

2018-19 Second Interim Financial Report

Board of Education
March 12, 2019



2nd Interim Budget Overview

- Summary of Changes from Nov. 1 to Jan. 31
- Reminders
- Reviewing Changes to Revenue and Expenditures
- General Fund Comparison
- Components of Ending Fund Balance
- 2nd Interim Assumptions
- Multi-Year Projections
- Fiscal Stabilization Plan
- Next Steps

- **Qualified Budget status as of Jan. 2017**
 - May not be able to meet our financial obligations
 - Certified and approved by San Diego County Office of Education
- **Spending Reductions**
- **Budget Gap Factors**
 - Local Control Funding Formula (LCFF) base revenue is insufficient
 - Declining enrollment = less Average Daily Attendance revenue (Federal and State funding)
 - Special Education underfunded mandated programs including transportation expenditures

2018-19 2nd Interim General Fund Comparison

	Adopted Budget	1 st Interim	2 nd Interim	Difference from First Interim
Revenues	\$216,404,914	\$221,480,724	\$221,974,036	\$493,312
Expenses	\$218,177,392	\$223,460,141	\$224,128,937	(\$668,796)
Net change in fund balance	(\$1,772,478)	(\$1,979,417)	(\$2,154,901)	\$175,484
Beginning Fund Balance	\$20,056,779	\$28,605,485	\$ 28,605,485	\$0
Ending Fund Balance	\$18,284,301	\$26,629,068	\$ 26,450,584	\$314,297
Reserve for Economic Uncertainties	\$10,908,870	\$11,173,007	\$11,206,447	\$33,440
Reserve as a Percentage of Expenses	5.00%	5.00%	5.00%	0.00%

Changes in Revenue: Nov. 1 to Jan. 31, 2019

Funding Source	Amount	
LCFF (Unrestricted)	(\$521,741)	Decrease 2% UPP
Federal	\$612,882	Title IV Grant; 3 yrs.
State	\$900	
Local	\$401,271	E-Rate & ASES Allocation
Total Revenue Increase	\$493,312	

Changes in Expenses – Nov. 1 – Jan. 31, 2019

Expenses	Amount
Certificated Salaries (Title III, IV & Low Performing Block Grant trainings & Reclassed Mgmt Classified to Certificated)	\$250,695
Classified salaries (Unfilled custodian, bus drivers & IA positions; Open Management position moving to Certificated)	(\$469,447)
Benefits (Enrollment changes)	(\$188,483)
Books and Supplies (Increase in E-Rate purchases)	\$201,344
Services and Operating (Ditmar settlement)	\$873,870
Capital Outlay & Other Outgo (Increase in one-time expenditures)	\$817
Total Expenditure Decrease	\$668,796

Components of the Ending Fund Balance



Funding Type	1 st Interim	2 nd Interim	Difference
Non-spendable (Stores, Revolving Cash)	\$348,411	\$369,348	\$20,937
Restricted (Title I, Title III, Title IV, Medi-Cal, Prop 39, Lottery, Educator Effectiveness)	\$2,953,169	\$3,582,690	\$629,521
Committed (Post-retirement GASB 43/45)	\$500,000	\$500,000	\$0
Assigned (Facility and Field Maintenance)	\$2,954,481	\$2,894,481	(\$60,000)
Assigned (Textbook Adoption)	\$2,500,000	\$2,637,618	\$137,618
Assigned (SERP Liability = 2021/22 and 2022/23)	\$5,200,000	\$5,200,000	\$0
Assigned (Potential Litigation)	\$1,000,000	\$0	(\$1,000,000)
Assigned (Digital Facility Use & Work Order System)	\$0	\$60,000	\$60,000
Reserve for Economic Uncertainties	\$11,173,007	\$11,206,447	\$33,440
Ending Fund Balance	\$26,629,068	\$26,943,365	\$178,484

Multi-Year Projection

2018-19 Multi-Year Assumptions

- MYP Revenue:

- Increase in LCFF COLA and decrease in 1X revenue

- MYP Expenditures:

- Certificated and Classified salaries and benefits adjusted to reflect changes
- RRMA 3% required contribution

