



SECOND INTERIM FINANCIAL REPORT

Presented to the Governing Board on March 19, 2020



Topics

- Background on Certifications for Interim Reports
- Variance between First Interim and Second Interim
- Key factors: State & Local
- Multi-Year Projection
- Board Action on Certification

Types of Certifications

1) **Positive Certification**

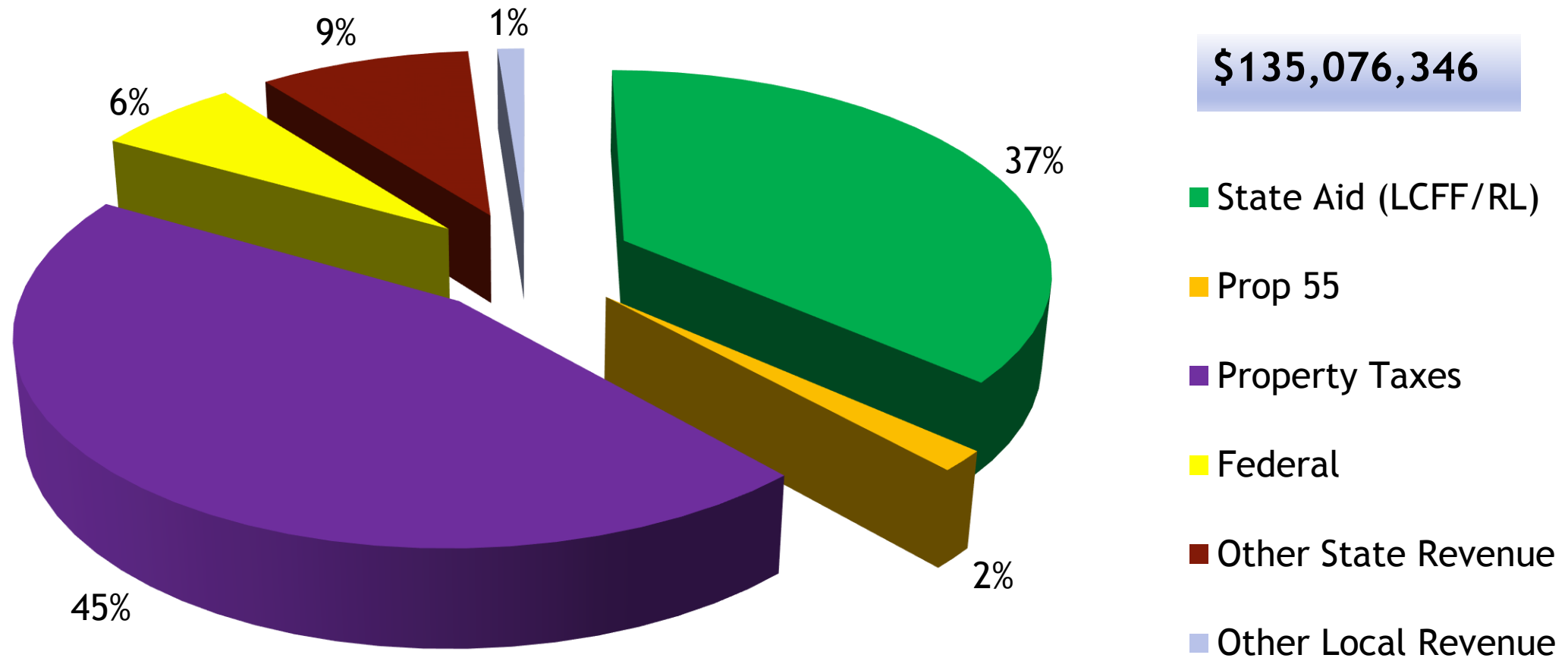
District will be able to meet its financial obligation for the current and subsequent two fiscal years.

2) **Qualified** – may not meet...

