

Public Hearing: 2021-22 Budget for All Funds



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Purpose of Presentation

- Local Control Funding Formula
- Assumptions for Revenue and Expenditures
- Fund Balance
- Multiyear Projections (MYPs)
- Next Steps



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Thoughts On May Revision

- The Governor's May Revision is the **last statutory** step in the State Budget process **before** the Legislature **adopts** the spending plan
 - **Until** a State Budget is **approved**, this is our **best** budgeting information
- Major components of the May Revision
 - The minimum guarantee for 2021-22 is projected to be **\$93.7 billion**
 - Cost of Living Adjustment (COLA) compounded COLA is estimated to be **4.05% (Including Special Education which equates to a base rate increase from \$625 to \$650.21 per ADA)**
 - LCFF will receive a **'Mega' COLA of 5.07%**
 - Reflects a permanent increase to Proposition 98 for ongoing costs of **universal transitional kindergarten**



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What Is A Budget?

Goal Four - Ensure the District is Fiscally and Operationally Sound

- A policy document – to reflect the **philosophy** of the Board, administration, and the education community
- A financial **plan** – to show where we have been and where we are going
- An operations guide – to **guide** administrative decisions and actions throughout the year
- A communications device – to share **strengths** and **challenges** with the community of the instructional programs through integration with the **LCAP**

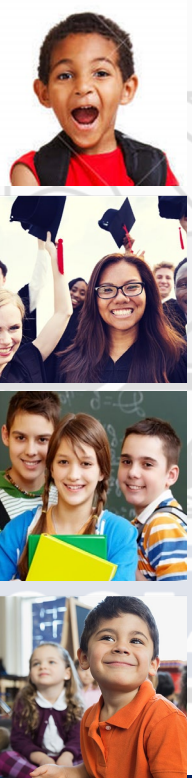


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Budget Development

Focus - District's Budget and Fiscal Solvency:

- Revenue Assumptions
 - Based upon the Governor's January Budget Proposal
 - Updated with the Governor's May Revision
- Expenditure Assumptions
 - Staffing levels updated for enrollment projections
 - Step and column salary increases and pension reform rate changes
 - Updated site and department budgets
 - Scheduled capital outlay and debt service obligations



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Local Control Funding Formula (LCFF)


- The LCFF was designed to **close** the achievement gap
 - **Base** grants per pupil by grade four spans
 - Per pupil amount is the **same** for all school districts and charter schools
 - **Supplemental** and **Concentration** Grants based on the Unduplicated Pupil Percentage (UPP)
 - UPP is based upon (English Language (EL), low income, and/or foster youth)
- All funds received through the LCFF are **unrestricted**
 - Budget must contain actions/services as defined in the **LCAP**



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2021-22 LCFF

- The May Revision includes a 'Mega' COLA of 5.07% for the Local Control Funding Formula

