



Conejo Valley Unified School District

Board of Education BUDGET Discussion

February 12, 2019

Purpose of the Presentation

- Provide the Board of Education an overview of the budgeting process
- Provide the Board of Education an opportunity to discuss the District's financial health
- Provide the Board of Education an opportunity to strategize on budget related matters
- Provide the Board of Education the information necessary to set financial/budget goals for the District

What is a Budget?

- *A system to show how budget expenditures align with the strategies detailed in the LCAP for serving students generating those State funds*
- A mechanism to plan in advance all operations and activities
- A mechanism to provide financial communication and transparency
- To have an adequate system of check and balance
- A tool for accountability
- *Allows the District to control its money, as opposed to money controlling the District*

Best Practices for School Budgeting

- Goals for student achievement should drive the budget process.
- Clear and measurable actions for student achievement should guide how resources are allocated.
- *“Tracking progress or making tough budget decisions to prioritize programs and strategies is impossible without specific goals”¹*
- Making decisions that will impact the future of children can raise emotions which leads to “gut” decisions. Decisions should be driven by data²
- Strategies and programs that have proven to produce larger gains in student learning relative to their cost should be given funding priority³

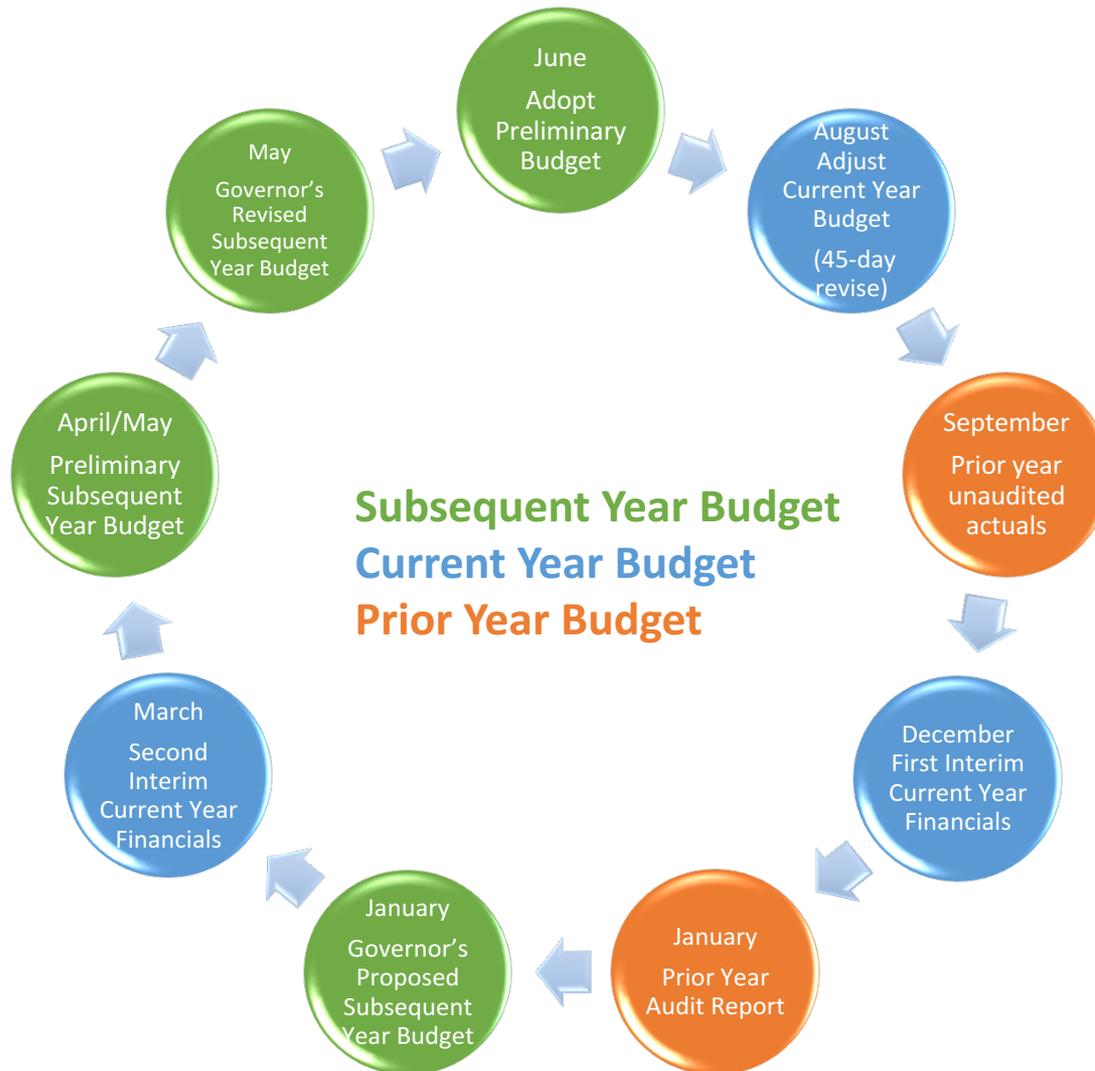
¹Odden, Allan R. and Picus, Lawrence O. *School Finance: A Policy Perspective*, 5th ed. (New York: McGraw-Hill, 2014).

