

# 2nd Interim Budget 2018-19

March 5, 2019

Presented by:

Carol Hansen, Ed.D., Superintendent

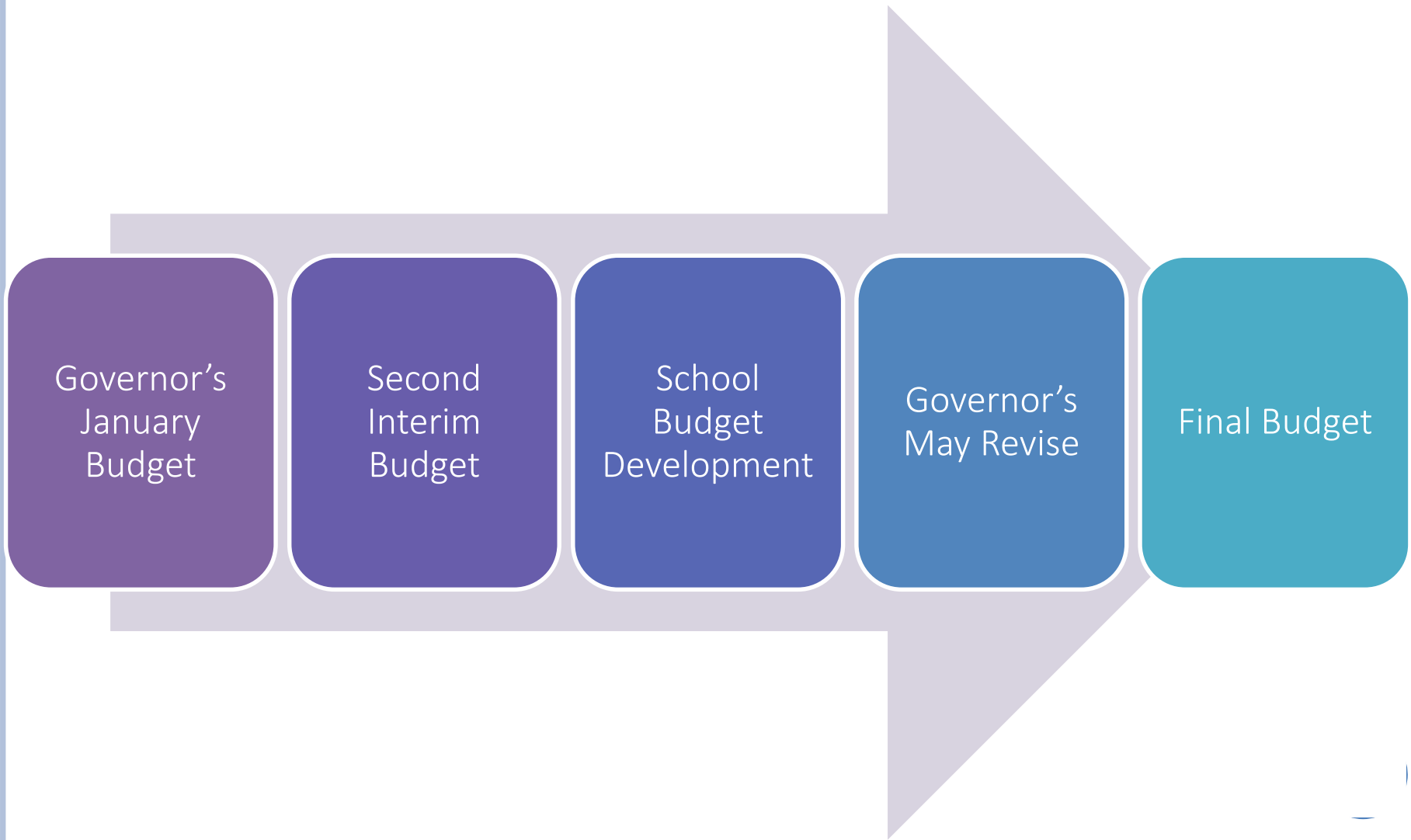
Michael Conroy, Ed.D., Deputy Superintendent

