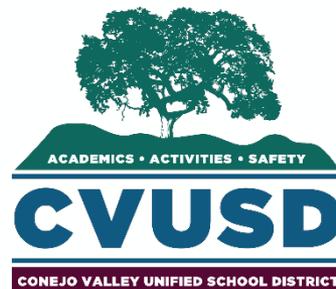


Conejo Valley Unified School District 2020-21 Budget Discussion

June 9, 2020

Public Hearing: June 16, 2020

Adoption: June 30, 2020



Purpose of the Presentation

- To provide the Board an update of the economic conditions that impact the budget.
- To provide the Board an update of LCFF and how it impacts the budget.
- To provide the Board the opportunity to give guidance on budget development strategies.
- To provide information on the various multi-year forecast scenarios and the conditions surrounding the projections.

Estimate of Expenses for 2020-21

Expense Category	Restricted	Unrestricted	Combined
Certificated Salaries	\$14,323,321	\$82,097,208	\$96,420,529
Classified Salaries	\$9,016,544	\$19,059,198	\$28,075,742
Benefits	\$9,846,064	\$38,522,647	\$48,368,711
Books/Supplies	\$2,146,973	\$6,272,638	\$8,419,611
Contracted Svcs/Oper Exp	\$5,103,397	\$14,167,219	\$19,270,616
Capital Outlay	\$50,000	\$50,000	\$100,000
Other Outgo	\$2,538,093	\$-235,472	\$2,302,621
Total	\$43,024,392	\$159,933,438	\$202,957,830
	<i>Expected Revenue (May Revise)</i>		\$178,247,937
		+/-	-\$24,709,893

Availability of Funds

Available Funds	Amount
<i>Mandated reserve (3%) not recommended</i>	\$5,991,879
Local fiscal stabilization reserve	\$3,000,000
Estimated undesignated fund balance	\$14,959,237
Health Welfare Fund <small>(pending continued positive performance)</small>	\$10,000,000
Deferred Maintenance	\$1,200,000
Total potential funds for use	\$35,151,116

We must present a qualified budget which means we must demonstrate fiscal solvency in 2021, 2022 & 2023, therefore it would be prudent to utilize funds over three years

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 **recover** from COVID-19 in subsequent years
- Projections include funding models based on **today's information**
- One-time funds included in the 2020-21 budget are from stimulus, none thereafter
- A 7.92% deflation factor (negative COLA)
- Declining enrollment factored in
- Predicated on schools opening and enrollment holds
- *July tax revenues may impact this and future budgets*
- *An improved economy may impact this and future budgets*
- *Federal stimulus may impact this and future budgets*
- *A revised budget may be presented in August if things change significantly*

Governor's Factors for Multi-Year Projections

Budget Assumptions	2020-21	2021-22	2022-23
Cost Of Living Adjustment (COLA)	2.31%	2.48%	3.26%
Deflation Factor	-10.0%	-7.92%	-7.92%
Base Grant Proration	-7.92%	-12.18%	-14.95%
One-time Funds <i>(ESSER)</i>	\$1.2m	\$0	\$0
One-time expenses <i>(COVID-19 and legal settlement)</i>	\$1.0m	\$0	\$0
Enrollment Projection	18,050	17,903	17,583
P-2 Funded ADA estimate (prior year standard)	17,634	17,444	17,303
Unduplicated Count %	27%	27%	27%
CalSTRS Employer Rate	16.15%	16.02%	18.4%
CalPERS Employer Rate	20.7%	22.84%	25.8%
Salary changes <i>(Agreement to delay 2% for '21 & '22)</i>	0.0%	0.0%	TBD
Anticipated Retirements	25	25	25
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