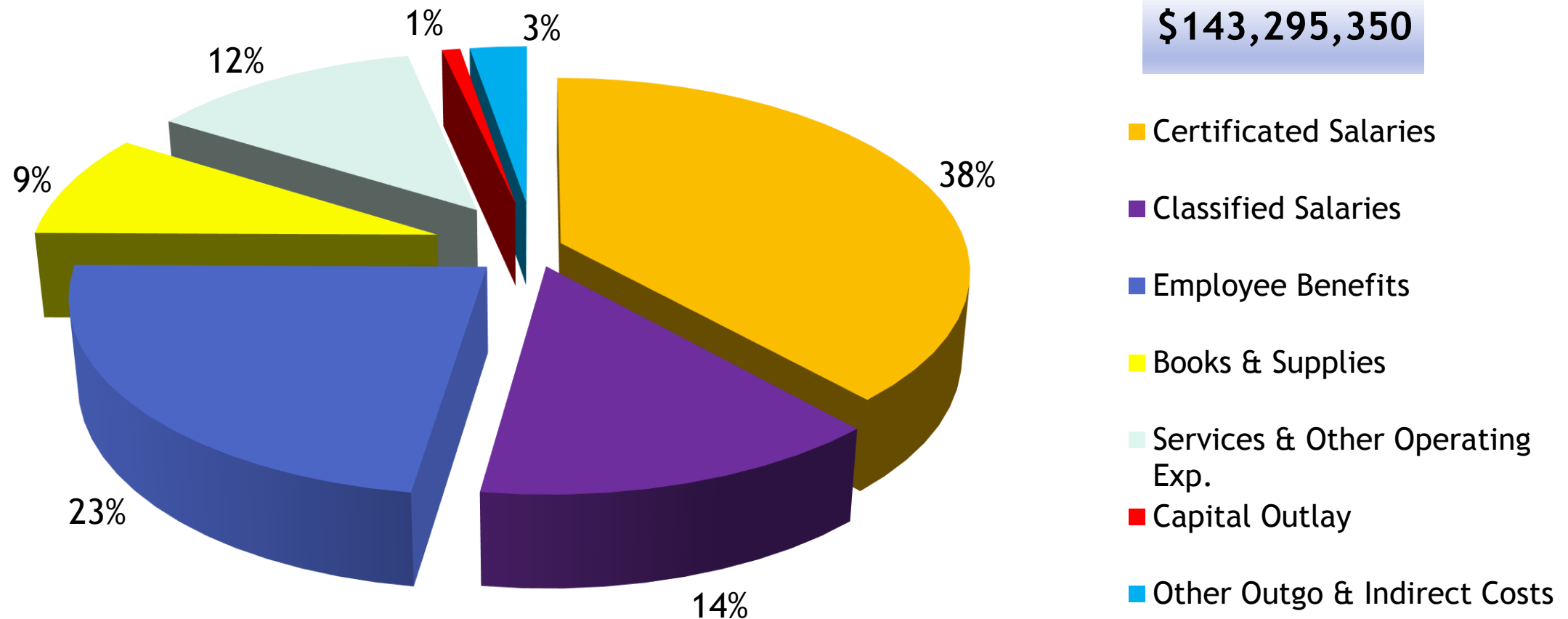
3) **Negative** – will not be able to meet...

GUSD 2nd Interim is self-certified as “Positive”

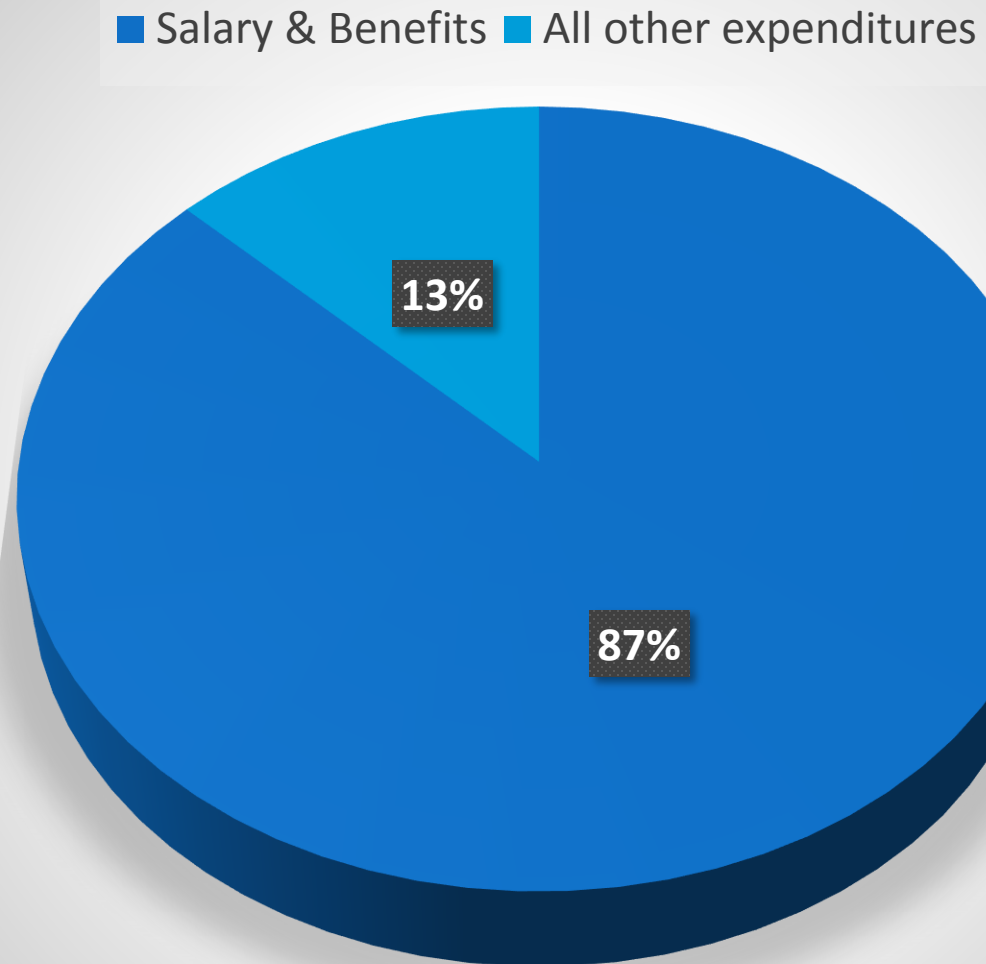
2019-20 Total General Fund Revenues



2019-20 Total General Fund Expenditures



What percentage do we spend on salary & benefits?



Unrestricted Salary & Benefits are 87% of the budget, after excluding for one-time carryover funds.