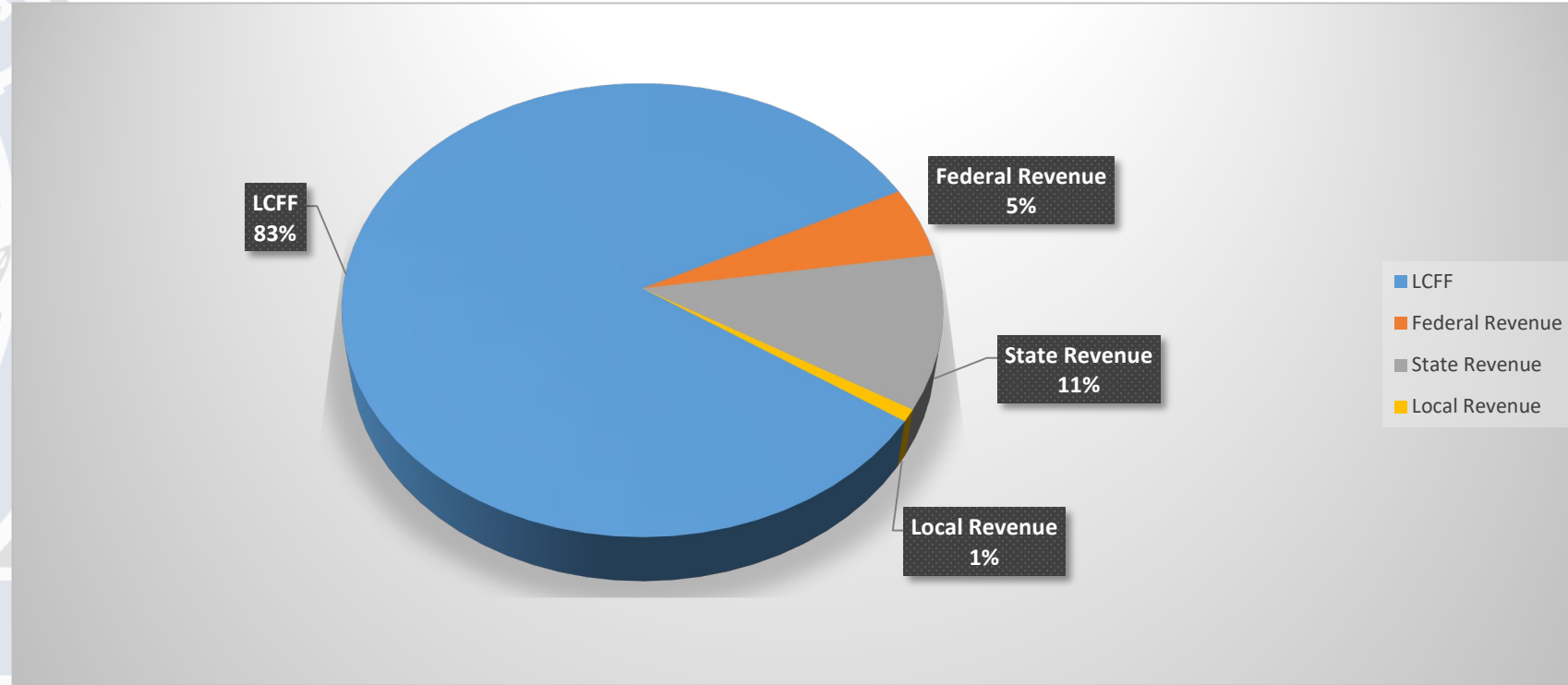


Grade Span	2020-21 Base Grant per ADA	5.07% COLA	2021-22 Base Grant per ADA	Grade Span Adj.	2021-22 Base Grant per ADA
K-3	\$7,702	\$390	\$8,092	\$842	\$8,934
4-6	\$7,818	\$396	\$8,214	-	\$8,214
7-8	\$8,050	\$408	\$8,458	-	\$8,458
9-12	\$9,329	\$473	\$9,802	\$255	\$10,057

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2021-22 Total General Fund Revenue

- The majority of the District's General Fund revenue comes from the Local Control Funding Formula

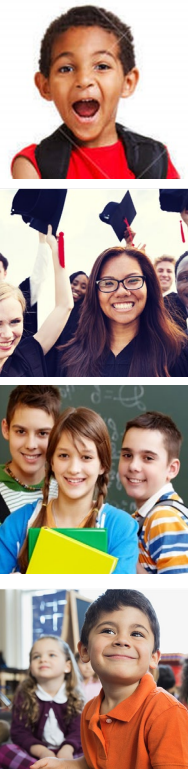


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Revenue Assumptions

- LCFF Growth
 - Base Funding increase of \$21.4 million
 - Supplemental & Concentration increase of \$4.6 million
- Other Revenue Assumptions
 - Federal Revenue decreased by **\$125.5 million**
 - Onetime COVID funding & spending down of carryover dollars
 - State Revenue decreased by **\$7.7 million**
 - Onetime COVID funding & spending down or carryover dollars
 - Local Revenue decreased by **\$3.8 million**
 - Bret Harte Fire Insurance
- Total Revenue decreased by **\$111 million**



Contributions To Restricted Programs

- Contributions of Unrestricted Revenue to Restricted Programs are required when program funding is **not sufficient to cover the program costs**, or it is **required by statute** without funding
- Special Education – program **underfunded**
 - 2021-22 estimated contribution \$45.3 million
- Routine Restricted Maintenance – **statutory** requirement
 - 2021-22 estimated contribution \$11.7 million
 - Funds regular repairs on school facilities



