

Fiscal Update and 2020-21 Budget with 2019-20 Estimated Actuals Report

June 9, 2020
Board Meeting
First Reading





Objectives

- Economic Climate
- 2019 -20 Estimated Unaudited Actuals and Proposed 2020 -21 Budget
- MYP General Fund Ending Balance/Reserve



Economic Climate



Economic Realities

National – COVID-19 pandemic has shut down economies across the globe

- Real GDP: **-4.8%** in 1st quarter of 2020, projected at **-42.8%** in 2nd quarter
- Volatile Unemployment rate
- Impacts to State Revenues may not be seen until the next budget

Economic Risks

- The next recession is here
- Historic unemployment rate
- Tax collections will be drastically impacted
 - Withholding Taxes
 - Capital Gain Taxes
- Trade impacts
- Production Industry
- Shape of the recovery –



versus





Estimated Actuals for 2019-20



Revenue – General Fund

	Budget 2019-20	2nd Interim 2019-20	Estimated Actuals 2019-20	Variance (2 nd Int. to EA)
LCFF	\$35,658,762	35,488,101	\$35,591,479	.29%
Federal	\$932,400	\$952,485	\$970,846	1.9%
Other State	\$3,367,966	\$3,720,059	\$4,015,668	7.4%
Other Local	\$8,355,999	\$8,819,071	\$8,626,351	-2.2%
	\$48,315,127	\$48,979,716	\$49,204,344	.46%



Expenditures – General Fund

	Budget 2019-20	2nd Interim 2019-20	Estimated Actuals 2019-20	Variance (2 nd Int. to EA)
Certificated	\$21,523,989	\$21,869,200	\$21,846,896	-0.1%
Classified	\$8,506,192	\$8,864,090	\$8,816,926	-.53%
Benefits	\$9,592,813	\$9,992,949	\$10,014,053	.22%
Supplies	\$2,662,272	\$2,733,612	\$2,076,212	-31.6%
Services	\$6,742,837	\$7,521,673	\$6,824,570	-10.21%
Capital Outlay	\$70,000	\$156,158	\$122,758	-27.21%
Other Outgo	\$0	0	\$19,000	100%
Direct/Indirect	-\$43,000	-\$46,720	-\$44,000	-6.18
	\$49,055,103	\$51,090,962	\$49,676,415	-2.8%



General Fund Change Balance

	Budget 2019 -20	2nd Interim 2019 -20	Estimated Actuals 2019 -20
Revenue	\$48,315,127	\$48,979,716	\$49,204,344
Expenditures	-\$49,055,103	-\$51,090,962	-\$49,676,415
Difference	-\$739,976	-\$2,111,246	-\$472,071
Transfers (COP, State PS Contribution)	-\$440,000	-\$355,000	-\$355,000
Surplus/Deficit	-\$1,179,976	-\$2,466,246	-\$827,071



Ending Fund Balance

	Budget 2019 -20	2nd Interim 2019 -20	Estimated Actuals 2019 -20
Beg Balance	\$9,354,710	\$9,354,710	\$9,354,710
Surplus/Deficit	-\$1,179,976	-\$2,466,246	-\$827,071
Ending Balance	\$8,174,734	\$6,888,464	\$8,527,639
Restricted	\$1,338,383	\$1,827,457	\$1,829,356
Economic Uncertainties	\$6,836,351	\$5,061,007	\$6,698,283
3.5% Reserve	\$1,732,329	\$1,800,609	\$1,751,100
3.0% Reserve	\$1,484,853	\$1,543,379	\$1,500,942



Other Funds

Cafeteria Fund – All finances for Food Services go through this fund



Facilities Funds – Deferred Maintenance, Bond, Developer Fees, Special Reserve for Capital Expenditures. These are resources for major repairs and improvements so the General Fund will not be impacted in any single year.

Lease Interruption - This fund is to sustain program and cover costs in the event of an emergency

Retiree Benefits – This fund is intended to prepare for the long term costs of employee benefits after retirement.

