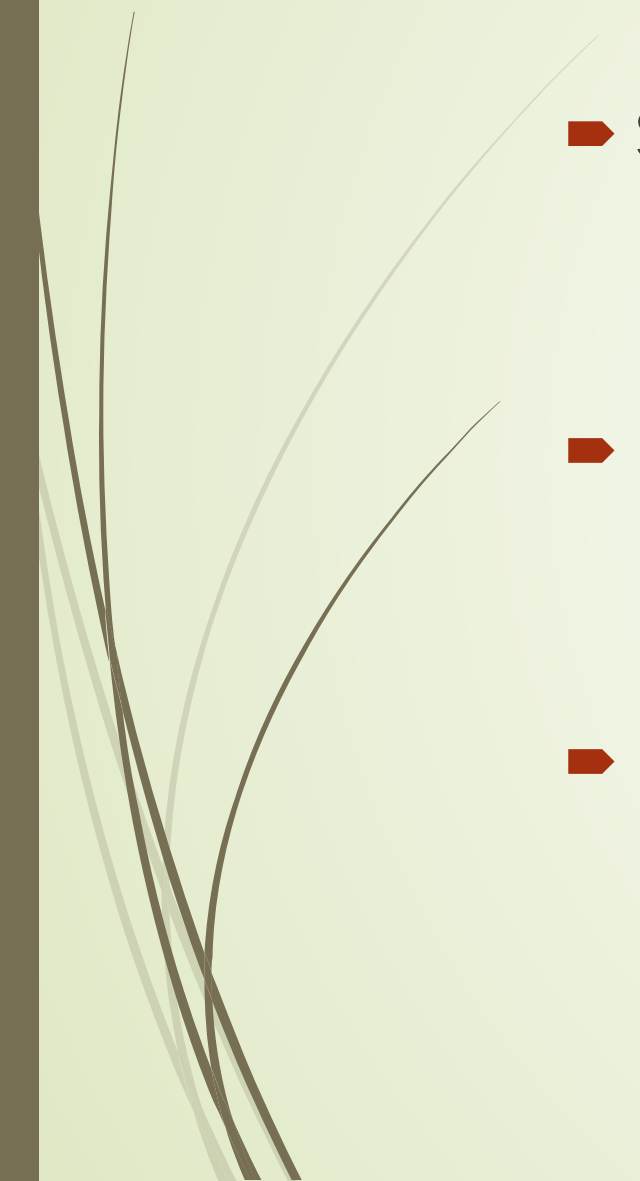


Budget Assumptions

- ▶ Enrollment remains flat in multi-year
 - ▶ ADA remains at 97.72%
 - ▶ Future years have only COLA increases
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Budget Assumptions (Cont.)

- Step and Column Salary increases each year:
 - Certificated **\$376,670 – 1.75%**
 - Classified **\$106,327 – 1.25%**
 - Budgeted pension increase
 - Certificated **\$87,520**
 - Classified **\$136,679**
 - Health and Welfare increased District Contribution:
 - **3.26%** in 2019-20
 - **3.0%** in 2020-21
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Dart Board Factors

Factor	2018-19	2019-20	2020-21	2021-22
GAP %	100%	100%	100%	100%
Statutory COLA	2.71%	3.26%	3.0%	2.8%
STRS Rates (Proposed)	16.28%	16.7%	18.10%	17.80%
PERS Rates	18.062%	20.733%	23.6%	24.9%

Revenue – Multi-year General Fund

	Estimated Actuals 2018-19	Projected Budget 2019-20	Projected Budget 2020-21	Projected Budget 2021-22
LCFF	\$34,445,962	\$35,658,762	\$36,696,980	\$37,722,663
Federal	\$932,400	\$932,400	\$932,400	\$932,400
Other State	\$4,301,041	\$3,367,966	\$3,367,966	\$3,367,966
Other Local	\$8,833,303	\$8,355,999	\$8,180,999	\$5,598,899
	\$48,512,706	\$48,315,127	\$49,178,345	\$47,621,928

Expenditures – Multi-year General Fund

	Estimated Actuals 2018-19	Projected Budget 2019-20	Projected Budget 2020-21	Projected Budget 2021-22
Certificated	\$20,907,766	\$21,523,846	\$21,836,6594	\$20,226,801
Classified	\$7,971,749	\$8,506,192	\$8,672,519	\$8,198,826
Benefits	\$9,347,322	\$9,592,813	\$10,282,901	\$10,569,699
Supplies	\$2,263,004	\$2,662,272	\$2,562,272	\$2,062,272
Services	\$7,227,785	\$6,742,837	\$6,940,372	\$6,937,906
Capital Outlay	807,710	70,000	70,000	70,000
Other Outgo	0	0	0	0
Direct/Indirect	\$(43,000)	\$(43,000)	\$(43,000)	48,482,336
	\$48,482,336	\$49,,055,103	\$50,321,723	\$48,022,504



