

Ocean View School District Budget Update Report 2020-21

Prepared & Presented by:
Carol Hansen, Ed.D., Superintendent
Michael Conroy, Ed.D., Deputy Superintendent
Keith Farrow, Director of Fiscal Services
Jose Velazquez, Accountant
Teri Bonds, Financial Analyst

April 21, 2020

OCEAN VIEW SCHOOL DISTRICT
EDUCATION CENTER



Fiscal Stabilization Plan

Takes into consideration the following principles:

- Maintain Fiscal Solvency
- Maintain Student Achievement
- Maintain Positive Labor Relations

Topics

- Commentary from the Department of Finance and State Legislature
- Revenue/COLA Scenarios
- Budget Impact
- Budget Reduction Recommendations

State Workload Budget

The Assembly expects that Governor Newsom's May Revise will become a "working budget" that reflects current year (2019-20) spending and service levels.

This means that the new proposals and investments from the Governor's January State Budget blueprint will not be vetted in Assembly budget subcommittees since they are not likely to be included in the Governor's revised Budget proposal.

When the Assembly reconvenes, they will not be considering any new investments or priorities except for COVID-19 related costs, wildfire prevention, and homelessness funding.

The Assembly may also need to revisit some reductions to existing programs depending on the state's fiscal condition.

August Revision

Last month the Franchise Tax Board announced that they were postponing the 2019 tax filing and payment deadlines from April 15 to July 15, meaning the state will not have a complete picture of its current year revenues until later in the summer.

For this reason, the Assembly expects to revisit the 2020–21 State Budget in August.

This means school districts will pass a budget before it knows the state budget, just like in the Revenue Limit days.

Department of Finance (DOF)

The DOF is anticipating an immediate impact on revenues in the 2019–20 fiscal year and beyond, and that “agencies and departments should have no expectation of full funding for either new or existing proposals and adjustments.....”

The DOF sets expectations for the 2020–21 State Budget and makes clear that any proposals for new investments are being reevaluated “within the context of a workload budget, based on the merits of each proposal, and ultimately subject to the availability of funding.”

While a sweeping change from the State Budget proposed in January, this should not be a significant surprise as the DOF incorporates the negative impact of the coronavirus pandemic on California’s economy in its work to prepare the State Budget for 2020–21.

Legislative Analysts Office (LAO)

In a presentation to the Legislature by the top budget and policy analyst of the Legislative Analysts Office, Gabriel Petek noted that within less than three months, the state devolved from a budget surplus to a “budget problem,” which he defined as the condition in which the state’s surplus and existing reserves are insufficient to meet existing obligations.

In essence, Petek’s statement signaled that, even in the absence of updated economic data, the state would need to make significant spending cuts.

Department of Finance (DOF)

