



LAS VIRGENES UNIFIED SCHOOL DISTRICT FINANCE COMMITTEE

September 7, 2018

Present: Leslie Stein, Board Representative
Mathy Wasserman, Board Representative
Daniel Stepenosky, Superintendent
Karen Kimmel, Assistant Superintendent – Business
Rose Dunn, Assistant Superintendent – Personnel
Kristine Torres, Director of Accounting

The meeting was called to order at 2:22 p.m. at the Las Virgenes Unified School District, 4111 Las Virgenes Road, Calabasas, CA.

State Budget

Ms. Kimmel shared the California Association of School Business Officials (CASBO) Newsbrief with the committee. She stated that it includes information on the bill pertaining to school start times. Ms. Stein commented that the governor has not signed the bill yet. Ms. Stein inquired if the bill will affect the District in regards to start time and budget. Ms. Kimmel commented that only one of the middle schools starts prior to 8:30 a.m. Ms. Torres and Ms. Kimmel confirmed that zero period is included in instructional minutes. Dr. Stepenosky added that the bill exempts zero period and there is no maximum number of zero period students. Ms. Stein commented that zero period is optional so it gives student the choice to start earlier.

District Budget

Ms. Torres stated that when the District was closing the books for the 2017-2018 fiscal year, results were slightly more favorable than anticipated at second interim. The General Fund deficit was slightly more than \$200K. Child Nutrition reflected a decrease of \$116K to the fund balance, due to some large capital improvements (primarily the purchase of a truck and freezer upgrades). Overall, Child Nutrition continues to be self-supporting with their \$2M budget. The Deferred Maintenance fund expenses continue to exceed the allocation, resulting in a deficit of \$350K. The Bond Fund had an ending fund balance of \$5M, compared to over \$10M committed towards

completing the Lupin Hill project and the Voice over IP (VoIP) phone upgrades. The District, subsequent to year-end, sold the final bond issuance in August bringing in in \$10.2M. Fund 25, the Capital Facilities fund, has increased due to developer fees from a number of very large homes being built in the area. Ms. Stein asked if the income was all from homes to which Ms. Torres responded that it was not from any major projects, but all from individual homes. Dr. Stepenosky asked if the District collects more in developer fees from an individual large home then from townhome buildings. Ms. Kimmel responded it is all based on square footage. Ms. Torres went on to add that the developer fees brought in \$1.2M last fiscal year. Ms. Stein asked how that amount compares to prior years. Ms. Torres responded that the last three years have been slowly growing, but it is similar to the last few years. Dr. Stepenosky added that he believes it is about 10% growth per year to which Ms. Torres added that the District does not budget for increases as it is difficult to predict the new construction. Ms. Stein stated that the Capital Facilities fund has about an \$8M balance and inquired what the District owes for our Certificates of Participation (COP). Ms. Kimmel responded that the balance is slightly over \$10M. She went on to state that the District used some of the funds for the furniture for the new Lupin Hill classrooms. Ms. Torres continued that the information that is reported for the Bond Redemption Fund is provided by the county treasurer. Fund 67 is the Self-Insurance Fund which includes refunds from the dental insurance. Ms. Kimmel added that proceeds from those refunds will be utilized to help fund the negotiated increases to the employee allowances for health care for 2019.

Ms. Kimmel stated that the District has been looking into improving our internal auditing capabilities and provide more support for the accounting and payroll departments. She went on to say that with limited resources, the department has been brainstorming various ways to reconfigure current staff positions to better serve district needs. Ms. Kimmel, Dr. Dunn and Ms. Torres discussed the decision to eliminate a Confidential Secretary position. Ms. Kimmel and Dr. Dunn would share a Confidential Secretary, and the duties of the eliminated position would be transferred to the appropriate departments including the newly appointed Business Manager. Utilizing existing vacancies, with no additional costs, the District will hire a Payroll Supervisor and an Accounting Supervisor to perform internal audits and offer ongoing support to these two departments. Creating these entry-level management positions, the District can bring in staff who have a higher level of accounting expertise and can act as leads during the LACOE transition to the new software platform. Ms. Kimmel added that all surrounding school districts have various levels of positions in their accounting departments. The new position of Accounting Supervisor will be presented to the Board at the next Board meeting.

Ms. Kimmel then presented the Multi-year projection (MYP) showing the 2017/2018 actual results and the projected budgets for the next five fiscal years. These projections are consistent with the AB1200 rollouts presented at the Board meeting during the approval of the union settlements. In the 2018-2019 fiscal year there is an average 3% salary increase, with each percent representing \$880K (total of \$2.6M). The settlements are the only change in the MYP subsequent to budget adoption. If there are no changes at the state level to assist with the rising pensions costs, the District will need to begin identifying reductions.

