



# Adopted Budget 2019-20

## June 11, 2019

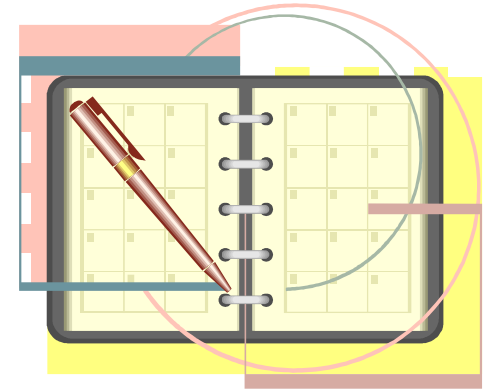
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- ▶ Lake Tahoe Unified School District

# Agenda

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- ▶ State Budget Process
- ▶ Budget Assumptions 2019-20
- ▶ Enrollment and Attendance
- ▶ STRS and PERS
- ▶ Multi-Year Projections
- ▶ Revenue vs Expenditure Changes Over Time
- ▶ Other Funds
- ▶ Importance of Reserves
- ▶ Prudence and Next Steps



# State Budget Process

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- ▶ January
  - ▶ Governor's proposed budget for budget year
- ▶ February
  - ▶ Legislative Analyst review with comments
- ▶ April
  - ▶ Statutory COLA recalculated
- ▶ May
  - ▶ "May Revise" reflects tax adjustments
- ▶ June 15 (or later)
  - ▶ Final adopted State budget
    - ▶ COLAs, "gap" funding
    - ▶ Potential additional programs, or funding changes
- ▶ November
  - ▶ Legislative Analyst Report (LAO Report)
    - ▶ Projections for next year based on tax collections and economic predictors
- ▶ January
  - ▶ Governor's proposed budget for next budget year...



# Budget Assumptions - Revenue

- ▶ State budget assumptions reflected in current year budget and MYP

<i>Description</i>	<i>Fiscal Year</i>			
	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
<i>Planning Factor</i>				
<b>COLA</b>	2.71% (3.70% LCFF Only)	3.26%	3.00%	2.80%
<b>LCFF Gap Funding Percentage</b>	100%/Target	N/A - Target	N/A - Target	N/A - Target
<b>STRS Employer Rates (Current Rates / AB1469)</b>	16.28%	18.13%	19.10%	18.60%
<b><u>OR</u></b>				
<b>STRS Employer Rates (Governor's Proposed Rates)</b>	16.28%	16.70%	18.10%	17.80%
<b>PERS Employer Rates (PERS Board / Actuary)</b>	18.062%	20.733%	23.60%	24.90%
<b>Lottery – Unrestricted per ADA</b>	\$151	\$151	\$151	\$151
<b>Lottery – Prop. 20 per ADA</b>	\$53	\$53	\$53	\$53
<b>Mandated Cost per ADA / One Time Allocation</b>	\$184	\$0	\$0	\$0
<b>Mandate Block Grant for Districts: K-8 per ADA</b>	\$31.16	\$32.18	\$33.15	\$34.08
<b>Mandate Block Grant for Districts: 9-12 per ADA</b>	\$59.83	\$61.94	\$63.80	\$65.59

- ▶ No one-time dollars are anticipated for 2019-20

# District Revenue 2019-20

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- ▶ LCFF Revenue increased \$902K
- ▶ Federal funds are reduced for Forest Reserve dollars which are budgeted when received, and Title I, II, and III dollars which are projected to decline
- ▶ One-time dollars in the current year budget of \$184 per student are removed from the 2019-20 budget
- ▶ Local revenues, primarily donations, are removed from the budget and will be budgeted as received

