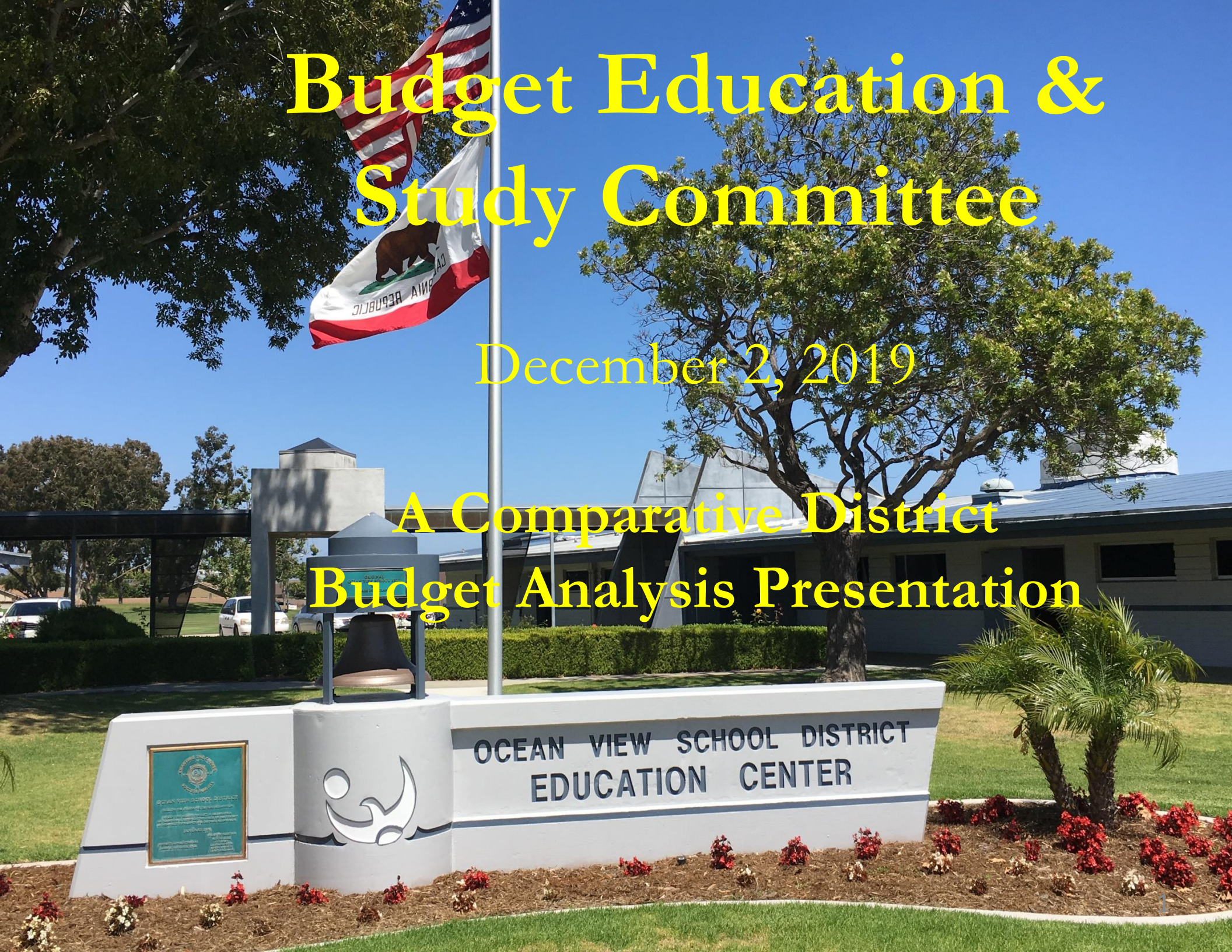


Budget Education & Study Committee

December 2, 2019

A Comparative District Budget Analysis Presentation

OCEAN VIEW SCHOOL DISTRICT
EDUCATION CENTER



Comparative Budget Analysis

This presentation is about the Ocean View School District Budget. It will share information how we spend our financial resources, and will outline how our budget expenditures compare to the other Orange County elementary school districts, whether they have larger or smaller student enrollment, or receive more or less revenues per ADA. Public education is a people industry, however the data shows that we are disproportionality spending more for personnel related expenses than any of the other elementary districts.

This is our budget reality!

Comparative Budget Analysis – Comparison Group

Orange County Elementary School Districts

Anaheim City School District ✓

HB City School District

Buena Park School District ✓

La Habra City School District ✓

Centralia School District ✓

Magnolia School District ✓

Cypress School District

Ocean View School District

Fountain Valley School District

Savanna School District ✓

Fullerton School District

Westminster School District ✓

✓ - These school districts receive LCFF Supplemental and Concentration additional funding

Comparative Budget Analysis

Although public school districts provide the same basic educational service, communities differ and the programs provided by each district vary based upon local needs.

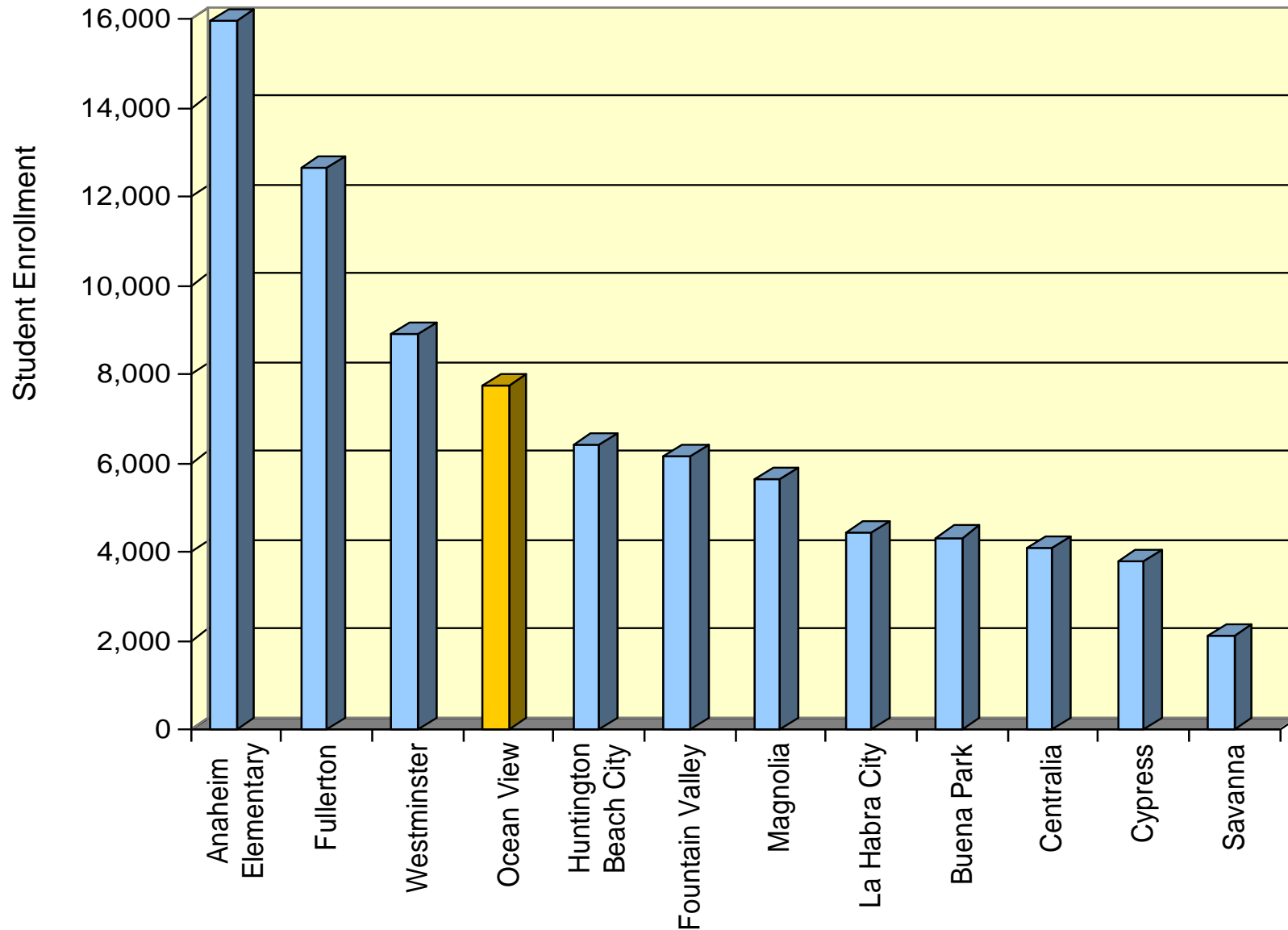
There are budgetary trends from district to district that can provide a comparative understanding of their basic similarities, such as revenues, expenses, employee salaries, and student enrollment.

