

RINCON VALLEY SCHOOL DISTRICT

PROPOSED BUDGET 2020-2021



PRESENTED BY
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CBO

JUNE 23, 2020

U.S. IN RECESSION DUE TO COVID-19

- The U.S. is currently in a recession.
- COVID-19 recession projected to lead to declines in GDP, employment, and personal income that are worse than declines during the Great Recession.
- U.S. GDP projected to decrease by 26.5 percent in spring of 2020.
- Compared to January forecast, California personal income projected to decline by more than 15 percent/\$470 billion by 2023.

MAY REVISION

- On May 14, 2020 Governor Gavin Newsom released the May Revised Budget for the 2020-21 fiscal year. This information will be used to finalize Rincon Valley Union School District's Adopted Budget.
- Remember that the May Revision is not the final budget and we are expecting additional significant changes in the coming months.
- The final state budget was approved by the legislature June 15, 2020. If there are any significant changes to the state budget the district is required to revise the budget within 45 days. Talks with the Governor are still on-going.

MAY REVISION

- **Overview:**


- The May Revision represents Governor Gavin Newsom's 2nd State Budget proposal of his four year term as governor of California.
- This is the final statutory opportunity for the Governor to update his economic projections prior to enactment of the State Budget in June. Factors such as tax revenues, population growth, Covid-19 and the impact of Shelter in Place on the economy.
- Governor Gavin Newsom acknowledges the significant impact Covid-19 and the economy has placed upon the Prop 98 and LCFF calculation for funding schools.

MAY REVISION

- Proposition 98
 - Governor Newsom's revision to his 2020-21 State Budget proposal reflects a major change under Proposition 98's constitutional calculation, this revenue decline results in a lower required funding level by \$13.6 billion General Fund for K-12 schools and community colleges.



MAY REVISION

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- Keys to the May Revision 
 - Reduction of (10%) to (LCFF) Local Control Funding Formula, Supplemental and Transportation for 2020-23
 - Cost of Living projections are zero for 2020-23
 - The loss of funding is covered primarily by deep cuts and deferrals starting June 2019/20. Additional deferrals are scheduled for April, May and June 2021.
 - A 2% savings over the next two years on STRS and PERS costs.

PROPOSED BUDGET 2020-21

- The Local Control Funding Formula (LCFF) was implemented in 2013-14
- The Proposed Budget will be presented June 23, 2020 at the Board of Trustees meeting for final adoption and approval
- The Preliminary Budget for 2020-21 contains the most updated information available up to and including the Governor's May Revision proposal.
- The district is continuing to work on the budget to ensure proper staffing levels and other costs.

PROPOSED BUDGET 2020-21

- Remember if and when there are significant changes to the state budget the district is required to revise the budget within 45 days.

PROPOSED BUDGET 2020-21

- The Preliminary Budget for 2020-21 presented tonight includes the following attachments:
 - Full state SACS report
 - General Fund multi-year projection (MYP's) assumptions
 - General Fund MYP
 - General Fund Graphs

