

2019-20 – 2nd Interim Financial Report Narrative

The Paso Robles Joint Unified School Board (PRJUSD) and the San Luis Obispo County Office of Education (SLOCOE) are presented with the 2nd Interim report for the 2019-20 fiscal school year. The 2nd Interim report represents all information through January 31, 2020 for the current budgeted revenues and the budgeted expenditures for the unrestricted and restricted budgets. The Interim report includes a multi-year financial projection and requires the school board to certify whether or not based upon these projections, they believe the school district will be able to meet its financial obligations for the current and two following school years. It is the staff's recommendation the board certify the 2nd Interim as *qualified*. A qualified certification indicates the district may not meet its financial obligations for the current or two subsequent fiscal years. Currently PRJUSD has a 2.80% reserve which is below the required 3% reserve. Additionally, in the two subsequent years, the reserve continues to be below the required 3%, if additional reductions are not made during those years.

Note for Consideration: The charts provided in this narrative are combined reports of both restricted and unrestricted funds.

Key Budget Guidance: The release of the Governor's budget begins the six-month process of enacting a new state spending plan. The Governor's 2020-21 budget proposal has required PRJUSD to adjust the subsequent year cost of living adjustment (COLA) to:

- 2.29% for 2020-21
- 2.71% for 2021-22

At the time of budget adoption, the COLA was projected to be:

- 3.26% for 2020-21
- 3.00% for 2021-22

Local Control Accountability Plan (LCAP) Update: As PRJUSD begins to plan the new three-year LCAP, there is opportunity to re-evaluate spending priorities to address student achievement. Changes to the template focus on re-evaluating goals, providing evidence for continuing strategies from prior LCAPs, and a change to fiscal tables to reduce document size and provide relevant transparency by displaying together and subtotaling expenditures for actions.

The PRJUSD LCAP process to date has included in-depth state and local data analysis, broad input and consultation opportunities with the full range of stakeholders, and the drafting of eight proposed goals for the 2020-2023 plan. A total of 18 meetings have been held which include: 10 Stakeholder Meetings, three (3) Parent Advisory Meetings, three (3) DELAC Meetings, one (1) Student Advisory Meeting, and one (1) Bargaining Units Meeting. In addition, input was gathered through a stakeholder input survey which garnered in excess of 1,100 responses. The proposed draft goals include two broad goals and six focus goals which align to the Eight State Priorities and the data trends within the California State Dashboard.

Revenue Assumptions for Unrestricted/Restricted General Fund

Revenue	1st Interim 2019-20	2nd Interim 2019-20	Increase (Decrease)
Total Revenue	\$ 79,421,105.34	\$ 79,463,607.93	\$ 42,502.59

Federal Revenues: Between 1st and 2nd Interim financial reports, there were no material changes.

State Revenues: During this school year, staff has been providing monthly updates regarding enrollment and Average Daily Attendance (ADA). Unfortunately, there has been a declining trend in attendance. To compensate for this, staff has reduced the projected LCFF revenue in the 19-20 fiscal year. The projected reduction of revenue is approximately 50 ADA. The district will be held harmless in the 19-20 fiscal year and will be funded based on the prior year ADA.

Local Revenues: Between 1st and 2nd Interim financial reports, the district received funding from Cal Poly for the Teacher Quality Reform Grant.

Expenditure changes Since 1st Interim Financial Report

Expenditures	1st Interim 2019-20	2nd Interim 2019-20	Increase (Decrease)
Certificated Salaries	\$ 31,225,631.55	\$ 31,260,458.34	\$ 34,826.79
Classified Salaries	\$ 13,152,972.27	\$ 13,193,460.81	\$ 40,488.54
Employee Benefits	\$ 21,879,641.77	\$ 21,887,521.89	\$ 7,880.12
Books and Supplies	\$ 4,339,633.51	\$ 4,252,441.79	\$ (87,191.72)
Services/Operating	\$ 8,725,898.98	\$ 9,077,040.27	\$ 351,141.29
Capital Outlay	\$ 212,036.37	\$ 217,352.37	\$ 5,316.00
Other Outgo	\$ 1,100,000.00	\$ 1,100,000.00	\$ -
Indirect	\$ (25,538.27)	\$ (25,538.27)	\$ -
Transfers Out	\$ 350,129.01	\$ 361,060.01	\$ 10,931.00
Total Expenditures	\$ 80,960,405.19	\$ 81,323,797.21	\$ 363,392.02

NET INCREASE (DECREASE) IN FUND BALANCE	\$ (1,539,299.85)	\$ (1,860,189.28)
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Certificated Salaries: Positions continue to be monitored and there are no material changes.

