

2019 – 2020 Budget Status and Story – Part 3

West Contra Costa Unified School District
November 20, 2019

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Associate Superintendent, Business Services

2019 – 2020 Budget Calendar

Budgeting for a school district is a continuous, year-round process. Projections continually change based on new and changing information. There are 5 formal reports presented to the Board:

- ❖ June 30, 2019 Adopted 2019 – 20 Budget
- ❖ September 18, 2019 Unaudited Actuals
- ❖ **December 11, 2019** **1st Interim Budget** *(Data as of October)*
- ❖ March 11, 2020 2nd Interim Budget *(Data as of January)*
- ❖ June 10/24, 2020 Adopted 2020 – 21 Budget

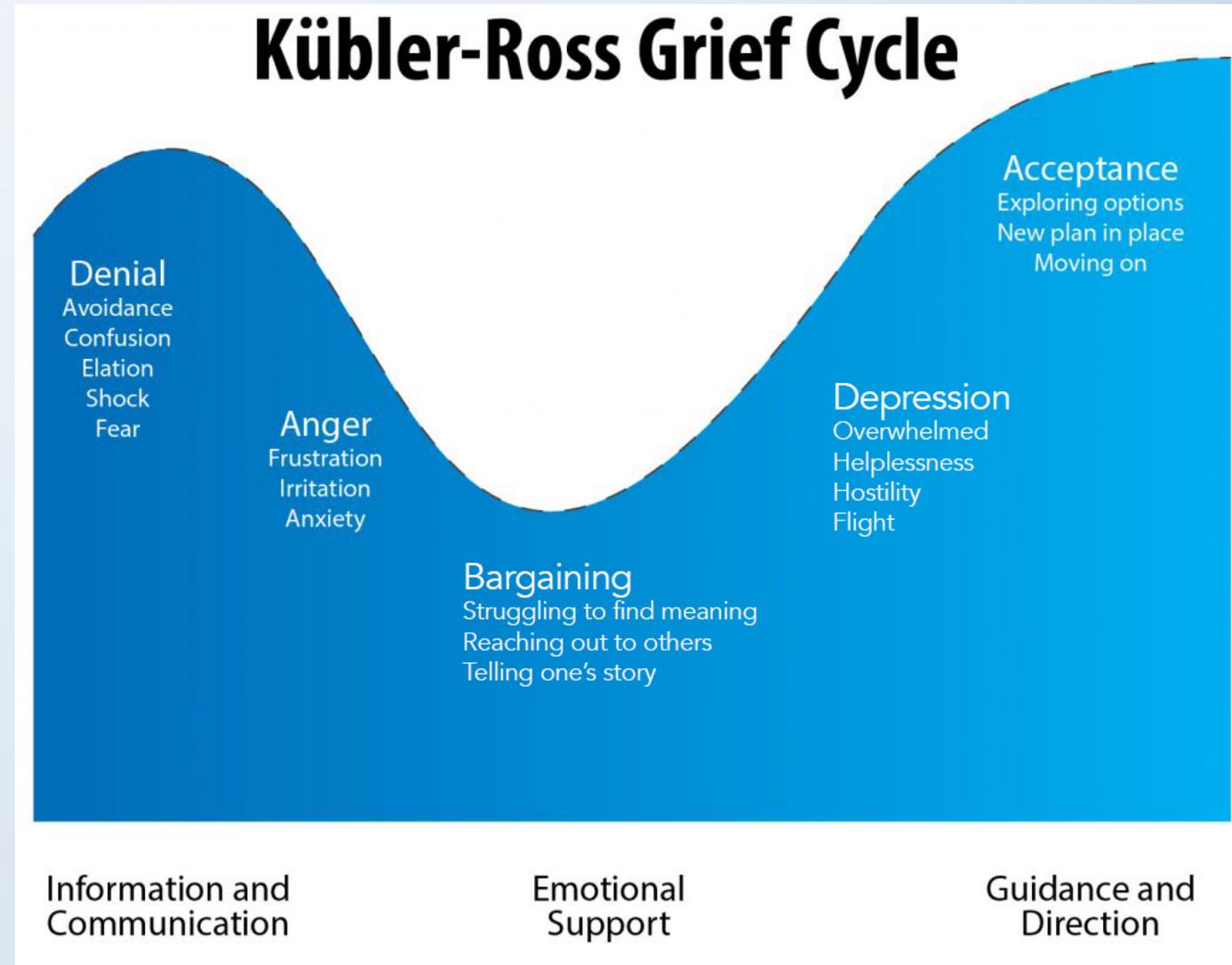
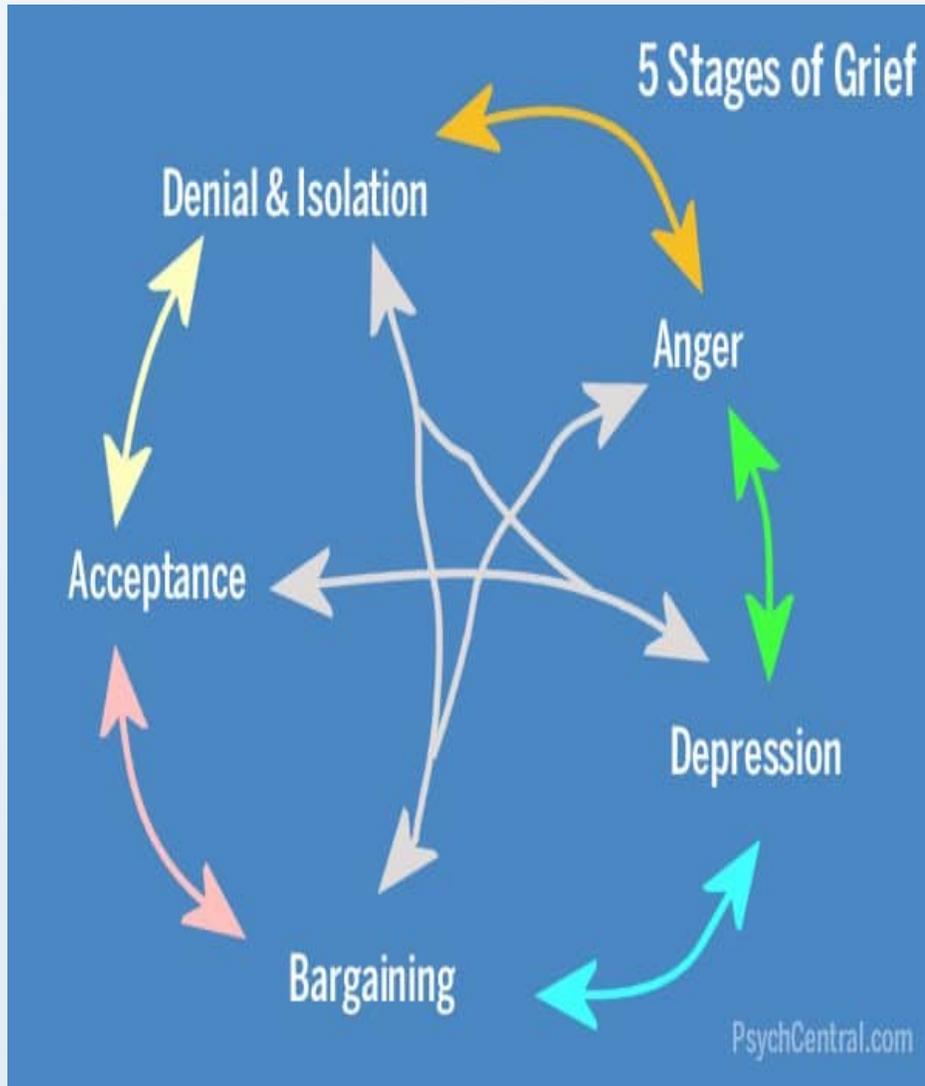
Other than the presentation of the actual financial information (unaudited actuals) all other budget presentations are a combination of actuals and projections for the current and upcoming year

