

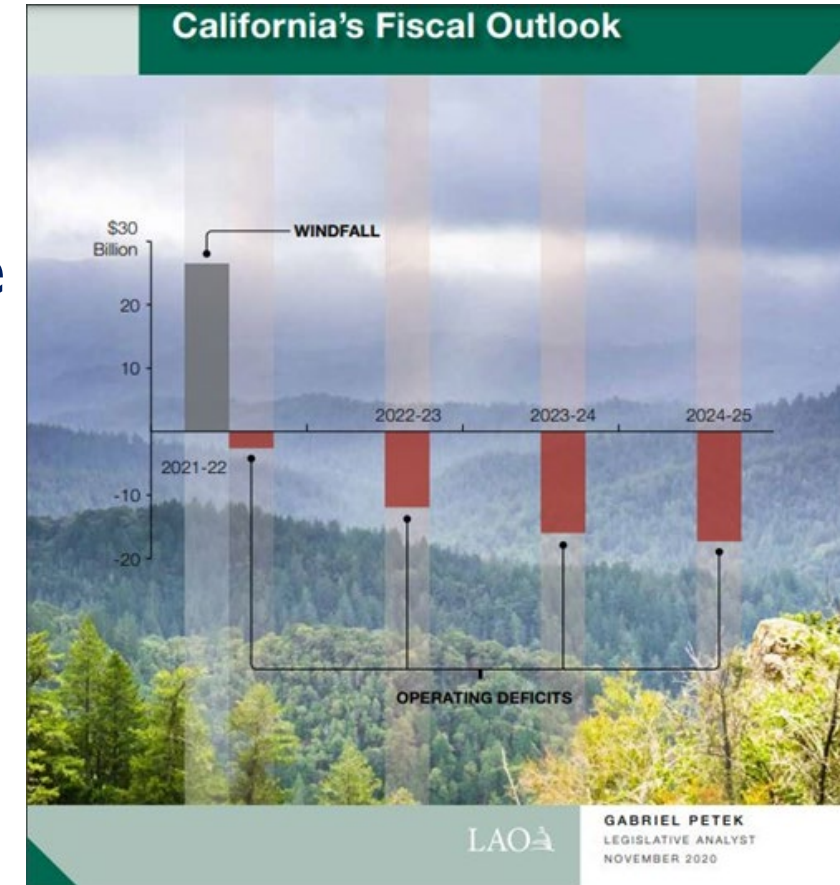


2020-21 First Interim Financial Report

Presented to the Governing Board on December 17, 2020

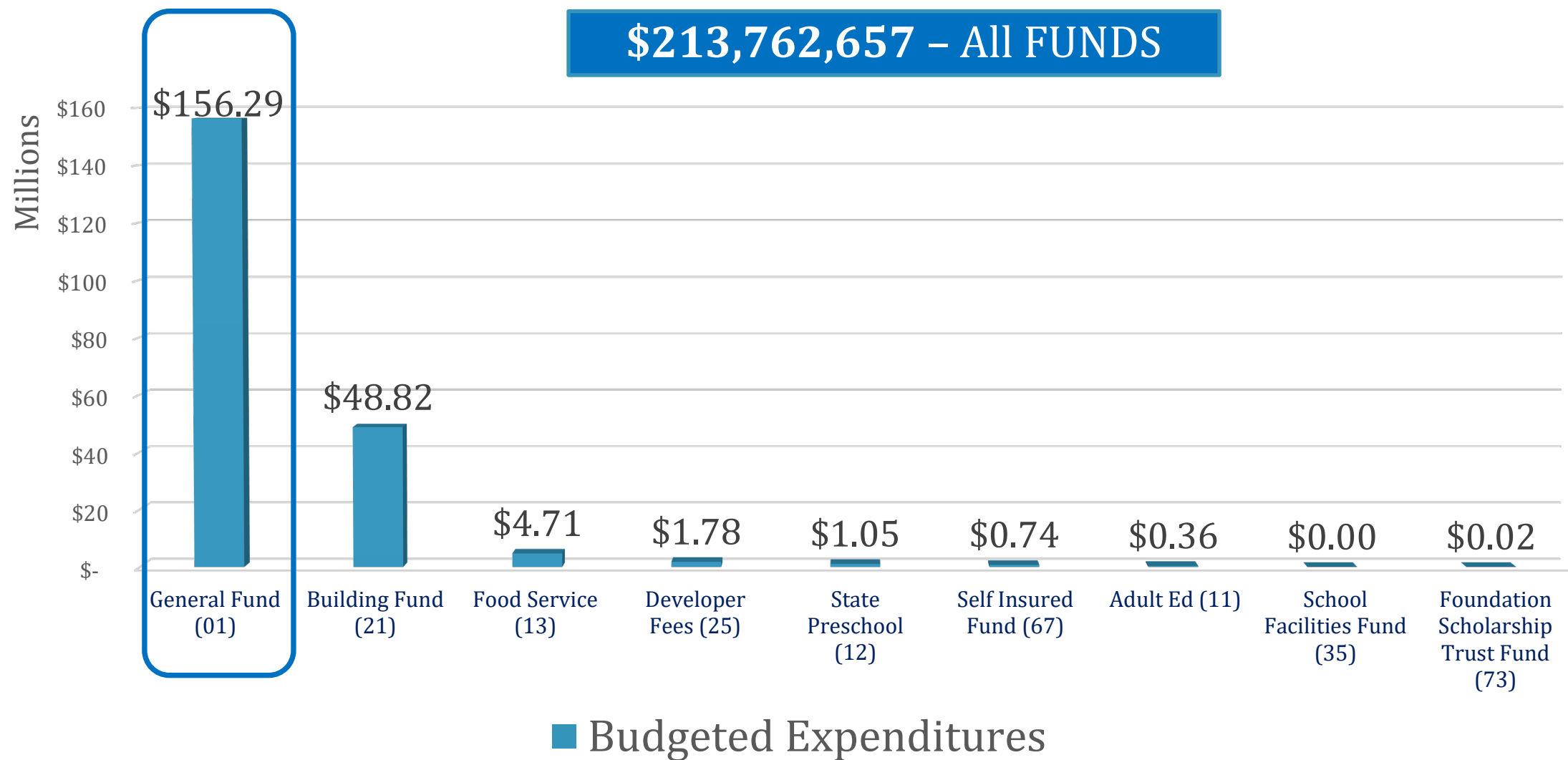
Topics

- Background on interim certifications
- First Interim Financial Report
- Fiscal Outlook from the Legislative Analyst Office
- GUSD's enrollment and birth trends
- District Reserves (one time funds!)
 - Unprecedented reserves
 - Unprecedented expenditures
 - Update on Learning Mitigation Funds
- Multi-Year Projection
- Action on First Interim Certification

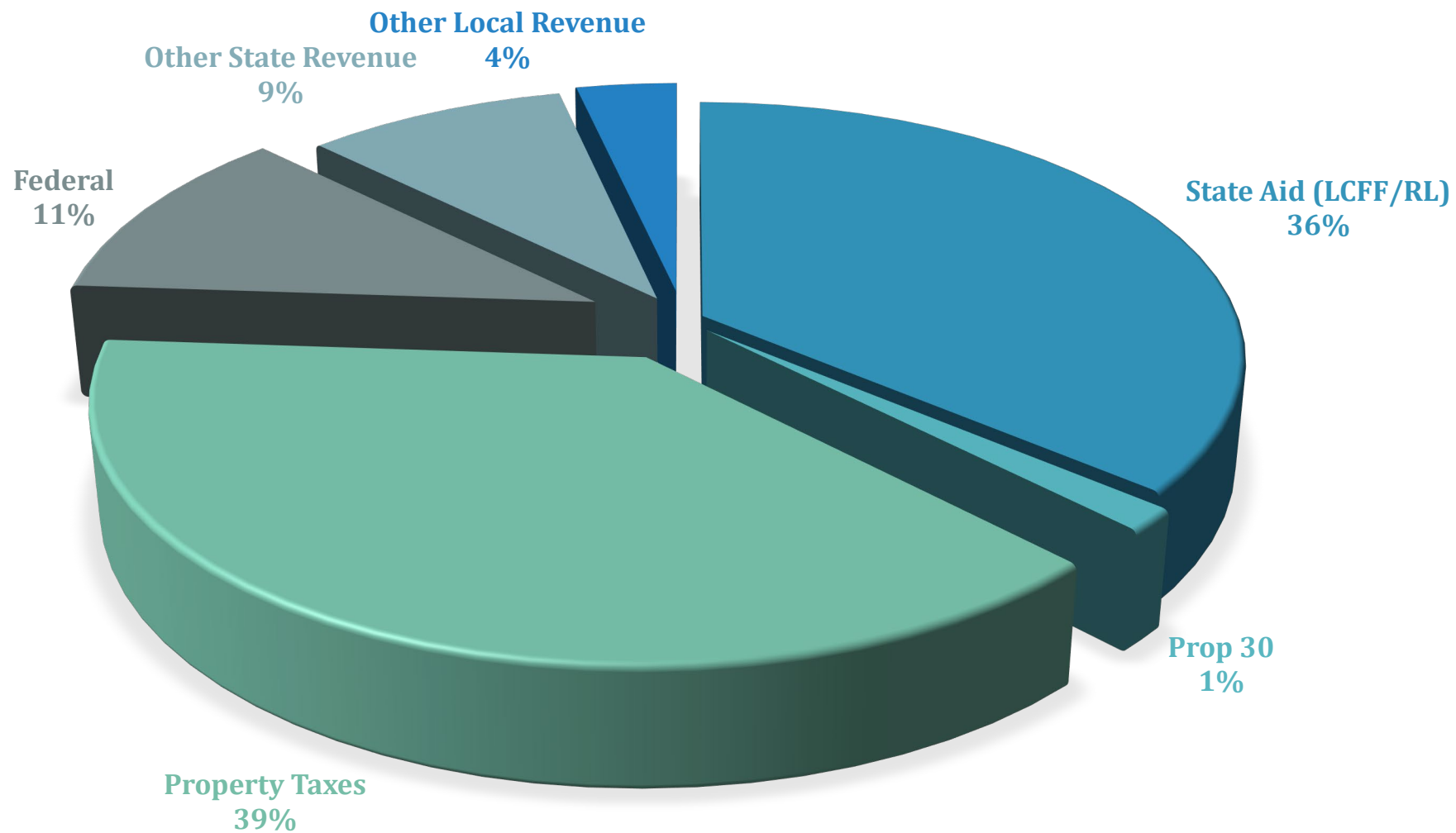


- Positive Certification – Certify that District will be able to meet its financial obligation for the current and subsequent two fiscal years.
- Qualified – may not meet
- Negative – will not be able to meet

