



Pacifica School District

Second Interim Report 2018–2019

March 6, 2019

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Objective

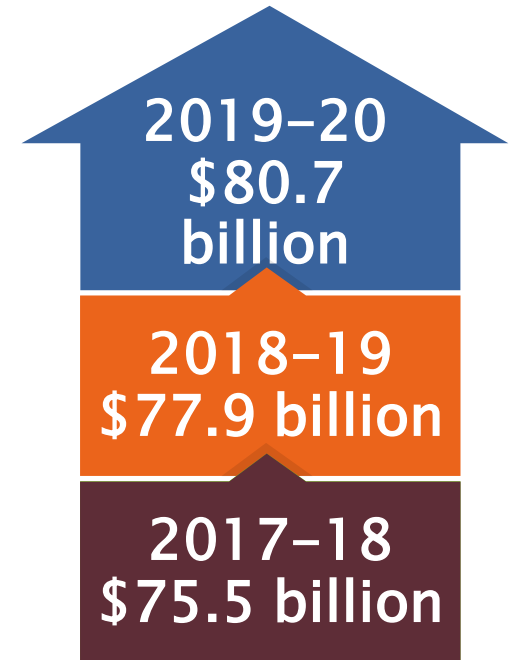
- ▶ The Second Interim is as of January 31st
- ▶ Projects financial activity through June 30th
 - Actual activity through January 31st
- ▶ Second Interim Report contains the following:
 - Detailed Budget
 - Multi-Year Projections

Themes for the 2019–20 Governor’s Budget

- ▶ Local educational agencies (LEAs) will continue to face budget challenges as Local Control Funding Formula (LCFF) funding flattens and costs rise
- ▶ The education budget contains some new proposals, but Governor Newsom’s early childhood education initiative will take center stage
- ▶ Governor Newsom is proposing \$10 million in one-time non-Proposition 98 funding to plan for and develop a longitudinal intersegmental student data system
 - Governor Newsom continuously expressed his support for this type of data system during the campaign and his proposal is consistent with his “cradle-to-career” education strategy that looks to connect all education segments
- ▶ Expect further refinements and changes to the State budget as the Governor talks to all stakeholders

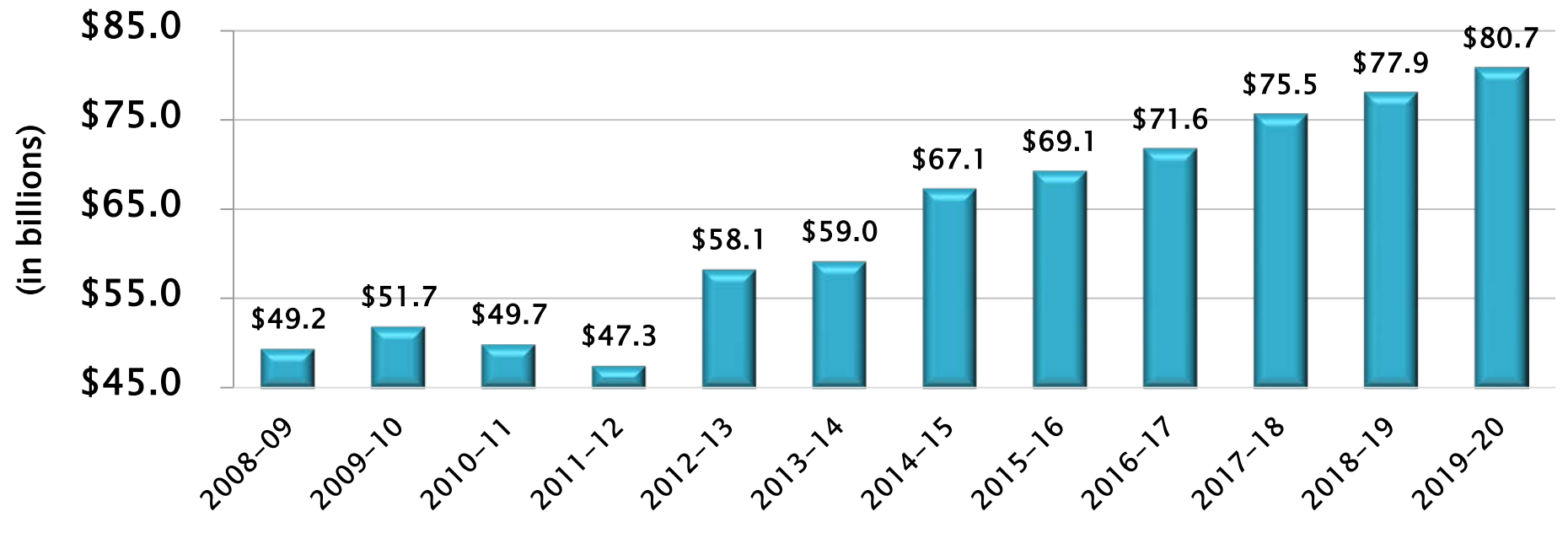
Proposition 98

- ▶ With the enactment of Proposition 98 in 1988, voters amended the State Constitution to set a minimum funding level for K–12 education and community colleges
- ▶ The 2019–20 minimum guarantee is \$80.7 billion
 - A \$2.8 billion (3.6%) increase from last year's revised State Budget