Tonight's Presentation Agenda

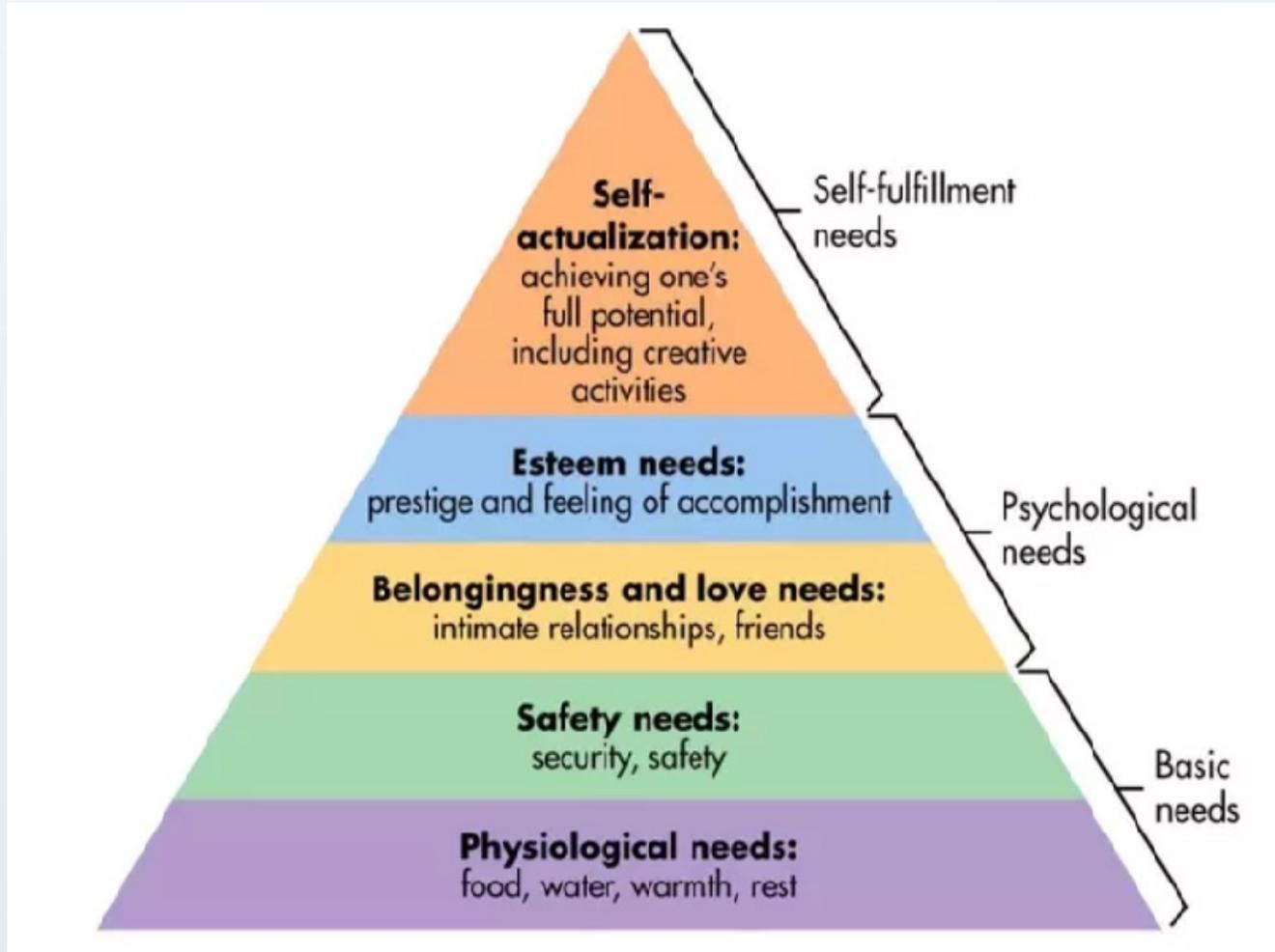
"The Story" Part 3

- Budget Reduction Process – 5 Point Plan
- How did we get here budget review
- Management Staffing Ratios
- Other Revenues – Parcel Tax and MRAD
- Investments
- Transitioning toward solutions
- Other Post Employment Benefits – OPEB
- Budget Reduction Process Timelines

Budget Reduction Emotional Cycle



Budget Reduction Considerations



Maslow's Hierarchy of Needs