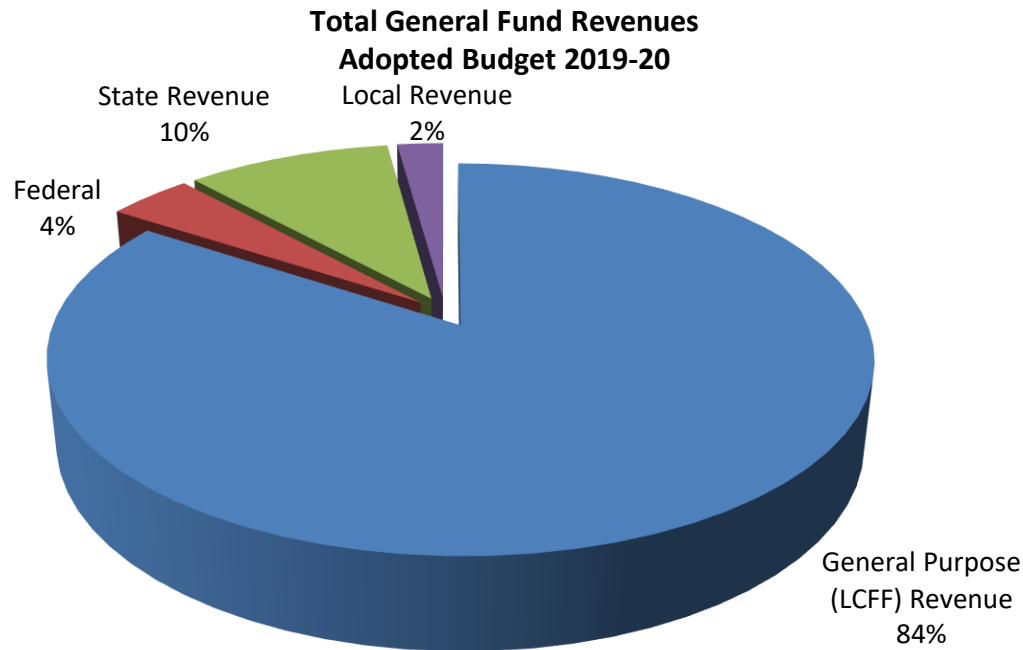
# Education Protection Account (EPA) Summary

- ▶ K-14 general purpose funds must be utilized for instructional purposes only
- ▶ These dollars are included in the LCFF calculation

Education Protection Account (EPA) Fiscal Year Ending June 30, 2020	
<b>Actual EPA Revenues:</b>	
Estimated EPA Funds	\$ 723,896
<b>Actual EPA Expenditures:</b>	
Certificated Instructional Salaries	\$ 723,896
<b>Balance</b>	<b>\$ -</b>

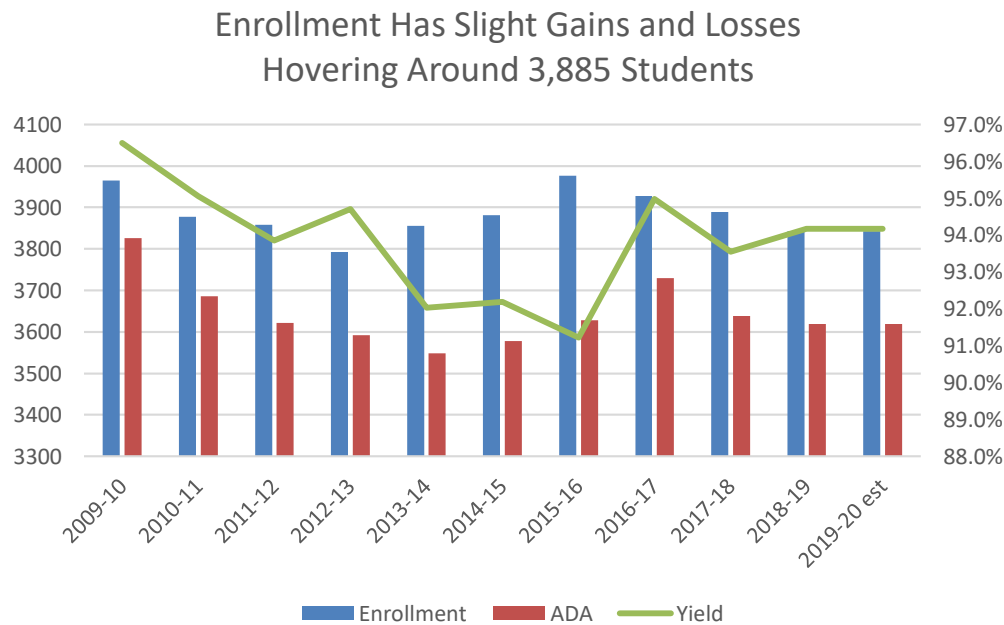
# Combined General Fund Revenue

- ▶ LCFF funding is by far the largest funding source
- ▶ Federal revenue includes Title II, Title III, IDEA
- ▶ State revenue includes lottery, mandated block grant
- ▶ Local revenue includes donations, interest



# Enrollment and Staffing

- ▶ It is always a challenge to match staffing with student enrollment
  - ▶ In tight economic times, staffing ratios must be strictly followed
- ▶ Enrollment is bouncing around 3,885 over the last ten years
  - ▶ ADA to Enrollment yield has increased up to the 94% range





