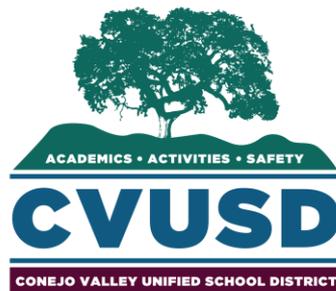


Conejo Valley Unified School District 2019-20 Budget

Public Hearing: June 4, 2019

Adoption: June 18, 2019



Purpose of the Presentation

- To demonstrate budget and LCAP alignment.
- To provide the Board an overview of the economic conditions that impact the budget.
- To provide the Board an overview of the internal conditions that impact the budget.
- To provide the Board an opportunity to give feedback on the proposed budget.
- To provide data and information on the multi-year forecast and the conditions surrounding the projections.
- To reiterate the process of addressing the budget deficit.



State Economy

Influence on Public Education Funding



State Economy Impacts CVUSD

The “Big Three” sources of revenue for the State are: Personal Income Tax (PIT), Sales and Use Tax, and Corporate Tax.



71% of revenue is generated by Personal Income Tax

- Top 1% of income-earners generate ~50% of this line item

1988, Prop 98 passed

- Guarantees a minimum (~41%) of state revenues for K-14 Education
- K-12 receives 90% of this budget

88% of district revenue is received from the State

Risks to the State Budget



- The 2019-20 State Budget is predicated on the assumption that the economy will slow but not contract
 - Although it invests in state reserves and reduces debt to strengthen California's resiliency, even a modest recession could undo recent gains
 - Because of California's unique position as a global economic competitor, we are much more susceptible to changes in the global economy
 - Heightened or prolonged tension with China can weaken emerging markets and global equities, as well as create more economic volatility

Revenue

The Controlling Factors of Where the
Money Comes From



Fiscal Year 2019-20 Budget Process

Much of the District's funding and costs are managed by two California state-controlled mechanisms:

Local Control
Funding Formula
(LCFF)



Local Control
Accountability Plan
(LCAP)

Local Control Funding Formula (LCFF)

In 2013, California dramatically reformed the way it funds our public schools. LCFF established a funding system that provides school districts with base funding and additional funds based on how many low-income students, English learners, and foster youths they serve.



Every student generates a base grant, which funds basic educational costs, such as teacher salaries, retirement costs, instructional materials, etc.



Every student who **is low-income, Learning English, OR in foster care** generates 20% more funding above the base grant.

These funds must be spent on increasing and improving services for these high-need student groups in order to improve their achievement.