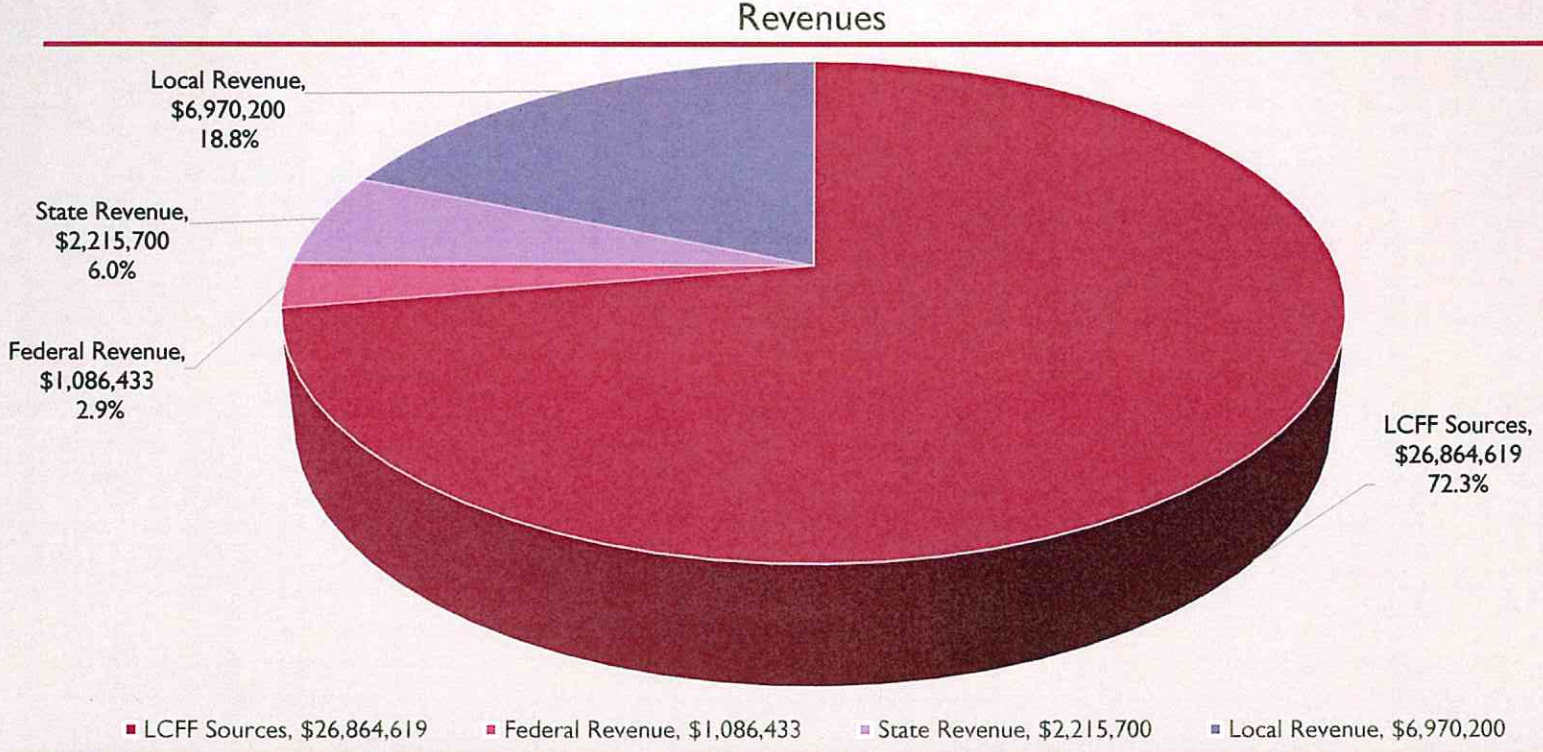
DISTRICT BUDGET 2020-21

- State Budget: As noted in the May Revision, Governor Newsom plans to reduce Prop 98 funding by an estimated (13.6B).
- A reduction of Local Control Funding Formula (LCFF) equal to a 10% loss in revenues (an estimated 3.7M reduction in revenue for our district).
- The Cost of Living Adjustment (COLA) is included in the 10% loss in revenues.
- No one-time discretionary fund.
- Parcel Tax will increase revenue by an estimated amount of \$34k

2020-2021 GENERAL FUND REVENUES

LCFF Sources	\$26,864,619
Federal Revenue	\$1,086,433
State Revenue	\$2,215,700
Local Revenue	<u>\$6,970,200</u>
Total Revenue	\$37,136,952