Impact of Governor's Proposal

Description	2020-21 Estimate	2021-22 Projection	2022-23 Projection
Estimated Beginning Balance	\$24,150,146	\$4,440,253	(\$18,814,144)
Estimated Income	\$178,247,937	\$176,703,433	\$175,408,689
<i>Transfer from Health Welfare Fund</i>	\$5,000,000	\$3,000,000	\$2,000,000
Estimated Expense	\$202,957,830	\$202,957,830	\$202,957,830
Estimated on-going cuts	\$0	\$0	\$0
Net expense	\$202,957,830	\$202,957,830	\$202,957,830
Ending Balance	\$4,440,253	(\$18,814,144)	(\$44,363,285)
<u>Components of Ending Fund Balance</u>			
Stores/Revolving Cash	\$199,030	\$199,030	\$199,030
Fiscal Stabilization Reserve	\$0	\$0	\$0
Required Reserve 3%	\$6,088,735	\$6,088,735	\$6,088,735
Undesignated Funds	(\$1,847,512)	(\$25,101,909)	(\$50,651,050)

Governor's Proposal– Scenario #1 Minimize Year One Cuts

Description	2020-21 Estimate	2021-22 Projection	2022-23 Projection
Estimated Beginning Balance	\$24,150,146	\$11,440,253	\$7,185,856
Estimated Income	\$178,247,937	\$176,703,433	\$175,408,689
<i>Transfer from Health Welfare Fund</i>	\$5,000,000	\$3,000,000	\$2,000,000
Estimated Expense	\$202,957,830	\$195,957,830	\$183,957,830
Estimated on-going cuts	(\$7,000,000)	(\$12,000,000)	(\$6,000,000)
Net expense	\$195,957,830	\$183,957,830	\$177,957,830
Ending Balance	\$11,440,253	\$7,185,856	\$6,636,715
<u>Components of Ending Fund Balance</u>			
Stores/Revolving Cash	\$199,030	\$199,030	\$199,030
Fiscal Stabilization Reserve	\$0	\$0	\$0
Required Reserve 3%	\$5,878,735	\$5,518,735	\$5,338,735
Undesignated Funds	\$5,362,488	\$1,468,091	\$1,098,950

- Total estimated cuts = \$25m
- Assuming no increase in expenses
- Minimizing cuts up front with a major cut in year two
- Budget deficit in third year is \$2m
- Undesignated fund balance of \$1m in year three is low for a district our size

Governor's Proposal – Scenario #2 Equalize Cuts

Description	2020-21 Estimate	2021-22 Projection	2022-23 Projection
Estimated Beginning Balance	\$24,150,146	\$12,990,253	\$6,785,856
Estimated Income	\$178,247,937	\$176,703,433	\$175,408,689
<i>Transfer from Health Welfare Fund</i>	\$5,000,000	\$3,000,000	\$2,000,000
Estimated Expense	\$202,957,830	\$194,407,830	\$185,907,830
Estimated on-going cuts	(\$8,550,000)	(\$8,500,000)	(\$8,500,000)
Net expense	\$194,407,830	\$185,907,830	\$177,407,830
Ending Balance	\$12,990,253	\$6,785,856	\$6,786,715
<u>Components of Ending Fund Balance</u>			
Stores/Revolving Cash	\$199,030	\$199,030	\$199,030
Fiscal Stabilization Reserve	\$0	\$0	\$0
Required Reserve 3%	\$5,832,235	\$5,577,235	\$5,322,235
Undesignated Funds	\$6,958,988	\$1,009,591	\$1,265,450

- Total estimated cuts = \$25.55m
- Assuming no increase in expenses
- Major cuts spread out over three years
- Budget deficit in third year is \$2m
- Undesignated fund balance of \$1.2m is low for a district our size