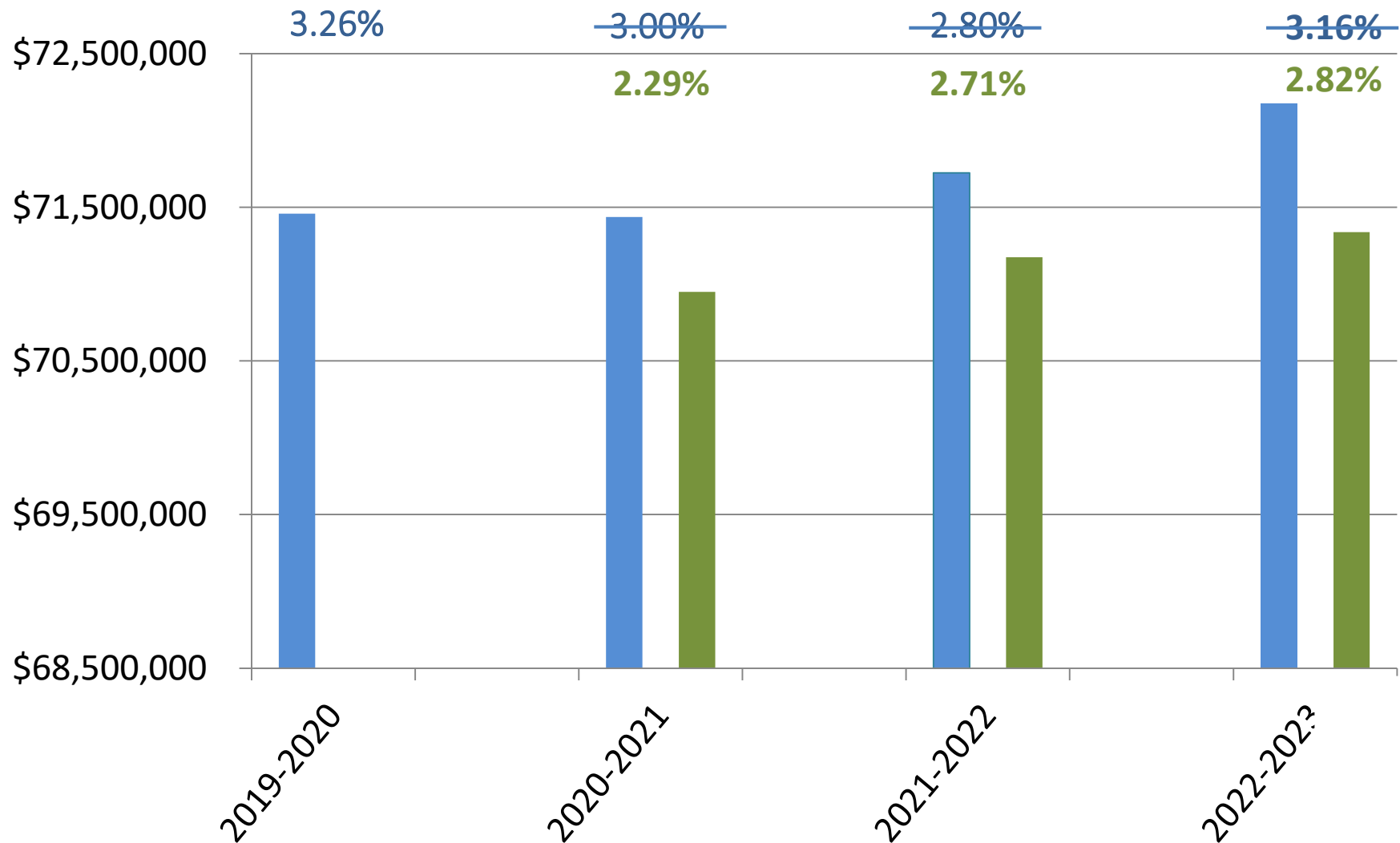
On April 10, 2020, Keely Bosler, Director of the Department of Finance (DOF) issued an interim fiscal update to state policy makers on the impact of the COVID-19 pandemic on the State Budget and in anticipation of the May Revision.

Ms. Bosler noted that “the economic disruption from the pandemic is expected to result in a recession and have significant negative effects on state revenues. This impact is expected to be immediate, affecting fiscal year 2019–20, and will continue into fiscal year 2020–21 and additional years depending on the pace of recovery of local, state, and national economies.”

2nd Interim Budget LCFF Revenue Projections

Multi-Year COLA projections for Budget
Year LCFF Revenue Impact

- 1st Interim Projections
- 2nd Interim Projections



Combined General Fund Balance Summary and MYP

GF Combined	2019-20 2nd Interim	2020-21 Projected	2021-22 Projected	2022-23 Projected
Revenues	\$89,995,683	\$87,502,386	\$87,727,009	\$87,940,676
Expenditures <i>(including Transfers In/Out)</i>	\$90,994,551	\$91,155,828	\$90,587,152	\$90,650,151
Net Inc / (Dec) in Fund Balance	\$(998,869)	\$(3,653,442)	\$(2,860,143)	\$(2,709,475)
Beginning Balance	\$13,702,900	\$12,704,031	\$9,050,590	\$6,190,447
Ending Balance <i>(% of Expenditures)</i>	\$12,704,031 13.96%	\$9,050,590 9.93%	\$6,190,447 6.83%	\$3,480,972 3.94%
3% REU	\$2,734,837	\$2,739,675	\$2,722,615	\$2,724,505
Emergency Reserve <i>(% of Expenditures)</i>	\$6,739,360 7.41%	\$4,219,089 4.63%	\$1,683,665 1.86%	\$368,947 0.40%

2nd Interim Budget Report

During the March 3, 2020 Board Meeting Deputy Superintendent Dr. Conroy stated: “Our emergency reserve is being significantly reduced. That is telling us that we are living on one time funds. If we have some type of significant budget issue in the next 3 years and only have \$400,000 to deal with that in our budget we are going to have a crisis. So we have to be mindful of the expenditures because we do not have the revenues.”

Out-Year Revenues

School Services of California reports that all indications are that school districts' revenue outlook will be reduced from what was anticipated in Governor Gavin Newsom's January State Budget proposal. The current COLA of 2.29% estimated in January for the 2020–21 fiscal year is likely to be lowered at the May Revision next month. In addition, the subsequent-year COLAs are vulnerable to being lowered as well.