Proposition 98

Proposition 98 Funding Over Time 2008–09 to 2019–20

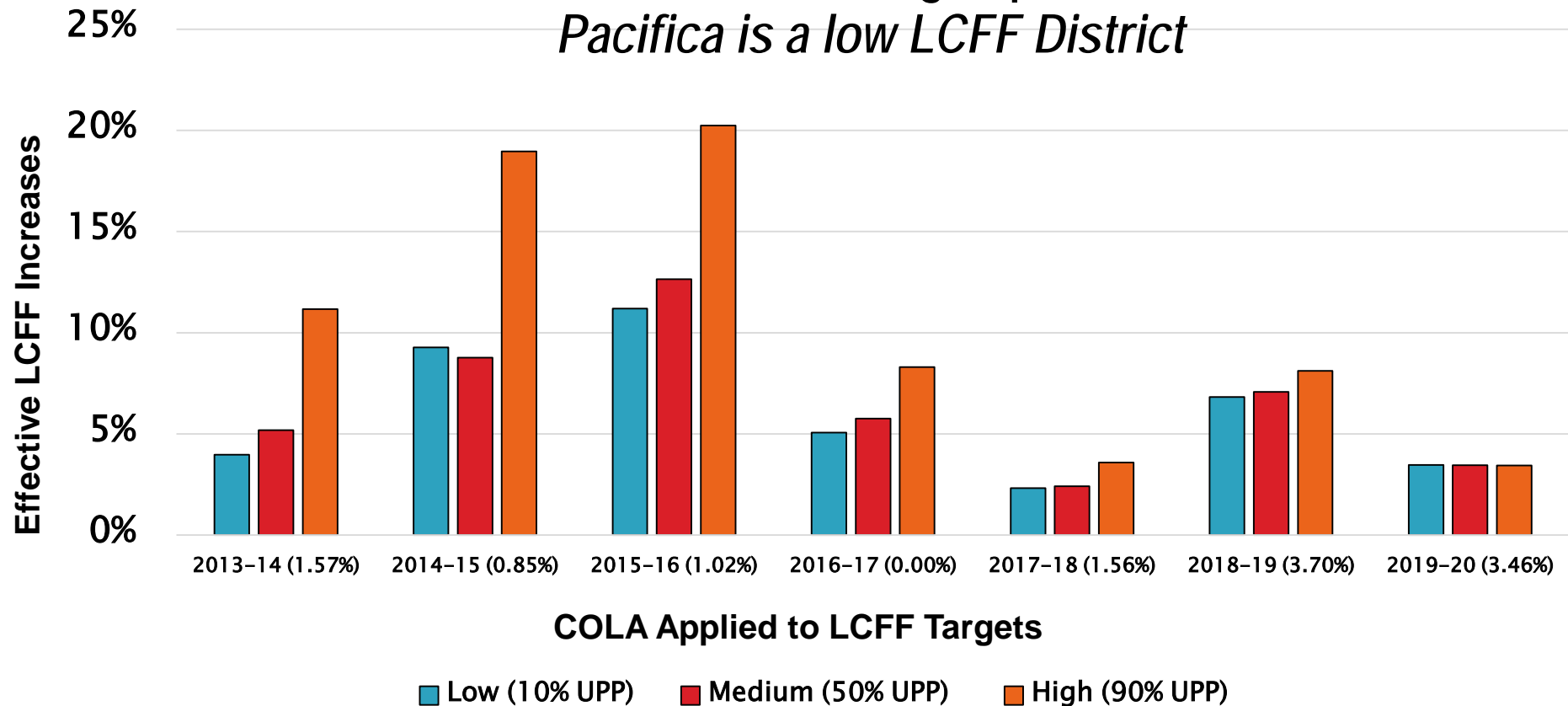


Source: 2019–20 Governor's Budget, page 32

LCFF Increases During Implementation

Actual LCFF Increases During Implementation Phase

Pacifica is a low LCFF District



2019–20 LCFF Funding Factors

- ▶ The State Budget proposes \$2 billion towards LCFF to fund the 3.46% statutory COLA
 - This brings LCFF funding to \$63 billion (up from \$61 billion in 2018–19)
- ▶ The K–12 COLA is 3.46% for 2019–20 and is applied to the LCFF base grants for each grade span

