



# Conejo Valley Unified School District

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## BOE Budget Discussion

May 27, 2021

### **BOARD OF TRUSTEES:**

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Mr. Bill Gorback, Vice-President

Ms. Karen Sylvester, Clerk

Ms. Cindy Goldberg, Member

Ms. Lauren Gill, Member

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Dr. Victor Hayek, Deputy Superintendent, Business Services

Ms. Jeanne Valentine, Assistant Superintendent, Human Resources

Dr. Lisa Miller, Assistant Superintendent, Student Support

Mr. Lou Lichtl, Assistant Superintendent, Instructional Services

# Purpose of the Presentation

- To provide historical enrollment data
- To provide historical financial information
- To provide a 7-year trend in revenue and expense
- To demonstrate the impact of donations on the budget
- To provide a future outlook based on today's known information
- *NOTE: A vertical blue line on the forthcoming charts represents the current time period. The right of the blue line represents future projection.*

We cannot discuss budget and funding without looking at enrollment

# **ENROLLMENT**

NEWS

# Declining enrollment in Ventura County K-12 schools mirrors state trends

**Shivani Patel** Ventura County Star  
Published 8:00 a.m. PT May 17, 2021

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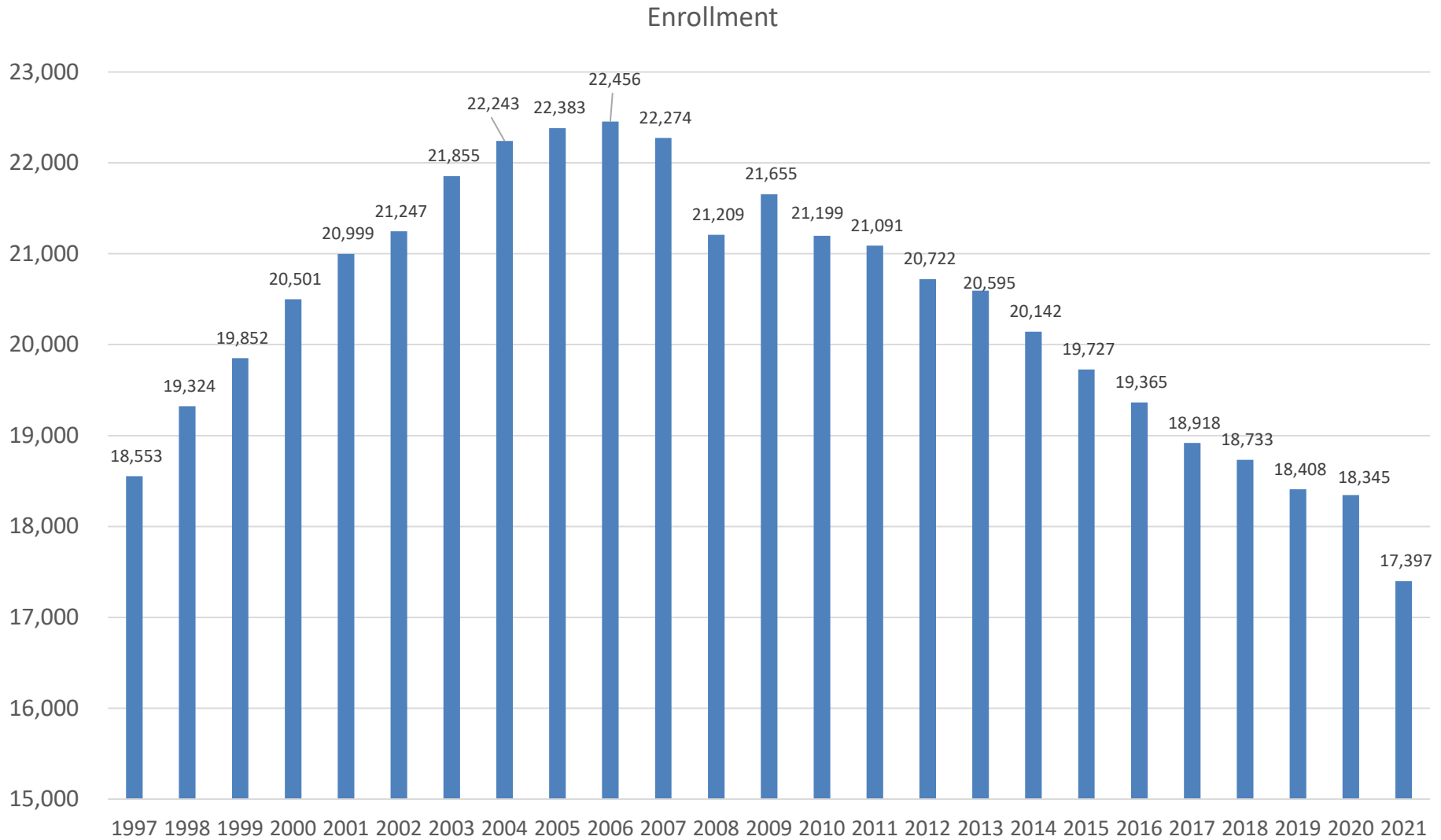
## Watch students return to campus at Pacifica High School in Oxnard

Students return to campus at Pacifica High School in Oxnard and all schools in the Oxnard Union High School District Wednesday. *JUAN CARLO, Ventura County Star*

Enrollment dropped by nearly 4,000 students among Ventura County public and charter schools this year, according to state data.