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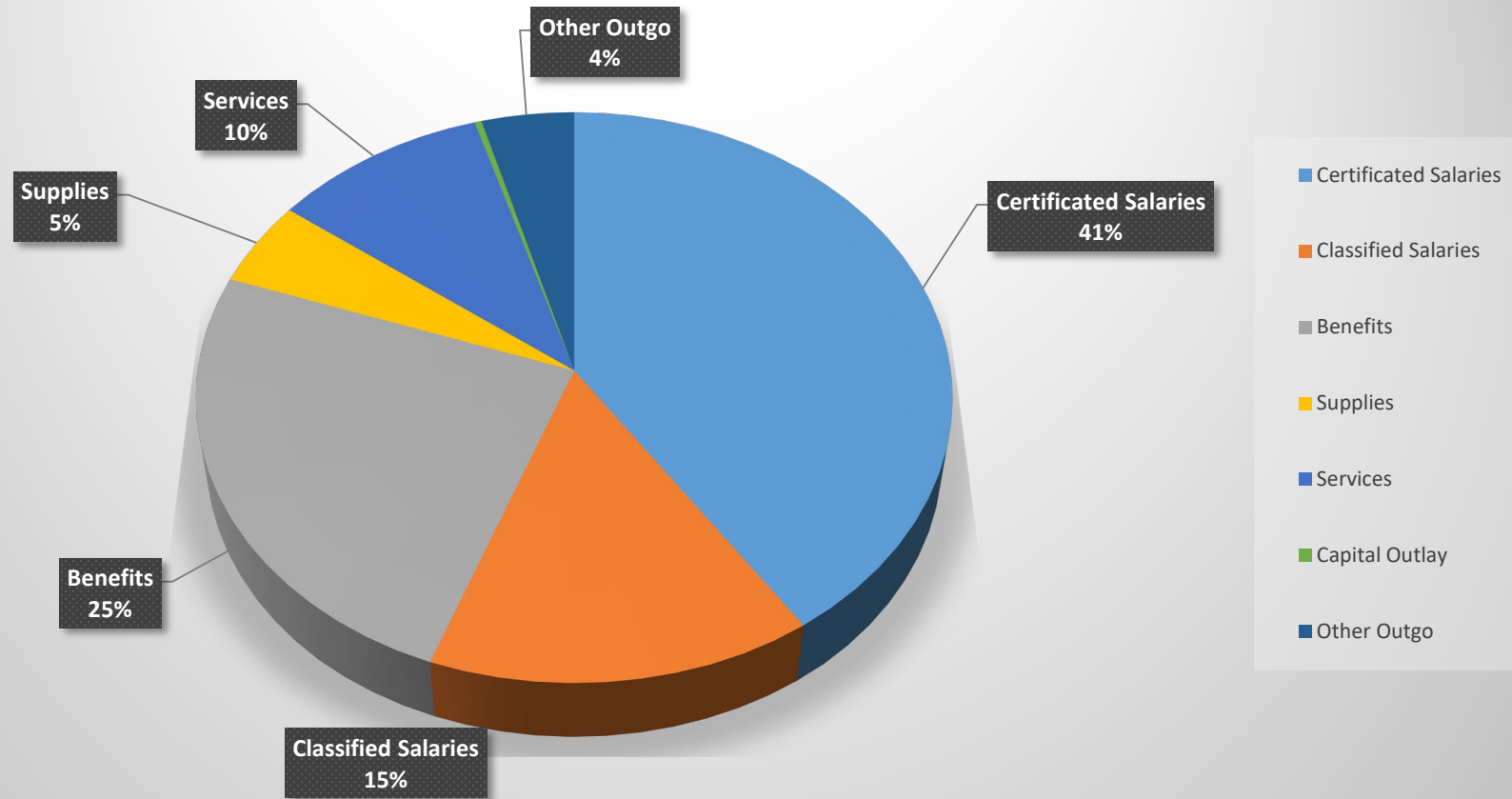
Budget Control

- Revenues are largely controlled by the state and federal governments, and as such, most of a school district's **budget control** is on the expenditure side
- The **Board** decides how to spend the funds received
 - Organizational structure, employee compensation, instructional programs, support services, facilities, etc.
- The **majority** of the MCS budget is spent on **people**
 - 80% of total 2021-22 Proposed General Fund Budget
 - 83% of 2021-22 Proposed Unrestricted General Fund Budget



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2021-22 Total General Fund Expenses



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Expenditure Assumptions

- Proposed LCAP items have been reflected in the 2021-22 budget
- Increased salaries and benefits due to step/column and pension increases - **\$2.3 million**
- Multiple impacts to employee benefits:
 - Health & Welfare negotiated ongoing increases **\$2.2M**
 - State Unemployment Insurance **\$2.2M**
 - Pension Reform **\$1.1M STRS** and **\$1.0M PERS**
 - Retiree Incentive Plan **\$1.3M**