The financial data presented in this presentation is primarily the 2018-19 Unaudited Actuals Financial Reports presented as a percentage of selected topics' expenses to total General Fund expenditures, meaning how much of the total budget is allocated for certain budget items, such as salaries and benefits.

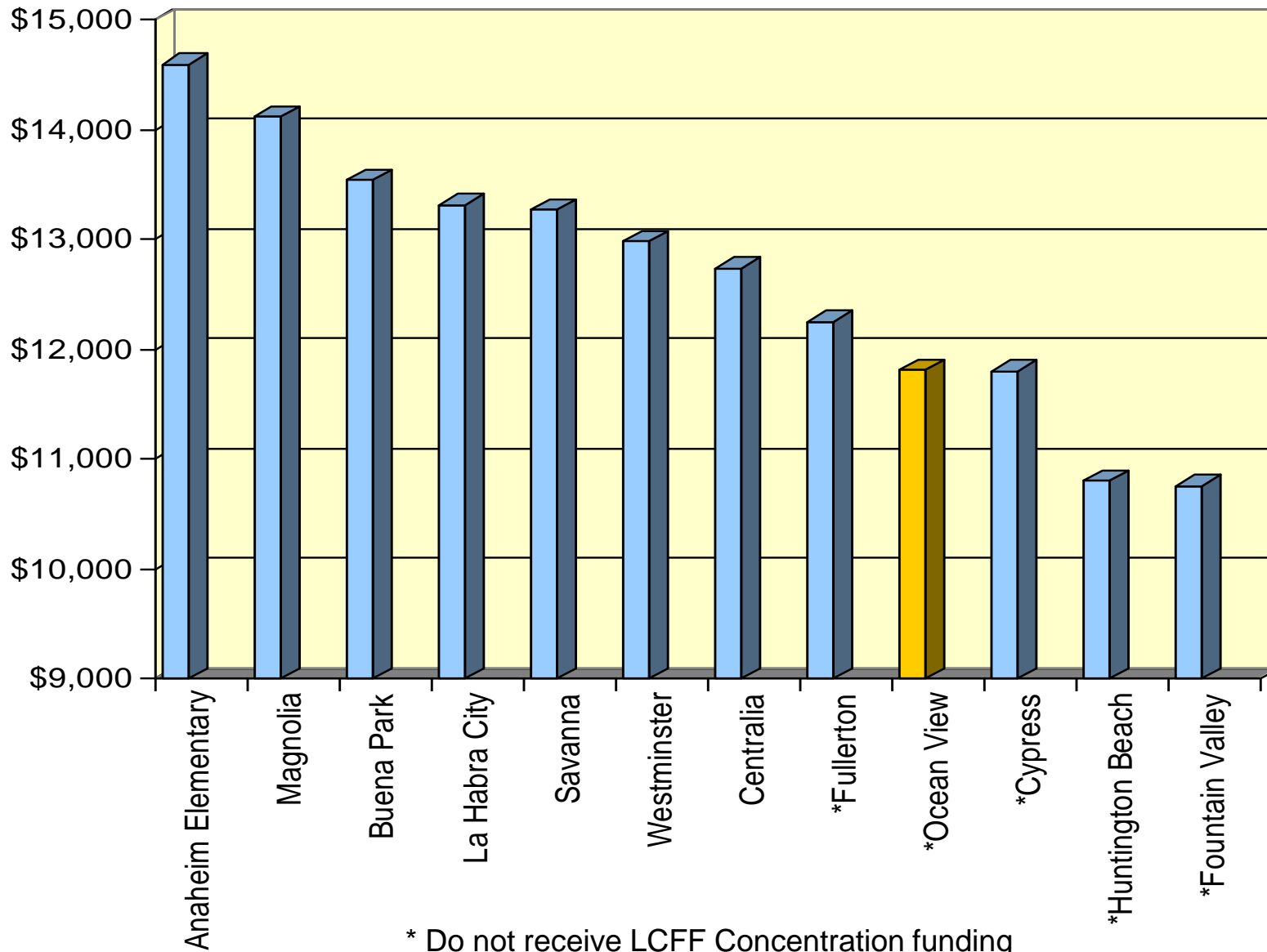
Comparative Budget Analysis

The data is presented as a percentage of selected topics' expenses to total General Fund expenditures. We used common divisors to ensure all the elementary districts in this presentation are comparable. The purpose of the data presented is to indicate how much any district is spending on specific budget line items relative to their respective total general fund expenditures. Simply put, whether a large or small school district, the percentages spent can be compared. For example, how much of a district's total budget is expended for personnel can be stated as a simple percentage. In the current year, 2019-20, the District has budgeted approximately 92% of its Unrestricted expenditures on Personnel Costs. This can be compared to all other districts.

Comparative Budget Analysis – Average Daily Attendance (ADA), 2018-19

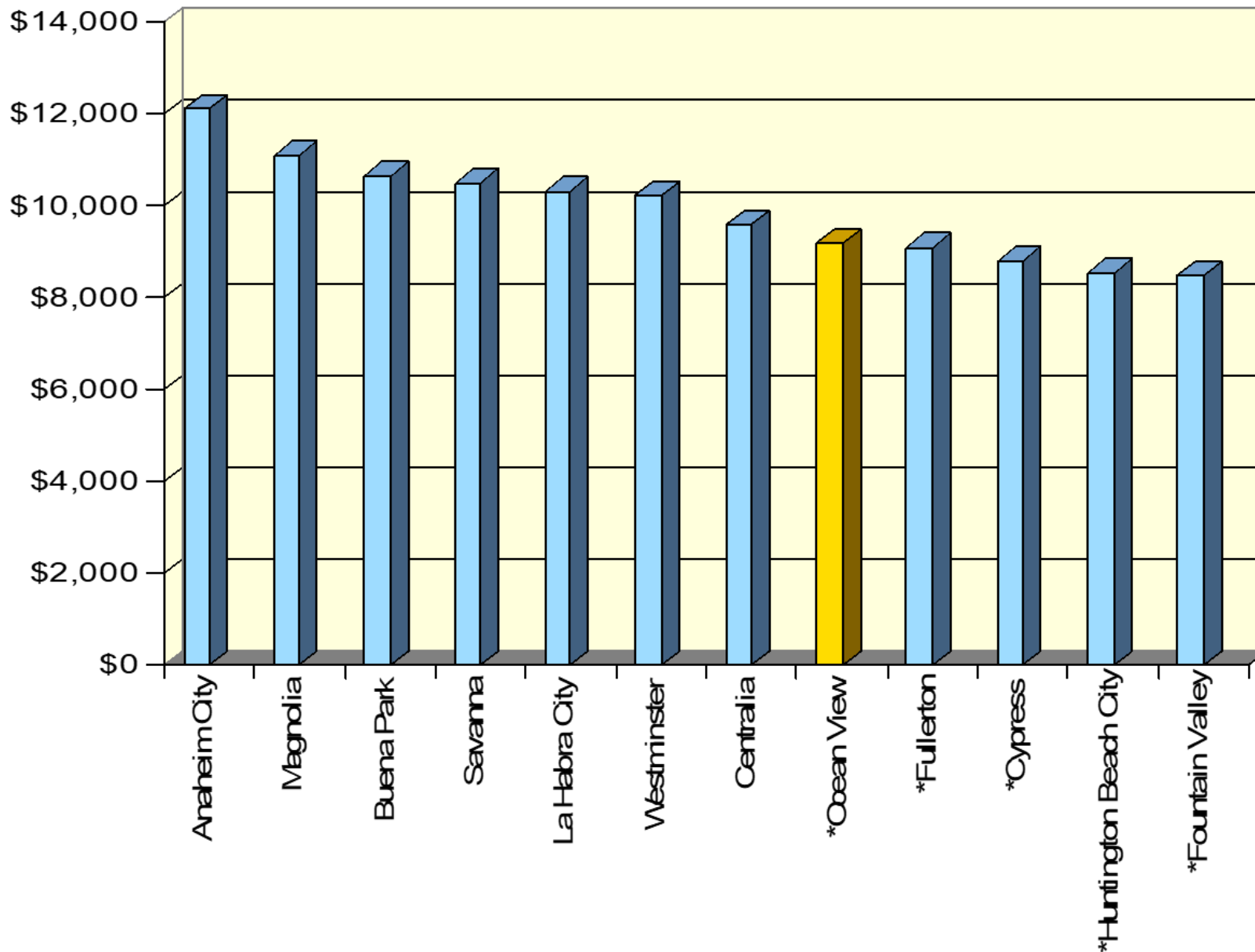


Comparative Budget Analysis - Total Revenue per ADA, Total General Fund Revenues, 2018-19



