

Red Bluff Joint Union High School District's Second Interim Report 2018-19



Based on most current budget data and actual
expenditures through January 31, 2019

Financial Reporting

- ▶ Education Code requires the Board to certify whether or not the District will be able to meet its financial obligations
- ▶ The purpose of the report is to ensure the Board is informed of budget conditions and alerted to any financial issues
- ▶ There are 4 reporting periods throughout a fiscal school year
- ▶ Second Interim is the second updated financial report for 2018-19 since budget adoption in June 2018

Enrollment

- CBEDS enrollment number as of October 3, 2018 was 1,644 students district wide – with Average Daily Attendance(ADA) being projected at 1,515 or 92.15%
- Enrollment projections for October 2019 are projected to be 1,683 with ADA at 1,549
- Enrollment projections for October 2020 are projected to be 1,747 with ADA at 1,608

Local Control Funding Formula

- LCFF (State funding) is in the sixth year of an original eight year phase in process
- Has reached 100% implementation in 2018-19
- COLA (Cost of Living Adjustment) only years after full implementation

Reporting Periods	<u>LCFF</u> 2018-19	<u>COLA Only</u> 2019-20	<u>COLA Only</u> 2020-21
Budget (June 2018)	100%	2.57%	2.67%
1 st Interim (Oct 2018)	100%	2.57%	2.67%
2 nd Interim (Jan 2019)	100%	3.46%	2.86%

Is COLA-Only Environment Our Future?

○ Definitions:

- Statutory COLA – Annual percentage change to adjust for the increase in the cost of goods and services for state and local governments
- Consumer Price Index (CPI) – Annual change in the price of goods and services purchased by consumers

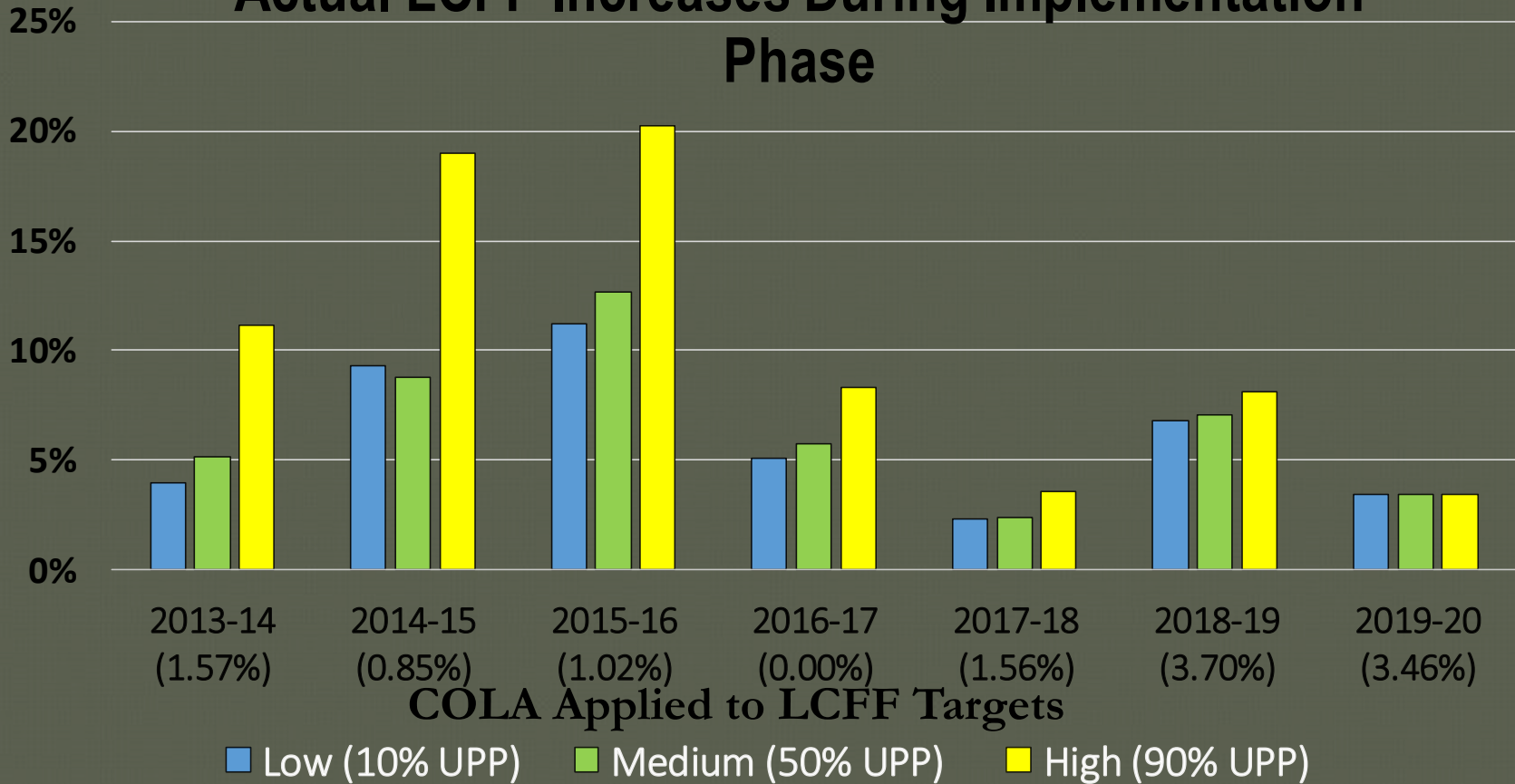
	2018-19	2019-20	2020-21	2021-22	2022-23	Compounded Effect
Statutory COLA	2.71%	3.46%	2.86%	2.92%	2.90%	15.76%
California CPI	3.58%	3.18%	3.05%	2.92%	3.15%	16.92%