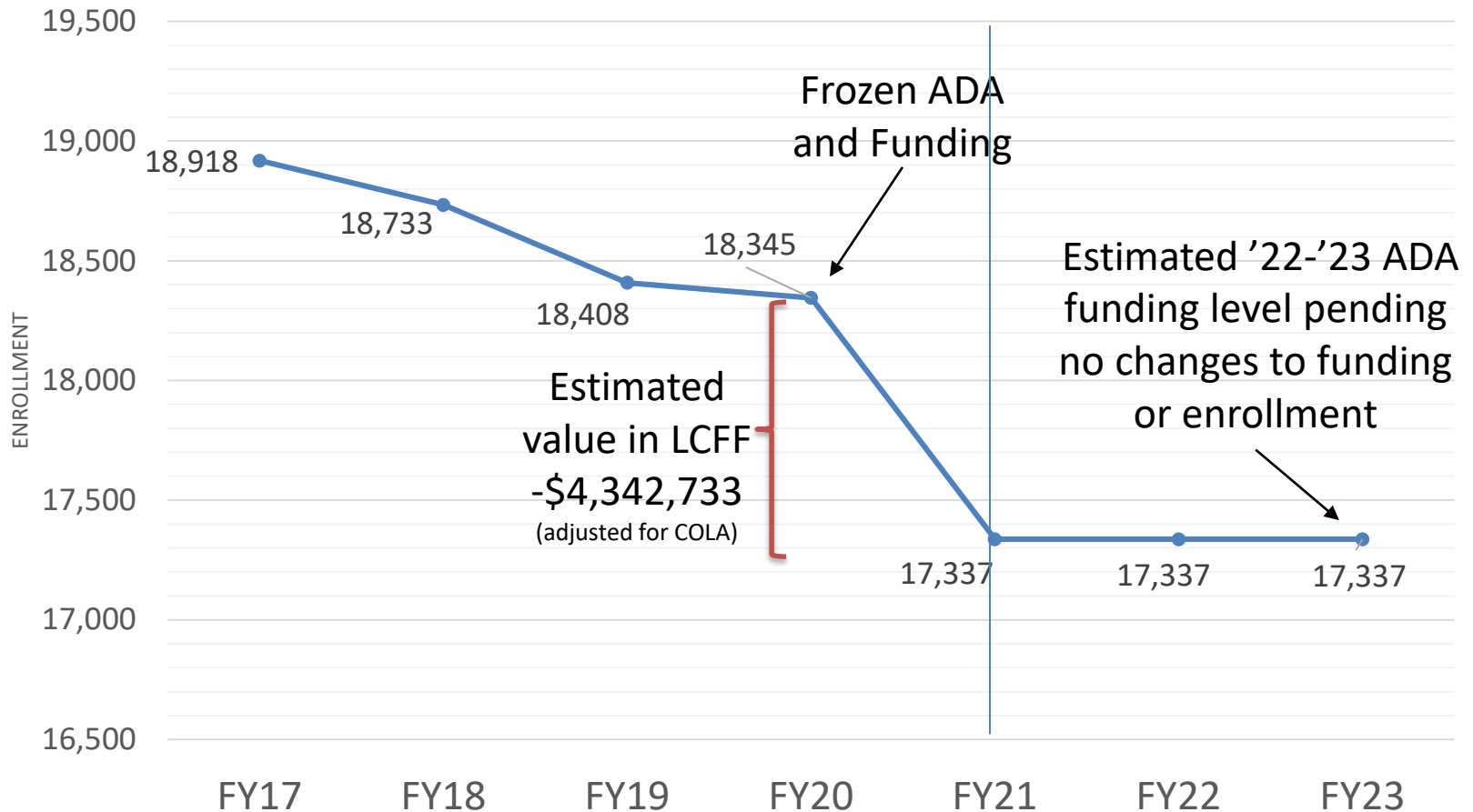
The 2019-20 school year had an enrollment of 135,312 students, which dropped to 131,481 this school year — a 2.8% or 3,831 decrease — as reported by the California Department of Education. The department released annual enrollment numbers in late April. This total includes public schools, charter schools under the school

# Enrollment History



# Enrollment & Projection

The following chart represents enrollment. The District typically maintains a 96% average daily attendance. Due to COVID, ADA was held harmless for '20 & '21 (and '22) by formula, and in turn, funding levels were frozen despite enrollment changes. ADA will resume for the '22 SY and be used for '23 funding. This has been referred to as the "Fiscal Cliff"



*“There are known knowns. These are things we know that we know. There are known unknowns. That is to say, there are things that we know we don't know. But there are also unknown unknowns. These are things we don't know we don't know.”* Donald Rumsfeld

# **ASSUMPTIONS**

## SSC School District and Charter School Financial Projection Dartboard 2021–22 May Revision

This version of School Services of California Inc. (SSC) Financial Projection Dartboard is based on the Governor’s 2021–22 May Revision. We have updated the cost-of-living adjustment (COLA), Consumer Price Index (CPI), and ten-year T-bill planning factors per the latest economic forecasts. We have also updated the Local Control Funding Formula (LCFF) factors. We rely on various state agencies and outside sources in developing these factors, but we assume responsibility for them with the understanding that they are general guidelines.



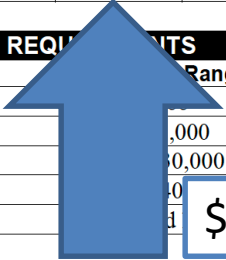
LCFF PLANNING FACTORS					
Factor	2020–21	2021–22	2022–23	2023–24	2024–25
Department of Finance (DOF) Statutory COLA	2.31%	1.70% <sup>1</sup>	2.48%	3.11%	3.54%
SSC Estimated Planning COLA	0.00%	5.07% <sup>2</sup>	2.48%	3.11%	3.54%

LCFF GRADE SPAN FACTORS FOR 2021–22				
Entitlement Factors per ADA*	K–3	4–6	7–8	9–12
2020–21 Base Grants	\$7,702	\$7,818	\$8,050	\$9,329
Mega COLA at 5.07%	\$390	\$396	\$408	\$473
2021–22 Base Grants	\$8,092	\$8,214	\$8,458	\$9,802
Grade Span Adjustment Factors	10.4%	–	–	2.6%
Grade Span Adjustment Amounts	\$842	–	–	\$255
2021–22 Adjusted Base Grants <sup>3,4</sup>	\$8,934	\$8,214	\$8,458	\$10,057

\*Average daily attendance (ADA)

OTHER PLANNING FACTORS					
Factors	2020–21	2021–22	2022–23	2023–24	2024–25
California CPI	2.14%	3.84%	2.40%	2.23%	2.42%
California Lottery	Unrestricted per ADA	\$150	\$150	\$150	\$150
	Restricted per ADA	\$49	\$49	\$49	\$49
Mandate Block Grant (District)	Grades K–8 per ADA	\$32.18	\$32.79	\$33.60	\$34.64
	Grades 9–12 per ADA	\$61.94	\$63.17	\$64.74	\$66.75
Mandate Block Grant (Charter)	Grades K–8 per ADA	\$16.86	\$17.21	\$17.64	\$18.19
	Grades 9–12 per ADA	\$46.87	\$47.84	\$49.03	\$50.55
Interest Rate for Ten-Year Treasuries	1.30%	2.13%	2.40%	2.30%	2.40%
CalSTRS Employer Rate <sup>5</sup>	16.15%	16.92%	19.10%	19.10%	19.10%
CalPERS Employer Rate <sup>5</sup>	20.70%	22.91%	26.10%	27.10%	27.70%
Unemployment Insurance Rate <sup>6</sup>	0.05%	1.23%	0.20%	0.20%	0.20%