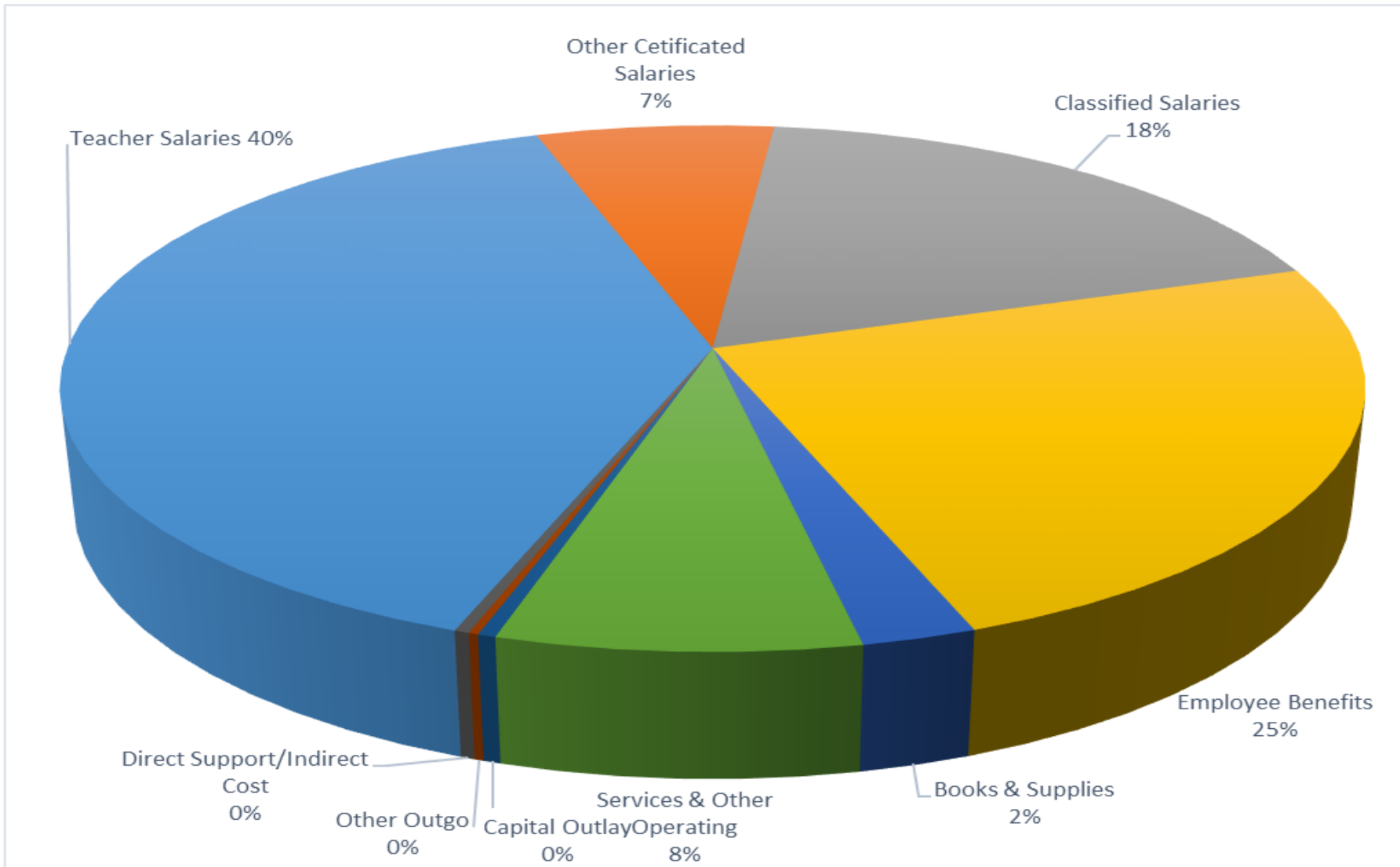
* Do not receive LCFF Concentration funding

Comparative Budget Analysis - Local Control Funding Formula per ADA, 2018-19



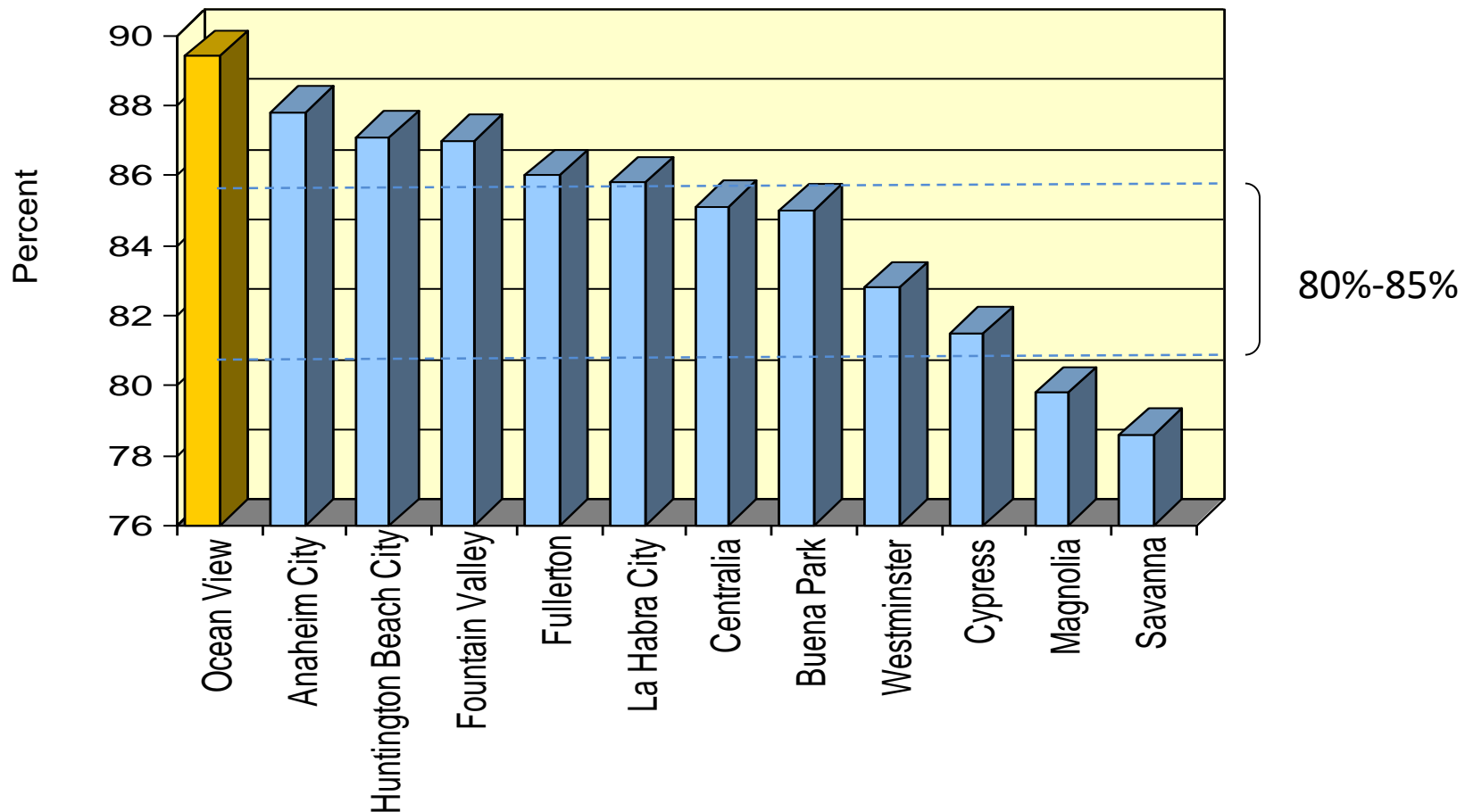
Comparative Budget Analysis - Total General Fund Expenditures, Unaudited Actuals 2018-19

90% of the entire budget was spent on personnel-related costs, salaries and benefits. The remaining 10% was expended for operational purposes to run and manage the District.



Comparative Budget Analysis - Total Personnel Related Expenses as Percentage of Total Expenses, Unaudited Actuals 2018-19

Ideally, about 80%-85% of a district's General Fund should be spent for staff salaries and benefits. The District had the highest total personnel related expenses as Percentage of Total General Fund Expenses than any other elementary school district in Orange County, as reported in the 2018-19 Unaudited Actuals Budget Reports.



Comparative Budget Analysis - Total Certificated Salaries as Percentage of Total Expenses, Unaudited Actuals 2018-19

The District has the second highest total certificated salary expense as Percentage of Total Expenses in the comparison group. Total certificated salaries include both certificated bargaining unit members and certificated administrators.

