

Ravenswood City School District 2020-21 Proposed Budget for Adoption

Introduction

At the June 11 meeting staff presented the proposed 2020-21 budget and multiyear projection to the Board for discussion and input. A public hearing was held as well to give community members an opportunity to provide comment. As of June 22 the 2020-21 state budget has not been finalized or signed. As such, staff is presenting the same budget that was presented on June 11 as there is no new information to date that would lead to any revisions in budget assumptions.

When the Governor presented his projections for the 2020-21 state budget in January there was much optimism that the U.S. economy would remain strong and the eleven year old economic expansion would continue. Within three months the U.S and world economies were shut down in response to the COVID 19 pandemic and are only now beginning to reopen in a slow, cautious manner. States are required to maintain a balanced budget and to date there has been no relief provided to states to mitigate the sharp drop in revenues, which are primarily derived from sales tax and income tax. These sources of revenue have been hard hit by the shutdown of the economy.

Governor Newsom has had to make significant cuts in the May Revise and state funding for schools will be significantly impacted. This impact will not be universally felt by school districts. Those that are funded solely through property tax (basic aid districts) will not feel any impact at all while school districts such as Ravenswood that are funded through the LCFF formula will realize an approximate 8% reduction in state funding per student. The Ravenswood budget is built upon the revenue estimates provided in the May Revise for the 2020-21 year and in the multiyear projection for 2021-22 and 2022-23. For those out years the state has provided direction that LCFF will remain at the projected 2020-21 levels without any COLA applied to those out years, which will compound the effect of the ongoing reduction. The California legislature has indicated its dissatisfaction with the May Revise and is seeking to minimize the funding cutbacks for schools. There is also the hope that Congress will pass legislation to provide financial assistance to states as all states have been hit hard by the loss of revenue, not just California. In all, it is fair to say that the budget presented tonight is based on what is currently known or assumed and that funding levels could change based on whatever happens in Sacramento or Washington D.C.

The federal government is providing COVID 19 impact relief funds to school districts and Ravenswood is in line to receive \$817,000. This amount is not reflected in the budget being presented tonight as the rules regarding the funding are still in the

process of coming out and the funds have not yet been received. Once the regulations are made clear, the district will budget for these funds to cover specific costs related to the COVID 19 impact and to cover existing positions and expenses in the budget that are allowed for in the regulations.

The budget is based on two key assumptions. The first is that LCFF funding will be based on the Governor's May Revise projections. The second is that declining enrollment will continue as forecasted in the demographer's study. LCFF funding utilizes average daily attendance (ADA), which reduced days absent from actual enrollment. In the case of Ravenswood, A.D.A represents 94% of actual district enrollment. The State of California gives districts, which are experiencing declining enrollment, the opportunity to receive funding based on prior year's A.D.A. Thus, in the table below the prior year's ADA is used for the funding calculation.

	Actual A.D.A.	Funded A.D.A
2018-19	2,239.35	2,518.77
2019-20	1,912.75	2,239.35
2020-21	1,742.37	1,912.37
2021-22	1,644.46	1,742.37
2022-23		1,644.46

Below is an overview of the 2020-21 general fund budget.

	2020-21		
	Unrestricted	Restricted	Total
<u>REVENUES</u>			
LCFF	20,226,333	1,444,477	21,670,810
Federal	-	1,823,295	1,823,295
State	354,203	2,565,937	2,920,140
Local	5,191,056	7,942,427	13,133,483
Interfund Transfers	1,250,000	-	1,250,000
Contributions	(8,840,008)	8,840,008	-
Revenues	18,181,583	22,616,145	40,797,728
<u>EXPENDITURES</u>			
Salaries - Cert	6,995,456	6,059,326	13,054,783
Salaries- Class	3,668,346	2,599,276	6,267,621
Employee Benefits	4,587,467	4,502,345	9,089,812
Books/Supplies & Outlay	414,849	1,388,099	1,802,948
Services & Operating Expenses	3,436,855	6,475,525	9,912,379
Other Outgo & Transfers	(206,066)	1,223,331	1,017,265
Expenditures	18,896,907	22,247,901	41,144,808
Other Sources (Uses)			
Net Inc/(Dec) in Fund Balance	(715,324)	368,244	(347,080)
Beginning Balance	5,260,109	2,347,817	7,607,926
Adjustments			
Ending Balance	4,544,786	2,716,061	7,260,847

2020-21 Budget Assumptions and Review

The 2020-21 LCFF projection for the district that was presented in March showed that the district would receive a total of \$24,486,391 from the state. As can be seen with the budget above, this amount has been reduced by \$2.8 million to its current level of \$21,670,810. However, due to an increased contribution from the Ravenswood Educational Foundation and inclusion of the ongoing RDA revenue into general fund budget, local income is projected to increase from its March projection by \$2.5 million, thus, significantly reducing the impact of the LCFF reductions. Overall, given other reductions of state and federal funds, the district's total revenue for 2020-21 stands at \$1 million less than was projected in March. However, what should be noted is how the restricted side of the budget is now significantly larger than the unrestricted side. This is not common in school districts and restricted funds usually have designations and cannot be used for base staffing and routine expenditures. Identifying means in which restricted funds can better support on going necessary unrestricted expenditures needs to be a priority in order to recreate balance in the general fund to allow for stronger basic services and more competitive salaries.

The district receives a large amount of local revenue, well beyond the norm for California school districts. This local revenue is comprised lease revenue, a parcel tax, on-going RDA pass through funds, charter facility fees, interest earned, and a projected \$6.7 million contribution from the Ravenswood Educational Foundation. The generosity of REF clearly sustains the district.