Lower COLA Budget Scenarios

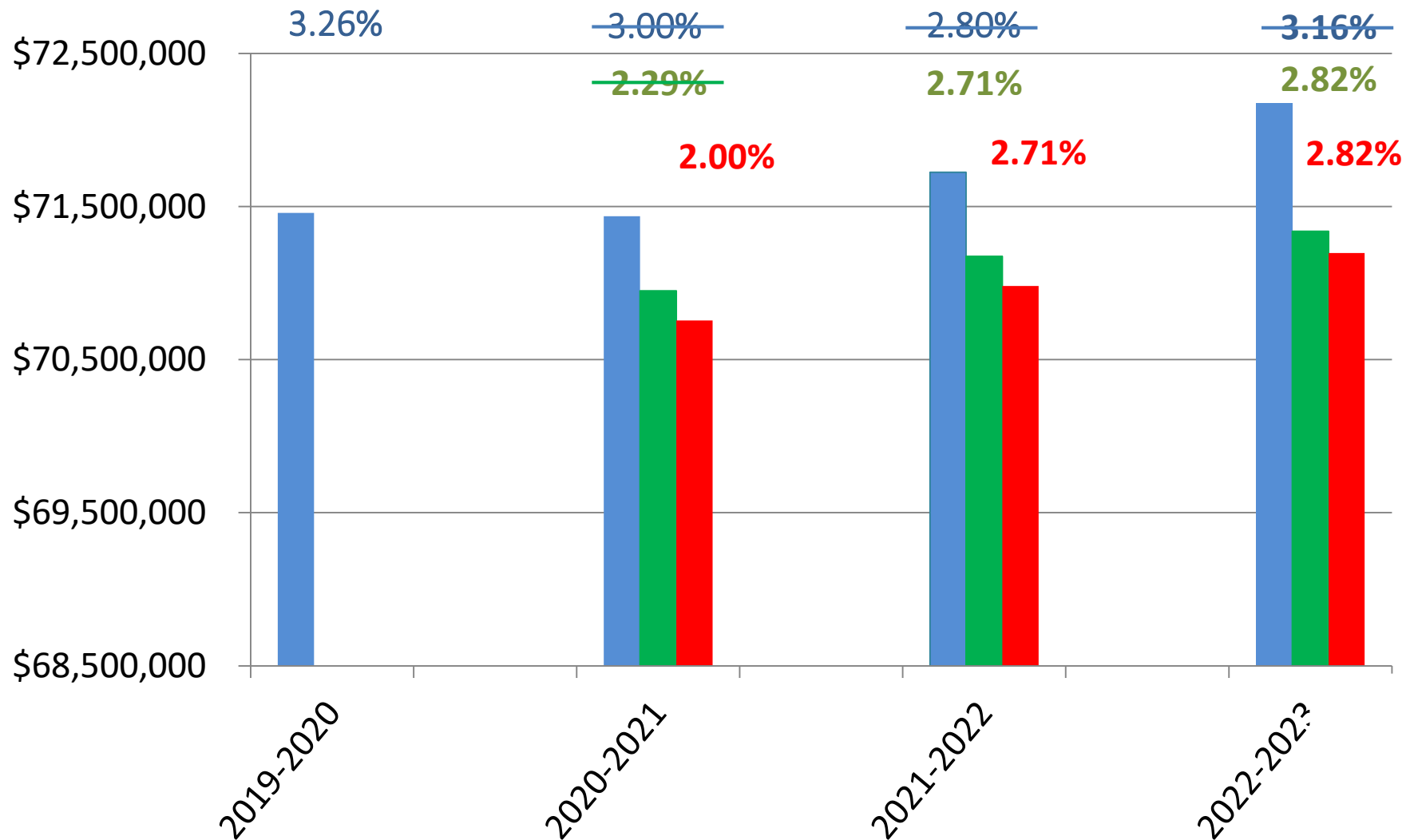
Three scenarios of lower COLA projections

- Reduction in 2020-21 COLA from 2.29% to 2.00%
- Reduction in Multi-Year Projection COLAs by 0.25%
- Reduction in Multi-Year Projection COLAs to 0.0%
(recommendation from OCDE)