²Blankstein, Alan M. *Failure is Not an Option*, 3rd ed. (Thousand Oaks, CA: Corwin-Sage, 2013).

³Levenson, Nate. *Smarter Budgets, Smarter Schools* (Cambridge, MA: Harvard Education Press, 2012).

Budget Cycle and Reporting

Note: Fiscal Year is July 1 to June 30



Education Code

Education Code requires districts to submit reports to the County Office of Education twice a year. These reports are “Interim” reports.

- 1st Interim Report covers financial activities through October 31
- 2nd Interim Report covers financial activities through January 31

Education Code Section 42130 (a) (1) defines the certifications:

- **Positive** Certification: WILL MEET their financial obligations for the current and two subsequent fiscal years
- **Qualified** Certification: MAY NOT MEET their financial obligations for the current OR two subsequent fiscal years
- **Negative** Certification: UNABLE TO MEET their financial obligations for the current OR two subsequent fiscal years

New Governor's Proposed Budget for K-12

Economic Outlook

- Economy still growing, but slowing
- State has \$18.5b in reserve
- Recent economic forum (LA)
 - Few predict a downturn in 2019
 - 50% predict sometime in 2020
 - 80% predict by 2021
- Economic risks
 - Health care costs
 - Housing
 - Trade issues
 - Wildfires
 - Immigration
 - Split tax roll proposition*

Initial Proposal (what we know now January 2019)

- COLA rate change:

Year	Current	Proposed	CVUSD
2019-20	2.46%	3.47%	\$3.5m (+1.2m)

- No one time discretionary funds:

Year	Per ADA	CVUSD
2015-16	\$530	\$10.8m
2016-17	\$214	\$4.7m
2017-18	\$147	\$3.5m
2018-19	\$184	\$3.2m
2019-20	\$0	\$0

- CalSTRS Contribution rate changes:

Year	Current	Proposed	CVUSD*
2019-20	18.13%	17.10%	\$1m
2020-21	19.10%	18.10%	\$1m

*It's a savings only under the assumption the district had funds set aside

Funding Factor by Grade Span

Grade Span	'18-19 Base Grant	3.46% COLA	'19-20 Base Grant	Approximate ADA
TK-3	\$7,459	\$258	\$7,717	4,568
4-6	\$7,571	\$262	\$7,833	3,643
7-8	\$7,796	\$270	\$8,066	2,803
9-12	\$9,034	\$313	\$9,347	6,800