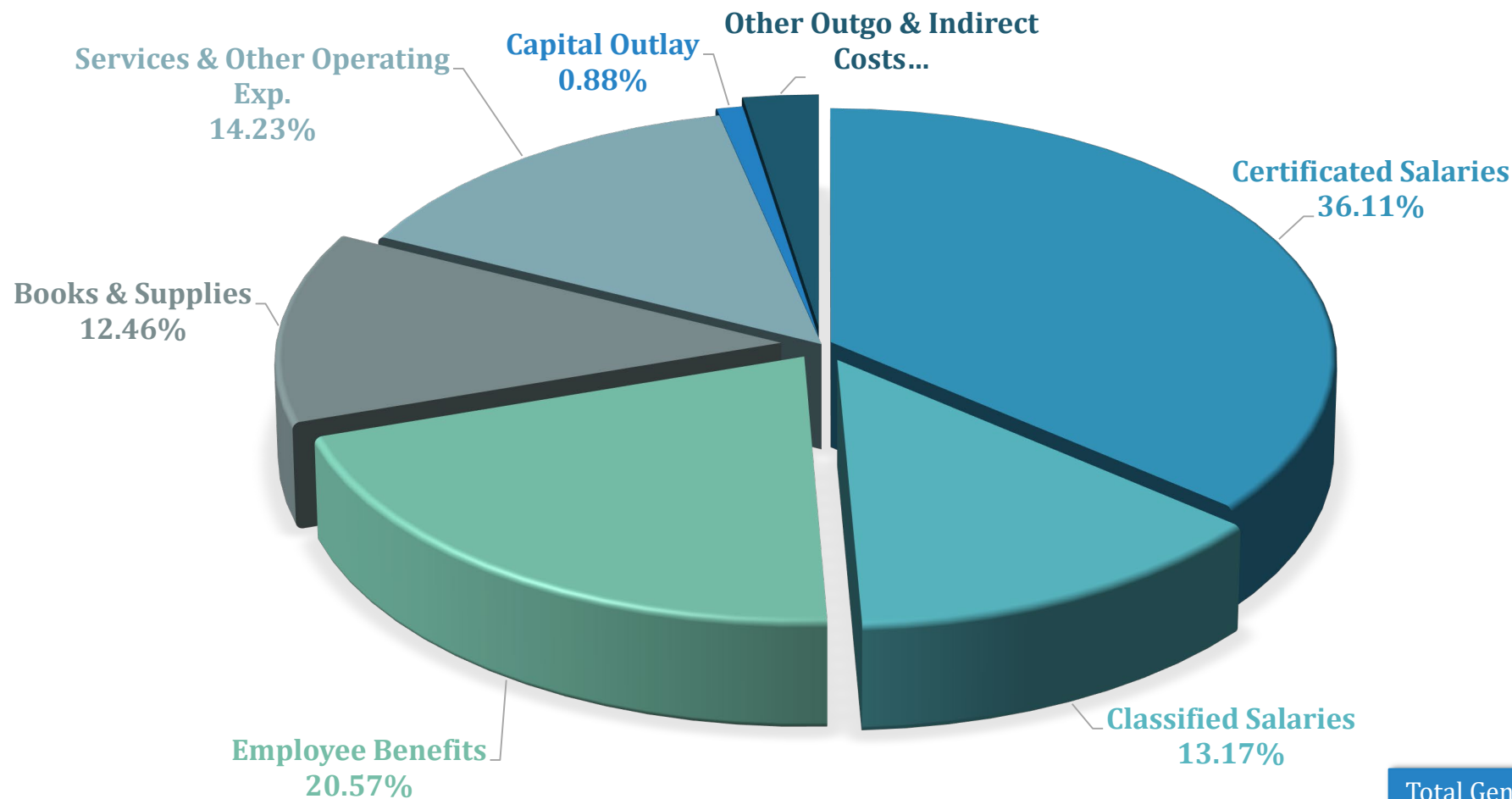
- **GUSD 1st Interim is self-certified as “Positive”**



\$146,739,279



\$156,286,469

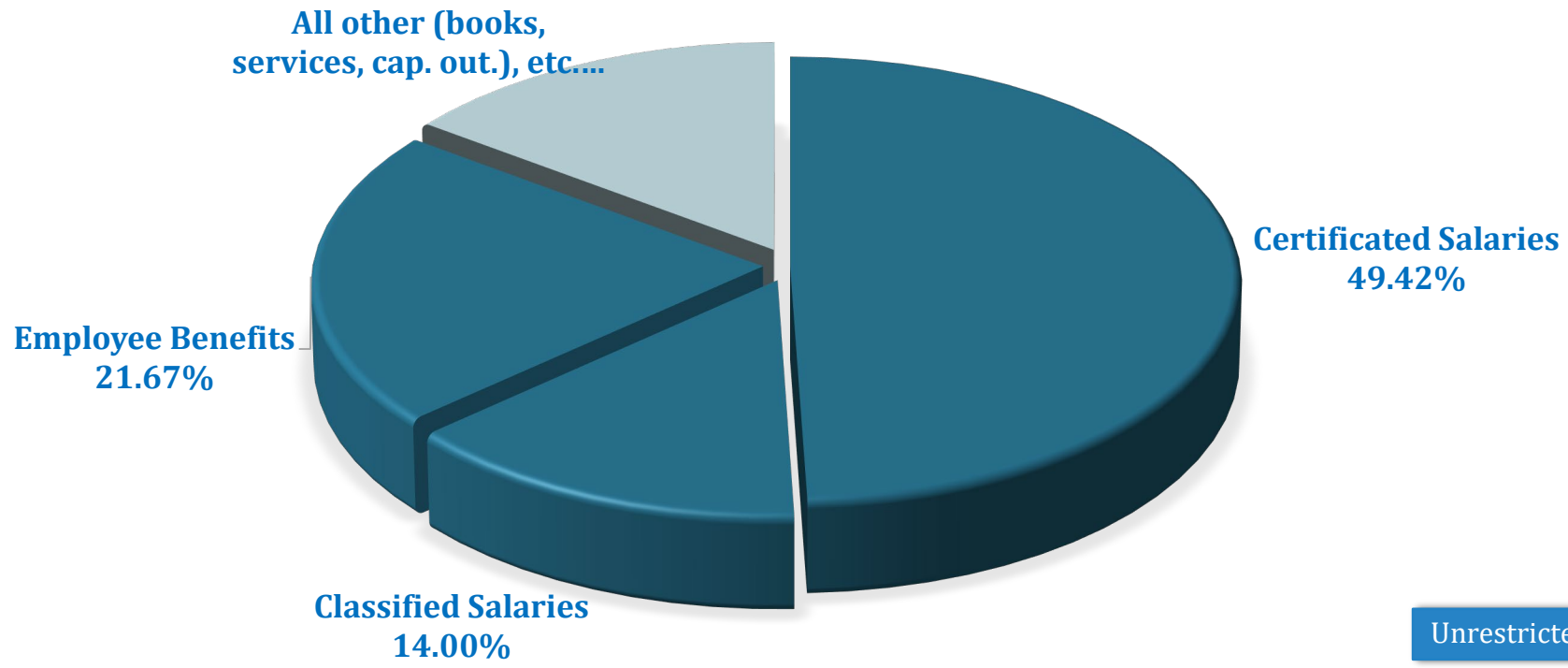


Total General Fund expenditures include grants, entitlements, donations, which have spending restrictions.

Unrestricted General Fund On-going Expenditures

\$98,075,473	—	\$7,131,121	=	\$90,944,352
Total unrestricted expenditures		One-time carryover		On-going expenditures

\$77,390,340	+	\$90,944,352	=	85%
Salary and benefits		On-going expenditures		



Salary & Benefits made up 85% of actual on-going expenditures



Unrestricted (operational) expenditures are funded by the LCFF (ADA).

2020-21 Revised Budget vs. First Interim

Unrestricted Expenditures	Revised Budget	First Interim 2020-21	Difference
Revenue	\$ 109,901,005	\$ 111,026,151	\$ (1,125,147)
Expenditures	\$ 94,968,177	\$ 98,075,473	\$ (3,107,296)
Excess/(Deficiency)	\$ 14,932,827	\$ 12,950,678	\$ 1,982,149
Other Financing & Contribution	\$ (19,186,938)	\$ (20,624,923)	\$ 1,437,985
Net Inc/Decr to Fund Balance	\$ (4,254,111)	\$ (7,674,245)	\$ 3,420,134
Beg Fund Balance	\$ 32,030,424	\$ 32,030,424	\$ (0)
Ending Fund Balance	\$ 27,776,313	\$ 24,356,180	\$ 3,420,134
7% Min. Unrestricted Reserve	\$ 8,920,773	\$ 10,017,549	\$ (1,096,776)
% Unrestricted Reserve	19.50%	15.41%	4.09%

A look back at the State Enacted Budget - June 2020

■ Impact on Education Budget

■ Cash Deferrals

- \$2.2 billion in 2019-20
- 10.3 billion in 2020-21
- GUSD will operate with about 68% of the cash due from the state in 2020-21

■ Zero Cost of Living Adjustments (COLA)

- 2.31% statutory COLA suspended.

■ Hold harmless on Average Daily Attendance

■ No hold harmless on supplemental and concentration funds!

■ New Distance Learning Requirements

No additional Federal Stimulus provided by October 15, 2020.
The State Budget included **\$14 Billion**.

Stock Market Recovered Quickly...

