

Ocean View School District

1st Interim Budget

December 15, 2020

Presented by:

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Purpose

- Multi-Year Projections
- Budget Assumptions
- CARES Act Update
- Enrollment/ADA
- Budget Projections
 - Revenue
 - Expenditure
 - Fund Balance
- Expenditure Priorities
- Budget Challenges
- LAO's Fiscal Outlook
- Next Steps

Multi-Year Projections

The MYP projects total General Fund revenues and expenditures for the budget year and the two ensuing fiscal years. The projections are only estimates and actual outcomes could vary substantially.

The MYP forecasts are based on certain criteria, information available at the time, and assumptions rather than on exact calculations.

MYP forecasting models should be evaluated as a trend based on certain criteria and assumptions rather than a prediction of exact numbers.

To evaluate the MYP, attention is focused on the bottom line, which demonstrates the district's undesignated, unappropriated fund balance.

Budget Assumptions

- LCFF Calculations
 - MYP declining enrollment projections
 - Projected increase in student unduplicated demographics
- Increase in 2021 employee health & welfare contribution:

| | |
|------------|--------------------|
| Kaiser HMO | 6.6%-6.8% increase |
| UHC HMO | 2.9%-3.9% increase |
| UHC PPO | 4.5%-4.9% increase |
- LCFF calculations are impacted by:
 - Student enrollment fluctuations
 - Targeted sub-group enrollment variations
 - Uncertainties due to variances in economy
 - Impacts the Base Grant calculations

Budget Assumptions

- 3-Year Multi-Year Projection
 - The Adopted State Budget provides no COLA, 0.00% for 2020-21, 2021-22, and 2022-23
 - Apportionments Deferred
 - 2020-21 February, March, April, May, and June deferred into 2021-22

Budget Assumptions

- Lowered STRS and Increased PERS District 2-Yr Contributions

| | | |
|----------|--------------|---------------|
| •2019-20 | STRS 17.10% | PERS 19.721% |
| •2020-21 | STRS 16.15%↓ | PERS 20.70% ↑ |
| •2021-22 | STRS 15.92%↓ | PERS 22.84% ↑ |
| •2022-23 | STRS 18.40%↑ | PERS 25.90% ↑ |

- CalPERS projections are built on a model that requires growing employer contributions.

Source: School Services of California, "CalPERS System Funded Levels Increase" 11-23-2020

Budget Assumptions

- No one-time discretionary revenues for 2020-21
- Step and Column salary increase estimate for both certificated 1.5% and classified 0.75% in 2021-22 and 2022-23
- Continued encroachment/contributions
- Transportation reduction beginning 2021-22
- Child Care/Preschool reduction beginning 2021-22
- Increase in unduplicated student count percentage = Concentration Grant funds

CARES Act

Learning Loss Mitigation Funds & ESSER

| FUND | | Amount | Expenditure Date Timeline | Exp./Enc. | Description |
|--|--|-------------|--|-------------|--|
| Learning Loss Mitigation | Governor's Emergency Education Relief (GEER) | \$531,313 | March 13, 2020 -- September 30, 2022 | \$24,484 | Primarily: Desk Shields |
| | Coronavirus Relief (CR) | \$4,132,301 | March 1, 2020 – December 30, 2020 | \$4,132,256 | Primarily: Personal Protection Equipment (PPE), Cleaning Supplies, Technology (Chromebooks & Software, Transportation) |
| | State General Fund (GF) | \$607,732 | March 1, 2020 -- Extended to June 30, 2021 | \$607,732 | Primarily: Chromebook Carts, PPE, and Desk Shields |
| | Total | \$5,271,346 | | \$4,764,472 | |
| Elementary & Secondary School Relief (ESSER) | | \$1,203,118 | March 13, 2020 -- September 30, 2022 <i>Must provide equitable services (funds) to non-public (private) schools approximately \$108,000</i> | \$1,098,354 | Primarily: Labor/staffing, Services, Supplies, PPE, Private School Allocation |
| TOTAL AVAILABLE FUNDS | | \$6,474,464 | | | |

CARES Act

Learning Loss Mitigation Funds & ESSER

| | Primary Description | |
|----------------------------------|---------------------|---------------|
| GEER Funds | | \$ 531,313.00 |
| 1, 2, 3000's Labor with Benefits | | \$ - |
| 4000's Supplies | Desk shields | \$ 24,483.82 |
| 5000's Services | | \$ - |
| Expenditure Subtotal | | \$ 24,483.82 |
| Surplus Balance | | \$ 506,829.18 |

| | Primary Description | |
|----------------------------------|--|-----------------|
| Corona Virus Relief Funds (CRF) | | \$ 4,132,301.00 |
| 1, 2, 3000's Labor with Benefits | Teacher PD training, Classified & Spec Ed extra hours | \$ 483,660.13 |
| 4000's Supplies | Personal Protection Equipment (PPE), desk shields, custodial/cleaning supplies, Chromebooks, technology supplies | \$ 2,035,506.66 |
| 5000's Services | Technology, licenses (ST Math, I-Ready, Pear Deck, Nearpod, etc.), I-Ready consultant PD, Certified Transportation | \$ 1,613,089.52 |
| Expenditure Subtotal | | \$ 4,132,256.31 |
| Surplus Balance | | \$ 44.69 |

