Brea Olinda Unified School District

"Learning is our priority, with opportunity for ALL."



# 2nd Interim Report - Fiscal Year 2019/2020

## Board of Education

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Mr. Paul Ruiz, Vice President
Ms. Keri Kropke, Clerk of the Board
Mrs. Carrie Flanders, Member
Mrs. Gail Lyons, Member

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Richard Champion, Asst. Supt., Business Services
Kerrie Torres, Asst. Supt., Educational Services
Brinda Leon, Asst. Supt., Human Resources

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Cindy Jason
Joanne Himes
Christie Hopkins

Bill Brunner
Lydia Solia
Barbara Ott

# Outcomes

- Disclosure and Background on Certifications for Interim Reports
- Legislative and fiscal impacts since 1st Interim
- 2nd Interim Reporting
- Multi-Year Projection (MYP)
- Next Steps and Guidance
- Board Action on Certification

Brea Olinda Unified School District

# Disclosure

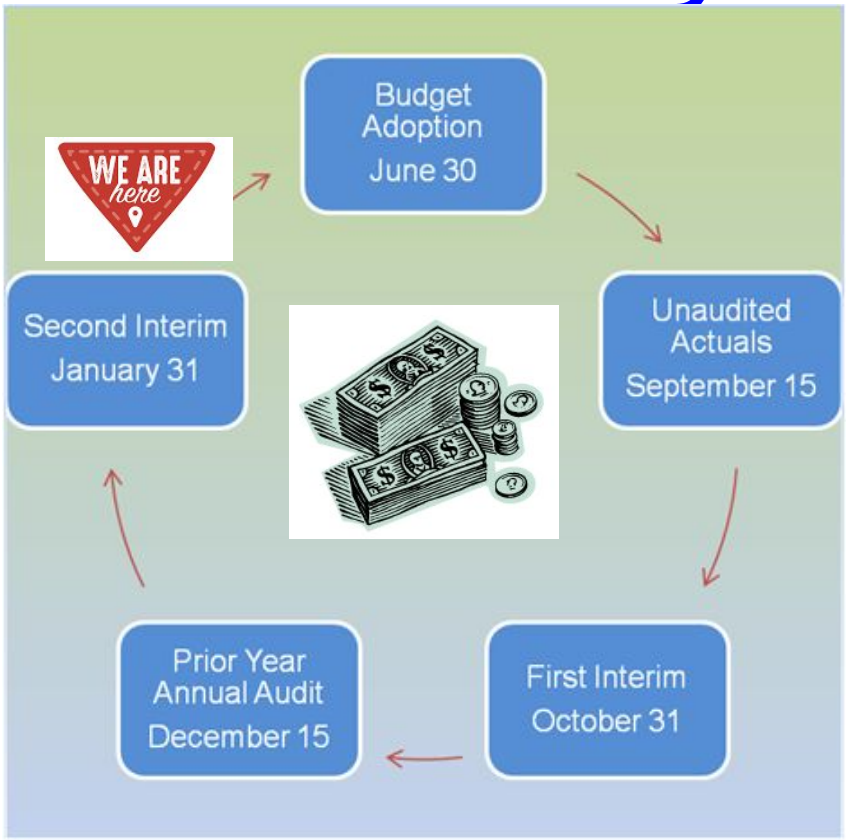
Education Code 42300 requires California school districts to report its financial data twice a year. This report is referred to as the "Interim Report." The First Interim Report shall reflect changes to the board approved budget from July 1, 2019 through January 31, 2020.

The objectives of reports are:

- To provide a review of the District's financial condition at periodic intervals during the fiscal year.
- To provide a status report to the Board of Education and the public of the financial condition of the District.
- To determine necessary budget revisions as a result of current or projected financial information.

In addition to the Interim Reports, the District submits a Multiple Year Projection (MYP) report. These report examines the District's enrollment, spending pattern, ending fund balance, and reserve for economic uncertainties for the current fiscal year *(FY 2019/2020)* and the two (2) subsequent years *(FY 2020/2021 & FY 2021/2022)*.

# Financial Reporting Period




The Budget process occurs all year long with constant review and analysis of financial data and **assumptions**.

Interim Reports help ensure solvency during the course of the year. Inevitably the estimates used to create the original budget will change as the year progresses.

There are too many unknowns at the time of budget adoption -Interim Reports allow for adjustments.

Even the most carefully prepared budget is just a snapshot in time. Districts are required to certify their financial condition twice during the school year.

**There are three financial certification that a district issue**:

- **Positive** – The district will meet its financial obligations
- **Qualified** – The district may not be able to meet its obligations
- **Negative** – The district will not be able to meet its obligations

# What to Expect

Fiscal impact from Gov's Proposed Budget and newly signed bills

The Fiscal Outlook for Schools and Community Colleges

LCFF Funding Targets

Pensions

# Key Education Bills Signed




APPROVED BY GOVERNOR

## SB 328 (Portantino)

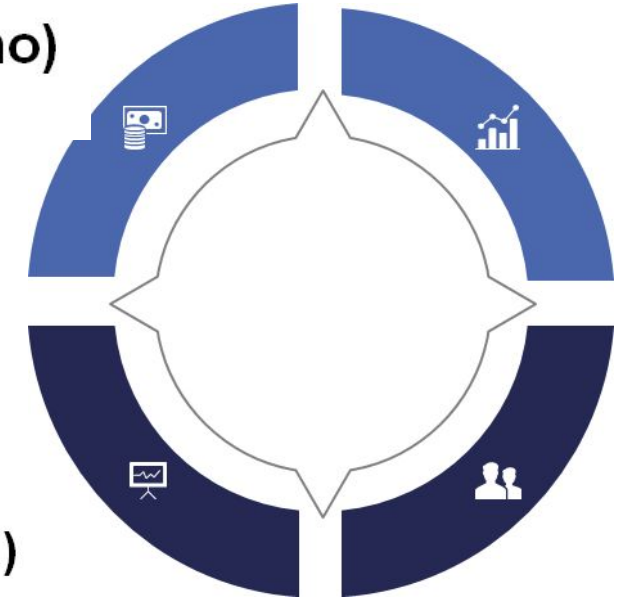
School St[illegible] Time



APPROVED BY GOVERNOR

## AB 1505 (O'Donnell)

Charter S[illegible]ol Reform



APPROVED BY GOVERNOR

## AB 218 (Gonzalez)

Damages [illegible]hildhood sexual assault [illegible]atute of limitations




APPROVED BY GOVERNOR

## AB 48 (O'Donnell)

Public Presch[illegible], K-12, and College [illegible]alth and Safety [illegible] Bond Act of 2020