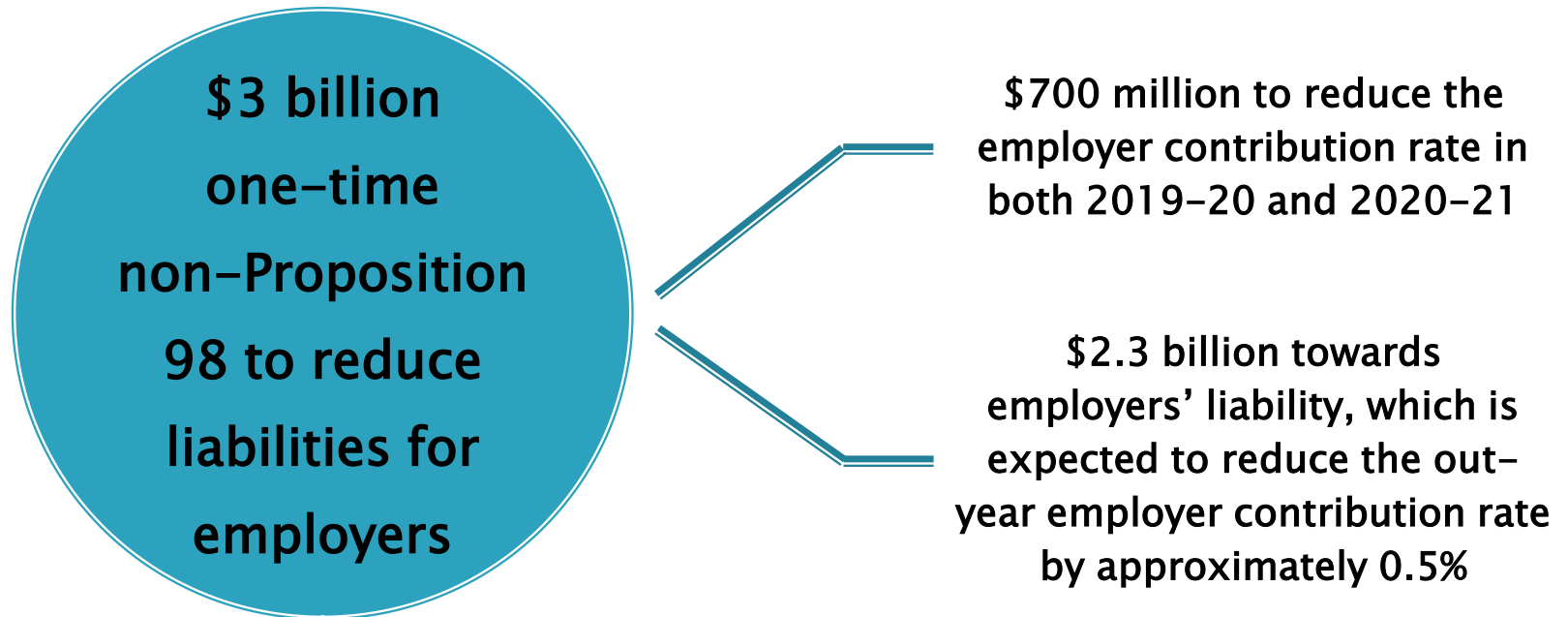
Grade Span	2018–19 Base Grant Per ADA	3.46% COLA	2019–20 Base Grant Per ADA
K–3	\$7,459	\$258	\$7,717
4–6	\$7,571	\$262	\$7,833
7–8	\$7,796	\$270	\$8,066
9–12	\$9,034	\$313	\$9,347

COLA Percentage Comparison

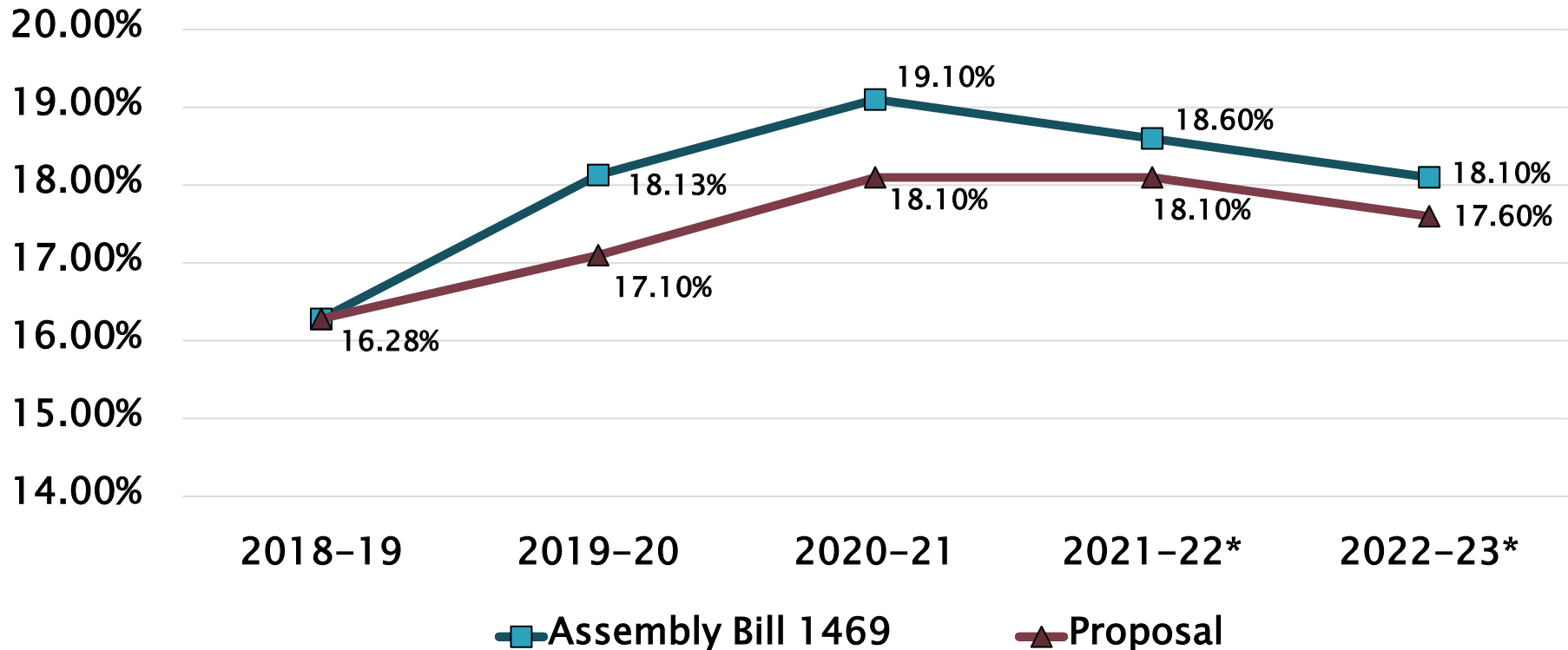
Fiscal Year	2018-19 1 st Interim	Governor's Budget	Difference
2019-20	2.57%	3.46%	0.89%
2020-21	2.67%	2.86%	0.19%
2021-22	3.42%	2.92%	(0.50%)
2022-23	3.26%	2.90%	(0.36%)