STATE MINIMUM RESERVE REQUIREMENTS	
Reserve Requirement	Range
The greater of 5% or \$71,000	
The greater of 4% or \$71,000	
3%	
2%	
1%	



**\$1.2 million YOY**



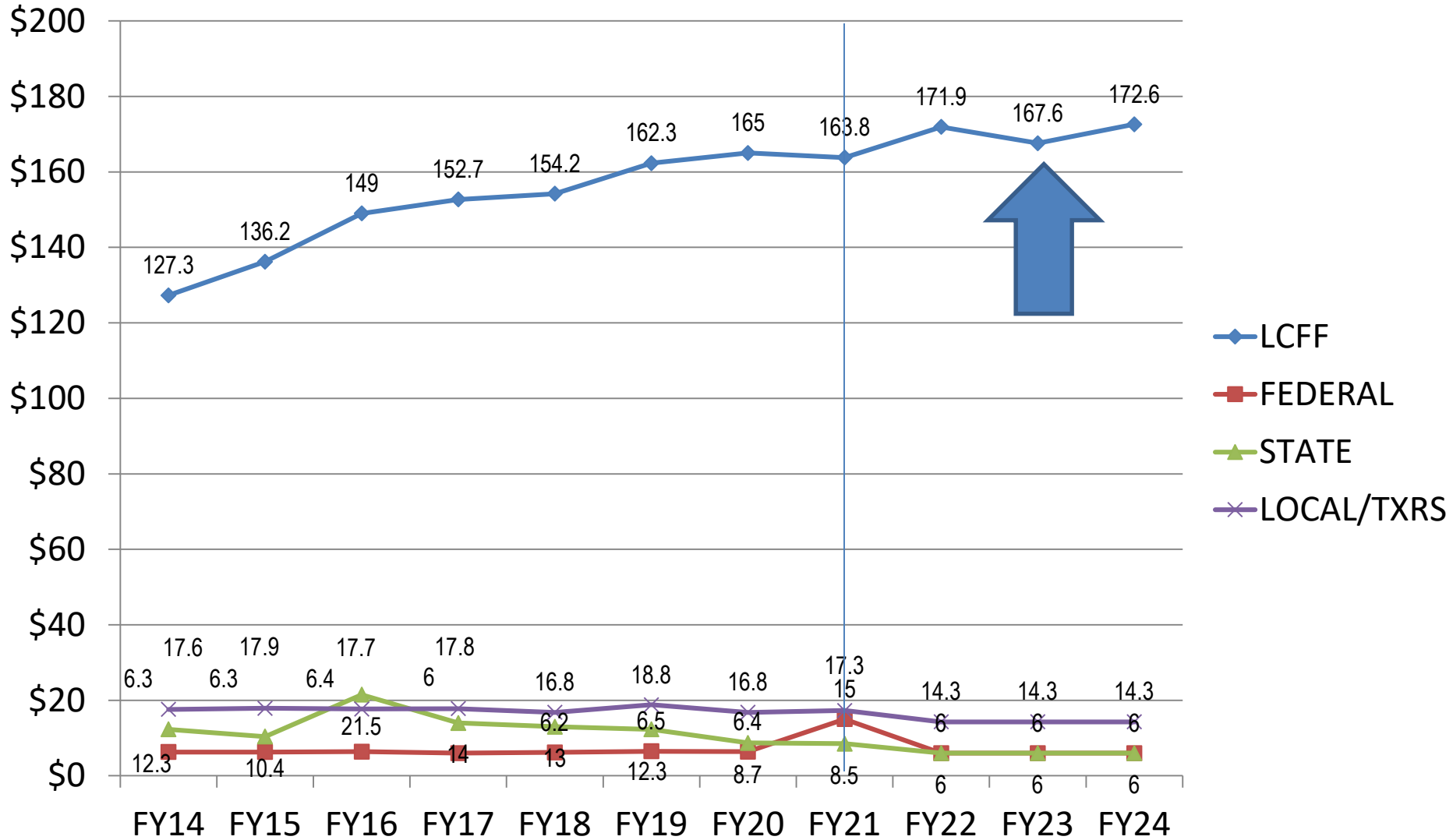
Look Back to Look Forward (based on today's information)

# **HISTORICAL FINANCIAL INFORMATION WITH PROJECTED FUTURE OUTLOOK**

# Revenue History and Projection

## General Fund

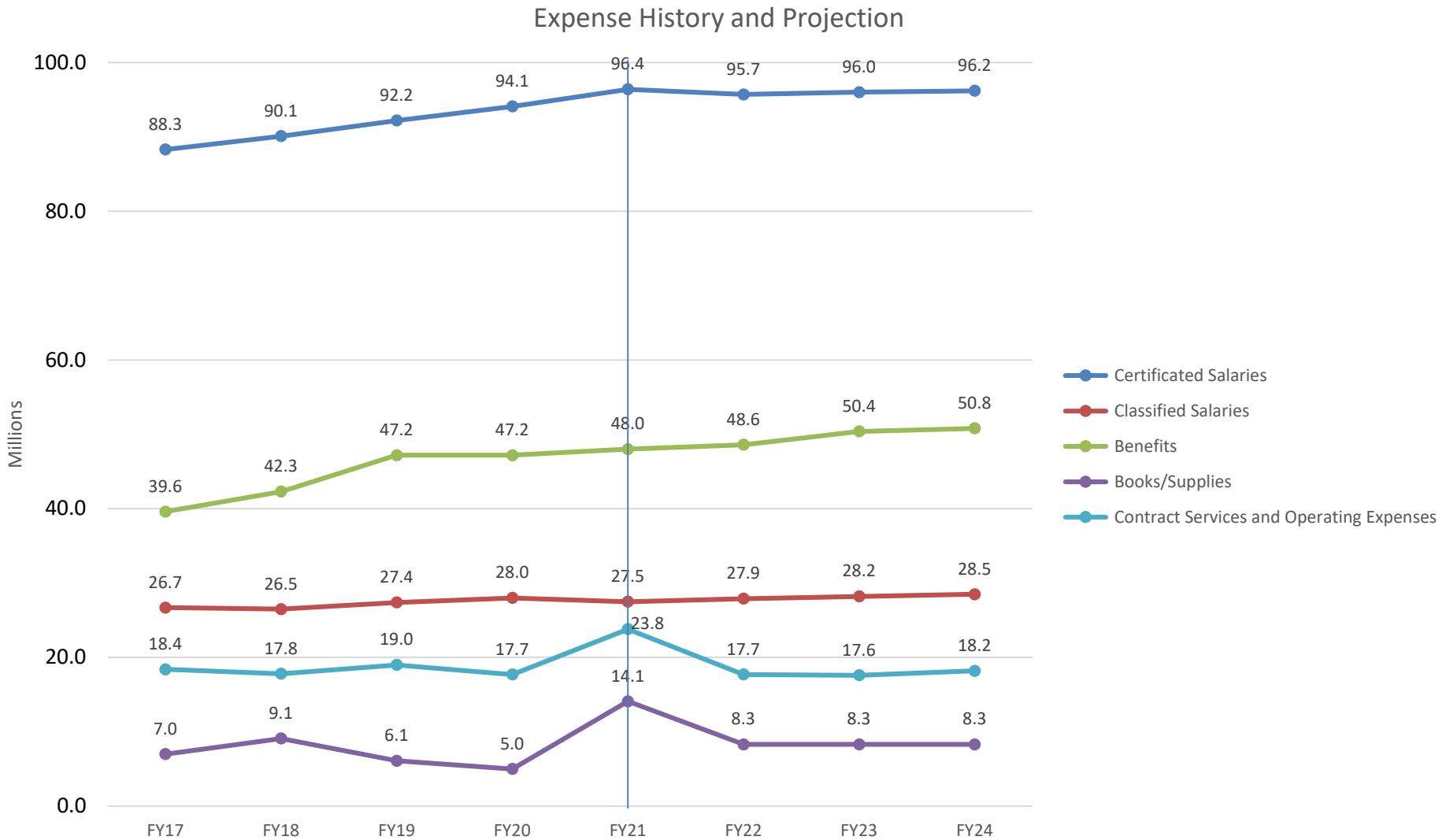
(in millions)