Ocean View School District's total certificated salary expense as percentage of General Fund total expenses is how much of the total budget is allocated to pay for certificated salaries, which is a different comparison than the comparable districts' salary schedules.

Compared to the other 11 elementary school districts in Orange County, the District ranked:

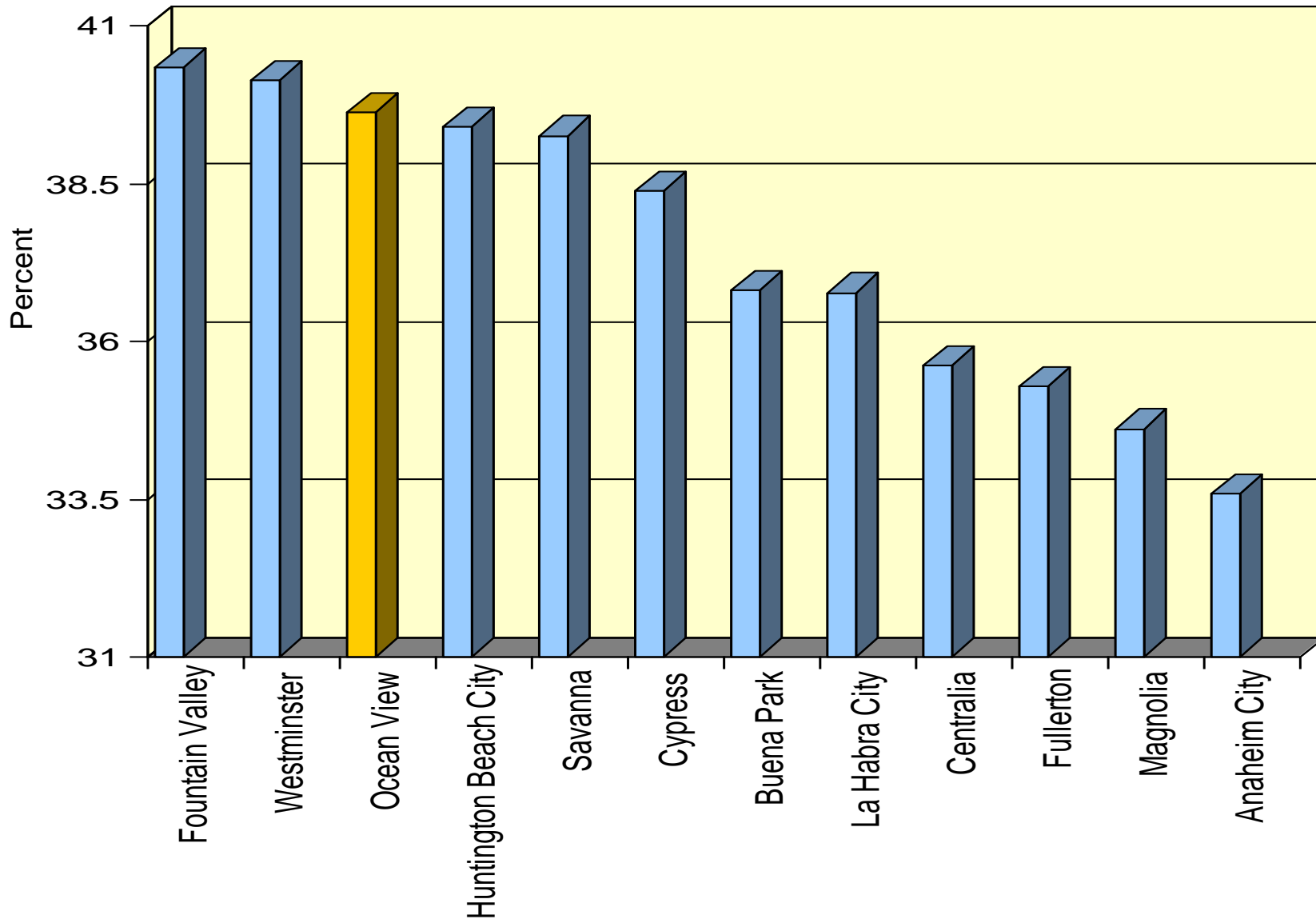
2nd in total Certificated salaries

3rd in teacher salaries

8th in Pupil Support Services salaries provided for nurses, social workers, pupil support specialists, psychologists, and counselors.

7th in administrator and supervisor salary expenses

Comparative Budget Analysis - Teacher Salaries as Percentage of Total Expenses, Unaudited Actuals 2018-19



Comparative Budget Analysis - Classified Salaries as Percentage of Total Expenses, Unaudited Actuals 2018-19

Classified salaries are salaries for positions that do not require a credential or permit issued by the Commission on Teacher Credentialing. Classified positions include instructional aides, support staff, clerical/technical/office staff, and administrators.

The Ocean View School District has the highest classified salary expense as a percentage of total District expenses compared to all the elementary school districts in Orange County. Total classified salaries include both classified bargaining unit members and non-represented classified personnel shown as a percentage of General Fund total expenses is how much of the total budget is allocated to pay for classified salaries.

Compared to the other 11 elementary school districts in Orange County, the District ranked:

1st in total Classified salaries

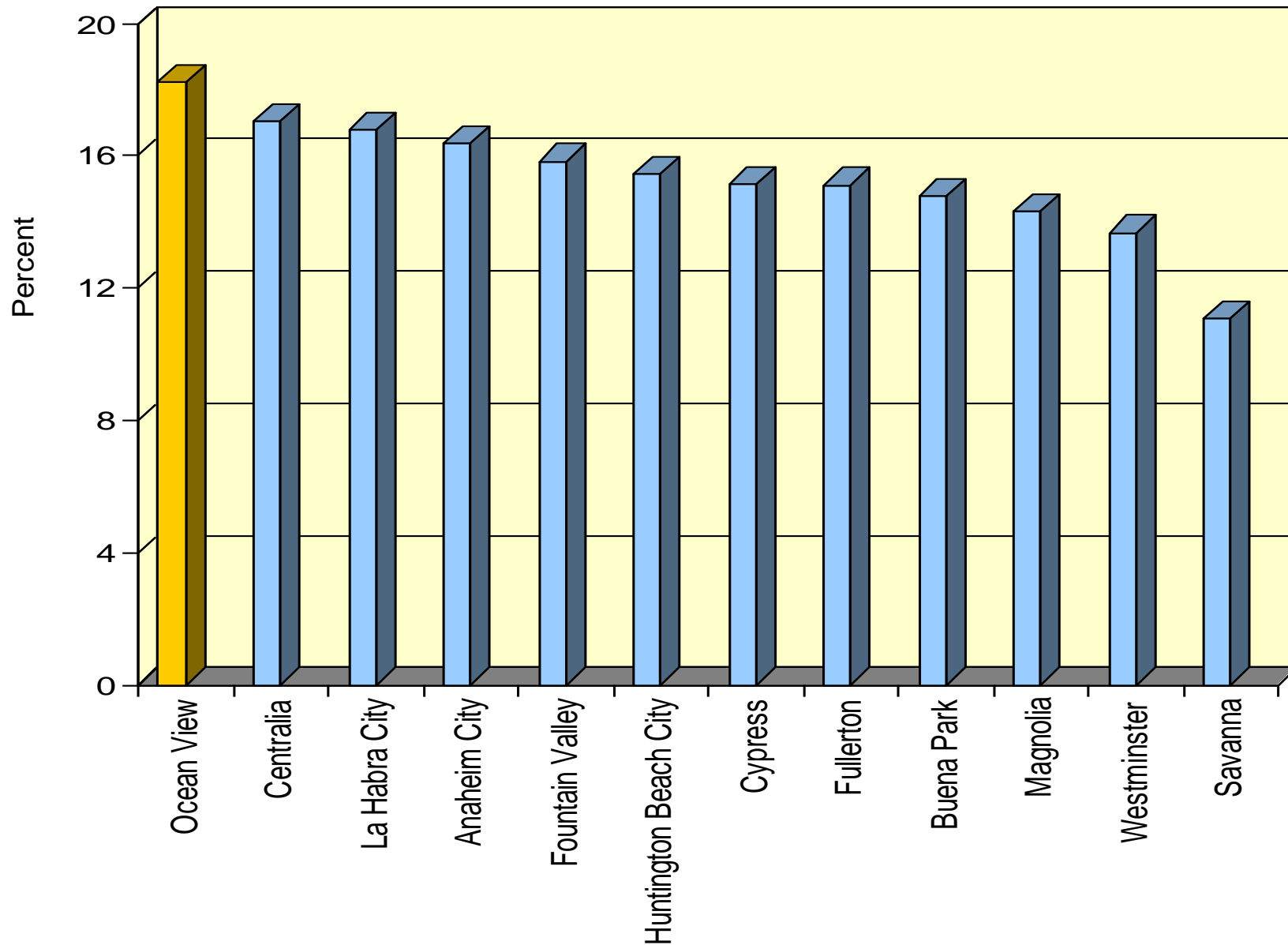
1st in Instructional salaries

1st in Support salaries

1st in Clerical & Office salaries

8th in Supervisor & Administrative salaries

Comparative Budget Analysis - Classified Salaries as Percentage of Total Expenses, Unaudited Actuals 2018-19



Comparative Budget Analysis - Employee Benefits per Employee as Percentage of Total Expenses, Unaudited Actuals 2018-19

Employee benefits are employer contributions to retirement plans, health and welfare benefits, OASDI/Medicare, state unemployment insurance, workers' compensation insurance, and other postemployment benefits.