- Assume declining enrollment

- 425 Decline in enrollment
- 94% ADA in each out year
- LCFF Student Based Funding

- Increases to Health & Welfare

- Mandated contribution to STRS/PERS

Multi-Year Projections without Reductions

	2018-19	2019-20	2020-21
Revenues	\$221,974,036	\$214,133,231	\$214,717,680
Expenses	\$224,128,937	\$221,470,337	\$226,399,004
Net Change in Fund Balance/Deficit	(\$2,154,901)	(\$7,337,106)	(\$11,681,324)
Beginning Fund Balance	\$28,605,485	\$26,450,584	\$19,113,478
Ending Fund Balance	\$26,450,584	\$19,113,478	\$7,432,154
Additional Expenditure Reductions to Maintain a 5% Reserve	\$0	\$0	\$8,046,613
Reserve for Economic Uncertainties	\$11,206,447	\$11,073,517	\$11,319,950
Reserve as a Percentage of Expenses	5.00%	5.00%	5.00%

Multi-Year Fund Balances w/o reductions

	2018-19	2019-20	2020-21
Non-spendable (Stores, Revolving Cash)	\$369,348	\$350,233	\$350,233
Restricted (Title I, Title III, Medi-Cal, Prop 39, Lottery, Educator Effectiveness)	\$3,582,690	\$2,813,052	\$2,377,271
Committed (Post-retirement GASB 43/45, Band Uniforms)	\$500,000	\$512,500	\$525,000
Assigned (Facility Use, Textbooks, SERP)	\$10,792,099	\$4,364,176	\$906,313
Reserve for Economic Uncertainties	\$11,206,447	\$11,073,517	\$11,319,950
Reserve as a Percentage of Expenses	5.00%	5.00%	5.00%
Ending Fund Balance	\$26,450,584	\$19,113,478	\$7,432,154

Fiscal Stabilization Plan

Multi-Year Expenditure Adjustments

Adjustment	Projected Savings
Declining Enrollment Staffing Adjustment	\$2.4M
Governor's Proposed Budget (STRS Contribution & Increased COLA)	\$2.8M
Total Adjustment	\$5.2M

Multi-Year Projections with Reductions

	2018-19	2019-20	2020-21
Revenues	\$221,974,036	\$214,133,231	\$214,717,680
Expenses	\$224,128,937	\$218,697,442	\$223,607,180
Net Change in Fund Balance/Deficit	(\$2,154,901)	(\$4,564,211)	(\$8,889,500)
Beginning Fund Balance	\$28,605,485	\$26,450,584	\$21,886,373
Ending Fund Balance	\$26,450,584	\$21,886,373	\$12,996,873
Additional Expenditure Reductions to Maintain a 5% Reserve	\$0	\$0	\$2,823,374
Reserve for Economic Uncertainties	\$11,206,447	\$10,943,872	\$11,180,359
Reserve as a Percentage of Expenses	5.00%	5.00%	5.00%

Multi-Year Fund Balances w/reductions

	2018-19	2019-20	2020-21
Non-spendable (Stores, Revolving Cash)	\$369,348	\$350,233	\$350,233
Restricted (Title I, Title III, Medi-Cal, Prop 39, Lottery, Educator Effectiveness)	\$3,582,690	\$2,813,052	\$2,377,271
Committed (Post-retirement GASB 43/45, Band Uniforms)	\$500,000	\$512,500	\$525,000
Assigned (Facility Use and One-time Funding/Textbooks)	\$10,792,099	\$7,275,716	\$887,384
Reserve for Economic Uncertainties	\$11,206,447	\$10,934,872	\$11,180,359
Reserve as a Percentage of Expenses	5.00%	5.00%	5.00%
Ending Fund Balance	\$26,450,584	\$21,886,373	\$12,996,873

Next Steps

- Adopt 2nd Interim Qualified Budget Report
 - Continue to work with SDCOE
- Implement planned expenditure reductions by June 30, 2019
- Adjust and align resources in LCAP based on updated budget
- Continue to communicate with staff and community on budget and impacts