# Expense History and Projection

## General Fund

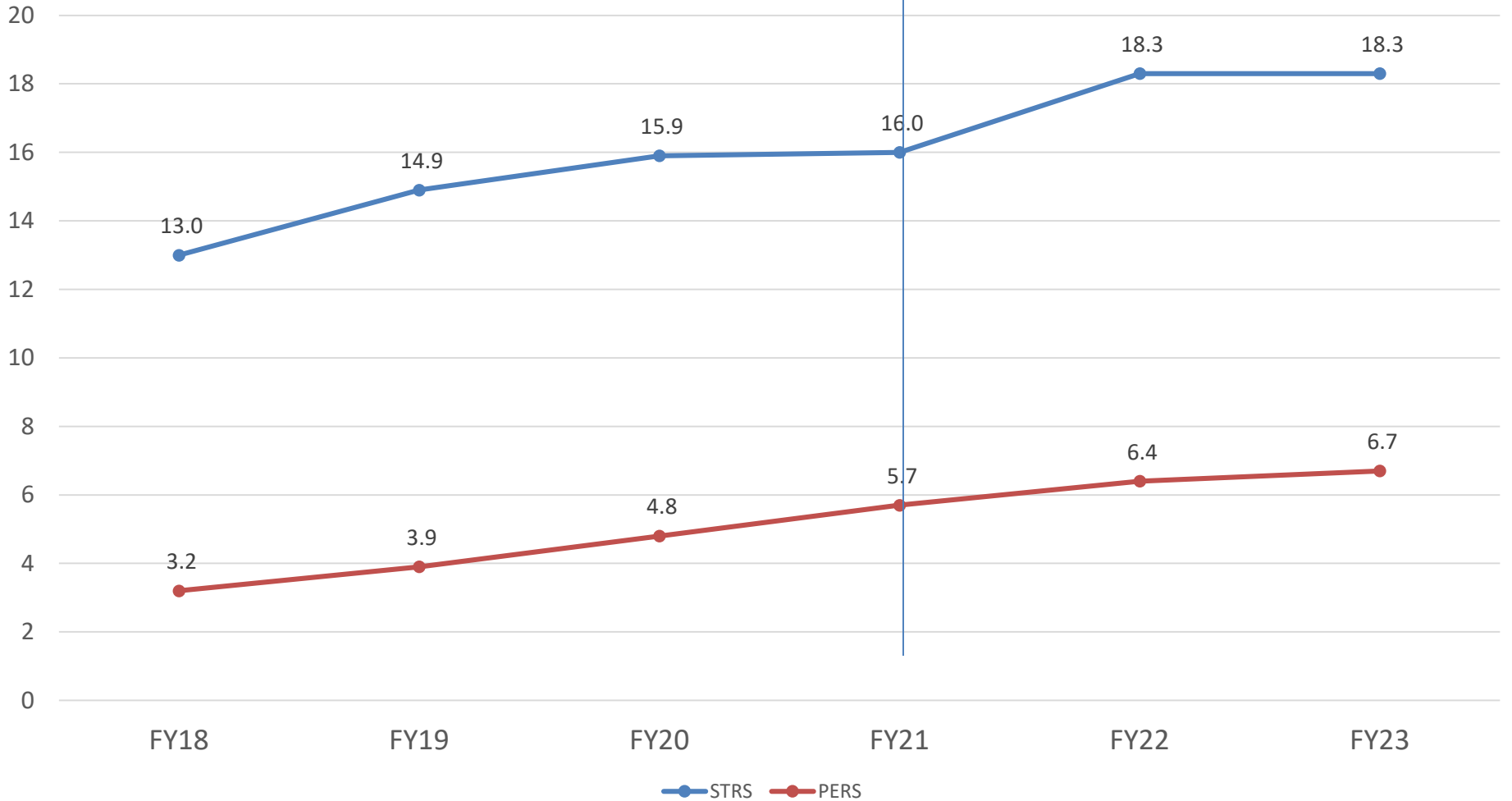
(in millions)



# Pension Cost History and Projection

(SSC Projection Data)

Pension History and Projection (STRS and PERS)



*There is a movement to  
try and push the  
Legislature to address the  
upcoming pension spikes*

The Honorable Kevin McCarty  
Chair, Assembly Budget Subcommittee on Education Finance  
State Capitol, Room 6026  
Sacramento, CA 95814

Dear Chairs Laird and McCarty:

On behalf of the local educational agencies (LEA) and statewide education associations represented in this letter, we request that non-Proposition 98 funding be utilized to provide CalSTRS and CalPERS rate relief to school employers beginning in 2022-23.