Keith Farrow, Director of Fiscal Services

OCEAN VIEW SCHOOL DISTRICT  
EDUCATION CENTER



# Budget Calendar



Governor's  
January  
Budget

Second  
Interim  
Budget

School  
Budget  
Development

Governor's  
May Revise

Final Budget

# Each New Budget Adds a Subsequent Third Year

2018-19  
Budget



2019-20  
Budget

## 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.

## 2018-19 2<sup>nd</sup> Interim Budget

Purpose of Presentation to review budget components:

Budget Assumptions

Multi-Year Projections & ADA

General Fund Revenue

General Fund Expenses

General Fund MYP

Contribution to Restricted Programs (Encroachment)

Ending Fund Balance

Cash Flow

## 2nd Interim Key Rate Assumptions

	2018-19	2019-20 Projected	2020-21 Projected	2021-22 Projected
<b>COLA (1<sup>st</sup> Interim)</b>	3.7%	2.57%	2.67%	3.42%
<b>COLA (Governor's 2019 Proposal)</b>	3.7%	3.46%	2.86%	2.92%
<b>STRS Rates (1<sup>st</sup> Interim)</b>	16.28%	18.13%	19.1%	18.6%
<b>STRS Rates (Governor's 2019 Proposal)</b>	16.28%	17.1%	18.1%	18.1%
<b>PERS Rates (1<sup>st</sup> Interim)</b>	18.062%	20.8%	23.5%	24.6%
<b>PERS Rates (Governor's 2019 Proposal)</b>	18.062%	20.7%	23.4%	24.5%
<b>One-time Discretionary Funding</b>	\$184*	\$0	\$0	\$0

\*NOTE: 50% budgeted in January 2019, 50% budgeted in June 2019

## Other 2<sup>nd</sup> Interim Assumptions

- LCFF Revenue – Full Funding
- ADA – 97% of Enrollment
- Declining enrollment trends
  - Status quo regarding student demographics
- Using Governor's January Budget Proposal
- 2018-19 and 2019-20 MYP Step and Column salary increase estimates:
  - Certificated 1.5%
  - Classified 0.75%
- Increasing CalSTRS and CalPERS contributions
- Increasing Encroachment
- LCAP