## General Fund Expenditures 2019-20

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- ▶ Reflects General Fund only (no Cafeteria, Facilities, etc.)
- ▶ Recent salary increases are reflected in 2018-19 Estimated Actuals and in the 2019-20 budget
- ▶ Salaries and benefits represent 88% of the Unrestricted Budget and 87% of Total General Fund
- ▶ STRS and PERS increases reflected
- ▶ EPA funds are budgeted strictly for instructional salaries/benefits and are part of LCFF funding
- ▶ Expenditures related to Local Control Accountability Plan (LCAP) are included in the budget

# STRS and PERS Rates

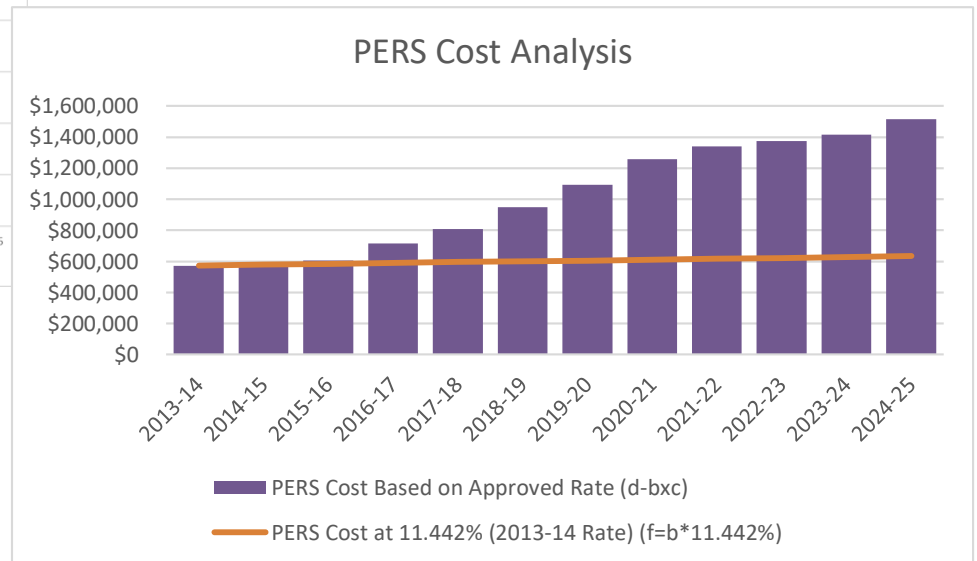
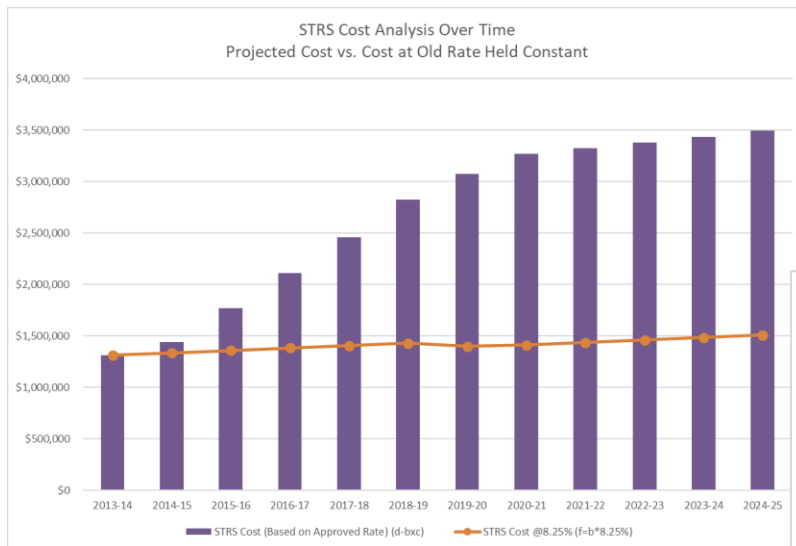
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- ▶ After years of pension rate increases, the 2019-20 Governor's proposed budget contains some financial relief as follows:
  - ▶ \$3.15 billion in one-time non-Proposition 98 funds that will be used to reduce CalSTRS employer contribution rates in 2019-20 and beyond
    - ▶ Details are being negotiated in the legislature
  - ▶ For 2019-20 and 2020-21 only, Governor has proposed a 1.4% and 1% buydown of STRS rate to assist districts
  - ▶ Funding is outside of Prop 98 funding, so not guaranteed
  - ▶ District will update budget once actual amount is known