Governor's 2019-20 Budget Proposals

- First budget proposal by Governor Newsom
- Focus is on early childhood education
- COLA only years going forward
 - Even a 2-3% COLA does not cover the annual STRS & PERS or Step and Column increases
- Declining statewide enrollment
- Economy slowing
- No one-time discretionary funds going forward
- CalSTRS contribution from the State to help offset employers' rates

LCFF Increases During Implementation

Actual LCFF Increases During Implementation Phase



CalSTRS – Employer Contributions

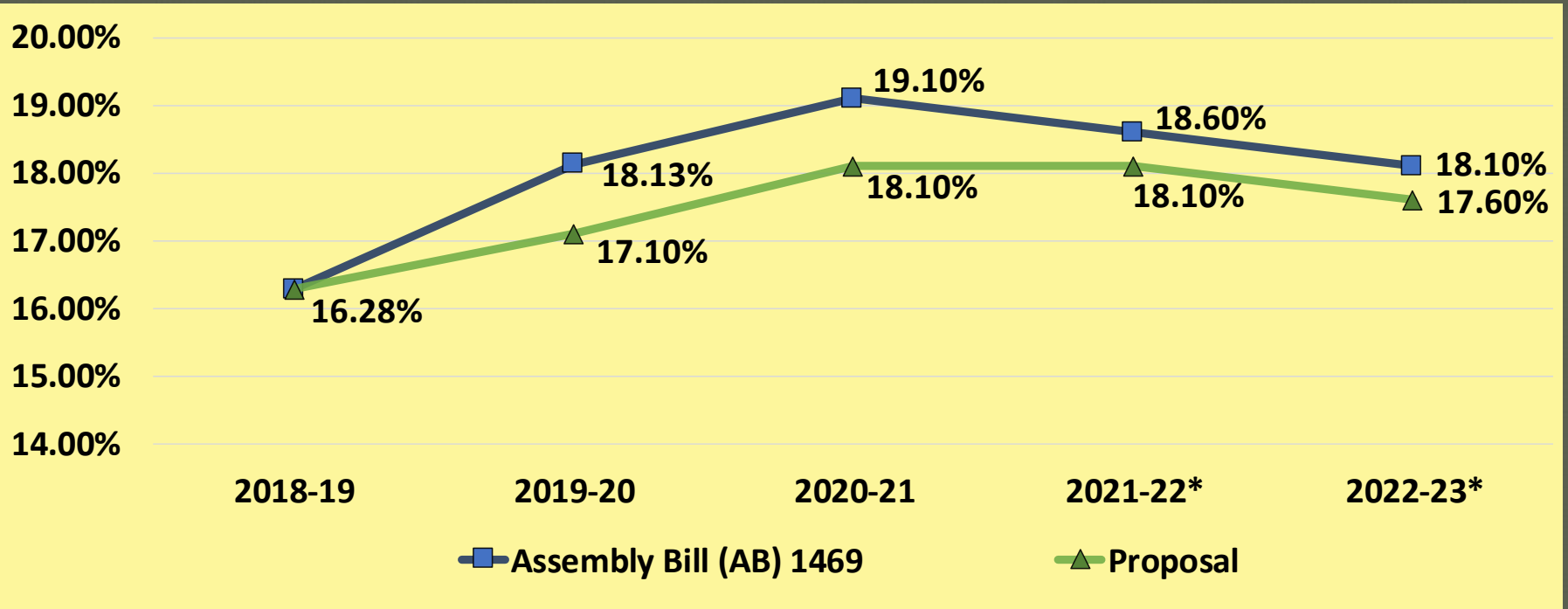
- The State Budget recognizes the cost pressures districts face with rising California State Teachers' Retirement System (CalSTRS) employer contribution rates