CARES Act

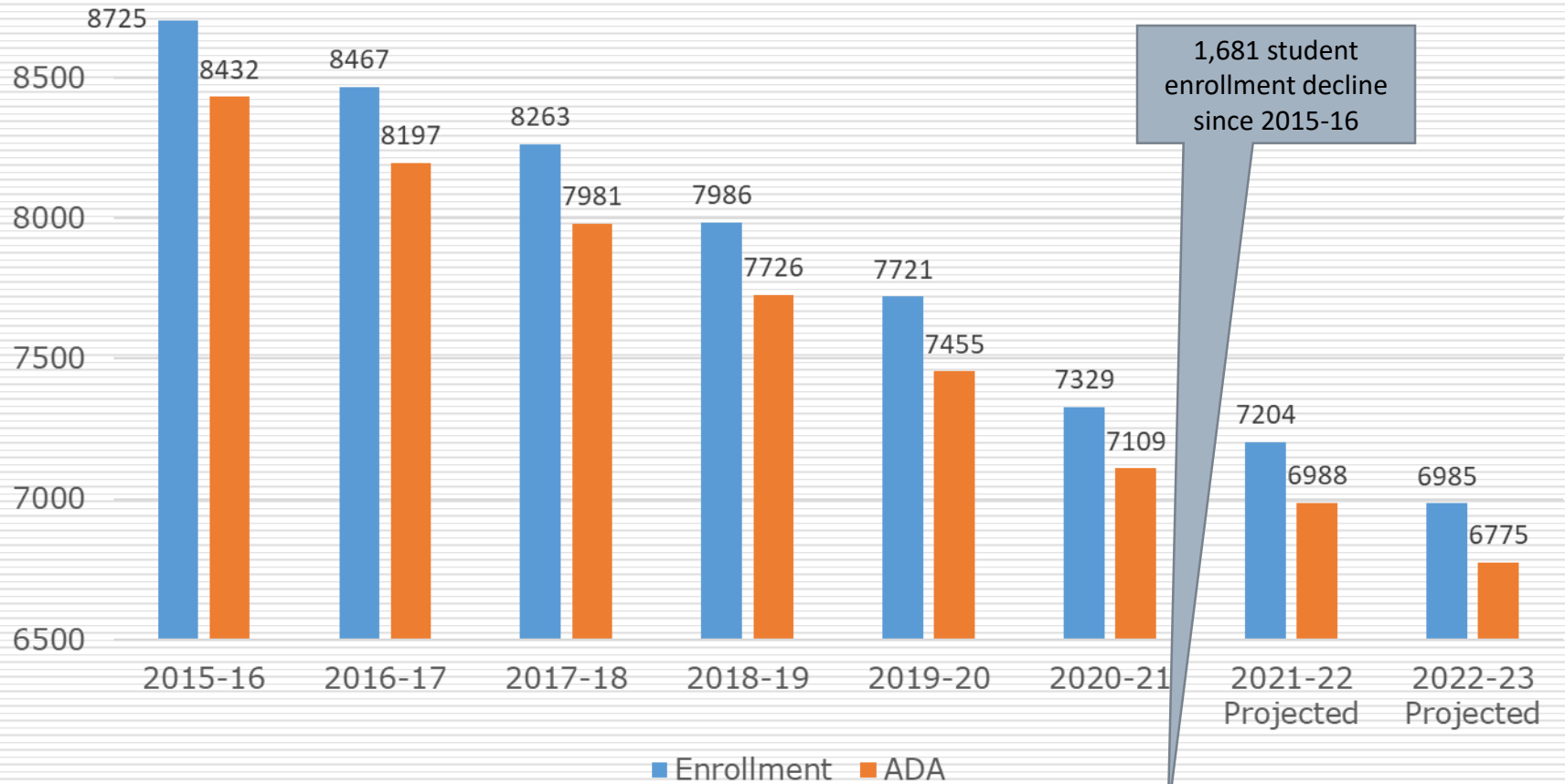
Learning Loss Mitigation Funds & ESSER

| | Primary Description | \$ |
|----------------------------------|--|------------|
| STATE GENERAL FUND (GF) | | 607,732.00 |
| 1, 2, 3000's Labor with Benefits | | - |
| 4000's Supplies | Supplies, PPE, custodial/cleaning supplies, technology | 418,187.48 |
| 5000's Services | Cintas PPE rental and replacement | 189,544.52 |
| Expenditure Subtotal | | 607,732.00 |
| Surplus Balance | | - |

| | Primary Description | \$ |
|-------------------------------------|--|----------------|
| ESSER Funds | | \$1,203,118.00 |
| 1, 2, 3000's Labor with Benefits | Instructional Assistants, IT extra hours | 904,142.21 |
| 4000's Supplies | Desk shields, office desk shields | 137,823.65 |
| 5000's Services | HR legal fees | 6,827.50 |
| 7000's Indirect | 2019-20 Indirect Costs | 49,561.00 |
| Expenditure Subtotal | | 1,098,354.36 |
| Surplus (Private School Allocation) | | 104,763.64 |

