

2019-20 Proposed July Adoption Report

(Includes 2018-19 Estimated Actuals)



PRESENTATION TO THE BOARD OF TRUSTEES

JOE DOMINGUEZ, CHIEF BUSINESS OFFICER

HELEN BELLONZI, DIRECTOR OF FINANCE

JUNE 12, 2019

California Economic Outlook

The May Revision forecasts continued but slowing growth for California's economy

- Economy ranks 5th in the world
- GDP almost \$3 trillion, as of December 2018
- Maintaining historically low unemployment (4.3%), as of March 2019



Personal Income

- Forecast to grow at an average rate of 4.15%



Unemployment

- Remains low at 4.3% through 2022-23



Jobs

- Steady employment with a modest decline in the government sector

Housing in California

Housing is a big driver of the state economy

Since 2016, the state's housing production has decreased by 12,457 units at the end of 2018

Ten of the least affordable major markets in the nation are in California

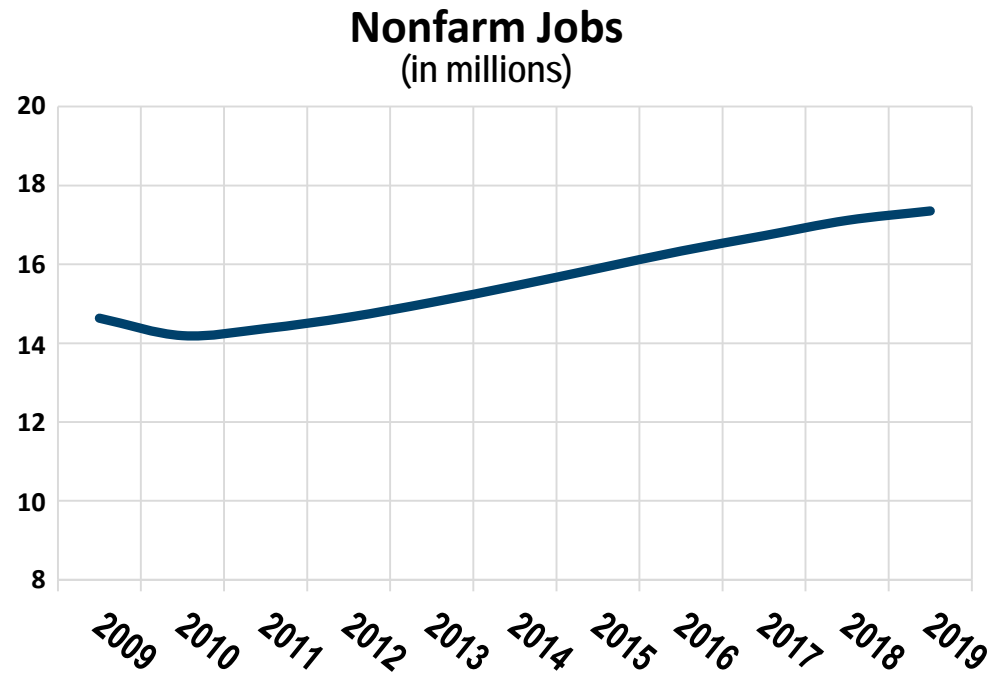
California is home to six of the 15 most expensive metropolitan rental markets in the U.S.



California Nonfarm Jobs

California's employment is on a steady upward trajectory

Nonfarm jobs have increased by over 2.7 million since 2009, which marked the start of the economic recovery period



Risks to the State Budget = Risks to District Budget



The Budget is predicated on the assumption that the economy will slow but not contract