We appreciate the actions the Legislature and Governor took in recent years to allocate more than \$3 billion to provide pension cost relief to school employers from 2019-20 through 2021-22. The cost savings has maintained CalSTRS and CalPERS school employer contribution rates relatively flat, which has allowed local educational agencies to utilize funds that would have been paid into the pension systems on personnel and programs that directly serve students.

After the current state provided rate relief expires, pension costs will spike and add significant fixed costs to LEAs. The Legislative Analyst's Office (LAO) estimates that cumulatively, CalSTRS and CalPERS costs increases in 2022-23 will be in the range of \$1.3 billion to \$1.7 billion for school employers. These pension obligations would be in addition to other major cost pressures, including unemployment insurance, special education, and declining enrollment for most LEAs. Furthermore, beyond the budget year, low Cost-of-Living Adjustments (COLA) are projected. The expected convergence of these variables has many LEAs bracing themselves for a "fiscal cliff" in 2022-23 and projecting a qualified or negative status in their multi-year estimates.

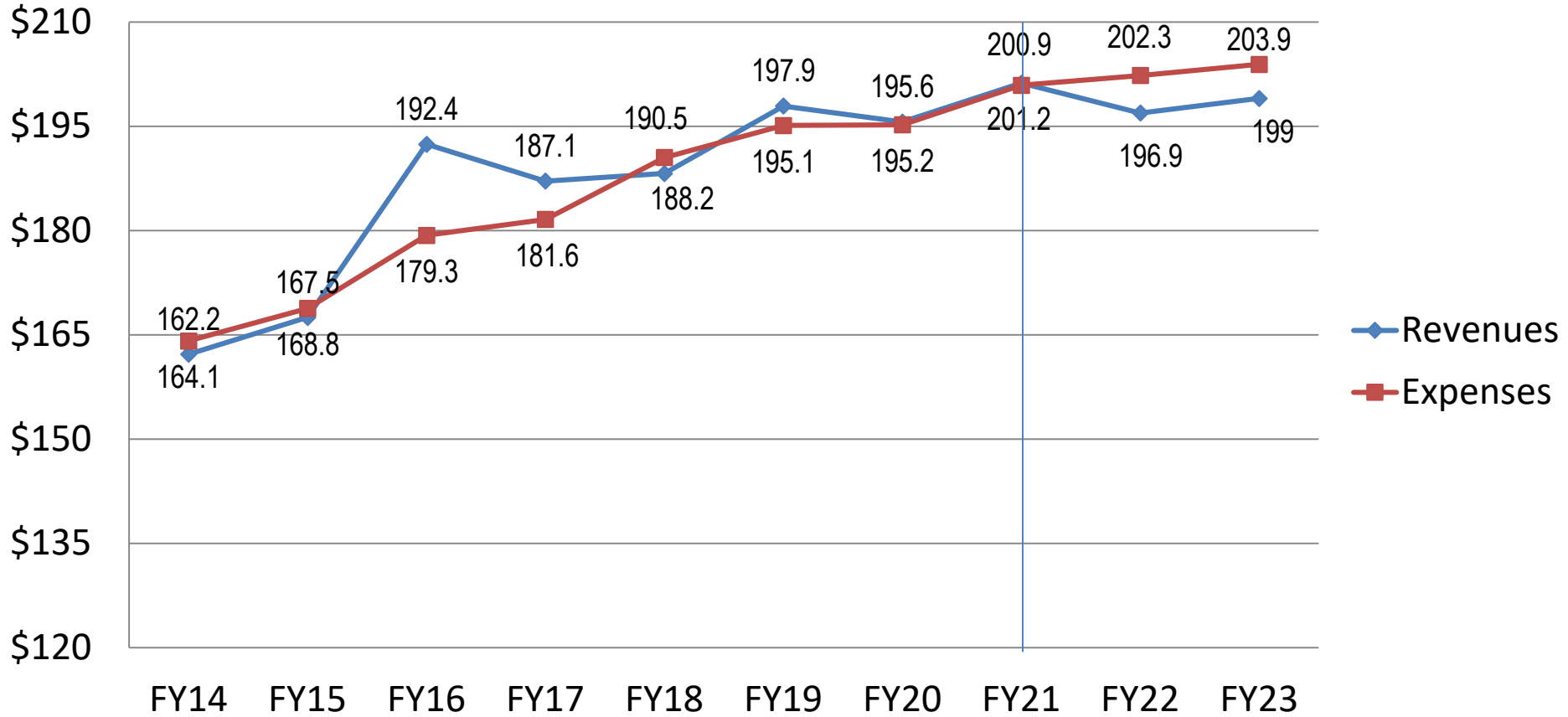
The availability of significant one-time state and federal funding provides a great opportunity to utilize one-time funds in a manner that will have a meaningful, multi-year impact on the fiscal health of LEAs. This type of investment will ensure LEAs are better equipped to sustain personnel who have been hired and programs that have been implemented that are critical to meeting the academic and social-emotional needs of students. For these reasons, we respectfully request that non-Prop. 98 funding be utilized to extend school employer CalSTRS and CalPERS rate relief beyond 2021-22.

Thank you for your consideration of our request.