RINCON VALLEY UNION SCHOOL DISTRICT COMBINED GENERAL FUND REVENUES 2020-2021



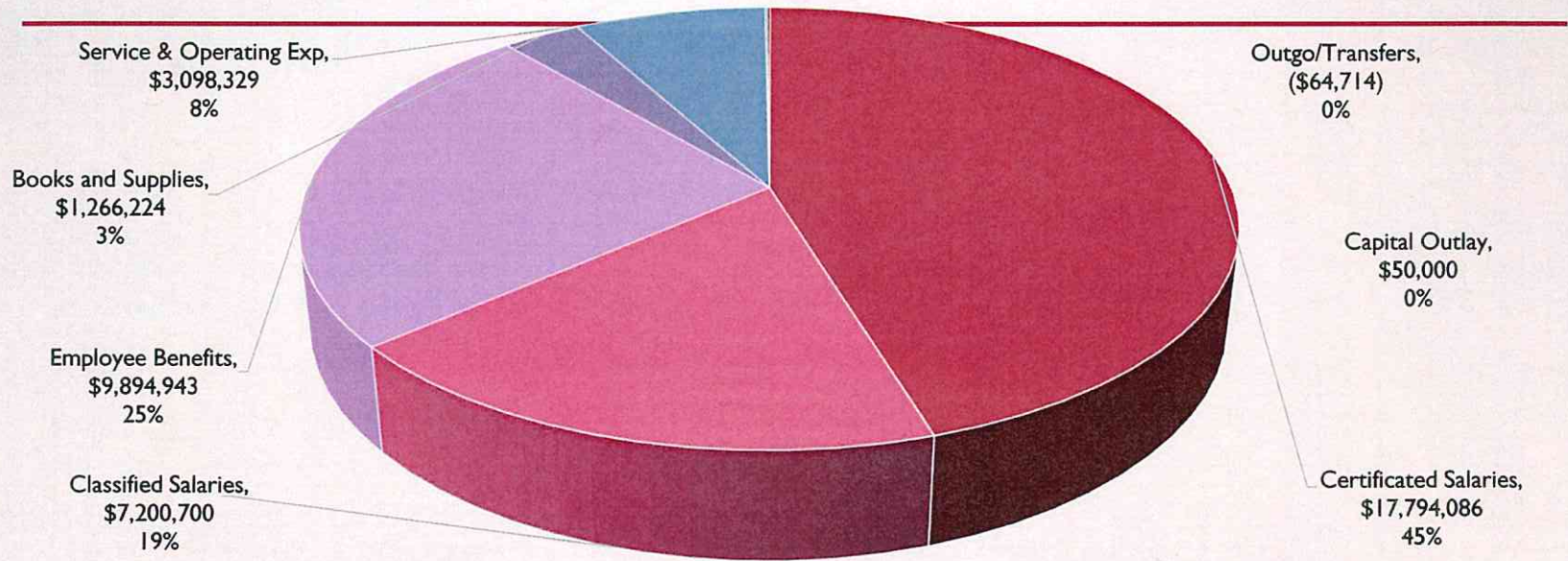
2020-2021 GENERAL FUND EXPENDITURES

** SALARIES + BENEFITS = 88.9% OF TOTAL GENERAL FUND EXPENDITURES

45.3% Certificated Salaries	\$17,794,086
18.4% Classified Salaries	\$7,200,700
25.2% Benefits	\$9,894,943
3.2% Materials & Supplies	\$1,266,224
7.9% Services & Contracts	\$3,098,329
.1% Capital Outlay	\$50,000
(.1)% Outgo/Transfers	<u>(\$64,714)</u>
TOTAL EXPENDITURES	\$39,239,568

RINCON VALLEY UNION SCHOOL DISTRICT COMBINED GENERAL FUND EXPENDITURES 2020-2021

Expenditures



- Certificated Salaries, \$17,794,086
- Classified Salaries, \$7,200,700
- Employee Benefits, \$9,894,943
- Books and Supplies, \$1,266,224
- Service & Operating Exp., \$3,098,329
- Capital Outlay, \$50,000
- Outgo/Transfers, (\$64,714)

General Fund Multi-Year Projection (MYP's) Assumptions 2020-21

- Revenues:
 - Reduction in LCFF Funding of -10%
 - Reduction in Basic Aid Supplemental Funding of -10%
 - Reduction in Transportation Funding of -10%
 - EPA funds are budgeted strictly for instructional salaries/benefits and are part of LCFF funding
 - Increase in Parcel Tax by \$3.00 per Parcel

General Fund Multi-Year Projection (MYP's) Assumptions 2020-21

- Expenditures:
 - Salary increase of 5% reflected for all groups.
 - Step in Column included.
 - Health & Welfare budgeted for a 5% increase.
 - STRS & PERS budgeted at the May Revise subsidized rate (STRS 16.15% & PERS 20.7%).
 - Routine Maintenance funded at 3% of the general fund expenditures.
 - Board approved budget reductions are included.