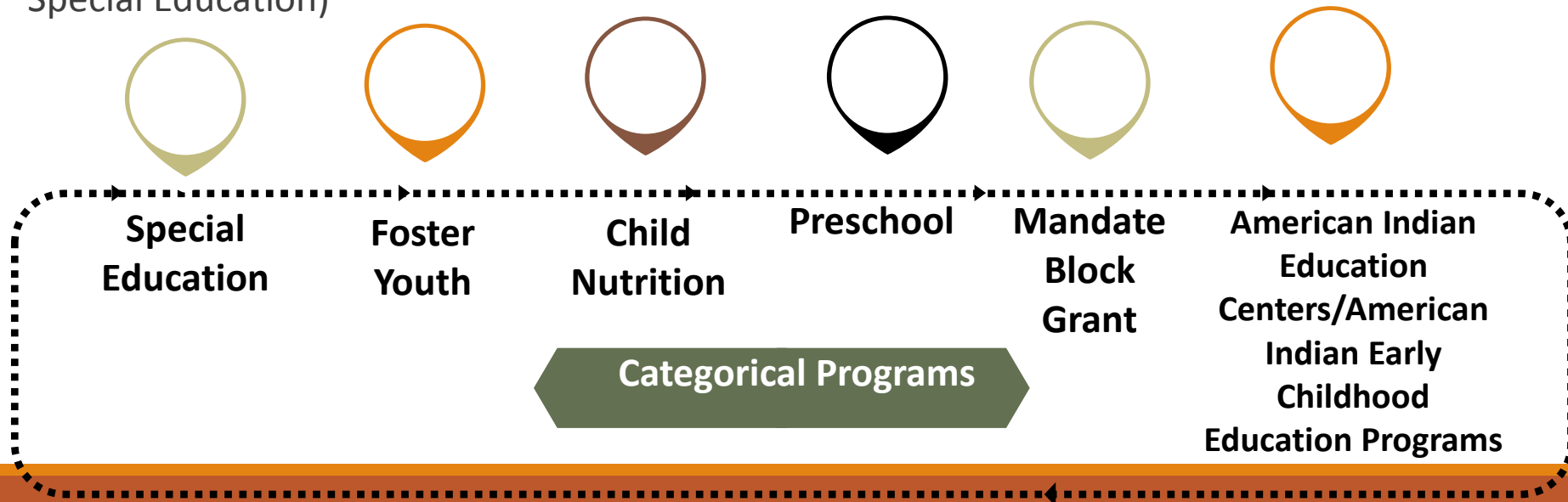
- **Although it invests in state reserves and reduces debt to strengthen California's resiliency, even a modest recession could undo recent gains**
- **Because of California's unique position as a global economic competitor, we are much more susceptible to changes in the global economy**
- **Heightened or prolonged tension with China can weaken emerging markets and global equities, as well as create more economic volatility**

Statutory COLA at 3.26%

The May Revision proposes a 3.26% statutory COLA (down from the 3.46% estimated COLA in January)

Categorical programs outside of the LCFF will receive the statutory COLA

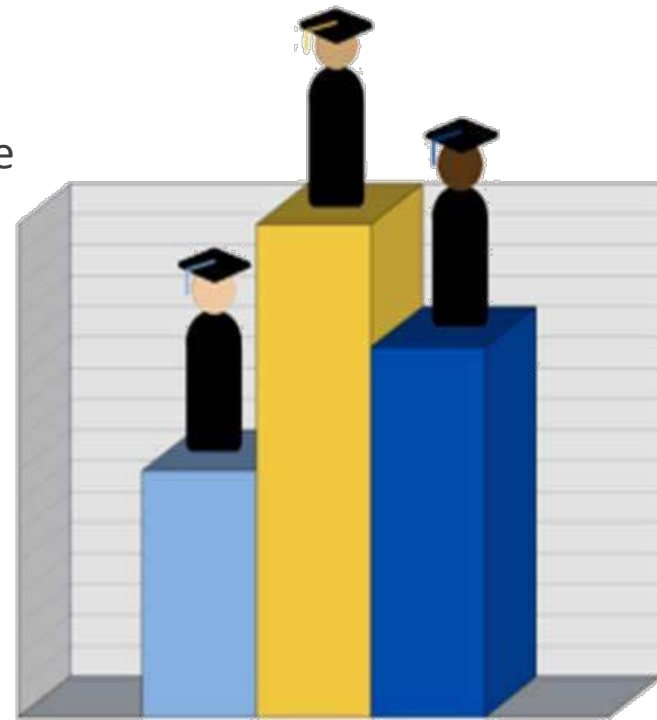
- As costs continue to rise, these programs will see adjustments for COLA only (and ADA for Special Education)



Ability to Fund Schools

California's fiscal effort to fund schools: Grade F

- California's per capita personal income (\$44,173) is above the national average, but it provides only \$34 for each \$1,000 of personal income to support schools
- By contrast, New York had a comparable per capita personal income (\$46,445), but provided \$55 for each \$1,000 of personal income, earning a grade A
- New Mexico, with considerably lower per capita personal income (\$36,814) nevertheless provided \$48 for each \$1,000 of personal income, also earning a grade A