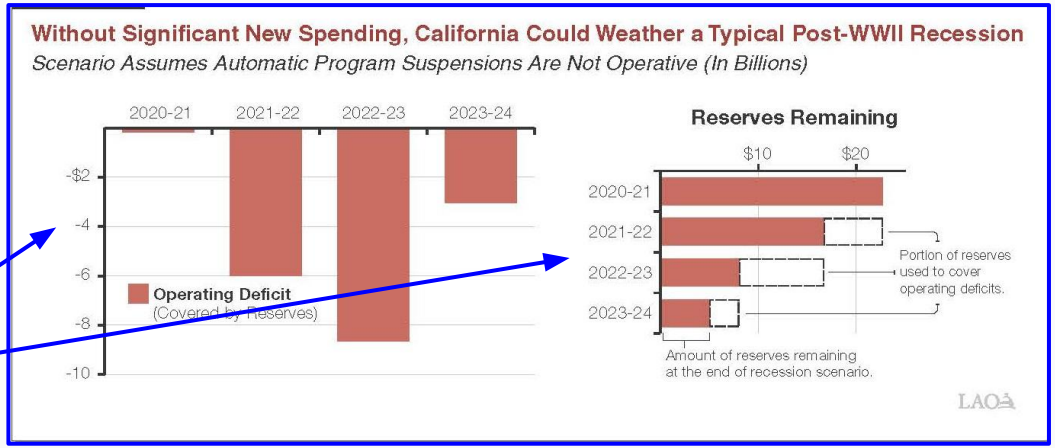
# Recession Scenario



**Are reserves Are Sufficient to Cover Deficits.**

These estimates assume a number of automatic program expenditure suspensions are not operative.

- The left side of the figure: the annual operating deficits.
- The right side of the figure shows how much in total reserves remain at the end of each year in the scenario.

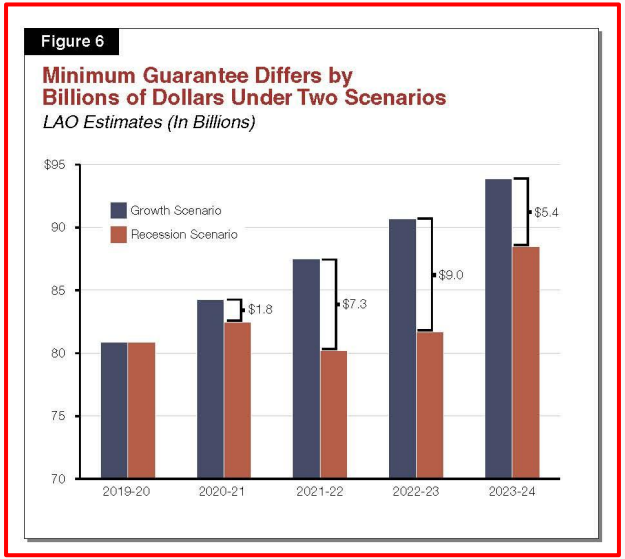



It is estimated the state enters the recession with nearly $23 billion in reserves and uses most of the balance to cover billions of dollars of operating deficits. At the end of 2023-24, the state still could have about $5 billion in reserves remaining.

- **Reserves Would Be Nearly Sufficient to Hold School and Community College General Fund Spending Flat.**
- **Assumption is the state funds schools and community colleges at their constitutional minimum level. In other words, general Fund spending on K-14 education declines even as the state maintains other programmatic spending using reserves.**

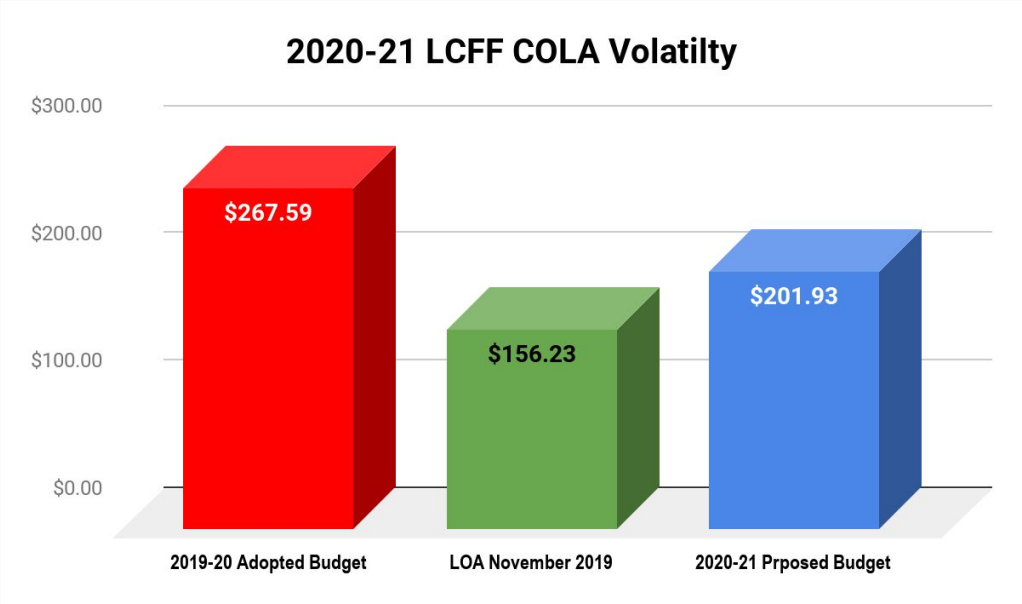
If instead the Legislature wanted to mitigate the impact on schools and spend above the minimum level, the state's operating deficits would be larger.

**Opinion**: In this recession scenario, however, there would be nearly enough reserves to hold spending on schools and community colleges flat from 2020-21 to 2022-23. In 2023-24, General Fund spending on schools and community colleges would begin to grow again under the constitutional funding formulas



## Change from 2019-20 Enacted State Budget to 2020-21 Governor's Proposed Budget

| Assumption | 2020-21 | 2021-22 | 2022-23 | Applied to |
|---|---|---|---|---|
| COLA % | -0.71% | -.09% | -0.34% | • LCFF<br>• Special Education & other categorical programs<br>• MBG |



# BOUSD Assumptions

The 2019-2020 Budget update

LCFF: Our source of funding

Enrollment / ADA projections

Pensions

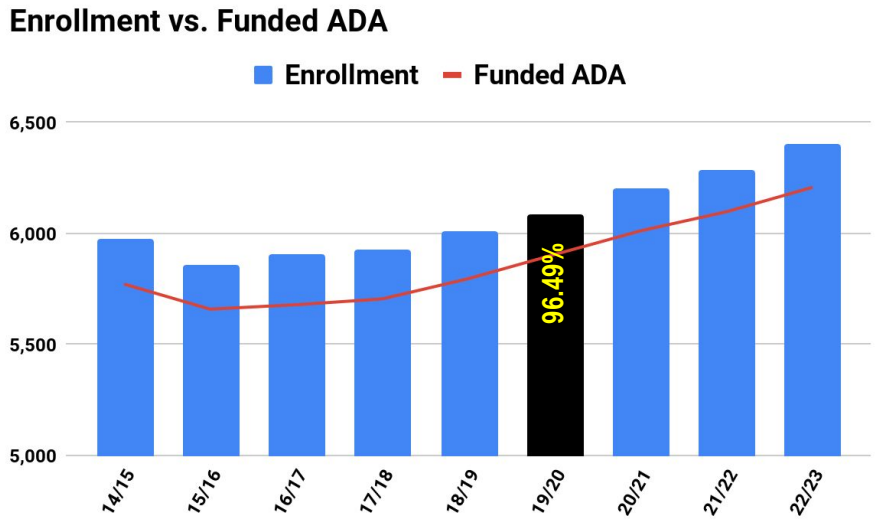
# Enrollment vs. Average Daily Attendance (ADA)