Adjusted Funding Factor by Grade Span

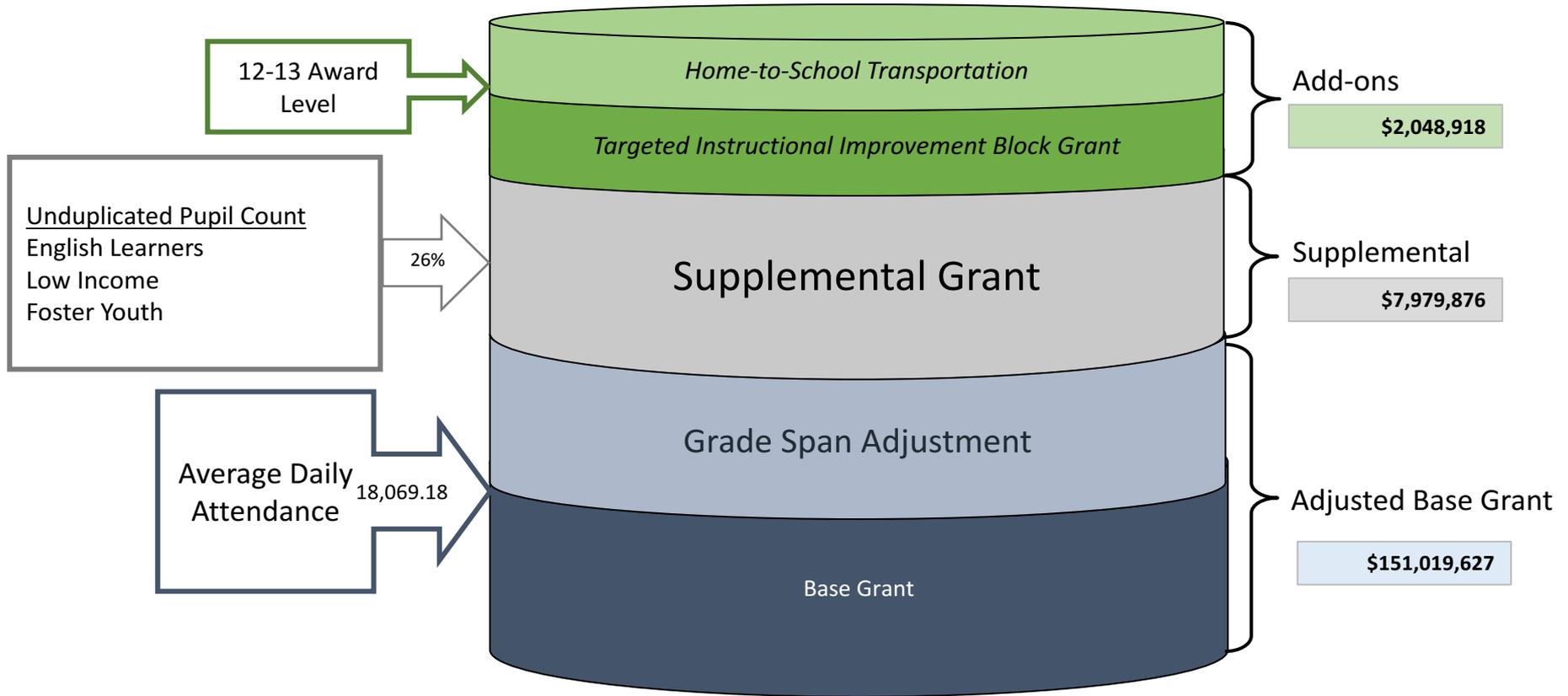
Grade Span	'19-20 Base Grant	GSA	'19-20 Adjusted Base Grant
TK-3	\$7,717	\$803	\$8,520
4-6	\$7,833	-	\$7,833
7-8	\$8,066	-	\$8,066
9-12	\$9,347	\$243	\$9,590

Supplemental Grant

Grade Span	'19-20 Base Grant	20% Supplemental*	50% Concentration Grant (above 55%)
TK-3	\$8,520	\$1,704	\$4,260
4-6	\$7,833	\$1,567	\$3,917
7-8	\$8,066	\$1,613	\$4,033
9-12	\$9,590	\$1,918	\$4,795