LCFF Revenue Projection – Scenario 1

Reduction in 2020-19 COLA by
0.29% to 2.00%

- 1st Interim Projections
- 2nd Interim Projections
- Estimated May Revise



Combined General Fund Balance Summary and MYP

Reduction in 2020-19 COLA by 0.29% to 2.00%

GF Combined	2019-20 2nd Interim	2020-21 Projected	2021-22 Projected	2022-23 Projected
Revenues	\$89,995,683	\$87,307,731	\$87,534,221	\$87,749,761
Expenditures <i>(including Transfers In/Out)</i>	\$90,994,551	\$91,155,828	\$90,587,152	\$90,650,151
Net Inc / (Dec) in Fund Balance	\$(998,869)	\$(3,848,097)	\$(3,052,931)	\$(2,900,390)
Beginning Balance	\$13,702,900	\$12,704,031	\$8,855,935	\$5,803,004
Ending Balance <i>(% of Expenditures)</i>	\$12,704,031 13.96%	\$8,855,935 9.72%	\$5,803,004 6.41%	\$2,902,614 3.20%
3% REU	\$2,734,837	\$2,739,675	\$2,722,615	\$2,724,505
Emergency Reserve <i>(% of Expenditures)</i>	\$6,739,360 7.41%	\$4,024,434 4.41%	\$1,296,222 1.43%	\$(147,811) (0.16%)