Classified Salaries: Positions continue to be monitored and there are no material changes.

Employee Benefits: Positions continue to be monitored and there are no material changes.

Books and Supplies / Services/Operating: During the fiscal year, department leads make budget adjustments. These changes can include transfers between Books and Supplies and Services/Operating accounts. Additionally, the district received a small increase in the Special Education funding, which resulted in additional funds allocated to the Services/Operating accounts.

Multi-Year Projection (MYP) Assumptions

	2019-20	2020-21	2021-22
Beginning Balance July 1	\$ 3,573,174.35	\$ 1,712,985.07	\$ 705,179.76
Revenues	\$ 79,463,607.93	\$ 79,641,339.00	\$ 81,158,346.88
Expenditures	\$ 81,323,797.21	\$ 80,649,144.31	\$ 81,113,557.86
Increase / (Decrease)	\$ (1,860,189.28)	\$ (1,007,805.31)	\$ 44,789.02
Projected Ending Balance June 30	\$ 1,712,985.07	\$ 705,179.76	\$ 749,968.78

Available Reserves	2019-20	2020-21	2021-22
General Fund	\$ 1,712,985.07	\$ 705,179.76	\$ 749,968.78
Nonspendable	\$ -	\$ 5,000.00	\$ 5,000.00
Restricted	\$ -	\$ -	\$ -
Assigned	\$ -	\$ -	\$ -
Special Reserve (Fund 17)	\$ 566,958.75	\$ 566,958.75	\$ 566,958.75
Total Available Reserve	\$ 2,279,943.82	\$ 1,267,138.51	\$ 1,311,927.53

Total Available Reserve by Percent	2.80%	1.57%	1.62%
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MYP Revenue Assumptions

The LCFF calculator was updated using the latest hold harmless (prior year) ADA projections. Staff has worked closely with the SLOCOE Fiscal Advisor to project future enrollment. Based on projections completed January 10, 2020, fiscal years 20-21 and 21-22 have been adjusted to reflect the estimated reduction of enrollment. A comparison ADA of those years between budget adoption, 1st Interim and 2nd Interim is:

Average Daily Attendance (ADA)

<u>Year</u>	<u>Adopted Budget</u>	<u>1st Interim</u>	<u>2nd Interim</u>
• 19-20	6506 ADA	6506 ADA	6453 ADA
• 20-21	6590 ADA	6525 ADA	6437 ADA
• 21-22	6645 ADA	6495 ADA	6373 ADA

The revenue and carryover from the Low Performing Block Grant was removed from the third year.

The one-time Special Education Early Intervention Preschool Grant was removed from both of the subsequent years on the advice of the County Office of Education.

Special education funding consolidates 2019-20 funding into 2020-21 base rates pursuant to a new funding formula, while adding restrictive language into additional 2020-21 one-time funding for early intervention activities. Because of the continued negotiations of budget trailer language, additional revenue was not calculated in subsequent years.

MYP Expenditure Assumptions

Certificated and Classified salaries in the two subsequent years have estimated step and column increases. The 2020-21 proposed budget bill does not include any pension relief. The contribution rates have been maintained at the same level for the 2nd Interim report.

- The CalSTRS employer contribution rates are:
 - 17.1% in 2019-20
 - 18.4% in 2020-21
 - 18.10% in 2021-22
- The CalPERS employer contribution rates are:
 - 19.721% in 2019-20
 - 22.7% in 2020-21
 - 24.6% in 2021-22

Books and Supplies expenditures were reduced in the 21-22 fiscal year to reflect the reduction of the Low Performing Student Block Grant.

The one-time funding for the Classified Employee Training Block Grant was removed from the two subsequent years in services and operating costs.

Expenditures reductions that were approved by the Board of Trustees on December 12, 2019, implemented within the two subsequent years.