March 12, 2020

Focus on Students

- The budget process begins with a careful projection of the number of students who will enroll in the district.
- Enrollment drives costs
  - **Short term: staffing and support services/programs**
  - **Long term: facilities and operations**

2nd Interim Report FY 2019-2020



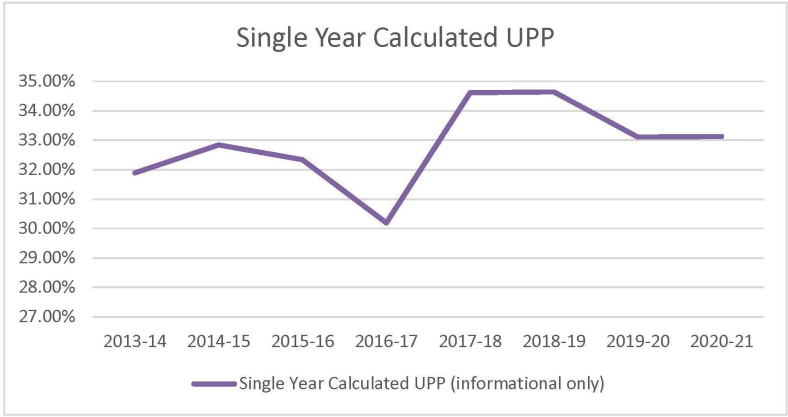

Enrollment is based on the California Basic Education Data System (CBEDS) reported at the end of the first school month (October) and represents the number of students actually enrolled in the district - Average Daily Attendance (ADA) is the measurement of attendance, or seat time.

ADA is measured at three points in the year:

•P1 – Daily Attendance counts first 4 months (Sept-Dec)

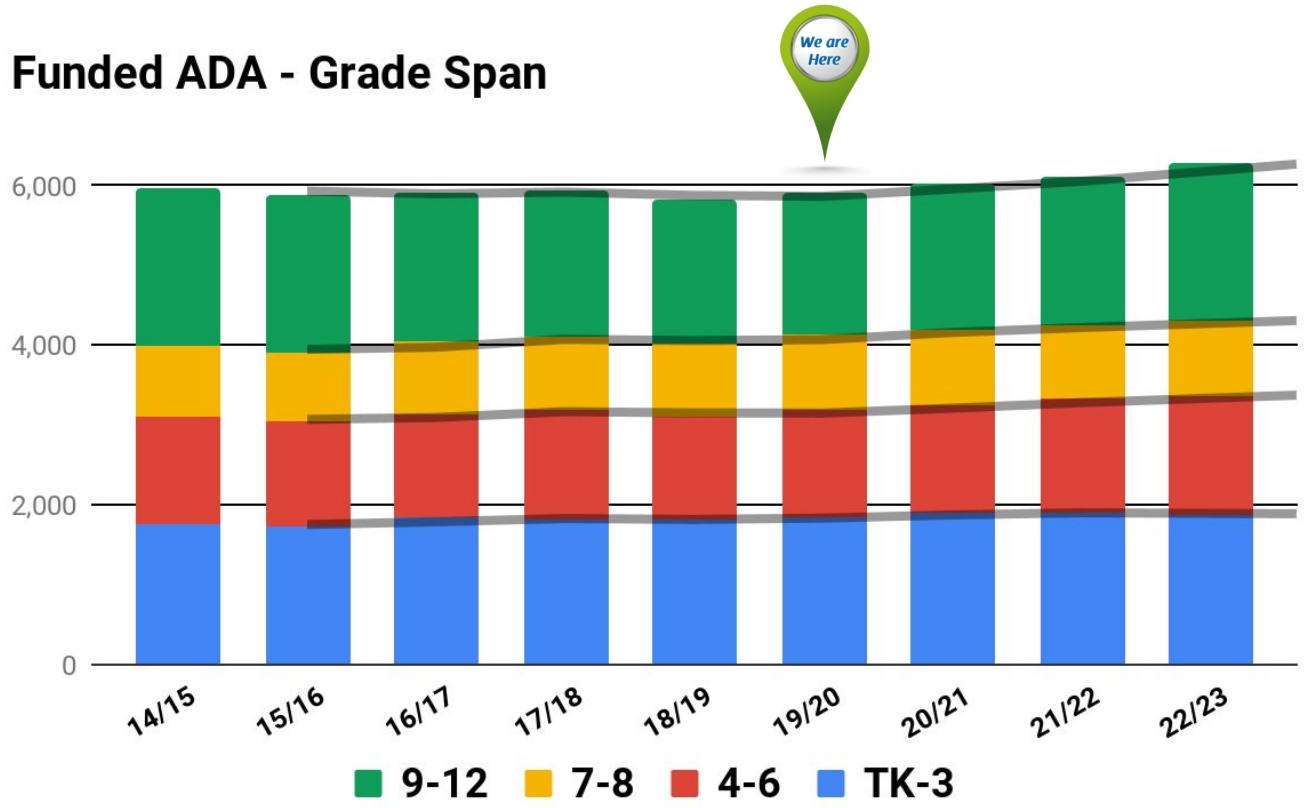
•P2 - Daily Attendance counts first 8 months (Sept-Apr)