When identifying reductions the focus starts with the determination of base (essential) services

- Identify base program that supports instruction
- Prioritize auxiliary services that support student achievement
 - Hard decisions may be required regarding support services

Moving Forward - Together

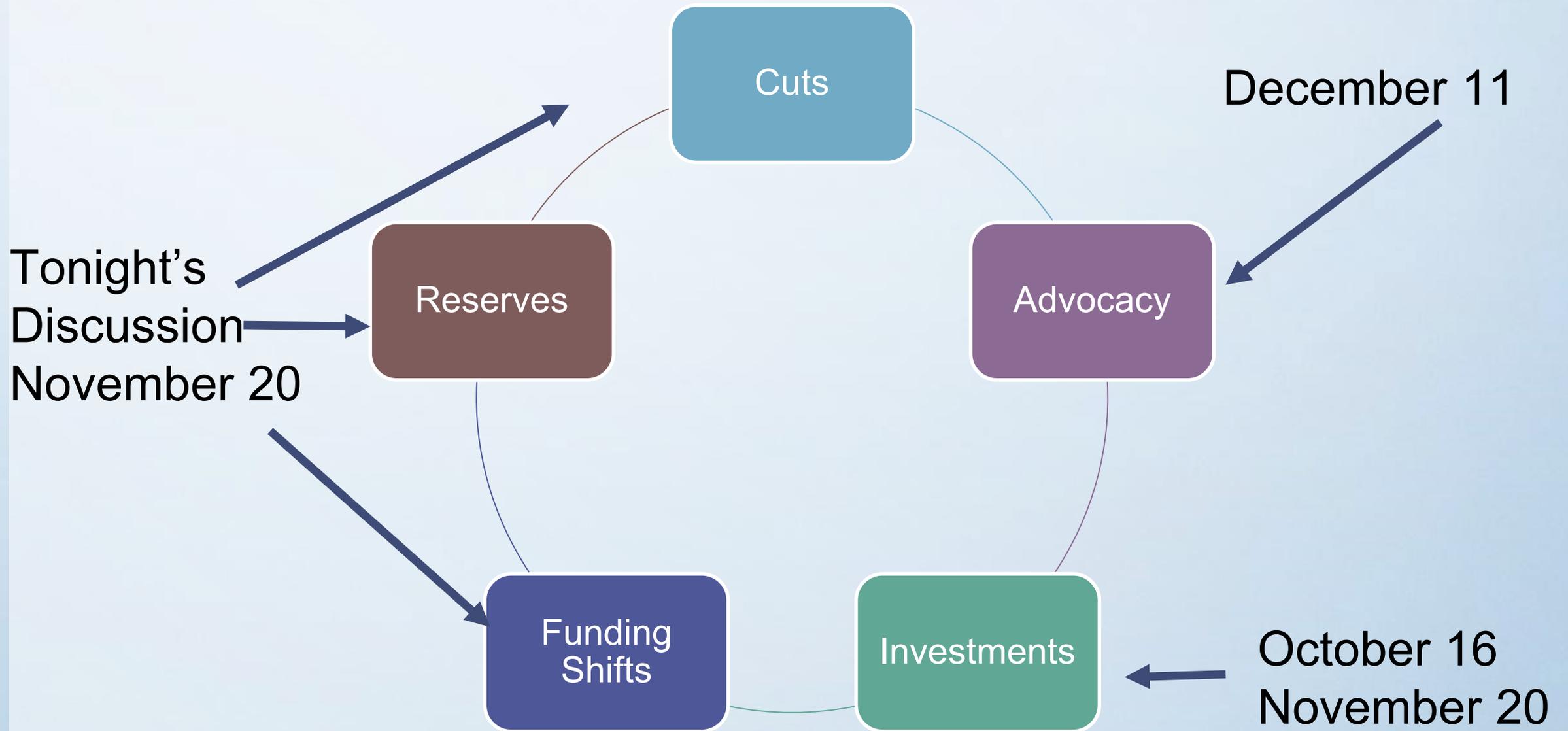
- Solving the Budget issue will require a full partnership of all stakeholders.
- We need to understand the current situation, provide data, and answer questions
- We need to look forward – together!