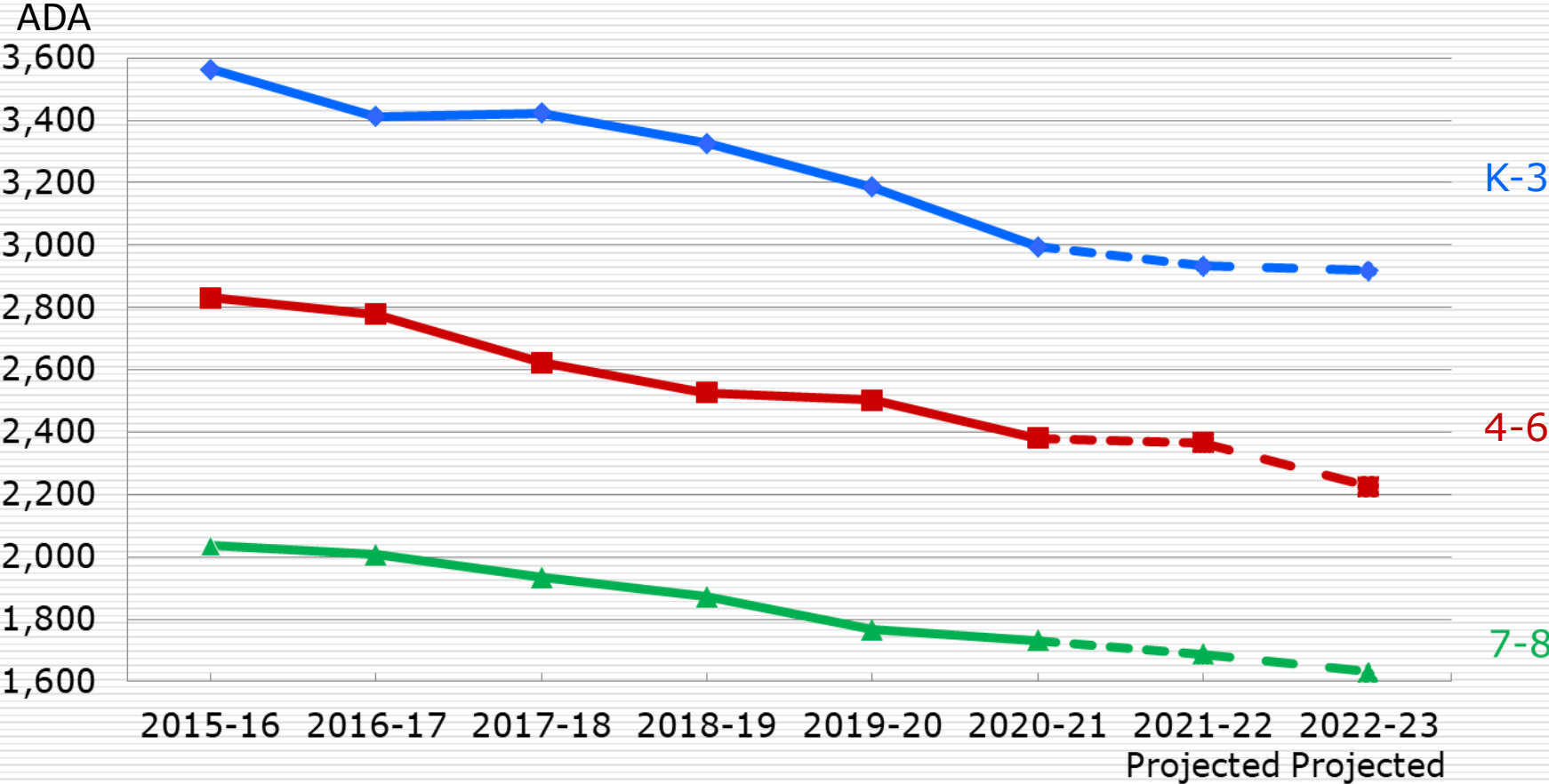
Enrollment-ADA Trends Comparison

CBEDS to P2 ADA

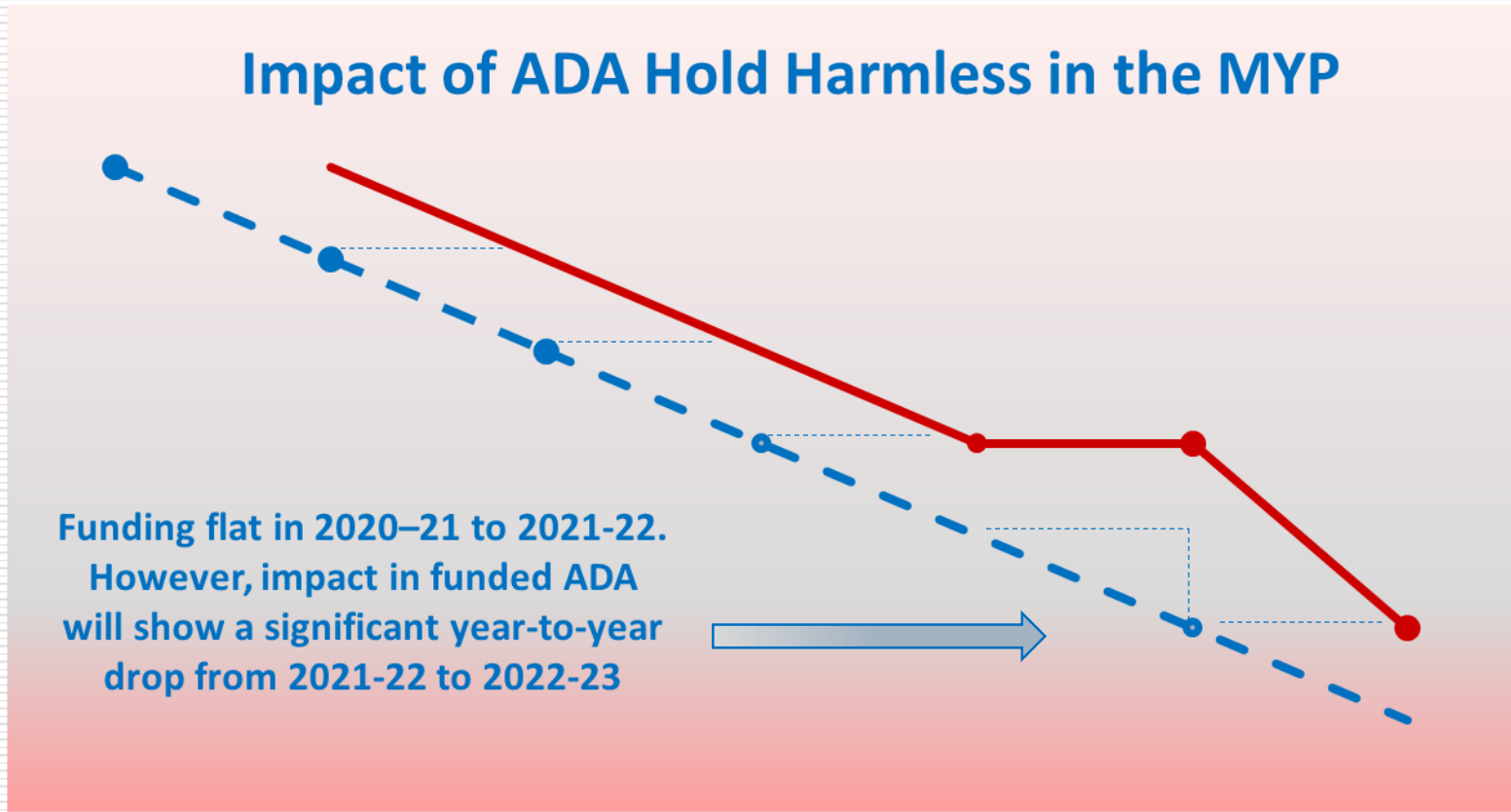


| | | | | | | | | |
|--------------------|------|------|------|------|------|----------------|----------------|----------------|
| Enrollment Changes | -285 | -258 | -204 | -277 | -265 | -392 | -125 Projected | -219 Projected |
| ADA Changes | -175 | -235 | -216 | -255 | -271 | -347 Projected | -120 Projected | -213 Projected |