## Multi Year Projection of LCFF State Revenue

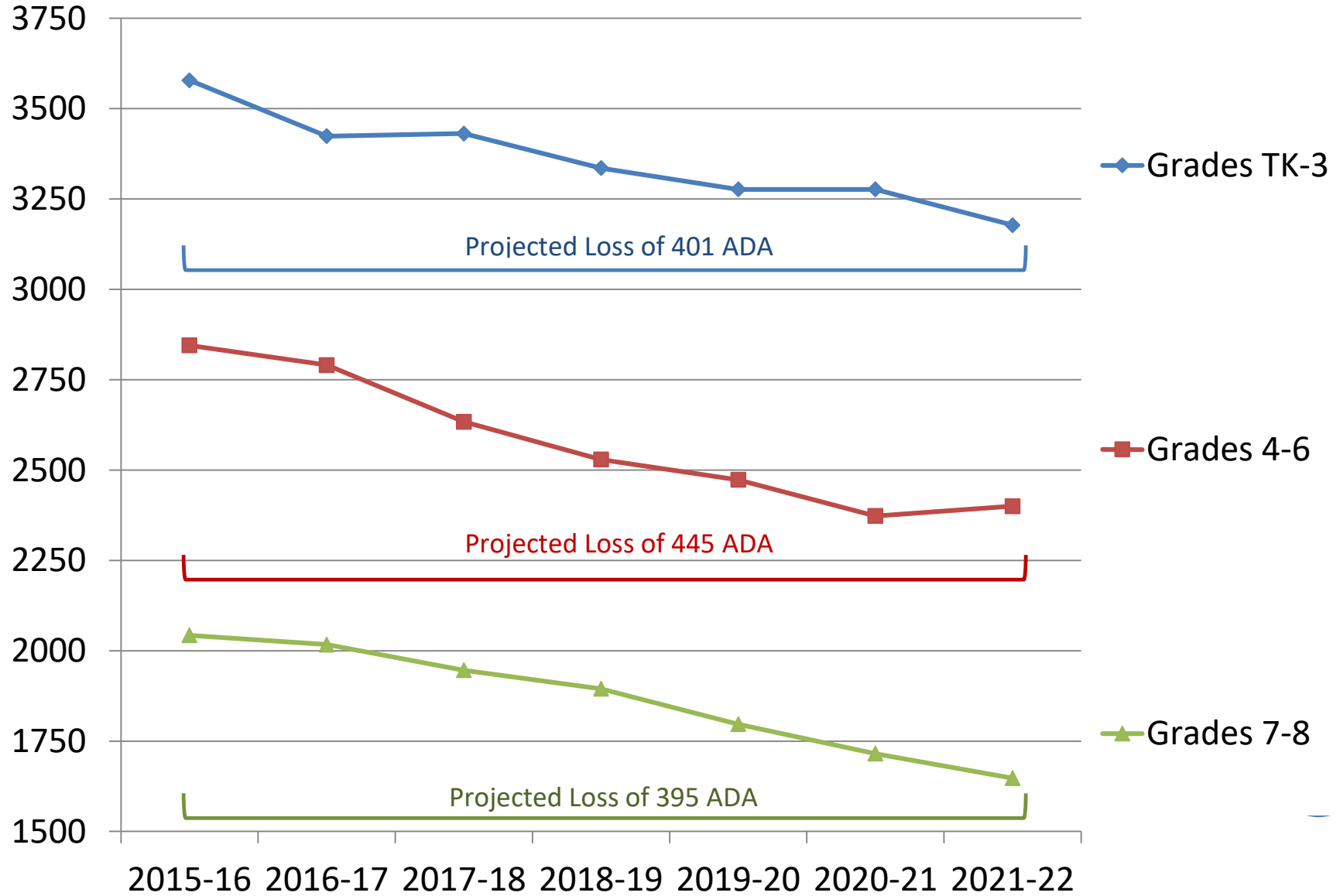
### “Cost of Opening the Doors” Annual Increases 2019-20 to 2020-21

	2019-20 Projected Budget	2020-21 Projected Budget
<b>Revenue:</b>	<i>Diff from P.Y.</i>	<i>Diff from P.Y.</i>
LCFF Base	\$ 168,557	\$ 5,546
LCFF GSA	\$ 16,086	\$ 27,845
LCFF Supplemental (targeted)	\$ 242,994	\$ 108,889
<b>LCFF Revenue Increase</b>	<b>\$ 427,637</b>	<b>\$ 142,280</b>
<b>Expenses:</b>	<i>Diff from P.Y.</i>	<i>Diff from P.Y.</i>
PERS Inc	\$ 401,757	\$ 411,583
STRS Inc	\$ 330,013	\$ 404,600
<b>PERS/STRS Expense Increase</b>	<b>\$ 731,770</b>	<b>\$ 816,183</b>
Step Class	\$ 117,998	\$ 114,222
Step Cert	\$ 587,527	\$ 603,683
<b>Step Expense Increase</b>	<b>\$ 705,525</b>	<b>\$ 717,905</b>
<b>Total Expenses Increase</b>	<b>\$ 1,437,295</b>	<b>\$ 1,534,088</b>
LCFF Base Revenue less Expenses	<b>\$ (1,009,658)</b>	<b>\$ (1,391,808)</b>



# Average Daily Attendance 2015-16 through 2021-22 (projected)

Projected ADA loss  $\approx$  1,241



## Combined General Fund Revenue Summary

GF Combined	2018-19 2 <sup>nd</sup> Interim	2019-20 Projected	2020-21 Projected
LCFF Revenues	\$71,103,414	\$71,531,051	\$71,673,331
Federal Revenues	\$4,528,716	\$4,528,716	\$4,528,716
Other State Revenues	\$8,130,038	\$6,197,635	\$6,197,635
Other Local Revenues	\$6,247,643	\$6,247,643	\$6,247,643
<b>TOTAL Revenues</b>	<b>\$90,009,811</b>	<b>\$88,505,045</b>	<b>\$88,647,325</b>

