



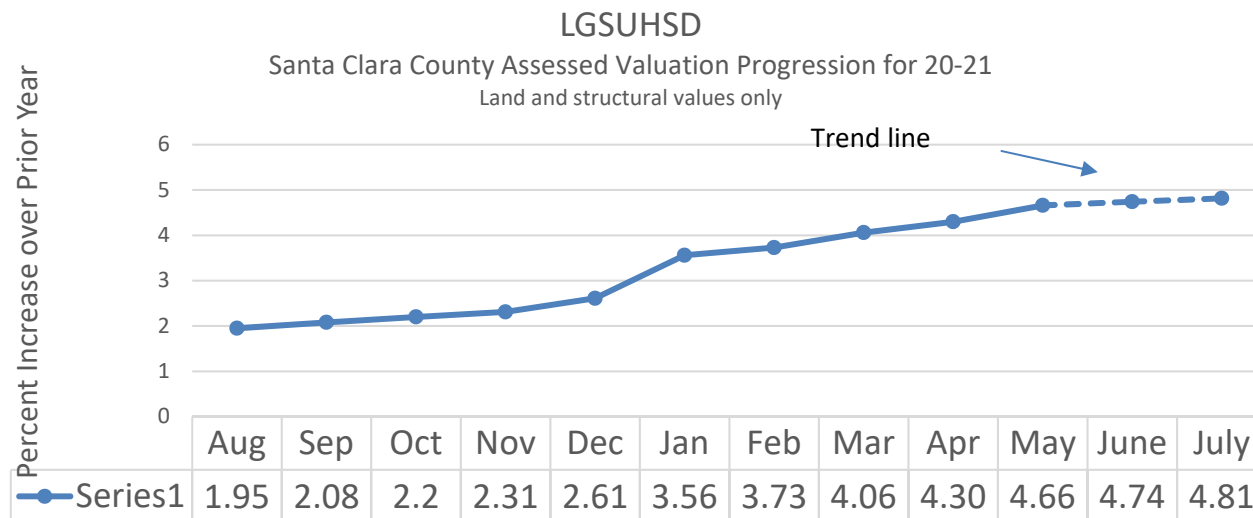
2020-2021 Budget Assumptions

Budgeting in a Time of Uncertainty

Presented to the Board of Trustees, May 19, 2020

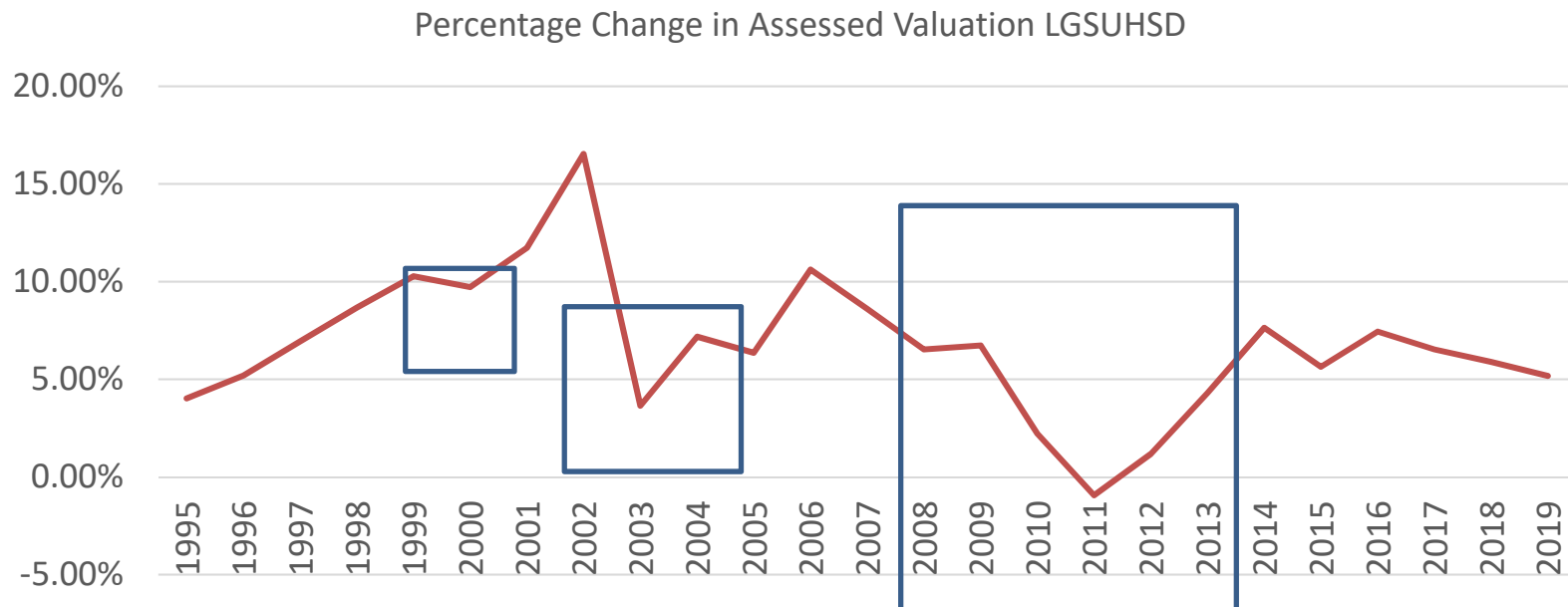
Property Taxes

- The bulk of our revenue comes from property taxes
- Taxes tend to be a lagging indicator. The 20-21 tax roll is almost complete



Property Taxes

- The 20-21 increase in Property Taxes is estimated to be 3%.
- Future years are unknown – but we must plan for a deep recession





Property Tax Assumptions

Budget Period	20-21	21-22	22-23	23-24	24-25
Second Interim	4.0%	3.5%	3.5%	3.5%	Not budgeted at Second Interim
Budget Adoption	3.0%	0%	0%	3%	4%

At Second Interim it was assumed that there would be a mild recession. Now we are facing a much deeper recession, similar to the Great Recession or even worse

Budget Period	20-21	21-22	22-23	23-24	24-25
Second Interim	\$51.7	\$53.5	\$55.4	\$57.1	
Budget Adoption	\$51.3	\$51.3	\$51.3	\$52.8	\$54.9
Difference	-\$0.4	-\$2.2	-\$4.1	-\$4.2	



Property Taxes and Teeter

- The District receives property taxes in various categories, the largest being the tax on real property (“Secured”)
 - To date the county has been under the Teeter plan. This provides taxing entities with the full amount of assessed taxes. When collections come in lower, the county funds the difference. They then keep all penalties and interest on delinquencies
 - Should the Teeter plan be abandoned the District is at risk of even lower tax collections
- Most other taxes are based on collections, not assessment. The next highest category is unsecured taxes consisting mostly of business inventory. The budget assumes a 25% drop in unsecured

COLA



- The statutory COLA for 2020-21 is finalized:
2.31%
 - LCFF districts will receive the COLA and then a 10% cut (net 7.69% cut)
