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CABRILLO UNIFIED SCHOOL DISTRICT

Every Student. Every Day!

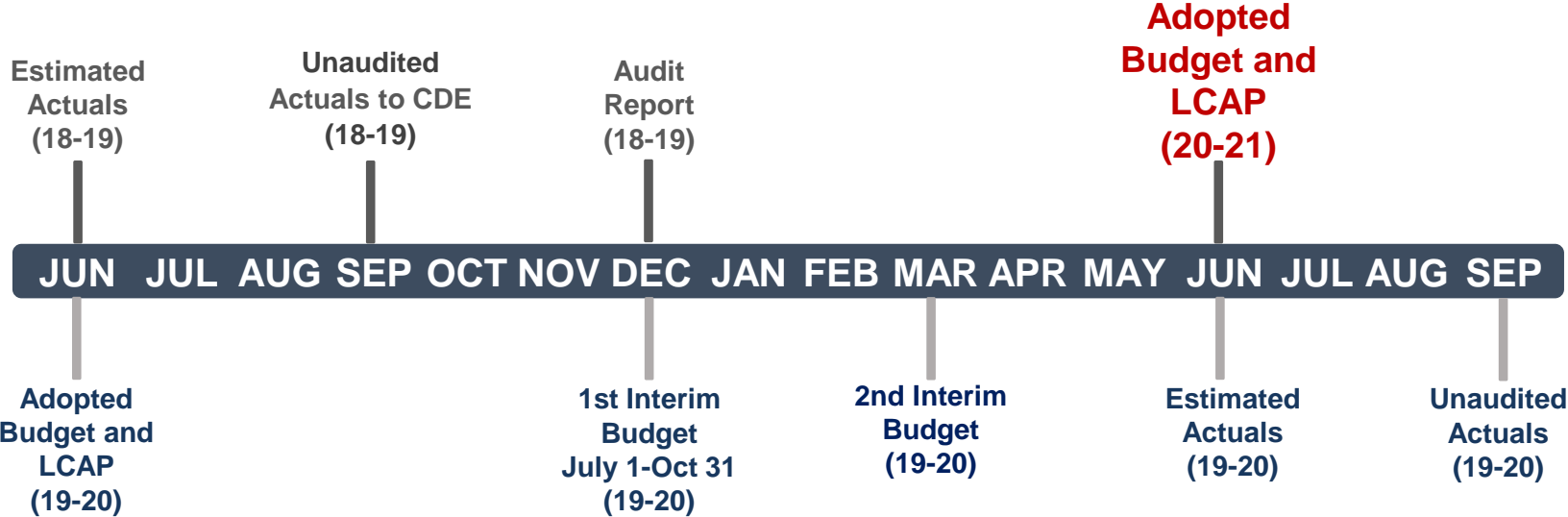
Cabrillo Unified School District Financial Report: 2020-21 Budget

J Jesus Contreras

Chief Business Officer

June 18, 2020

2020-21 Budget Development



May Revised Landscape:

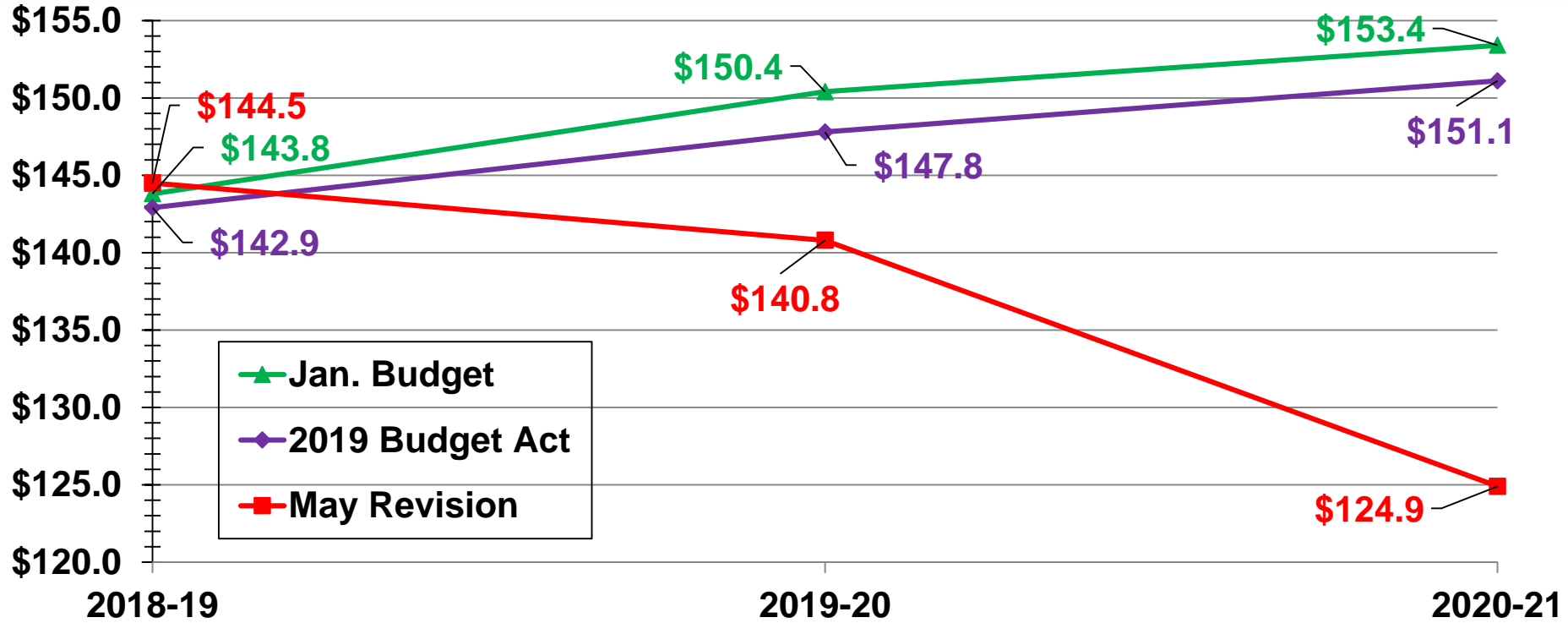
Impact of COVID-19 on K-12:

- Budget crisis and health crisis.
- Deep cuts proposed – hope for another federal relief package.
- **Districts must budget based on May revised state budget.**
- **June 15th Budget might be different than May revised.**
- Plan for the cost of reopening of schools while facing deep cuts.
- Uncertainty is the primary fact of this budget cycle.
- Lower CA General Fund revenues = lower Prop 98 Guarantee.
- Loss of funding is covered primarily by cuts and deferrals.



California General Fund Revenues

(Dollars in Billions)