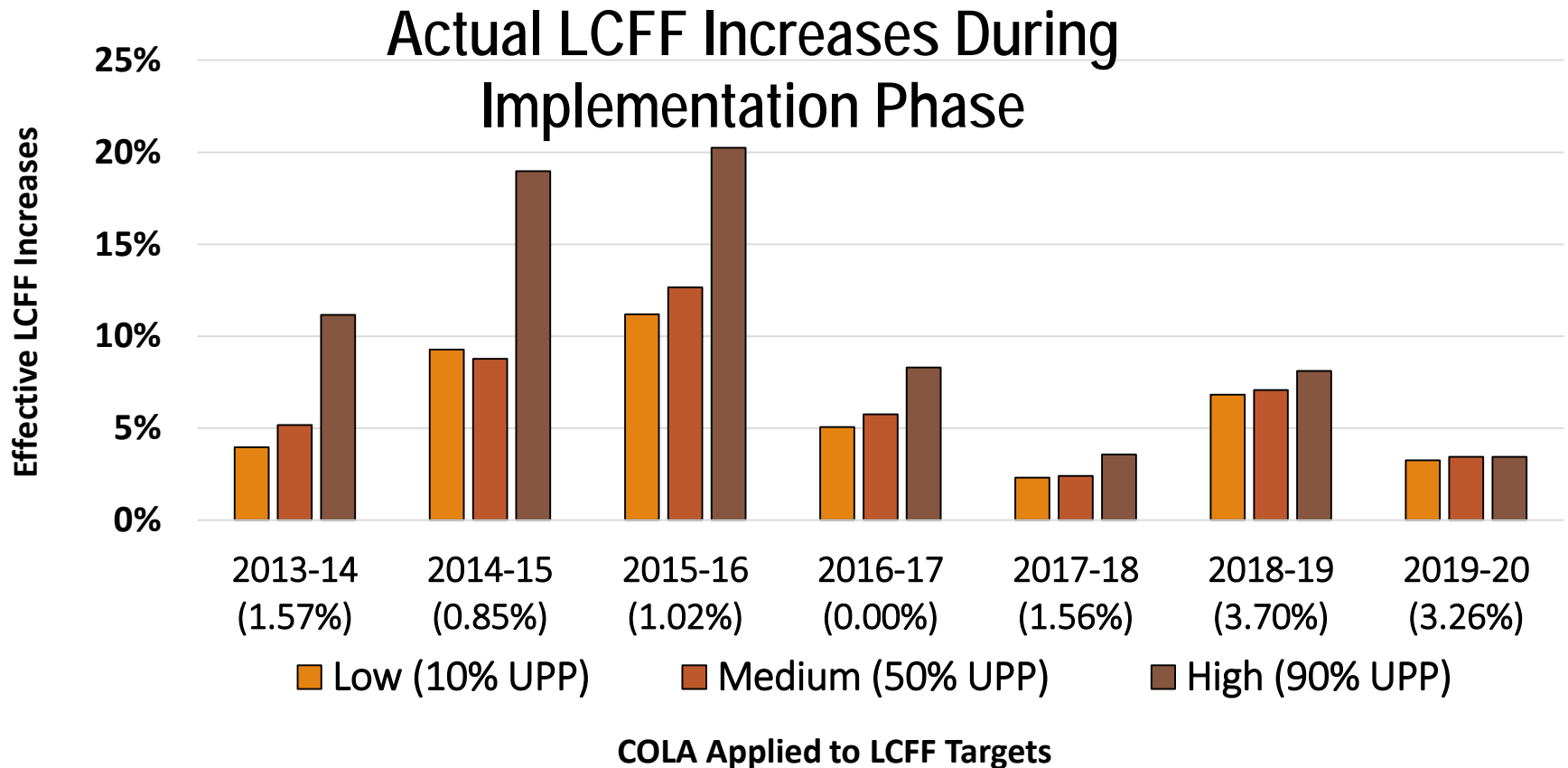
2019-20 PROPOSED BUDGET PRESENTATION

Budget Adoption Process

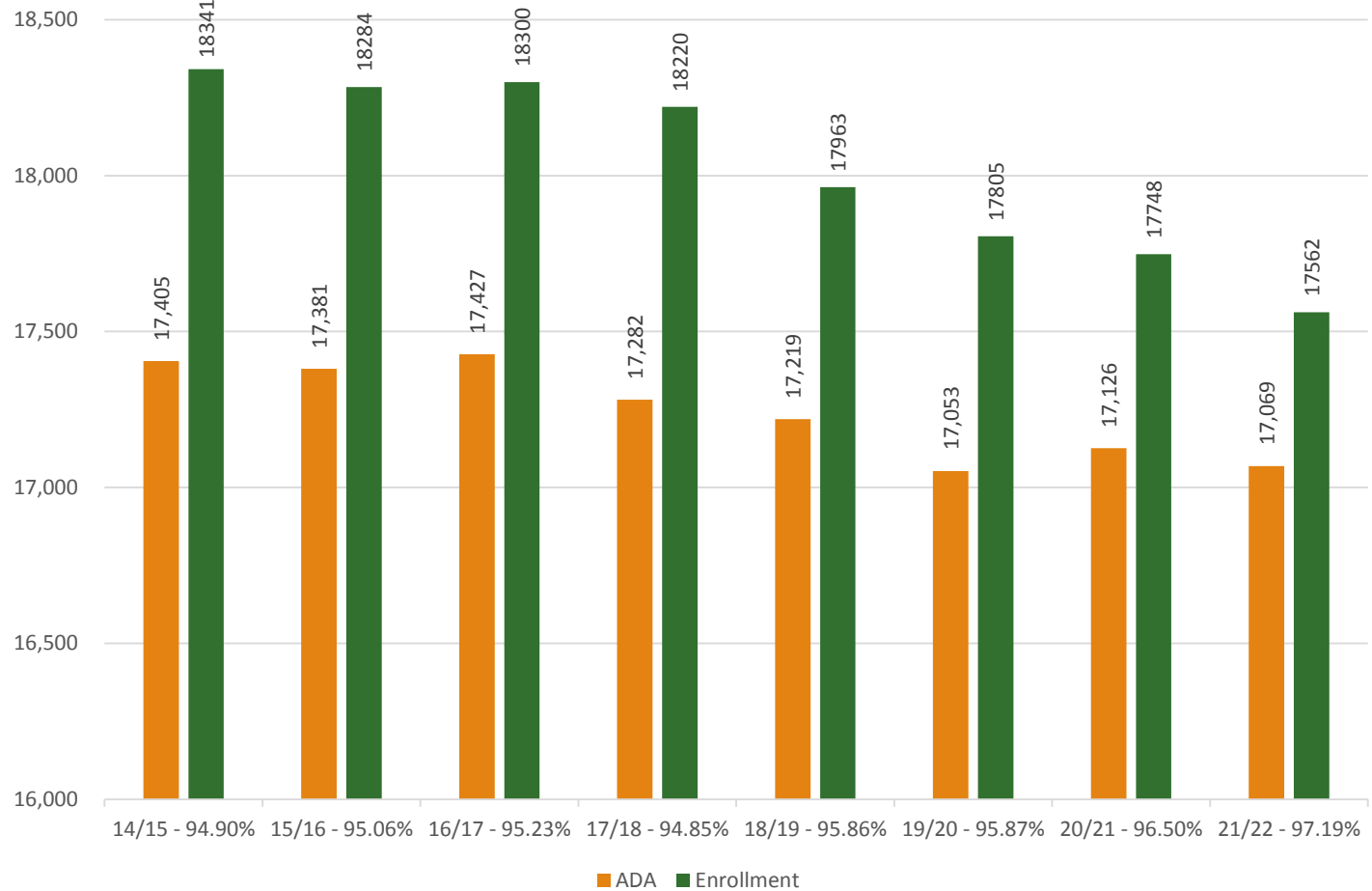
- **Each School Board is required to adopt a budget prior to July at a regularly held board meeting**
- **The information used to develop and prepare this year's budget includes the most current information provided from:**
 - **The Governor's May Revision (State adopted budget may change)**
 - **School Services of California Dartboard**
 - **FCMAT's (Fiscal Crisis Management & Assistance Team's) LCFF (Local Control Funding Formula) Calculator**