The District offers a comprehensive benefits plan, including health, dental, vision, and life insurance, as well as employer-paid statutory benefits and retirement contributions. The District's percentage of total General Fund expenses for employee benefits is the middle-range of the comparative group, ranking 5th out of the 12 comparable districts.

Employee retirement benefits known as CalSTRS are employer contributions to certificated employee retirement plans. The District's certificated retirement contributions as percentage of total General Fund expenses is the top quartile-range of the comparative group, ranking 3rd out of the 12 comparable districts.

Employee retirement benefits known as PERS are employer contributions to certificated employee retirement plans. The District's classified retirement contributions as percentage of total General Fund expenses is the top of the comparative group, ranking 1st out of the 12 comparable districts.

STRS and PERS contributions are a direct correlation to the amount of funds spent on employee salaries.

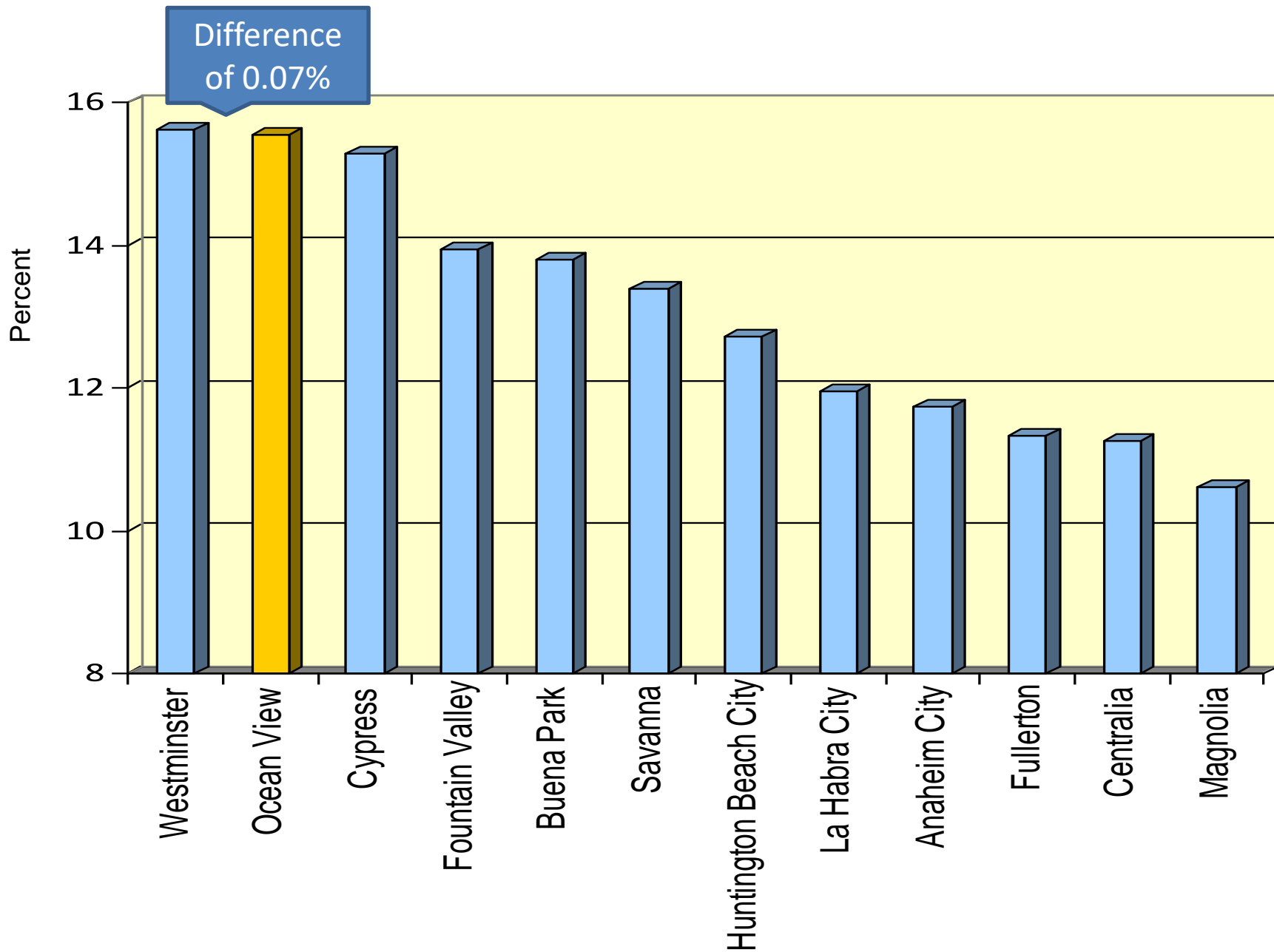
Comparative Budget Analysis - Encroachment

Other budget issues that impact the General Fund includes contributions to restricted programs that do not support themselves, or contributions to allocate general-purpose funds to special purpose programs within the District, local decisions.

Encroachment occurs in most districts and county offices that provide special education and transportation. Other encroachment is initiated by local decisions to allocate general-purpose funds to special purpose programs. The resulting encroachment on a district's operating budget can become a source of serious concern for district officials, particularly because it is not within the district's direct control.

The District contributes the second largest encroachment amount of General Fund support as Percentage of Total Expenses as compared to the 12 comparable districts.

Comparative Budget Analysis - Encroachment as Percentage of Total Expenses, Unaudited Actuals 2018-19



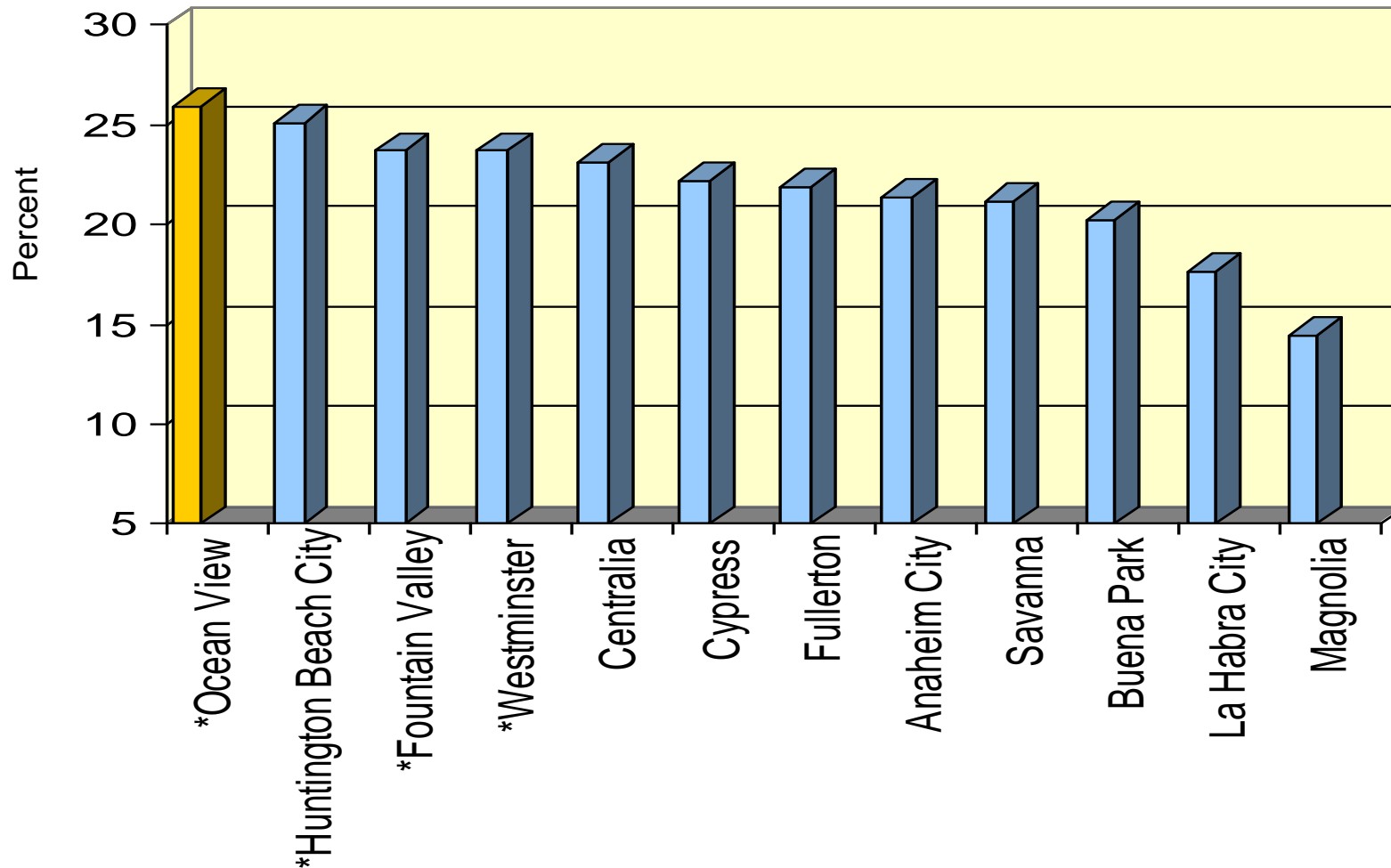
Comparative Budget Analysis - Local SELPA Districts, Special Education Local Contributions 2013-14 through 2017-18