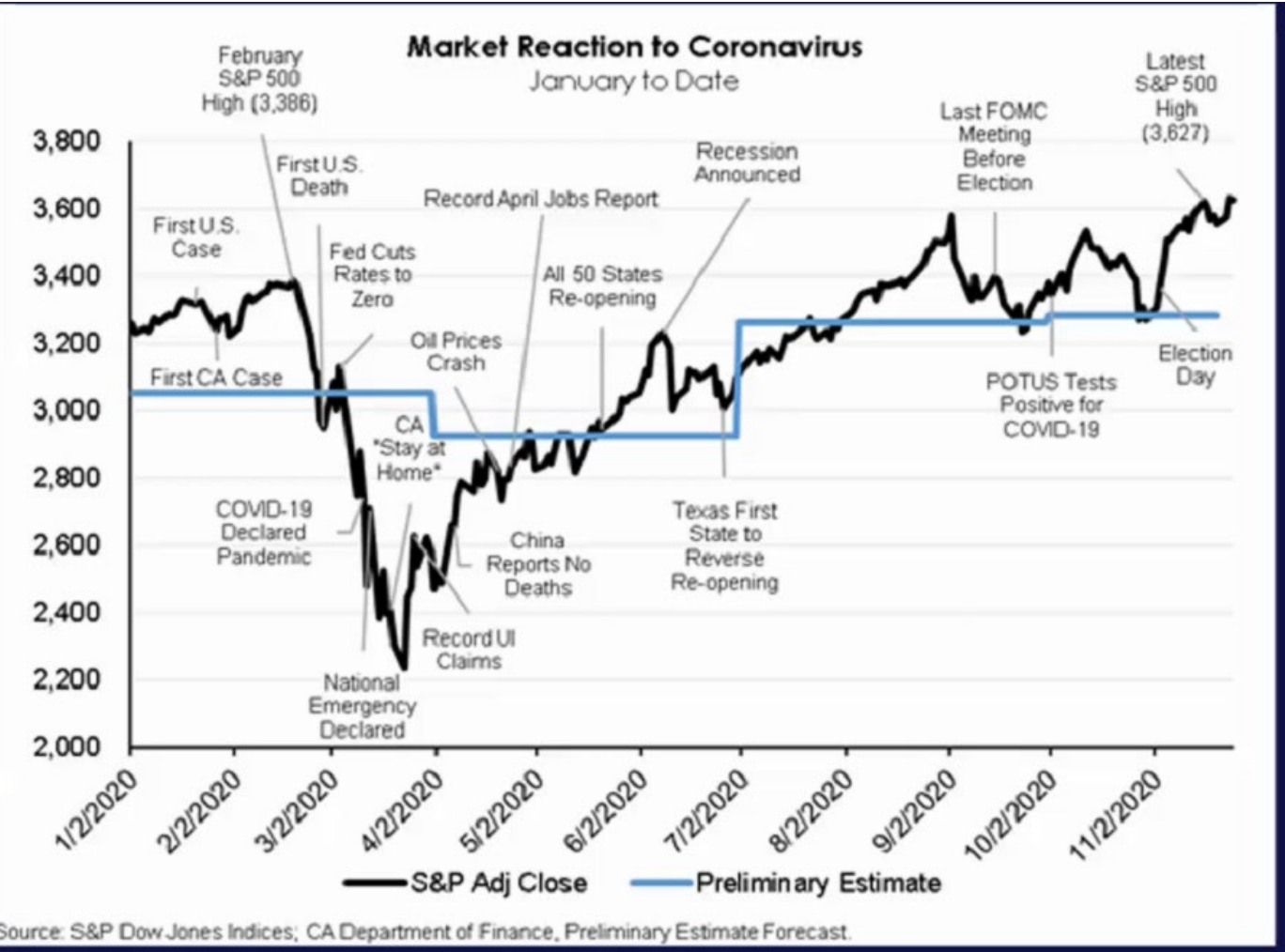
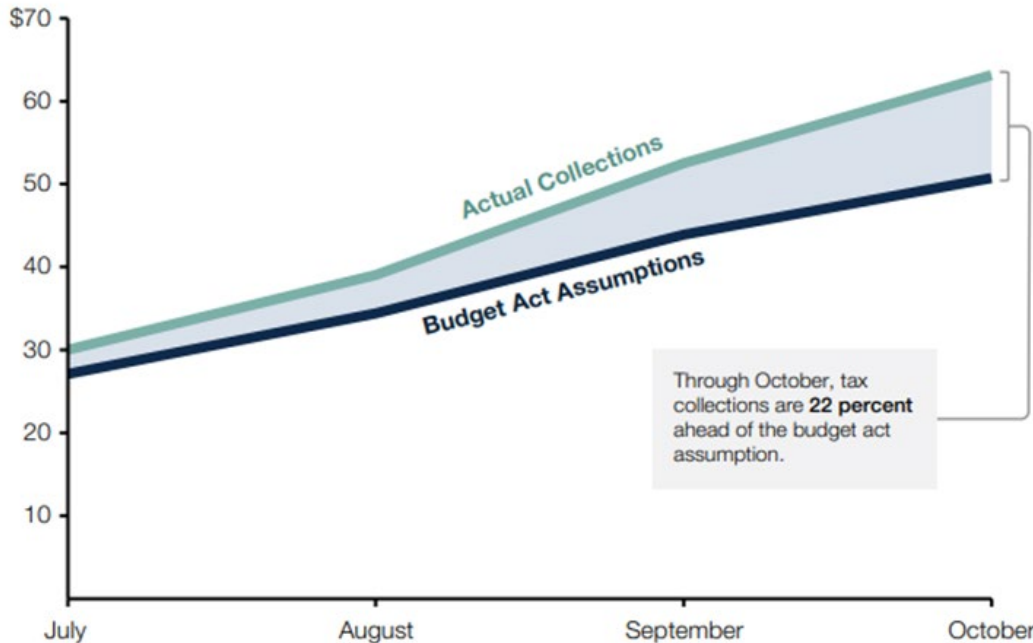


Figure 1

Tax Collection Well Ahead of Budget Act

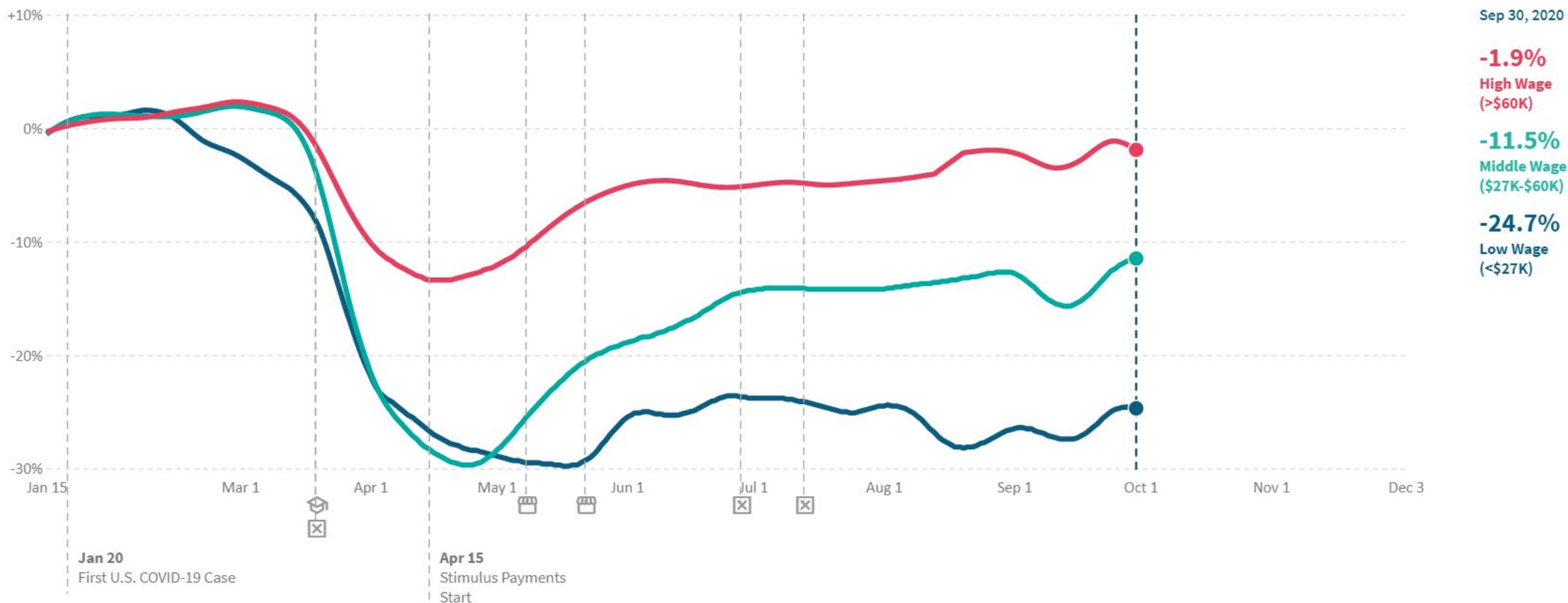
Total 2020-21 Collections to Date
Personal Income, Corporation, and Sales Taxes (In Billions)



Uneven Economic Recovery

Percent Change in Employment*

In **Santa Clara**, as of **September 30, 2020**, employment rates among workers in the bottom wage quartile **decreased** by **24.7%** compared to January 2020 (not seasonally adjusted).



*Change in employment rates (not seasonally adjusted), indexed to January 4-31, 2020. This series is based on payroll data from Paychex and Intuit, worker-level data on employment and earnings from Earnin, and timesheet data from Kronos. The dotted line in the low-wage series is a prediction of employment rates based on Kronos data.

last updated: **December 02, 2020** next update expected: **December 11, 2020**

visit tracktherecovery.org to explore

LAO's November Outlook for 2021-22

LAO Fiscal Outlook

4

© 2020 School Services of California Inc.

Additional Spending Required to Meet Guarantee in Prior and Current Year

(In Millions)

	2019-20			2020-21		
	June Budget Plan	November LAO Estimates	Change	June Budget Plan	November LAO Estimates	Change
Minimum Guarantee	\$77,678	\$79,283	\$1,606	\$70,890	\$83,975	\$13,085
Funding Allocations						
Local Control Funding Formula (LCFF)	\$62,707 ^a	\$62,676	-\$31	\$63,037	\$62,565	-\$473
Other K-14 programs	17,151 ^a	17,154	3	18,167	18,164	-3
Savings from payment deferrals	-2,181	-2,181	—	-10,314	-10,314	—
Proposition 98 Reserve deposit	—	—	—	—	1,529	1,529
Totals	\$77,678	\$77,649	-\$28	\$70,890	\$71,943	\$1,053
Settle-Up Payments	—	\$1,634	\$1,634	—	\$12,031	\$12,031

^a Amounts adjusted for Chapter 110 (SB 820, Committee on Budget and Fiscal Review), an August trailer bill that reduced LCFF cost estimates and allocated the savings for additional school meal reimbursements.