Priorities of the Board & District

- Roadmap 2.0
- English Language Arts program elementary schools
- Dual language immersion program
- Support for African American students
- Positive school climate
- Stege Elementary School
- *Make necessary reductions to maintain a positive certification for the 2019 – 20 and two subsequent years budgets*

Budget Reductions – Multiple Approaches



How Did We Get Here?

- There has been historical small levels of deficit spending with significant fund balance to cover and The District experienced greater deficit spending beginning in 2017-2018
 - The District did during this period increase reserves in both Fund 71 (\$31 million) and 17 (\$38 million) for future “rainy days”
- State Funding for k-12 education has slowed as Local Control Funding Formula (LCFF) became fully funded.
- Expenses for Special Education, Risk Management, Staffing, Goods and Services, and Employee compensation increased at percentages higher than revenues received and anticipated
- District contributions for retirement benefits (STRS and PERS) continue to increase with the District projected to pay \$26 million more per year than it was paying just a couple of years ago
- Declining enrollment and ADA decline \$2.5 million (cumulative over \$5 million in the last couple of years)

District Revenue and Expenditures (as of Unaudited Actuals)

Year	Revenue	Expense
2015 – 2016	\$340,214,523.53	\$309,902,278.54
2016 – 2017	\$334,337,590.93	\$337,500,166.46
2017 – 2018	\$354,747,420.08	\$371,805,877.13
2018 – 2019	\$366,105,318.65	\$379,764,236.31
2019 – 2020 projected	\$361,018,357.00	\$400,960,735.00
2020 – 2021 projected	\$365,990,946.00	\$413,840,125.00
2021 – 2022 projected	\$375,578,583.00	\$417,988,338.00

District Expenses Trends

EXPENDITURE DESCRIPTION	OBJECT CODE	2019-20 REVISED BUDGET	2018-19 ACTUALS	2017-18 ACTUALS	2016-17 ACTUALS	2015-16 ACTUALS
CERTIFICATED SALARIES	1000-1999	157,482,941.00	148,595,689.94	139,567,743.06	127,237,407.58	118,825,866.12
CLASSIFIED SALARIES	2000-2999	62,687,755.00	58,965,239.87	57,074,996.44	55,673,972.46	50,025,274.95
EMPLOYEE BENEFITS	3000-3999	102,267,470.00	89,221,114.93	91,957,355.06	75,922,112.24	70,199,908.09
BOOKS AND SUPPLIES	4000-4999	13,731,163.00	16,569,370.29	13,875,175.67	11,276,142.18	11,417,008.52
SERVICES AND OTHER OPERATING EXPENDITURES	5000-5999	65,873,581.00	62,877,875.57	62,691,203.22	59,618,405.74	56,934,573.72
CAPITAL OUTLAY	6000-6999	2,566,089.00	2,211,639.52	6,049,318.22	6,966,957.12	2,127,884.59
OTHER OUTGO	7100-7299 7400-7499	2,403,736.00	1,323,306.19	590,085.46	805,169.14	371,762.55
		407,012,735.00	379,764,236.31	371,805,877.13	337,500,166.46	309,902,278.54

Impact of CalSTRS and CalPERS on WCCUSD

- Employer Rate Keeps increasing yearly
- Data is from ALL Funds, and not just Fund 01 and is therefore higher than reported in many summary reports from the Unadited Actuals and SACs budget reports