2019-20 BUDGET ASSUMPTIONS

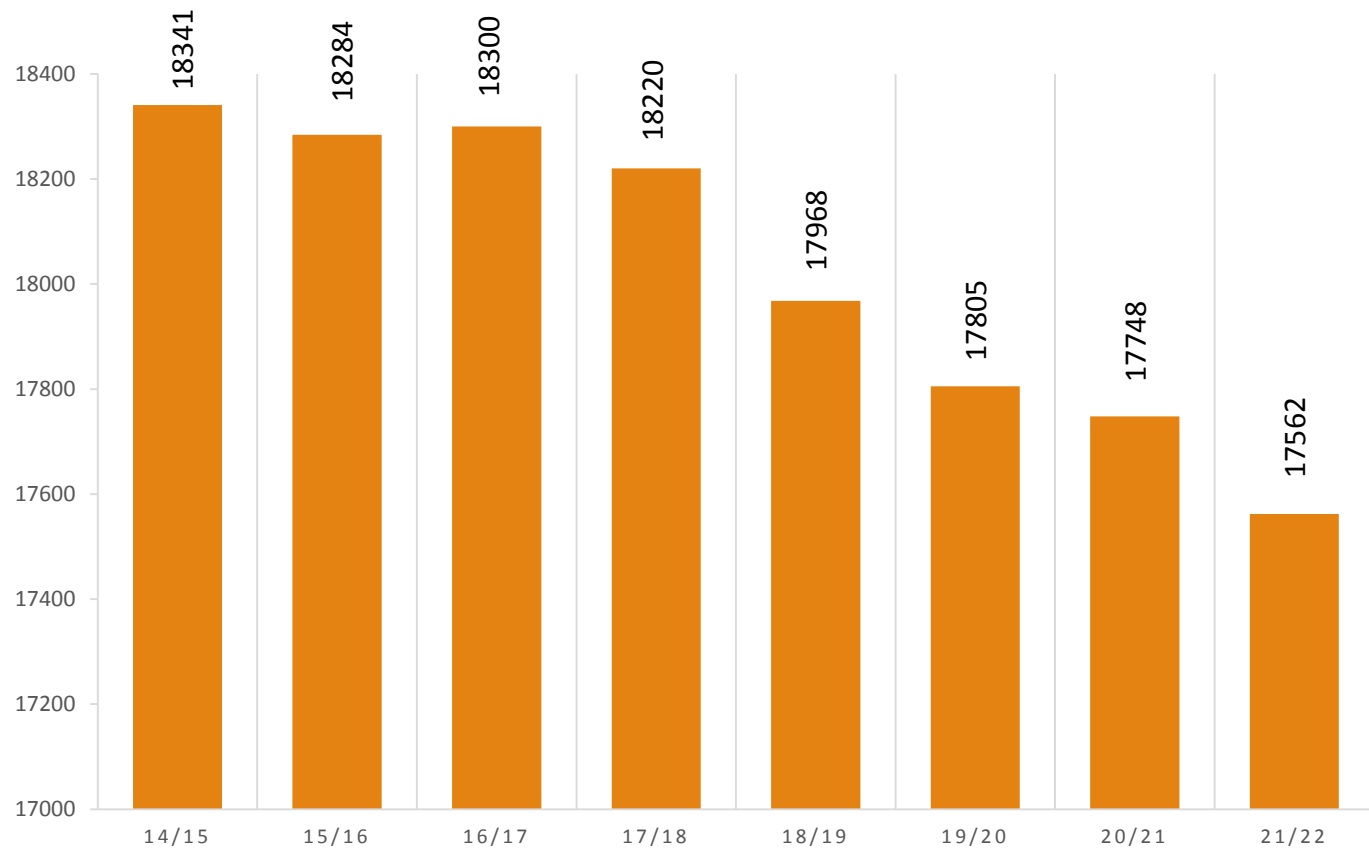
LCFF Increases During Implementation



Enrollment/ADA



Declining Enrollment



CalSTRS Rates

In January, Governor Newsom proposed a \$3 billion one-time non-Proposition 98 General Fund payment to CalSTRS to reduce long-term liabilities for employers

- At the May Revision, Governor Newsom increased this proposal by \$150 million (non-Proposition 98) to reduce the 2019-20 employer contribution rate from 18.13% to 16.70% in 2019-20
- The proposal retains the 2020-21 decrease of 19.10% to 18.10%

CalSTRS Rates			
Year	Employer	Pre-PEPRA* Employees	Post-PEPRA Employees
2017-18	14.43%	10.25%	9.205%
2018-19	16.28%	10.25%	10.205%
2019-20	16.70%**	10.25%	10.205%
2020-21	18.10%**	10.25%	10.205%
2021-22	17.80%**	10.25%	10.205%
2022-23	17.80%**	10.25%	10.205%

*Public Employees' Pension Reform Act

**Rates are subsidized based on the Governor's May Revision proposal

CalPERS Employer Contribution Rates

The California Public Employees' Retirement System (CalPERS) Board adopted an employer contribution rate of 20.733% for 2019-20

- 2.671% higher than the current-year rate of 18.062%

Also approved a continuation of the new member (post-PEPRA) contribution rate of 7.0% into 2019-20

CalPERS Board does not have the authority to change the contribution rate for classic members (pre-PEPRA) who also happen to contribute 7.0%

Year	Previous Employer Contribution Rates	Revised Employer Contribution Rates*
2018-19	18.062%	18.062%
2019-20	20.70%	20.733%
2020-21	23.40%	23.60%
2021-22	24.50%	24.90%
2022-23	25.00%	25.70%
2023-24	25.50%	26.40%
2024-25	25.70%	26.60%
2025-26	25.50%	26.50%

*Actual for 2019-20

Routine Restricted Maintenance Account Contribution



Greater of:

Lesser of 3% of total
General Fund expenditures
or the amount deposited in
2014-15

or

2% of total General Fund
expenditures



At least:

3% of total
General Fund
expenditures

Pajaro Valley USD
2019-20 required
contribution - \$7.8
million

Multi-year Projections

Multi-year Projections

Multi-year projections (MYPs) are required by AB 1200 (Chapter 1213/1991) and AB 2756 (Chapter 52/2004)

Recognize that MYPs are projections, not forecasts

- Projections are expected to change as various factors change – they are not predictions
- Projections are the mathematical result of today's decisions based on a given set of assumptions
- Forecasts are predictions of the future – there is a higher implied reliability factor than for projections

Projections will change any time the underlying factors change – therefore, plan to adjust as conditions change

Multi-year fiscal projection

General Fund Unrestricted

(2019-20 July Adoption)