Rincon Valley Union School District General Fund Multi-Year Projection (MYP's) Assumptions 2020-21

- Expenditures Continued:
 - Books & Supplies reviewed with each department.
 - Services & Contracts reviewed with each department.
 - Increase in Insurance premiums of 30%
 - Reduction in legal fees by 50%
 - Transfer out to Fund 25 Developer fees \$156,266

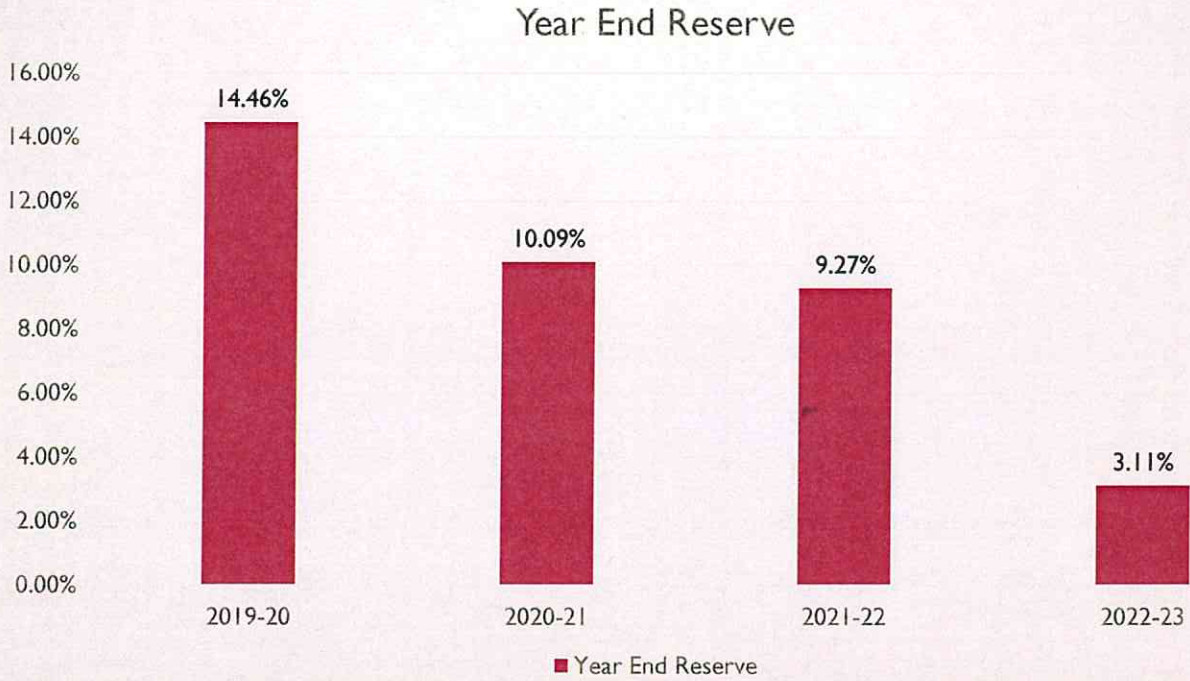
CALSTRS & CALPERS EMPLOYER CONTRIBUTION RATES

<u>CalSTRS</u>		<u>CalPERS</u>	
<u>Fiscal Year</u>	<u>May Revision</u>	<u>Fiscal Year</u>	<u>May Revision</u>
2019-20	17.10%	2019-20	19.70%
2020-21	16.15%	2020-21	20.70%
2021-22	16.02%	2021-22	22.80%
2022-23	18.40%	2022-23	25.80%
2023-24	18.40%	2023-24	26.50%