Variance between First Interim and Second Interim

	1ST INTERIM	2nd INTERIM	
Revenue	110,170,333	110,251,086	80,753
Expenditures	95,400,086	95,690,275	290,189
Excess/Deficiency	14,770,246	14,560,810	(209,436)
Other Financing & Contrib	(19,636,935)	(19,236,935)	400,000
Net Inc/Dcr to Fund Balance	(4,866,689)	(4,676,125)	190,564
Beg Fund Balance	22,402,124	22,402,124	0
Ending Fund Balance	17,535,435	17,725,999	190,564
7% Min. Unrestricted Reserve	9,994,036	10,030,675	36,639
% Unrestricted Reserve	12.25%	12.34%	

Key Factors: Statewide

■ Impact of the Covid-19 on the Economy

- Global supplies chains disrupted
- Concerns over impact on demand for services
- Bearish Stock Market – impact on taxes from capital gains?
- Trading temporarily halted on March 9, 2020 for 15 minutes. Covid-19 and oil markets were responsible for historic action.
- ***Will state revenues be impacted?***

■ Risk of a recession?

- Federal Reserve cut interest rates by 0.5% in an emergency meeting to boost the economy.

■ Impact on May Revision for the 2020-21 State Budget

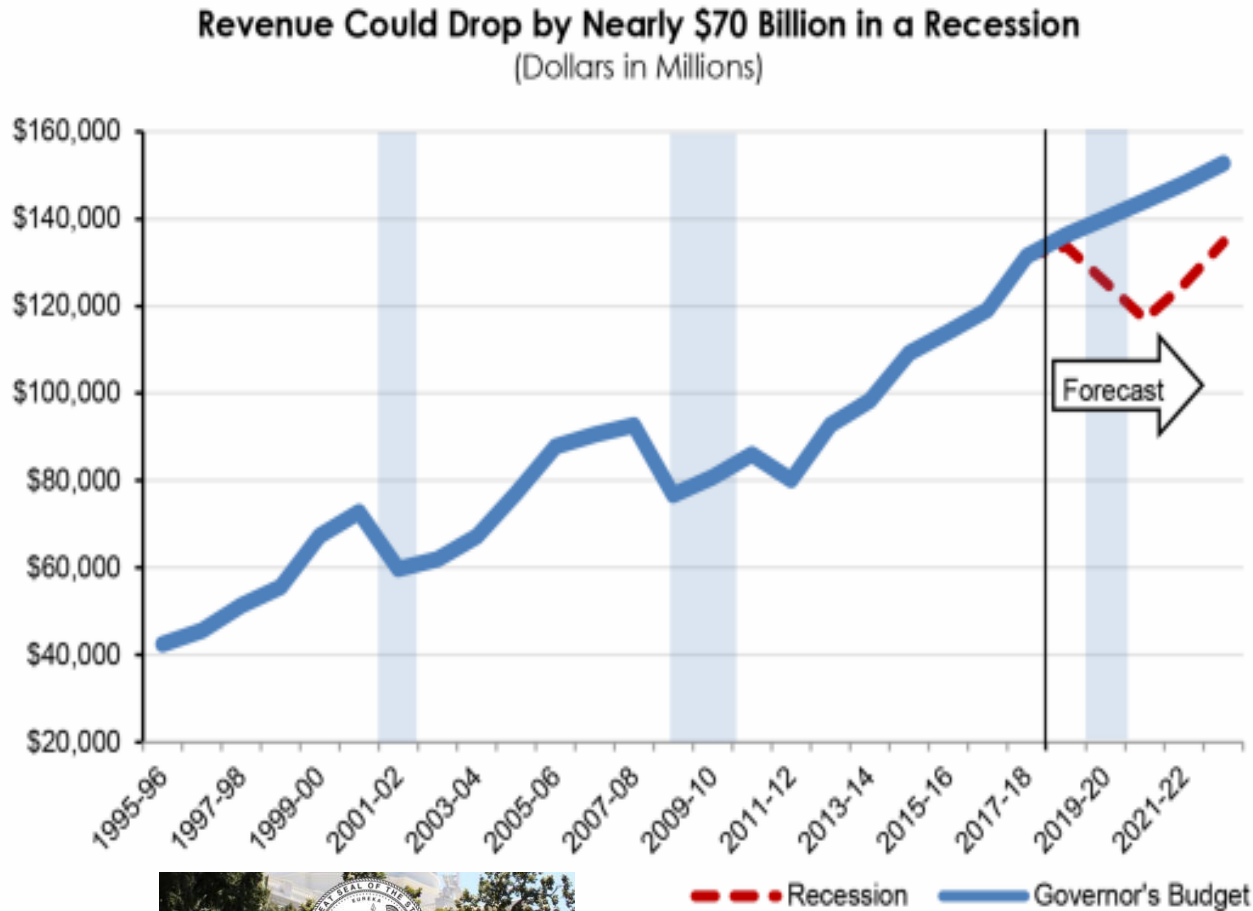
- *The “minimum” guarantee Prop 98*

“Test 1” is based on share of revenues and local property taxes!



Stock Market lost nearly 2 years of gains on one single day.
March 9, 2020

Why the economy matters to public schools!