CalSTRS – Employer Contributions

- The proposed budget recognizes the cost pressures LEAs face with rising CA State Teachers' Retirement System (CalSTRS) employer contribution rates



CalSTRS Employer Contribution Rates – Current Law Versus Governor’s Proposal



*Beginning in 2021-22, the CalSTRS Board has authority to increase/decrease the employer contribution rate (with some restrictions) to fully fund the unfunded liability by 2046

What Does this Mean for Pacifica?

- ▶ If the Enacted State Budget reflects the Governor's Proposal, the District could receive an additional \$1.10 million over four years:
 - Cumulative Effect of COLA: \$704,000
 - Amount budgeted in the District's Second Interim
 - Cumulative Change to STRS: \$397,000
 - Due to its uncertainty, the amount has not been included in the District's Second Interim
- ▶ This update is based on the Governor's Proposal!
 - First step in the state budget process
 - Still needs lots of discussion and approval by the State Legislature

Additional Sources Due To Change in COLA & STRS

Fiscal Year	<u>Single Year</u> Effect Due To Changes In		
	COLA	STRS	Total
2019-20	218,901	132,602	351,503
2020-21	56,290	(1,915)	54,375
2021-22	(124,106)	(64,084)	(188,190)
2022-23	(92,460)	990	(91,470)

Fiscal Year	Cumulative Additional Sources Due To		
	COLA	STRS	Total
2019-20	218,901	132,602	351,503
2020-21	275,191	130,687	405,878
2021-22	151,085	66,603	217,688
2022-23	58,625	67,593	126,218
Total	703,802	397,485	1,101,287