Governor's Proposal– Scenario #3 Minimize Overall Cuts

Description	2020-21 Estimate	2021-22 Projection	2022-23 Projection
Estimated Beginning Balance	\$24,150,146	\$17,440,253	\$12,185,856
Estimated Income	\$178,247,937	\$176,703,433	\$175,408,689
<i>Transfer from Health Welfare Fund</i>	\$5,000,000	\$3,000,000	\$2,000,000
Estimated Expense	\$202,957,830	\$189,957,830	\$184,957,830
Estimated on-going cuts	(\$13,000,000)	(\$5,000,000)	(\$2,000,000)
Net expense	\$189,957,830	\$184,957,830	\$182,957,830
Ending Balance	\$17,440,253	\$12,185,856	\$6,636,715
<u>Components of Ending Fund Balance</u>			
Stores/Revolving Cash	\$199,030	\$199,030	\$199,030
Fiscal Stabilization Reserve	\$0	\$0	\$0
Required Reserve 3%	\$5,698,735	\$5,548,735	\$5,488,735
Undesignated Funds	\$11,542,488	\$6,438,091	\$948,950

- Major cuts in year one but lower overall cuts by \$5m over three years
- Assuming no increase in expenses
- Third year budget deficit grows to \$7m
- Undesignated fund balance below \$1m is low for a district our size

Since we last met...
Legislative Discussions
on Governor's
Proposed Budget



Recent News

- On June 3, 2020, School Services of California reported that the Senate and the Assembly reached a deal on the Legislature's State Budget that they must adopt before midnight on June 15
- As part of the deal, the Legislature agreed to how it wants to use federal Coronavirus Aid, Relief, and Economic Security (CARES) Act funds and the methods to distribute them. Specifically, the agreement allocates \$4.65 billion for the following purposes:
 - \$2.9 billion to all local educational agencies (LEAs) based on the Local Control Funding Formula distributional model to assist with the learning loss for all students
 - \$1.5 billion to all LEAs based on their special education enrollment to address the learning loss for students with disabilities
 - \$100 million to all LEAs based on their average daily attendance to defray costs associated with reopening schools
 - \$63.2 million for LEA school meal reimbursements during the summer and COVID-related closures
- These funds augment the \$1.4 billion in other federal CARES Act dollars that will be distributed to LEAs based on their Title I allocations, which the Department of Education anticipates will be distributed in July.
- For CVUSD, we estimate \$7.4 million. Current stimulus in the budget is at \$1.2 million. This could stave off cuts in the first year.
- If the COLA is enacted, even if deferred, would not open the certificated layoff window.

Recent News

The Senate proposes additional deferrals taking 2020-21 payments of the principal apportionment into the 2021-22 fiscal year. *This would expand 2020-21 deferrals by \$5.3 billion above the \$3.7 billion proposed by the Governor for a total of \$9.0 billion in K-14 2020-21 deferrals; \$4.6 billion of that expansion would affect K-12 LEAs.*

According to School Services of California, though these deferrals, as proposed by the Governor or by the Senate's expansion, do represent a cut to LEA budgets, deferrals represent an improvement over an equivalent level of direct cuts in at least three ways.

1. First, deferrals, if history provides a precedent, have carried an obligation to be reversed in the future when the state budget is in better shape.
2. Second, these deferrals will allow LEAs to decide in which year (the year that the deferral is made or the year to which the funds are deferred) to budget for the one-time loss in funds caused when a deferral is implemented; direct cuts, on the other hand, create an immediate budget impact.
3. Finally, the lack of direct cuts in the Senate proposal results in a higher level of Prop 98 expenditures in the Senate version of the budget; this benefits us going forward into future years. At the same time, deferrals are difficult to deal with from a business services perspective, since they may result in cash flow difficulties, borrowing costs and auditing issues.

For CVUSD, that would force the District to borrow funds and pay interest. If deferral is only for the deflation factor, the TRANS Loan would be around \$14.2 million. If larger, for example, a five-month deferral would require the District to take out an additional "trans loan" of at least \$30 million.