•Annual – Daily Attendance counts for fiscal year

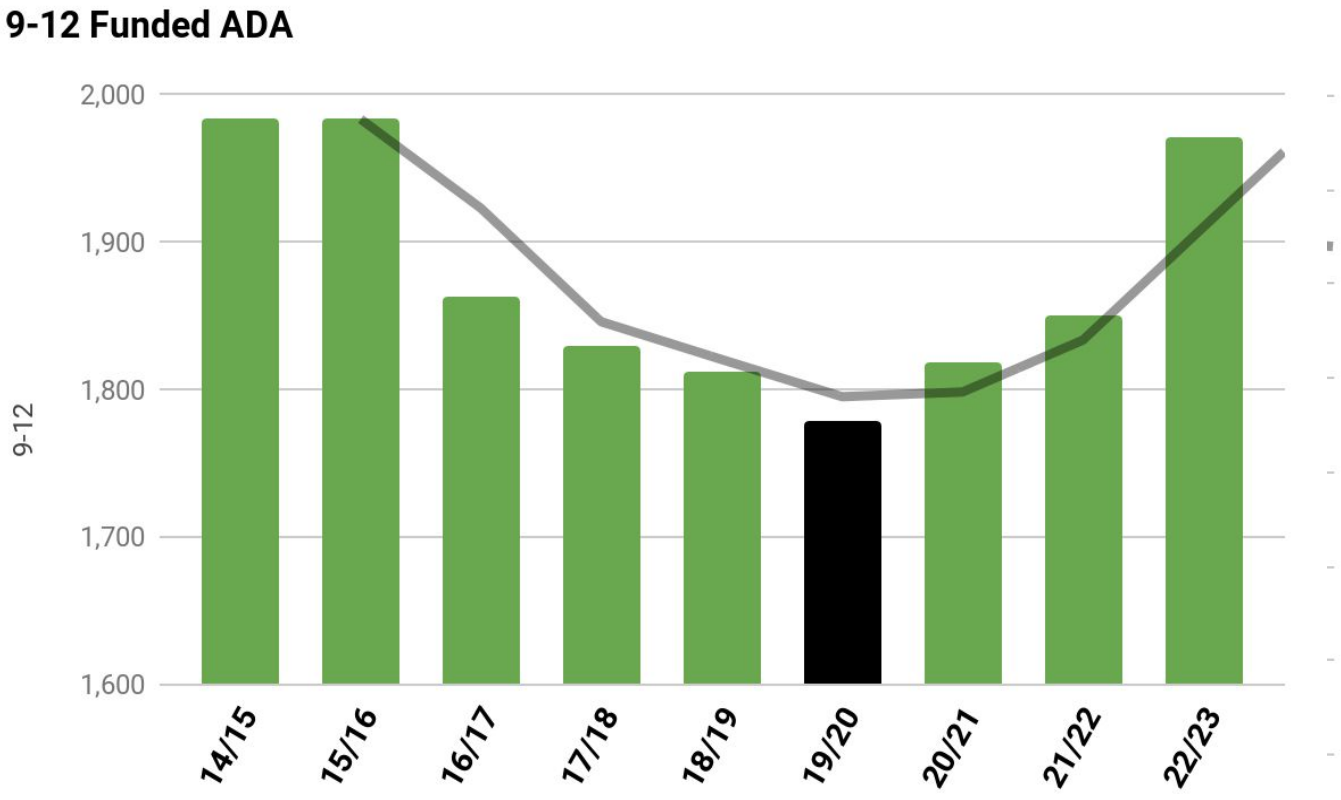


# Funded ADA - Prior & Projected





# Enrollment: by Grade Span



# 2019-20 LCFF Target Funding Factors

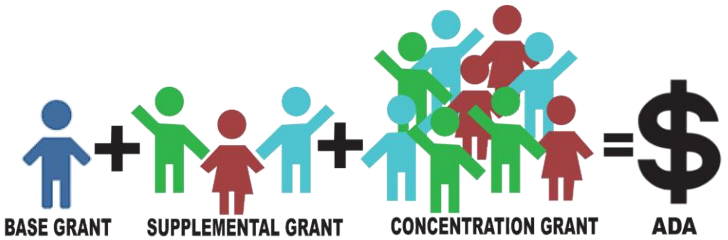
March 12, 2020

2nd Interim Report FY 2019-2020

| Grade Span | Base Grant | Grade Span Adj (GSA) | Sup (20 Grar | se,Supp, t, GSA per ADA | ADA 96.49% (UPP=34.11%) | Target LCFF (P1) |
|---|---|---|---|---|---|---|
| K-3 | $7,702 | $801 | | $9,083 | 1,882.88 | $16,829,847 |
| 4-6 | $7,818 | | | $8,351 | 1,330.18 | $11,108.791 |
| 7-8 | $8,050 | | | $8,599 | 942.91 | $8,108,244 |
| 9-12 | $9,329 | $243 | | $10,225 | 1,778.58 | $18,185,984 |
| Totals/ADA | $48,853,028 | $1,916,352 | $3,463,487 | | 5,904.55 | 54,232,867 |

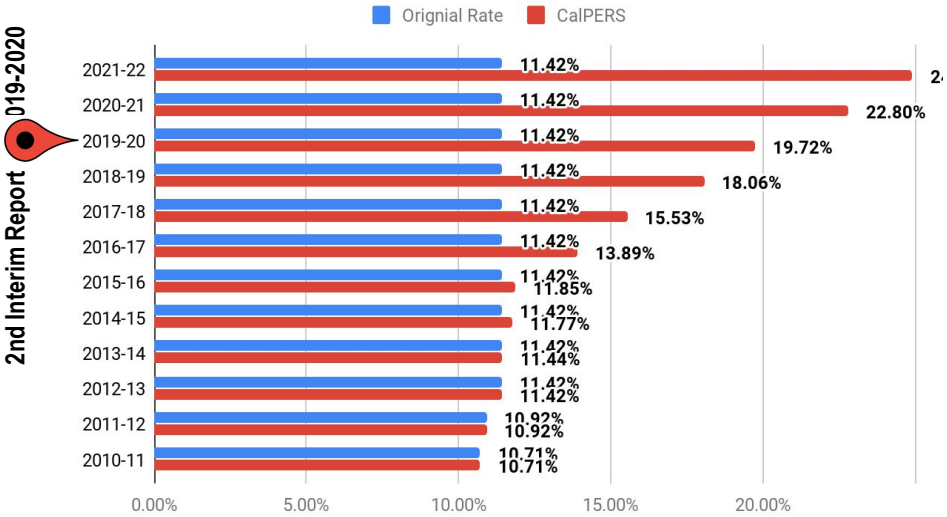



Future increases tied to COLA

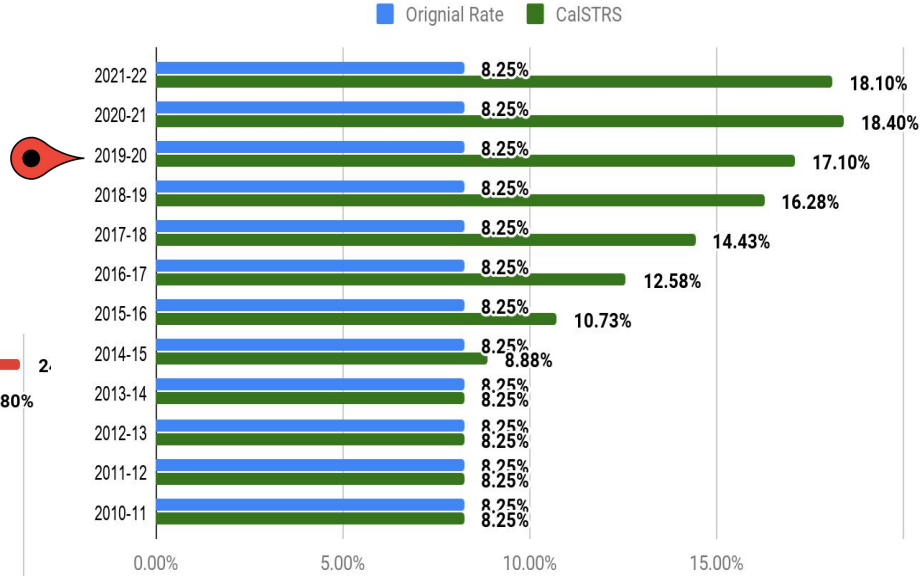


**It is important to note that these costs will happen regardless of increases in Proposition 98 funding for schools.**

## CalPERS




## CalSTRS




These rates reflect the application of Senate Bill 90 (Chapter 33/2019), which included a $904 million contribution from the state to reduce the employer contribution levels by 0.9% in 2020–21 and 0.3% in the subsequent years.

SSC Financial Projection Dartboard to be prepared with the 2020–21 Governor's Budget Proposal in January 2020.