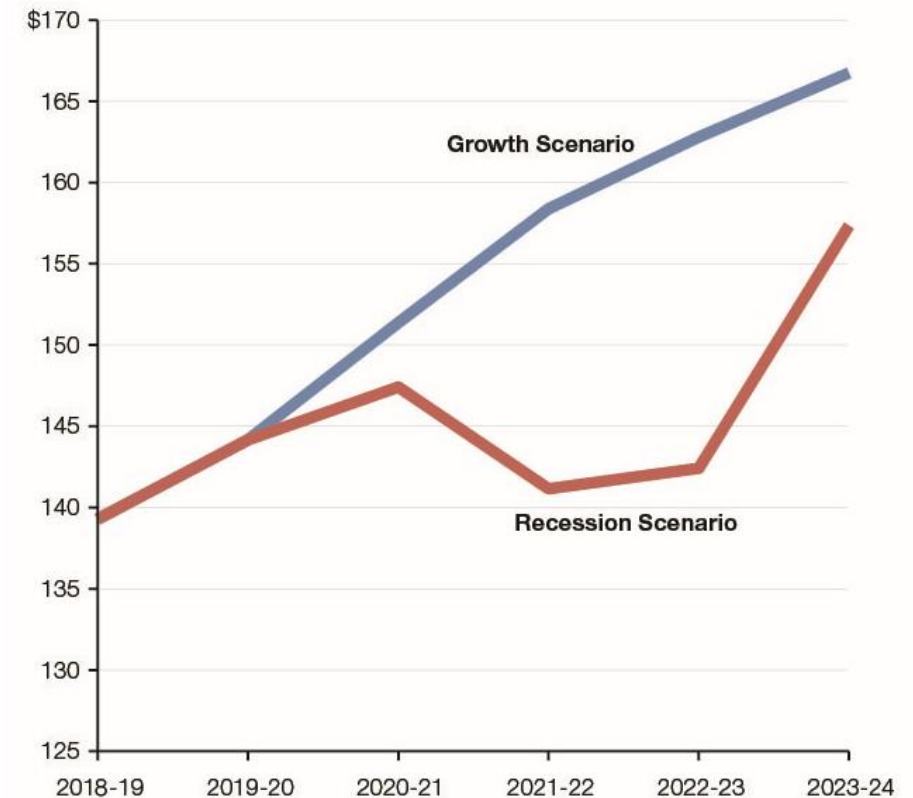
California State Budget
2019-20

source: CA State Budget (DOF) Summary, pg. 2

Figure 3

LAO Revenue Outlook Under Growth and Recession Scenarios

(In Billions)