# STRS and PERS Increases

- ▶ Compared to the rates in 2013-14, the increased rates have cost the district an additional \$1.68M in STRS and \$490K through 2019-20



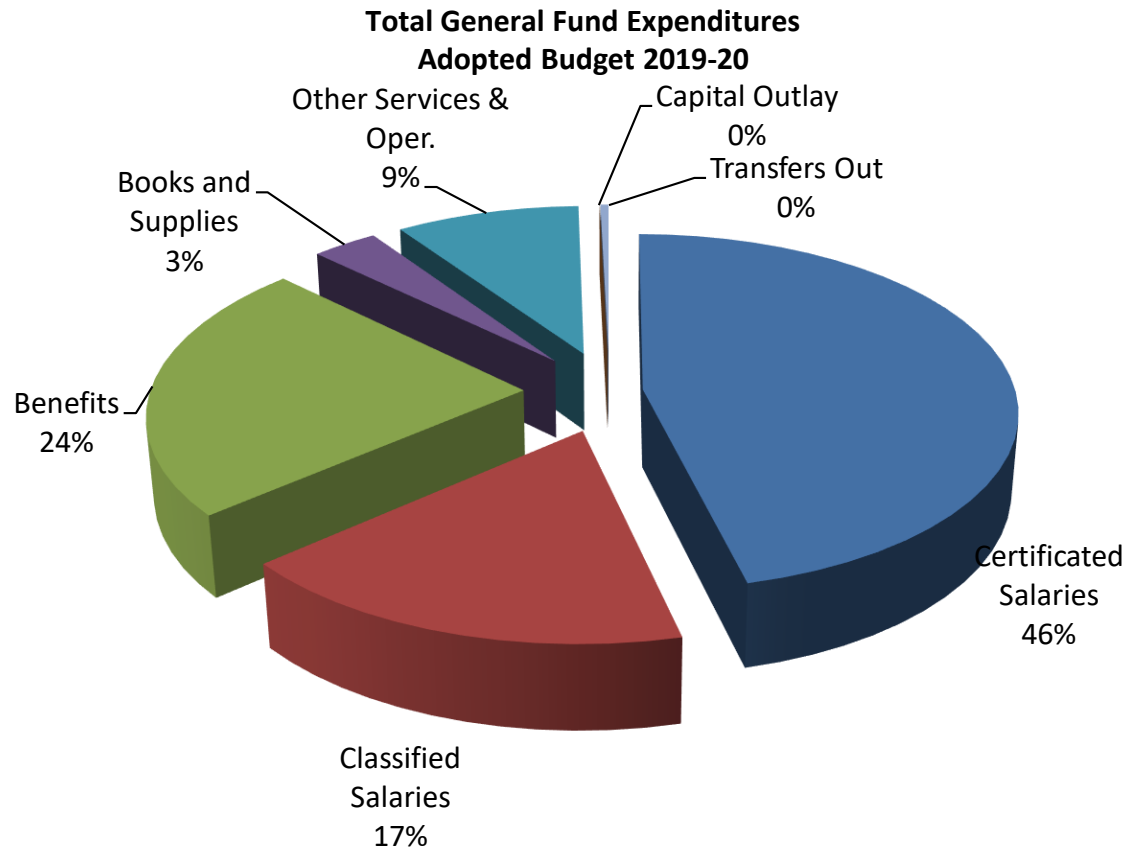
# STRS and PERS Contributions Grow Rapidly

- ▶ The result is less District funding available for any other uses
- ▶ By 2022-23, the budget will reflect district retirement contributions of \$930,000 MORE than the current year budget!

	CalPERS Rate Comparison								
	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23 es	2023-24 es
Employer Rates	11.85%	13.89%	15.53%	18.06%	20.73%	23.60%	24.90%	25.30%	25.80%
Change		2.04%	1.64%	2.53%	2.67%	2.87%	1.30%	0.40%	0.50%
	CalSTRS Rate Comparison								
	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23 es	2023-24 es
Employer Rates	10.73%	12.58%	14.43%	16.28%	17.10%	18.10%	17.80%	20.25%	20.25%
Change		1.85%	1.85%	1.85%	0.82%	1.00%	-0.30%	2.45%	0.00%

