

# South San Francisco Unified School District

## Second Interim Presentation

2019-2020

**Mr. Ted O, Assistant Superintendent, Business Services**

**Presented March 12, 2020**

# Presentation Items

- **Overview**
- **Budget Assumptions**
- **Projected Revenues and Expenditures**
- **Multi-Year Projection**
- **Areas of Concern**
- **Looking Ahead**

# Overview

- **Education Code Section 42130 states that school districts submit two reports to the governing board of the district during each fiscal year.**
  - **First Interim Report covers the financial and budgetary status of the district for the period ending October 31.**
  - **Second Interim Report covers the period ending January 31.**
- **Both reports shall be approved by the district governing board no later than 45 days after the close of the period being reported.**

# Ed Code Certification

Education Code Section 42130 (a) (1) defines the certifications.

- **A Positive Certification:** WILL MEET their financial obligations for the current and two subsequent fiscal years.
- **A Qualified Certification:** MAY NOT MEET their financial obligations for the current OR two subsequent fiscal years.
- **A Negative Certification:** WILL BE UNABLE TO MEET their financial obligations for the current OR two subsequent fiscal years.

# General Assumptions Guidance

- **The District uses a variety of sources to determine current and future revenues and expenditures:**
  - **School Services of California (SSC Dartboard)**
  - **Common Message developed by all County Offices in the State**
  - **2019-20 State Adopted Budget**
  - **Actual current year enrollment (CBEDs/projected P-2 ADA)**
  - **Local Control Funding Allocation (LCFF)**
  - **Capital Advisors**
  - **Department of Finance (DOF) Reports**
  - **Legislative Analyst Office (LAO)**

# SSFUSD Assumptions

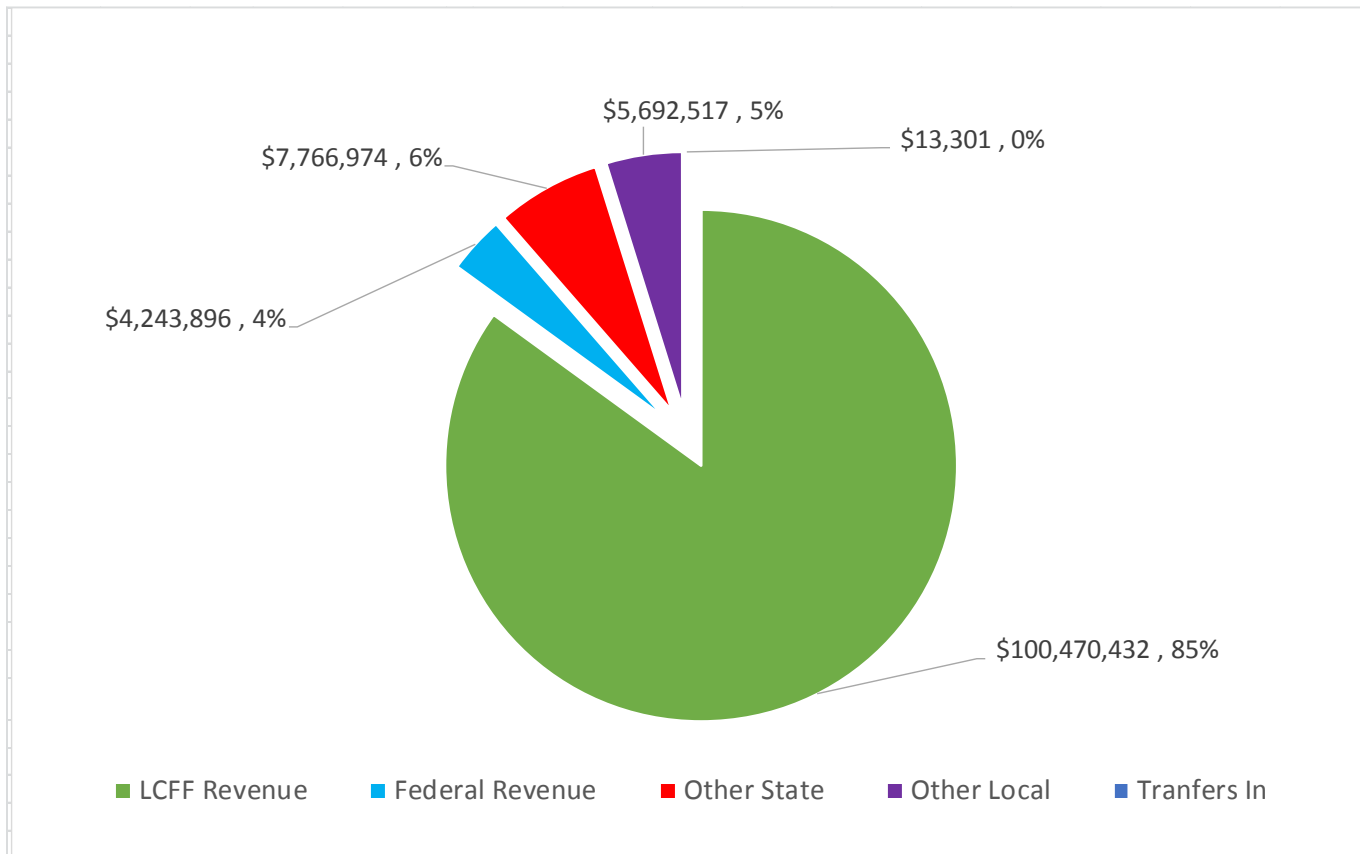
- **Property taxes budgeted with latest estimates**
- **Estimated RDA revenue from COE is budgeted**
- **District will remain Community Funded/Basic Aid**
- **Estimated Step & Column cost included**
- **Enrollment/ADA declining**
- **Estimated STRS/PERS increase included**
- **Mandated Block Grant and Lottery Funds are budgeted**
- **Program carryovers from prior year are included**
- **Contributions to Special Ed are budgeted**
- **Contributions for Routine Restricted Maintenance and Deferred Maintenance are budgeted**