*Approximately 5,000 students

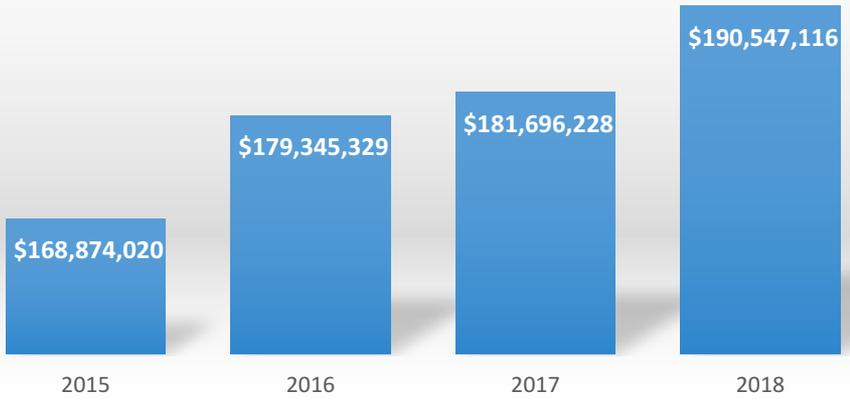
Components of LCFF



TOTAL LCFF: \$161,048,421

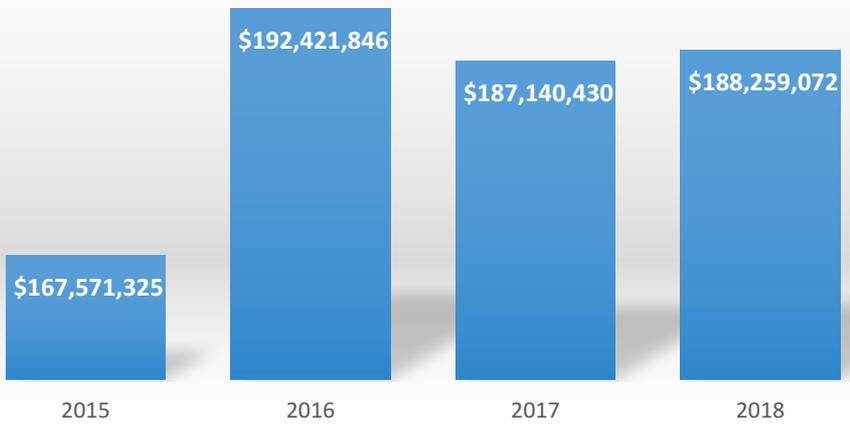
History

Expense



101%	93%	97%	101%
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Income



\$2.05m	\$10.82m	\$4.72m	\$3.45m
\$9.05m	\$22.13m	\$27.57m	\$25.28m

Expenses as a percentage of revenue received

Pension increase from '17-'18 was \$2.2m
Salaries increased 3% or approximately \$3m

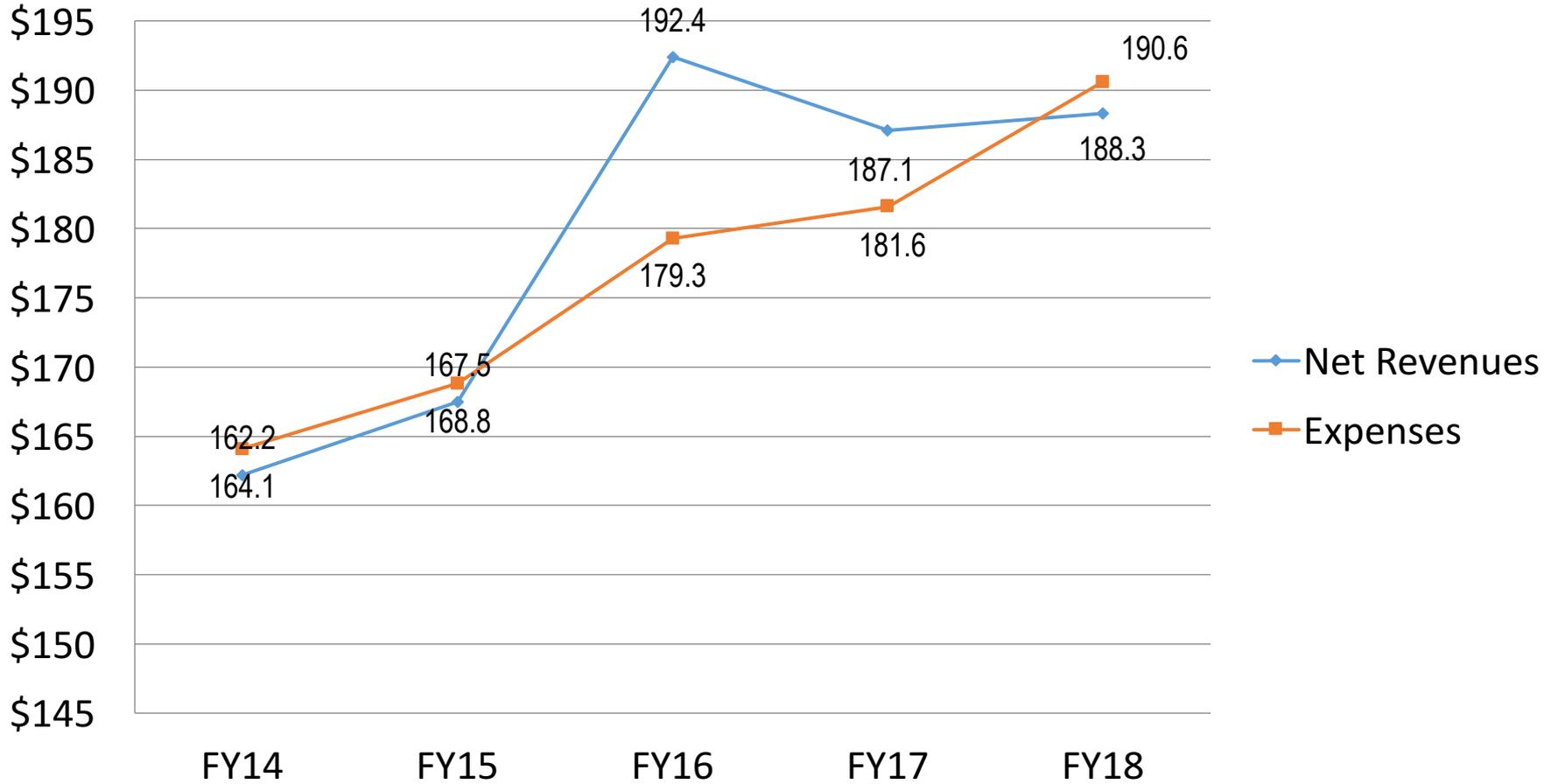
One time money received

Ending fund balance

Net Revenues and Expenses

General Fund

(in millions)