LCFF Revenue Projection – Scenario 2

Reduction in MYP COLAs by 0.25%

- 1st Interim Projections
- 2nd Interim Projections
- Estimated May Revise



16

Combined General Fund Balance Summary and MYP

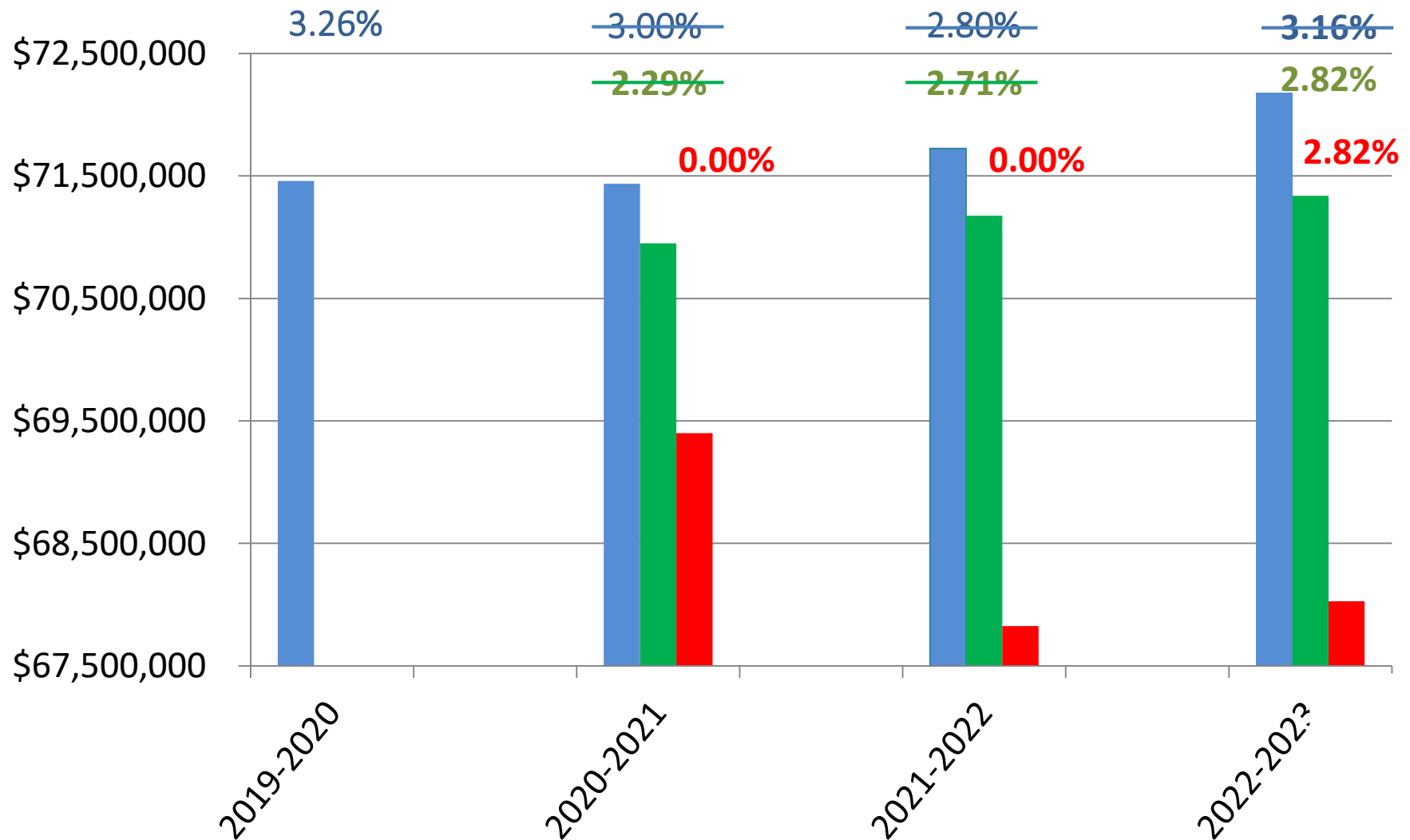
Reduction in MYP COLAs by 0.25%

GF Combined	2019-20 2nd Interim	2020-21 Projected	2021-22 Projected	2022-23 Projected
Revenues	\$89,995,683	\$87,307,731	\$87,363,022	\$87,407,859
Expenditures <i>(including Transfers In/Out)</i>	\$90,994,551	\$91,155,828	\$90,587,152	\$90,650,151
Net Inc / (Dec) in Fund Balance	\$(998,869)	\$(3,848,097)	\$(3,224,130)	\$(3,242,292)
Beginning Balance	\$13,702,900	\$12,704,032	\$8,855,935	\$5,631,805
Ending Balance <i>(% of Expenditures)</i>	\$12,704,031 13.96%	\$8,855,935 9.72%	\$5,631,805 6.22%	\$2,389,513 2.64%
3% REU	\$2,734,837	\$2,739,675	\$2,722,615	\$2,724,505
Emergency Reserve <i>(% of Expenditures)</i>	\$6,739,360 7.41%	\$4,024,434 4.41%	\$1,125,023 1.24%	\$(722,512) -0.8%

LCFF Revenue Projection – Scenario 3

Reduction in MYP COLAs to 0.0% in 20-21 & 21-22

- 1st Interim Projections
- 2nd Interim Projections
- Estimated May Revise



Combined General Fund Balance Summary and MYP

Reduction in MYP COLAs to 0.0% in 20-21 & 21-22

GF Combined	2019-20 2nd Interim	2020-21 Projected	2021-22 Projected	2022-23 Projected
Revenues	\$89,995,683	\$85,951,901	\$84,377,309	\$84,579,584
Expenditures <i>(including Transfers In/Out)</i>	\$90,994,551	\$91,155,828	\$90,587,152	\$90,650,151
Net Inc / (Dec) in Fund Balance	\$(998,869)	\$(5,203,927)	\$(6,209,843)	\$(6,070,567,)
Beginning Balance	\$13,702,900	\$12,704,03	\$7,500,105	\$1,290,262
Ending Balance <i>(% of Expenditures)</i>	\$12,704,031 13.96%	\$7,500,105 8.23%	\$1,290,262 1.42%	\$(4,780,305) -5.27%
3% REU	\$2,734,837	\$2,739,675	\$2,722,615	\$2,724,505
Emergency Reserve <i>(% of Expenditures)</i>	\$6,739,360 7.41%	\$2,668,604 2.93%	\$(1,665,932) -1.84%	\$(7,830,730) -8.64%

5 Significant OVSD Budget Challenges

Challenge 1	Declining Enrollment
Challenge 2	Low School Enrollments
Challenge 3	Encroachment
Challenge 4	High Personnel related budget costs
Challenge 5	<i>Projected Lower COLAs</i>

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

February 2020 Board Direction

To reduce fiscal impact beginning 2020-21 school year

Budget reductions approved by the Board:

- ✓ Fee Based Pre-School
- ✓ Title III Instructional Assistants
- ✓ Transportation

Additional Staff Reduction Recommendations

- ❑ Postpone NGSS Textbook Adoption

ESTIMATED SAVINGS ≈ \$1,500,000

- ❑ Eliminate Home-to-School (Fee-based) Transportation

ESTIMATED SAVINGS ≈ \$125,000

- ❑ Suspend modernization Transportation

ESTIMATED SAVINGS ≈ \$125,000

- ❑ Modify Use of Non-Classroom Substitutes

ESTIMATED SAVINGS ≈ \$300,000

Board Direction

Staff requests consensus and support to move forward with recommendations to

- Postpone textbook adoption
- Eliminate home-to-school (fee-based) transportation
- Suspend modernization Transportation
- Modify Use of Non-Classroom Substitutes

(NOTE: continue Oak to Middle School transportation services)

Questions?