Components: 2018–19

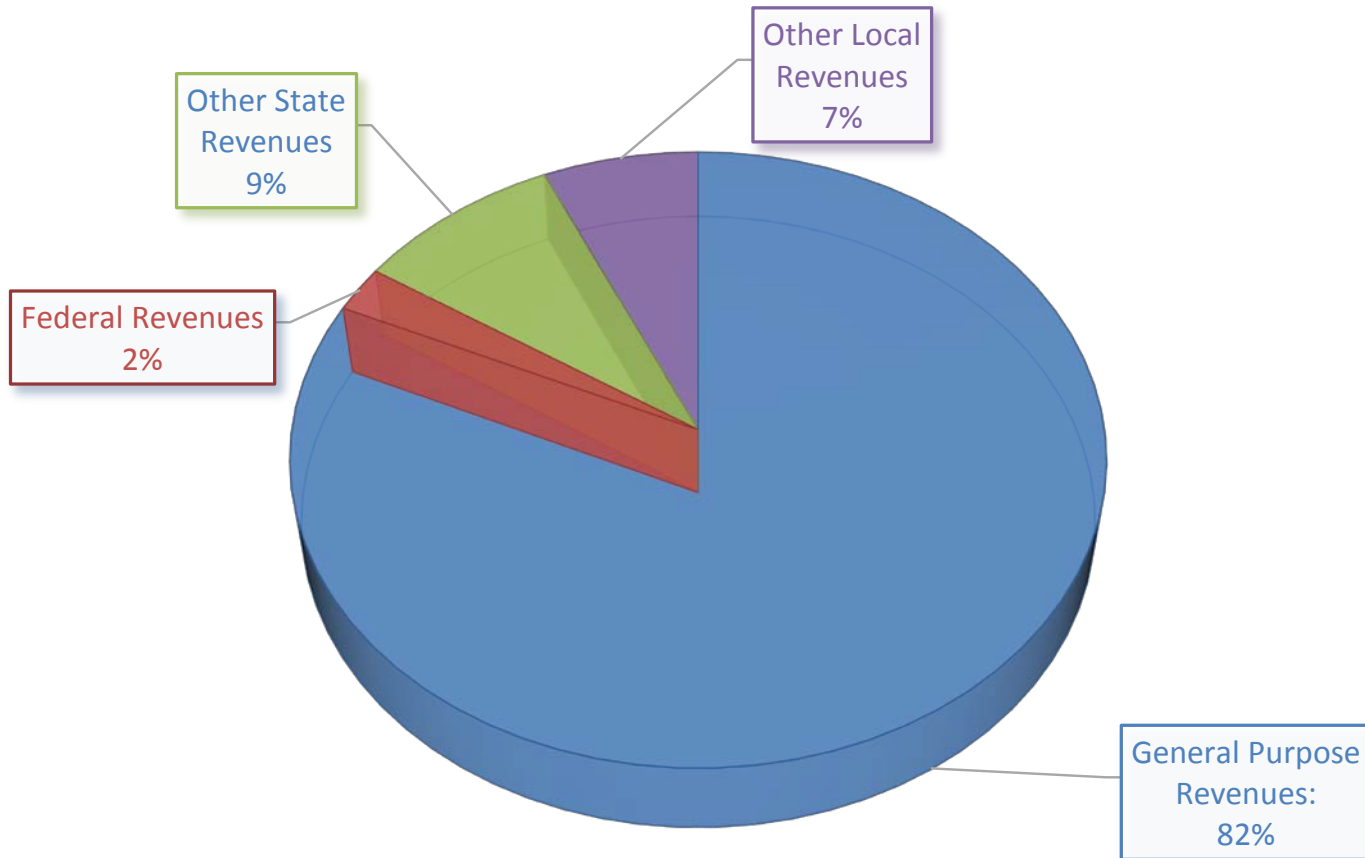
▶ Enrollment & Average Daily Attendance

- Enrollment as of October (preliminary official count) is estimated to be 3,112
 - A decline of two students from the prior year
- Estimated actual Average Daily Attendance (ADA) at 2,955
 - Estimate an increase of approximately 11 ADA from 2017–18
- Although enrollment is estimated to remain relatively constant from 2017–18, the ADA-to-enrollment percentage is estimated to increase by 0.5% from 2017–18 (94.5% to 95.0%)

Components (Cont.): 2018–19

- ▶ Lottery is estimated to be funded at \$151 per ADA for unrestricted purposes, and \$53 for restricted purposes
- ▶ Mandated Cost Block Grant remains at \$31 for K–8
- ▶ One-Time Mandated Cost reimbursement is \$184 per ADA
- ▶ Assembly Bill 1469 increases employer contribution of CalSTRS from 14.43% in 2017–18 to 16.28%
- ▶ CalPERS increased employer contribution from 15.531% in 2017–18 to 18.062%

COMBINED GENERAL FUND REVENUES



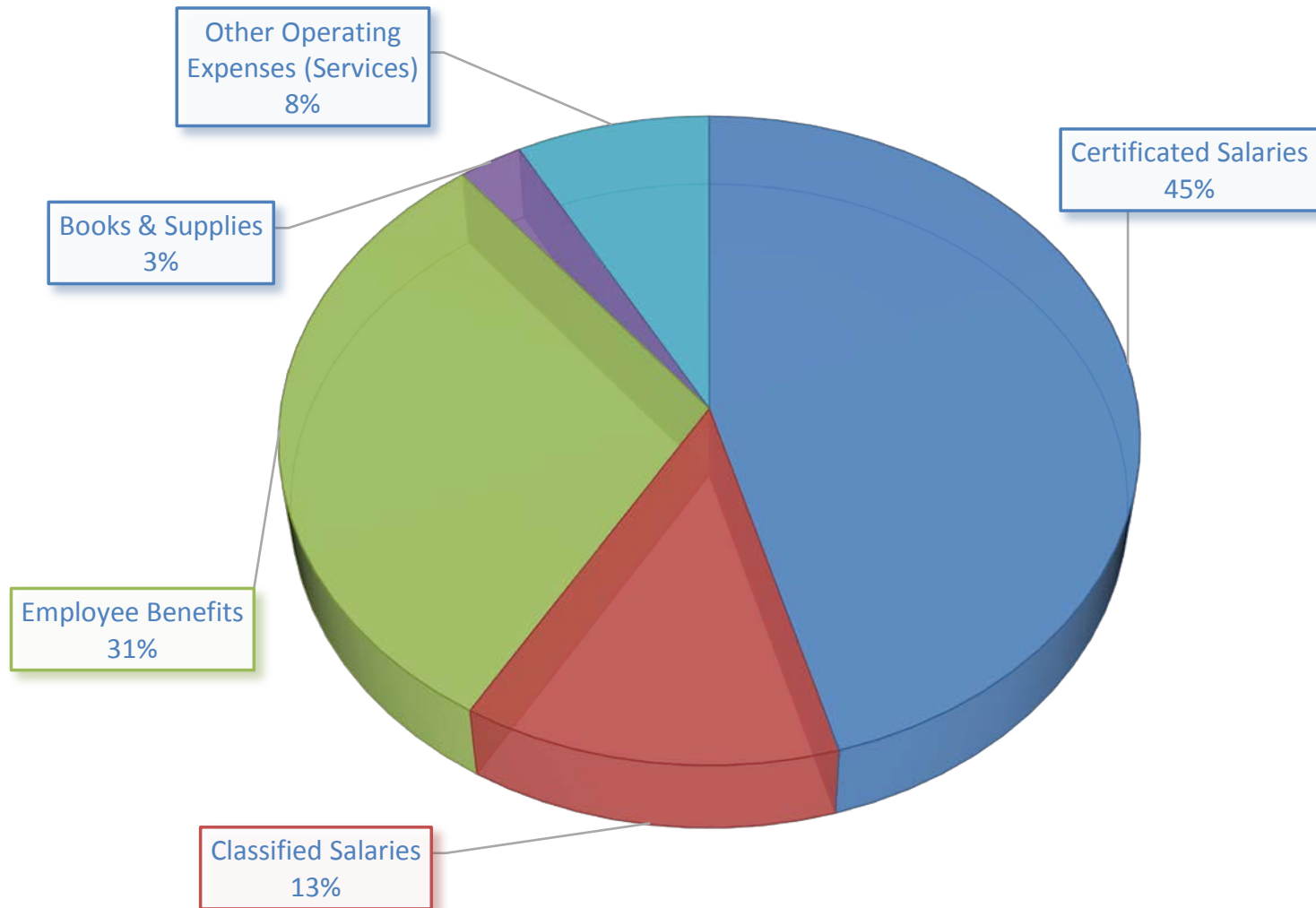
General Purpose – State aid and property taxes

Federal – District must follow specific grant guidelines (Title I, Title II, etc.)