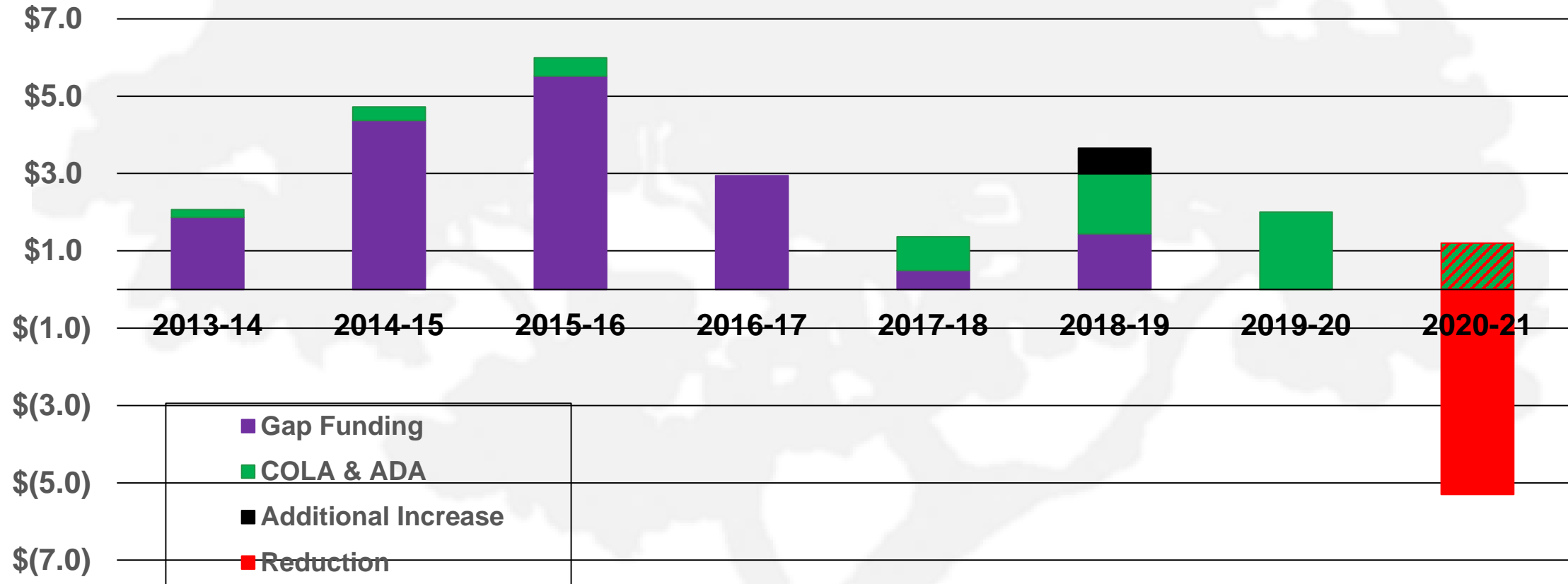


Proposed Budget for 2020 - 21 and Multiyear Outlook



Changes in LCFF Funding

(Dollars in Billions)





2020–21 LCFF Funding Factors

- First, the 2.31% COLA is applied to arrive at the 2020–21 base grants
- Then the 10% reduction is applied—for an effective reduction of 7.92% to the 2019 – 20 base grant amounts

These reductions would be “triggered off” if the federal government provides sufficient funding to backfill the cuts



Grade Span	2019–20 Base Grant per ADA	2.31% COLA	2020–21 Base Grant per ADA	10% Reduction	Effective 2020 –21 Base Grant per ADA
K–3	\$7,702	\$178	\$7,880	[- \$788]	\$7,092
4–6	\$7,818	\$181	\$7,999	[- \$800]	\$7,199
7–8	\$8,050	\$186	\$8,236	[- \$824]	\$7,412
9–12	\$9,329	\$215	\$9,544	[- \$954]	\$8,590



Special Education - Equalization

- Works to balance funding across the State for Special Education
- Base Rates will increase to \$645 per ADA based
- Foothill SELPA (La Canada, Glendale and Burbank) rates currently around \$560 per ADA
- Provides an increase to our SELPA of about \$85 per ADA
 - Helps offset costs of current student services
- Maintains Special Education Local Plan Area (SELPA) Governance and Accountability Structure



Budget Assumptions

- Enrollment remains at 4125 in multi -year outlook
- ADA remains at 97.76%
- Future years have no COLA
- Maintain Program for 2020 -21
 - Take attrition as savings
 - Possible reductions based on final budget
- Projections for Multi -Year Outlook
 - Reductions required in out years without an increase in revenues



Budget Assumptions (Cont.)

- Step and Column Salary increases each year:
 - Certificated **\$385,448 – 1.75%**
 - Classified **\$109,243 – 1.25%**
- Budgeted pension change
 - Certificated **-\$154,714**
 - Classified **\$45,926**
- Health and Welfare increased District Contribution:
 - **3.26%** in 2019-20
 - **0%** in 2020-21



Dart Board Factors

Factor	2019 -20	2020 -21	2021 -22	2022 -23
Statutory COLA	3.26%	2.31%	2.48%	3.26%
Effective Deficit Funded COLA	-	-7.92% -7.92%	-7.92% 0%	-7.92% 0%
STRS Rates (May Revise)	17.10%	16.15%	16.02%	18.10%
PERS Rates (May Revise)	19.721%	20.70%	22.84%	25.50%