Challenges

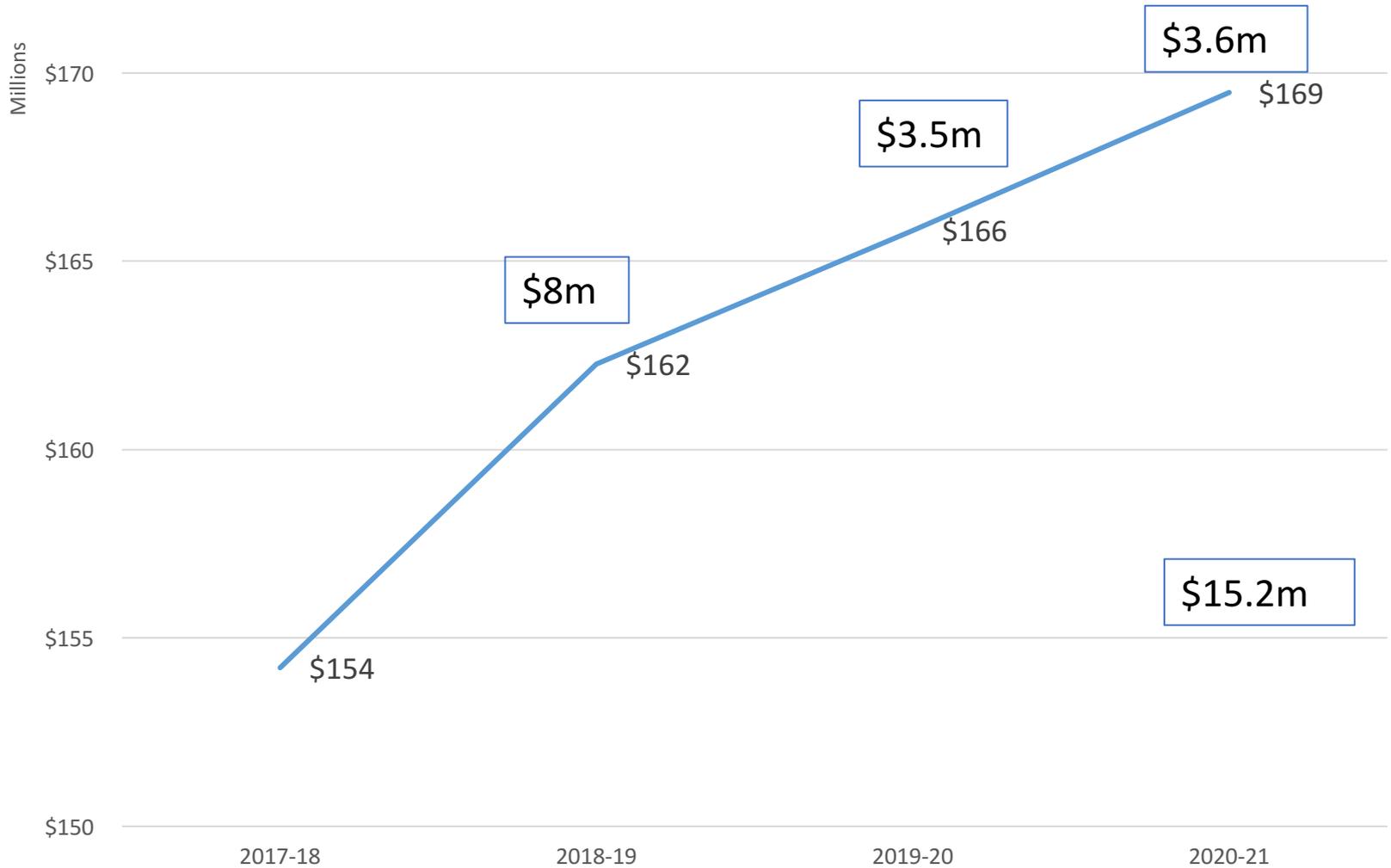
Multi-year Projection from First Interim*