# General Fund Expenditures (Combined)

- ▶ Unrestricted General Fund includes 88% salaries and benefits



# Contributions to Restricted Programs

- ▶ Contributions from unrestricted GF increased 4%
- ▶ Transfers in from other funds have been eliminated in future years

Resource		2018-19 Estimated Actuals	2019-20 Budget
3010	Title I	31,115	-
33xx	Federal Special Ed	143,272	315,934
4203	Title III	7,224	-
65xx	Special Education	1,705,921	1,832,425
8150	Routine Restricted Maintenance Account	1,320,874	1,304,069
9054	Career Tech	112,108	-
		<b>3,320,514</b>	<b>3,452,428</b>



# 2019-20 Adopted Budget Summary

- ▶ The General Fund is comprised of Unrestricted and Restricted dollars
  - ▶ Unrestricted includes LCFF, original Lottery, mandated costs
  - ▶ Restricted is Title I, Special Ed, Prop 20 Lottery, donations, among others

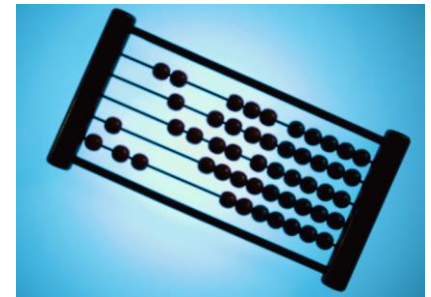
Adopted Budget 2019-20			
Description	Unrestricted	Restricted	Total
Total Revenues	38,059,015	5,488,865	43,547,880
Total Expenditures	34,810,110	8,938,440	43,748,550
Excess/(Deficiency)	3,248,905	(3,449,575)	(200,670)
Other Sources/Uses <sup>1</sup>	(3,452,428)	3,452,428	0
<b>Net Increase/(Decrease)</b>	<b>(203,523)</b>	<b>2,853</b>	<b>(200,670)</b>
Add: Beginning Fund Balance	1,963,125	225,234	2,188,359
<b>Ending Fund Balance</b>	<b>1,759,602</b>	<b>228,087</b>	<b>1,987,689</b>

# Multi-Year Projection (MYP) Assumptions

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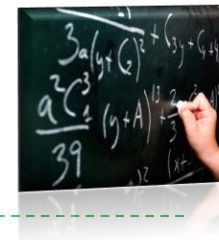
## ▶ Revenue:

- ▶ LCFF expected to increase \$820,000 in 2020-21 and \$1,024,000 in 2021-22
- ▶ Federal and State revenues are budgeted flat in the future
- ▶ Federal Forest funds and donations are included in the budget when received





# Multi-Year Projection (MYP) Assumptions



- ▶ Expenditures:
  - ▶ Projections include step/column movement of 0.82% for certificated, and reduction of 10.0 FTEs in 2019-20
  - ▶ Projections include step movement of 1.2% for classified
  - ▶ Health benefits cap projected to increase \$250 in 2020-21
  - ▶ STRS/PERS costs projected to increase \$315K in 2020-21 and \$319K in 2021-22
- ▶ Contributions from unrestricted general fund (GF) revenue to the Special Education program to cover shortfalls in funding continue to increase annually for increased employee costs
- ▶ In addition, contribution to the Routine Restricted Maintenance Account (RRMA) have been reinstated back to the pre-recession level of 3% of GF

# Summary Multi-Year Projection (MYP)

- ▶ Based on current assumptions, deficit spending will be eliminated by 2021-22 and the district will have just above a 3% fund balance.

Multi-Year Projection (Total GF)			
Description	Adopted Budget 2019-20	Projected 2020-21	Projected 2021-22
Total Revenues	43,547,880	44,369,195	45,393,406
Total Expenditures	43,748,550	44,834,100	45,339,141
Excess/(Deficiency)	(200,670)	(464,905)	54,265
Other Sources/Uses	0	0	0
<b>Net Increase/(Decrease)</b>	<b>(200,670)</b>	<b>(464,905)</b>	<b>54,265</b>
Add: Beginning Fund Balance	2,188,359	1,987,689	1,522,784
<b>Ending Fund Balance</b>	<b>1,987,689</b>	<b>1,522,784</b>	<b>1,577,049</b>