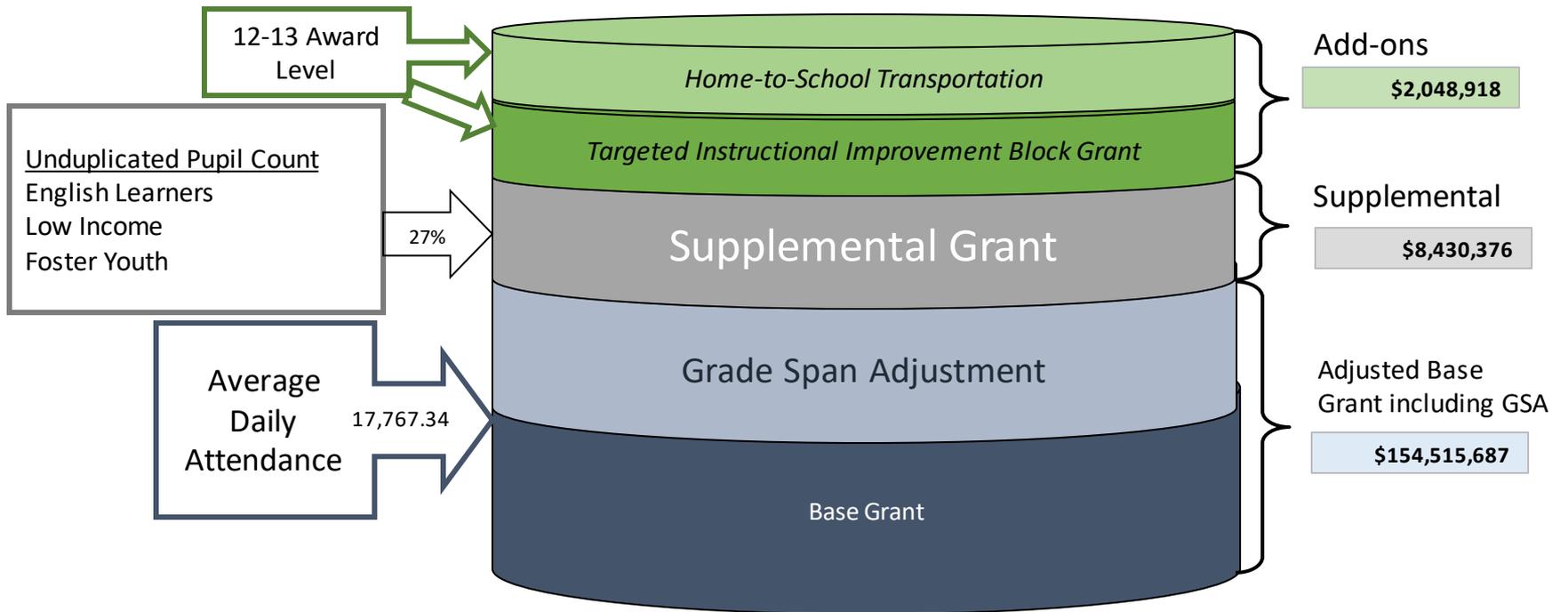


In districts where at least 55% of students are high-need, those high-need students above the 55% enrollment threshold generate an extra 50% of the base grant.

These funds must also be spent to increase or improve services for high-need students in order to improve their achievement.