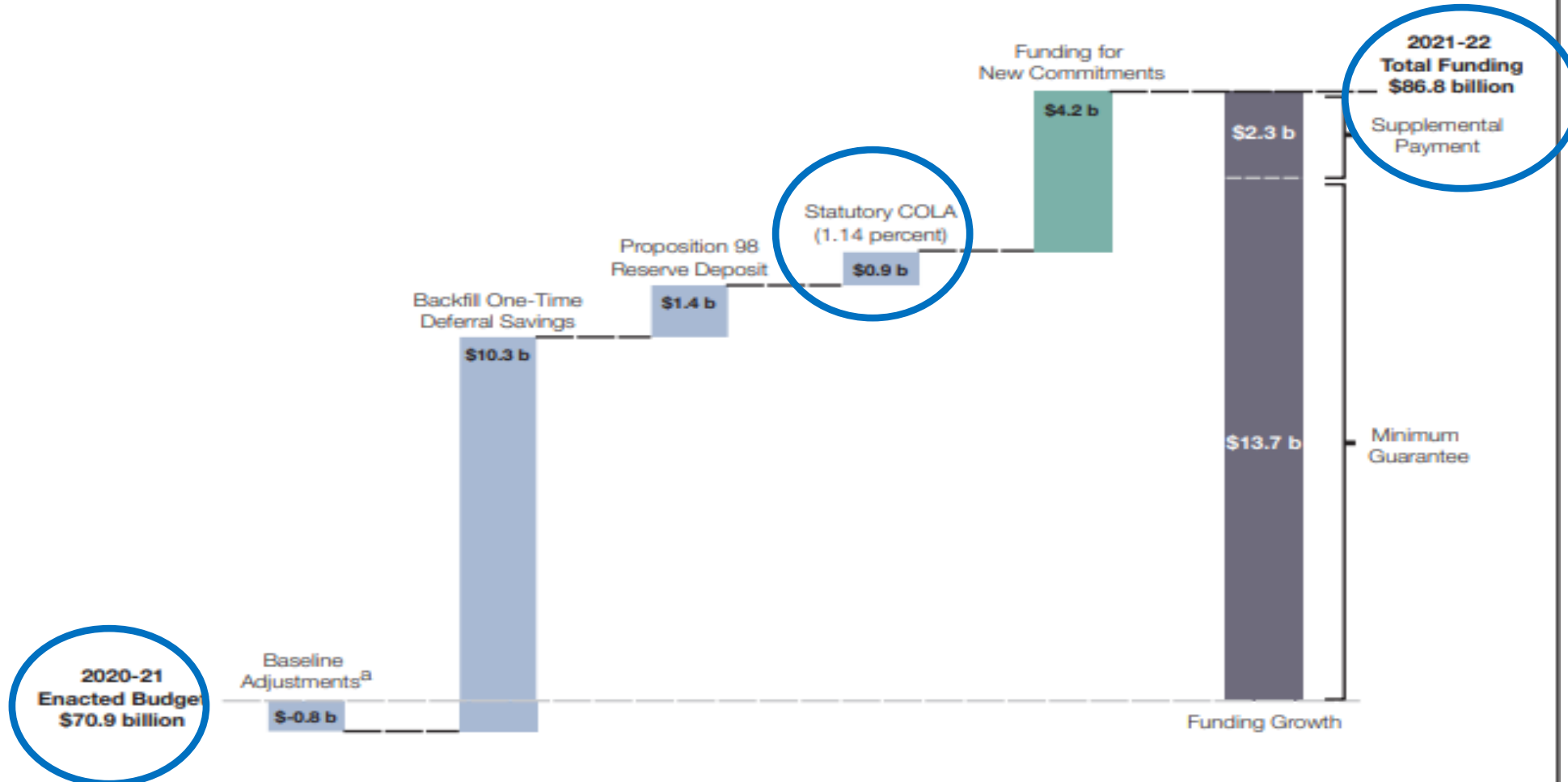
Source: Legislative Analyst's Office (LAO): *The 2021–22 Budget: The Fiscal Outlook for Schools and Community Colleges*

LAO's Analysis of Available Funding for 2021-22

Figure 9

Funding Available for New Commitments in 2021-22

Changes From 2020-21 Enacted Budget



^a Consists primarily of one-time expenditures expiring in 2021-22 and lower baseline costs for the Local Control Funding Formula.
COLA = cost-of-living adjustment.

LAO Recommendations

- **Use Half of Windfall for Restoring Budget Resilience**
- **Use Other Half for Pandemic-Related Needs**
- **Begin Multiyear Effort to Address Ongoing Deficit Now**

GUSD's Reserve is linked to Historic Shutdown

- Shutdown has lead to one-time operational savings, but has also brought extraordinary costs.
- Hold harmless provisions temporarily protect school funding during the pandemic.

Summary of One-Time Savings (Unrestricted Expenditures)



Category	Estimated Actuals	Actuals	Difference
Certificated Salaries	\$44,783,781	\$43,793,785	\$ 989,996
Classified Salaries	\$12,902,919	\$12,027,074	\$ 875,845
Employee Benefits	\$20,329,875	\$19,102,632	\$ 1,227,243
Books & Supplies	\$ 6,061,728	\$ 2,872,570	\$ 3,189,158
Services/Oper. Expenditures (inc. utilities)	\$10,496,781	\$ 8,073,544	\$ 2,423,237
Capital Outlay	\$ 775,268	\$ 176,873	\$ 598,395
Other Outgo	\$ 224,255	\$ 400,810	\$ (176,555)
Indirect Costs	\$ (860,189)	\$ (842,428)	\$ (17,761)
Total Expenditures	\$94,714,418	\$85,604,860	\$ 9,109,558

from last year

Significant part of the variance attributed to Covid-19 shut-down for more than 25% of the Year.

2019-20 Carryover Designations



2019-20 Carryover Funds	
Summary of one-time funds	Carryover Amount
Home to School Transportation	\$ 350,000
Deferred Maintenance C/O	1,850,869
Textbook Adoptions	2,267,368
LCAP C/O - Centralized	886,330
LCAP C/O - Schools	576,553
Equipment replacement	950,000
Center of Teacher Innovation	250,000
Total Carryover	\$ 7,131,121

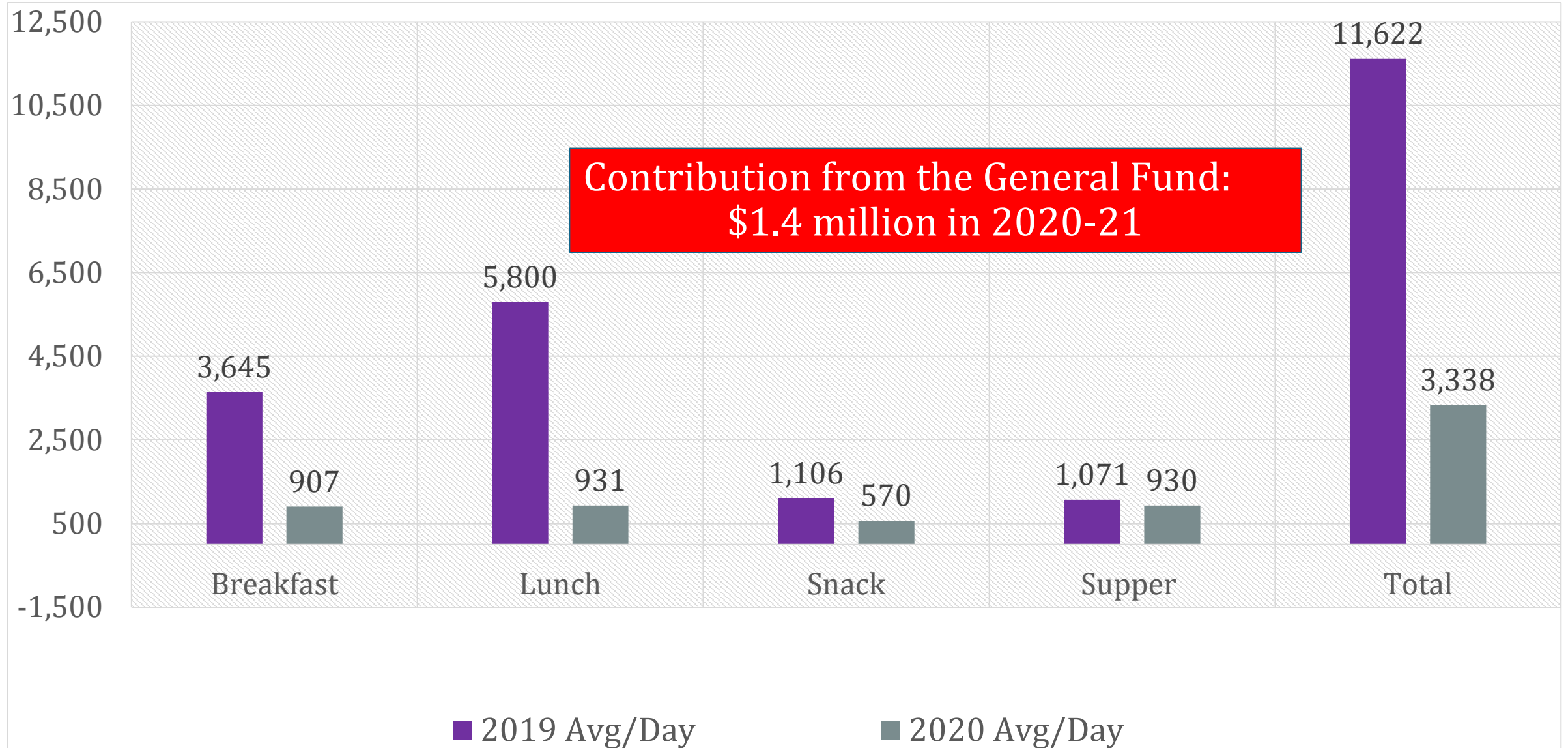
Textbook adoption needs require carryover savings!

from last year

How will the one-time reserve be used?

- Reserves can not fund on-going obligations (salary increases)
- Reserves will fund unprecedented investments in reopening our schools!
 - \$1.4 million contribution to Child Nutrition Fund
 - Ventilation needs
 - Disinfectants, cleaning supplies
 - Social distancing partitions, screens, signage, etc.
 - Personal Protective Equipment (PPE)
- Hotspots
- Chromebooks
- Covid-19 Testing Requirements?
- Reserves levels represent cash. Can't meet payroll without cash.