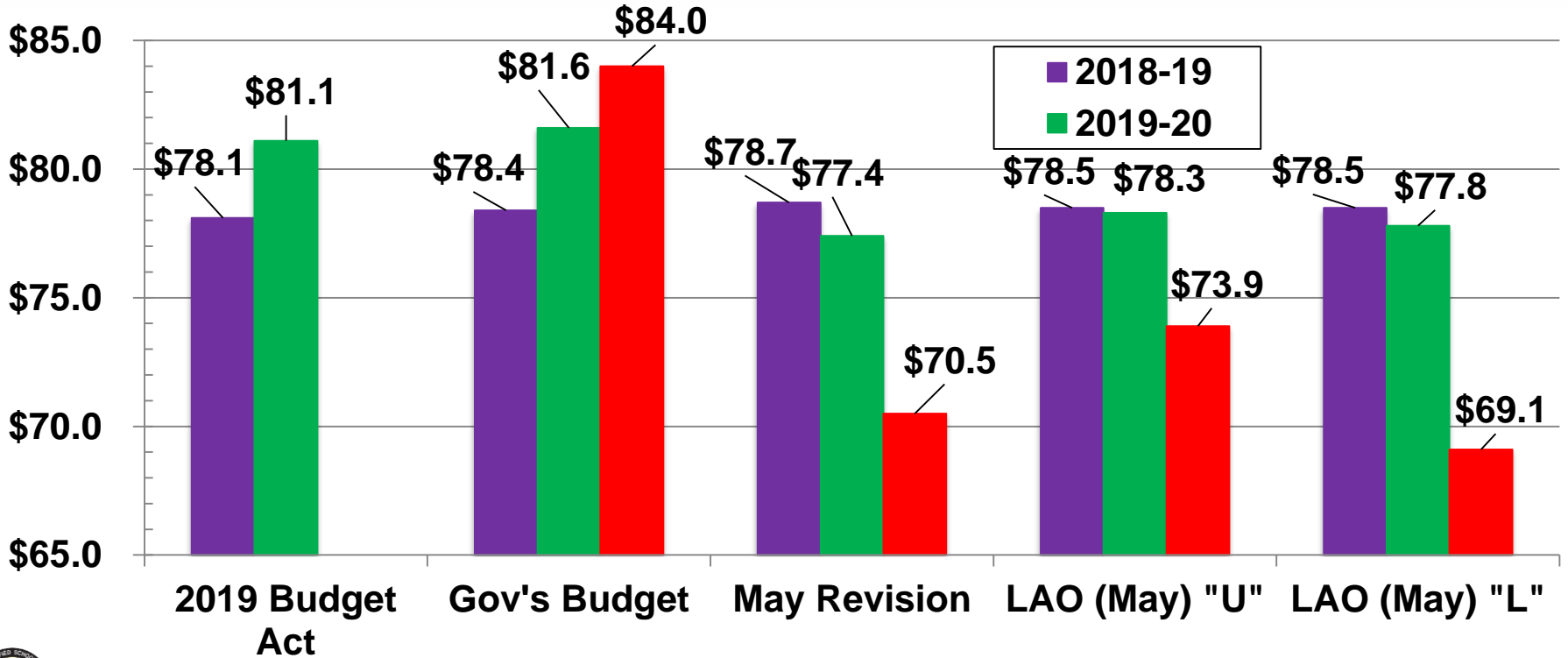


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Prop 98 Changes

(Dollars in Billions)

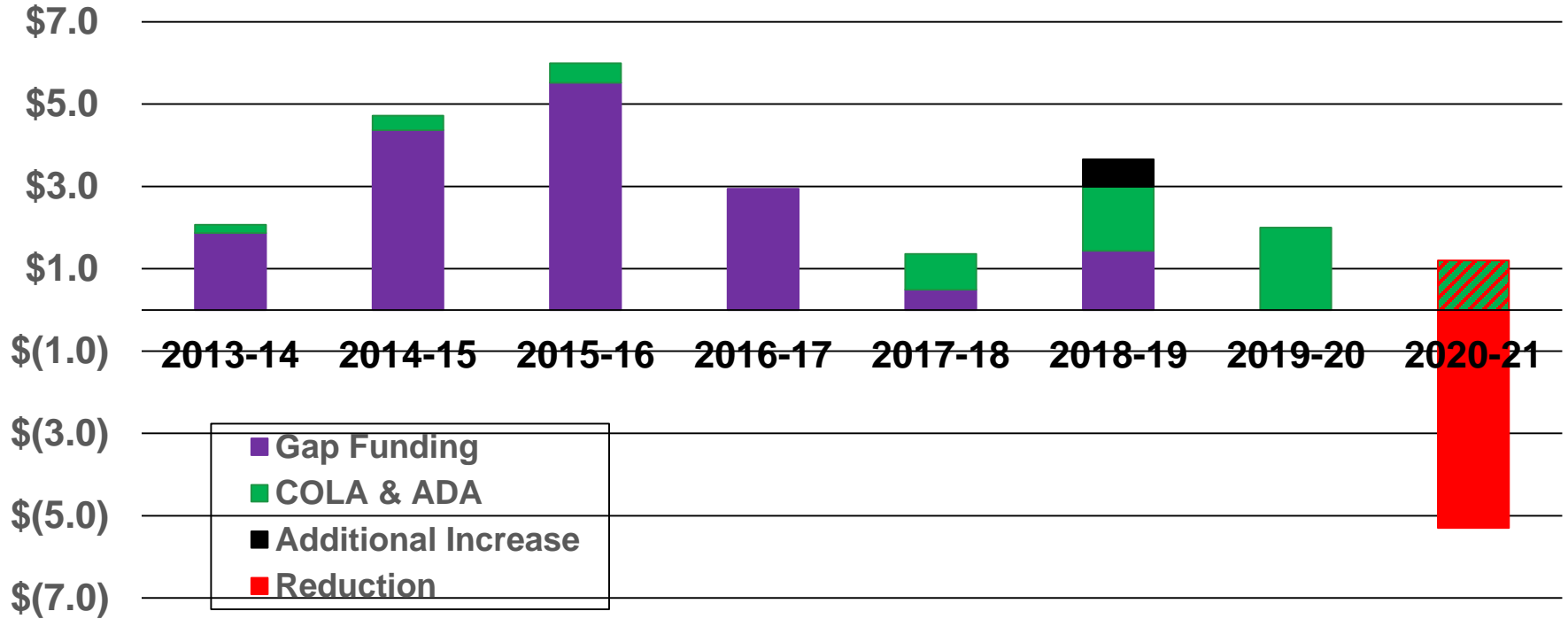


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Changes in LCFF Funding

(Dollars in Billions)



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Property Taxes and Basic Aid Districts