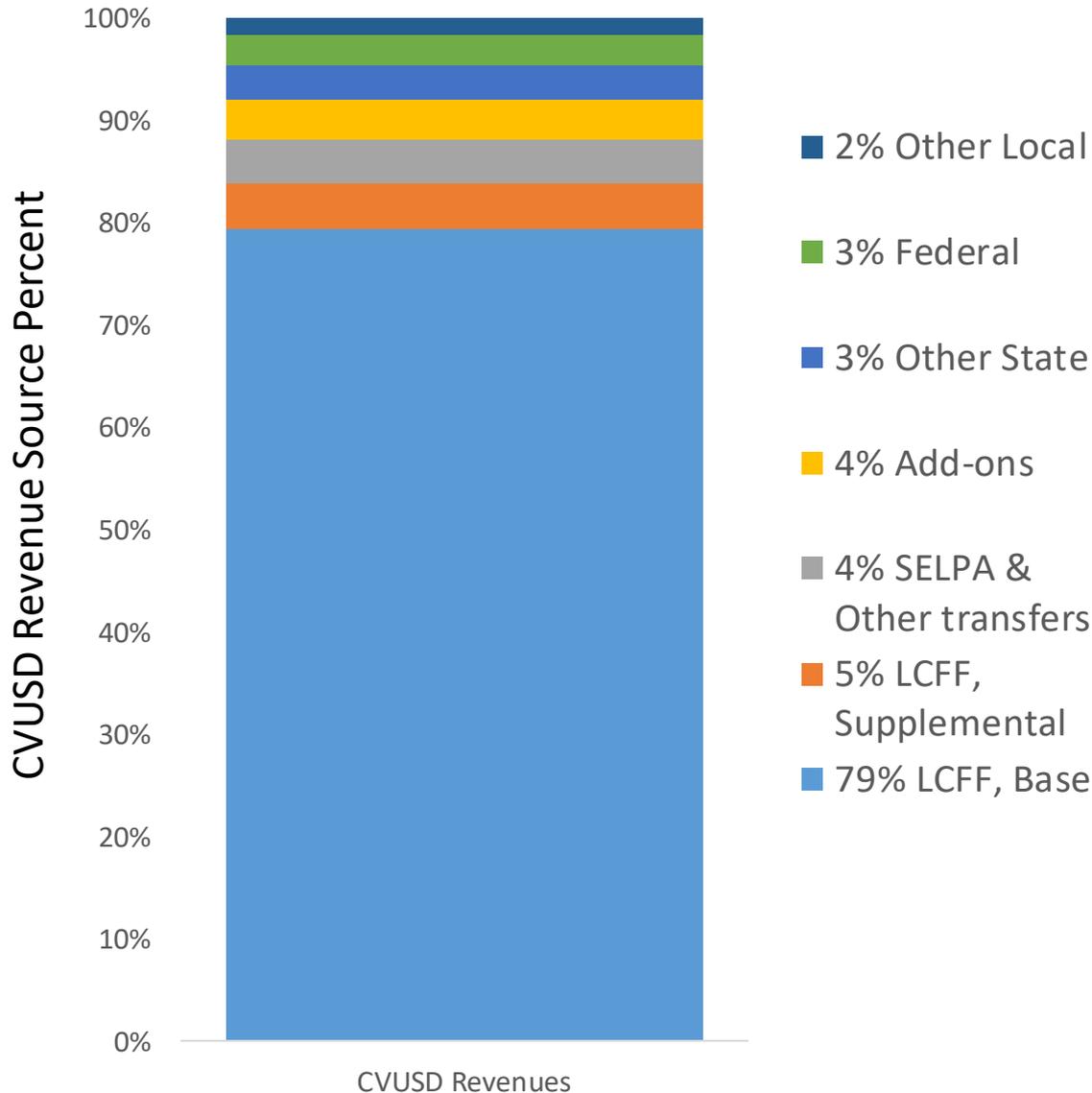
Fiscal Year 2019-20 Revenues - LCFF

TOTAL TARGET LCFF: \$164,994,981



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

Fiscal Year 2019-20 Total Revenues



- 84% (79% base + 5% supplemental) of budgeted revenues are from the State's Local Control Funding Formula (LCFF)
- Other State funds are mainly Special Education, Lottery, one-time funds, misc. programs
- Federal funds are mainly Special Education, along with Title I, II and III
- Other Local Funds include leases/rentals, collected program fees, and grants (booster and foundation supports are not accounted for in the adopted budget and are recorded when received as a revenue and expense).

2019-20 Proposed Budget

Revenue Source	2018-19 Adopted	2018-19 2 nd Interim	2019-20 Estimate
LCFF Base	\$161,048,421	\$162,280,367	\$164,994,980
Federal	\$5,283,118	\$6,240,060	\$5,695,714
State	\$12,637,933	\$11,274,345	\$6,165,202*
Local	\$3,252,252	\$6,433,572	\$3,415,180
Incoming Transfers	\$8,233,521	\$8,378,825	\$8,040,591
Total Revenue	\$190,455,245	\$194,607,169	\$188,311,667

**This is where one-time funds show up in the budget. The decline in revenue is mostly a result of no projected one-time funds*