The 2020-21 budget assumes that Brentwood School will be leased at market rates. Any delays in this revenue will negatively impact the budget.

The budget also shows a \$1.25 million transfer of one time RDA funds from Fund 25. These funds (approximately \$4.2 million) and will be used up at the end of the 2022-23 school year. The multiyear projection shows a \$1.25 million contribution of these funds for 2021-22 and a \$1.75 million contribution for 2022-23. Clearly, the district will need to develop a plan as to what happens beginning in 2023-24.

The 2020-21 budget also reflects a reduction in staffing due to declining enrollment and school consolidation of ten teaching positions. However, due to the increase of REF funding, ten additional certificated positions will be added to the restricted side of the budget. In addition, due to changes in how special education services will be delivered, there is a reduction in the number of para-educators included in the budget.

Overall, the district should end the 2020-21 school year with unrestricted reserves comfortably above state mandated minimum levels. However, this is based on a transfer of one time funds into the general fund so the projected \$715,324

unrestricted deficit is really \$1.9 million if the one time funds are not included and the unrestricted ending balance would drop from \$4,544,786 to \$3,344,786.

Multiyear Projection

	2021-22				2022-23		
	Unrestricted	Restricted	Total		Unrestricted	Restricted	Total
REVENUES							
LCFF	18,505,001	1,328,919	19,833,920	17,486,095	1,222,605	18,708,700	
Federal	-	1,546,712	1,546,712	-	1,422,975	1,422,975	
State	325,867	2,360,662	2,686,529	299,797	2,171,809	2,471,607	
Local	5,242,966	8,021,851	13,264,818	5,795,396	8,102,070	13,897,466	
Interfund Transfers	1,250,000	-	1,250,000	1,750,000	-	1,750,000	
Contributions	(8,856,729)	8,856,729	-	(8,736,909)	8,736,909	-	
Revenues	16,467,105	22,114,873	38,581,978	16,594,379	21,656,368	38,250,747	
EXPENDITURES							
Salaries - Cert	6,587,320	6,241,106	12,828,426	6,166,940	6,428,339	12,595,279	
Salaries- Class	3,778,396	2,677,254	6,455,650	3,891,748	2,757,572	6,649,319	
Employee Benefits	4,279,910	4,543,837	8,823,748	4,449,403	4,700,585	9,149,988	
Books/Supplies & Outlay	427,294	1,401,980	1,829,274	440,113	1,415,999	1,856,113	
Services & Operating Expenses	3,039,961	6,540,280	9,580,240	2,881,159	6,605,683	9,486,842	
Other Outgo & Transfers	(206,067)	1,047,783	841,716	(206,068)	1,079,216	873,149	
Expenditures	17,906,815	22,452,240	40,359,055	17,623,296	22,987,394	40,610,690	
Other Sources (Uses)							
Net Inc/(Dec) in Fund Balance	(1,439,709)	(337,367)	(1,777,077)	(1,028,917)	(1,331,026)	(2,359,943)	
Beginning Balance	4,544,786	2,716,061	7,260,847	3,105,076	2,378,694	5,483,770	
Adjustments							
Ending Balance	3,105,076	2,378,694	5,483,770	2,076,160	1,047,668	3,123,827	

Due to the projected on-going budget deficits, the unrestricted ending balance continues to decline in the out years and only stays positive in 2022-23 with the transfer of the remaining one time Fund 25 RDA funds.

The multiyear budget is also showing that the district will earn \$300,000 annually from the lease of Flood School beginning in 2021-22. Hopefully, the amount will be more, but at least this number serves as a placeholder and a call for action. The lease of Flood School will help maintain unrestricted reserve levels above minimum state requirements, especially in the 2022-23 school year. This will mean staff will need to seek out an appropriate tenant during the next school year so that occupancy can begin in July 2021. The district may also want to examine other properties it owns such as the district office to make up for the loss of revenue when the Fund 25 funds are exhausted.

A key assumption in the multiyear projection is that the LCFF funding level per student will remain flat at 2020 May Revise amounts. An economic recovery that significantly improves state revenues will lead to improved funding levels for education and, thus, an upward projection of the district's financial position.

Overall, the budget and multiyear projection show the district able to meet its obligations for 2020-21 and the two out years. Until declining enrollment levels out the district will continue to be faced with either yearly reductions or to search for revenue enhancements to maintain stability and solvency.

Other Funds

	Food Services Fund	Deferred Maintenance Fund	Building fund	Capital Facilities Fund (RDA + Developer fees)
<u>Revenues</u>	2,317,517.21	5,082.00	594,947.00	80,912.00
<u>Expenses</u>	2,298,524.32	-	19,210,321.62	1,250,000.00
Inc / (Dec) in Fund Balance	\$ 18,993	\$ 5,082	\$ (18,615,375)	\$ (1,169,088)
Beginning Fund balance	555,371.92	237,678.35	20,001,973.02	5,281,186.01
Ending fund balance	574,364.81	242,760.35	1,386,598.40	4,112,098.01

The food service fund is projected to remain positive and not need any transfer from the general fund. The building fund is projected to spend \$18 million on projects for 2020-21 and it appears very likely that the district will need to have a new bond issuance before the end of the year. Developer fee revenue should come in higher than projected as a new developer fee justification study will be ready soon that upon its adoption by the board will allow the district to charge the maximum allowable rate.