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Expenditure Assumptions

- Contract negotiations with MTA and management are unsettled for **2020-21**, and **nothing** is included for potential settlements
- Restricted categorical budget dollars allocated will be fully expended
- Elimination of **carryover** and **one-time expenditures** included in 2020-21 Estimated Actuals



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General Fund Transfers Out

Description of Transfer	Fund Receiving Transfer	2020-21 Estimated Actuals	2021-22 Proposed Budget
<u>Unrestricted</u>			
Adult Career Technical Education Programs	Fund 11	\$250,000	\$335,000
Auditorium Equipment Replacement Reserve	Fund 40	\$35,000	\$25,000
Bus Replacement Reserve – Per Mile BP3250.1	Fund 40	\$150,000	\$150,000
Curriculum Delivery Reserve	Fund 17	\$3,700,000	\$3,700,000
Emergency Facility Needs – Estimated Replenishment	Fund 40	\$250,000	\$250,000
Field of Green Replacement Reserve	Fund 40	\$100,000	\$100,000
High School Facility Improvement	Fund 40	\$2,000,000	\$2,000,000
Qualified School Construction Bond Sinking Fund	Fund 56	\$400,000	\$400,000
Reprographics Equipment Replacement Reserve	Fund 40	\$12,500	\$12,500
Retiree Medical Reserve – CSEA	Fund 17	\$139,000	\$300,000
Retiree Medical Reserve – MCS Managers Group	Fund 17	\$130,000	\$130,000
White Fleet Vehicle Replacement Reserve	Fund 40	\$275,000	\$275,000
Total Unrestricted		\$7,441,500	\$7,677,500
<u>Restricted</u>			
Routine Restricted Maintenance to Deferred Maintenance	Fund 14	\$2,000,000	\$2,000,000
Special Education to Child Development Program Slots	Fund 12	\$49,180	\$87,000
Total Restricted		\$2,049,180	\$2,087,000
<u>LCFF Transfer</u> to Deferred Maintenance	Fund 14	\$2,000,000	\$2,000,000
Total General Fund Transfers to Other Funds		\$11,490,680	\$11,764,500

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2020-21 General Fund Summary Budget

- Proposed operational **deficit** for 2021-22
- Remains during the **MYP** period

Proposed General Fund Budget 2021-22			
Description	Unrestricted	Restricted	Total
Total Revenues	349,772,384	66,840,772	416,613,156
Total Expenditures	293,495,930	121,757,702	415,253,632
Excess/(Deficiency)	56,276,454	(54,916,930)	1,359,524
Other Sources/Uses	(62,632,835)	55,643,431	(6,989,404)
Net Increase/(Decrease)	(6,356,381)	726,501	(5,629,880)
Add: Beginning Fund Balance	90,782,508	12,538,537	103,321,045
Ending Fund Balance	84,426,127	13,265,038	97,691,165

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Assignment of Ending Fund Balance

- **Appropriation for Economic Uncertainty**
 - Required 3% of General Fund Expenditures plus an additional Board designated 3% can be maintained in 2020-21. Based on current assumptions, the additional 3% cannot be maintained in the subsequent years.
- **County Cash Fair Market Value (FMV) Adjustment**
 - Cash on deposit with the County Treasury, and invested in a pool with other government agencies
- **LCAP Supplemental & Concentration Grant Funds**
- **Carryover – Miscellaneous**
 - Amounts fluctuate each year based upon approvals
- **One-Time Expenditures - replenished to \$250,000 annually**
 - Unexpected, non-budgeted purchases during the fiscal year



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Modesto City Schools Fund Balance

Combined Unrestricted & Restricted	2017-18 Audited Actuals	2018-19 Audited Actuals	2019-20 Audited Actuals	2020-21 Estimated Actuals	2021-22 Proposed Budget
Ending Balance, June 30	\$81,759,827	\$91,588,925	\$104,334,699	\$103,321,045	\$97,691,164
Nonspendable: Revolving Cash, Stores, and Prepaid Expenditures	\$1,927,026	\$2,041,449	\$1,481,921	\$1,600,000	\$1,600,000
Restricted	\$12,975,234	\$8,964,653	\$7,019,047	\$12,538,537	\$13,265,038
Assigned	\$9,522,526	\$17,764,289	\$30,716,227	\$28,403,407	\$28,196,270
Reserve for Economic Uncertainties	\$11,563,364	\$12,201,996	\$23,895,729	\$30,111,034	\$25,501,088
Unassigned	\$45,771,667	\$50,616,538	\$41,221,774	\$30,668,066	\$29,128,769