Year	STRS Rate	PERS Rate	CalSTRS \$ Increase	CalPERS \$ Increase	Total \$ Increase	Cumulative \$ Increase
2015-2016	10.73%	11.847%	\$1,980,210	\$357,467	\$2,337,677	
2016-2017	12.58%	13.888%	\$2,874,898	\$1,402,373	\$4,277,271	\$6,614,948
2017-2018	14.43%	15.531%	\$3,569,569	\$1,157,209	\$4,726,778	\$11,341,726
2018-2019	16.28%	18.062%	\$3,870,338	\$1,738,226	\$5,608,564	\$16,950,290
2019-2020	17.10%	19.721%	\$2,417,469	\$1,535,401	\$3,952,870	\$20,903,160
2020-2021	18.40%	22.700%*	\$2,592,201	\$1,981,003	\$4,573,204	\$25,476,364
2021-2022	18.10%	24.600%*	(\$542,287)	\$1,489,768	\$947,481	\$26,423,845

Special Education Services

- The total Spending for Special Education in 2018 – 2019 was over \$84 million
 - The severity of disabilities served continues to increase

Data presented is selected disabilities: Totals include all classified students

Year	Speech Only	Other Health Impaired	Specific Learning Disability	Autism	Total	Total Expenditures
2005 - 2006	1,759	62	2,091	157	4,757	
2016 – 2017	957	170	1,888	461	4,108	\$74,450,590
2017 - 2018	947	197	1,820	535	4,109	\$81,747,459
2018 - 2019	977	233	1,740	637	4,167	\$84,413,356

Risk Management

- The District spends \$7,344,43 for Worker's Compensation Premiums

- The District spends \$2,331,282 for Property and Liability Insurance

Year	Worker's Compensation Premium
2015 – 2016	\$4,600,440
2016 – 2017	\$5,683,661
2017 – 2018	\$6,090,680
2018 – 2019	\$7,288,619
2019 – 2020	\$7,344,431

Year	Property and Liability Premium
2015 – 2016	\$1,731,405
2016 – 2017	\$1,714,433
2017 – 2018	\$1,705,375
2018 – 2019	\$1,947,195
2019 – 2020	\$2,331,282

- The experience modification (Ex-Mod) factor determines the rates
- WCCUSD Ex-Mod is 146% for 2018 - 2019
- **San Ramon has an Ex-Mod of 84.1% and a total premium of \$3,910,650**

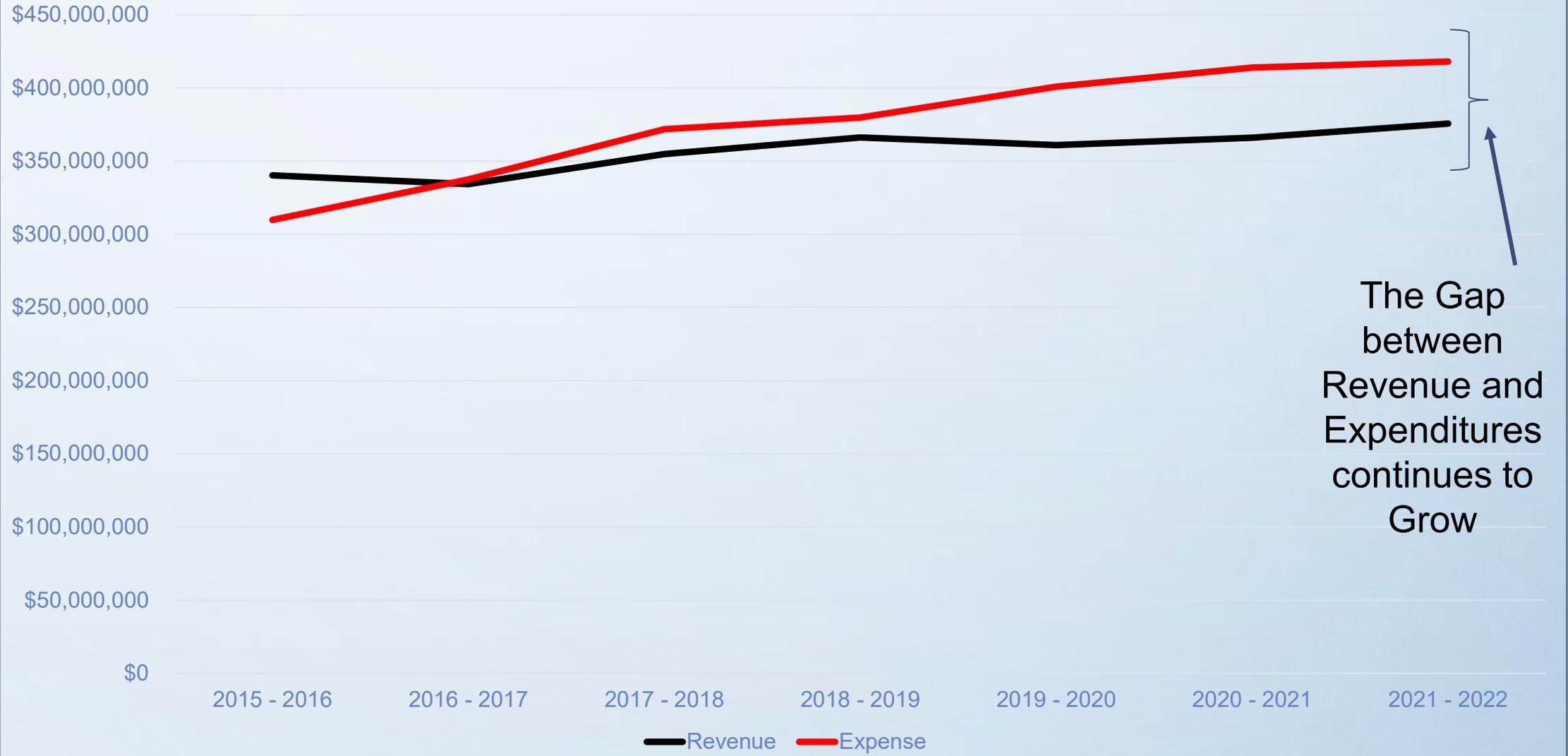
- The experience modification (Ex-Mod) factor determines the rates
- WCCUSD Ex-Mod is 158% for 2019 – 2020 for Liability and 92% for Property