Current Variables

Pension Contributions

Special Education



May Revision: CalSTRS Relief for School Employers

Part 1: Immediate Relief

- \$850 million to buy down employers' share of CalSTRS rate by:
 - 1.43% in 2019–20
 - 1.0% in 2020–21
- \$150 million increase from Gov's January Budget (one-time, GF)
- Starting in 2021–22, employer rate set by CalSTRS board

Effect on CalSTRS Employer Contribution Rates

	Current (statutory per AB 1469)	Jan. Budget (appx. \$700 million)	May Revision (appx. \$850 million)
2019-20	18.13	17.13 (-1.0)	16.7 (-1.43)
2020-21	19.1	18.1 (-1.0)	18.1 (-1.0)

CalSTRS

Fiscal Year	Current (statutory per AB 1469)	Jan. Budget	May Revision
2018-19	16.28	16.28	16.28
2019-20	18.13	17.13 (-1.0)	16.7 (-1.43)
2020-21	19.1	18.1 (-1.0)	18.1 (-1.0)
2021-22	18.3*	17.8* (-0.5)	17.8* (-0.5)
2022-23	18.3*	17.8* (-0.5)	17.8* (-0.5)
2023-24	18.3*	17.8* (-0.5)	17.8* (-0.5)
2024-25	18.3*	17.8* (-0.5)	17.8* (-0.5)
2025-26	18.3*	17.8* (-0.5)	17.8* (-0.5)

*Projected


CalPERS

Fiscal Year	Rates
2018-19	18.062
2019-20	20.733
2020-21	23.6*
2021-22	24.9*
2022-23	25.7*
2023-24	26.4*
2024-25	26.6*
2025-26	26.5*

* Projected as of April 16, 2019
Capitol Advisors Group, LLC

May Revise: Special Education

- \$696.2 million for Special Education School Readiness Program
 - \$119 million increase over January budget, total is now ongoing
 - Proposes concentration grants for school readiness and early intervention
 - Targeted at LEAs with high percentages of both students with exceptional needs and unduplicated students
 - Eligible LEAs would receive funding for each student with exceptional needs served above the statewide average, approx. \$10,000 per student
 - Grants may be used to fund special education and school readiness services not currently included in an IEP
- \$123.5 million for 3.26% COLA
- \$500,000 to increase LEAs' ability to access federal funds for medically related special education services and to improve transition of 3-year-olds from regional centers to LEAs



Latest Special Education Update

June 10, 2019

- Legislative Proposals
 - Increase Statewide Targets for Special Ed funding (AB 602)
 - Provide funding for 3 and 4 year olds with an IEP
 - Financial impacts for the District are to be determined since this money goes through our Special Education Local Plan Area (SELPA). Funds are typically divided on a per ADA basis.