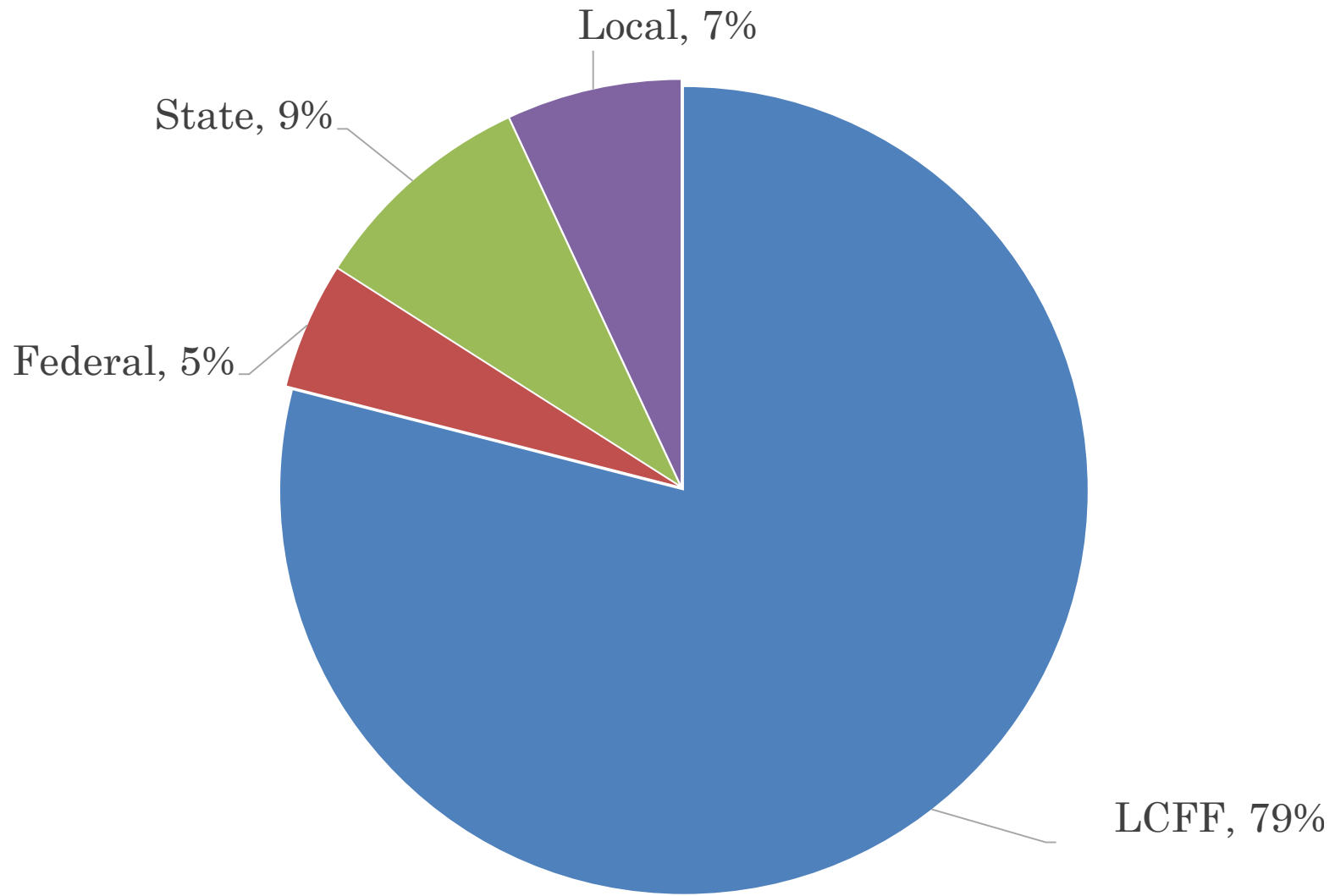
Reduction in Revenues primarily due to **NO** One-Time Discretionary Funds being proposed