Historical Attendance Rate

(Does not include Charter Schools)

Fiscal Year	CBEDS Enrollment	P2 ADA	% ADA to CBEDS enrollment	Change in ADA %	Enrollment Change
2010 – 11	29,078	27,664.85	95.14%		506
2011 – 12	28,858	27,597.70	95.63%	0.49%	(220)
2012 – 13	29,364	28,036.81	95.48%	(0.15%)	506
2013 – 14	29,486	28,147.48	95.46%	(0.02%)	122
2014 – 15	29,145	27,741.04	95.18%	(0.28%)	(341)
2015 – 16	28,639	27,169.65	94.87%	(0.31%)	(506)
2016 – 17	28,518	27,023.13	94.75%	(0.12%)	(121)
2017 – 18	28,457	26,808.35	94.21%	(0.54%)	(61)
2018 – 19	28,121	26,403.27	93.89%	(0.32%)	(336)
2019 – 20 Projected	28,121*				

Historical Revenue and Expense – Fund 01 Combined



The Gap between Revenue and Expenditures continues to Grow

Major Expenditure Assumptions – Out Years

(As of 2018-2019 Unaudited Actuals – Fund 01 ONLY)

	2018 -2019	2019-2020	2020-2021	2021-2022
LCFF Gap Rate Projection	100%	0%	0%	0%
Projected COLA (DOF)	3.70%	3.26%	3.00%	2.80%
Step & Column cost	\$1,364,047	\$1,507,905	\$1,567,280	\$1,582,953
STRS (increased rate)	\$921,867	\$953,242	\$1,565,581	(\$364,901)
PERS (increased rate)	\$327,558	\$384,525	\$1,081,339	\$696,573
Restricted Maintenance (3% contribution)	\$73,421	\$61,558	\$96,284	\$156,431
Reserve for Economic Uncertainties	\$9,968	\$143,635	\$339,539	\$124,446
Declining Enrollment (loss of revenue)	\$691,824	\$2,657,835	\$559,795	\$84,466
Special Education Contribution (SELPA)	\$2,665,897	\$2,745,873	\$2,814,519	\$2,884,882
Insurance / Workers Compensation	\$1,439,759	\$439,899	\$500,000	\$500,000
Salary Settlements	\$11,354,185	\$9,751,423	\$5,605,680	\$0
Statutory Benefits Cost Increases	\$273,115	\$358,527	\$399,465	\$413,806
Program Contributions (CPI estimate)	\$1,202,452	\$1,115,029	\$1,055,376	\$1,056,238
TOTAL New Expenditures	\$20,324,093	\$20,119,415	\$15,584,858	\$7,134,894

Management By Cabinet Member

	Management	WCCAA	SSA	Confidential	Total
Superintendent	4	1	1	2	8
Ed Service	12	9	17	0	38
Operations	14	0	27	2	43
Human Resources	4	0	6	1	11
Business Services	5	0	10	2	17
Special Ed	1	2	1	1	5
Technology	1	0	2	1	4
Communications	2	0	1	0	3
School Sites	1	103	50	0	154
Total	44	115	115	9	284

Number of Administrative by Year

	current	2018-2019	2017-2018	2016-2017	2015-2016
Superintendent	8	8	8	7	8
Educational Svcs.	39	39	40	34	31
Operations	43	42	51	50	43
Human Resources	11	11	11	11	10
Business Services	17	17	21	24	26
Special Education	5	5	5	5	5
Technology	4	4	4	4	4
Communications	3	3	3	3	3
Sites	154	153	143	130	124
TOTAL	284	282	286	268	254

Certificated Administrative to Teacher Ratio

- Education Code 41400-41407 Defines the required maximum ratios of administration to teachers and outlines how this must be reported in the annual audit under Education Code 41020