Grade Span ADA Trends



MYP Declining Enrollment Districts



2016–17

2017–18

2018–19

2019–20

2020–21

2021–22

2022–23

— Funded ADA ● — Declining ADA

Actual/Projected ADA to Funded ADA

| Actual/Projected* ADA | 2019-20 | 2020-21 | 2021-22* | 2022-23* |
|------------------------------|-------------------|-------------------|-------------------|-------------------|
| Grades TK-3 | 3,186.09 | 2,995.36 | 2,933.28 | 2,917.76 |
| Grades 4-6 | 2,502.74 | 2,381.35 | 2,365.83 | 2,226.15 |
| Grades 7-8 | <u>1,765.77</u> | <u>1,732.42</u> | <u>1,688.77</u> | <u>1,631.54</u> |
| TOTAL | 7,454.60 | 7,109.13 | 6,987.88 | 6,775.45 |
| Funded ADA | <i>Prior Year</i> | <i>Prior Year</i> | <i>Prior Year</i> | <i>Prior Year</i> |
| Grades TK-3 | 3,327.02 | 3,186.09 | 3,186.09 | 2,933.28 |
| Grades 4-6 | 2,526.42 | 2,502.74 | 2,502.74 | 2,365.83 |
| Grades 7-8 | <u>1,872.82</u> | <u>1,765.77</u> | <u>1,765.77</u> | <u>1,688.77</u> |
| TOTAL | 7,726.26 | 7,454.60 | 7,454.60 | 6,987.88 |

Hold Harmless

LCFF Calculation

| A | B | C | D | E | F | G | H |
|--------------------------|------------------------|-----------------------------|-----------------------|-----------------------|-----------------------|-------------------------|-------------------|
| Grade Level | 2019-20 OVSD ADA | 2019-20 NPS & COE ADA | 2020-21 Base Grant | 2020-21 COLA 0% | 2020-21 Grade Span | 2020-21 Supplemental | 2020-21 Total |
| TK-3 | 3,186.09 | 4.95 | 7,702 | 0 | 801 | 918 | 30,064,364 |
| 4-6 | 2,502.74 | 5.42 | 7,818 | 0 | 0 | 845 | 21,726,937 |
| 7-8 | 1,765.77 | 7.60 | 8,050 | 0 | | 870 | 15,817,682 |
| TOTAL BASE | 7454.60 | 17.97 | 58,461,814 | 0 | 2,556,023 | 6,591,146 | 67,608,983 |
| Add-on: TIIG | | | | | | | 680,066 |
| Add-on: Trans | | | | | | | 867,142 |
| TOTAL LCFF | | | | | | | 69,156,191 |

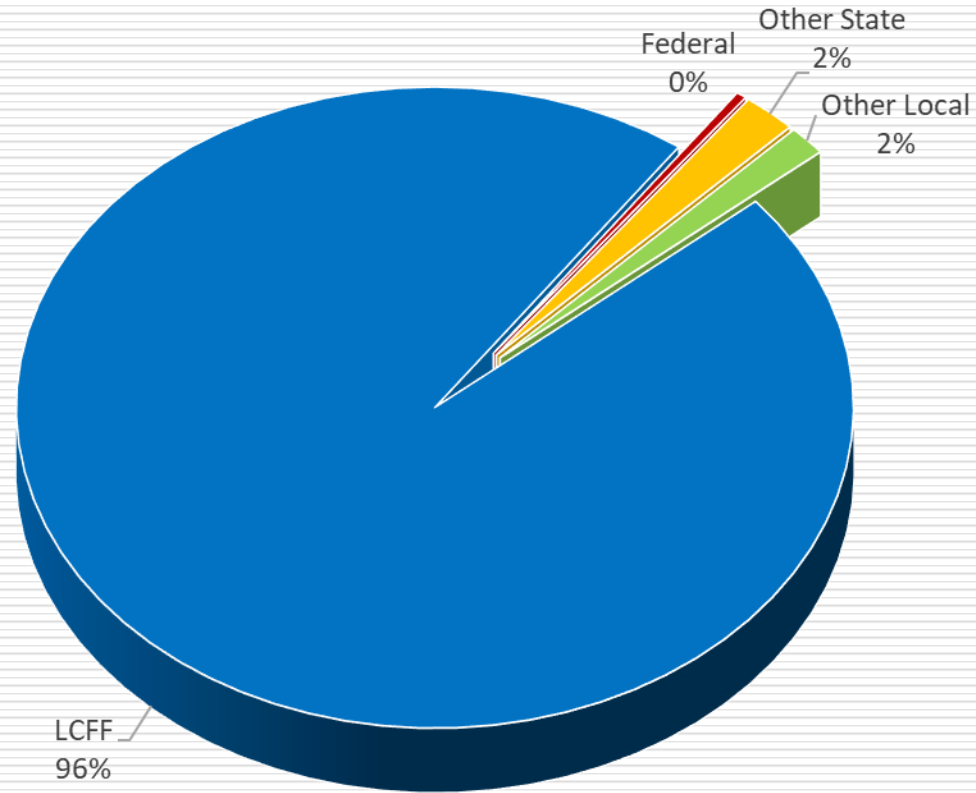
NOTE: Calculation $(B+C) \times (D+E+F+G) = H$ (figures rounded due to decimals)

Unrestricted Revenues

The District has budgeted \$71,970,036 in total unrestricted revenues for 2020-21.