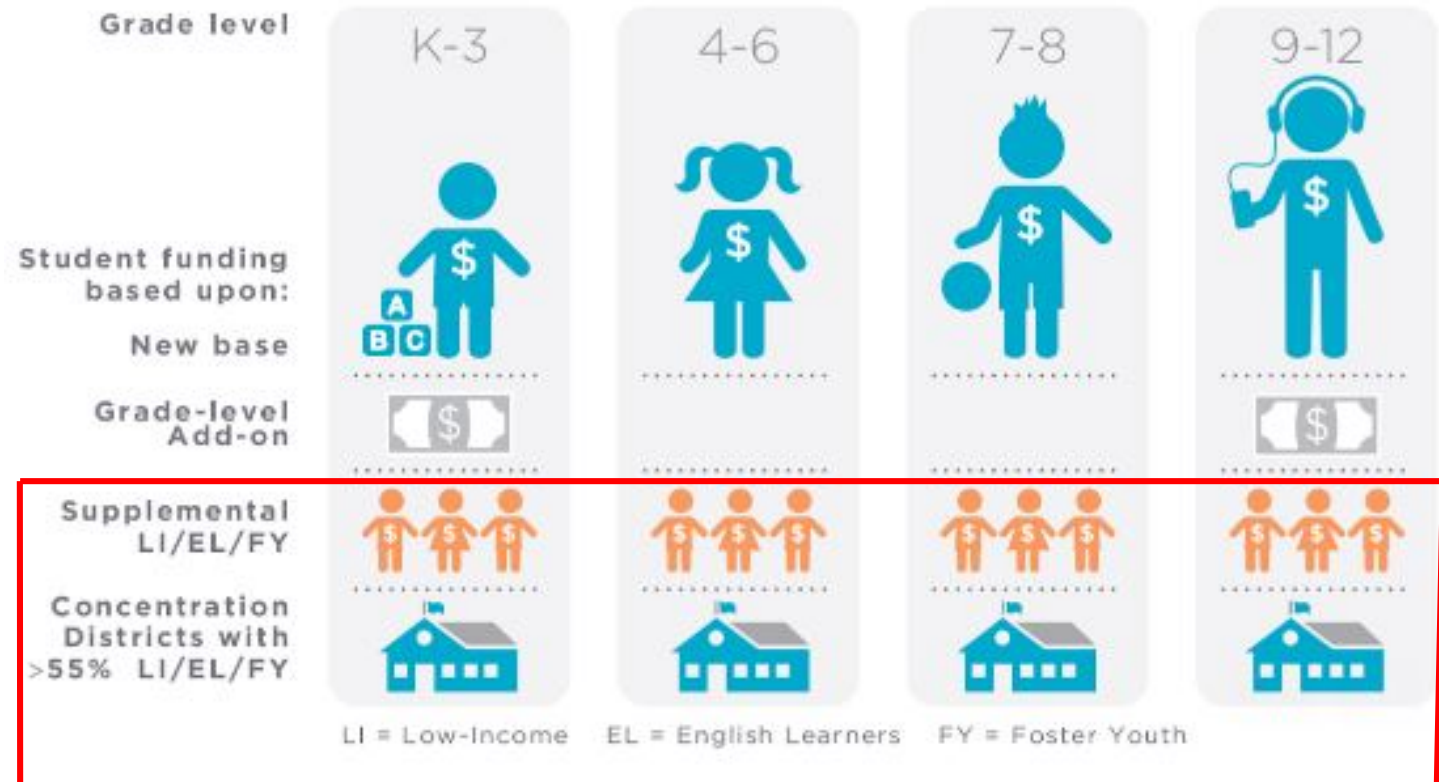
Average Daily Meal Participation



Supplemental and Concentration Funds

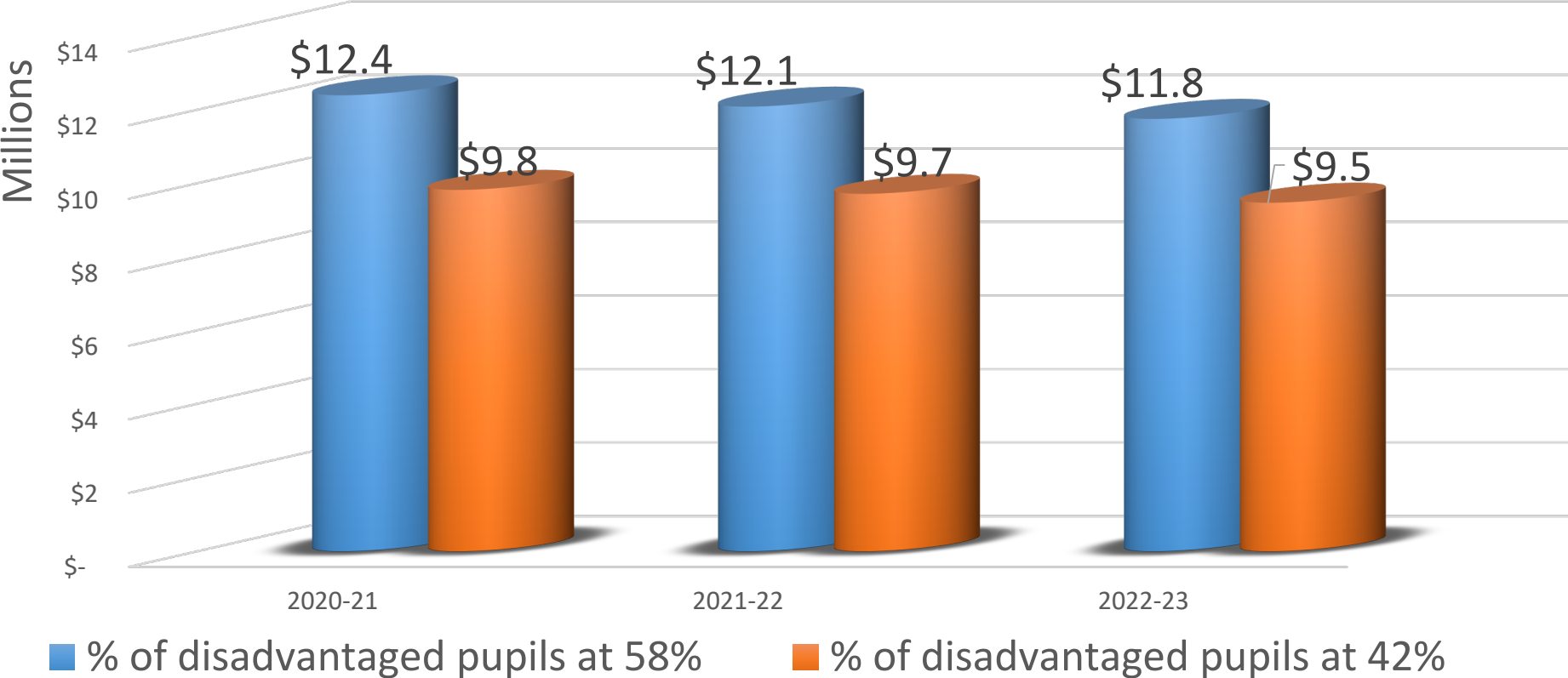
- The Local Control Funding Formula provides GUSD with an additional \$12.4 million in the form of supplemental and concentration grants based on the number of high needs students:
 - English Learners
 - Foster Youth
 - Socially Economic Disadvantage Students

Currently No
Hold harmless
provision for
falling below
55% threshold.



Supplemental & Concentration Funds– Funding for the neediest students!

A single year drop in percentage of disadvantaged students lowers funding for 3 years



Key Budgetary Pressures

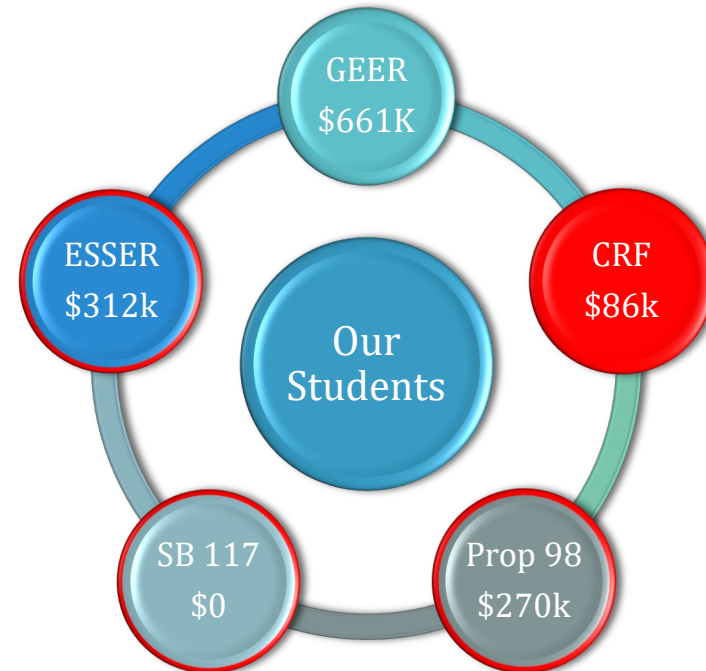
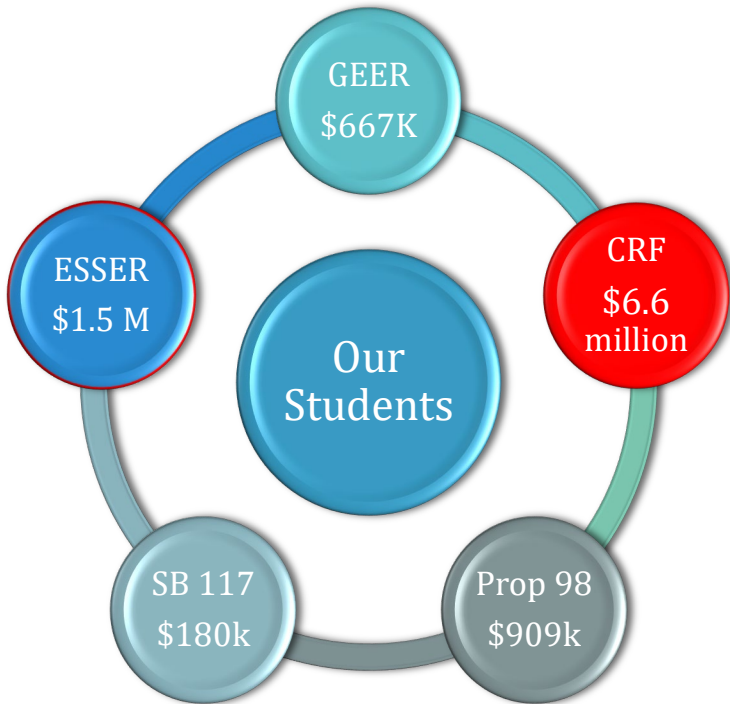
- Declining Enrollment (means loss of funding)
- Zero or low COLAs (eroding purchasing power)
- Cash Deferrals at an all time high
- Reductions to Supplemental and Concentration Funds

Learning Loss Mitigation Funds & Other One-time Funds

Total allocated: \$9.8 Million
(one-time funds)