# 2019-20 Second Interim General Fund Projected Revenues

| <b><u>Revenues</u></b> | <b><u>2019-20</u></b> |
|------------------------|-----------------------|
| • LCFF Revenue         | \$ 100,470,432        |
| • Federal Revenue      | \$ 4,243,896          |
| • Other State          | \$ 7,766,974          |
| • Other Local          | \$ 5,692,517          |
| • Transfers In         | \$ <u>13,301</u>      |
| <b>Total</b>           | <b>\$118,187,120</b>  |

Note: Includes both Unrestricted and Restricted Revenues

# 2019-20 Second Interim General Fund Projected Revenues

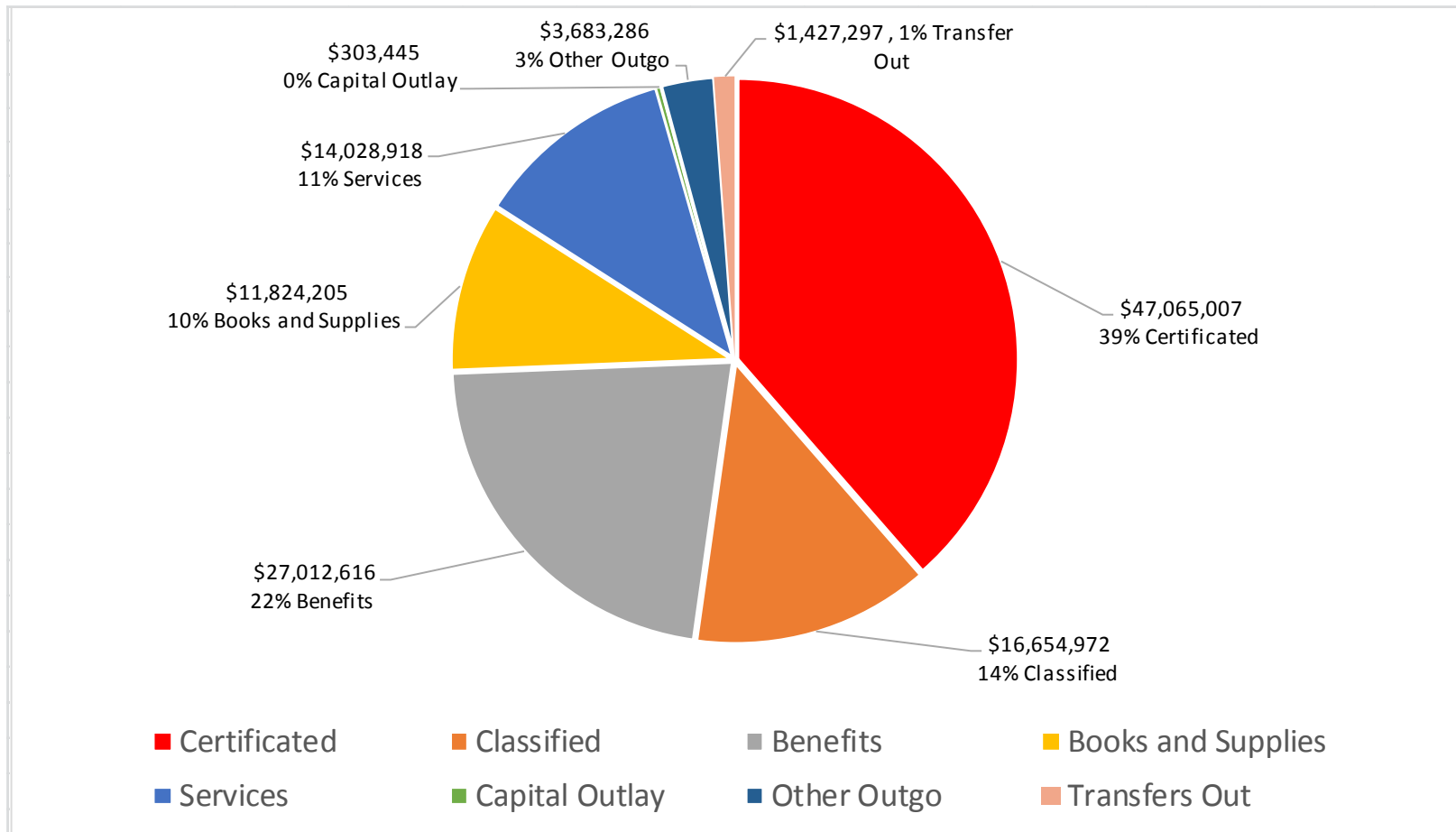


# 2019-20 Second Interim General Fund Projected Expenditures

|                      |                      |
|----------------------|----------------------|
| • Certificated       | \$ 47,065,007        |
| • Classified         | \$ 16,654,972        |
| • Benefits           | \$ 27,012,616        |
| • Books and Supplies | \$ 11,824,205        |
| • Services           | \$ 14,028,918        |
| • Capital Outlay     | \$ 303,445           |
| • Other Outgo        | \$ 3,683,286         |
| • Transfers Out      | <u>\$ 1,427,297</u>  |
| <b>Total</b>         | <b>\$121,999,746</b> |

Note: Includes both Unrestricted and Restricted Expenditures

# 2019-20 Second Interim General Fund Projected Expenditures



# General Fund Summary Comparison(combined)

| General Fund<br>(Unrestricted and Restricted) | 2019-20            | 2019-20            | Change           |
|---|--------------------|--------------------|------------------|
|   | 1st Interim        | 2nd Interim        |                  |
| Revenues                                      | 108,235,430        | 118,173,819        | 9,938,389        |
| Interfund Transfer In                         | 13,301             | 13,301             | -                |