In 2016-17, the District increased its contribution by over \$2,600,000, 12.36 percent of total General Fund expenses, the largest increase of any SELPA district during this time frame. In 2018-19, the District contributed over \$11,000,000, an increase of \$650,417, or a 12.45 percent of total General Fund expenses for Special Education.

District	2013-14	2014-15	2015-16	2016-17	2017-18
Fountain Valley	5,278,651	5,688,973	5,804,020	6,343,821	5,506,651
Huntington Beach City	4,812,629	4,752,952	6,065,029	5,996,511	6,213,024
Ocean View	6,656,009	6,799,634	7,975,385	10,665,761	10,393,069
Westminster	8,715,767	9,607,907	10,939,149	11,710,667	12,224,068
Huntington Beach Union	9,219,858	10,597,475	11,400,752	13,459,593	14,705,490

Comparative Budget Analysis - Special Education Program Costs as Percentage of Total Expenses, 2017-18

The District expended the highest percentage (25.9%) of total Special Education expenditures as a percentage of total General Fund expenditures as compared to the 12 elementary districts in Orange County. The four highest districts in this comparison are the West Orange County Consortium for Special Education (WOCCSE) in the Huntington Beach area.



Comparative Budget Analysis - Transportation & Fee Based Pre-School Encroachment, 2013-14 through 2017-18

In the past six (6) years, transportation has accounted for over \$9.6 million encroachment diverting funds away from the District's General Fund. During this same time span, the fee-based preschool program has encroached by over \$1.1 million. The concept of fee-based services should be a self-supporting business model.

Regular Education Transportation and Garage						
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Fees Collected	65,453	63,093	56,608	54,844	60,152	67,208
Total Expenses	1,529,796	1,619,304	1,431,840	1,694,397	1,921,586	1,794,101
Deficit/Contribution from General Fund	1,464,343	1,556,211	1,375,232	1,639,553	1,861,435	1,726,893

Fee-Based Pre School						
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Fees Collected	426,812	383,623	448,712	436,936	363,084	444,459
Total Expenses	409,397	481,131	551,911	695,793	711,223	780,728
Deficit/Contribution from General Fund	17,415	97,508	103,199	258,857	348,138	336,269

Comparative Budget Analysis - Year-to-Year Enrollment Changes 2013-14 to 2019-20

Ocean View School District has declined in enrollment by over 1,500 students since the 2013-14 school year. Enrollment reports indicate that the District will decline by over 200 students for the new school year. Future projections beyond 2019-20 shows enrollment will continue to decline.

Year	CBEDS Enrollment	Decrease from prior year
2019-20	7,711*	(275)
2018-19	7,986	(277)
2017-18	8,263	(204)
2016-17	8,467	(258)
2015-16	8,725	(285)
2014-15	9,010	(213)
2013-14	9,223	- - -

*NOTE: Enrollment on October 2, 2019

Comparative Budget Analysis - Low School Enrollment

The impact of declining enrollment indicates that school districts are generally slow to react. As class sizes begin to decrease, staffing is not reduced proportionally as enrollment declines. The result is an increase in per pupil costs. Buildings are not fully utilized, but the overhead costs continue at the same or higher levels. The result is that a larger portion of a district's per pupil income is diverted away from the instructional program.

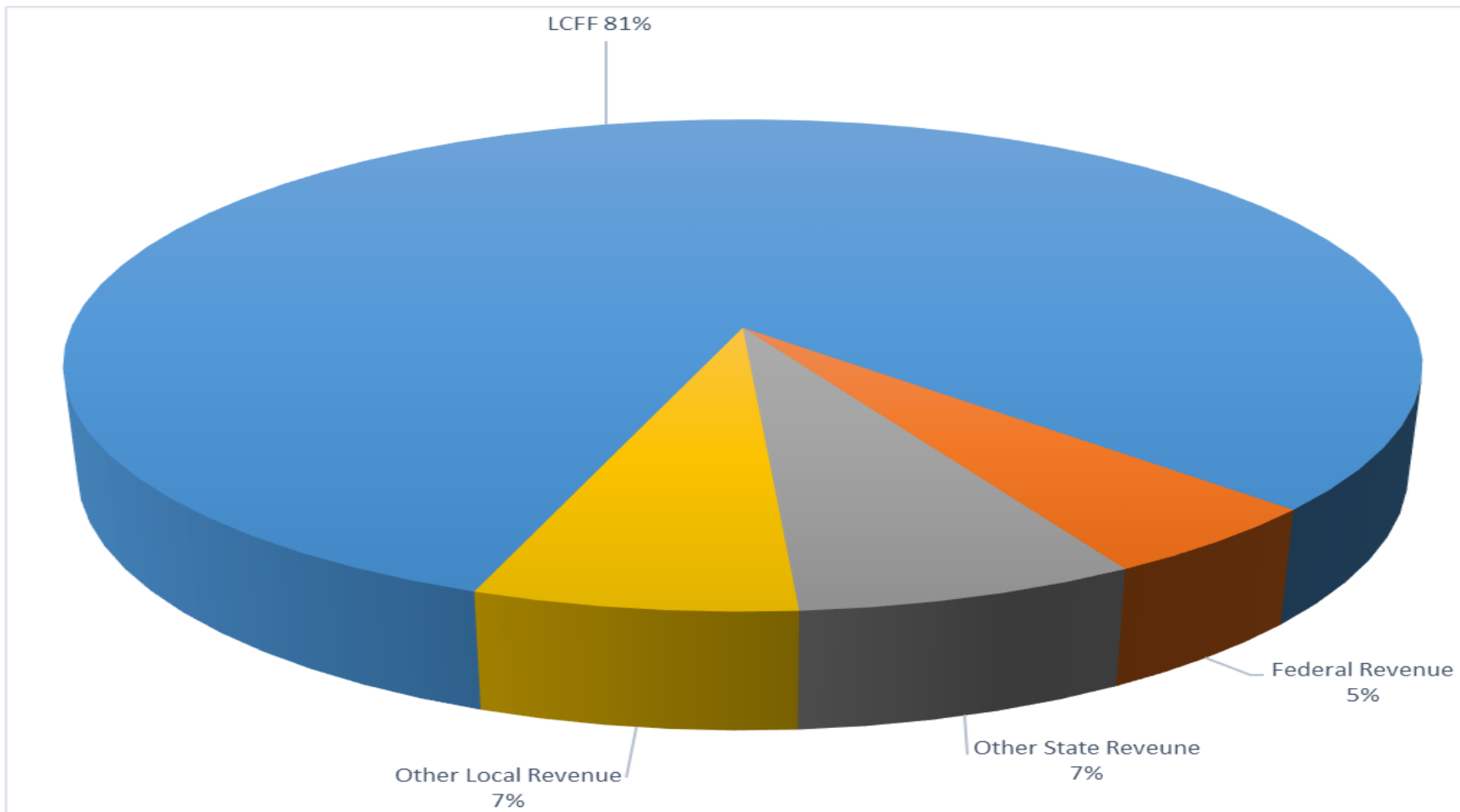
2018-19 Expenses	<u>Low Enrollment</u>	<u>Middle Enrollment</u>	<u>High Enrollment</u>
School ADA Average Daily Attendance	304.06	422.30	678.92
Total Site Costs	\$2,181,279	\$2,733,392	\$3,972,635
Cost per Student to Operate School	\$7,173.84	\$6,472.63	\$5,851.40

A school district's operating costs simply do not decrease in a one-to-one ratio to its enrollment. For example:

- It doesn't cost any less to put 50 students on a bus than it does 70 students.
- It doesn't cost a great deal more to make 130 lunches than it does to make 100.
- It doesn't cost any less for a custodian to sweep a room that houses 23 students than one that houses 30 students.