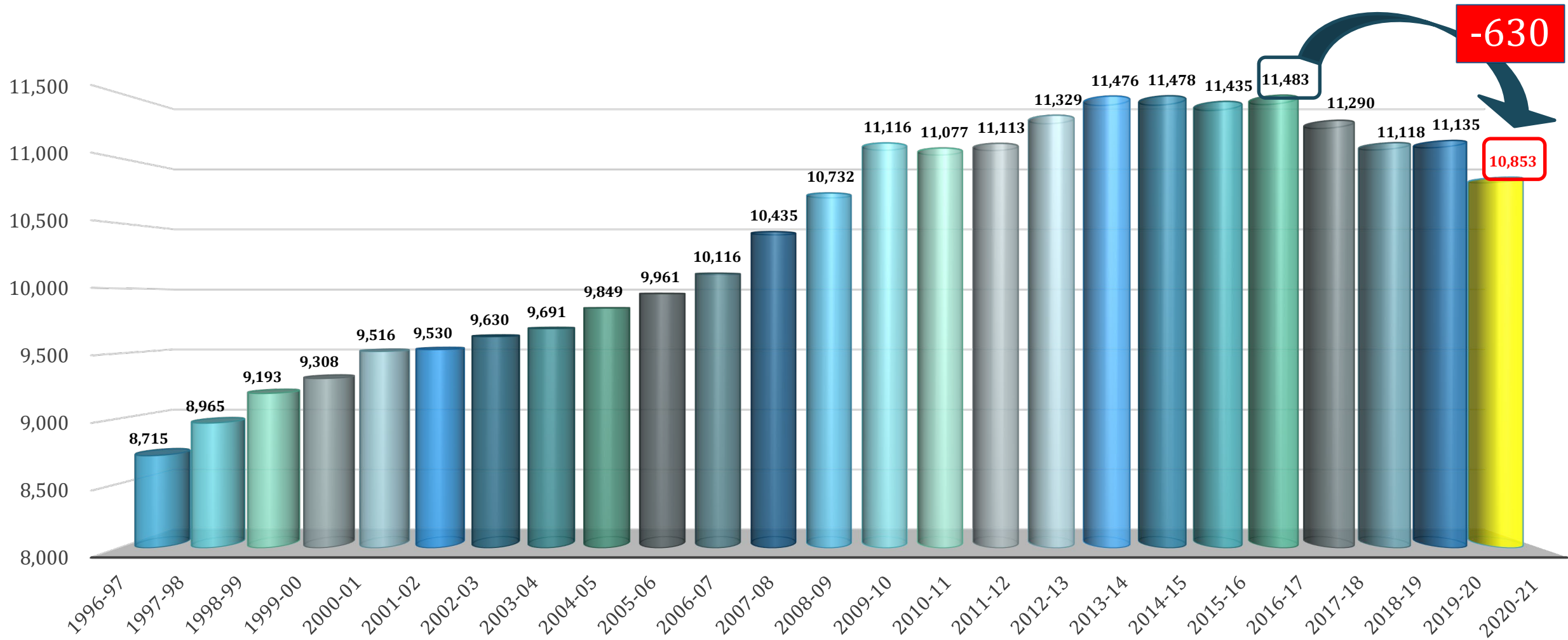
To support students during distance learning, mitigate learning loss, meet social emotional needs, ensure students have access to technology, and access to meals, and purchase PPE.

Balance as of December 7, 2020
\$1.3 million



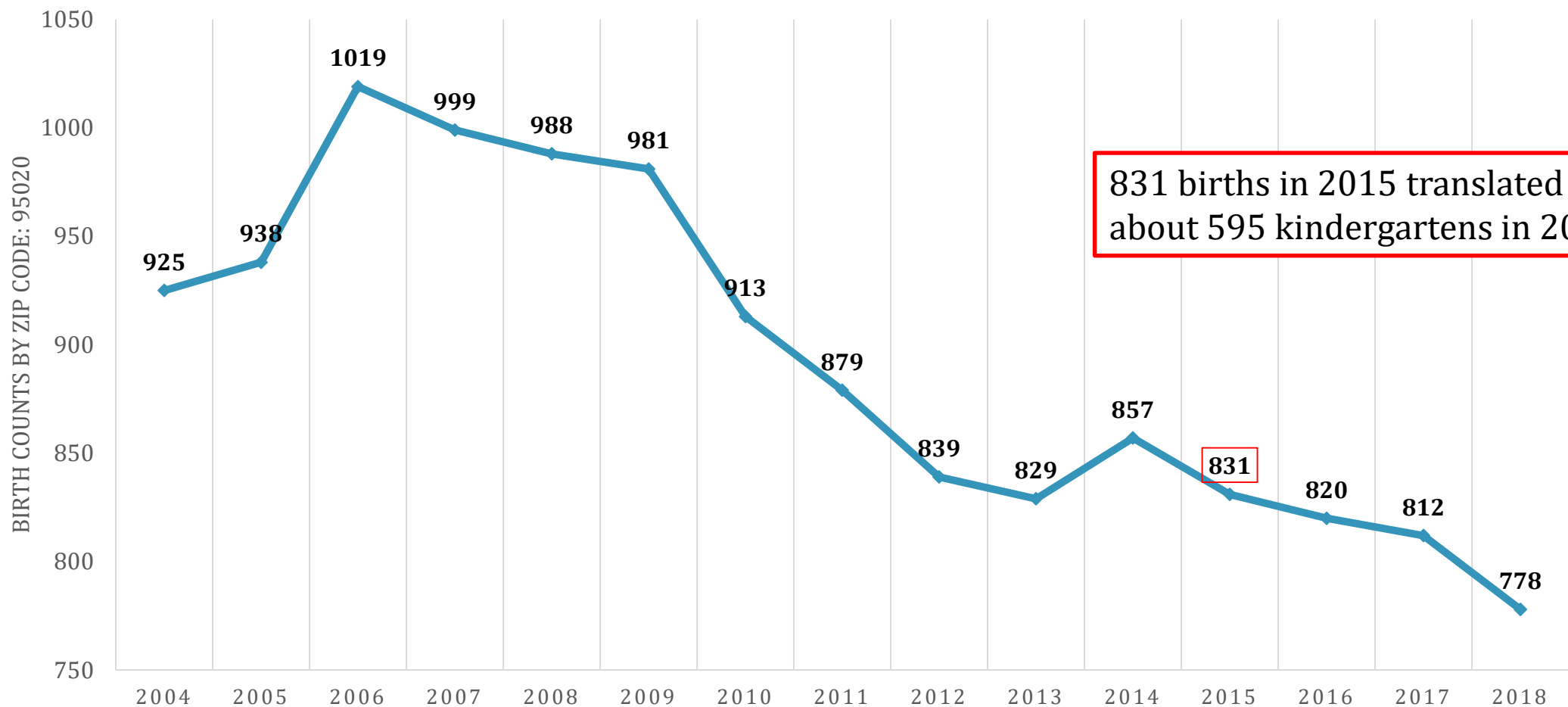
GEER – Governor’s Emergency Education Relief
CRF – Coronavirus Relief Fund
SB 117 – Maintain nutrition services
ESSER – Elementary and Secondary School Emergency Relief

Declining Enrollment (Excludes Navigator Charter School)



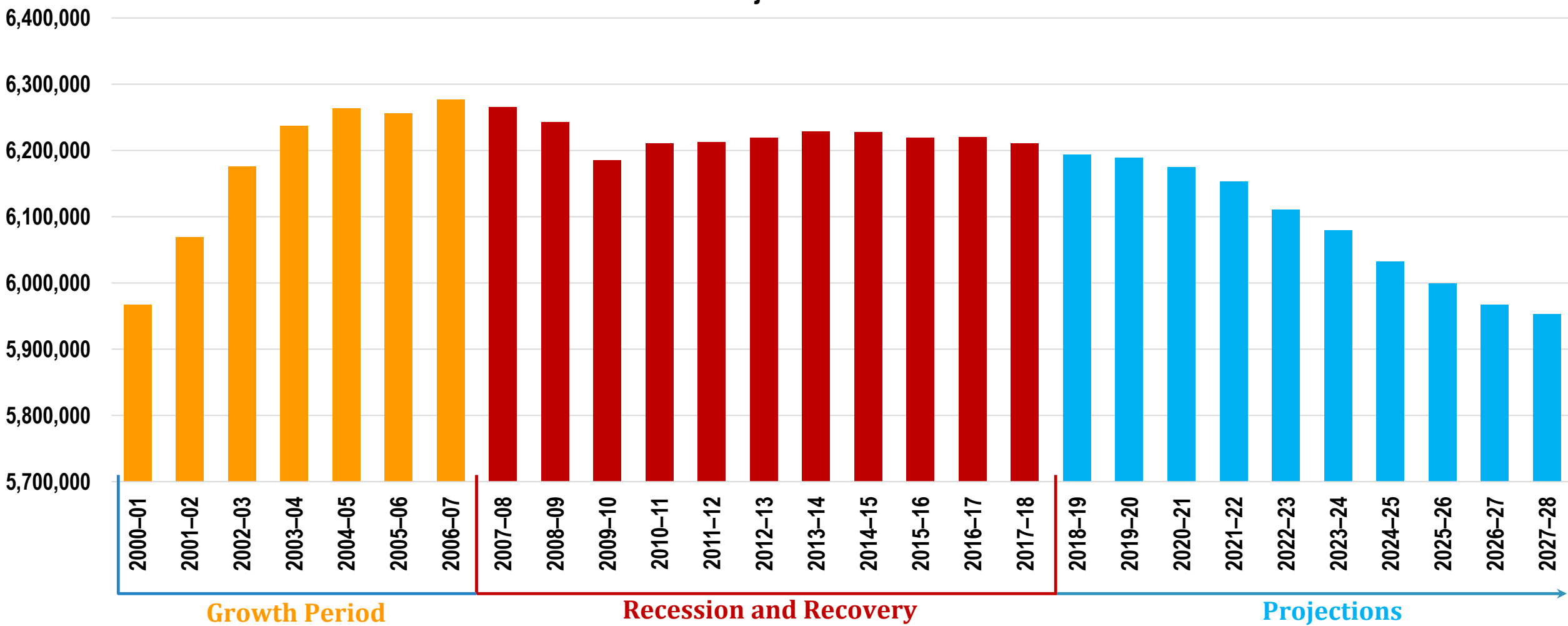
Source: data from DataQuest; includes NPS, Excludes Navigator.