LAO

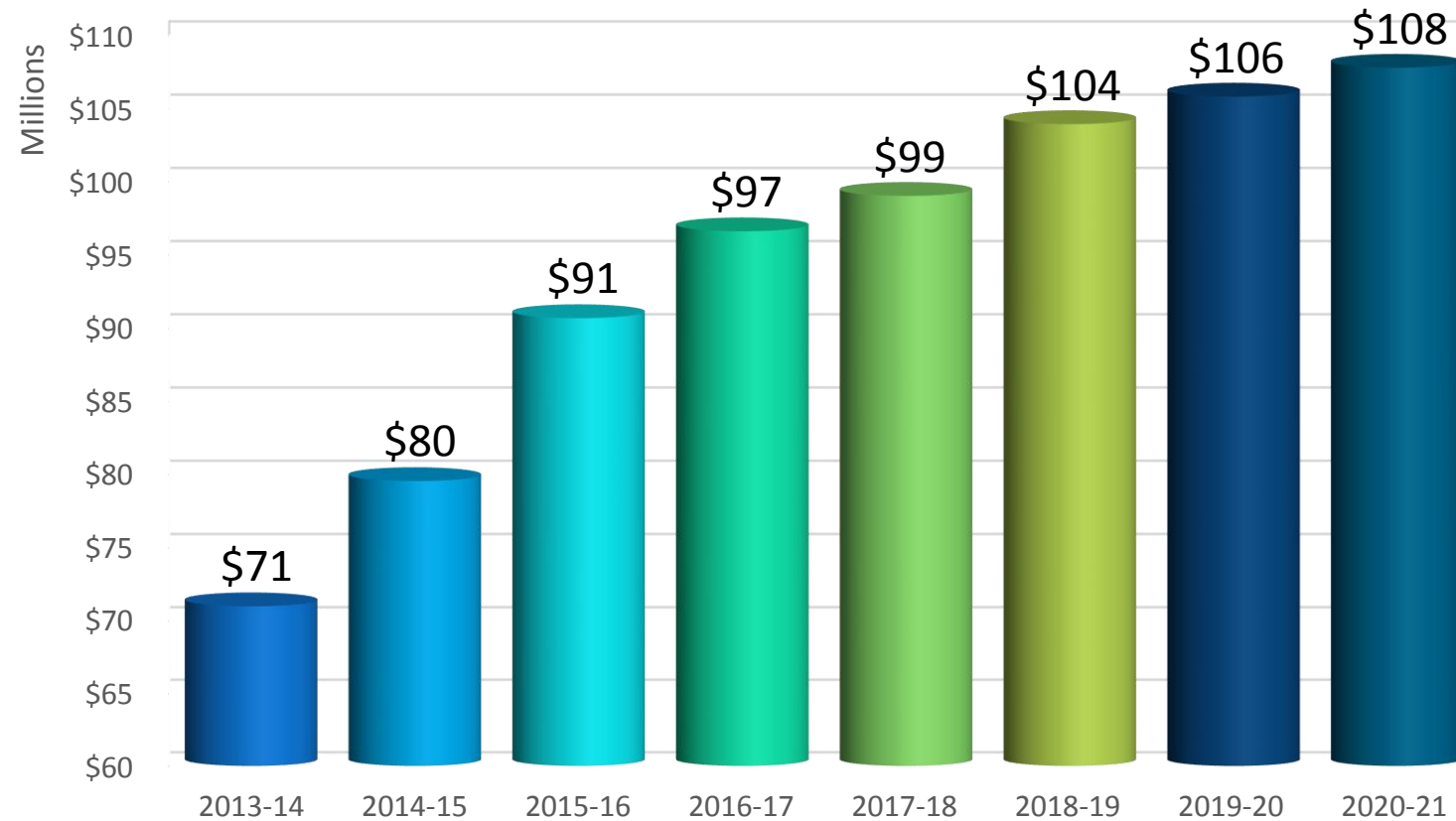
source: Legislative Analyst Office

Key Factors: Local level

GUSD

- Historically low birth rates
- Lower Student Generation Rates from new residential developments
- Declining Enrollment in elementary grades
- High cost of housing
- Total Compensation increases while new revenues flatten out.
- Covid-19 precautions and impact on District functions.
- Reverses are one time!

LCFF Revenues flatten – COLA only years are here!



Public Schools reach “target” minimum funding levels with flattening revenues!

Fiscal prudence!

■ 2013-14 ■ 2014-15 ■ 2015-16 ■ 2016-17 ■ 2017-18 ■ 2018-19 ■ 2019-20 ■ 2020-21

Cost of living adjustment (COLA)

Based on January Budget Proposal

Lower COLAs on the horizon

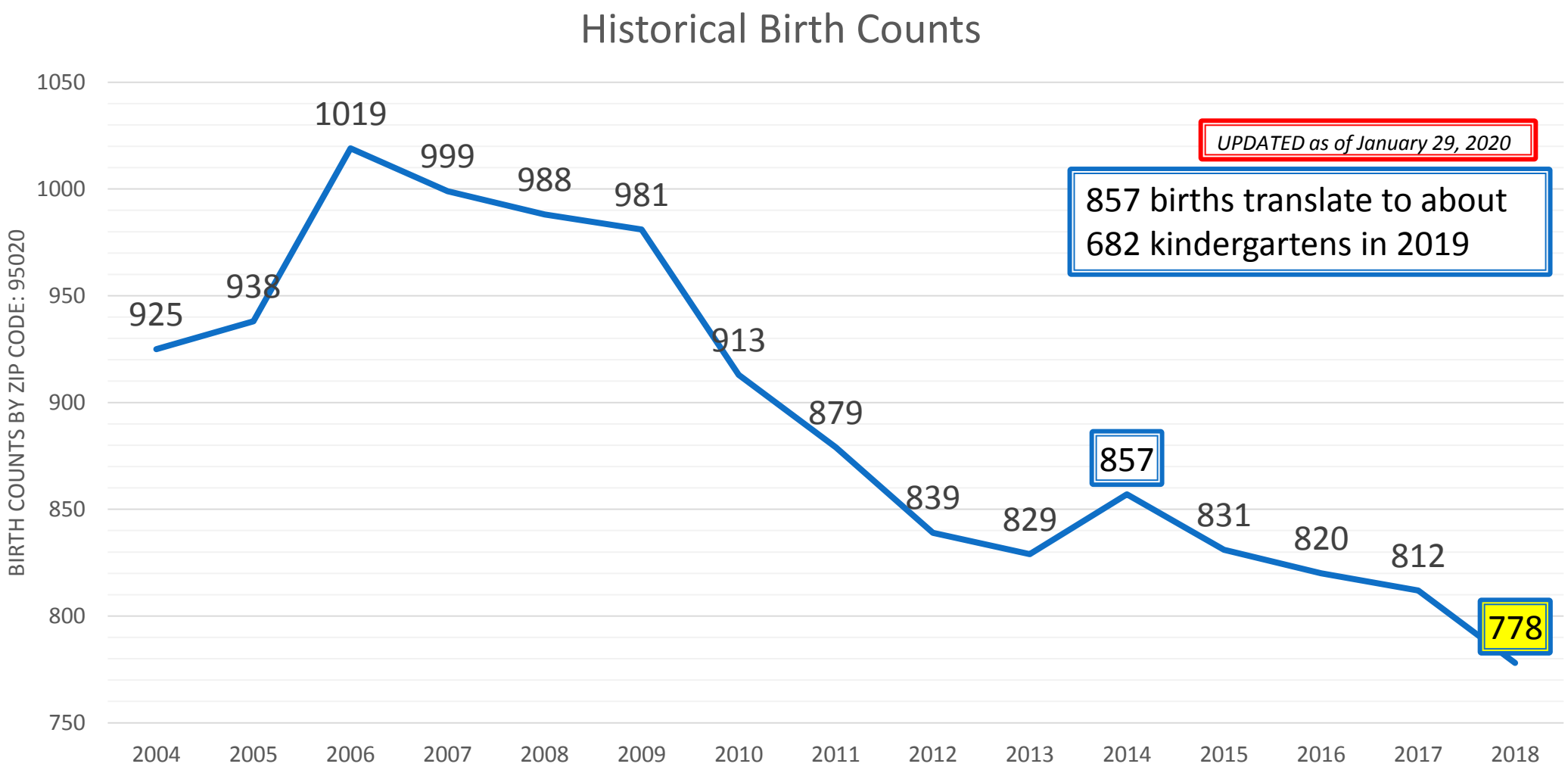
	2019-20	2020-21	2021-22	2022-23
Statutory COLA	3.26%	2.29%	2.71%	2.82%

Means less on-going revenues!