- In lieu of another “fair share” cut, it is proposed that community funded districts will see a cut to the Minimum State Aid amount they receive under the LCFF. For LGSUHSD we are projected to lose all of the \$150,691 that we receive annually under this provision



Minimum State Aid Cut

- When the state went to the LCFF funding formula, categorical funds were added to the Calculation in 2012-13
- LGSUHSD would have received \$2.8M. All districts received a cut to their categoricals which reduced our funding to \$2.3M.
- Then a “Fair Share” cut was implemented (\$2.2M) leaving the district with \$150,691 on going.
- It is this \$151K that is now proposed to be taken

Funding Based on COLA/ADA



- Mandated Cost Block Grant (based on COLA and ADA):
 - will receive no COLA
- Special Education (based on COLA and ADA): is a focus of the governor and he has not proposed cuts.
 - However we are in a high funded SELPA - zero COLA is likely
- Lottery (based on ADA and Lottery sales)
 - Lottery sales declined during the Great Recession
 - Assuming \$140 in unrestricted and \$40 in restricted



Flat Funding / No COLA

- Parcel tax
 - Continuing to assume \$948K annually, although collections could be down and there could be more waivers requested
- Categorical Minimum State Aid
 - Was a flat amount, now assumed to be gone



Other Funding Impact

- The future impacts of COVID-19 are hard to anticipate
 - Without a vaccine or effective treatment, measures implemented to limit the spread will continue to have economic impacts (less tax revenue, less state support), higher district costs
 - Revenue that might be impacted: Facility rentals, including pool, theater, long term leases, lottery
 - The District will NOT receive federal funding from the CARES Act for COVID because it is being distributed based on Title I allocations
 - Will there be another federal stimulus (happened in the great recession)? This budget assumes there will not.