Funds 01-05 Object Codes	2019-20 Budget			2020-2021 - Budget			2021-2022 Yr1 Projection			2022-2023 Yr 2 Projection			
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total	
District TK-6 ADA		1267.52			1250			1225			1197		
Charter ADA		1502.16			1480			1436			1402		
ADA for District LCFF (higher of current or prior)		NA			1267			1250			1225		
COLA (enter percentage)		3.26%			2.31%			2.48%			3.26%		
Effective Deficit Factor					-7.20%			-7.20%			-7.20%		
Revenue													
Local Control Funding Formula	8010-8099	29,479,979	205,672	29,685,651	26,658,947	205,672	26,864,619	26,071,908	205,672	26,277,580	25,931,507	205,672	26,137,179
Federal Revenues	8100-8299	89,080	917,653	1,006,733	50,000	1,036,433	1,086,433	50,000	917,653	967,653	50,000	917,653	967,653
State Revenues (incl STRS on Behalf of)	8300-8599	941,750	1,718,534	2,660,284	504,581	1,711,119	2,215,700	504,581	1,711,119	2,215,700	504,581	1,711,119	2,215,700
Local Revenues	8600-8799	2,325,704	5,205,564	7,531,268	2,231,532	4,738,668	6,970,200	2,231,532	4,738,668	6,970,200	2,231,532	4,738,668	6,970,200
Total Revenue		32,836,513	8,047,423	40,883,936	29,445,060	7,691,892	37,136,952	28,858,021	7,573,112	36,431,133	28,717,620	7,573,112	36,290,732
Expenditures													
Certificated Salaries	1000-1999	12,709,130	5,167,024	17,876,154	12,562,462	5,231,624	17,794,086	11,763,572	5,325,793	17,089,366	11,125,317	5,421,658	16,546,974
Classified Salaries	2000-2999	3,761,207	3,524,268	7,285,475	3,675,385	3,525,315	7,200,700	3,663,270	3,613,448	7,276,718	3,754,851	3,703,784	7,458,635
Employee Benefits													
STRS - Incl STRS on Behalf	3100-3102	2,069,325	2,324,363	4,393,688	1,974,602	2,287,095	4,261,697	1,884,524	2,308,170	4,192,694	2,013,682	2,436,298	4,449,980
PERS	3200-3202	754,974	697,802	1,452,776	784,796	741,097	1,525,893	835,225	823,866	1,659,092	957,487	944,465	1,901,952
Health & Welfare	3400-3499	1,967,015	930,256	2,897,271	1,839,367	879,089	2,718,456	1,931,335	923,043	2,854,379	2,027,902	969,196	2,997,098
Other Statutory Benefits	3300-3399, 3501-3699	800,736	526,078	1,326,814	784,119	511,316	1,295,435	807,643	526,655	1,334,298	831,872	542,455	1,374,327
Other Employee & Retiree Benefits	3700-3799, 3900-3998	100,722	20,956	121,678	78,502	14,960	93,462	80,857	15,409	96,266	83,283	15,871	99,154
Books and Supplies	4000-4999	1,267,085	904,224	2,171,309	783,063	483,161	1,266,224	779,463	483,161	1,262,624	779,463	483,161	1,262,624
Services, Other Operating Expenses	5000-5999	2,237,663	1,763,424	4,001,087	1,996,459	1,101,870	3,098,329	1,996,459	1,101,870	3,098,329	1,996,459	1,101,870	3,098,329
Capital Outlay	6000-6999	-	160,855	160,855	-	50,000	50,000	-	50,000	50,000	-	50,000	50,000
Other Outgo (excl transfers of indirect cost)	7100-7299, 7400-7499	3,653	-	3,653	3,653	-	3,653	3,653	-	3,653	3,653	-	3,653
Other Outgo (transfer of indirect cost)	7300-7399	(474,282)	406,472	(67,810)	(454,497)	386,130	(68,367)	(454,497)	386,130	(68,367)	(454,497)	386,130	(68,367)
Total Expenditures		25,197,228	16,425,722	41,622,950	24,027,911	15,211,657	39,239,568	23,291,505	15,557,546	38,849,051	23,119,472	16,054,887	39,174,359
Excess (Deficiency)		7,639,285	(8,378,299)	(739,014)	5,417,149	(7,519,765)	(2,102,616)	5,566,516	(7,984,434)	(2,417,918)	5,598,148	(8,481,775)	(2,883,627)
Transfers In	8910-8929	4,605,745		4,605,745	4,605,745		4,605,745	6,605,745		6,605,745	4,605,745		4,605,745
Transfers Out (enter as negative)	7610-7629	(6,707,745)		(6,707,745)	(4,762,011)		(4,762,011)	(4,762,011)		(4,762,011)	(4,762,011)		(4,762,011)
Other Sources	8930-8979			-			-			-			-
Other Uses (enter as negative)	7630-7699			-			-			-			-
Contributions	8980-8999	(8,050,771)	8,050,771	-	(7,807,582)	7,807,582	-	(7,807,582)	7,807,582	-	(8,117,965)	8,117,965	-
Total Transfers/Other Uses		(10,152,771)	8,050,771	(2,102,000)	(7,963,848)	7,807,582	(156,266)	(5,963,848)	7,807,582	1,843,734	(8,274,231)	8,117,965	(156,266)
Net Increase (Decrease)		(2,513,486)	(327,528)	(2,841,014)	(2,546,699)	287,817	(2,258,882)	(397,332)	(176,852)	(574,184)	(2,676,083)	(363,810)	(3,039,895)
Fund Balance													
Beginning Balance		9,498,764	580,373	10,079,137	6,985,278	252,845	7,238,123	4,438,579	540,662	4,979,241	4,041,247	363,810	4,405,057
Audit Adjustment(s)		-	-	-	-	-	-	-	-	-	-	-	-
Net Ending Balance		6,985,278	252,845	7,238,123	4,438,579	540,662	4,979,241	4,041,247	363,810	4,405,057	1,365,164	(0)	1,365,164
Components of Ending Balance:													
Revolving Cash (nonspendable)	9711	17,250		17,250	17,250		17,250	17,250		17,250	17,250		17,250
Stores (nonspendable)	9712	-		-	-		-	-		-	-		-
Prepaid Expenses	9713												
Restricted	9740		252,845	252,845		540,662	540,662		363,810	363,810		-	-
Assigned	9780												
Reserve for Econ.Uncert. (unassigned)	9789	6,968,028		6,968,028	4,421,329		4,421,329	4,023,997		4,023,997	1,347,914		1,347,914
Unassigned/Unappropriated Amount	9790	-		(0)	-		-	-	(0)	(0)	-		(0)
Net Ending Balance		6,985,278	252,845	7,238,123	4,438,579	540,662	4,979,241	4,041,247	363,810	4,405,057	1,365,164	(0)	1,365,164
District Reserve for Economic Uncertainties:													
		14.46%		10.09%			9.27%			3.11%			
		6,968,028		4,421,329			4,023,997			1,347,914			