HISTORICAL BIRTH COUNTS



California Public K-12 Enrollment

Historic and Projected K-12 Enrollment

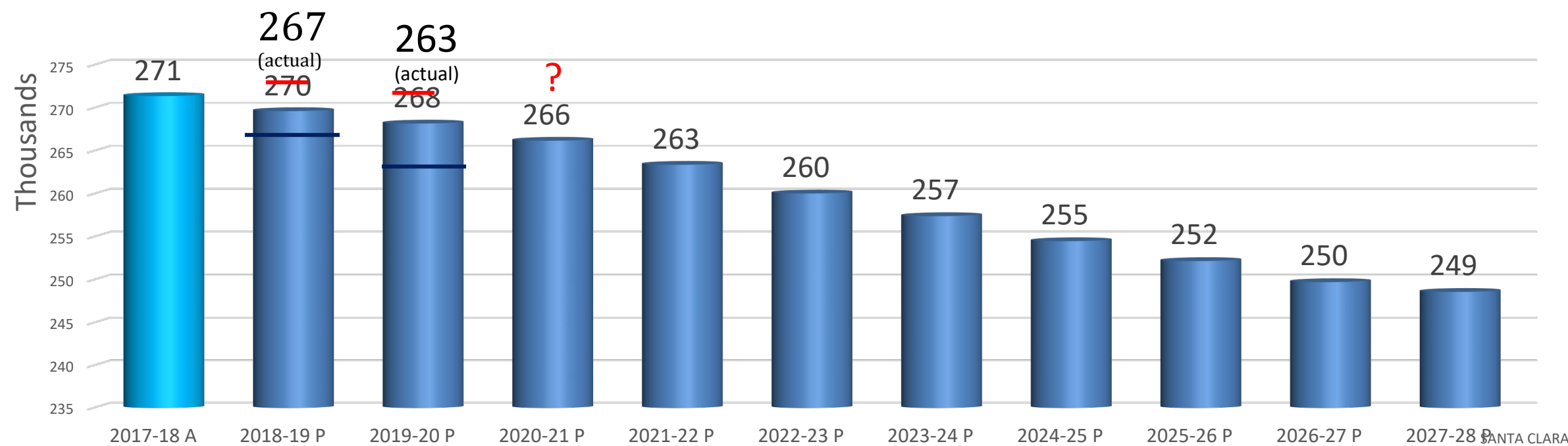


Source: Department of Finance Demographic Research Unit, January 2019
Actual enrollment data through 2017-18

Santa Clara County Enrollment



Actual & Projected Enrollment

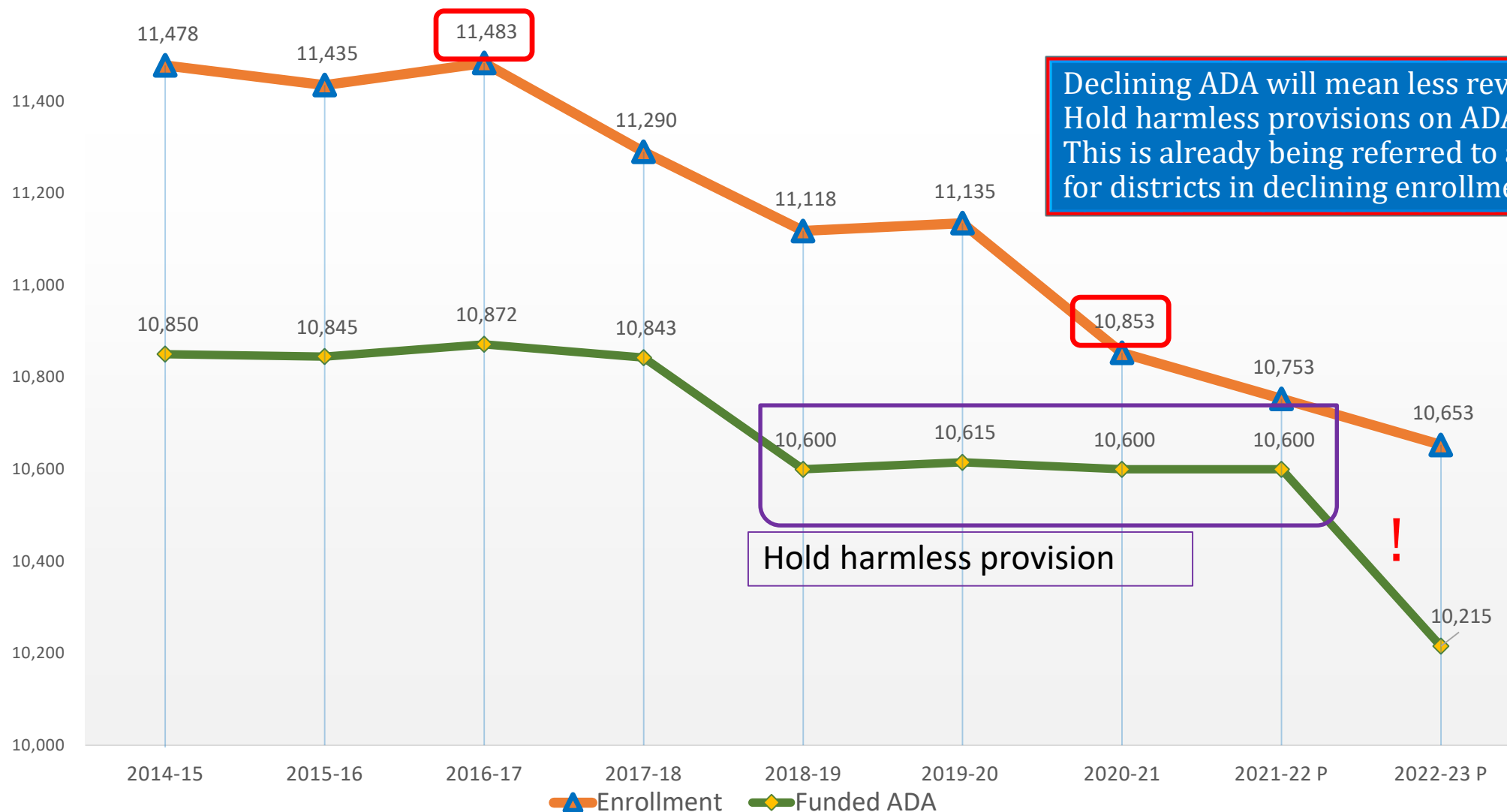


Source: CA Department of Finance

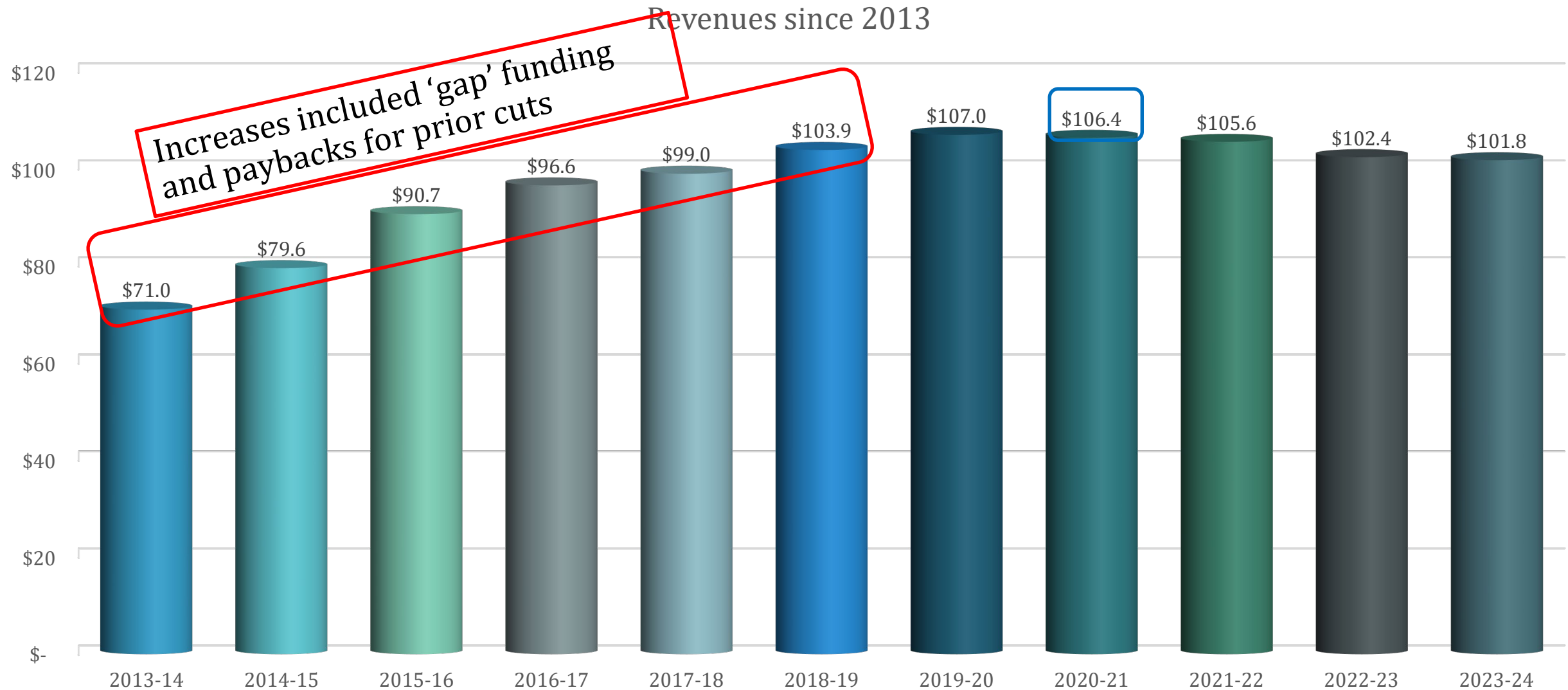
Multi-Year Projection

A projection is a forecast – not a *prediction*!

Declining ADA (declining revenues)



LCFF Revenues (source of on-going obligations)







Highlight Revisions to Revenue Assumptions

Description of Estimated Variables	2020-21	2021-22	2022-23
Cost of Living Adjustment (COLA)	\$0	\$0	\$0
Current Average Daily Attendance (ADA)	10,341	10,241	10,141
Funded ADA	10,600 *	10,600 *	10,329
New Revenue = net of COLA increase – Declining Enrollment	*Hold Harmless on ADA (Not UPP)	Hold Harmless on ADA (Not UPP)	-\$ 3.2 mill
Total Supplemental & Concentration Funds per LCFF	\$12.2 mill	\$11.4 mill	\$10.4 mill
Lease Revenue from School Closure	\$120K	\$160k	\$200k
Percentage of English Language Learners & Low Income Students District wide	57%	56%	55%



Highlight of Expenditure Assumptions

Description of Estimated Variables	2020-21	2021-22	2022-23
Lease Revenue from ADB	\$120K	\$160K	\$200K
Placeholder budget cut for loss of enrollment/ADA		- \$1 mill	On-going 
Placeholder budget cut for loss of enrollment/ADA			- \$1 mill On-going 
<i>\$1.4 million Contribution from General Fund to Child Nutrition Fund</i>	\$1.4 Million	-	-
Certificated & Classified Step & Column Adjustments	1.5%	1.5%	1.5%
Health & Welfare	Based on current negotiated caps	Based on current negotiated caps	Based on current negotiated caps
On-going Equipment Replacement Budget	\$950K	On-going 	
Replacement of 6,000 Chromebooks/Other (one-time)	\$3 million Funded by LLMF	-	-
Deferred Maintenance (LCAP) – on-going	\$712K	On-going 	
General Fund Contributions	-\$19.2 mill	-\$19.4 mill	-\$19.8 mill
STRS Employer Contribution	16.15%	16.00%	18.10%
PERS Employer Contribution (updated Oct 30,2020)	20.7%	22.84% 23%	24.6% 26.30%
Routine Restricted Maintenance (RRM)*	3% of total GF expend.	3% of total GF expend.	3% of total GF expend.