# Multi-Year Projection

	Adopted Budget 2019-20				Projection 2020-21				Projection 2021-22		
	Unrestricted	Restricted	Combined		Unrestricted	Restricted	Combined		Unrestricted	Restricted	Combined
<b>Revenue</b>											
General Purpose	36,657,475	0	36,657,475	1	37,478,790	0	37,478,790	1	38,503,001	0	38,503,001
Federal Revenue	0	1,747,978	1,747,978	2	0	1,747,978	1,747,978	2	0	1,747,978	1,747,978
State Revenue	742,740	3,457,337	4,200,077	3	742,740	3,457,337	4,200,077		742,740	3,457,337	4,200,077
Local Revenue	658,800	283,550	942,350		658,800	283,550	942,350		658,800	283,550	942,350
<b>Total Revenue</b>	<b>38,059,015</b>	<b>5,488,865</b>	<b>43,547,880</b>		<b>38,880,330</b>	<b>5,488,865</b>	<b>44,369,195</b>		<b>39,904,541</b>	<b>5,488,865</b>	<b>45,393,406</b>
<b>Expenditures</b>											
Certificated Salaries	16,968,804	3,267,721	20,236,525	4	17,107,904	3,294,521	20,402,425	4,8	17,248,204	3,321,321	20,569,525
Classified Salaries	5,268,942	2,352,114	7,621,056	4	5,332,142	2,380,314	7,712,456	4	5,396,142	2,408,514	7,804,656
Benefits	8,390,411	1,937,747	10,328,158	5	8,856,111	2,069,357	10,925,468	5	9,245,111	2,154,185	11,399,296
Books and Supplies	869,028	564,678	1,433,706		869,028	564,678	1,433,706		869,028	564,678	1,433,706
Other Services & Oper. Expenses	3,301,344	697,096	3,998,440		3,301,344	928,036	4,229,380		3,301,344	699,949	4,001,293
Capital Outlay	0	0	0		0	0	0		0	0	0
Other Outgo 7xxx	168,333	8,000	176,333	6	168,333	8,000	176,333	6	168,333	8,000	176,333
Transfer of Indirect 73xx	(156,752)	111,084	(45,668)		(156,752)	111,084	(45,668)		(156,752)	111,084	(45,668)
<b>Total Expenditures</b>	<b>34,810,110</b>	<b>8,938,440</b>	<b>43,748,550</b>		<b>35,478,110</b>	<b>9,355,990</b>	<b>44,834,100</b>		<b>36,071,410</b>	<b>9,267,731</b>	<b>45,339,141</b>
Deficit/Surplus	3,248,905	(3,449,575)	(200,670)		3,402,220	(3,867,125)	(464,905)		3,833,131	(3,778,866)	54,265
Other Sources/(uses)	0	0	0	7	0	0	0		0	0	0
Transfers in/(out)	0	0	0		0	0	0		0	0	0
Contributions to Restricted	(3,452,428)	3,452,428	0	8	(3,639,038)	3,639,038	0	8	(3,778,866)	3,778,866	0
<b>Net increase (decrease) in Fund Balance</b>	<b>(203,523)</b>	<b>2,853</b>	<b>(200,670)</b>		<b>(236,818)</b>	<b>(228,087)</b>	<b>(464,905)</b>		<b>54,265</b>	<b>0</b>	<b>54,265</b>
Beginning Balance	1,963,125	225,234	2,188,359		1,759,602	228,087	1,987,689		1,522,784	0	1,522,784
<b>Ending Balance</b>	<b>1,759,602</b>	<b>228,087</b>	<b>1,987,689</b>		<b>1,522,784</b>	<b>0</b>	<b>1,522,784</b>		<b>1,577,049</b>	<b>0</b>	<b>1,577,049</b>
Revolving/Stores/Prepays	22,408		22,408		22,408		22,408		22,408		22,408
Reserve for Econ Uncertainty (3%)	1,312,457		1,312,457		1,345,023		1,345,023		1,360,174		1,360,174
Restricted Programs		228,087	228,087		0	0	0		0	0	0
Assigned	0		0		0		0		0		0
<b>Unappropriated Fund Balance</b>	<b>424,738</b>	<b>0</b>	<b>424,738</b>		<b>155,353</b>	<b>0</b>	<b>155,353</b>		<b>194,467</b>	<b>0</b>	<b>194,467</b>
<i>Unappropriated Percent</i>			<b>1.0%</b>				<b>0.3%</b>				<b>0.4%</b>



# Assumptions for MYP

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## Notes:

- <sup>1</sup> District is expected to receive full LCFF target funding beginning in 2018-19 and beyond. Enrollment and ADA are projected to continue to decline.
- <sup>2</sup> Federal Forest Reserve funding is uncertain; it will be added to the budget once received.
- <sup>3</sup> In FY18-19 the District received one-time funds of \$184 per student, per enacted state budget. These dollars were removed in the budget year.
- <sup>4</sup> Projections include step movement for eligible employees. Salary settlement of May 2019 is included in 2018-19 and 2019-20 budgets.
- <sup>5</sup> Projections include estimated increases in state pension percentages for both STRS & PERS, plus additional health cap increase beginning 2020-21.
- <sup>6</sup> Debt service payments for new energy lease purchase was covered in 2018-19 by Prop 39 energy money; added back to budget for remaining years.
- <sup>7</sup> Transfers in to general fund needed to balance budget in prior years eliminated in budget year and beyond.
- <sup>8</sup> Additional contributions relate to the projected salary, step and pension increases of special education costs.



# Components of Fund Balance

- ▶ In accordance with the disclosure requirements of Senate Bill 858, amounts over the State mandated reserve of three percent of total general fund outgo must be disclosed and identified as to the anticipated need for the reserves.
  - ▶ GFOA recommends 17% minimum reserves (2 months' payroll)

Description	2019-20 Adopted Budget			2020-21 Projected Budget			2021-22 Projected Budget		
	Unrestricted	Restricted	Combined	Unrestricted	Restricted	Combined	Unrestricted	Restricted	Combined
<b>NONSPENDABLE</b>									
Revolving Cash/Prepays	22,408		22,408	22,408		22,408	22,408		22,408
Other	-		-	-		-	-		-
<b>TOTAL - NONSPENDABLE</b>	<b>22,408</b>	<b>-</b>	<b>22,408</b>	<b>22,408</b>	<b>-</b>	<b>22,408</b>	<b>22,408</b>	<b>-</b>	<b>22,408</b>
<b>RESTRICTED</b>									
Restricted Categorical Balances		228,087	228,087		-	-		-	-
<b>TOTAL - RESTRICTED</b>	<b>-</b>	<b>228,087</b>	<b>228,087</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>ASSIGNED</b>									
<b>UNASSIGNED</b>									
Economic Uncertainty (REU-3%)	1,312,457		1,312,457	1,345,023		1,345,023	1,360,174		1,360,174
Amount Above REU	424,738		424,738	155,353		155,353	194,467		194,467
<b>TOTAL - UNASSIGNED</b>	<b>1,737,194</b>	<b>-</b>	<b>1,737,194</b>	<b>1,500,376</b>	<b>-</b>	<b>1,500,376</b>	<b>1,554,641</b>	<b>-</b>	<b>1,554,641</b>
<b>TOTAL - FUND BALANCE</b>	<b>1,759,602</b>	<b>228,087</b>	<b>1,987,689</b>	<b>1,522,784</b>	<b>-</b>	<b>1,522,784</b>	<b>1,577,049</b>	<b>-</b>	<b>1,577,049</b>





# Budget Reductions

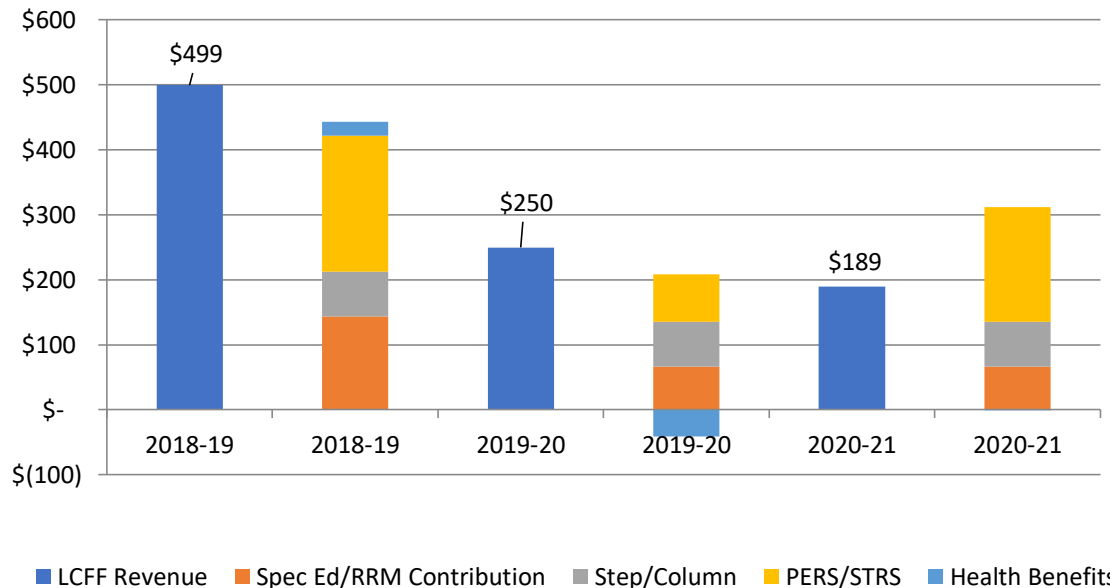
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- ▶ At Second Interim, the District determined to make \$1M in budget-balancing cost reductions to eliminate the structural deficit
- ▶ After the salary settlements for all groups were approved, an additional \$1.8M in reductions were needed over two years
- ▶ Reductions included:
  - ▶ Using categorical funds first for supplies, textbooks and staff development
  - ▶ Identifying salary savings, both one-time and on-going
  - ▶ Freezing all vacant positions
  - ▶ Eliminating extra prep periods in the budget year