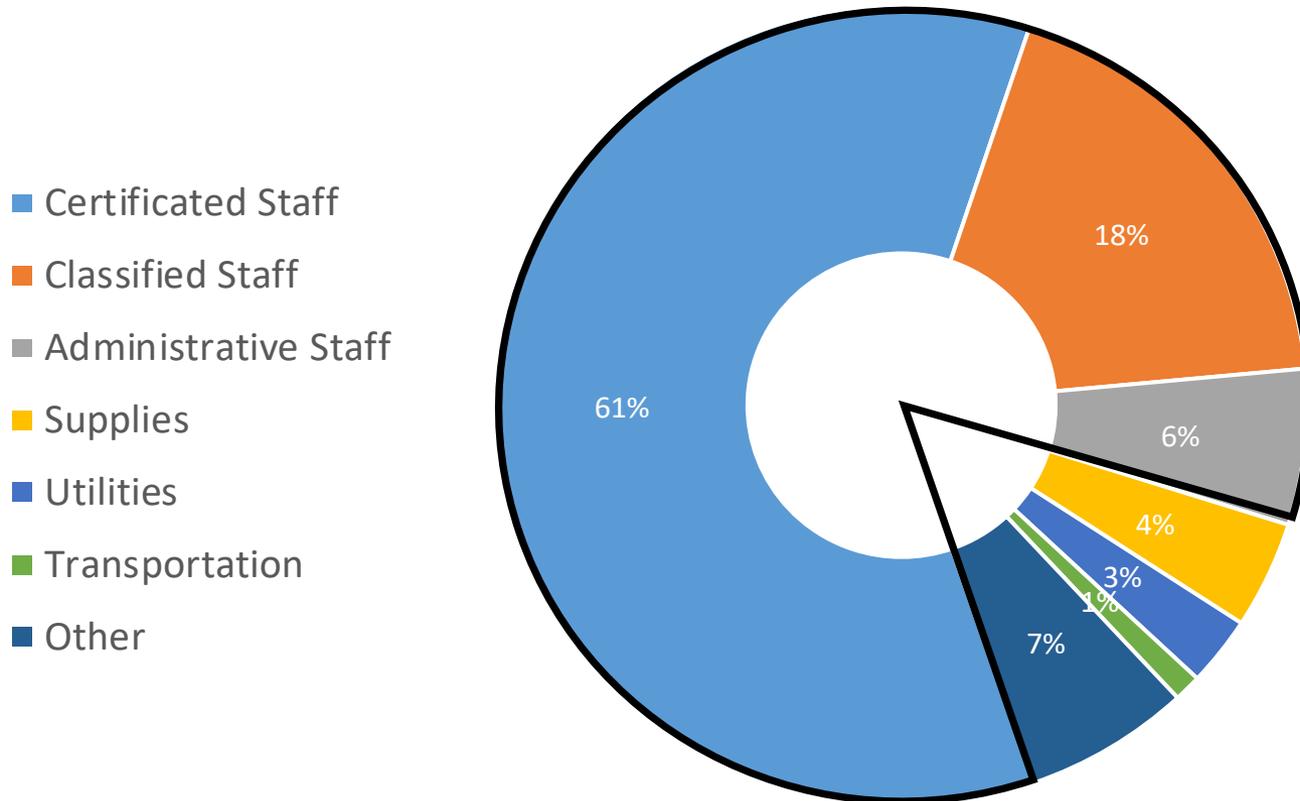
Expenses

How the Conejo Valley Unified School District Spends Money



Fiscal Year 2019-20 General Fund Expenses

It takes people to teach students...



85% of the budget is invested in personnel

2019-20 Proposed Budget

Expense Category	2018-19 Adopted	2018-19 2 nd Interim	2019-20 Projected
Certificated Salaries	\$91,901,030	\$92,199,950	\$93,190,562
Classified Salaries	\$25,552,106	\$26,192,642	\$26,949,830
Benefits	\$48,375,803	\$48,176,929	\$47,987,886
Books/Supplies	\$8,493,330	\$11,990,050	\$8,421,351
Contracted Svcs/Oper Exp	\$16,531,551	\$18,887,237	\$16,841,767
Capital Outlay	\$170,000	\$301,230	\$100,000
Other Outgo	\$1,691,295	\$1,629,921	\$1,681,044
Total Expenses	\$192,715,115	\$199,377,959	\$195,172,440



Projected Ending Fund Balance

Category	Amount
Estimated beginning Balance	\$20,510,389
Income	\$188,311,667
Expenses	\$195,172,440
Estimated ending balance	\$13,649,616
Operating deficit	(\$6,860,773)
<u>Breakdown of ending balance</u>	
Stores & revolving cash	\$138,851
Pre-paid expenses	\$31,942
Local fiscal stabilization reserve	\$3,000,000
Mandated reserve (3%)	\$5,855,173
Undesignated	\$4,623,650
Estimated ending fund balance	\$13,649,616

Major Changes Since Last Update / 2nd Interim

- ADA decline cost us a loss of approximately \$500k in LCFF revenue
- SELPA funding reductions over \$550k in AB602 and \$350k in Mental Health must be absorbed by LCFF
- Increase in ICT hours at Elementary Schools, \$150k
- College Readiness grant ended, (AVID) to be absorbed by LCFF, \$100k
- New for 2019-20: preparation day for Special Education staff, \$100k



Alignment to the LCAP

The Local Control Accountability Plan and the Budget



2019-20 Local Control Accountability Plan Alignment

LCAP Goals

- Goal 1 Support Positive Student Outcomes
- Goal 2 Staff Professional Learning
- Goal 3 Community Outreach and Communication
- Goal 4 Enhance Student Social-Emotional Success



Fiscal Year 2019-20 LCAP Budget Alignment

	Goal Description	Base Actions	Supplemental Actions	Federal Actions	Lottery Funds	Measure I	Other	Goal Total
Goal 1	Student Outcomes	\$3,884,209	\$5,777,287	\$1,536,328	\$1,054,912	\$1,783,000	\$625,000	\$14,660,736
Goal 2	Professional Learning	\$5,306,127	\$410,298	\$367,000	-	-	-	\$6,083,425
Goal 3	Community & Communications	\$382,000	\$74,000	\$110,553	-	-	-	\$566,553
Goal 4	Social – Emotional	\$1,455,588	\$2,455,467	\$120,000	-	-	-	\$4,031,055
	TOTAL	\$11,027,924	\$8,717,052	\$2,133,881	\$1,054,912	\$1,783,000	\$625,000	\$25,341,769