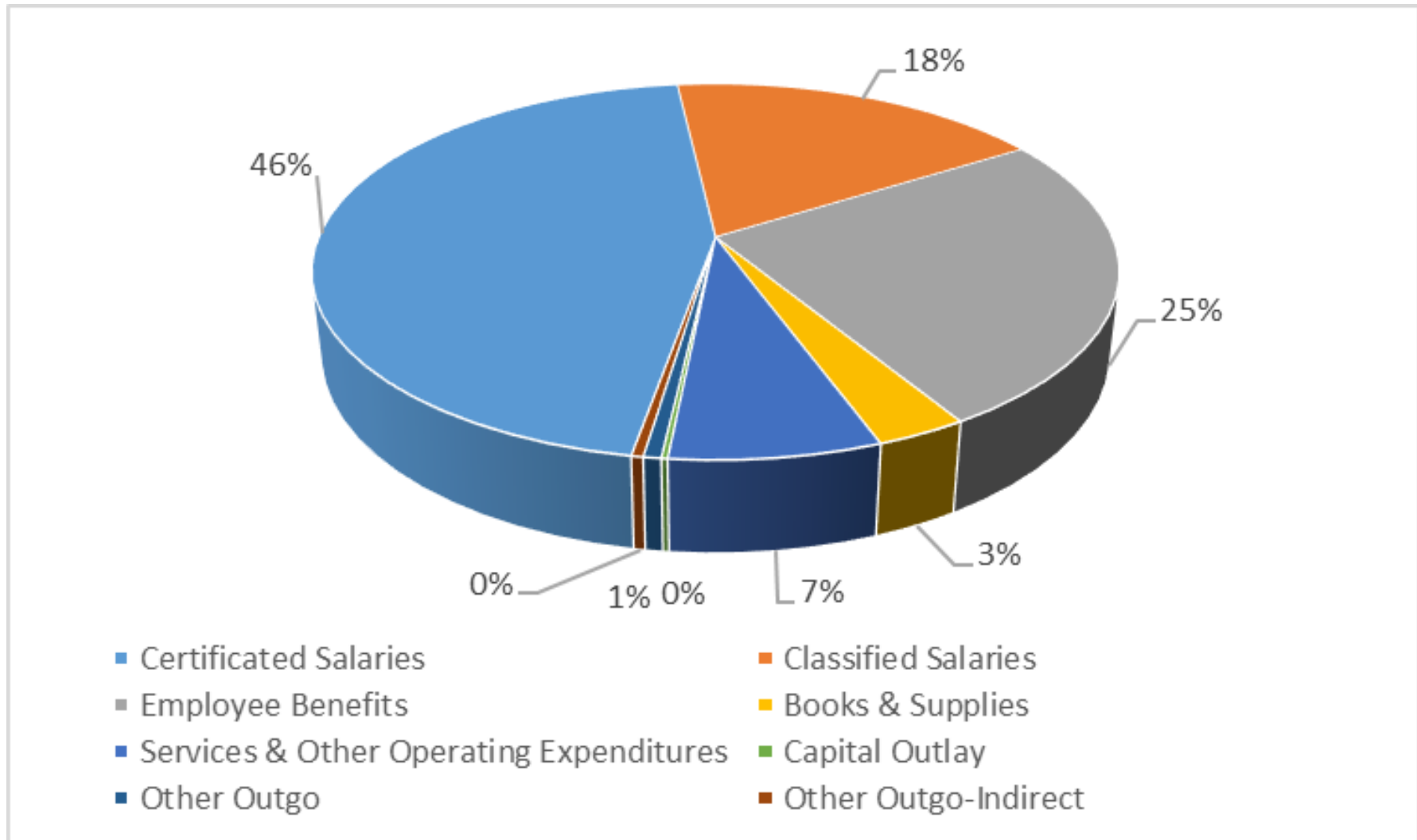
Comparative Budget Analysis - Revenue Distribution, 2019-20 Adopted Budget

88% of the District's revenue comes from the State and 5% from the Federal government; 81% comes to the District from the State's Local Control Funding Formula sources, which is comprised of the amount of state and local taxes a school district receives per ADA for its general education program.



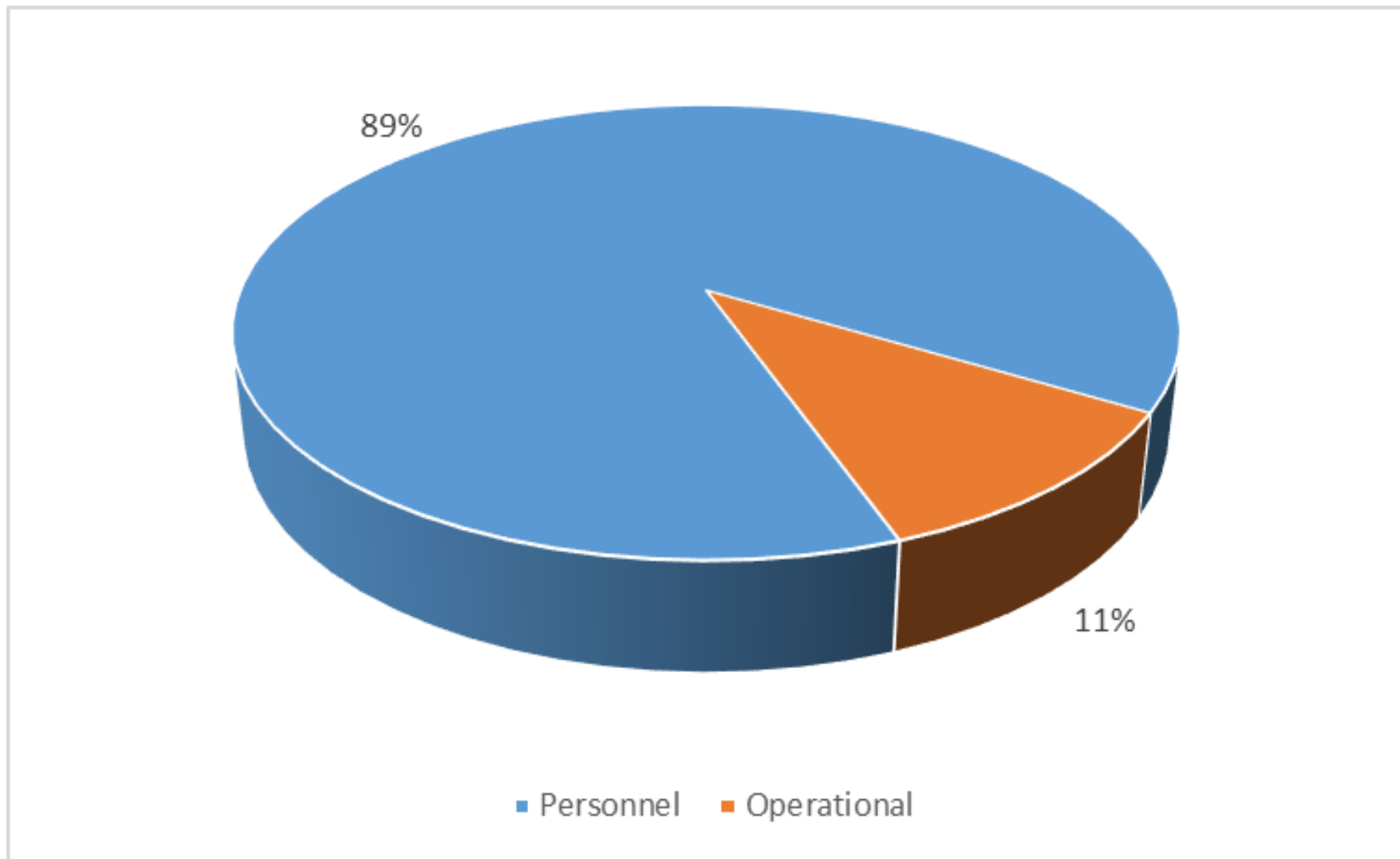
Comparative Budget Analysis - Total Expenditure Distribution, 2019-20 Adopted Budget

89 percent of the entire budget is budgeted on personnel-related costs, salaries and benefits; 3% to support instruction in the classroom with books and instructional materials; and approximately 8% for operational purposes to run and manage the District.