YEAR END RESERVES 2019/2020 – 2022/2023



CONTRIBUTIONS TO UNRESTRICTED PROGRAMS

- Contributions are required to Special Education and Routine Restricted Maintenance
 - Special Education contribution for 2020-21 is estimated at \$5.4M
 - Routine Restricted Maintenance for 2020-21 is estimated at 1.4M

OTHER FUNDS

IN ADDITION TO THE GENERAL FUND, OTHER FUNDS IN THE DISTRICT INCLUDE:

Fund	2019-20 Estimated Fund Balance	2020-21 Adopted Ending Fund Balance	Comments
09 Rincon Valley Charter School	\$ 194,951.00	\$ 235,809.00	
12 Child Development/Extended Care	\$ 269,098.00	\$ 269,098.00	
13 Cafeteria Fund	\$ 141,102.00	\$ 124,680.00	
25 Capital Facilities Fund	\$ 170,927.00	\$ 170,927.00	SACS report does not include June Payment of \$170K
40 Special Reserve-Capital Outlay	\$ 1,871,090.00	\$ 1,283,445.00	SACS report does not include one time transfer of 2M into the fund

PROPOSED BUDGET 2020-21

AREAS OF CONCERN

- Length of current recession
- The overall impact of COVID-19 on California's Economy
- Continued LCFF reduction of -10% the next two years
- Deficit Spending of (-2.2M) in 2020/21, (-2.5M) 2021/22, (-3.0M) 2022/23
- The District has a structural deficit that needs to be addressed
- STRS & PERS rate increases starting up again 2022-23
- Health & Welfare cost increases
- Reaching State Minimum Required Reserve of 3% in the 3rd year of MYP

BUDGET ADOPTION RESERVE REQUIREMENT

- Statement of reason for the district reserve being above the state minimum include:
- Board Fund Balance requires the Reserve for Economic Uncertainties to at least 15% of the total General Fund expenditures. Currently 20/21 is projected at 10.09%, 21/22 projected at 9.27% with one-time transfer of 2M in from Fund 40, 22/23 projected at 3.11%
- The Government Finance Officers Association is recommending a minimum reserve of 17% for elementary school districts. This kind of reserve protects the district from a downturn in the economy and events like Covid-19 in the future.
 - Current level of reserve would fund less than 2 months of payroll
 - 15% reserve level is needed to maintain positive cash flow to prevent borrowing cost from the county
 - Higher reserve level is to maintain a good bond rating
 - Higher reserve is required to sustain current and future STRS and PERS cost increases



CAUTION!



- While the district reserve will be 10% for 2020/21, the deficit spending must be addressed
- Both the state and district budgets are built on assumptions that will change and we need to be prepared to adapt to the ongoing changes.
- What surprise costs will be associated with opening schools in the fall.
- Increase in on-going cost of doing business will continue to increase including items like Special Education

FINAL WORDS

- We have tough decisions ahead of us and we have the continued opportunity as leaders to navigating these uncharted waters. We must ensure our students receive the best education and support they deserve under all circumstances.



QUESTIONS

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