	2018-19 1 st Interim	2019-20 Projection	2020-21 Projection
Beginning Balance	\$25,281,179	\$21,901,369	\$13,863,959
Income	\$193,775,312	\$192,298,877	\$195,409,371
Expense	(\$197,155,122)	(\$200,336,287)	(\$202,845,841)
Ending Balance	\$21,901,369	\$13,863,959	\$6,427,489
Stores/Revolving Cash	\$138,851	\$138,851	\$138,851
Fiscal Stabilization Reserve	\$3,000,000	\$3,000,000	\$0
3% Mandated Reserve	\$5,914,654	\$6,010,089	\$6,085,375
Pre-paid Expense	\$31,942	\$31,942	\$31,942
Undesignated Reserve	\$12,815,922	\$4,683,077	\$171,321

**does not include salary adjustments and other updated financials. Second interim report currently in progress.*

LCFF Projection

(estimated COLA updated Jan 2019)

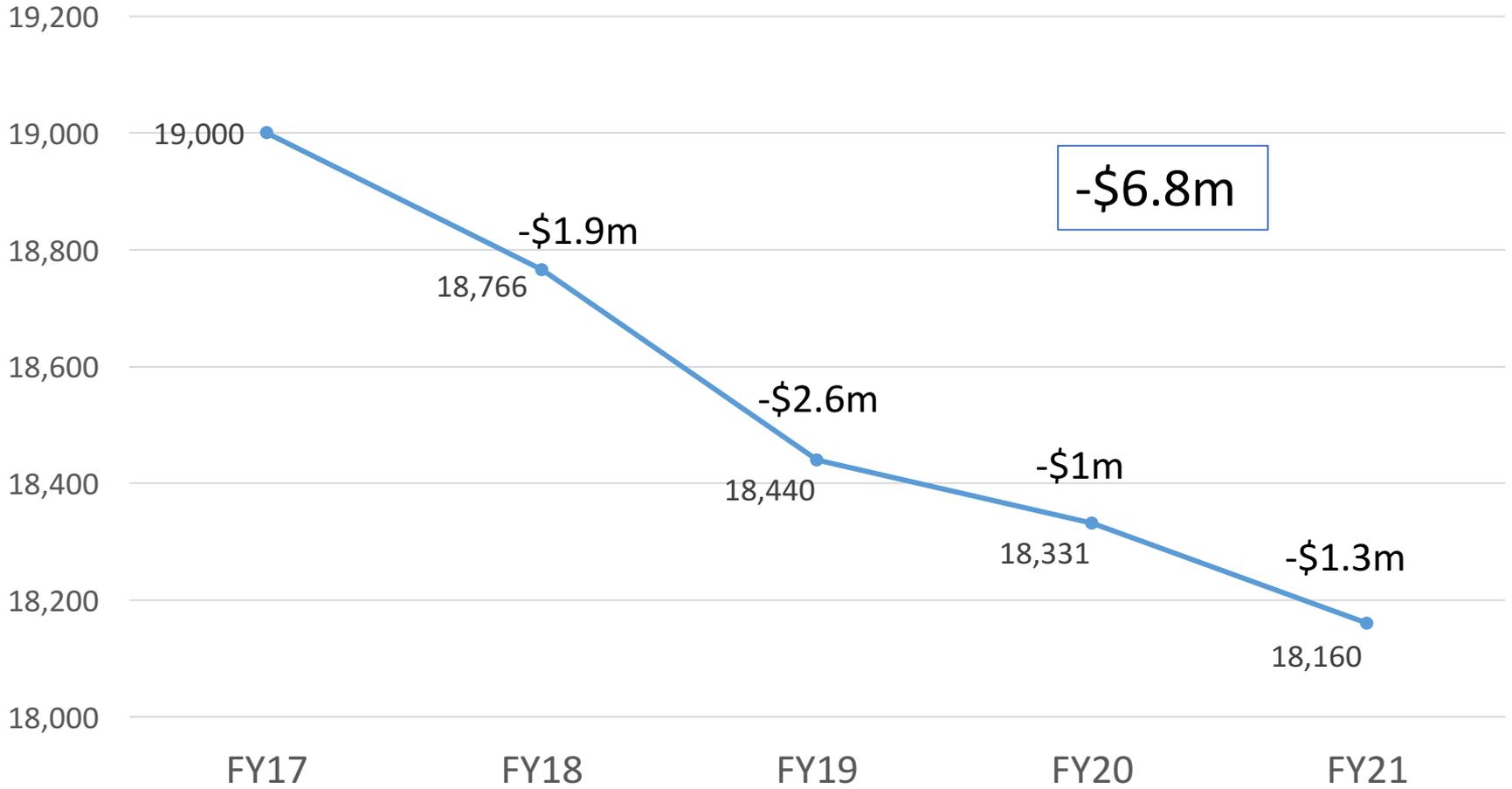


Quick Note on Enrollment

- CVUSD is not alone
- Overall State ADA continues to decline
 - 2015 = 6,235,520
 - 2018 = 6,220,413
- Ventura County ADA continues to decline
 - 2015 = 141,899
 - 2018 = 137,758
 - 18-19 projected enrollment 135,712
- Note: funding is based on ADA not enrollment
 - For CVUSD it is approximately 97% of enrollment