CalPERS California Employees Retirement Pension System Fact Sheet - November 25, 2019 CalSTRS) California State Teachers Retirement System Fact Sheet - 2019-2020 State Budget

# 2nd Interim - Fiscal Year 2019/20

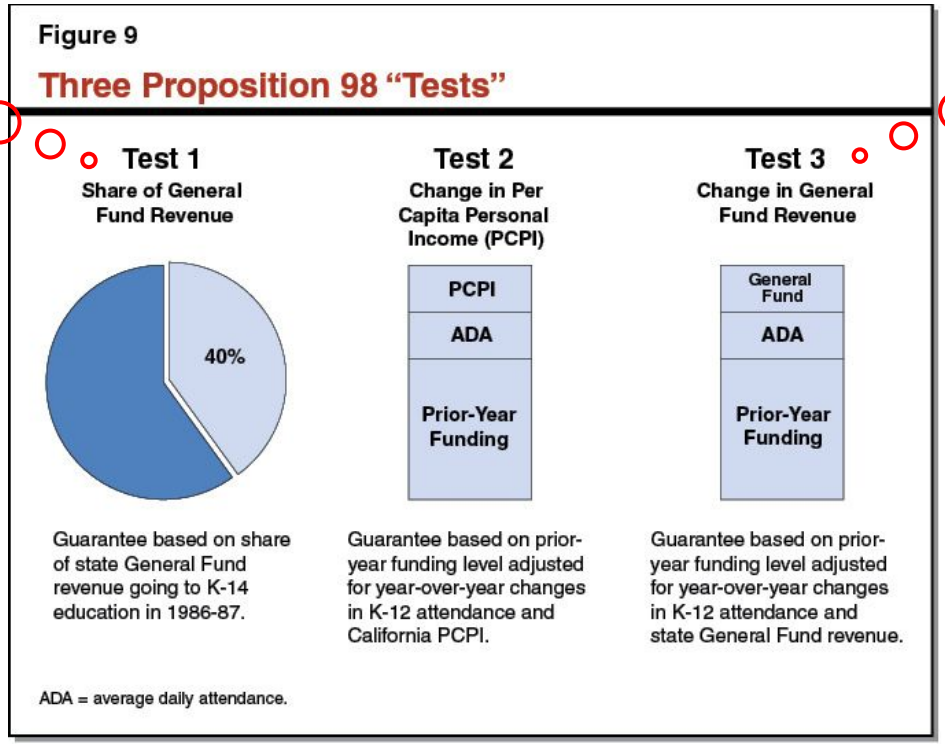
# How the State allocates Money to Districts



Links school funding to min. Share of State's GF (approx. 40%)

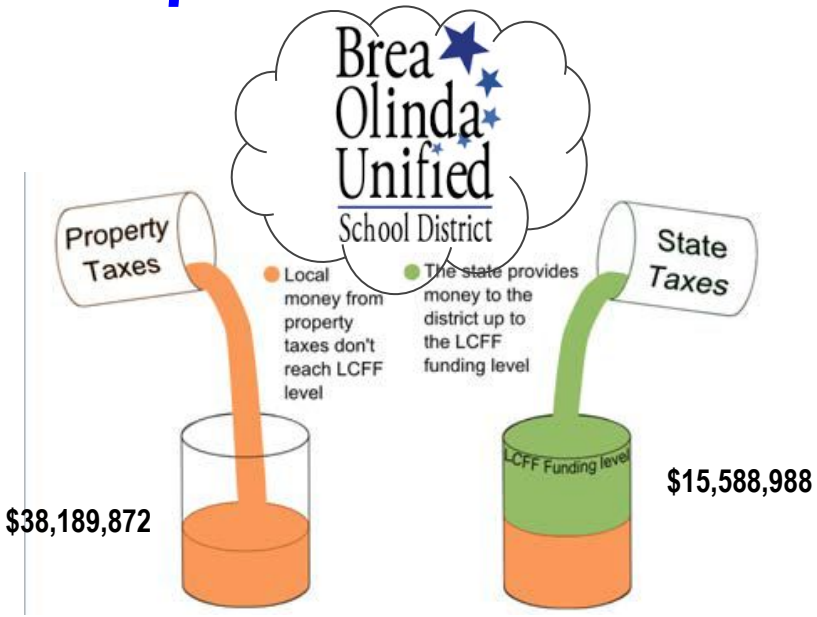
Build upon the amount of funding provided by previous year.

Prop **98** guarantees an annual increase in **education** in the California budget. ... The initiative was a result of 1978's **Proposition** 13, which limited assessed property taxes to one percent of a home's value in California and thus limited the amount of local **funds** that could be spent on **school** districts.

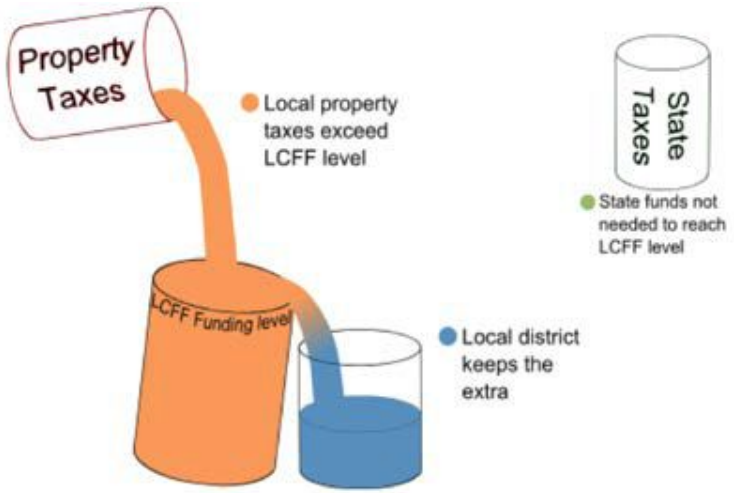


# Two Types of School Funding-LCFF






District Funding Under Local Control Funding Formula (LCFF) Blend of Property Taxes and State Funds




Community-Funded District (Basic Aid) – 100% Property Tax

# Source of Our LCFF Money

Some of our revenue is restricted and can only be spent in certain ways.