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Fund Balance - Unrestricted

- **EC 42127(d)(1)** requires districts to provide for public review and discussion of reserve balances at the public hearing

Reasons for Fund Balances in Excess of Minimum Reserve for Economic Uncertainty			
	Description of Need	Statement to Substantiate Need	
Fund 01	Board established Reserve for Economic Uncertainty		\$12,750,544
Fund 01	Nonspendable	Revolving Cash, Stores, Prepay	\$1,600,000
Fund 01	County Cash Fair Market Value (FMV)	Value of external investment fund	\$1,509,783
Fund 01	Onetime Expenditures	Reserve for unexpected purchases	\$250,000
Fund 01	Carryover Obligation	Reserve for Lost Library and Textbooks	\$0
Fund 01	Reserve for Future LCAP Expenditures	Reserve for Supplemental/Concentration Grant Funds	\$26,436,487
Fund 01	Reserve for Future Expenditures	Reserve for future Board priorities	\$20,128,769
Fund 11	Adult Education	Reserve for Adult CTE programs	\$6,014
Fund 14	Deferred Maintenance	Reserve for facility maintenance needs	\$340,410
Fund 17	Curriculum Delivery Reserve	Reserve for curriculum adoptions	\$5,244,248
Fund 17	Retiree Medical Reserve	Reserve for retiree medical payments	\$724,460
	Total of Substantiated Need		\$68,990,715

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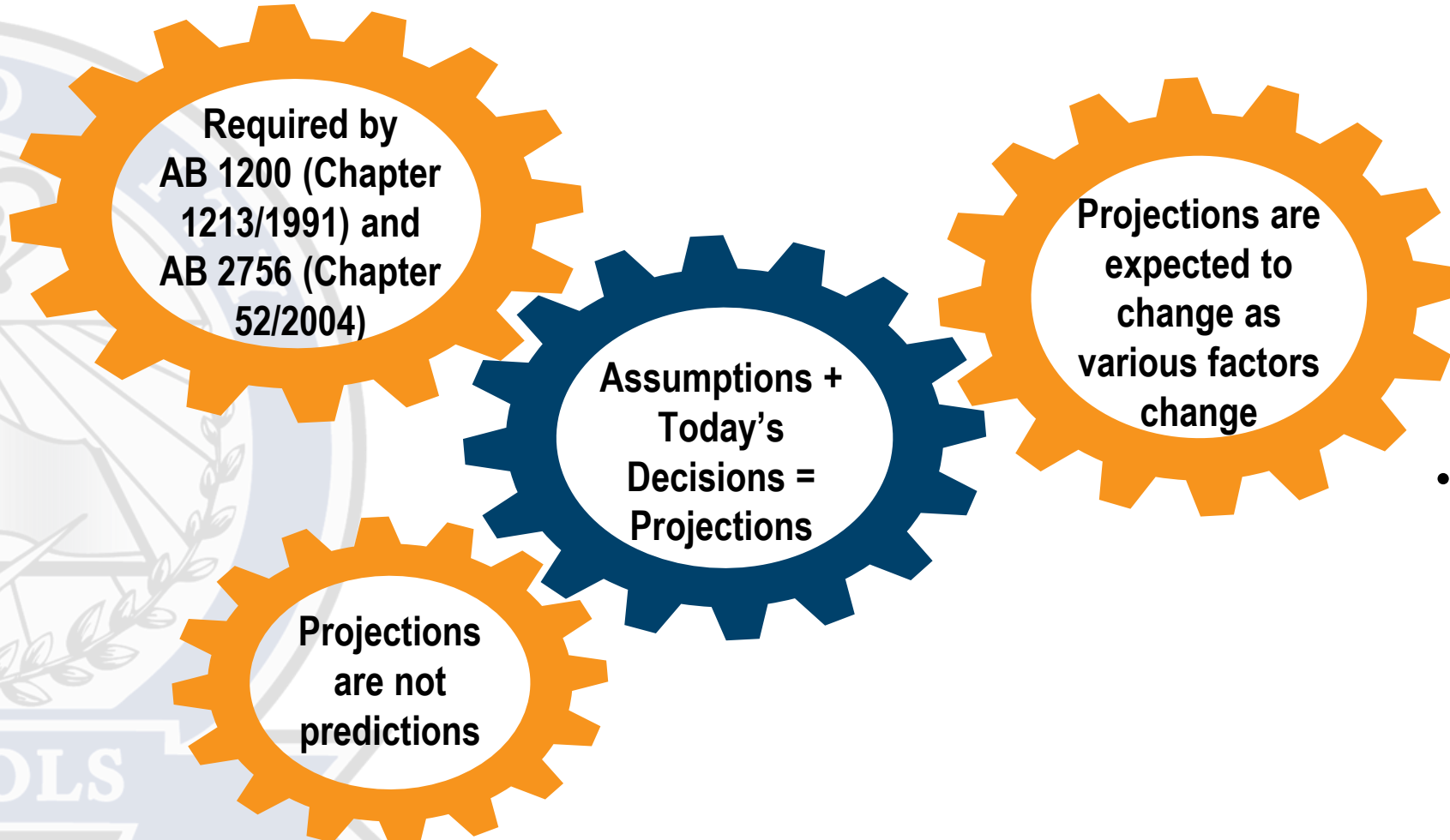
Fund Balance – Other Funds