Economic Risks intensify during a pandemic

Statewide	GUSD
Impact of latest surge on economy. (not stock market!)	Declining Enrollment - elementary grades. Bubble will move will cohort through secondary.
Will California receive the \$14 billion in additional aid?	Must manage declining revenues and strategically spend one time funds.
Covid-19 Vaccine distribution, availability for schools	Costs associated with Reopening Schools
Unemployment Levels – tax payers turned into tax recipients for the state.	Employer paid share of pensions: CalSTRS & CalPERS - a recession could trigger either higher rates, or further pension reform
It's an Election Year! New Administration with a focus on reopening schools. New Requirements, new funding?	Outcome of negotiations with Employee Bargaining Units: GTA, CSEA, and Paraeducators.

	2020-21 FIRST INTERIM			2021-22 Projection			2022-23 Projection			2023-24 Projection		
REVENUES	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
LCFF	106,439,287	5,215,622	111,654,909	105,602,430	5,944,408	111,546,838	102,448,479	5,215,622	107,664,101	101,817,643	5,944,408	107,762,051
New LCFF Ongoing Revenues			-	-	-	-	-	-	-	-	-	-
One Time Revenues (Sp Ed)												
Revenue from ADB	120,000		120,000	160,000		160,000	200,000		200,000	200,000		200,000
Federal Revenues	114,581	16,442,513	16,557,093	114,581	8,257,127	8,371,707	114,581	8,257,127	8,371,707	114,581	8,257,127	8,371,707
Other State Revenues	2,032,360	11,327,355	13,359,715	2,032,360	8,196,346	10,228,706	2,032,360	8,418,467	10,450,827	2,032,360	8,646,607	10,678,967
Other Local Revenues	2,319,924	2,727,638	5,047,562	2,319,924	1,987,397	4,307,320	2,319,924	1,987,397	4,307,320	2,319,924	1,987,397	4,307,320
TOTAL, REVENUES	111,026,151	35,713,127	146,739,279	110,229,294	24,385,277	134,614,572	107,115,343	23,878,612	130,993,956	106,484,507	24,835,539	131,320,046
EXPENDITURES												
Placeholder cuts (21-22) Declining Enroll.			-	(1,000,000)		(1,000,000)	(1,000,000)	-	(1,000,000)	(1,000,000)	-	(1,000,000)
Placeholder cuts (22-23) Declining Enroll.	-		-			-	(1,000,000)	-	(1,000,000)	(1,000,000)	-	(1,000,000)
Placeholder cuts (23-24) Declining Enroll.			-			-			-	(1,000,000)		(1,000,000)
Certificated	44,944,708	11,491,746	56,436,454	45,618,879	11,664,122	57,283,001	46,303,162	11,839,084	58,142,246	46,997,709	12,016,671	59,014,380
Classified	12,734,727	7,855,670	20,590,397	12,925,748	7,973,506	20,899,253	13,119,634	8,093,108	21,212,742	13,316,428	8,214,505	21,530,933
Employee Benefits	19,710,906	12,437,625	32,148,531	21,157,906	12,861,990	34,019,896	22,604,906	13,122,249	35,727,155	24,051,906	13,122,249	37,174,155
Books & Supplies	7,537,345	11,943,657	19,481,002	3,549,394	3,850,247	7,399,641	3,949,394	2,912,877	6,862,271	4,349,394	2,912,877	7,262,271
Services & Operating Expenses	12,889,903	9,356,522	22,246,425	8,195,506	2,883,728	11,079,234	8,195,506	3,051,731	11,247,237	8,195,506	4,006,178	12,201,684
Capital Outlay	759,965	615,134	1,375,098	252,325	87,183	339,508	252,325	87,183	339,508	252,325	87,183	339,508
Other Outgo	426,606	3,815,778	4,242,384	436,175	3,763,985	4,200,160	442,717	3,763,985	4,206,702	449,358	3,763,985	4,213,343
Transfers of Indirect Costs	(928,687)	694,864	(233,823)	(778,300)	775,258	(3,042)	(778,300)	775,258	(3,042)	(778,300)	775,258	(3,042)
TOTAL, EXPENDITURES	98,075,473	58,210,996	156,286,469	90,357,632	43,860,019	134,217,651	92,089,344	43,645,475	135,734,819	93,834,327	44,898,905	138,733,232
Transfers Out	1,437,985	-	1,437,985	-	-	-	-	-	-	-	-	-
Contributions	(19,186,938)	19,186,938	-	(19,474,742)	19,474,742	-	(19,766,863)	19,766,863	-	(20,063,366)	20,063,366	-
TOTAL, OTHER SOURCES/USES	(20,624,923)	19,186,938	(1,437,985)	(19,474,742)	19,474,742	-	(19,766,863)	19,766,863	-	(20,063,366)	20,063,366	-
NET INCREASE (DECREASE)	(7,674,245)	(3,310,930)	(10,985,175)	396,920	0	396,920	(4,740,864)	0	(4,740,864)	(7,413,185)	(0)	(7,413,186)
FUND BALANCE												
Beginning Fund Balance	32,030,424	3,310,930	35,341,355	24,356,180	-	24,356,180	24,753,100	-	24,753,100	20,012,236	-	20,012,236
Proj. Ending Fund Balance	24,356,180	(0)	24,356,180	24,753,100	0	24,753,100	20,012,236	0	20,012,236	12,599,051	(0)	12,599,050
Nonspendable Revolving Cash	50,000		50,000	50,000		50,000	50,000		50,000	50,000		50,000
Equipment Replacement												
Deferred Maint. Carryover												
Textbook Adoptions												
Home to School Transportation												
LCAP Carryover - School sites												
LCAP Carryover - Centralized												
Center of Teacher Innovation												
Minimum RESERVE	\$ 10,839,394			\$ 9,395,236			\$ 9,501,437			\$ 9,711,326		
UNRESTRICTED RESERVE	15.41%			18.41%			14.71%			9.05%		
Unassigned/Unappropriated	13,466,786			15,307,864			10,460,799			2,837,725		

	2020-21 FIRST INTERIM	2021-22 Projection	2022-23 Projection	2023-24 Projection
REVENUES	Unrestricted	Unrestricted	Unrestricted	Unrestricted
LCFF	106,439,287	105,602,430	102,448,479	101,817,643
New LCFF Ongoing Revenues	-	-	-	-
One Time Revenues (Sp Ed)	-	-	-	-
Revenue from ADB	120,000	160,000	200,000	200,000
Federal Revenues	114,581	114,581	114,581	114,581
Other State Revenues	2,032,360	2,032,360	2,032,360	2,032,360
Other Local Revenues	2,319,924	2,319,924	2,319,924	2,319,924
TOTAL, REVENUES	111,026,151	110,229,294	107,115,343	106,484,507
EXPENDITURES				
Placeholder cuts {21-22} Declining Enroll.		(1,000,000)	(1,000,000)	(1,000,000)
Placeholder cuts {22-23} Declining Enroll.	-		(1,000,000)	(1,000,000)
Placeholder cuts {23-24} Declining Enroll.				(1,000,000)
Certificated	44,944,708	45,618,879	46,303,162	46,997,709
Classified	12,734,727	12,925,748	13,119,634	13,316,428
Employee Benefits	19,710,906	21,157,906	22,604,906	24,051,906
Books & Supplies	7,537,345	3,549,394	3,949,394	4,349,394
Services & Operating Expenses	12,889,903	8,195,506	8,195,506	8,195,506
Capital Outlay	759,965	252,325	252,325	252,325
Other Outgo	426,606	436,175	442,717	449,358
Transfers of Indirect Costs	(928,687)	(778,300)	(778,300)	(778,300)
TOTAL, EXPENDITURES	98,075,473	90,357,632	92,089,344	93,834,327
Transfers Out	1,437,985	-	-	-
Contributions	(19,186,938)	(19,474,742)	(19,766,863)	(20,063,366)
TOTAL, OTHER SOURCES/USES	(20,624,923)	(19,474,742)	(19,766,863)	(20,063,366)
NET INCREASE (DECREASE)	(7,674,245)	396,920	(4,740,864)	(7,413,185)
FUND BALANCE				
Beginning Fund Balance	32,030,424	24,356,180	24,753,100	20,012,236
Proj. Ending Fund Balance	24,356,180	24,753,100	20,012,236	12,599,051
Nonspendable Revolving Cash	50,000	50,000	50,000	50,000
Equipment Replacement				
Deferred Maint. Carryover				
Textbook Adoptions				
Home to School Transportation				
LCAP Carryover - School sites				
LCAP Carryover - Centralized				
Center of Teacher Innovation				
Mimumum RESERVE	\$ 10,839,394	\$ 9,395,236	\$ 9,501,437	\$ 9,711,326
UNRESTRICTED RESERVE	15.41%	18.41%	14.71%	9.05%
Unassigned/Unappropriated	13,466,786	15,307,864	10,460,799	2,837,725

Unable to budget for Cost of Living Adjustment – at this time (pending Governor’s January Proposal)

Enrollment decline means less revenue. Hold harmless provisions expire in 2022-22.

Budget cuts must take place prior to the “cliff” year 2022-23.

➤ Begin Multiyear Effort to Address Ongoing Deficit Now

LAOA

All Other Funds

Fund	Description	Beginning Fund Balance	Revenue	Expenditures	Ending Fund Balance
11	Adult Education	\$ 60,476	\$ 302,849	\$ 363,325	\$ -
12	Child Development	\$ 169,285	\$ 1,050,088	\$ 1,050,088	\$ 169,285
13	Cafeteria Fund	\$ 97,886	\$ 4,712,565	\$ 4,712,565	\$ 97,886
21	Building fund	\$ 48,160,152	\$ 800,000	\$ 48,815,703	\$ 144,449
25	Capital Facilities/Developer Fees	\$ 2,421,457	\$ 720,000	\$ 1,776,450	\$ 1,365,007
35	County School Facilities	\$ 2,436,903	\$ 40,000	\$ -	\$ 2,476,903
67	Self Insurance	\$ 2,305,841	\$ 969,166	\$ 740,806	\$ 2,534,201
73	Foundation Trust	\$ 820,627	\$ 26,000	\$ 17,250	\$ 829,377

Next Steps

- Governor's January Proposal for 2021-22 Budget
- District Financial Audit Report January 2021
- Outcome of negotiations with Employee bargaining units (GTA, CSEA, GFP)
- Revise Multi-Year forecast as needed

Certify the First Interim Financial Report
with a Positive Certification