Possible Funding not Included



- The governor has proposed one-time funding for mitigation of learning loss during school closure.
 - Since this proposed funding “prioritizes students most heavily impacted by school closures” we expect that districts with higher counts of English learners, students in poverty and foster youth will receive most of the funds
 - The amount LGSUHSD will receive (if any) will be added to the budget when known



Expenditures



Salary Increases

- No salary increases assumed
- Step increases are included in the multi-year projections



Benefit Rates

- The governor's May Revision proposes to inject more money into CalPERS and CalSTRS. This will result in an anticipated rate cut of approximately 2 percentage points for the next two years
 - This is expected to result in savings of \$1.3M (over \$600K annually)
- Unemployment rates could increase (as occurred during the great recession)
 - Status quo assumption for now
- Unknown impact on Health and Welfare rates. Rates are assumed to increase 9% annually
 - Status quo assumption for now

Overtime and Vacation Payout



- In 2019-20 account codes were changed to better track these costs
 - The district spends almost \$150K in overtime. This is an area to look for savings
 - The district spends over \$100K in vacation payouts and comp time payouts
 - Vacation payouts in 20-21 (for 19-20) are assumed to be zero
 - Vacation payouts in future years are assumed to be “normal” although costs savings in this area should be pursued



Utilities

- There could be utility cost savings for April – June 2020. Utility cost increases are assumed to be 3.5% annually. Any future school closures could again reduce costs, but none have been assumed

17-18	18-19	19-20	20-21	21-22	22-23	23-24	24-25
1,335,246	1,382,904	1,426,331	1,475,669	1,527,317	1,580,773	1,636,100	1,693,364
10.8%	3.6%	3.1%	3.5%	3.5%	3.5%	3.5%	3.5%



Insurance

- Insurance costs have increased rapidly

- Property rates are climbing due to California fires and other weather related costs
- Liability rates are increasing. As of January 2020, childhood victims of sexual assault will have until their 40th birthday to file a civil lawsuit. The law also allows for a three year window for the revival of any claims that would have been barred by the statute of limitations. If the childhood abuse was covered up, victims may have the right to claim treble damages in their claim.

17-18	18-19	19-20	20-21	21-22	22-23	23-24	24-25
222,533	233,258	325,826	394,250	413,963	434,661	456,394	479,213
18.4%	4.8%	39.7%	21.0%	5%	5%	5%	5%

Legal



- Legal costs fluctuate
 - In years when there are negotiations, costs rise
 - Special Education legal costs have declined

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Unrestricted- Not HR	106,665	67,428	61,600	33,350	35,018	36,768	38,607	40,537
	-1.1%	-36.8%	-8.6%	-46%	5.0%	5.0%	5.0%	5.0%
HR (Includes Negotiations)	128,975	68,024	110,720	116,256	122,069	128,172	134,581	141,310
	78.2%	-47.3%	62.8%	5.0%	5.0%	5.0%	5.0%	5.0%
Special Ed	256,724	45,338	50,000	50,000	55,125	57,881	60,775	63,814
	25.8%	-82.3%	10.3%	0.0%	5.0%	5.0%	5.0%	5.0%
TOTAL	492,364	180,790	222,320	199,606	212,212	222,821	234,963	245,661
	28.1%	-63.3%	23.0%	-10%	5.0%	5.0%	5.0%	5.0%