| <b>Total Sources of Funds</b>                 | <b>108,248,731</b> | <b>118,187,120</b> | <b>9,938,389</b> |
| Expenditures                                  | 116,414,003        | 120,572,449        | 4,158,446        |
| Interfund Transfer Out                        | 1,427,297          | 1,427,297          | -                |
| <b>Total Usage of Funds</b>                   | <b>117,841,300</b> | <b>121,999,746</b> | <b>4,158,446</b> |
| Net Increase/Decrease In Fund Balance         | (9,592,569)        | (3,812,626)        | 5,779,943        |
| Beginning Fund Balance                        | 30,775,191         | 30,775,191         | -                |
| Projected Ending Fund Balance                 | 21,182,622         | 26,962,565         | 5,779,943        |
| Nonspendable                                  | 121,891            | 155,162            | 33,271           |
| Restricted                                    | 3,933,649          | 3,925,247          | (8,402)          |
| Committed                                     | -                  | -                  | -                |
| Assigned/Designated                           |                    |                    |                  |
| Various Designations *                        | 11,235,017         | 10,160,500         | (1,074,517)      |
| Unassigned/Unappropriated                     |                    |                    |                  |
| Designated for Economic Uncertainties         | 5,892,065          | 6,099,987          | 207,922          |
| Undesignated Reserve                          | -                  | 6,621,669          | 6,621,669        |
| * Details provided on Slide 12                |                    |                    |                  |