	2018-19	2019-20	2020-21	2021-22
Beginning Balance	33.82	24.50	9.15	9.90
Revenues	195.60	196.45	203.75	208.57
Expenditures	169.70	173.60	165.99	167.95
Contributions	(35.22)	(38.20)	(37.01)	(37.25)
Increase/Decrease	(9.32)	(15.35)	0.75	3.37
Ending Balance	24.50	9.15	9.90	13.27
Non Spendables *	0.39	0.39	0.39	0.39
3% Reserve	7.79	7.83	7.52	7.59
Assigned Fund Balance **	9.50	0.93	1.99	5.29
Committed Addl 3% Reserve ***	6.82	-	-	-
Committed Fund Balance ***	-	-	-	-
Restricted Fund Balance	-	-	-	-
Unappropriated Fund Balance	-	-	0.00	0.00

Total Fund Balance

* Revolving Cash, Cash with Fiscal Agent, Stores and Prepaids

** Includes set aside for PVHS Facilities and 18/19 One-Time Funds

*** Includes Board Approved Committed Funds

Multi-year fiscal projection

General Fund Restricted

(2019-20 July Adoption)

	2018-19	2019-20	2020-21	2021-22
Beginning Balance	6.14	1.85	1.02	0.96
Revenues	50.60	48.22	47.72	47.83
Expenditures	90.11	87.25	84.79	85.08
Contributions	35.22	38.20	37.01	37.25
Increase/Decrease	(4.29)	(0.83)	(0.06)	-
Ending Balance	1.85	1.02	0.96	0.96
Non Spendables *	-	-	-	-
3% Reserve	-	-	-	-
Assigned Fund Balance **	-	-	-	-
Committed Addl 3% Reserve ***	-	-	-	-
Committed Fund Balance ***	-	-	-	-
Restricted Fund Balance	1.85	1.02	0.96	0.96
Unappropriated Fund Balance	-	0.00	(0.00)	(0.00)

Total Fund Balance

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Multi-year fiscal projection

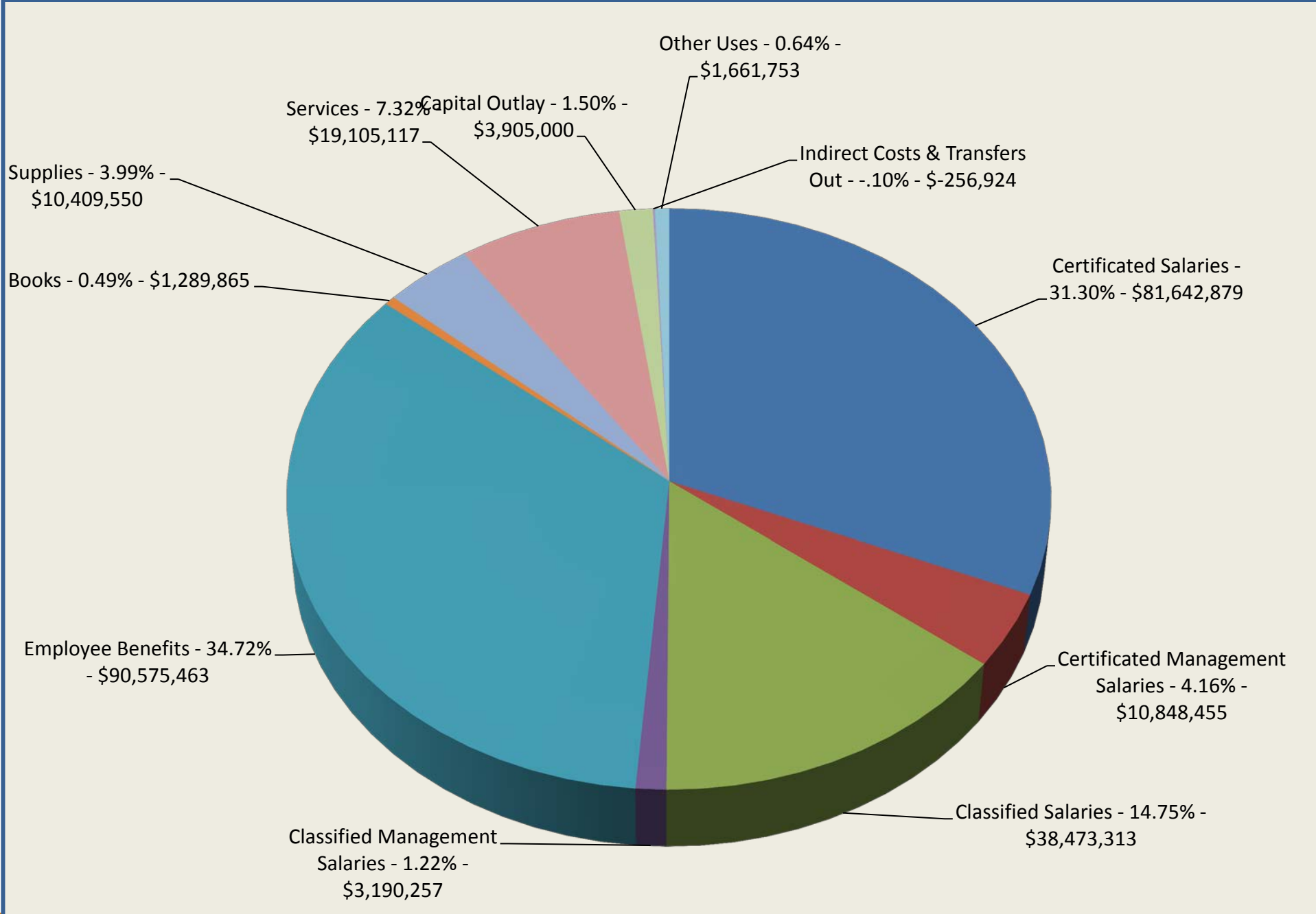
General Fund (Unrestricted/Restricted)