	Current	2018 – 2019	2017 - 2018	2016 - 2017	2016 - 2017
Administrative	133.70 FTE	134.50 FTE	106.40 FTE	107.40 FTE	108.00 FTE
Exempt Admin	8.70 FTE	9.45 FTE	7.76 FTE	7.56 FTE	7.90 FTE
Net Administrative	125.00 FTE	125.05 FTE	98.64 FTE	99.84 FTE	100.10 FTE
Teachers	1,582.01 FTE	1,582.52 FTE	1,469.13 FTE	1,457.03 FTE	1,490.33 FTE
Pupil Services	139.49 FTE	133.27 FTE	114.50 FTE	112.60 FTE	94.59 FTE
Allowed Ratio	0.08	0.08	0.08	0.08	0.08
Maximum Admin	126.56 FTE	126.60 FTE	117.53 FTE	116.56 FTE	119.23 FTE
Total / Excess	-1.56 FTE	-1.55 FTE	-18.89 FTE	-16.72 FTE	-19.13 FTE
PASS (Yes/No)	YES	YES	YES	YES	YES

Management Staffing Summary

- The District employees 284 administrators
- The total cost of Management and Confidential \$37,274,748 which is approximately 12.88% of the budget for Objects 1000 – 3999.
- The District has increased the number of management positions since 2015 – 2016 by 30 positions total

Parcel Tax Measure T 2016

- The District passed a Parcel Tax in 2004 which assesses \$7.2 cents per square foot for each parcel and renewed again in 2008, 2012 and 2016 which then required a proportional contribution to charter schools within the District boundaries.
- The most recent extension expires in 6 years (2026)
- Approved ballot language “protecting core academics, reading, writing, math, and science, attracting and retaining quality teachers, supporting science lab materials and activities, providing lower class sizes, preparing students for college and the workforce”
- The funds are currently utilized to support libraries, athletics, counseling and augment class size reduction.

2016 Parcel Tax Revenue / Expense

- Revenue \$9,777,072
- Expenditures / FTE (Current Year)

Position	FTE (Positions)
Librarians	12.0
Instructional Media Tech	13.0
Library Supervisor	1.0
Library Media Specialist	9.0
Administrative Tech	1.0
Project/Program Assistant	1.0
Curriculum Specialist	0.5
Secondary Counselors	16.0
Teacher/Athletic Director	1.33
Speech Therapists	3.61

Expenditure	Amount
Positions (58.45 FTE)	\$5,948,426
Athletic Funding contribution	\$1,500,000
Charter School Payments	\$1,889,593
Class Size Reduction contribution	\$418,553
SCI Contract	\$20,500
TOTAL	\$9,777,072

Maintenance and Recreation District MRAD 1994

- In 1994 an effort to raise and sustain funding for outdoor facilities, the district formed the MRAD.
- In 1996 the formation of MRAD was followed by an election to continue these levies. This allows the District to levy taxes to support the maintenance and operations of fields and outdoor areas for the purpose of public use.
- MRAD revenue is budgeted for 2019-2020 in the amount of \$5,588,083 million which pays for evening/after school custodial services, gardeners and outdoor capital projects.

LCAP Expenditures

- Under the Local Control Funding Formula the District identifies the expenditures that support unduplicated count students through Supplemental and Concentration Funds. These funds are considered “Unrestricted” but are designed to support additional services for the students across the district that generated the funds.
- The DLCAP Committee works to define the priorities for Board approval that should be funded with the available resources
- The District receives \$54,777,568 in S&C funds outlined in the current LCAP
 - 48% (\$26,744,467) support Achieving Students
 - 30% (\$16,872,582) support Thriving Employees
 - 22% (\$12,290,217) support Caring Schools

Investments



- Look at opportunities to increase district revenue
- Attendance accountability
- Risk Management focus
- Facility utilization and optimization
- **Specialty programs to sustain enrollment**
- Public/Private partnerships
- Facility Use Rental Fees

Strategies to Increase Parent Satisfaction and Enrollment

The goal is to become a Destination District that offers programs and opportunities to serve all student populations

- Explore additional K-8 school options (Kennedy Family, Washington Dual Immersion)
- Identifying and implementing a permanent home for the Mandarin School that continues to grow enrollment
- Identifying/adding additional small learning communities / pathways at Kennedy High School
- Consider new 7 – 12 options for specialty focus schools that will attract and maintain students across the District such as a stand-alone Performing Arts School / STEM / STEAM / Virtual / CTE school
- Continue investments in new and growing programs

Transitioning Toward Budget Solutions

CUT TARGETS

- 2019 – 2020 \$39.9 million
- 2020 – 2021 \$7.9 million
- 2021 – 2022 \$0 million (at this time)

Budget Solution Categories

- Current year utilization of reserves and expenditure controls
- Ongoing reductions
 - Funding shifts
 - Non Salary reductions
 - Reduction of Management Staffing Positions
 - The remainder of reductions impact staffing and employee compensation and require negotiations
 - Staff will be working with the Board and Associations to determine the magnitude of cuts that will require negotiations and will begin those conversations after the closed session portion of the December 11th Board meeting