The majority of District funding comes from the State Local Control Funding Formula sources, \$69,156,191.

The District also incurs \$15,378,102 in District contributions to cover other District programs that are NOT fully funded, i.e. district and county Special Education, Fund 12 Child Care & Preschool programs, Routine Restricted Maintenance, and Transportation. This represents 21% of Unrestricted Revenues that go directly to support these programs.

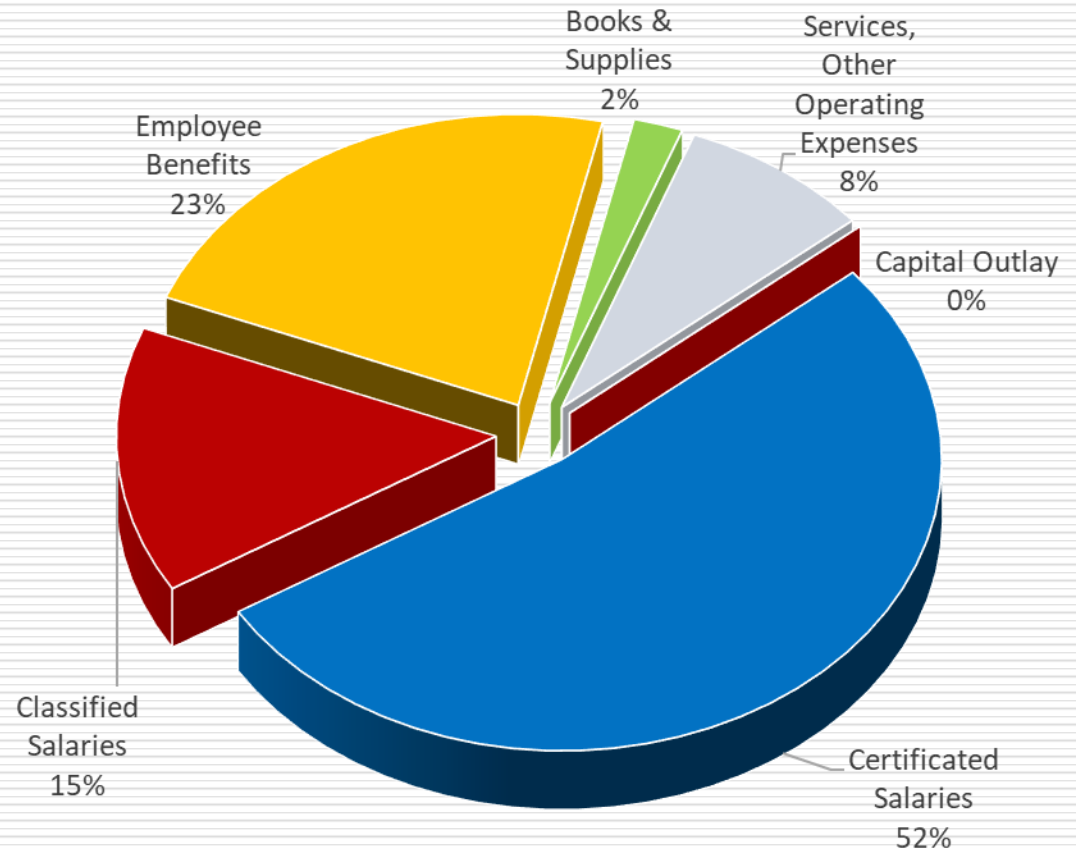


Unrestricted Expenditures

The District has budgeted \$60,778,598 in expenditures for 2020-21.

Education is a service related industry, consequently spends the majority share of its budgetary resources in personnel related areas.

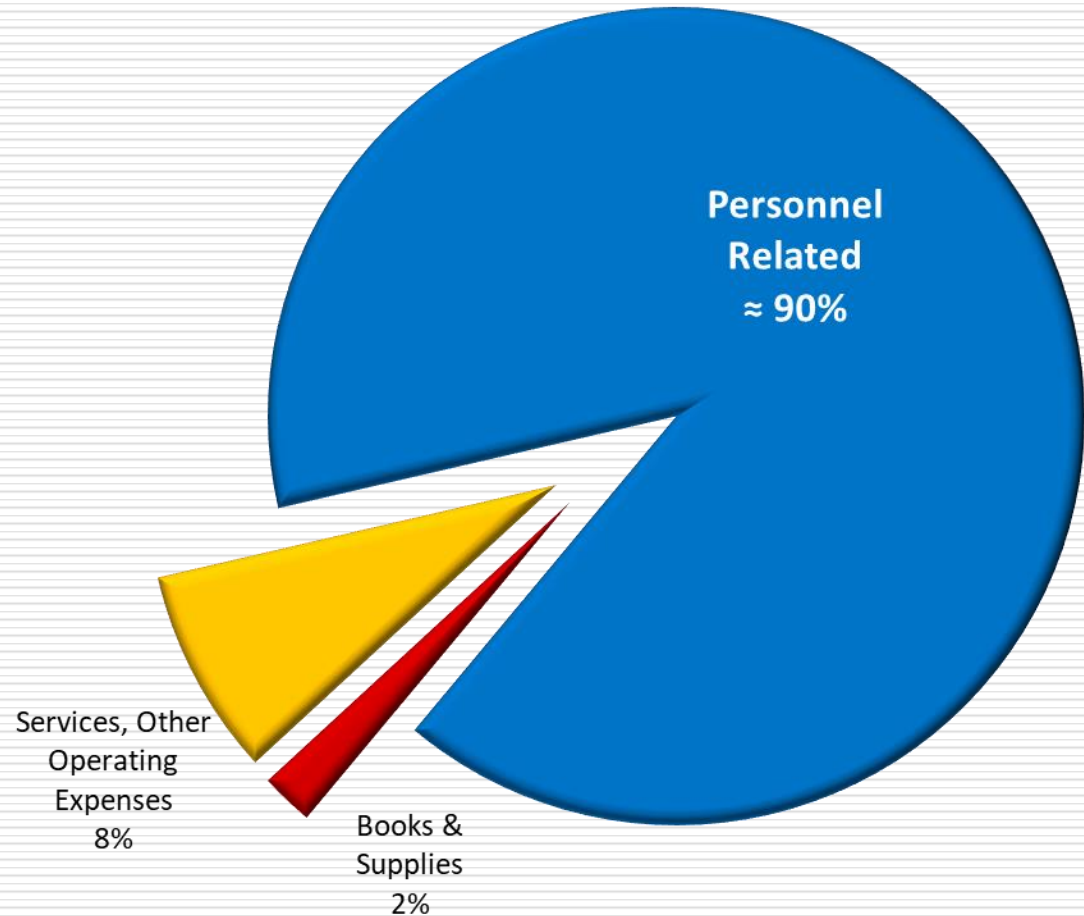
Employee salaries account for 67% of all expenses and employee benefits alone account for 23%. All personnel related expenses comprise approximately 90% of all District expenses, leaving only 10% for District operational needs.