March 12, 2020

2nd Interim Report FY 2019-2020

When it comes to money, Brea Olinda USD is considered

an Locally Controlled Funding Formula District

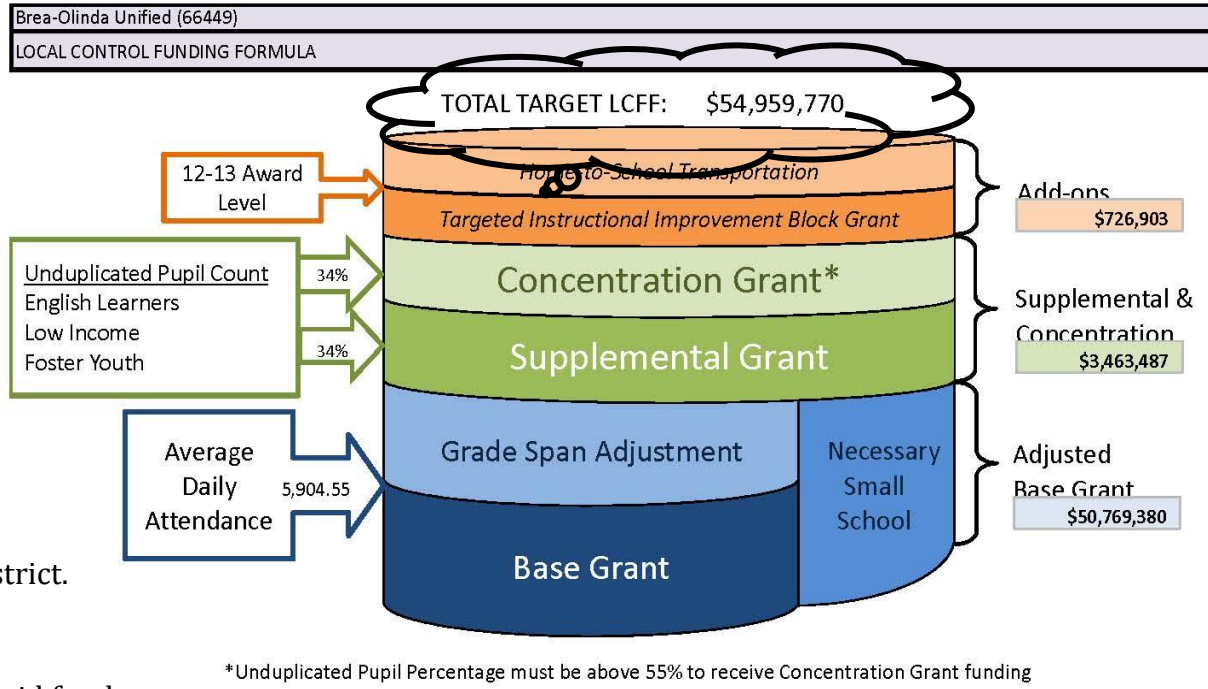
***The money comes from the State (LCFF)***

–*Income and sales* taxes

–Local property taxes

–Miscellaneous local income, fees, interest, donations

–California State Lottery




*Unduplicated Pupil Percentage must be above 55% to receive Concentration Grant funding

- Each new student brings more funding to a district.
- Declining enrollment districts lose funding.
- Changes in local property tax is offset by state aid funds

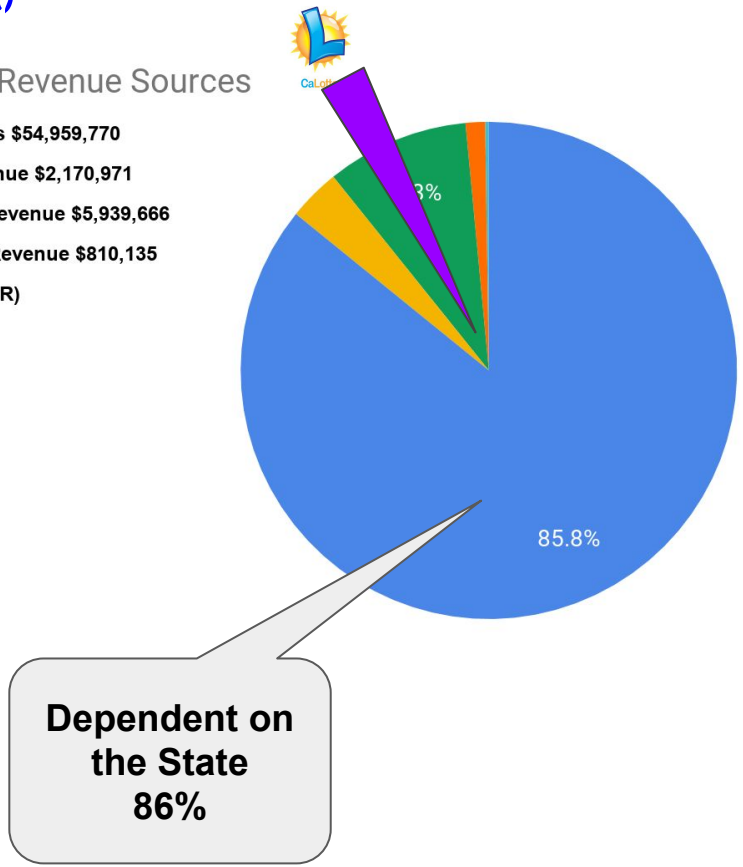
# Revenue Sources (Adj from 1st Interim)

March 12, 2020

2nd Interim Report FY 2019-2020

| | 2018-19 | 2019-20 |
|---|---|---|
| Funded ADA | 5,826.24 | 5,904.55 |
| Estimated LCFF Sources per ADA | $9,018.10 | $9,308.04 |
| Net Change per ADA from Pr. Year | $576.36 | $289.94 |
| Net Percent Change From Pr. Year | 6.83% | 3.22% |

| Fiscal Year 2019/2020 | | |
|---|---|---|
| **Description** | **2nd Interim** | **Change/1st Interim** |
| LCFF Sources | $54,959,770 | $0 |
| Federal Revenue | $2,170,971 | $85,739 |
| Other State Revenues | $5,939,666 | $594,658 |
| Other Local Revenues | $810,135 | $0 |
| Transfers In | $152,000 | $0 |
| Contributions | $0 | $0 |
| **Total Revenues** | **$64,032,542** | $680,397 |



# How is Spending Decisions Determined

**State**

- California Education Code (State Law)
- Local Control Accountability Plan (LCAP)
- Restricted Sources
- Government Code
- Child Nutrition




**Federal**

- Individuals with Disabilities Education Act (IDEA)
- Every Student Succeeds Act (ESSA)
- Americans with Disabilities Act (ADA)
- Child Nutrition

**Local**

- **Local Control Accountability Plan (LCAP)**
- Strategic Plan
- Board Goals and Priorities
- Collective Bargaining Agreements (CBA)
  - Salaries, HW, Working Conditions
- Facilities Master Plan
- Child Nutrition
- Technology Plan
  - 1:1 Devices, Infrastructure, Replacement Plans
- SELPA Local Area Plan (SpEd)
- Bonds and Parcel Taxes
- Site Priorities & Needs