NOTE: The LCAP Actions do not reflect the entire CVUSD budget. For example, the following are not specified in the LCAP nor included in the LCAP Budget:

- Basic operating overhead, including salaries, benefits, utilities, and supplies
- Cost of home-to-school transportation for both general and special education eligible students
- Non-public school placements & specialized services for special education eligible students



Multi-Year Projection

Projections are not predictions. They are assumptions based on today's information and are expected to change as various factors change.



Critical Factors Impacting Projections

- The state's ability to fund COLA increases in subsequent years. Current projections include optimistic funding models for the state's contribution to LCFF
- No one-time funds are included in the 2019-20 budget nor beyond
- A slowing economy and rising costs
- The ability of the District to manage declining enrollment
- The ability of the District to manage an increasingly litigious environment
- Continued decline of SELPA funding
- Statutory rate increases to state PERS/STRS retirement programs
- Collective Bargaining



Factors for Multi-Year Projections

Budget Assumptions	2019-20	2020-21	2021-22
Cost Of Living Adjustment (COLA)	3.26%	3.00%	2.80%
One-time Funds	\$0	\$0	\$0
Enrollment Projection	18,296	18,100	17,788
P-2 Funded ADA estimate	17,767	17,677	17,488
Unduplicated Count %	27%	27%	27%
CalSTRS Employer Rate	16.7%	18.1%	17.8%
CalPERS Employer Rate	20.7%	23.6%	24.9%
Salary changes <i>(not reflected in the MYP)</i>	TBD	TBD	TBD
Anticipated Retirements	25	25	25
Change in Enrollment	-177	-196	-312
Staffing ratios	K-3 - 21.5:1 4-12 - 30:1	K-3 - 21.5:1 4-12 - 30:1	K-3 - 21.5:1 4-12 - 30:1

Critical Factors Impacting Projections

LCFF Entitlement per Average Daily Attendance (ADA)

	2019-20	2020-21	2021-22
CVUSD Funded ADA	17,767	17,677	17,488
Estimated dollars per ADA	\$9,286	\$9,565	\$9,833
Change from prior year	\$316	\$279	\$269
State defined COLA	3.26%	3.00%	2.80%
Estimated total for CVUSD	\$164,994,981	\$169,087,923	\$171,977,400
Actual year over year change in funding	1.69%	2.48%	1.71%

CVUSD does not get the full value of the COLA due to declining enrollment/ADA

CalSTRS Employer Contribution Rates

- In January, Governor Newsom proposed a \$3 billion one-time non-Proposition 98 General Fund payment to CalSTRS to reduce long-term liabilities for employers
- At the May Revision, Governor Newsom increased this proposal by \$150 million (non-Proposition 98) to reduce the 2019-20 employer contribution rate from 18.13% to 16.70% in 2019-20
 - The proposal retains the 2020-21 decrease of 19.10% to 18.10%
- ***For CVUSD it's a 0.42% increase YOY on estimated \$93m (\$428k)***

CalSTRS Rates			
Year	Employer	Pre-PEPRA*	Post-PEPRA Employees
2017-18	14.43%	10.25%	9.205%
2018-19	16.28%	10.25%	10.205%
2019-20	16.70%**	10.25%	10.205%
2020-21	18.10%**	10.25%	10.205%
2021-22	17.80%**	10.25%	10.205%
2022-23	17.80%**	10.25%	10.205%

*Public Employees' Pension Reform Act

**Rates are subsidized based on the Governor's May Revision proposal



CalPERS Employer Contribution Rates

- The California Public Employees' Retirement System (CalPERS) Board adopted an employer contribution rate of 20.733% for 2019-20

→ • 2.671% higher than the current-year rate of 18.062%

- Also approved a continuation of the new member (post-PEPRA) contribution rate of 7.0% into 2019-20
- CalPERS Board does not have the authority to change the contribution rate for classic members (pre-PEPRA) who also happen to contribute 7.0%