- 2020-21 Basic Aid district funding from the state reduced by 10%
 - Intended to be a “Fair Share” reduction (parallels the 10% reduction to LCFF)
 - 10% reduction applied to Minimum State Aid (MSA) base year (2012-13) - then normal calculation is made - reduces current \$160 million in total MSA apportioned by \$14 million
 - Basic Aid Supplemental and District of Choice apportionments reduced by 10%
 - **Reductions can’t go below the \$120 per ADA Constitutional minimum level of basic aid**
- **Recession** projected to **slow growth in property tax revenues** - extent is uncertain
- Issue to watch: Counties trying to exit or suspend Teeter Plans
 - Teeter Plans authorize counties to allocate delinquent property tax payments to local entities based on the total amount of property taxes billed, but not collected
 - Teeter plans make property tax allocations to LEAs more certain within any fiscal year
 - Counties then receive penalties and interest on the delinquent taxes when collected
 - **Executive Order N-61-20 suspended penalties and interest from March 4 through May 6**



Employer Contribution Rates

Proposes redirecting the \$2.3 billion for employer long-term unfunded liability provided in the 2019-20 Budget to further reduce CalPERS and CalSTRS contribution rates in 2020-21 and 2021-22

CalSTRS

Fiscal Year	Under 2019 Budget Act	Under May Revision
2019-20	17.1	17.1
2020-21	18.4	16.15 (-2.25)**
2021-22	18.2*	16.02 (-2.18)**
2022-23	18.1*	18.4**
2023-24	18.1*	18.4**

CalPERS

Fiscal Year	Under 2019 Budget Act	Under May Revision
2019-20	19.7	19.7
2020-21	22.7	20.7 (-2.00)**
2021-22	25.0*	22.8 (-2.20)**
2022-23	25.5*	25.8**
2023-24	26.2*	26.5**
2024-25	26.5*	26.8**
2025-26	26.4*	26.7**
2026-27	26.2*	26.5**

*Latest projected rates

**Does not reflect any rate increases STRs or PERs may enact to address investment losses

Budget Assumptions:

Cabrillo USD 2020-21 Assumptions

	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>
Statutory COLA & Augmentation (prefilled as calculated by the Department of Finance, DOF)	0.00%	2.48%	3.26%	1.80%	0.00%
Statutory COLA	2.31%	2.48%	3.26%	1.80%	0.00%
Augmentation/(COLA Suspension)	-2.31%	0.00%	0.00%	0.00%	0.00%
Base Grant Proration Factor	-7.92%	-12.1780%	-14.9505%	-16.4533%	-16.4516%
Add-on, ERT & MSA Proration Factor	-10.00%	-10.00%	-10.00%	-10.00%	-10.00%



Continued Financial Pressures:

Pre-COVID-19:

- Health care
- Pensions liability
- Special Education
- Declining enrollment

Added with COVID-19

- Remote learning
- Reopening schools complying with health orders – Social distancing, etc.