General Fund Change Balance

Current Program – No Reductions/Only Attrition

	Estimated Actuals 2019 - 20	Projected Budget 2020 - 21	Projected Budget 2021 - 22	Projected Budget 2022 - 23
Revenue	\$49,204,344	\$45,287,138	\$45,412,169	\$45,483,047
Expenditures	-\$49,676,415	-\$49,379,468	-\$49,617,015	-\$50,483,974
Difference	-\$472,071	-\$4,092,330	-\$4,204,846	-\$5,000,927
Transfers	-\$355,000	-\$355,000	-\$355,000	-\$355,000
Fund Change	-\$827,071	-\$4,447,330	-\$4,559,846	-\$5,355,927



Ending Fund Balance

Current Program – No Reductions/Only Attrition

	Estimated Actuals 2019 -20	Projected Budget 2020 -21	Projected Budget 2021 -22	Projected Budget 2022 -23
Beg. Balance	\$9,354,710	\$8,527,639	\$4,080,309	-\$479,537
Surplus/Deficit	(\$827,071)	(\$4,447,330)	(\$4,559,846)	(\$5,355,927)
EFB	\$8,527,639	\$4,080,309	(\$479,537)	(\$5,835,464)
Restricted	\$1,829,356	\$1,404,672	\$1,228,277	\$1,172,320
Reserve = EFB- Restricted	\$6,698,283	\$2,675,637	(\$1,707,814)	(\$7,007,784)
Above/(Below) 3.5% reserve	\$4,947,183	\$934,931	(\$3,456,835)	(\$8,787,148)
3.5% Reserve	\$1,751,100	\$1,740,706	\$1,749,021	\$1,779,364
3.0% Reserve	\$1,500,942	\$1,492,034	\$1,499,160	\$1,525,169



General Fund Change Balance

Reduction Study – (\$1.3M 2021-22 & \$1.3M 2022-23)

	Estimated Actuals 2019 -20	Projected Budget 2020 -21	Projected Budget 2021 -22	Projected Budget 2022 -23
Revenue	\$49,204,344	\$45,287,138	\$45,412,169	\$45,483,047
Expenditures	-\$49,676,415	-\$49,379,468	-\$47,993,761	-\$47,150,226
Difference	-\$472,071	-\$4,092,330	-\$2,581,592	-\$1,667,179
Transfers	-\$355,000	-\$355,000	-\$355,000	-\$355,000
Fund Change	-\$827,071	-\$4,447,330	-\$2,936,592	-\$2,022,179



Ending Fund Balance Reduction Study (\$1.3M 2021-22 & \$1.3M 2022-23)

	Estimated Actuals 2019 -20	Projected Budget 2020 -21	Projected Budget 2021 -22	Projected Budget 2022 -23
Beg. Balance	\$9,354,710	\$8,527,639	\$4,080,309	\$1,143,717
Surplus/Deficit	(\$827,071)	(\$4,447,330)	(\$2,936,592)	(\$2,022,179)
EFB	\$8,527,639	\$4,080,309	\$1,143,717	-\$878,462
Restricted	\$1,829,356	\$1,404,672	\$1,228,277	\$1,172,320
Available for Reserve	\$6,698,283	\$2,675,637	(\$84,560)	(\$2,050,782)
Distance from 3.5% reserve	\$4,947,183	\$934,931	(\$1,776,767)	(\$3,713,465)
3.5% Reserve	\$1,751,100	\$1,740,706	\$1,692,207	\$1,662,683
3.0% Reserve	\$1,500,942	\$1,492,034	\$1,450,463	\$1,425,157



Deferrals: Here We Go Again

- The proposed deferrals in the May Revision are illustrated as follows:





Relief Measures for the State to Consider

- Flexibility to reduce the instructional year and minutes without penalty
- Extend the ADA hold harmless provided for in 2019 –20 through 2020–21
- Reduce or suspend the required contribution to Routine Restricted Maintenance
- Flexibility in the use of supplemental and concentration grant funds
- Ability to sweep ending balances from categorical programs and restricted funds to the unrestricted General Fund



The Road Ahead

- Governor's May Revision very different from current conversations in the Legislature
- Most recent legislative budget plans as of last Wednesday preserve school funding
- Multiple unknowns going forward
 - Federal Stimulus
 - State Revenues
 - Economic Recovery Rate— L versus U
- Legislature must approve a budget by June 15, or else risk suspending pay
- Governor must act on the State Budget by June 30





Next Steps?

Monitor State Revenues over summer

Keep pulse on the economic recovery and employment

Inform constituents of the budget and how it works

Be prepared to discuss reductions in the years ahead



Questions?

Yes, there are a lot.

The 2nd Read on June 30th will be a very different document – hopefully in a good way