Other State – State funds not part of general purpose funds (Block Grants, Lottery, Special Education)

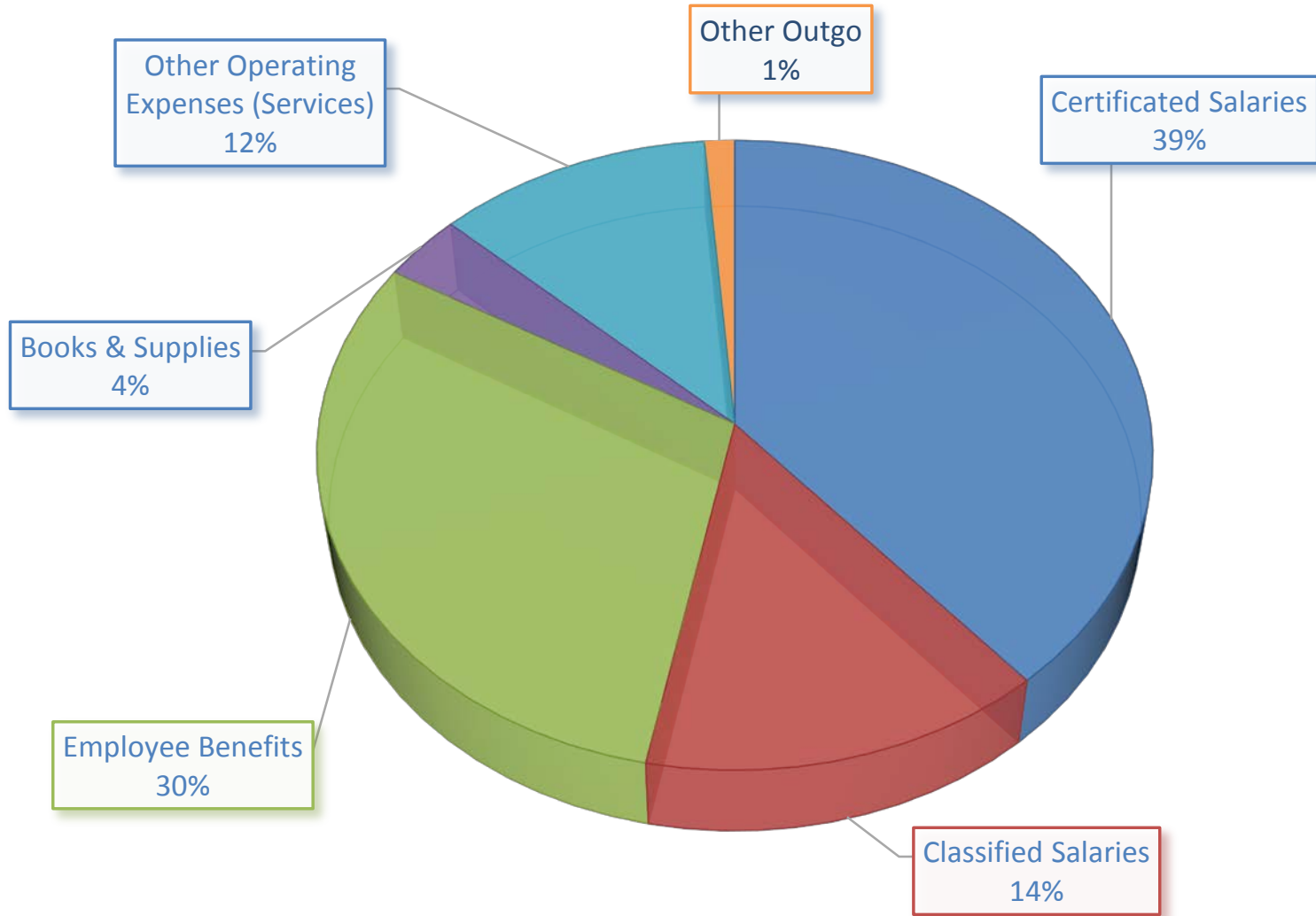
Local – Funds received from local sources (interest, County, parcel taxes, and local grants)

UNRESTRICTED GENERAL FUND EXPENDITURES



89% of expenditures is salary and benefits

COMBINED GENERAL FUND EXPENDITURES



83% of expenditures is salary and benefits

Components: EPA

► Education Protection Account (EPA)

- K-14 general purpose funds must be utilized for instructional purposes (funding is part of LCFF base funding)

Education Protection Account (EPA) Budget <i>2018-19 Fiscal Year</i>	
Description	Amount
BEGINNING BALANCE	\$0
BUDGETED EPA REVENUES: <i>Estimated EPA Funds</i>	\$3,861,448
BUDGETED EPA EXPENDITURES: <i>Certificated Instructional Salaries</i>	\$3,861,448
ENDING BALANCE	\$0

Contributions from the Unrestricted General Fund

Restricted Maintenance	\$ 990,000
Special Education	<u>\$ 3,439,550</u>
Total	\$ 4,429,550