# Combined General Fund Revenue Summary

## 2019-20 MYP Budget

GF Combined	2018-19 2 <sup>nd</sup> Interim	2019-20 Projected	2020-21 Projected	2021-22 Projected
LCFF Revenues	\$71,103,414	\$71,531,051	\$71,673,331	\$72,174,750
Federal Revenues	\$4,528,716	\$4,528,716	\$4,528,716	\$4,528,716
Other State Revenues	\$8,130,038	\$6,197,635	\$6,197,635	\$6,197,635
Other Local Revenues	\$6,247,643	\$6,247,643	\$6,247,643	\$6,247,643
<b>TOTAL Revenues</b>	<b>\$90,009,811</b>	<b>\$88,505,045</b>	<b>\$88,647,325</b>	<b>\$89,148,744</b>

# 2018-19 2<sup>nd</sup> Interim Budget General Fund Revenues



**Total Revenue \$90,009,811**

## Combined General Fund Expenditures

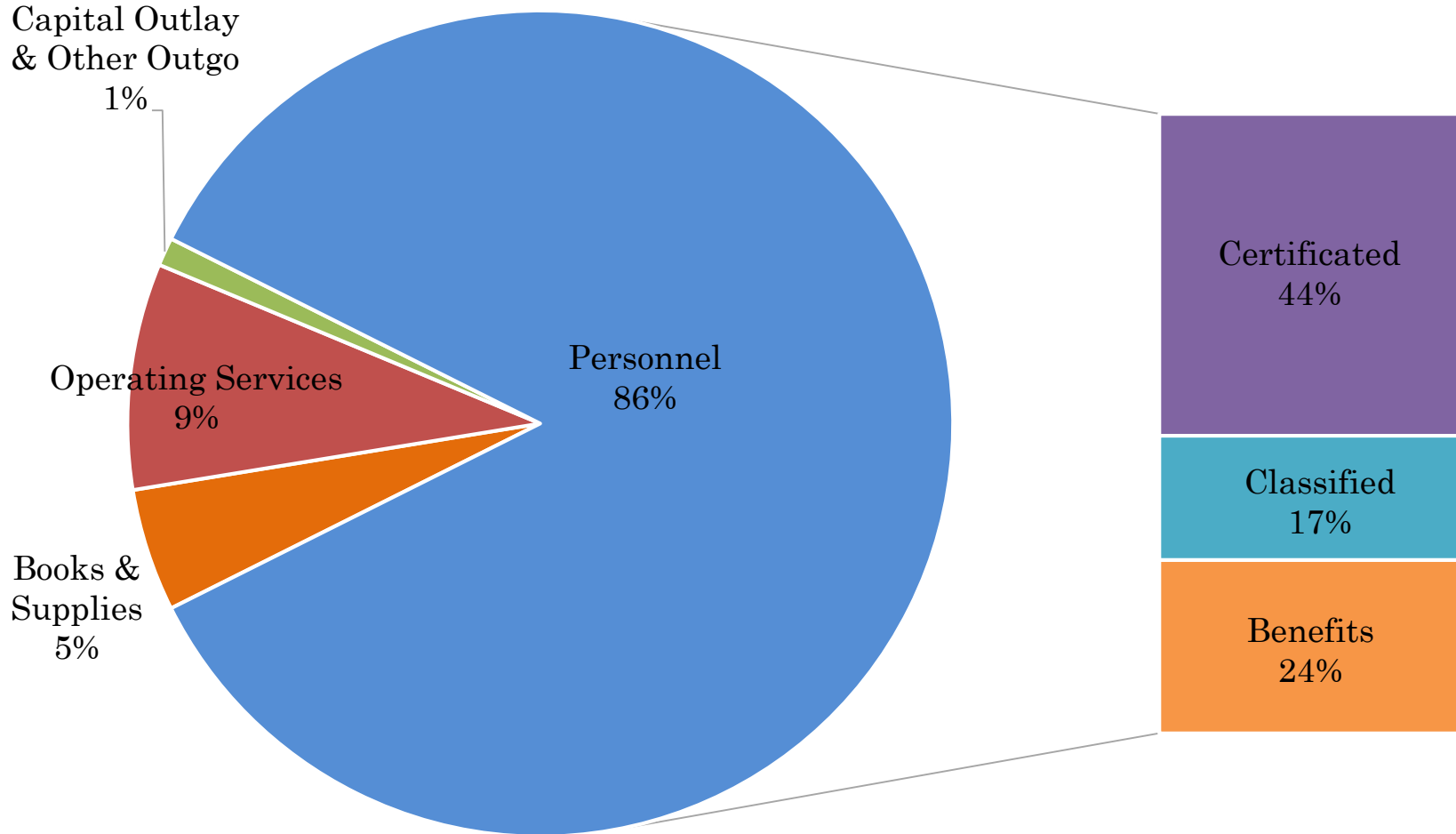
<b>GF Combined</b>	<b>2018-19 2<sup>nd</sup> Interim</b>	<b>2019-20 Projected</b>	<b>2020-21 Projected</b>
Certificated Salaries	\$40,202,942	\$40,245,519	\$40,459,952
Classified Salaries	\$15,511,608	\$15,229,606	\$15,243,828
Employee Benefits	\$21,618,475	\$22,350,246	\$23,166,429
Books & Supplies	\$4,363,160	\$4,236,160	\$4,236,160
Services & Other Operating Expenses	\$8,038,813	\$8,038,813	\$8,038,813
Capital Outlay	\$458,605	\$74,373	\$74,373
Other Outgo	\$540,450	\$540,450	\$540,450
Support (Indirect) Costs	(\$340,504)	(\$340,504)	(\$340,504)
<b>TOTAL Expenditures</b>	<b>\$90,393,549</b>	<b>\$90,374,663</b>	<b>\$91,419,501</b>