**\$3 billion
one-time
non-Proposition
98 to reduce
liabilities for
employers**

**\$700 million to reduce the
employer contribution rate in
both 2019-20 and 2020-21**

**\$2.3 billion towards employers'
liability, which is expected to
reduce the
out-year employer contribution
rate by approximately 0.5%**

– Current Law Versus Governor's Proposal



*Beginning in 2021-22, the CalSTRS Board has authority to increase/decrease the employer contribution rate (with some restrictions) to fully fund the unfunded liability by 2046

CalPERS Rate Increases

- California Public Employees' Retirement System (Classified)
- Nothing in proposed budget to help offset rates
- The employer contribution to CalPERS is proposed to increase to 20.7% of payroll in 2019-20, up from 18.062% in 2018-19

Actual	Projected					
2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
18.062%	20.7%	23.4%	24.5%	25.0%	25.5%	25.7%

Multi-Year Projection

- ◎ Summarizes Revenues and Expenditures
 - Current budget
 - Projects next two years of budgets
- ◎ Requirement per AB 1200 & AB 2756
- ◎ Gives the District a look at what the future holds if all variables remained status quo

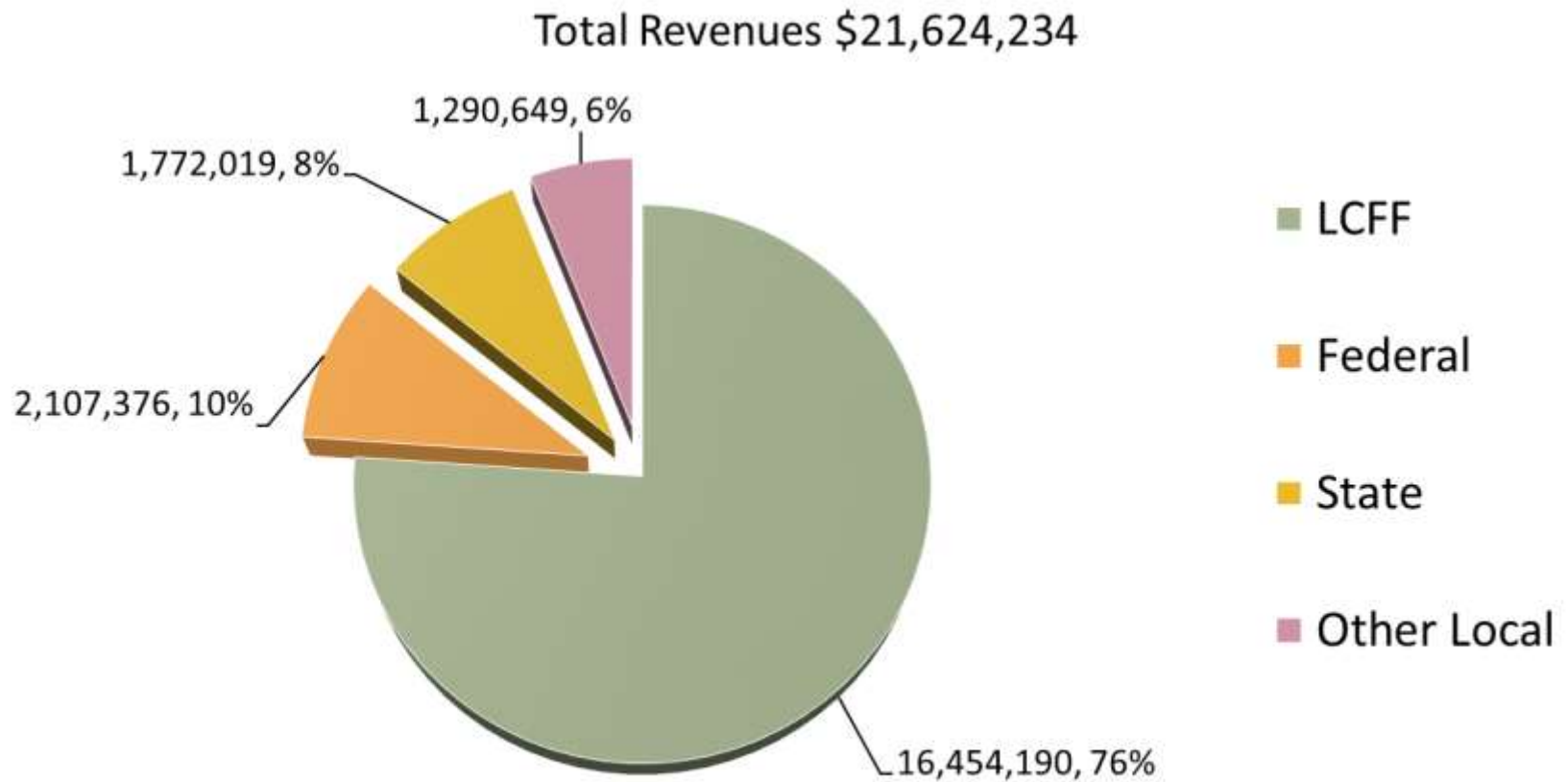
Multi-Year Projections (cont'd)