2018-19 Summary General Fund

Description	Unrestricted	Restricted	Total
REVENUES & EXPENDITURES			
TOTAL BUDGETED REVENUES	\$ 26,411,970	\$ 5,841,645	\$ 32,253,615
TOTAL BUDGETED EXPENDITURES	22,521,488	10,369,139	32,890,627
EXCESS (DEFICIENCY)	3,890,482	(4,527,494)	(637,012)
OTHER ESTIMATED SOURCES/USES	(3,985,550)	4,429,550	444,000
NET INCREASE (DECREASE)	(95,068)	(97,944)	(193,012)
ADD: BEGINNING FUND BALANCE	1,175,464	663,646	1,839,110
ENDING FUND BALANCE (ESTIMATED)	\$ 1,080,396	\$ 565,702	\$ 1,646,098

First Interim to Second Interim Reconciliation

Description	Amount
2018–19 First Interim Projected Deficit	\$ (178,332)
Add: Variance Components (<i>See Next Slide</i>)	\$ 83,264
2018–19 Second Interim Projected Deficit	\$ (95,068)

Reconciliation Variance Components

Components	Amount
Additional LCFF due to revised ADA projections	\$ 81,900
Net salary and benefit decreases based on final staffing adjustments	\$ 89,900
Net decrease primarily due to contracting for psychologist services	\$ (28,200)
Increase in special education contribution and other net adjustments	<u>\$ (60,336)</u>
Total	\$ 83,264

Components of Estimated Ending General Fund Balance

► Components:

◦ Revolving Cash	\$ 7,500
◦ Legally Restricted	\$ 565,700
◦ Deficit Spending Assignment	\$ 84,896
◦ Unassigned: Minimum Reserve for Economic Uncertainties of 3%	\$ 988,000
◦ Unassigned: General	<u>\$ 0</u>
◦ Total	\$ 1,646,096

2018-19 Estimated Ending Fund Balances

FUND	2017-18	Est. Net Change	2018-19
GENERAL (UNRESTRICTED & RESTRICTED)	\$1,839,110	(\$193,012)	\$1,646,098
CAFETERIA FUND	\$170,366	(\$1,470)	\$168,896
DEFERRED MAINTENANCE	\$83,539	(\$67,722)	\$15,817
SPECIAL RESERVE	\$733,161	(\$190,500)	\$542,661
OTHER POST EMPLOYMENT BENEFITS	\$855,726	\$8,000	\$863,726
BUILDING FUND	\$937,343	\$17,569,852	\$18,507,195
CAPITAL FACILITIES	\$341,662	\$67,562	\$409,224
CAPITAL OUTLAY	\$291,594	\$700,136	\$991,730
TAX OVERRIDE	\$221,383	\$0	\$221,383
RETIREE BENEFITS	\$0	\$0	\$0
TOTAL	\$5,473,884	\$17,892,846	\$23,366,730

Assumptions: Subsequent Years

- ▶ Enrollment is projected to decrease for the current and two subsequent years. LCFF is adjusted per DOF's estimates of COLA.
- ▶ State revenue is expected to decline in 2019–20 due to the loss of one-time mandate funds and remain constant thereafter.
- ▶ Reduced transfer from the special reserve fund
 - District would be deficit spending if the transfer was not made
 - Special Reserve fund is a one-time source of funding
- ▶ Removed one-time bonus costs
- ▶ Certificated and classified salary step increases are estimated to be 1.5%
- ▶ Utilized STRS percentage as authorized by AB1469, along with most current PERS projections
- ▶ Adjustments to benefits reflect the effects of salary changes noted above, expected increases to employer pension costs, and projected H&W benefit cost increases of approximately 2.5% for 2019–20 and 5% thereafter.
- ▶ Removed one-time costs primarily associated with carryover of site funds
 - Supplies and services are expected to remain relatively constant for subsequent years; the variance in services from year-to-year is due to election appropriations.

2018-19 Proposed Three Year Budget Projection (Unrestricted)

Description	2018-19	2019-20	2020-21
Projected Deficit	(\$95,068)	\$166,281*	(\$200,404)
Beginning Fund Balance	\$1,175,464	\$1,080,396	\$1,246,677
Ending Fund Balance	\$1,080,396	\$1,246,677	\$1,046,273
Nonspendables & Assignments	\$82,396	\$256,677	\$54,393
Reserve for Economic Uncertainty	\$998,000	\$990,000	\$991,880
Fund Balance Reserve % (Revised)	3.26%	3.78%	3.13%

*The estimated activity, fund balances, and reserve percentages are dependent on the District transferring \$350,000 from Fund 17 in 2019-2020 and \$110,000 in 2020-2021.