Prior State Budget & DOF projections

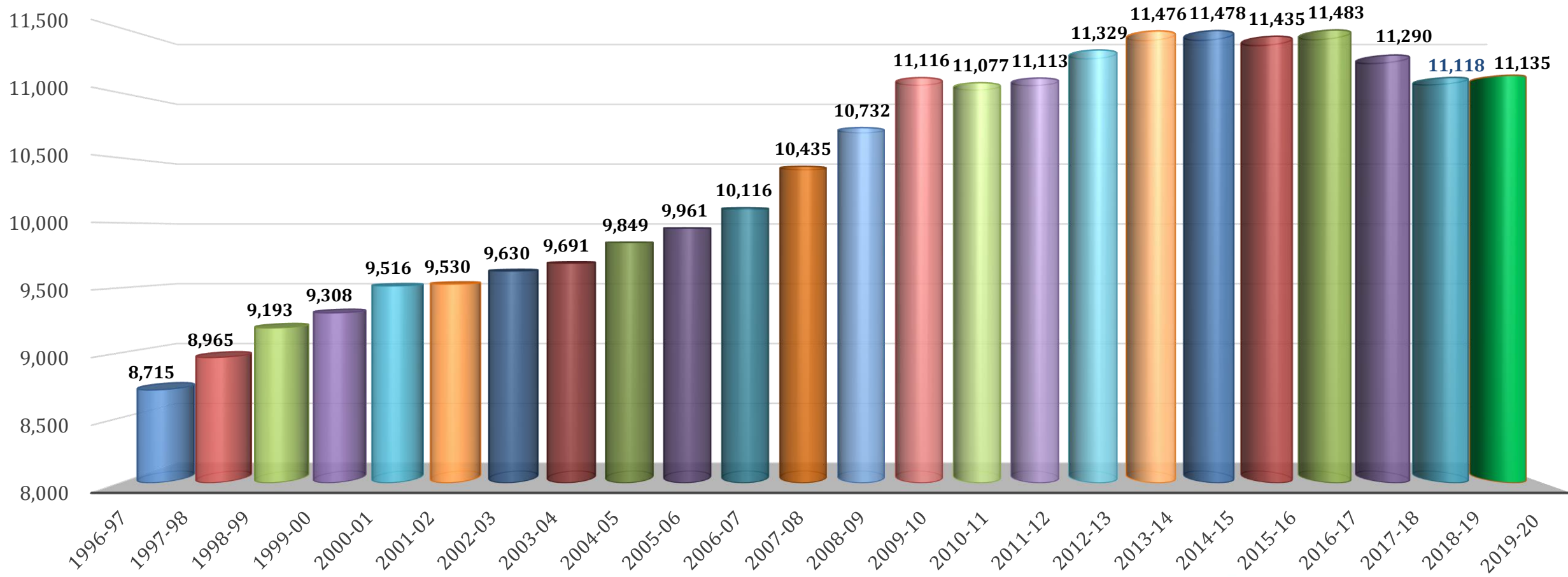
	2019-20	2020-21	2021-22	2022-23
Statutory COLA	3.26%	3.00%	2.8%	3.16%

Gilroy's Historical Birth Data (by zip code)