This proposed 1-year deferral is more than all of the deferrals combined during the great recession

Legislative Proposal – Hypothetical Scenario #4*

Description	2020-21 Estimate	2021-22 Projection	2022-23 Projection
Estimated Beginning Balance	\$26,150,146	\$23,740,253	\$13,785,856
Estimated Income	\$178,247,937	\$190,903,433	\$189,608,689
<i>Additional Stimulus (\$1.2m already included, less SPED reduction)</i>	\$6,000,000	\$0	\$0
<i>Deferral (would need to determine cash flow dependent on length) – TRANS Loan proceeds</i>	\$14,200,000	\$0	\$0
<i>Transfer from Health Welfare Fund</i>	\$0	\$0	\$4,000,000
Total Income	\$198,447,937	\$190,903,433	\$193,608,689
Estimated Expense <i>(assuming no increase, adjusting each year)</i>	\$200,857,830	\$200,857,830	\$200,857,830
<i>Estimated on-going cuts (maintain current expense levels)</i>	\$0	\$0	\$0
Net expense <i>(assuming no increase in expenses)</i>	\$200,857,830	\$200,857,830	\$200,857,830
Budget Deficit	(\$2,409,893)	(\$9,954,397)	(\$7,249,141)
Ending Balance	\$23,740,253	\$13,785,856	\$6,536,715
<u>Components of Ending Fund Balance</u>			
Stores/Revolving Cash	\$199,030	\$199,030	\$199,030
Fiscal Stabilization Reserve	\$3,000,000	\$3,000,000	\$0
Required Reserve 3%	\$6,025,735	\$6,025,735	\$6,025,735
Undesignated Funds	\$14,515,488	\$4,561,091	\$311,950

*Based on limited information, LCFF, COLA, other unknowns will change this overall scenario or some components

Discussion

Public hearing on budget will be on June 16 and adoption set for June 30.
Discussion on guidance to develop the proposed budget:

1. Prepare budget using Governor's proposed budget with a set level of cuts
 - A. Discussion of possible budget reductions
2. Prepare budget using proposed Legislative plan and with cuts
 - A. Discussion of possible budget reductions
3. Prepare budget using proposed Legislative plan and without cuts
4. Prepare budget using alternative factors
5. Balanced budget discussion

Budget Strategy Discussion

- Utilize Health Welfare Fund balance if necessary (prior use was to offset raises)
- Utilize \$3 million “reserve for economic uncertainty” when necessary
- Management, non-represented staff, UACT, CSEA, and CVPPA have agreed to delay salary increases for 2021 and 2022, and ***have committed to work together in the best interest of the District***
- Human Resource costs are 85% of the budget
- Furlough days
- Reviewing open positions, retirements, resignations
- Reallocate positions to grant or other funds if possible
- Examine employee roles in different scenarios
- What Child Nutrition and Child Care programs look like in different opening scenarios

General Budget - Discussion

- Reduce textbook budget - \$1 million
- Reduce travel and conference budget - \$250,000
- Reduce supply budgets - \$250,000
- Reduce capital outlay / equipment budget - \$222,000
- Master schedule efficiencies / stipend adjustments - \$500,000
- Reduce membership fees - \$24,000
- Reduce certificated substitute budget - \$180,000
- Reduce substitute custodial budget - \$100,000
- Cut cell phone program - \$160,000
- Reallocate \$500,000 in supplies and services to Deferred Maintenance
- *Reduce Athletic transportation budget - \$250,000*
- *Home to school transportation – likely 3x increase from \$600k to \$2m not factored in*

Programs Under Consideration

- Stand Proud - \$150,000
- Outdoor School - \$225,000
- AVID - \$300,000
- Saturday school program - \$10,000
- We the People - \$21,000
- Central Office allocation of funds for intervention - \$450,000
- Signature program allocation - \$25,000
- Focus on the Arts - \$28,000
- NGSS Mentor Program - \$151,000
- Induction program - \$400,000 (shift to VCOE or Center X)
- Partner with Charter School for Summer School program - \$300,000