The committee discussed enrollment trends in regards to staffing, and budget trends for next year. Ms. Stein asked about tightening the attendance regulations at Buttercup. Dr. Dunn replied that the District has recently increased the revenue at Buttercup by \$100K annually, implementing a more structured attendance model. Ms. Stein then inquired if we receive information on homes that are currently up for sale or recently sold. Dr. Dunn responded that Decision Insite uses that to make their predictions. Ms. Wasserman suggested we include marketing materials in the Chamber's welcome packets for new families moving into the area as many of these families send their children to private schools without realizing how fantastic the District is. Ms. Kimmel commented that she agrees that is an area we can explore. Ms. Wasserman inquired if we have records on what schools resident students are going to if they are not attending district schools. Ms. Kimmel responded that they are only required to share that information with our district if they are going to another public school. Ms. Wasserman then asked what the District is expecting for budget cuts next year. Ms. Kimmel responded at a minimum another \$1M in cuts. The committee continued to discuss budget cuts and the rising pension costs that the state is not assisting with. Dr. Stepenosky mentioned that we still need to make budget cuts when the economy is booming, and unemployment is at 3.9% because our state story is not the same as our story. Ms. Stein asked how the District's budget concerns compare to other school districts. Ms. Kimmel responded that we are in a better position than our neighboring districts with our fund balance, but at a loss when it comes to funding-per-student. Cabinet will present the Board with options.

Dr. Stepenosky added that there are two approaches to balancing the District budget: manage our expenses and cut \$1M in staff, or look at a new parcel tax or a bond. When Measure E was renewed, the possibility was discussed of considering a second tax layer in the future. It was noted that, as relative to the parcel taxes in other districts, LVUSD is on the lower side. With the parcel tax option, which would go into the general fund, the \$98 tax totals around \$2.1M in revenue so if we added \$50 to the parcel tax, the District would bring in \$1M additional revenue per year. Ms. Stein commented that there is a lot of work involved just to increase the revenue by \$1M. Dr. Stepenosky responded that the current parcel tax is in place for twelve years and going this route requires 66% voter approval. He continued that the other option is to add a bond which requires 55% approval with the Prop 55 Bond Citizen Oversight Committee, but we would need to demonstrate material ways that a bond would preserve and protect the general fund. Ms. Stein inquired how that would work. Dr. Stepenosky answered there are two large pockets of money that could protect the general fund. The first would be the current deferred maintenance transfer, which would be used on smaller capital improvements. Ms. Stein asked how much money that would be annually. Ms. Kimmel responded it would be about \$1M. Dr. Stepenosky continued that the other pocket of money would be for the utilities, working to get us off the grid. Ms. Stein asked how much the District spends per year on utilities. Ms. Kimmel answered that on electrical we spend a little over \$1M. She continued that the District has never found it financially beneficial to engage in a solar power purchase agreement (PPA) because the current program of purchasing electricity through a consortium results in a low contracted rate. She went on to say that the District would see a savings if solar panels were purchased, potentially resulting in almost no annual cost for electricity. Ms. Wasserman asked if the District's Director of Maintenance, Operations and Facilities, Julie Pescetto's, experience with solar energy in her last position in the Oak Park Unified School District could present information to the District that we

have not seen or heard before. Ms. Kimmel responded that Ms. Pescetto has had success with the OPUSD implementations. Dr. Stepenosky asked if Oak Park is off the grid entirely to which Ms. Kimmel responded she believes they are for the most part. Dr. Dunn said we need to keep in mind there is a high cost associated with purchasing the solar panels. Dr. Stepenosky added that the District is gathering information about the different options, and possibly doing a feasibility study, polling the community to test levels of support for a parcel or bond. A \$100 parcel tax would achieve the same impact to the general fund as would a bond. Ms. Stein asked when the community will be done paying off the existing bonds. Ms. Kimmel referenced the bond presentation, noting they will be paid off in the year 2035.

Per Ms. Stein's request, Ms. Kimmel then shared a chart showing the last four years of legal expenses by department. She continued that the legal costs for Special Education doubled in the last year, and there were increases in Personnel legal expenses as well. The District has been looking into retaining one legal firm, but the different departments use firms with varying specialties and the discussion is ongoing. Ms. Stein asked what we are expecting to spend this year and Ms. Kimmel responded that the District is budgeting the same amount as expended last year. Ms. Kimmel then shared a chart of the Las Virgenes Educators Association (LVEA) salary increases by fiscal year. This year the teachers at the top level of the salary schedule received the 2% annual increase plus an additional step valued at a 1.75% increase. Dr. Dunn added that half of the unit receives the extra 1.75% now, and the other half will receive it in the future. The Las Virgenes Classified Association (LVCA) received a 3% salary increase.

Measure G Bonds

Ms. Kimmel stated that there are new disclosure requirements in conjunction with the sale of bonds and the District will have a formal report to the Board at the next Board meeting regarding the issuance of Series D. A powerpoint presentation will be shared at that time as well. Ms. Kimmel reviewed one of the charts showing that in selling \$10.4 million in bonds, the related expenses were \$232K. Most of the fees are billed as a flat rate, not a percentage of the bonds sold.

Ms. Kimmel then presented the total bond accounting as of June 30, 2018. Ms. Stein asked if after the Lupin Hill project is completed there will be a remainder of \$2.2M. Ms. Kimmel confirmed that is the estimated remainder which, aside from completing Lupin Hill, also includes monies set aside for \$2.6M in technology upgrades and some modernization at White Oak. Dr. Dunn asked if a proposed parking project at Round Meadow was included in the budget. Ms. Kimmel responded that it is not currently included in the budget but there is a city/district Round Meadow project being discussed which could be funded out of the bonds.

Next Meeting

The next meeting is scheduled for Thursday, December 7, 2018 at 2:00 p.m. in the District Office Cabinet Room.

The meeting adjourned at 3:43 p.m.