Unrestricted Expenses

The District's percentage* of Personnel related expenses to total expenses continues to increase.

| Year | Percentage* |
|---------|---------------|
| 2017-18 | 89% |
| 2018-19 | 90% |
| 2019-20 | 92% |
| 2020-21 | 90% projected |

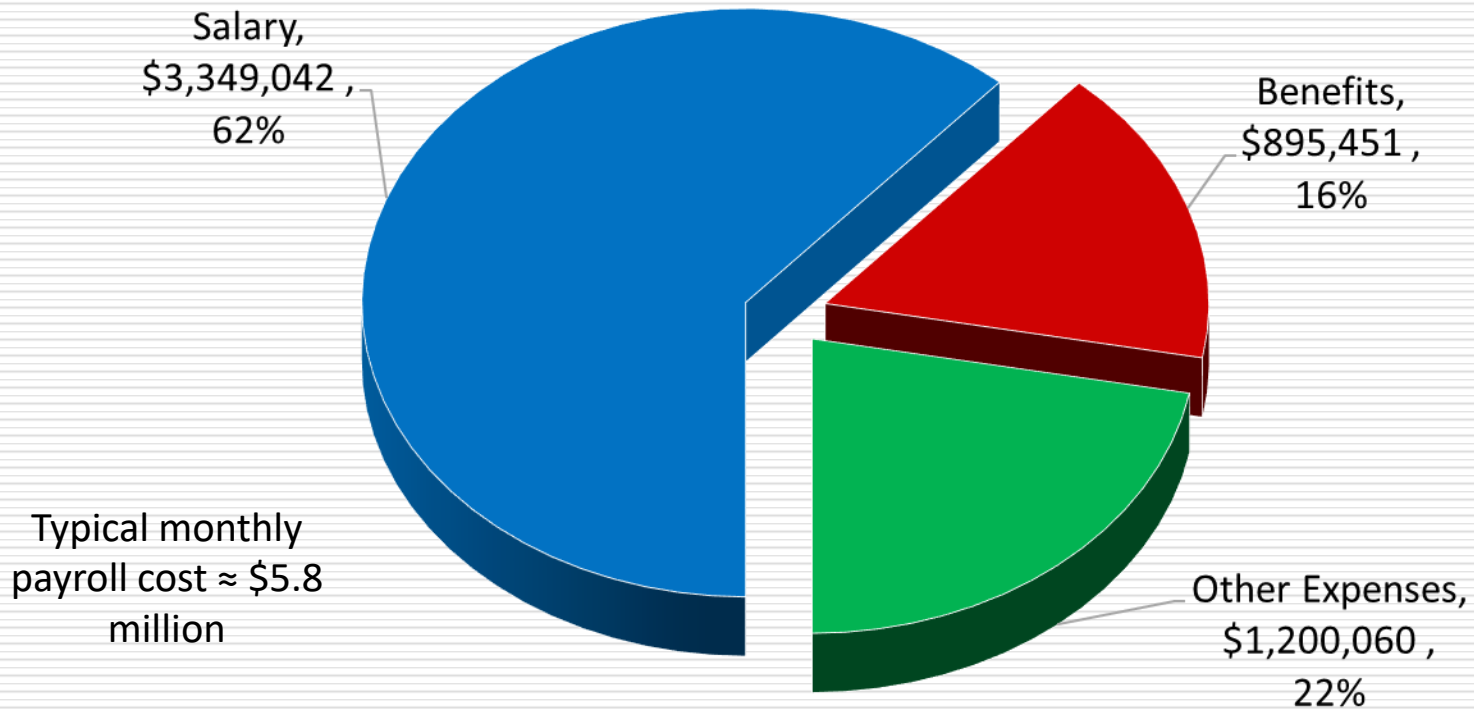


* Percentages may differ from actuals due to rounding decimals

Cash Flow – Monthly Disbursement

through first 5 months

Total Monthly Average \$5.4 Million



Unrestricted Multi Year Projections

1st Interim MYP Overview 2020-21 thru 2022-23

| GF Unrestricted | 2020-21 | 2021-22 Projected | 2022-23 Projected |
|--------------------------|---------------------|------------------------------|------------------------------|
| Revenues | \$71,970,036 | \$72,543,605 | \$68,244,870 |
| Expenditures | \$60,778,598 | \$59,972,705 | \$60,829,342 |
| Increase/Decrease | \$11,191,438 | \$12,570,900 | \$7,415,528 |