# Combined General Fund Expenditures

2018-19 MYP Budget

GF Combined	2018-19 2 <sup>nd</sup> Interim	2019-20 Projected	2020-21 Projected	2021-22 Projected
Certificated Salaries	\$40,202,942	\$40,245,519	\$40,459,952	40,677,601
Classified Salaries	\$15,511,608	\$15,229,606	\$15,243,828	15,258,157
Employee Benefits	\$21,618,475	\$22,350,246	\$23,166,429	23,334,268
Books & Supplies	\$4,363,160	\$4,236,160	\$4,236,160	4,236,160
Services & Other Operating Expenses	\$8,038,813	\$8,038,813	\$8,038,813	8,038,813
Capital Outlay	\$458,605	\$74,373	\$74,373	74,373
Other Outgo	\$540,450	\$540,450	\$540,450	540,450
Support (Indirect) Costs	(\$340,504)	(\$340,504)	(\$340,504)	(340,504)
<b>TOTAL Expenditures</b>	<b>\$90,393,549</b>	<b>\$90,374,663</b>	<b>\$91,419,501</b>	<b>\$91,819,318</b>

# 2018-19 DRAFT BUDGET GENERAL FUND EXPENDITURES




**Total Expenditures = \$90,393,549**

**Unrestricted Labor Cost = 87%**

# 2018-19 GENERAL FUND EXPENDITURES

Low Salary Schedules    X    ?    = High % Personnel Costs  
85% - 90%



High Number  
of Employees



## General Fund Summary 2017-18 and MYP

<b>GF Combined</b>	<b>2018-19 2<sup>nd</sup> Interim</b>	<b>2019-20 Projected</b>	<b>2020-21 Projected</b>
Revenues	\$90,009,811	\$88,505,045	\$88,647,325
Expenditures (including Transfers In/Out)	\$90,643,549	\$90,624,663	\$91,419,501
Net Inc/(Dec) in Fund Balance	(\$626,260)	(\$633,738)	(\$2,119,618)
Beginning Balance	\$11,270,514	\$10,636,776	\$8,517,158
Ending Balance	\$10,636,776	\$8,517,158	\$5,744,982
Ending Balance as % of Expenditures	11.7%	9.4%	6.3%