# Revenues vs. Expenditures

- ▶ Now that districts have reached target funding (no more gap), annual increases are limited to COLA
  - ▶ 2018-19 last year of gap funding
  - ▶ Declining enrollment results in **less** LCFF revenue even with COLAs
- ▶ But, annual cost increases for step, pensions and special education continue to grow

**Over Three Years, AFTER \$3M in Budget Cuts, Annual Projected Per-Student Increase in State Revenue Is Barely Sufficient to Cover Annual Per-Student Increases in Contributions and Contractual Personnel Costs**



# MYP and Reserves

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- ▶ Since increases in revenue will continue to be less than on-going expenditure increases, deficits will continue and fund balance will disappear
  - ✓ Even districts with growth are having to cut the budget to cover ordinary, on-going cost increases
- ▶ Before salary increases, the district had to cut the budget to reduce the structural deficit
  - ▶ Salary increases exacerbated deficit spending and additional budget reductions were needed
- ▶ In a small district, it only takes a few changes to materially impact the budget.
  - ▶ A surprise in enrollment, special education, state revenues, or condition of facilities must be handled from the savings account



# All Funds of the District

- ▶ In addition to the general fund, other funds collect and track specific funds for restricted purposes
  - ▶ Cafeteria spending can be covered for another year or two

Fund		2018-19 Fund Balance	Budgeted Net Change	2019-20 Fund Balance
01	General (Unrestricted and Restricted)	\$2,188,359	(\$200,670)	\$1,987,689
13	Cafeteria	\$402,679	(\$242,498)	\$160,181
15	Pupil Transportation Equipment Fund	\$64,467	(\$36,010)	\$28,457
17	Special Reserve for Other Than Capital Outlay	\$628	\$0	\$628
20	Special Reserve Fund for Postemployment Benefits	\$207,169	\$0	\$207,169
21	Building Fund	\$525,478	(\$200,000)	\$325,478
25	Capital Facilities	\$116,424	\$306,000	\$422,424
35	County School Facilities Fund	\$374,162	\$2,000	\$376,162
40	Special Reserve for Capital Outlay	\$562	\$500	\$1,062
51	Bond Interest and Redemption	\$4,040,066	\$0	\$4,040,066
73	Foundation Account	\$101,934	\$1,600	\$103,534

# Prudence is Required

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- ▶ Are we in a budget crisis – No
- ▶ Do we have a budget “problem” – yes
- ▶ We must remain careful with spending and monitor revenues regularly
  - ▶ Costs are outpacing available annual revenue
  - ▶ Budget balancing efforts by the District will be necessary to ensure adequate funding exists to meet all financial obligations
  - ▶ Any changes in enrollment or funding must be carefully evaluated to determine the impact on the budget and multi-year projections
  - ▶ Vacant positions will remain unfilled unless additional revenues are identified to cover the cost.



# Next Steps

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- ▶ Public hearings on LCAP and proposed budget tonight
- ▶ LCAP and budget adopted in two weeks
  - ▶ EDCOE has until the beginning of October to approve, disapprove or conditionally approve the budget
- ▶ Once the State budget is enacted, any significant budget changes will be brought to the Board in August
- ▶ Unaudited Actuals to the Board by September 15
- ▶ First Interim as of October 31
  - ▶ Reflect any changes in funding
  - ▶ Adjust staffing (within legal constraints) based on enrollment
  - ▶ Adjust supplies, services, and other outgo as necessary

# Questions

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