Contributions to District Programs

| Encroachment/District Contribution to the General Fund | 2020-21 |
|---|---------------------|
| Special Education | \$10,991,469 |
| Routine Restricted Maintenance | \$2,852,701 |
| Classified School Employee Summer Assistance Program | \$28,232 |
| Federal Programs [i.e. Title II] | \$36,647 |
| Local Grant [Prop 10 Nurse Readiness] | \$20,222 |
| TOTAL | \$13,929,271 |

Interfund Contributions from the General Fund

| Interfund Contributions from the General Fund | 2020-21 |
|--|----------------|
| Fund 14 (Deferred Maintenance) | \$250,000 |
| Fund 12 (Child Care & Preschool) | \$1,448,830 |
| TOTAL | \$1,698,830 |

Unrestricted Multi Year Projections

1st Interim MYP Overview 2020-21 thru 2022-23

6% decrease
in revenues

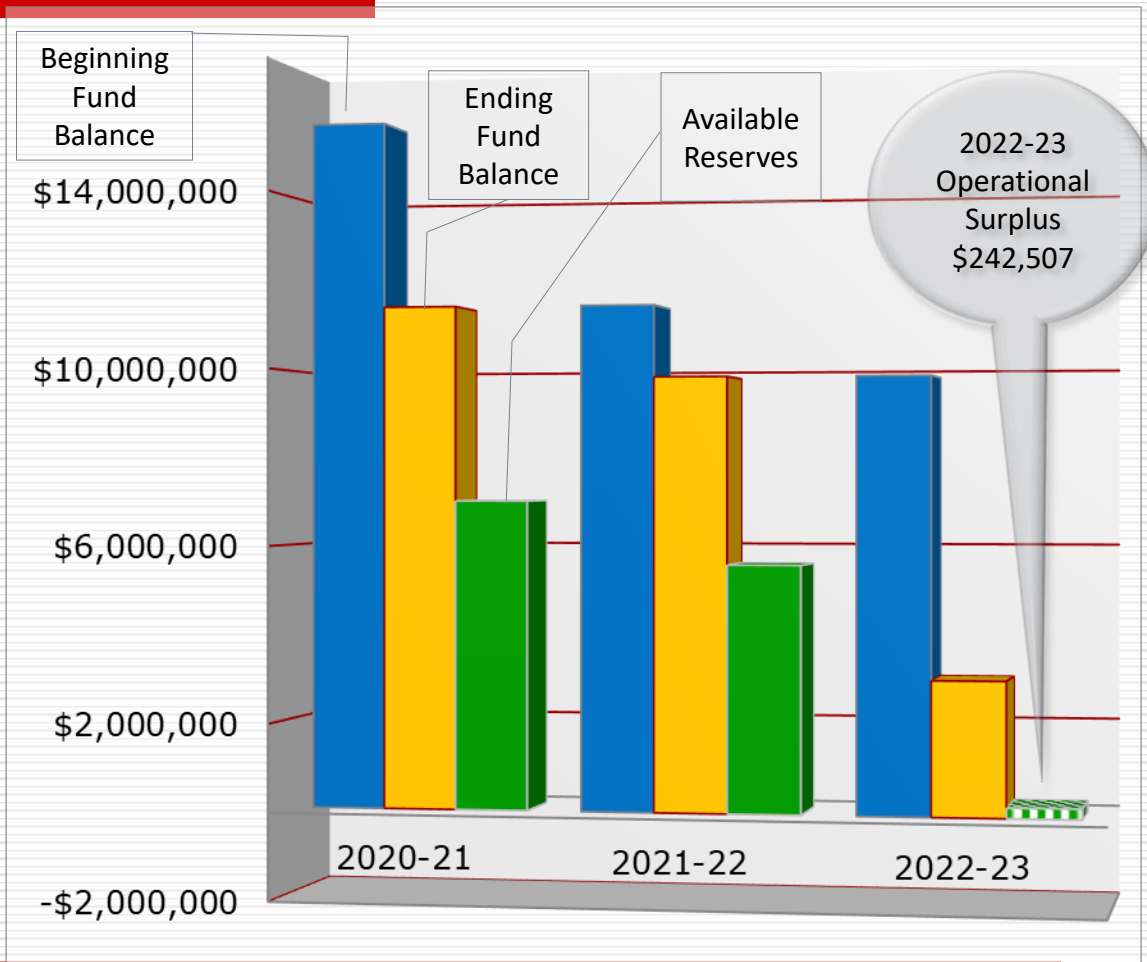
21% of Unrestricted
Revenues directly to
support programs

| GF Unrestricted | 2020-21 | 2021-22 Projected | 2022-23 Projected |
|-----------------------------------|-----------------------|-----------------------|-----------------------|
| Revenues | \$71,970,036 | \$72,543,605 | \$68,244,870 |
| Encroachment/Contributions | (\$15,378,102) | (\$14,188,920) | (\$14,188,920) |
| Net Revenues | \$56,591,934 | \$58,354,685 | \$54,055,950 |
| Expenditures | \$60,778,598 | \$59,972,705 | \$60,829,342 |
| Increase/ Decrease | (\$4,186,663) | (\$1,618,021) | (\$6,773,392) |
| Beginning Fund Balance | \$15,611,811 | \$11,425,148 | \$9,807,127 |
| Ending Fund Balance | \$11,425,148 | \$9,807,127 | \$3,033,735 |

Multi-Year Projection Comparison

Because of zero COLA projections in 2020-21, 2021-22 & 2022-23 the multi-year projections indicated that the District would have an operational surplus just under \$250,000 in the 2022-23 school year.

Meaning, as the District budget currently stands today with budget reductions, we will have a emergency reserve just under \$250,000 to cover any unforeseen or emergency budget needs in the third year (2022-23) of our multi-year budget projections.