# General Fund Summary Comparison(combined)

|   | 2019-20<br>1st Interim | 2019-20<br>2nd Interim |
|---|------------------------|------------------------|
| Assigned/Designated                                   |                        |                        |
| STRS/PERS Increases: 2022-23                          | 360,000                | 360,000                |
| STRS/PERS Increases: 2023-24                          | 665,000                | 665,000                |
| Property Tax Re-Payment - Litigation (Rough Estimate) | 7,574,517              | 8,500,000              |
| Dual-Immersion Program (Estimate)                     | 550,000                | 550,000                |
| 2 Grounds Keepers - New Ball Fields (Part of Year)    | 45,500                 | 45,500                 |
| Increase Water Use - 4 New Ball Fields (Part of Year) | 40,000                 | 40,000                 |
| Network & Wireless Infrastructure Renovation          | 2,000,000              | 0                      |
| 2 Athletic Trainers - HS Football (Starting 2020-21)  | 0                      | 0                      |
| PCRC-CIS Program (Starting 2020-21)                   | 0                      | 0                      |
|   | <b>11,235,017</b>      | <b>10,160,500</b>      |

# Changes in Revenues

The net change in revenue from the 1<sup>st</sup> Interim to 2<sup>nd</sup> Interim is approximately \$9.9M. The major changes include:

- Net increase in estimated property tax/RDA revenue, \$6.0M
- Net increase in Federal Program Grants, \$0.4M
- Net increase in State Program Grants, \$1.0M
- Net increase in Local Program Allocations, \$0.5M
- Grant from Genentech for Next Generation Science Standards (NGSS), \$2.0M

# Changes in Expenditures

The net change in Expenditures from the 1<sup>st</sup> Interim to 2<sup>nd</sup> Interim is approximately \$4.2M. The major changes include:

- Increase due to corresponding expenditures for the Federal and State program grants, \$1.4M
- Increase in Local program allocation, \$0.5M
- Grant from Genentech for Next Generation Science Standards (NGSS), \$2.0M
- Net increase in various budget adjustment, \$0.3M

# 2020-21 & 2021-22 MYP Assumptions

- **Property tax increase – estimated at 4.0%**
- **Estimated RDA revenue from COE is budgeted**
- **Estimated STRS/PERS increase included**
- **Estimated Step & Column costs included**
- **Enrollment/ADA projected to decrease by 2.0% per year**
- **Maintains Deferred Maintenance transfer**
- **Maintains Adult Education transfer**
- **Contributions to Special Ed and Transportation**
- **Contributions to Routine Restricted Maintenance program**

# Multi Year Projections Assumptions

|              | <b>STRS</b> | <b>PERS</b> | <b>COLA</b> | <b>Lottery</b> | <b>Mandated<br/>Block<br/>Grant</b> | <b>Federal</b> | <b>ADA</b> |
|--------------|-------------|-------------|-------------|----------------|-------------------------------------|----------------|------------|
| <b>19-20</b> | 17.10%      | 19.72%      | 3.26%       | \$207          | \$94.12                             | Flat           | 8,149.96   |
| <b>20-21</b> | 18.40%      | 22.80%      | 2.29%       | \$207          | \$96.95                             | Flat           | 7,988.26   |
| <b>21-22</b> | 18.10%      | 24.90%      | 2.71%       | \$207          | \$99.67                             | Flat           | 7,829.78   |

# Multi-year Projection - Actual/Projected Ending Fund Balances

The District's Ending Fund Balance is decreasing as a result of deficit spending, increased employer PERS and STRS contribution and the loss of the one-time monies from the State.