- LCFF Revenues have remained consistent since First Interim
- LCFF Revenues increase in 2019-20 and in 2020-21 due to projected enrollment increases
- Federal revenues have increased drastically since First Interim due to the award of the Title IV – Student Support and Academic Enrichment Competitive Grant Program (SSAE)
 - SSAE grant is for \$897,845 with a term of nine months (January 2019 thru September 2019)
- Other increases in federal funds due to the STOP School Violence Grant (\$150K) and REAP (\$33k) (Rural Education Achievement Program)
- These are all one-time funds so federal revenues in the out years of the multi-year projection decrease drastically

Multi-Year Projections (cont'd)

- Other State Revenues increase in the current year due to the receipt of the Low Performing Students Block Grant (\$140k) and the Classified Professional Development Block Grant (\$15k)
 - These are also one-time funds, and state revenues decrease in the out years of the multi-year projection
- Local revenues decrease since First Interim due to a reduction in Special Ed funds and projected interagency revenue, and then continue to decrease in the out years due to the loss of some local revenues

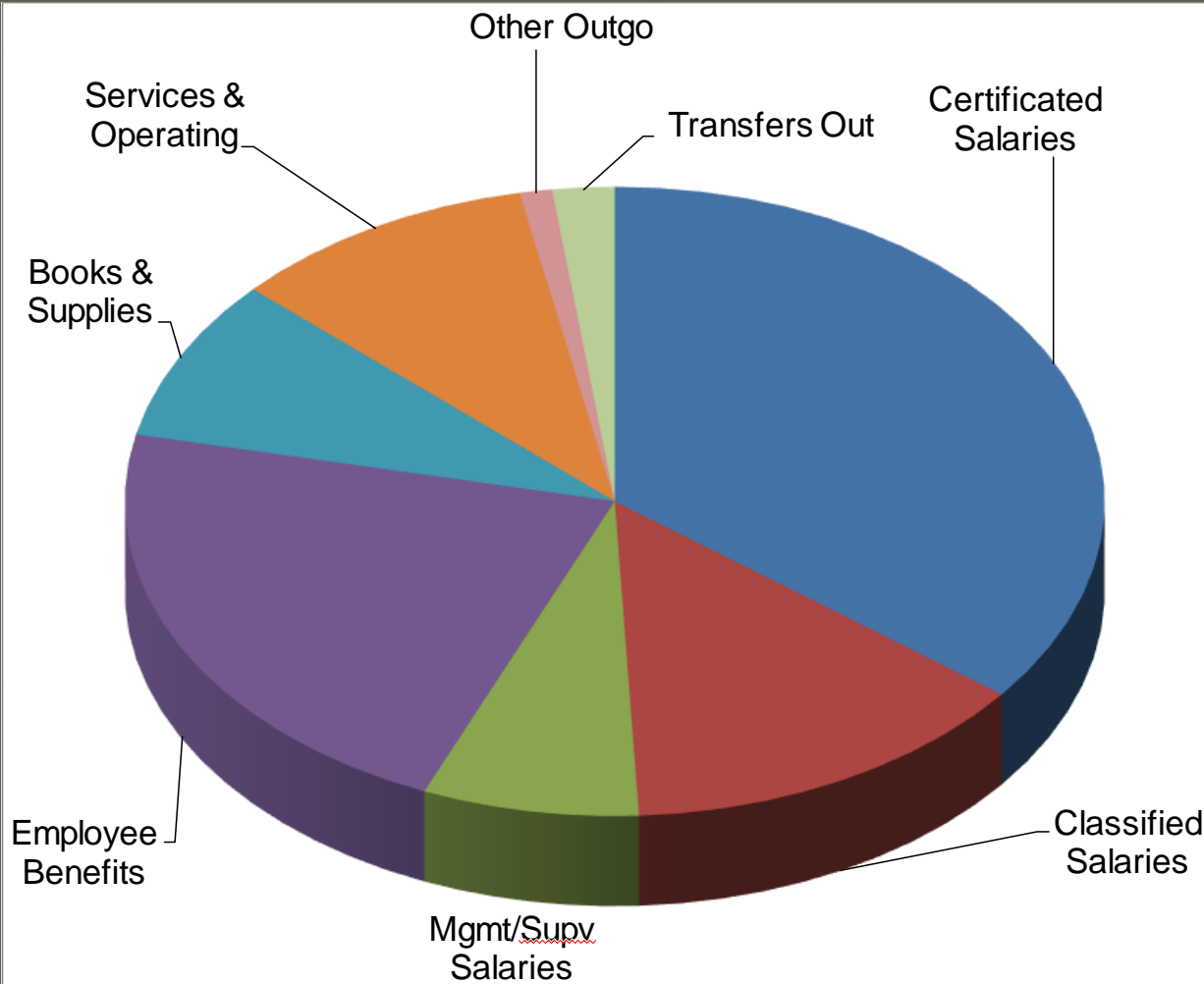
Total Revenues 2018-19



Multi-Year Projections (cont'd)

- Salaries, Statutory Benefits, Materials/Supplies and Services/Operating budgets have all increased in the current year due to projected expenses with new grant funds received
- Other Outgo budgets are consistent with First Interim and are projected to meet the requirements in the Program Sustainability and Future Reserve Plan
 - Due to the transfer of funds to the Transportation and Deferred Maintenance Funds the district was able to purchase 3 new vans for transporting students and make upgrades to the HVAC system

Total Expenditure Summary



Expense Categories

Certificated Salaries	\$7,800,992
Classified Salaries	\$3,008,804
Mgmt/Supv Salaries	\$1,568,080
Employee Benefits	\$4,845,306
Books/Supplies	\$1,836,952
Services/Operating	\$2,219,473