	Cabrillo Unified School District Budget Summary and Multi-Year-Projections											
	2019-20			2020-21			2021-22			2022-23		
	UNRESTRICTED	RESTRICTED	COMBINED	UNRESTRICTED	RESTRICTED	COMBINED	UNRESTRICTED	RESTRICTED	COMBINED	UNRESTRICTED	RESTRICTED	COMBINED
LCCF	30,350,208	1,609,810	31,960,018	28,566,236	1,609,810	30,176,046	29,096,732	1,609,810	30,706,542	29,641,023	1,609,810	31,250,833
Federal Revenue	168,636	1,333,830	1,502,466	0	1,196,130	1,196,130	0	1,196,130	1,196,130	0	1,196,130	1,196,130
State Revenue	981,313	2,452,076	3,433,389	593,895	1,928,372	2,522,267	587,983	1,926,285	2,514,268	581,910	1,924,142	2,506,052
Local Revenue	173,751	2,769,883	2,943,634	125,450	2,543,912	2,669,362	125,450	2,542,917	2,668,367	125,450	2,542,917	2,668,367
Total Revenues	31,673,908	8,165,599	39,839,507	29,285,581	7,278,224	36,563,805	29,810,165	7,275,142	37,085,307	30,348,383	7,272,999	37,621,382
Certificated Salaries	11,834,971	3,454,114	15,289,085	12,155,573	3,435,508	15,591,081	12,398,564	3,500,258	15,898,822	12,646,535	3,570,263	16,216,798
Classified Salaries	2,725,104	3,459,027	6,184,131	2,935,147	3,451,064	6,386,211	2,985,991	3,510,724	6,496,715	3,038,246	3,572,162	6,610,408
Benefits	5,317,218	4,591,488	9,908,706	5,506,132	4,213,511	9,719,643	5,666,337	4,332,881	9,999,218	6,130,579	4,554,064	10,684,643
Supplies	304,174	776,924	1,081,098	304,174	862,188	1,166,362	304,174	635,537	939,711	304,174	633,394	937,568
Services	1,983,867	3,560,627	5,544,494	1,987,079	3,564,606	5,551,685	1,987,079	3,475,719	5,462,798	1,987,079	3,475,719	5,462,798
Capital Outlay	0	26,500	26,500	0	26,500	26,500	0	26,500	26,500	0	26,500	26,500
Other Outgo/Indirect	30,420	265,985	296,405	32,865	278,469	311,334	32,865	278,469	311,334	32,865	278,469	311,334
Total Expenses	22,195,754	16,134,665	38,330,419	22,920,970	15,831,846	38,752,816	23,375,010	15,760,088	39,135,098	24,139,478	16,110,571	40,250,049
Surplus/(Deficit)	9,478,154	(7,969,066)	1,509,088	6,364,611	(8,553,622)	(2,189,011)	6,435,155	(8,484,946)	(2,049,791)	6,208,905	(8,837,572)	(2,628,667)
Transfer in (891X)	0	0	0	0	0	0	0	0	0	0	0	0
Transfer out (761X)	313,712	0	313,712	332,544	0	332,544	332,544	0	332,544	332,544	0	332,544
Contribution	(8,049,453)	8,049,453	0	(8,235,833)	8,235,833	0	(8,484,946)	8,484,946	0	(8,837,572)	8,837,572	0
Other In / Out	(8,363,165)	8,049,453	(313,712)	(8,568,377)	8,235,833	(332,544)	(8,817,490)	8,484,946	(332,544)	(9,170,116)	8,837,572	(332,544)
Total Surplus/(Deficit)	1,114,989	80,387	1,195,376	(2,203,766)	(317,789)	(2,521,555)	(2,382,335)	0	(2,382,335)	(2,961,211)	0	(2,961,211)
9791	4,577,834	570,424	5,148,258	5,692,823	650,811	6,343,634	3,489,057	333,022	3,822,079	1,106,722	333,022	1,439,744
9795												
Beginning Balance	4,577,834	570,424	5,148,258	5,692,823	650,811	6,343,634	3,489,057	333,022	3,822,079	1,106,722	333,022	1,439,744
Ending Balance	5,692,823	650,811	6,343,634	3,489,057	333,022	3,822,079	1,106,722	333,022	1,439,744	(1,854,489)	333,022	(1,521,467)
Revolving Cash, Stores & Prepaid	35,500		35,500	35,500		35,500	35,500		35,500	35,500		35,500
Restricted Programs		650,811	650,811		333,022	333,022		333,022	333,022		333,022	333,022
3% REU (9789)	1,159,324	0	1,159,324	1,172,561	0	1,172,561	1,184,030	0	1,184,030	1,217,478	0	1,217,478
UNASSIGNED (9790)	4,497,999	0	4,497,999	2,280,996	0	2,280,996	(112,808)	0	(112,808)	(3,107,467)	0	(3,107,467)

Dry-Period Borrowing from SMCOE

- County of San Mateo recalculated ERAF for 2017-18; 2018-19; and 2019-20.
- Total loss due to ERAF now is \$14 M taken by the County of San Mateo Controller from CUSD.
- **CASH FLOW Crisis.**
- SMCOE is willing to provide a short-term loan to close the books.
- SMCOE Board will pass a resolution on 6.17.2020.
- CUSD Resolution needed to borrow from SMCOE.



What to expect:

Exercise local flexibility to effectively deal with:

- Deferrals and cash-flow constrictions.
- Inter-fund borrowing.
- Potential Dry-Period Borrowing from SMCOE – Requires a Board resolution.
- 2020-21 Tax and Revenue Anticipation Notes (TRANS) – Short-term borrowing to deal with cash-flow deficit.
- Exclude contributions to routine restricted maintenance.
- Potential use of proceeds from sale of surplus property for one-time general fund purposes.
- Use of technology-based options for serve students with disabilities.



Working collaboratively through the budget uncertainties we face, and based on the FCMAT and SMCOE advice to maintain fiscal solvency, staff requests approval of the 2020-21 Cabrillo Unified School District Budget.



Questions?

Thank you!



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