# Revenue and Expense History and Projection

## General Fund

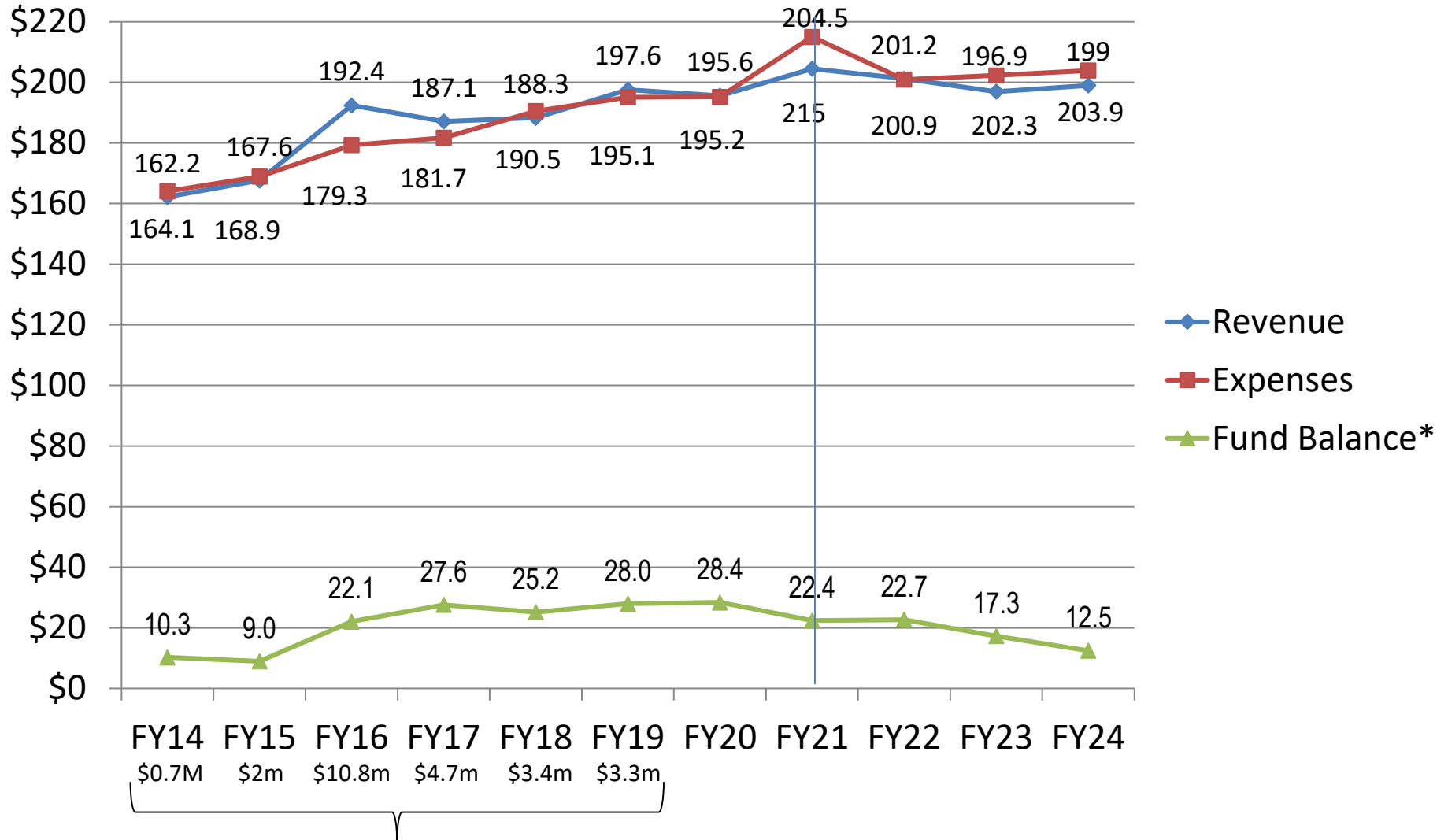
(in millions)



# Fund Balance History and Projection

## General Fund

(in millions)



\*Includes 3% mandated reserve and one-time dollars

All budgets are adjusted based on developing factors throughout the fiscal year. Donations make the largest impact on the annual budget.

## **BUDGET VS. ACTUAL**

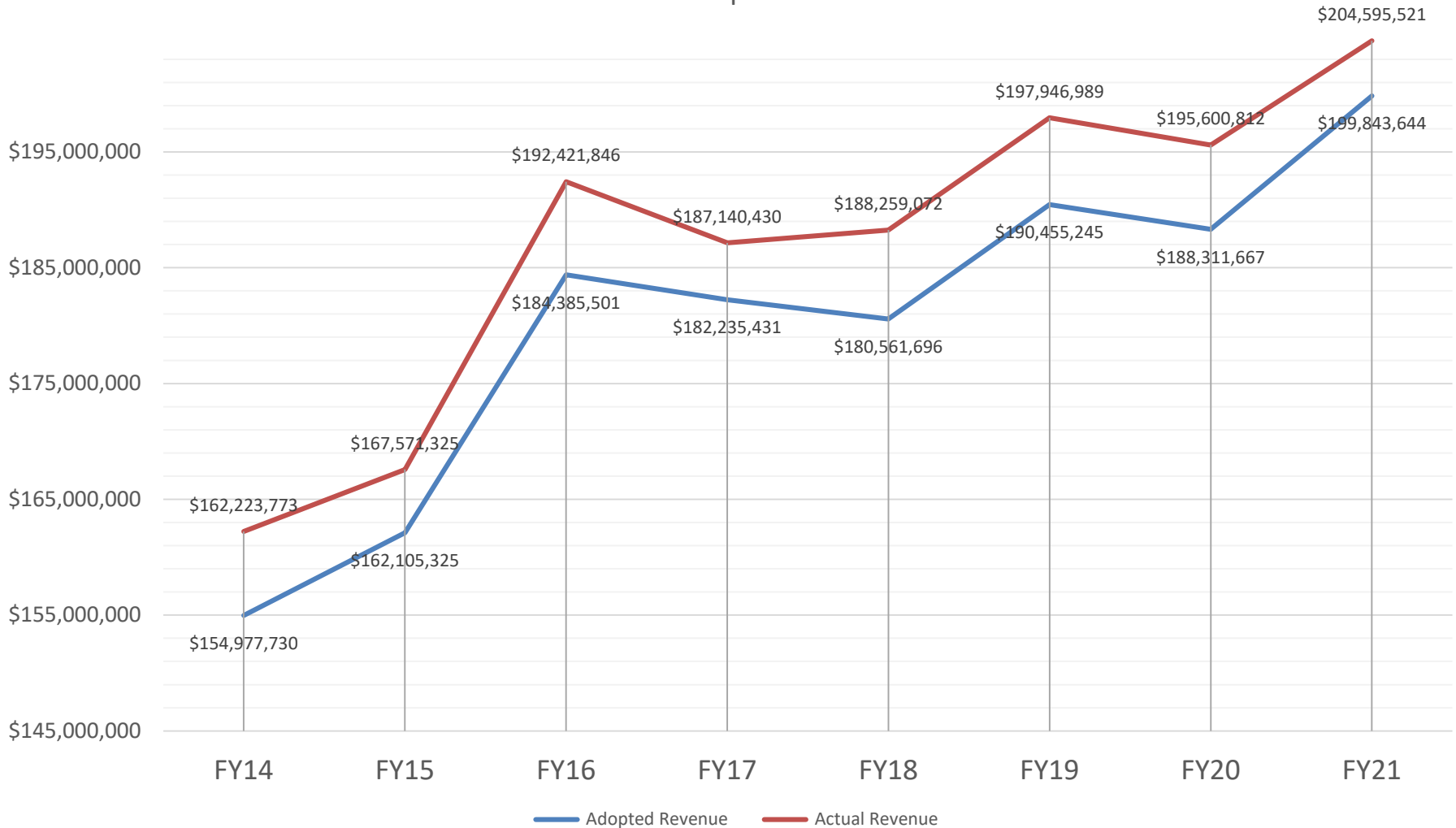


# Revenue Adopted vs. Actual '14 – '21

## General Fund

(in millions)