→ ***For CVUSD that's \$2.67 for each \$100 dollars of PERS payroll of estimated \$26m (260k x 2.67 = \$694k)***

Year	Previous Employer Contribution Rates	Revised Employer Contribution Rates*
2018-19	18.062%	18.062%
2019-20	20.70%	20.733%
2020-21	23.40%	23.60%
2021-22	24.50%	24.90%
2022-23	25.00%	25.70%
2023-24	25.50%	26.40%
2024-25	25.70%	26.60%
2025-26	25.50%	26.50%

*Actual for 2019-20



Multi-Year Projection

Description	2019-20 Proposed Budget	2020-21 Projection	2021-22 Projection
Estimated Beginning Balance July 1	\$20,510,389	\$13,649,616	\$8,731,210
Total Income	\$188,311,667	\$192,148,937	\$194,734,433
Total Expense	\$195,172,440	\$197,067,343	\$197,040,036
Ending Balance	\$13,649,616	\$8,731,210	\$6,425,607
<u>Components of Ending Fund Balance</u>			
Stores/Revolving Cash/PPE	\$170,793	\$170,793	\$170,793
Fiscal Stabilization Reserve	\$3,000,000	\$2,000,000	\$0
Required Reserve 3%	\$5,855,173	\$5,912,020	\$5,911,201
Undesignated Funds	\$4,623,650	\$648,396	\$343,613

Other District Funds

The Conejo Valley Unified School District is a premier comprehensive local education agency providing programs and supporting activities from pre-school to adult education.



	Other Funds	Beginning Balance	Est. Income	Est. Expenses	Net Est. End Balance
110	Adult Education	\$408,131	\$3,882,951	\$4,016,993	\$274,089
120	Child Care	\$0	\$5,395,498	\$5,395,498	\$0
121	Child Development	\$0	\$1,231,407	\$1,231,407	\$0
130	Child Nutrition	\$147,262	\$4,263,000	\$4,262,550	\$147,712
140	Deferred Maintenance	\$1,456,224	\$121,854	\$176,000	\$1,402,078
212	Measure I: Building	\$13,396,847	\$550,000	\$12,589,826	\$1,357,021
213	Measure I: Technology	\$8,824,379	\$200,000	\$2,356,321	\$6,668,058
251	Developer Fees	\$1,235,186	\$802,000	\$137,545	\$1,899,641
401	TOPASS	\$6,896,844	\$1,660,000	\$454,032	\$8,102,812
403	TOPASS Foundation	\$8,916	\$2,000	\$0	\$10,916
511	Bond Redemption	\$12,585,566	\$7,687,932	\$9,689,075	\$10,584,423
671	Worker Compensation	\$2,255,460	\$1,710,405	\$2,100,591	\$1,865,274
672	Health & Welfare	\$3,382,298	\$27,774,559	\$24,250,733	\$6,906,124
730	Private Purpose Trust	\$2,491	\$550	\$0	\$3,041

2019-20 Budget Timeline

- **June 15th** State Legislature must submit a budget to the Governor including any legislative proposals that both houses agree on.
- **June 18th** CVUSD Budget Adoption.
- **June 30th** Governor's Deadline, Signed Budget. If necessary, on or about **August 15th** CVUSD budget revision to align with State adopted budget.
- **September 2019** (1) Presentation of 2018-19 unaudited actuals (2) Board to agree on budget strategy and give direction to the Budget Committee. (3) Selection of Budget Committee (4) Start of monthly Budget Committee meetings to identify budget cuts.
- **November 2019** Administration to bring first round of cuts/changes recommended by Budget Committee to BOE at work session.
- **December 2019** Presentation of First Interim financial report.
- **January 2020** (1) Governor's new budget proposal. (2) Review of staffing. (3) Administration to bring second round of cuts/changes recommended by Budget Committee to BOE at work session.
- **March 2020** (1) Presentation of Second Interim financial reports. (2) Administration to bring third round of cuts/changes recommended by Budget Committee to BOE at work session (3) BOE to take action on the 2020-21 budget cuts/changes.
- **April 2020** Administration to bring first draft budget estimates to include BOE approved actions.
- **May 2020** May Revise of Governor's proposed budget, Administration to bring second draft of budget to include May revise data.
- **June 2020** Public hearing and approval of 2020-21 LCAP and Budget.