|   | <b>Adopted<br/>Budget<br/>2019/20</b> | <b>Second<br/>Interim<br/>2019/20</b> | <b>Proposed<br/>Budget<br/>2020/21</b> | <b>Proposed<br/>Budget<br/>2021/22</b> |
|---|---------------------------------------|---------------------------------------|--|--|
| <b>Unrestricted and Restricted Funds</b>    |                                       |                                       |  |  |
| <b>Revenues</b>                             | \$ 106,460,663                        | \$ 118,187,120                        | \$ 115,255,612                         | \$ 118,239,129                         |
| One-time State Funding                      | 0                                     | 0                                     | 0                                      | 0                                      |
| Total Sources of Funds                      | \$ 106,460,663                        | \$ 118,187,120                        | \$ 115,255,612                         | \$ 118,239,129                         |
| <b>Expenditures</b>                         | \$ 109,368,589                        | \$ 121,999,746                        | \$ 119,524,849                         | \$ 121,568,796                         |
| Total Usage of Funds                        | \$ 109,368,589                        | \$ 121,999,746                        | \$ 119,524,849                         | \$ 121,568,796                         |
| <b>Net Incr/Decr in Fund Balance</b>        | \$ (2,907,926)                        | \$ (3,812,626)                        | \$ (4,269,237)                         | \$ (3,329,667)                         |
| Beginning Fund Balance                      | 30,775,191                            | 30,775,191                            | 26,962,565                             | 22,693,328                             |
| <b>Actual/Projected Ending Fund Balance</b> | <b>\$ 27,867,265</b>                  | <b>\$ 26,962,565</b>                  | <b>\$ 22,693,328</b>                   | <b>\$ 19,363,661</b>                   |

# Ending Fund Balances (Reserves)

**GASB Statement No. 54 establishes certain classification that governmental agencies are required to report their fund balances**

- **Nonspendable**
- **Restricted**
- **Committed**
- **Assigned**
- **Undesignated/Unassigned**

# Ending Fund Balance Designations

|  | <b>Second<br/>Interim<br/>2019/20</b> | <b>Proposed<br/>Budget<br/>2020/21</b> | <b>Proposed<br/>Budget<br/>2021/22</b> |
|--|---------------------------------------|--|--|
| <b>Unrestricted and Restricted Funds</b>           |                                       |  |  |
| <b><i>Actual/Projected Ending Fund Balance</i></b> | <b>26,962,565</b>                     | <b>22,693,328</b>                      | <b>19,363,661</b>                      |
| Nonspendable                                       |                                       |  |  |
| Revolving Cash                                     | 25,100                                | 25,100                                 | 25,100                                 |
| Stores   | 59,310                                | 59,310                                 | 59,310                                 |
| Prepaid Expenditures                               | 70,752                                | 70,752                                 | 70,752                                 |
| Restricted   | 3,925,247                             | 3,925,247                              | 3,925,247                              |
| Committed  | 0                                     | 0                                      | 0                                      |
| Assigned/Designated                                |                                       |  |  |
| STRS/PERS Increase: 2022-23                        | 360,000                               | 360,000                                | 360,000                                |
| STRS/PERS Increase: 2023-24                        | 665,000                               | 665,000                                | 665,000                                |
| Prop Tax Re-Pymt - Litigation (Est.)               | 8,500,000                             | 8,500,000                              | 6,190,312                              |
| Dual-Immersion Program (Est.)                      | 550,000                               | 550,000                                | 550,000                                |
| 2 Grounds Keeper - New Ball Fields                 | 45,500                                | 227,500                                | 409,500                                |
| Increase Water Use - 4 New Ball Fields             | 40,000                                | 140,000                                | 240,000                                |
| 2 Athletic Trainers - HS Football (For 20/21)      | 0                                     | 220,000                                | 440,000                                |
| PCRC-CIS Program (For 20/21)                       | 0                                     | 150,000                                | 350,000                                |
| Reserve:   |                                       |  |  |
| Reserved for Economic Uncertainties                | 6,099,987                             | 5,976,242                              | 6,078,440                              |
| Undesignated Reserve                               | 6,621,669                             | 1,824,177                              | 0                                      |

# Areas of Concern

- **STRS/PERS Increases**
- **Loss of one-time funds from the State**
- **Increases in Special Education costs**
- **Re-payment of property taxes due to litigation**
- **Aging facilities with not enough funding to repair/replace**
- **Declining Student Enrollment**
- **Additional cost to address PGE power outages**
- **Impact of the Coronavirus on the economy and future State revenues**

# Looking Ahead

- **Governor's Revision to the Proposed Budget**
  - **May 2020**
- **Public Hearing on the 2020-21 LCAP Draft Plan and Budget**
  - **June 11, 2020**
- **Public Meeting to Adopt the 2019-20 LCAP and Budget**
  - **June 25, 2020**
- **2019-20 Unaudited Actual**
  - **September 2020**

Comments / Questions?

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