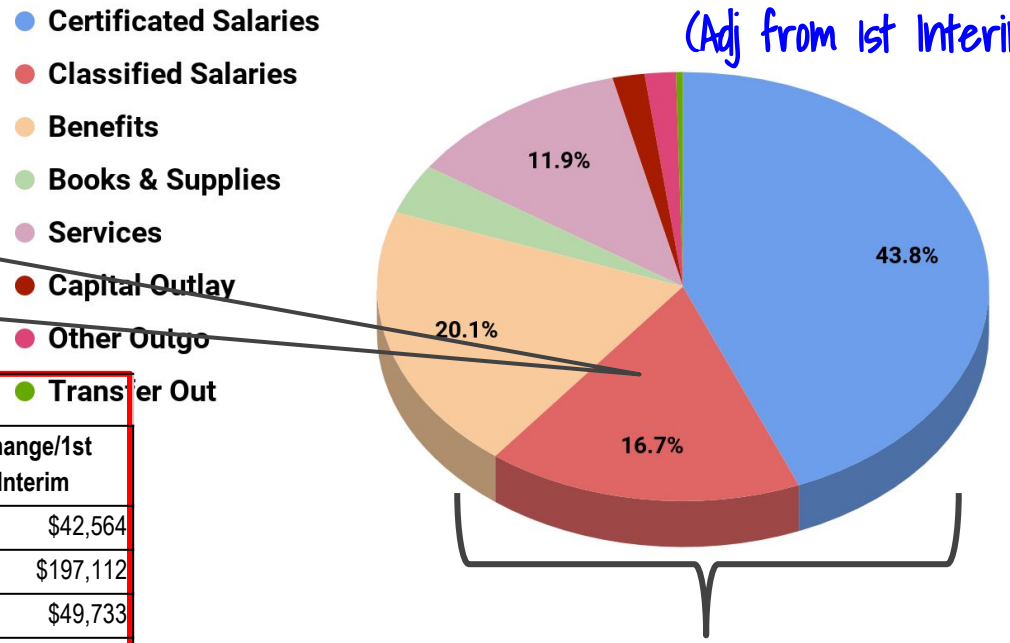
# How We Spend

(Adj from 1st Interim)

March 12, 2020

2nd Interim Report FY 2019-2020

STRS 17.10%
PERS 19.72%
Social Security 6.2%
Medicare 1.45%
WComp/UI 1.14%
Health & Welcome Benefits




| Fiscal Year 2019/2020 | | |
|---|---|---|
| Description | 2nd Interim | Change/1st Interim |
| Certificated Salaries | $28,581,736 | $42,564 |
| Classified Salaries | $10,881,527 | $197,112 |
| Employee Benefits | $13,126,861 | $49,733 |
| Books/Supplies | $2,465,878 | $672 |
| Services | $7,750,566 | $68,419 |
| Capital Outlay | $1,109,373 | $5,000 |
| Other Outgo | $1,071,343 | $0 |
| Indirect Costs | $0 | $0 |
| Transfers Out | $240,000 | $0 |
| Total Expenditures | $65,227,284 | +$363,500 |

The KEY to our success... OUR people. 81% of every General Fund dollar is used for salary and benefits.

# Analysis of the Ending Fund Balance

- The fund balance is NOT the equivalent of the district's checking account.
- It is NOT all cash that can be used for any purpose.

5 Components *(GASB 54)*

1. Non-Spendable
2. Restricted
3. Assigned
4. Reserve for Economic Uncertainties 3%
5. Unassigned

# Ending Fund Balance

Remember: EFB is not the cash balance !!!!!

March 12, 2020

2nd Interim Report FY 2019-2020

## 2019/20 - 2nd Interim Report
## Ending Fund Balance

| As of Fund | | 1st Interim | 2nd Interim | Variance From Budget |
|---|---|---|---|---|
| Ending Fund Balance | | $12,704,837 | **$13.021.731** | |
| Cash | $ 25,000 | $ 25,000 | **$ 25,000** | |
| Restricted | $ 1,771,493 | $ 638,649 | **$ 661,649** | **($ 1,109,844)** |
| Reserved | | | **$ 5,288,357** | **($** |
| 3% Reserve | ,000 | $ 1,960,000 | **$ 1,960,000** | |
| Unassigned | ,958 | $ 4,792,830 | **$ 5,086,725** | |

Lottery: Instructional $365,544

SPED Mental Health Services $169,785

Low Performing Block Grant $103.320

Other Restricted $ 23,000

1-Time Funding CY/carryover $4,122,056

NGSS Adoption 19/20

Unrestricted Lottery $ 612,125

JPA Insurance Equity $ 549,163

Daucher Fund $ 5,012

Required 3% Reserve for Economic Uncertainties

Unassigned for **1-time Expenditures, COLA Volatility,** Unfunded Liabilities, Deficit Spending, and other hedges against disruptions in revenue

# Multi-Year Projections

MYP

March 12, 2020

2nd Interim Report FY 2019-2020

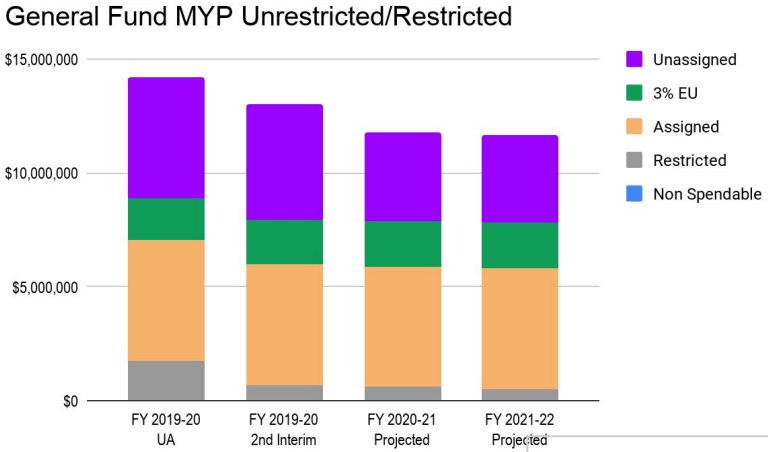
| | 2nd Interim | Projected | Projected |
|---|---|---|---|
| | 2019/20 | 2020/21 | 2021/22 |
| LCFF | $54,959,770 | $57,114,872 | $59,415,931 |
| Federal | $2,170,971 | $1,998,529 | $1,998,529 |
| Other State | $5,939,666 | $5,023,726 | $5,125,384 |
| Local Revenue | $810,135 | $818,453 | $827,943 |
| Transfers In | $152,000 | $152,000 | $152,000 |
| **Total Revenues** | **$64,032,542** | **$65,107,580** | **$67,519,787** |
| Certificated Salaries | $28,581,736 | $28,651,169 | $29,080,937 |
| Classified Salaries | $10,881,527 | $11,044,624 | $11,210,293 |
| Employee Benefits | $13,126,862 | $14,023,521 | $14,492,250 |
| Books and Supplies | $2,465,879 | $2,478,714 | $2,541,483 |
| Services and Operating | $7,750,565 | $8,065,800 | $8,285,101 |
| Capital Outlay | $1,109,373 | $1,074,619 | $1,074,619 |
| Other Outgo | $1,071,343 | $747,966 | $747,966 |
| Transfers Out | $240,000 | $240,000 | $240,000 |
| **Total Expenditures** | **$65,227,285** | **$66,326,413** | **$67,672,649** |
| **Increase/Decrease in Fund Balance** | **-$1,194,743** | **-$1,218,833** | **-$152,862** |
| | | | |
| Increase/Decrease in Fund Balance 1st Int. | -$1,511,838 | -$827,548 | $66,072 |

| Factors | FY 2019/20 | FY 2020/21 | FY 2021/22 |
|---|---|---|---|
| Instructional Days | 180 | 180 | 180 |
| LCFF Funding | 100% | 100% | 100% |
| COLA | 3.26% | 2.29% | 2.80% |
| Enrollment | 6,088 | 6,193 | 6,283 |
| ADA (97%) | 5,904.55 | 6,,005.79 | 6,,092.58 |
| Unduplicated | 34.1100% | 33.6200% | 33.1200% |
| 1-Time/ADA | $0.00 | $0.00 | $0.00 |
| Lottery-U ADA | $153.00 | $153.00 | $153.00 |
| Lottery-R ADA | $54.00 | $54.00 | $54.00 |
| STRS | 17.10% | 18.40% | 18.10% |
| PERS | 19.721% | 22.70% | 24.600% |
| H & W | 5.0% | 5.0% | 5.0% |
| Step/Column | 1.50% | 1.50% | 1.50% |
| Req. Reserve | 3.0% | 3.0% | 3.0% |
| RRMA | 3.0% | 3.0% | 3.0% |