Other Outgo	\$ 236,163
Transfers Out	\$ 450,000
Total Expenses	\$21,965,770

Multi-Year Projection

	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>
Beginning Fund Balance	2,465,176	2,123,640	1,776,205
Revenues	21,624,234	21,043,555	22,067,547
Expenses	21,965,770	21,390,990	21,801,586
Net Increase/(Decrease)	(341,536)	(347,435)	265,961
Projected Ending Fund Balance	2,123,640	1,776,205	2,042,166
Less – Restricted or Assigned	(1,347,096)	(1,069,550)	(1,090,079)
(i.e. – LPSBG, Medi-Cal, Federal funds, 5% DEU)			
Designated for Economic Uncertainties (3%)	(658,973)	(641,730)	(654,048)
Undesignated	117,571	64,925	298,039

Multi-Year Projections (cont'd)

- ◉ The Multi-Year Projection shows the District can issue a “Positive” certification for the 2018-19 Second Interim report
- ◉ This means the District predicts it will be able to meet its financial obligations for the current and next two fiscal years
- ◉ MYP includes projected enrollment growth but also deficit spending due to increased costs but a positive ending balance in 2020-21
- ◉ Budget aligns with the Program Sustainability and Future Reserve Plan

The Road Ahead

- ◉ Remember that the Governor's State Budget proposal marks the beginning of the process, not the end
- ◉ Expectations that the Legislature will push back on the Governor's priorities and propose their own
- ◉ Consistency from January to the May Revision to the enacted State Budget was a hallmark of former Governor Brown – this is an unknown variable in 2019

Upcoming Budget Events

- ▶ P-2 Attendance will be reported as of April 15th
 - ▶ Majority of district funding based on this data
- ▶ Governor's May Revise Workshop is on May 22nd
- ▶ Meeting with stakeholders will be planned to gather input for preparation of the 2019-20 LCAP and Budget
- ▶ 2019-20 LCAP and Budget will be presented at two different meetings in June, one for review and the other for adoption
- ▶ Governor required to sign a State Budget by June 30, 2019 but districts have to have their LCAP and Budgets approved prior to June 30, 2019

Questions?