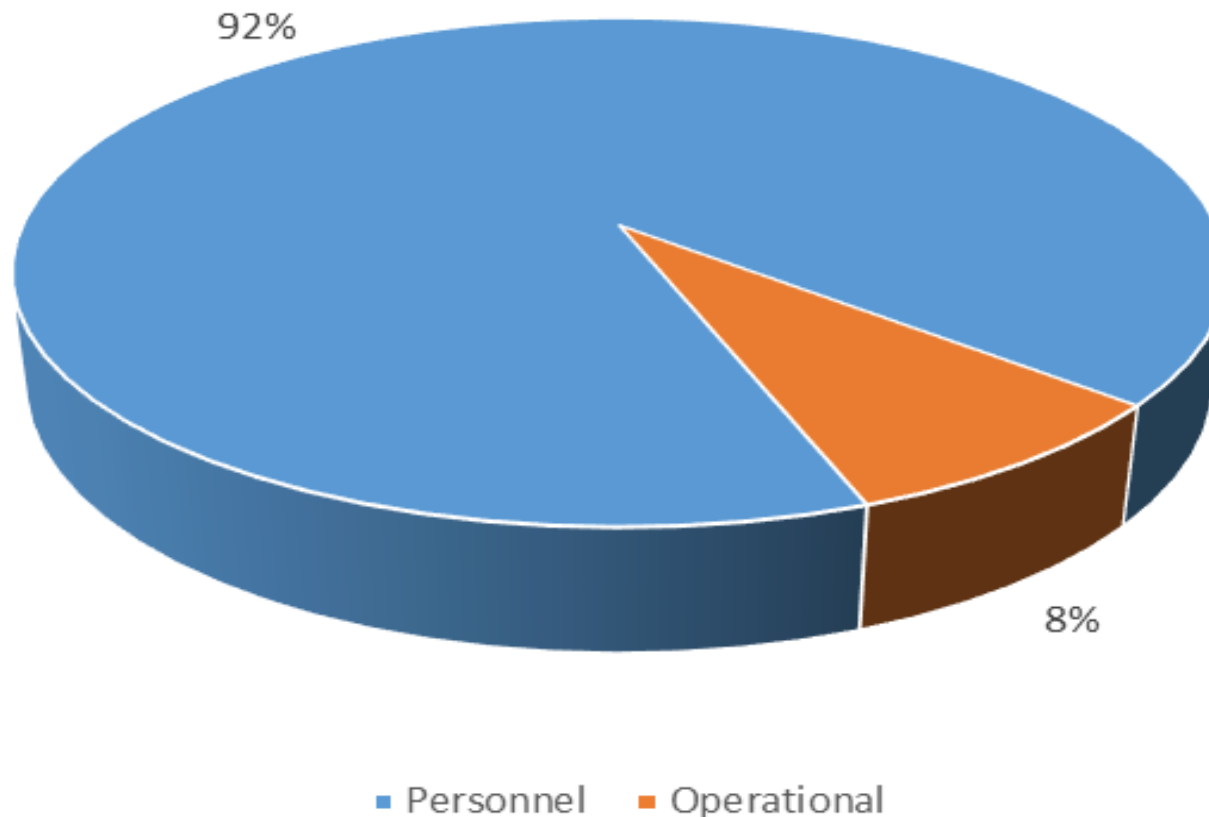
Comparative Budget Analysis - Total Personnel Expenditure Distribution, 2019-20 Adopted Budget

The majority of the District's financial resources support its employees. The average school district in California expends between 80 to 85 percent of its total budget on personnel-related costs.

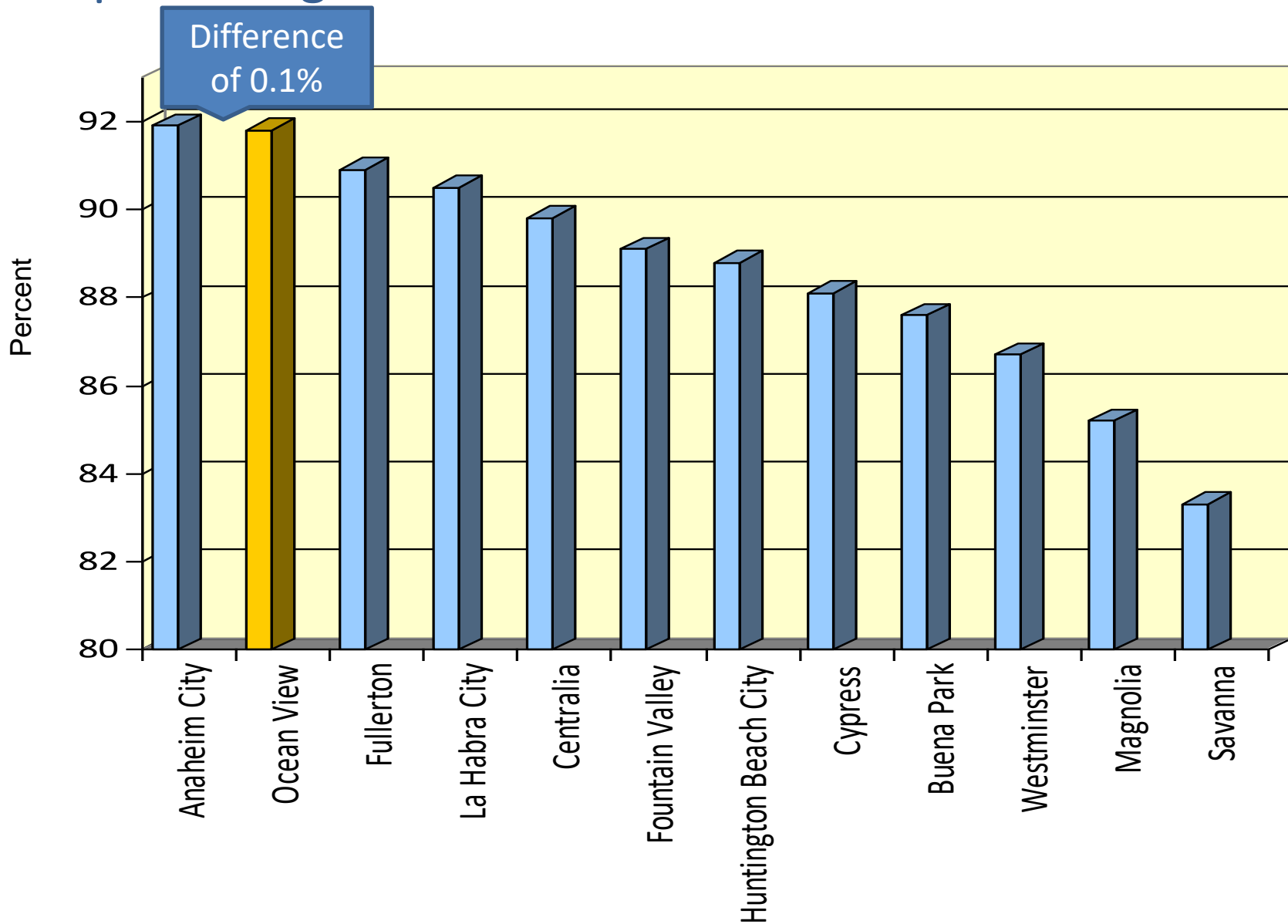


Comparative Budget Analysis - Unrestricted Expenditure Distribution, 2019-20 Adopted Budget

Unrestricted revenue provides schools districts with the most flexibility to make local decisions that best meet their needs. Although Unrestricted funds account for approximately 85% of Ocean View's total revenue, 92% of these funds are budgeted directly for employees. That only leaves 8% of the budget for operational purposes to run and manage the District.



Comparative Budget Analysis - Unrestricted Personnel Costs as a Percentage of Total Unrestricted Expenditures, 2019-20 Adopted Budget



Comparative Budget Analysis - 5 Significant OVSD Budget Challenges

Challenge 1*

- Declining Enrollment

Challenge 2*

- Low School Enrollments

Challenge 3*

- Encroachment

Challenge 4*

- High Personnel related budget (92% Unrestricted Budget)

Challenge 5

- Slowing of the economy

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

Comparative Budget Analysis

The District is declining in enrollment, the statutory COLAs are declining each of the next three years, and the District is facing some serious budget encroachment issues that negatively influence the District's structural deficit spending. If the District is not prepared for the next recession, the District faces more serious fiscal challenges.

Identifying issues early is the key to maintaining fiscal health. The District is at a point where it is imperative to focus on the fiscal issues indicated above, and the need for specific action plans to address the impact these areas have on the District's solvency.

The existence of any one of the indicators listed on the previous slide increases risk of potential insolvency and required oversight from outside agencies. Lack of attention to these indicators could eventually lead to financial distress or insolvency.

Comparative Budget Analysis – Next Steps

Goal: To reduce fiscal impact beginning 2020-21 school year

Bring budget reduction recommendations for Board action:

- Fee Based Pre-School
- Transportation
- Instructional Assistants

Classified Staffing Formulas and Special Education review during summer 2020.

Conversations regarding low school enrollments.

Comparative Budget Analysis

Questions...