- **No District Funds are projected to have a negative ending fund balance**

FUND	2020-21	Estimated Net Change	2021-22
GENERAL (UNRESTRICTED & RESTRICTED)	\$103,321,045	(\$5,629,880)	\$97,691,165
ADULT EDUCATION	\$4,160	\$1,853	\$6,013
CHILD DEVELOPMENT FUND	\$690,603	\$0	\$690,603
CAFETERIA FUND	\$5,400,576	(\$2,219,996)	\$3,180,580
DEFERRED MAINTENANCE	\$535,756	\$0	\$535,756
SPECIAL RESERVE NON-CAPITAL PROJECTS	\$4,172,707	\$1,176,000	\$5,698,707
BUILDING FUND	\$84,848	(\$82,531)	\$2,317
CAPITAL FACILITIES	\$878,008	(\$13,345)	\$864,663
SPECIAL RESERVE CAPITAL PROJECTS	\$25,155,084	\$517,756	\$25,672,840
BOND INTEREST & REDEMPTION	\$19,715,988	(\$3,123,500)	\$16,592,488
DEBT SERVICE FUND	\$9,067,097	\$1,117,149	\$10,184,246
SELF INSURANCE FUND	\$8,404,012	(\$367,828)	\$8,036,184
TOTAL	\$177,429,884	(\$8,004,332)	\$169,425,562

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Multiyear Projections



Required by
AB 1200 (Chapter
1213/1991) and
AB 2756 (Chapter
52/2004)

Projections are
expected to
change as
various factors
change

Assumptions +
Today's
Decisions =
Projections

Projections
are not
predictions

- A slowing economy and rising costs pose challenges in the multiyear projection

Summary Multi Year Projection

- Deficit spending projected all three years

Proposed Budget Multi-Year Projection Unrestricted Resources			
Description	2021-22 Proposed Budget	2022-23 Projected Budget	2023-24 Projected Budget
Total Revenues	349,772,384	350,738,413	361,377,878
Total Expenditures	293,495,930	299,376,110	301,776,942
Excess/(Deficiency)	56,276,454	51,362,303	59,600,936
Other Sources/Uses	(62,632,835)	(62,844,876)	(63,395,500)
Net Increase/(Decrease)	(6,356,381)	(11,482,572)	(3,794,564)
Add: Beginning Fund Balance	90,782,508	84,426,127	72,943,554
Ending Fund Balance	84,426,127	72,943,554	69,148,991

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Next Steps

- The Assembly and Senate **approved SB 74** – the Legislature's version of the budget
 - 2.31% COLA added to LCFF base rates and other State funding
 - **No cuts** to LCFF and other State revenues
 - Trigger **on** reductions instead of trigger **off**
 - **Increases** payment **deferrals** instead of budget cuts
 - Allocates CARES Act funding on the **LCFF distributional** model
- The Governor has **12 days** to take one of the following actions
 - **Approve** the Budget bill as **presented** to him
 - **Approve** the Budget bill with **specific line item reductions**
 - **Veto** the Budget bill and send it back to the Legislature



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Questions



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