Revenue: Adopted vs. Actual

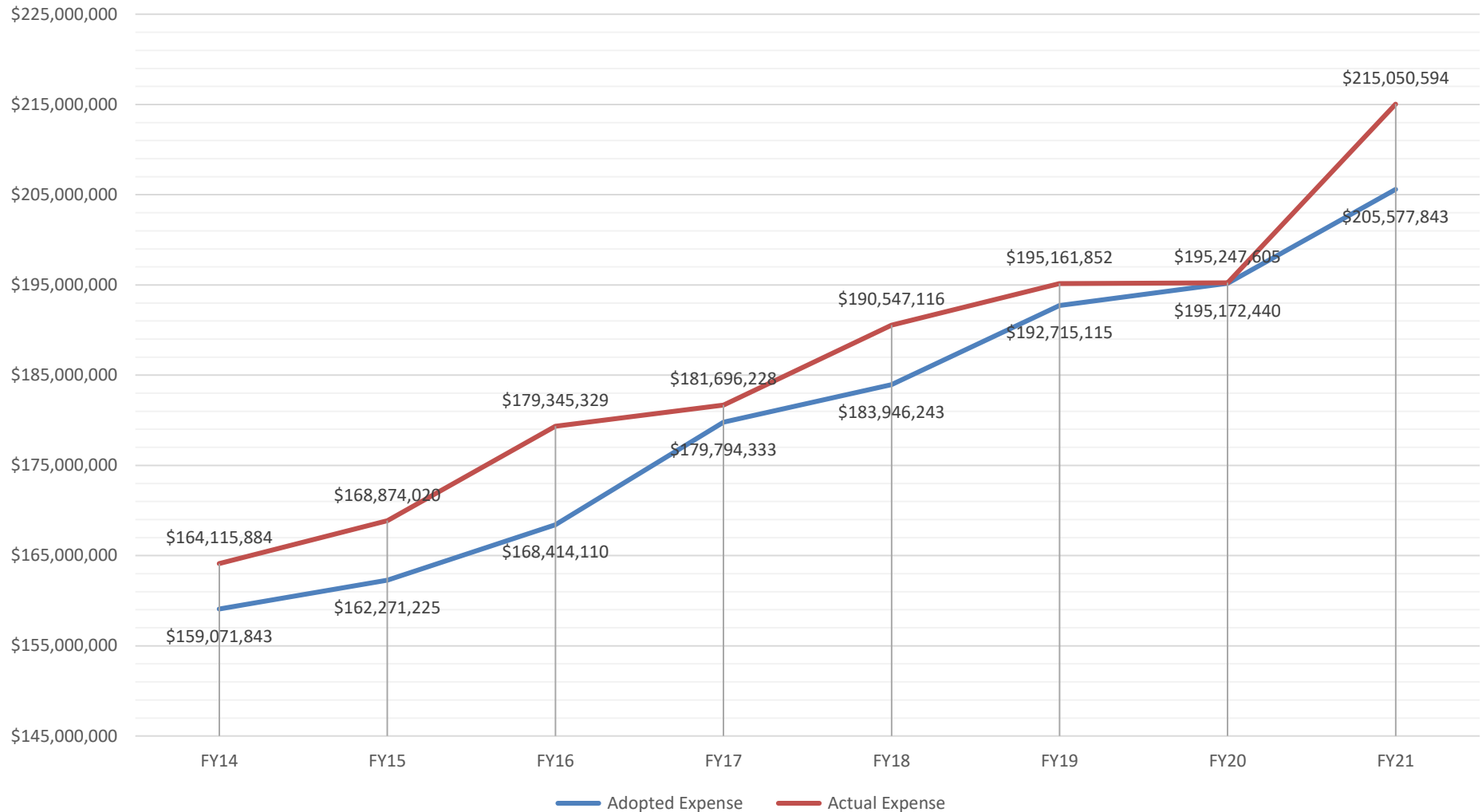


# Expense Adopted vs. Actual '14 – '21

## General Fund

(in millions)

Expense: Adopted vs. Actual



# A Simplified Analysis of Impact of Donations on Revenue

## General Fund

	Adopted Revenue	Actual Revenue	Diff	% Change	Donations	Difference less Donations	% Change less Donations
FY14	\$154,977,730	\$162,223,773	\$7,246,043	4.68%	\$3,359,342	\$3,886,701	2.51%
FY15	\$162,105,325	\$167,571,325	\$5,466,000	3.37%	\$3,250,022	\$2,215,978	1.37%
FY16	\$184,385,501	\$192,421,846	\$8,036,345	4.36%	\$3,127,535	\$4,908,810	2.66%
FY17	\$182,235,431	\$187,140,430	\$4,904,999	2.69%	\$3,210,202	\$1,694,797	0.93%
FY18	\$180,561,696	\$188,259,072	\$7,697,376	4.26%	\$3,180,128	\$4,517,248	2.50%
FY19	\$190,455,245	\$197,946,989	\$7,491,744	3.93%	\$3,382,239	\$4,109,505	2.16%
FY20	\$188,311,667	\$195,600,812	\$7,289,145	3.87%	\$2,545,163	\$4,743,982	2.52%
						Average	2.09%

# A Simplified Analysis of Impact of Donations on Expense General Fund

	Adopted Expense	Actual Expense	Diff	% Change	Donations	Difference less Donations	% Change less Donations
FY14	\$159,071,843	\$164,115,884	\$5,044,041	3.17%	\$3,359,342	\$1,684,699	1.06%
FY15	\$162,271,225	\$168,874,020	\$6,602,795	4.07%	\$3,250,022	\$3,352,773	2.07%
FY16	\$168,414,110	\$179,345,329	\$10,931,219	6.49%	\$3,127,535	\$7,803,684	4.63%
FY17	\$179,794,333	\$181,696,228	\$1,901,895	1.06%	\$3,210,202	-1,308,307	-0.73%
FY18	\$183,946,243	\$190,547,116	\$6,600,873	3.59%	\$3,180,128	\$3,420,745	1.86%
FY19	\$192,715,115	\$195,161,852	\$2,446,737	1.27%	\$3,382,239	-\$935,502	-0.49%
FY20	\$195,172,440	\$195,247,605	\$75,165	0.00%	\$2,545,163	-2,469,998	-1.27%
						Average	1.02%