# General Fund Summary 2017-18 and MYP

## 2018-19 MYP Budget

GF Combined	2018-19 2 <sup>nd</sup> Interim	2019-20 Projected	2020-21 Projected	2021-22* Projected
Revenues	\$90,009,811	\$88,505,045	\$88,647,325	\$89,148,744
Expenditures (including Transfers In/Out)	\$90,643,549	\$90,624,663	\$91,419,501	\$91,819,318
Net Inc/(Dec) in Fund Balance	(\$626,260)	(\$633,738)	(\$2,119,618)	(\$2,670,574)
Beginning Balance	\$11,270,514	\$10,636,776	\$8,517,158	\$5,744,982
Ending Balance	\$10,636,776	\$8,517,158	\$5,744,982	\$3,074,408
Ending Balance as % of Expenditures	11.7%	9.4%	6.3%	3.3%

## Contributions to Restricted Programs (Encroachment)

	<b>2018-19 2<sup>nd</sup> Interim</b>
Special Education	\$11,506,368
Routine Maintenance	\$2,641,000
Federal Preschool & Prop 10	\$15,553
<b>TOTAL CONTRIBUTION</b>	<b>\$14,162,920</b>
\$ Increase over prior year	\$1,285,131
% Increase	9.98%

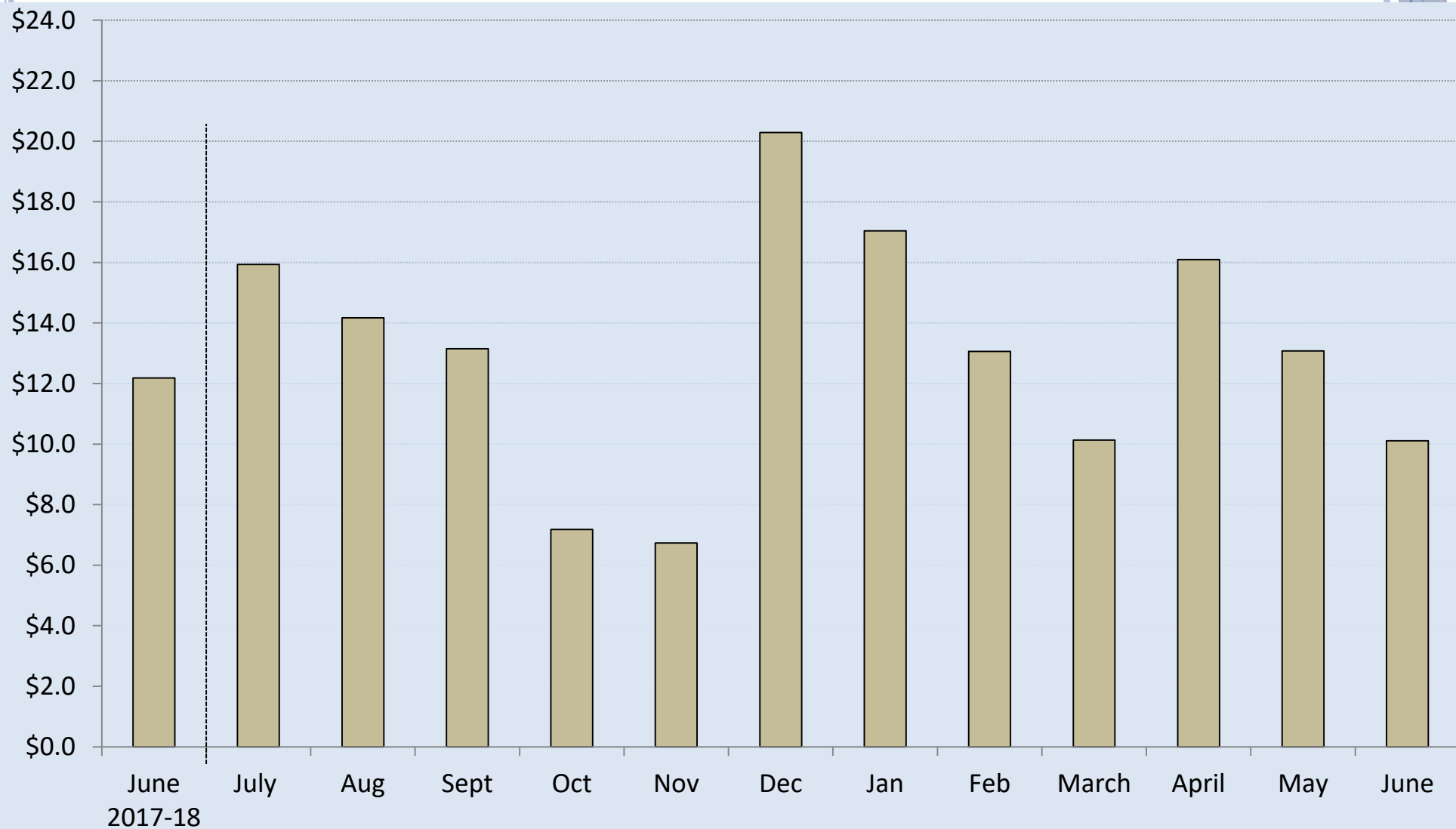
# MYP Components of Ending Fund Balance

Combined	2018-19 2 <sup>nd</sup> Interim	2019-20 Projected	2020-21 Projected
Beginning Balance	\$11,270,514	\$10,636,776	\$8,517,158
Ending Balance	\$10,636,776	\$8,517,158	\$5,744,982
Revolving Cash	\$47,000	\$47,000	\$47,000
Stores/Warehouse	\$55,000	\$55,000	\$55,000
Legally Restricted	\$1,057,399	\$1,046,057	\$1,284,714
Payroll Inc. (17-18 Retro)	\$141,389	\$0	\$0
Benefits Pool	\$140,000	\$140,000	\$140,000
One-Time M&O Tractor	\$200,000	\$0	\$0
Unrestricted Lottery	\$1,289,250	\$1,289,250	\$1,289,250
R.E.U.– 3%	\$2,724,306	\$2,723,740	\$2,747,585
Emergency Reserve	\$4,982,430	\$3,216,111	\$181,434
Emergency Reserve as a percentage > 3% REU	5.5%	3.55%	0.2%

## MYP Ending Fund Balance with/without STRS & PERS

General Fund	2018-19 2nd Interim	2019-20 Projected	2020-21 Projected
STRS & PERS Increase over Prior Year	\$1,143,831	\$731,770	\$816,183