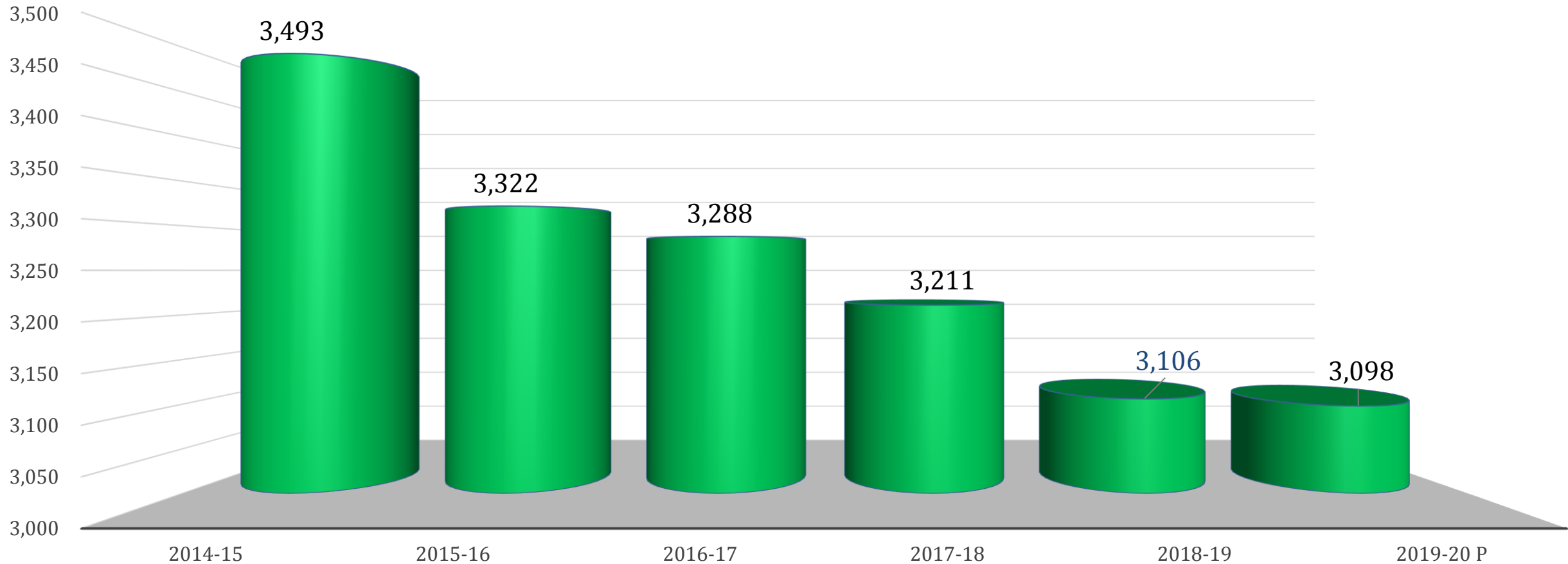


GUSD Enrollment History (Excludes Navigator Charter School)

2019-20 data updated with CALPADS final Enrollment – Feb 10, 2020

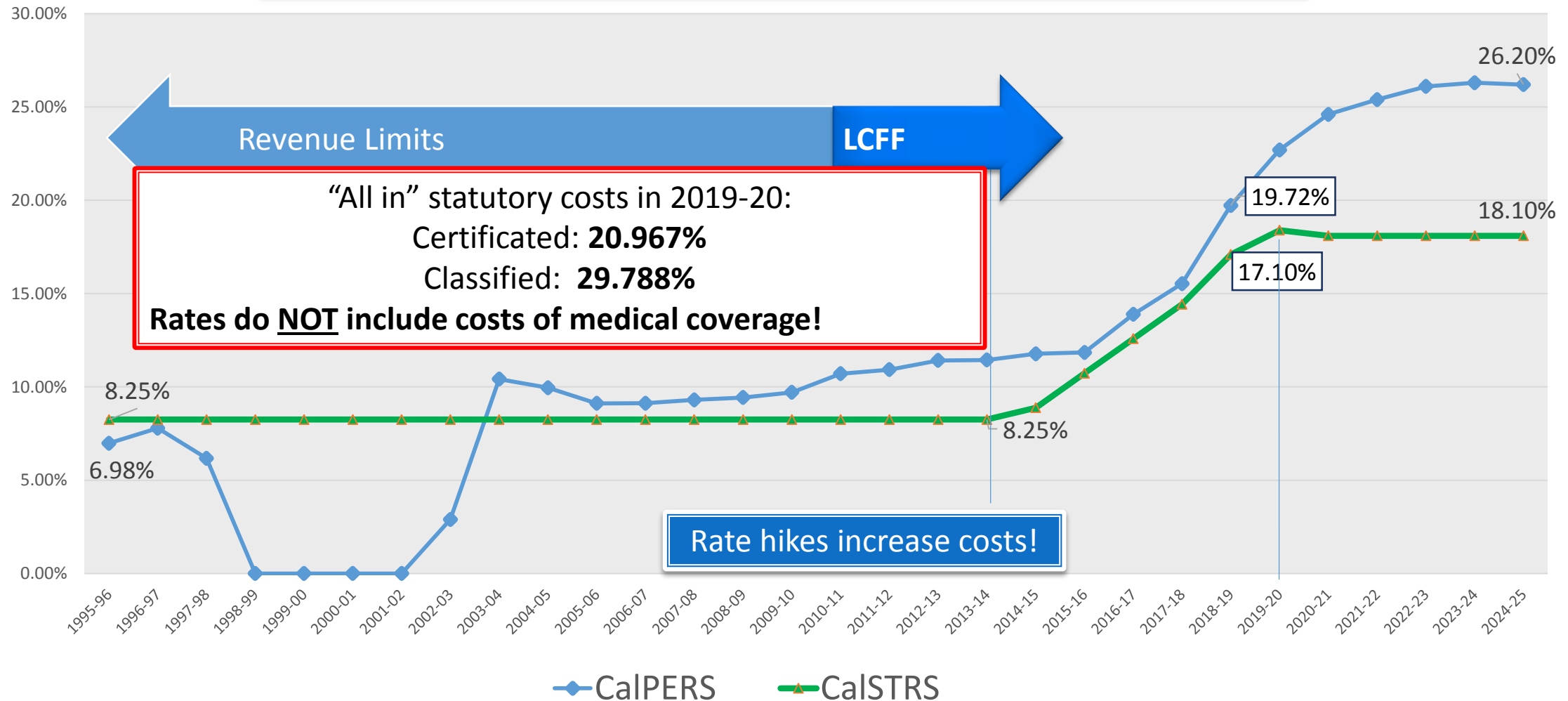


GUSD Enrollment TK-3 History (Excludes Navigator Charter School)



The “Fully Funded” LCFF...at target with *historic* pension costs!