Multi- Year Outlook

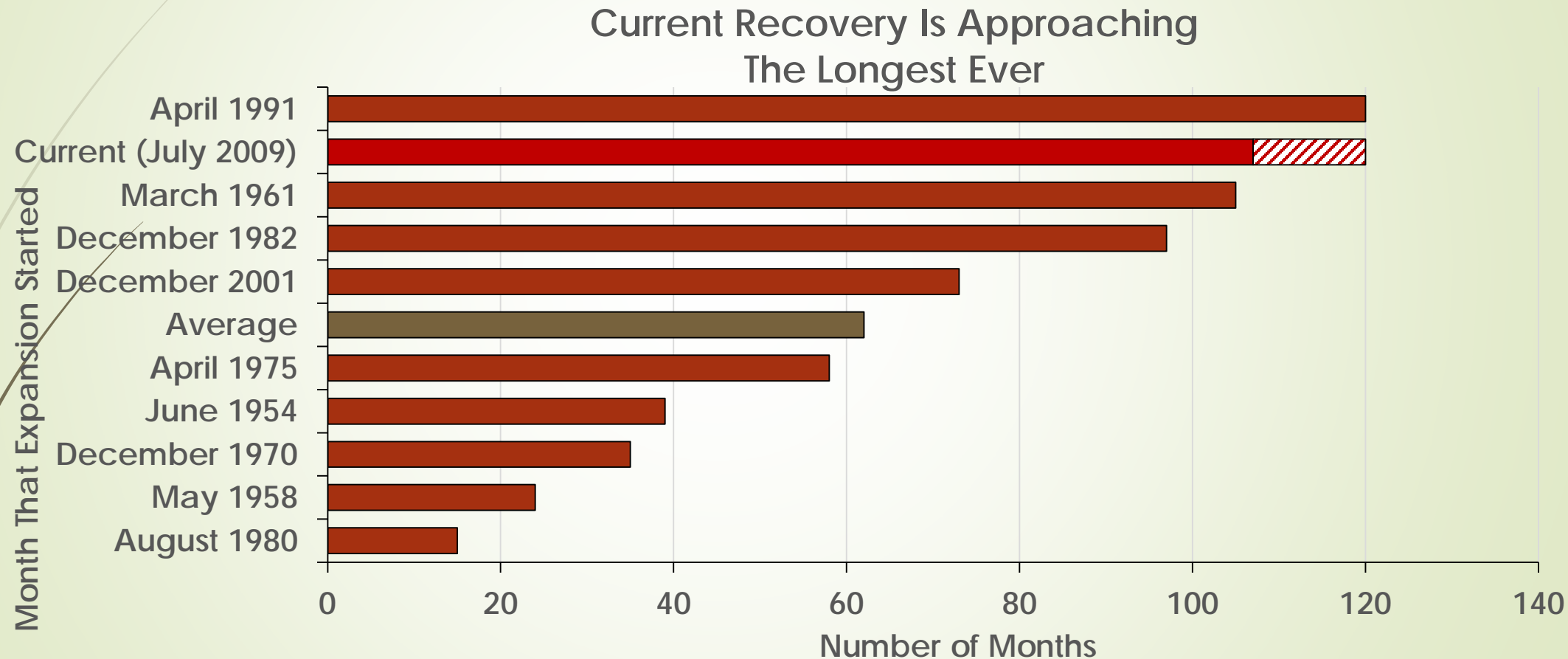




Multi-year Projections

- Most school district insolvencies can be traced back to financial decisions made during prosperous times that came back to bite the district during lean financial times.
 - Resist using future revenue projection dollars to justify paying for ongoing expenditures in the current year
 - Healthy reserves cannot sustain deficit spending over the long term
 - The expansion has been very long. It will end.
 - Gap funding is gone. COLA only to fund Step and Column, Health and Welfare, general inflation, and any other annual increases.

Approaching the Longest Economic Recovery in Modern History



General Fund Change Balance

	2nd Interim 2018-19	Estimated Actuals 2018-19	Projected Budget 2019-20	Projected Budget 2020-21	Projected Budget 2021-22
Revenue	\$48,611,993	\$48,512,706	\$48,315,127	\$49,178,345	\$47,621,928
Expenditures	\$48,123,146	\$48,482,336	\$48,055,103	\$50,321,723	\$48,022,504
Difference	\$448,847	\$30,370	(\$739,976)	(\$1,143,378)	(\$400,576)
Transfers	-\$440,000	-\$440,000	-\$440,000	-\$440,000	-\$440,000
Fund Change	\$48,847	(\$409,630)	(\$ 1,179,976)	(\$ 1,583,378)	(\$ 840,576)

Economic Uncertainty

	2nd Interim 2018-19	Estimated Actuals 2018-19	Projected Budget 2019-20	Projected Budget 2020-21	Projected Budget 2021-22
Beg Balance	\$7,820,914	\$7,820,914	\$7,411,284	\$6,231,308	\$4,647,930
Fund Change	\$48,847	(\$409,630)	(\$ 1,179,976)	(\$ 1,583,378)	(\$ 840,576)
Ending Balance	\$7,869,761	\$7,411,284	\$6,231,308	\$4,647,930	\$3,807,354
Revolving Cash/Prepays	-\$16,000	-\$16,000	-\$16,000	-\$16,000	-\$16,000
Legally Restricted	-\$60,855	-\$158,688	-\$158,688	-\$158,688	-\$158,688
Committed Funds (PERS/STRS)	-\$490,000	-\$490,000	-\$490,000	-\$490,000	-\$490,000
Assigned Funds/One-time \$	-\$158,804	-\$158,804	-\$158,804	-\$158,804	-\$158,804
Assigned Funds/Textbooks	-\$687,806	-\$687,806	-\$514,890	-\$636,662	-\$636,662
Economic Uncertainty	\$6,456,296	\$5,899,986	\$4,892,925	\$3,187,775	\$2,347,198
3.5 %	\$1,699,710	\$1,712,282	\$1,732,329	\$1,776,660	\$1,696,188

2019-20 Deposit to the PSSSA

2019-20 budget is the first to require a transfer to the PSSSA

- \$389 million (difference between Test 1 and prior year funding adjusted for growth and inflation)
- Counts toward 2019-20 guarantee, but is not available to be allocated to schools
- PSSSA funds must be allocated to schools in any year in which Prop 98 funding is less than the prior year amount adjusted for growth and inflation
- May also be allocated if Governor declares a budget emergency

Local Reserve Cap Not Triggered

- Cap on school district reserves only triggered after PSSSA balance equals (or exceeds) 3% of K-12 share of Prop 98 funding for that year
- Remains in place so long as PSSSA balance is 3% or higher
- In 2019-20, 3% equals about \$2.1 billion
- \$389 million deposit does not trigger local reserve cap



Planning Forward

1. Budget for intermittent large expenditures – adoptions, tech refresh, deferred maintenance
2. Anticipate operational costs outpacing revenue increases
3. Keep LCAP in mind
4. Build sustainability into programs
5. Monitor Deficit Spending



Next Steps/Questions

Next Steps in Budget Process

State Level

- Budget Committee Hearings
- Compromise Budget and trailer language approved by Legislature
- Governor signs Budget

Local Level

- Adopt the LCAP and Adopted Budget at Second Reading
- 45-Day Budget Revision if material changes are made to Governor's May Revision
- Audited Actuals