Site and Departmental Budgets



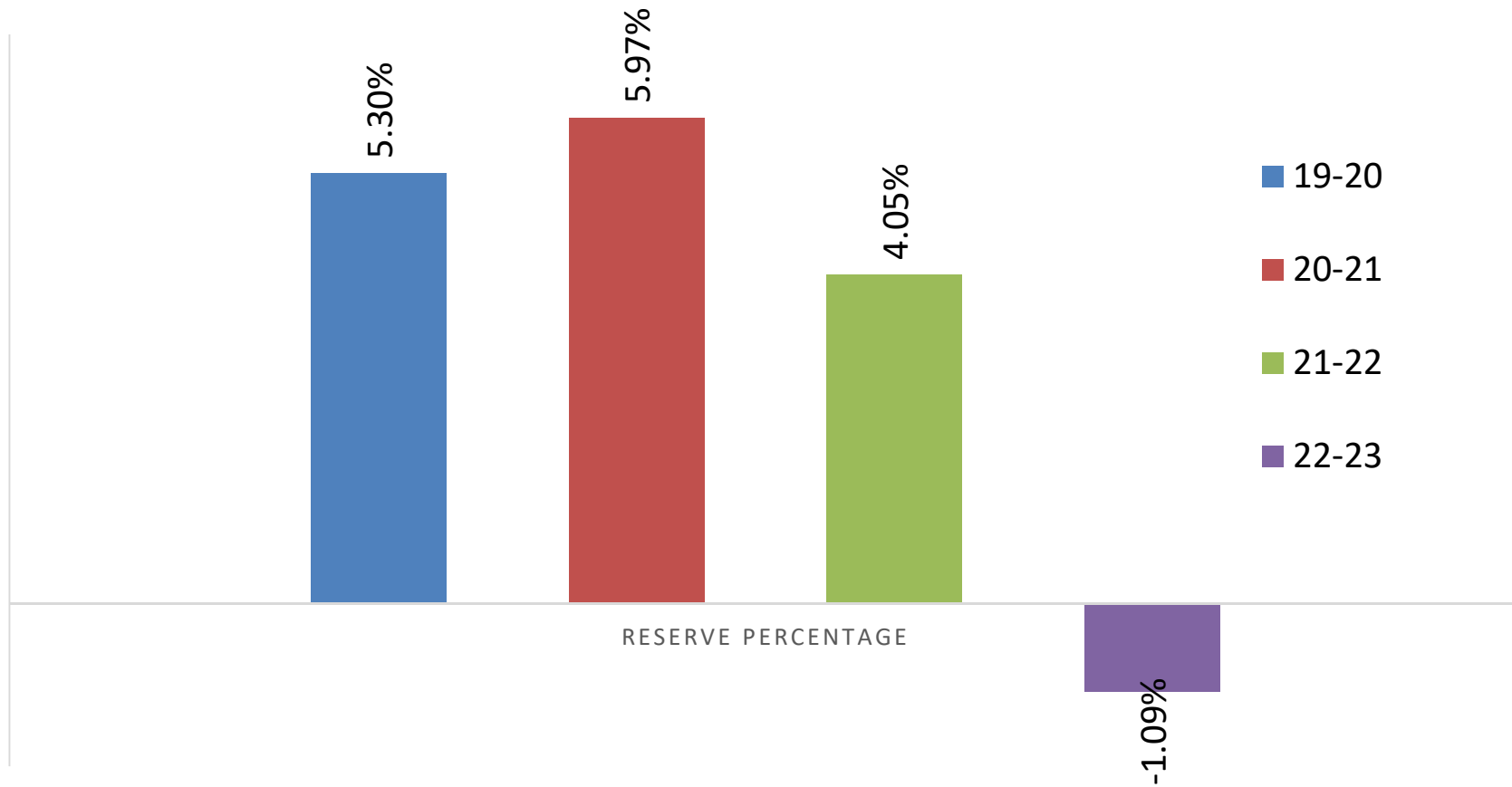
- Schools and departments were asked to cut 10% during 2019-20.
- Some cuts were not possible (e.g. insurance, utilities, legal etc.)
- The cuts that were made are assumed to be ongoing
- Per-student lottery allocations have been reduced from \$115 to \$85 per student



Savings in 2019-20

- There are potential savings in 2019-20 and the district is working to limit non-essential spending
 - Substitute costs will come in lower, due to closure
 - Special Education costs are coming in lower and savings are expected
- Any unspent balances in 19-20 will help mitigate the need for future spending cuts

Projected Reserves





Cuts needed

- Projected three year deficit: \$4.1 million, against reserves of \$3.6 Million
- Divide by 3 = \$1.35 million annually ongoing cuts would preserve our reserves
 - If the district wishes to maintain only the 3% required state reserve in 2022-23 the ongoing cuts of approximately \$900K will be needed
- The District is identifying cuts that will permit us to present to the board a budget with a positive certification for its first reading on June 9th