Beginning Balance	\$11,270,514	\$10,636,776	\$8,517,158
Ending Balance	\$10,636,776	\$8,517,158	\$5,744,982
Surplus/Deficit in Fund 01 Balance	-\$633,738	-\$2,119,618	-\$2,772,175
General Fund without STRS & PERS Increase Over Prior Year	2018-19 2nd Interim	2019-20 Projected	2020-21 Projected
Adj. Beginning Balance	\$11,270,514	\$11,780,607	\$10,392,759
Adj. Ending Balance	\$11,780,607	\$10,392,759	\$8,436,766
Surplus/Deficit in in Fund 01 Balance	\$510,093	-\$244,017	-\$80,391

## 2018-19 Cash Flow Projections -- 2<sup>nd</sup> Interim Budget



Ending Cash Balance

## Challenges

- Structural Deficit - a budget reduction plan is needed. There is a need for substantial reserves.
- Declining enrollment continues to have a negative impact on District funding.
- Future Funding – Declining Enrollment, LCFF COLA only, slow down of Prop 98 growth
- Low COLA environment on programs that require contributions
- Continued encroachment to the Unrestricted General Fund
- No revenue funding source for District required STRS and PERS increasing pension contributions
- Collective Bargaining is ongoing and not reflected in Second Interim.
- May Revision changes are anticipated by the LAO downward due to Dec/Jan state revenue receipts.

## Request for Positive Certification

Based on best information known today, the Ocean View School District's Board of Education should approve the Second Interim Budget and certify that this District *will be able to meet* its financial obligations for the current fiscal year and subsequent two fiscal years.

–POSITIVE CERTIFICATION





## Next Steps

- March 5 - tonight
  - Approve 2nd Interim Budget
  - Self-Certify “Positive”
  
- March - May
  - Continue development of 2019-20 Budget
  - Continue LCAP Development and Year-End Update

**Questions...**