MYP Change in Fund Balance Reconciliation

Description	2019-20	2020-21
PRIOR YEAR SURPLUS (DEFICIT) SPENDING	(\$95,068)	\$166,281
REVENUE/SOURCE ADDITIONS (REDUCTIONS)		
Projected net LCFF Increase	885,921	719,009
Removal of one-time mandate revenue	(542,000)	
Reduction of transfers-in	(150,000)	(240,000)
TOTAL - REVENUE / SOURCES CHANGE	193,921	479,009
EXPENDITURE/USE REDUCTIONS (ADDITIONS)		
Certificated & classified step costs and associated taxes	(318,951)	(326,316)
Remove one-time bonus costs	260,026	
Projected health & welfare benefit increases	(113,420)	(232,513)
Increased technology staffing	(23,945)	
Special education efficiencies	76,625	
Estimated pension increases	(361,503)	(252,865)
Removal of site carryover funds	197,596	
Reduction of one-time expenditures	36,000	
Removal of insurance credit	(30,000)	
Election cost variance	0	(34,000)
Projected reduction of NPS & COE special education costs	345,000	
Other Reductions To be Determined		
TOTAL - EXPENDITURE / USES CHANGE	67,428	(845,694)
CURRENT YEAR SURPLUS (DEFICIT) SPENDING	<u>\$166,281</u>	<u>(\$200,404)</u>

Second Interim Certification

- ▶ Per AB 1200
- ▶ *The First Interim projection indicates that, as defined in AB 1200, “this district will meet its financial obligations for the current fiscal year and subsequent two fiscal years.”*
- ✓ *The District is self-certifying as “Positive”*



Why Financial Challenges

- ▶ Declining enrollment
- ▶ Reduction in ADA to enrollment yields from 2012–13
- ▶ Salary schedule step costs
- ▶ Combination of salary schedule increases and one-time payouts
- ▶ STRS & PERS rate increases
- ▶ H&W increases
- ▶ Increased special education obligations

COMPARISON OF ENROLLMENT, ADA, & FTEs (*Excludes NPS & COE Activity*)

Fiscal Year	Enrollment	Average Daily Attendance	Enrollment to ADA Yield	Classroom FTE	Average Enrollment per FTE
2012-13	3,232	3,104.13	96.04%	128.87	25.08
2013-14	3,223	3,117.46	96.73%	132.18	24.38
2014-15	3,148	3,004.21	95.43%	132.41	23.77
2015-16	3,201	3,076.25	96.10%	131.43	24.36
2016-17	3,146	3,013.98	95.80%	133.19	23.62
2017-18	3,111	2,940.65	94.52%	129.91	23.95
2018-19 (Est.)	3,109	2,950.00	94.89%	128.72	24.15
Net change over six years	(123)	(154.13)	-1.15%	-0.15	-0.93

- The chart above illustrates that despite the net decline in enrollment, the ability of the District to reduce corresponding FTEs is not possible
- Further, reductions in ADA yields further negatively impact available funding sources

LCFF Revenue Analysis

Year	Increase (Decrease) due to <u>Funded</u> ADA Changes	Increase (Decrease) due to Amount per Student Changes (COLA & GAP)	Total
2014-15	(\$2,300)	\$1,713,600	\$1,711,300
2015-16	(\$296,900)	\$2,219,800	\$1,922,900
2016-17	(\$11,900)	\$1,063,100	\$1,051,200
2017-18	(\$528,700)	\$555,500	\$26,800
2018-19	(\$527,900)	\$1,630,000	\$1,102,100
2019-20	(\$3,500)	\$889,400	\$885,900
2020-21	(\$13,500)	\$732,500	\$719,000
2021-22	(\$185,100)	\$758,700	\$573,600
2022-23	(\$95,200)	\$778,200	\$683,000

CalSTRS & CalPERS Rate Changes

Year	STRS Current	STRS Proposed	PERS
2013-14	8.25%	N/A	11.442%
2014-15	8.88%	N/A	11.771%
2015-16	10.73%	N/A	11.847%
2016-17	12.58%	N/A	13.888%
2017-18	14.43%	N/A	15.531%
2018-19	16.28%	N/A	18.062%
2019-20	18.13%	17.10%	20.80%
2020-21	19.10%	18.10%	23.50%
2021-22	18.60%	18.10%	24.60%
2022-23	18.10%	17.60%	25.30%

CalSTRS & CalPERS Annual Expenditure Increases (Decreases)

Year	STRS Current	PERS	Total
2014-15	\$68,000	\$19,000	\$87,000
2015-16	\$220,000	\$3,000	\$223,000
2016-17	\$221,000	\$91,000	\$312,000
2017-18	\$222,000	\$73,000	\$295,000
2018-19	\$226,000	\$118,000	\$344,000
2019-20	\$238,000	\$124,000	\$362,000
2020-21	\$126,000	\$128,000	\$254,000
2021-22	(\$66,000)	\$53,000	(\$13,000)
2022-23	(\$67,000)	\$24,000	(\$43,000)

Despite significant increases, there are no extra funds provided to help offset the additional costs.

H&W Projected Cost Increases (Decreases)

Year	Total
2014-15	\$473,000
2015-16	\$165,000
2016-17	(\$146,000)
2017-18	\$485,000
2018-19	(\$148,000)
2019-20	\$113,000
2020-21	\$233,000
2021-22	\$244,000
2022-23	\$256,000

Special Education Projected Cost Increases (Decreases)

Year	Total
2014-15	\$298,000
2015-16	\$93,000
2016-17	\$176,000
2017-18	\$25,000
2018-19	\$324,000
2019-20	(\$247,000) Includes Reduction of NPS & COE Activity
2020-21	\$87,000
2021-22	\$47,000
2022-23	\$34,000

Next Steps

- ▶ State level
 - Next update – May Revision
- ▶ District level
 - May 15, 2019 – Governor's May Revise
 - May 29, 2019 – 2019/20 Budget Public Hearing
 - June 5, 2019 – 2019/20 Budget Adoption

QUESTIONS

Questions