Non-Salary Expense Review

- All non-salary expenditures were released to stakeholders and the public after the October 23rd Board meeting
- Multiple clarifying questions have been received and are being posted on the District website
- The feedback from Stakeholder groups was that the information was too overwhelming and not formatted in a manner that allowed for meaningful input
- Staff is reformatting the information into a easier to read format and will make a first attempt at identifying all possible areas for consideration for reductions and present this to the Board and stakeholders for review prior to recommending actions in January
- To assist in providing meaningful input a survey regarding priorities will be released to all stakeholders the week of December 9th

Non-Salary Evaluation Criteria

During Review of Non-Salary expenditures the following should be considered when identifying areas for possible reduction

- Is the Expenditure Required by law?
- Is this a District Obligation / Requirement?
- Does it align to District Priorities (Roadmap 2.0)?
- Is the Expenditure a Restricted Grant Obligation?
- Is the Expenditure a Long-term contractual obligation?
- Are there Measureable Outcomes identified?
- Is the Expenditure aligned to the District's Core Functions?

Current Year Budget Reduction Solutions

- The Current year budget deficit cannot be resolved with mid-year reductions and will require the utilization of a combination of reserves
- Utilization of Reserves is a one-time solution, and real ongoing reductions will be required to be adopted by the Board for the 2020 – 2021 school year
 - The District must maintain a minimum of 3% (approximately \$12-14 million) in unrestricted reserves
 - The total available reserves at unaudited actuals was \$38 million in Fund 1 and 17 and an additional \$31 million in Fund 71 and the OPEB Trust.
 - There are not sufficient reserves to mitigate the total deficit for the current year requiring the utilization of Fund 71 for the current year and possibly the subsequent school year as part of the comprehensive solution
 - At the First Interim on December 11th, The Board will make a commitment to adopt these cuts as part of the 2020-2021 budget adoption in June 2020.

Components of Unrestricted and Fund 17 2018-2019 Ending Fund Balance

Assignment / Designation	Amount
Revolving cash	\$70,000.00
Stores (values of Warehouse stock)	\$264,189.53
Unassigned/Unappropriated	\$3,710,443.05
Fund 17	\$34,037,843.12
Total	\$38,082,475.70

Other Post Employee Benefits - OPEB

- The District provides post-employment health and welfare benefits to retirees as stipulated in the collective bargaining agreements
 - **This is a guaranteed benefit**
- The total expenditure is built into the operational budget and is estimated at \$15.6 million for 2019 – 2020
 - These are required benefits and the funds are transferred from the General Fund to Fund 71 each year to pay the benefits
- An Irrevocable Trust for OPEB Expense was set up in Fund 71 to address the actuarial obligation

FUND 71 – Retiree Benefits

- The Ending Fund Balance in Fund 71 included two components

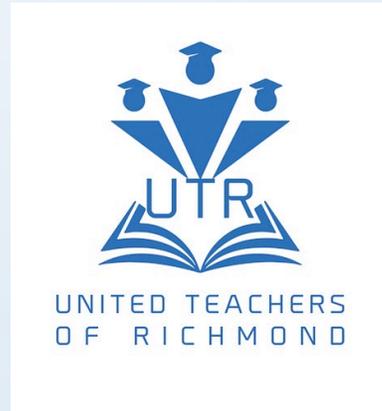
Object Code	Fund Balance
9100 – 9199 – Cash and Equivalents	\$5,535,425.95
9135 – Cash With Fiscal Agent	\$27,621,054.38
TOTAL	\$33,156,480.33

- Expenditures are paid out of the General Fund and the fund balance is saved for future payments if needed
- The projected expenditure is budgeted \$15,604,986 for 2019 – 2020
 - This amount can be paid from the Fund balance as a one-time transfer up to the amount of the expense for the current school year

Calendar of Budget Events

- Live Community Budget Event December 9th – Presentation of Budget Story and Question and Answer Period along with release of priority survey and continued Community Engagement meetings
- First Interim Budget Report December 11th – First view of full budget reports with carryover included (No actions)
- Closed Session Discussion of Negotiations impact of Budget Reductions – December 11th
- Board Presentation December 11th–Advocacy discussion
- Board Presentation January 15th– Results of Survey on Priorities, First presentation of Non-Salary potential cuts and annual audit reports
- Board Presentation January 29th – Continue discussion of non salary reductions and Closed Session negotiations impacts

District's Goal is to continue to work collaboratively with our associations.



Reduction Target - Next Steps

Days Remaining to Identify 2019–20 Reductions

216
(as of November 20, 2019)



Date	Event or Activity
December 11, 2019	First Interim and identification of first round of <u>one-time and ongoing reductions</u>
March 11, 2020	Second Interim and identification of second round of <u>one-time and ongoing reductions</u>
June 24, 2020	Adopted Budget and identification of final round of <u>one-time and ongoing reductions</u>

2019 - 20 Remaining Reduction Target = \$- million
2020 – 21 Budget Reduction Target = \$47.8 million
2021 – 22 Budget Reduction Target = \$0 million