Enrollment Projection

(Updated Fall 2018)



Impact of ADA Decline

Income Loss

114 ADA decline at \$10k each – yields marginal revenue loss

Lost Revenue: \$1,140,000

Proportional Layoff

120 students requires 5 teachers at 24:1

Five teachers times cost per novice teacher yields savings of (\$70k x 5) \$350k

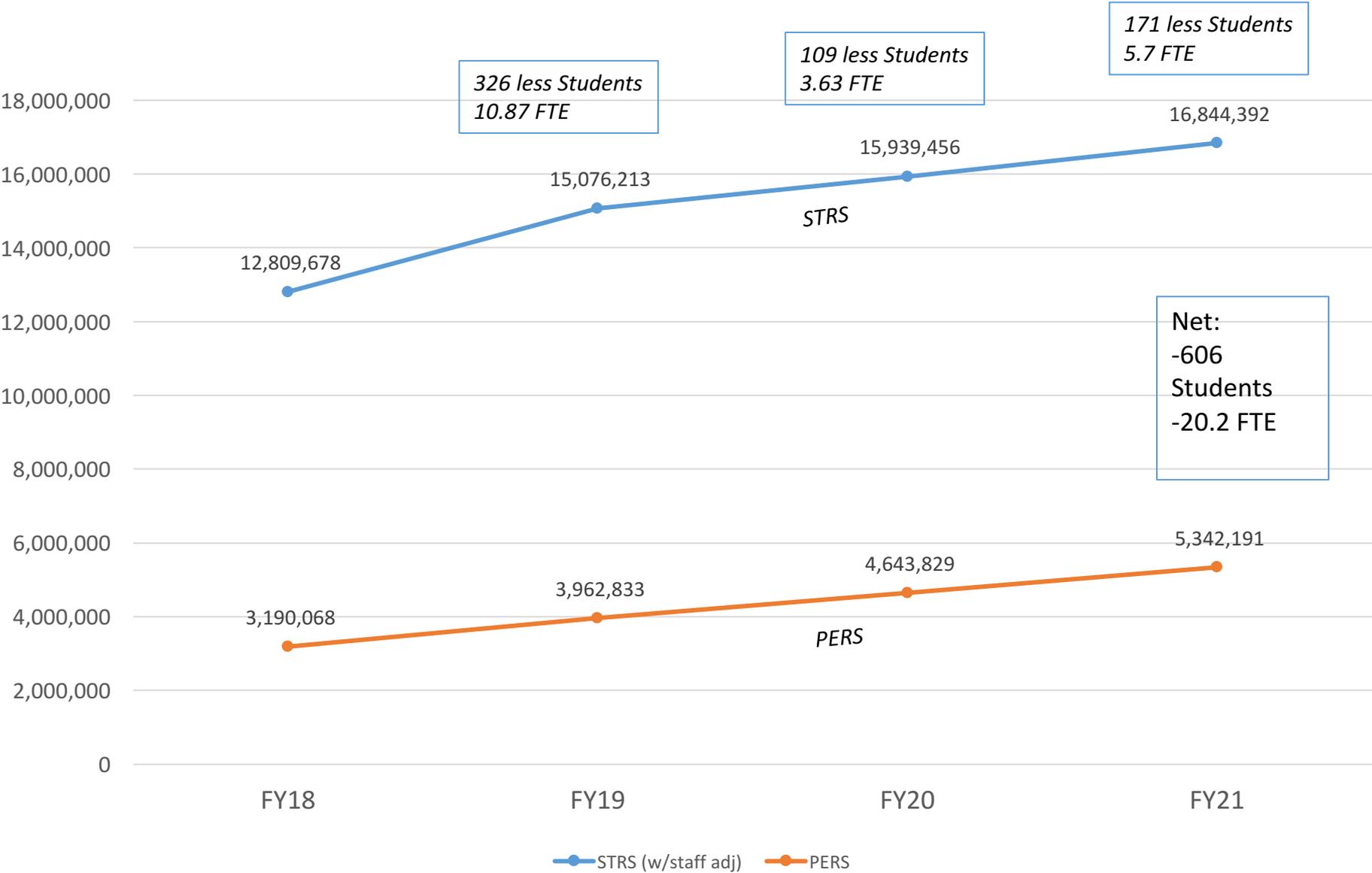
Misc. savings \$50k

Total Proportional Savings: \$400,000

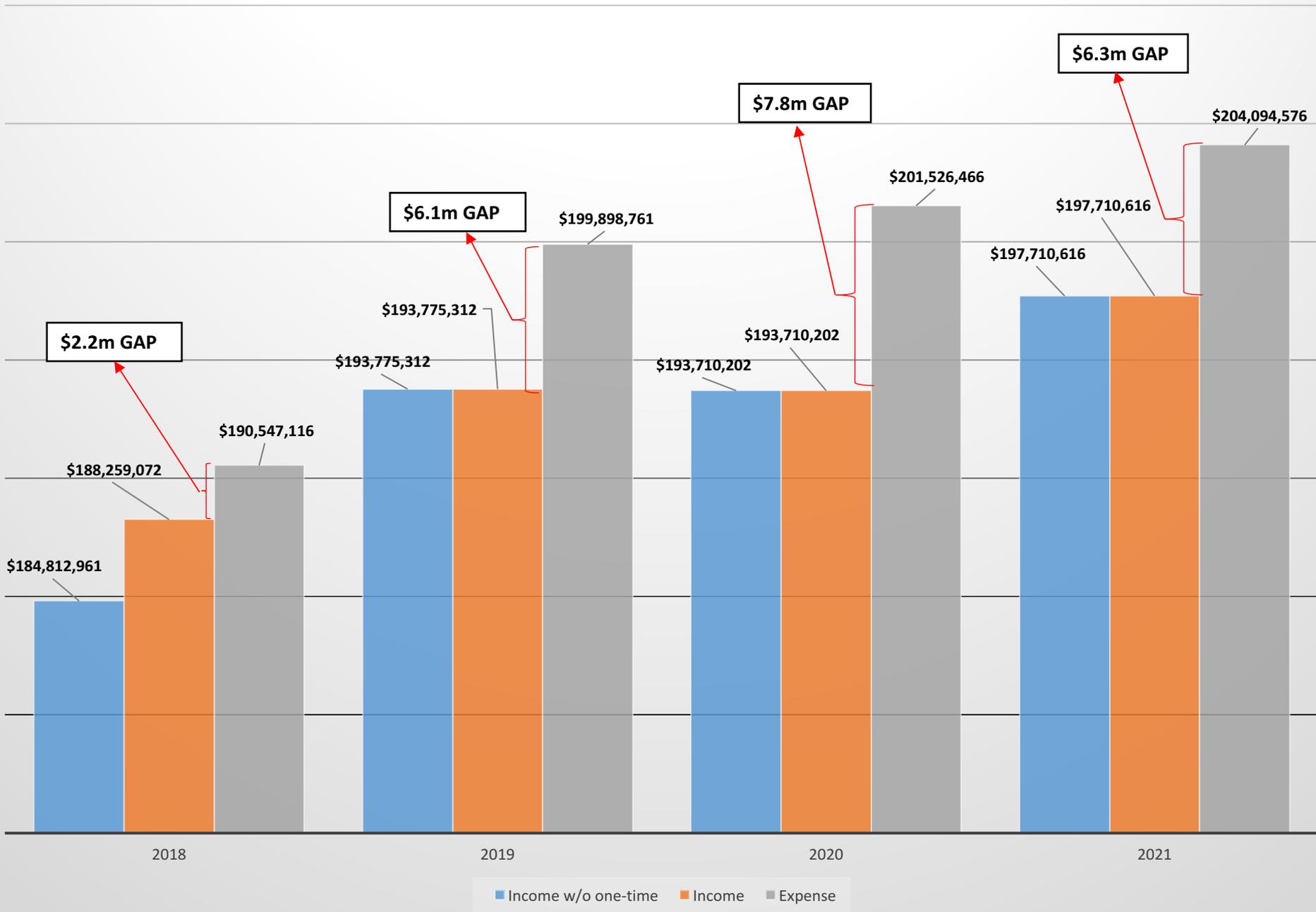
Proportional layoff leaves \$740k deficit. In this example 11 more teachers, or more classified staff, would need to be laid off to cover the decline. Program cuts would be required.

Estimated Pension Costs

(SSC Projection Data 2019)



Future Projection Estimates



Notes

- Minimum wage annual cost increase
 - Approximate \$90k per year
- “It can’t get much better for new Governor” means it’s almost certain to get worse
- Additional SPED funding TBD
- Declining enrollment only delays, it doesn’t relieve, the need for budget reductions
- Revenues based on COLA will not keep up with increasing costs
- We need to close the gap and move to a balanced budget
- Tough conversations will be necessary

Discussion