Priority of Expenditures

Essential – absolutely must have to operate district or school, i.e. classroom teacher salary

Necessary – important component to operate district or school but could do without, i.e. replacement technology, Facilities vehicle

Discretionary -- nice to have, routine and everyday expenditures, i.e. office supplies, photo copies, new technology

5 Significant OVSD Budget Challenges

| | |
|-------------|--|
| Challenge 1 | Declining Enrollment |
| Challenge 2 | Low School Enrollments |
| Challenge 3 | Encroachment <i>(21% of Unrestricted Revenues directly to support programs)</i> |
| Challenge 4 | High Personnel related budget <i>(90% Unrestricted Budget)</i> |
| Challenge 5 | Economic Impact of COVID-19 |

NOTE: all negatively & directly impact the District's deficit spending trends

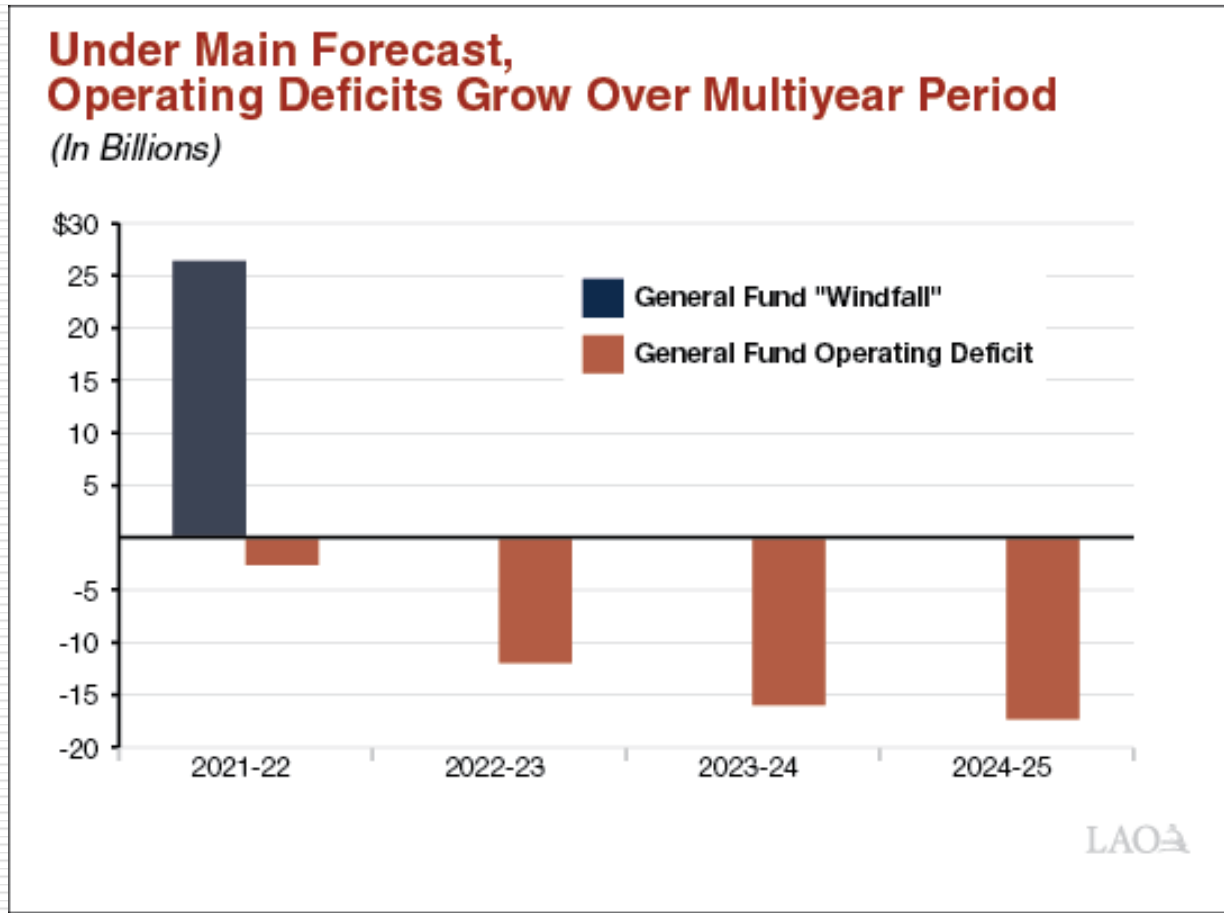
LAO's 2021-22 Fiscal Outlook

to be updated in Governor's January Budget

- State economy has undergone rapid but uneven recovery.
- Estimates the Legislature has \$13.7 billion in one-time and \$4.2 billion in ongoing Prop 98 funds available for allocation in the upcoming 2021-22 budget cycle
- General Fund revenues grow at an average annual rate of less than 1 percent while expenditures under current law and policy grow at an average 4.4 percent per year.
- State faces a small operating deficit in 2021-22, but grows to \$17 billion by 2024-25
- Minimum funding level required by Proposition 98 is projected to grow more quickly than the cost of COLA
- Statutory COLA projected to remain relatively low.

LAO's 2021-22 Fiscal Outlook

to be updated in Governor's January Budget



LAO's 2021-22 Fiscal Outlook

to be updated in Governor's January Budget

- LAO recommends the Legislature to –
 - Restore the State's budget fiscal resilience
 - Use on one-time purposes, focusing on activities that mitigate the adverse economic and health consequences of the public health emergency due to the COVID-19 pandemic.

LAO's 2021-22 Fiscal Outlook

to be updated in Governor's January Budget

- The State has enough Prop 98 funds
 - To reverse all of the payment deferrals it implemented in the June 2020 budget plan and restore the regular payment schedule
 - Cover the 1.14 percent statutory COLA
 - Protect ongoing programs in case the Prop 98 guarantee drops in the future
 - Potential uses for one-time funding include addressing student learning loss, paying down future pension costs, and building reserves.

Next Steps

December 15, 2020

- Approve 1st Interim Budget
 - “Positive” Self-Certification

January

- Governor’s Budget Proposal
 - Budget and program impacts for 2021-22

January – March

- Plan for 2nd Interim Budget Update
- Begin development of 2021-22 District budget assumptions
- Begin enrollment/staffing projections for 2021-22