Increases in Employer Paid Pensions - Reduces the District's "gains" under LCFF



MULTI-YEAR PROJECTION

- ❑ Revises COLAs for the forecast period (*First Interim MYP was 1.79% based on LAO's estimates for 2020-21*)
- ❑ Unduplicated count (high needs students) decreases from 59% to **58.3%** in 2019-20. MYP maintains 58% thereafter.
- ❑ Reduces the planned allocation for textbook adoptions for 2020-21 and 2021-22.
- ❑ Outcome future salary agreements with Bargaining Units will change the MYP
- ❑ Assumes \$1 million cut in 2021-22

	2019-20 Based JANUARY BUDGET PROPOSAL (includes lower pension rates)			2020-21 Projection (includes lower pension rates)			2021-22 Projection		
REVENUES	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
LCFF	104,107,955	6,274,488	110,382,443	106,093,077	6,274,488	112,367,565	108,057,050	6,274,488	114,331,538
New LCFF Ongoing Revenues	1,985,122	-	1,985,122	1,963,973	-	1,963,973	1,680,772	-	1,680,772
One Time Revenues (Sp Ed)	900,997	-	900,997	-	-	-	-	-	-
Revenue from ADB				TBD			TBD		
Federal Revenues	114,581	8,440,359	8,554,939	-	8,440,359	8,440,359	-	8,440,359	8,440,359
Other State Revenues	2,057,931	9,608,254	11,666,185	2,105,057	9,828,283	11,933,341	2,162,104	10,094,630	12,256,734
Other Local Revenues	1,084,500	502,159	1,586,659	1,084,500	502,159	1,586,659	1,084,500	502,159	1,586,659
TOTAL, REVENUES	110,251,085	24,825,260	135,076,346	111,246,607	25,045,289	136,291,897	112,984,426	25,311,636	138,296,062
EXPENDITURES									
Certificated	45,118,781	9,811,500	54,930,281	46,115,563	9,958,672	56,074,236	46,807,297	10,108,053	56,915,349
Classified	12,902,919	7,056,722	19,959,641	13,096,463	7,162,573	20,259,035	13,292,910	7,270,011	20,562,921
School Closure (2020-21)	-	-	-	(750,000)	-	(750,000)	(750,000)	-	(750,000)
Prelim. Cuts for 2021/22	-	-	-				(1,000,000)		(1,000,000)
Employee Benefits	20,354,875	12,439,844	32,794,718	21,150,330	13,354,571	34,504,901	22,597,330	13,554,890	36,152,220
Books & Supplies	6,657,654	5,898,811	12,556,465	3,026,439	4,613,056	7,639,495	3,426,439	4,584,114	8,010,553
Services & Operating Expenses	10,496,781	7,545,574	18,042,355	9,873,813	4,629,281	14,503,094	10,162,129	4,986,514	15,148,642
Capital Outlay	795,199	426,848	1,222,046	400,022	426,848	826,869	400,022	87,183	487,205
Other Outgo	224,255	3,796,315	4,020,570	230,982	3,796,315	4,027,297	234,447	3,763,985	3,998,432
Transfers of Indirect Costs	(860,189)	629,463	(230,726)	(705,639)	629,463	(76,176)	(790,936)	775,258	(15,678)
TOTAL, EXPENDITURES	95,690,275	47,605,075	143,295,350	92,437,973	44,570,778	137,008,751	94,379,636	45,130,007	139,509,644
Contributions	(19,236,935)	19,236,935	-	(19,525,489)	19,525,489	-	(19,818,371)	19,818,371	-
TOTAL, OTHER SOURCES/USES	(19,236,935)	19,236,935	-	(19,525,489)	19,525,489	-	(19,818,371)	19,818,371	-
NET INCREASE (DECREASE)	(4,676,125)	(3,542,880)	(8,219,005)	(716,855)	0	(716,855)	(1,213,581)	0	(1,213,581)
Beginning Fund Balance	22,402,124	3,542,880	25,945,004	17,725,999	-	17,725,999	17,009,144	-	17,009,144
Proj. Ending Fund Balance	17,725,999	-	17,725,999	17,009,144	0	17,009,144	15,795,563	0	15,795,563
Nonspendable Revolving Cash	50,000		50,000	50,000		50,000	50,000		50,000
Mimumum RESERVE	\$ 10,030,675			\$ 9,590,613			\$ 9,765,675		
UNRESTRICTED RESERVE	12.34%			12.38%			11.29%		
Unassigned/Unappropriated	7,645,324			7,368,532			5,979,888		

Reserves are one-time!

All Other Funds

Fund	Description	Beginning Fund Balance	Revenue	Expenditures	G.F. Contribution	Ending Fund Balance
11	Adult Education	\$ 49,430	\$ 301,926	\$ 351,356	\$ -	\$ -
12	Child Development Fund	\$ 166,640	\$ 1,078,242	\$ 1,078,242	\$ -	\$ 166,640
13	Cafeteria Fund	\$ 97,886	\$ 6,364,838	\$ 6,398,096	\$ -	\$ 64,628
21	Building Fund	\$ 86,087,563	\$ 821,181	\$ 84,392,880	\$ -	\$ 2,515,864
25	Developer Fees Fund	\$ 3,252,088	\$ 720,000	\$ 1,838,144	\$ -	\$ 2,133,944
35	County School Facilities Fund	\$ 2,399,993	\$ 40,000	\$ -	\$ -	\$ 2,439,993
67	Self Insurance Fund	\$ 2,038,660	\$ 969,166	\$ 740,806	\$ -	\$ 2,267,020
73	Foundation Trust Fund	\$ 798,887	\$ 30,000	\$ 17,250	\$ -	\$ 811,637

Next Steps

- Santa Clara County Office of Education reviews Second Interim
- Governor Newsom's May Revision for the 2020-21 Budget
- Outcome of Negotiations with District bargaining units
- Update Multi-Year Projection as needed

Recommended Board Action

- Approve Second Interim Financial Report with Positive Certification.