# MYP - Multi Year Plan

March 12, 2020

2nd Interim Report FY 2019-2020




## Planning for our future

| Ending Fund Balance | | FY 2019-20 UA | FY 2019-20 2nd Interim | FY 2020-21 Projected | FY 2021-22 Projected |
|---|---|---|---|---|---|
| Non Spendable | | $25,000 | $25,000 | $25,000 | $25,000 |
| Restricted | | $1,727,281 | $661,649 | $571,168 | $501,593 |
| Assigned | | $5,310,649 | $5,288,357 | $5,288,357 | $5,288,357 |
| 3% EU | | $1,796,270 | $1,960,000 | $1,990,000 | $2,030,000 |
| Unassigned | | $5,357,275 | $5,086,725 | $3,928,372 | $3,805,083 |
| Ending Fund Balance | | $14,216,475 | $13,021,731 | $11,802,897 | $11,650,033 |
| Reserve % (EU/Unassigned) | | 12.00% | 10.80% | 8.92% | 8.62% |



# Summary - Restricted Funds

(Accounted separately from General Fund)

# Fund Descriptions and Ending Fund Balances (Projected)



| | | |
|---|---|---|
| **Fund 12 - Child Development Fund**<br>Ending Fund Balance | **2nd Interim**<br>$1,109,458 | Federal, State, and Local revenues for administration of child development programs: Preschool, School Readiness & Learning |
| **Fund 13 - Cafeteria Fund**<br>Ending Fund Balance | **2nd Interim**<br>$ 38,733 | Cafeteria Fund *(Child Nutrition Fund) Restricted for federal, state, and local resources to operate the food service program (Ed Code 3890-38100)* |
| **Fund 14 - Deferred Maintenance**<br>Ending Fund Balance | **2nd Interim**<br>$ 413,842 | Fund for deferred maintenance when state matched 50%/50% |
| **Fund 20 - Special Resv Fund - Postemployment Benefits**<br>Ending Fund Balance | **2nd Interim**<br>$ 410,197 | *Education Code* Section 42840 to account for amounts the district has earmarked for the future cost of post-employment benefits (OPEB) but has not contributed irrevocably to a separate trust for postemployment benefit plan. |
| **Fund 21 - Building Fund**<br>Ending Fund Balance | **2nd Interim**<br>$ 12,098 | 1999 GO Bond Funds - On June 8, 1999, the voters within the boundaries of the district's boundaries approved the issuance of $27,000,000 in General Obligation Bonds |
| **Fund 25 - Capital Facilities Fund**<br>Ending Fund Balance | **2nd Interim**<br>$ 6,090,349 | This fund is used primarily to account separately for moneys received from fees levied on development projects as a condition of approval |
| **Fund 35 - School Facilities Fund**<br>Ending Fund Balance | **2nd Interim**<br>$ 41,626 | The School Facilities Fund exists to account separately for funds approved state funded facility projects and for any District matching funds required for these projects. |

# Fund Descriptions and Ending Fund Balances (Projected)



| | |
|---|---|
| **Fund 40**<br>**Ending Fund Balance** **2nd Interim** **$14,285,029** | This fund exists primarily to provide for the accumulation of general fund moneys for capital outlay purposes (*Education Code* Section 42840). |
| Fund 49 - Capital Project for Blended Comp Units<br>**Ending Fund Balance** **2nd Interim** **$ 9,265** | to account separately for funds levied in a limited tax area, known as a Community Facility District (CFD). Since 1998, the CFD as issued various bonds to be used to modernize and improve school facilities located within the boundaries of the CFD area. Issuances occurred on March 11, 1998 and June 2005. Property taxes are assessed within the boundaries for the CFD are used to satisfy the debt obligation. Property taxes are deposited into this fund and a transfer is made to fund 56 for debt repayments as required. |
| Fund 51 - Bond Interest & Redemption Fund | This fund is maintained by the Orange County County Treasurer's Office and is used for the repayment of bonds issued for an LEA (*Education Code* sections 15125–15262) |
| Fund 52 - Debt Service Fund for Blended Component Units | The Debt Service Fund is used to account for separately for the interest and principal payments of the District's Long Term Debt. Transfers are made into this fund from the Capital Project for Blended Components Units Fund (Fund 49) to currently pay for the Bonds issued by the Community Facilities District (CFD). |

# Next Steps & Guidance

# Guidance: OC Office of Education & Local Factors



- Despite Increasing enrollment, uncontrollable costs and mandates **continue to impact financial results**
  - 3 districts in the OCDE are experiencing enrollment growth
- In the projection years, funding growth is expected to be limited as LCFF is now **fully funding**, and **new revenue will only be COLA or expected 1-time grants/incentives**. (**Which was adjusted downward**)
  - Supplement and Concentration grants are fully funded
- It is critical the district makes effective use of one-time funding: Support ongoing expenditures with on-going revenues (**one-time funds for one-time use**) - Critical approach form having to make future cuts in the event funding does not materialize in out years.
- District employer contributions to **retirement benefits** are scheduled to rise (PERS/STRS) for the next years. In addition increases to rising health care costs and the ongoing statutory costs without new ongoing revenue sources. Exercise **caution and maintain flexibility** in the collective bargaining process and any ongoing commitments in future years.
- **Continue to highlight** district successes and programs **to attract and maintain enrollment**
- Identify and implement **growth in ADA** (1% = aprox. $500K LCFF)
- Explore additional **Local Revenue** opportunities
- **Update** accounting, financial and payroll reporting systems **& improve** the skill set of district staff with OCDE support
- Maintain reserves **much greater than the minimum requirement** (3%).



The Estimate Report and 2020-2021 Budget will be presented to the Board in June of 2020

# Certification

# Certification





- **Positive Certification**: The District **WILL MEET** their financial obligations for the current and two (2) subsequent fiscal years, OR
- **Qualified Certification**: The District **MAY NOT MEET** their financial obligations for the current or two (2) subsequent fiscal years, OR
- **Negative Certification:** The District **WILL BE UNABLE TO MEET** their financial obligations for the remainder of the current year or subsequent fiscal years based upon current projections (not meeting reserves in current year or negative fund balances in any year)

**RECOMMENDATION**

It is recommended that the Board:

1. Forward a **POSITIVE CERTIFICATION** to the County Superintendent that the District can meet its financial obligations through the end of the fiscal year and for the subsequent two years, along with the budget revisions listed in the projected year totals.
2. Approve the budget revisions listed in the projected year totals.


Questions?
Comments?
Suggestions?