# A Simplified Analysis of Impact of Donations on the General Fund Summary

- A 7-year trend of collecting 2.09% more in revenue than initially projected
- A 7-year trend of spending 1.02% more in expenses than initially projected
- On a budget of \$178 million (average), that equates to \$3.5 million in adjusted revenue, and \$2.1 million in adjusted expenditures, per year, respectively
- Net average is a \$1.4 million differential between adopted budget and actual or 0.79%
- There is a reasonable expectation that some funds go unspent during the year depending on needs and conditions

# Significant Budget Control Changes

Year	Action
2018-19	<ul style="list-style-type: none"><li>• Budget code realignment</li><li>• LCAP aligned with Budget</li></ul>
2019-20	<ul style="list-style-type: none"><li>• Implementation of “Management Codes” for budget responsible staff</li><li>• Carryover of restricted funds only</li><li>• Implementation of purchasing timelines and EOY requisitions</li></ul>
2020-21	<ul style="list-style-type: none"><li>• Requirement to have funding in budget prior to input of requisition</li><li>• Budget control staff given authority to transfer between their budget lines</li></ul>
2021-22	<ul style="list-style-type: none"><li>• Update and utilize Position Control for staffing budget module</li></ul>

Budget Information

# **BUDGET GOAL DISCUSSION**

# Current Proposed Budget Goal

*Present a balanced budget, defined as proposed expenses not to exceed estimated revenue, by June of 2024.*

Metric	Baseline	Year 1 Outcome	Year 2 Outcome	Year 3 Outcome	Desired Outcome for 2023–24
Proposed budget	2020-21 adopted budget: Projected expenses exceed estimated revenues by \$5,734,199	Projected expenses exceed estimated revenues by no more than \$4,000,000	Projected expenses exceed estimated revenues by no more than \$2,000,000	Projected expenses do not exceed estimated revenues	Proposed budget expenses shall not exceed estimated revenues
Actual financial performance	2019-20 Actuals: Revenues exceeded expenses by \$353,207	Actual expenses shall not exceed actual revenues	Actual expenses shall not exceed actual revenues	Actual expenses shall not exceed actual revenues	Actual expenses shall not exceed actual revenues



# Multi-Year Projection - Current

Description	2021-22 Proposed Budget	2022-23 Projection	2023-24 Projection
Estimated Beginning Balance July 1	\$22,467,033	\$22,784,533	\$17,334,675
Total Income	\$201,233,380	\$196,900,805	\$199,044,459
Total Expense	\$200,915,880	\$202,350,663	\$203,914,803
Ending Balance	\$22,784,533	\$17,334,675	\$12,464,331
<u>Components of Ending Fund Balance</u>			
Stores/Revolving Cash	\$217,948	\$217,948	\$217,948
Fiscal Stabilization Reserve	\$3,000,000	\$3,000,000	\$3,000,000
Required Reserve 3%	\$6,027,476	\$6,070,520	\$6,117,444
Undesignated Funds	\$13,539,109	\$8,046,207	\$3,128,939
Required cuts to spending for a balanced budget	\$0	\$5.4M	\$4.8M

# Questions

The State of California defines fiscal solvency as being able to meet projected obligations for the current year and the two subsequent years

- Do we want a balanced budget, regardless of fiscal outlook?
  - Why?
  - How do we justify cutting when we have funds in reserve?
- What triggers use of the \$3 million “fiscal stabilization reserve”?
- Are we willing to use fund balance to offset ups and down in the budget? If “yes”, there are options.
- What should be the floor for undesignated General Fund balance?
  - Is it the 3% mandated reserve?
  - Is it the LAO recommendation?
  - Is it a District set %?

# Appropriate Reserves (LAO)

- The Government Finance Officers Association is a national organization representing federal, state, and local budget officers and other finance officials.
- The association recommends school districts and other local governments maintain committed, assigned, and unassigned reserves of at least two months of operating expenditures (equating to a 17 percent reserve) to mitigate revenue shortfalls and unanticipated expenditures.
- The association further recommends all governments develop a formal policy regarding their minimum reserves and consider maintaining reserves larger than [17 percent](#) if revenues or expenditures are especially volatile.
- A few districts have used this standard to develop their own local reserves policies. These reserve levels are nearly three times higher than the cap for mid–size districts.

# Multi-Year Projection at LAO recommendation

Description	2021-22 Proposed Budget	2022-23 Projection	2023-24 Projection
Estimated Beginning Balance July 1	\$22,467,033	\$22,784,533	\$17,334,675
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<u>Components of Ending Fund Balance</u>			
Stores/Revolving Cash	\$217,948	\$217,948	\$217,948
Fiscal Stabilization Reserve	\$3,000,000	\$3,000,000	\$3,000,000
Required Reserve 3%	\$6,027,476	\$6,070,520	\$6,117,444
Undesignated Funds	\$25,000,000	\$25,000,000	\$25,000,000
Reserve as a % of expense	16.94%	16.84%	16.73%
	\$34,027,476	\$34,070,520	\$34,117,444

# Multi-Year Projection - Current

Description	2021-22 Proposed Budget	2022-23 Projection	2023-24 Projection
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Required Reserve 3%	\$6,027,476	\$6,070,520	\$6,117,444
Undesignated Funds	\$13,539,109	\$8,046,207	\$3,128,939
Reserve as a % of expense	11.23%	8.46%	6.01%
	\$22,566,585	\$17,116,727	\$12,246,383

# New Proposed Budget Goal

*Maintain an undesignated fund balance of no less than \$6 million, inclusive of the \$3 million fiscal stabilization reserve (FSR). Budget adjustments to programs and/or staffing will be triggered when the projected balance in year three of the multi year projection is forecast to be below \$3 million (inclusive of the the FSR)*

Metric	Baseline	Year 1 Outcome	Year 2 Outcome	Year 3 Outcome	Desired Outcome for 2023–24
Undesignated fund balance	2020-21 estimated: \$17,964,450	Projected 2021-22 undesignated fund balance \$16,539,109	Projected 2022-23 undesignated fund balance \$11,046,205	Projected 2023-24 undesignated fund balance \$6,128,939	The District shall have an undesignated fund balance of not less than \$6 million
Actual financial performance					

Rationale: Mandated 3% reserve plus \$6 million is approximately \$12 million in total reserves, or approximately 6% of budget or 1-month’s payroll.