(2019-20 July Adoption)

	2018-19	2019-20	2020-21	2021-22
Beginning Balance	39.96	26.35	10.18	10.87
Revenues	246.20	244.67	251.47	256.40
Expenditures	259.81	260.84	250.78	253.02
Contributions	-	-	-	-
Increase/Decrease	(13.61)	(16.17)	0.69	3.38
Ending Balance	26.35	10.18	10.87	14.25
Non Spendables *	0.39	0.39	0.39	0.39
3% Reserve	7.79	7.83	7.52	7.59
Assigned Fund Balance **	9.50	0.93	1.99	5.30
Committed Addl 3% Reserve ***	6.82	-	-	-
Committed Fund Balance ***	-	-	-	-
Restricted Fund Balance	1.85	1.03	0.97	0.97
Unappropriated Fund Balance	-	-	-	(0.00)

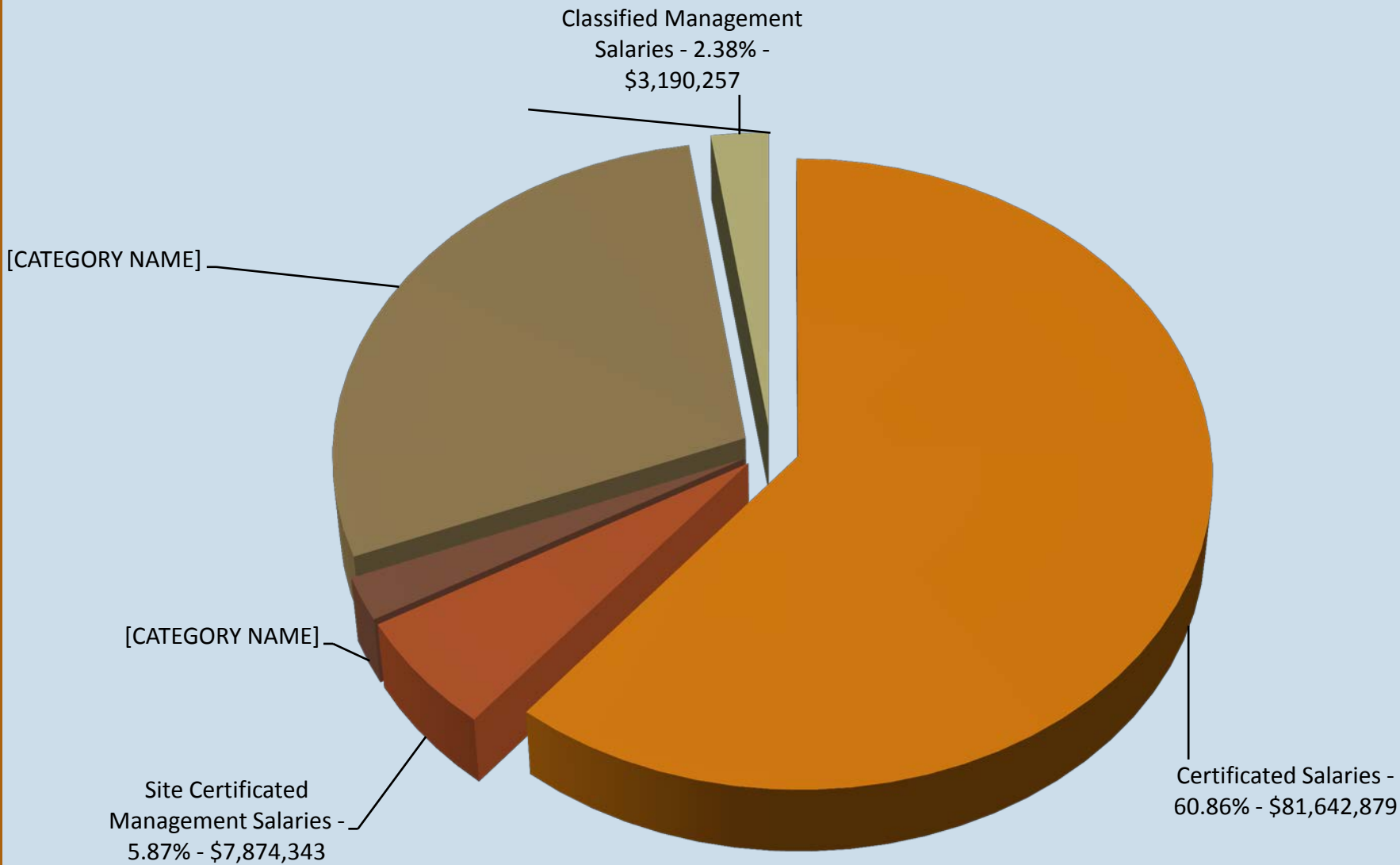
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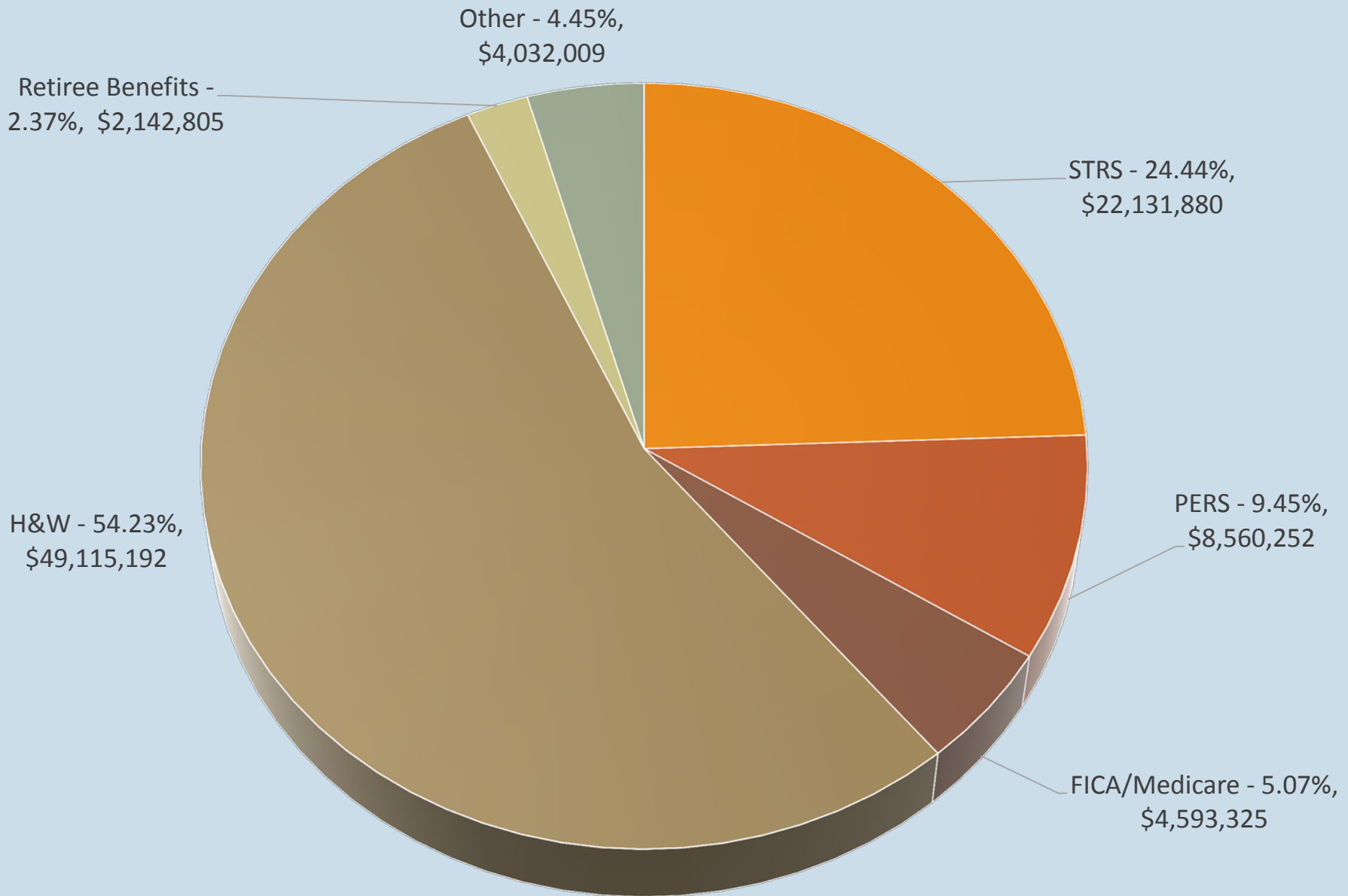


Total General Fund Expenditures 2019-20 Projected Expenditures - \$260 million

Salaries & Benefits – 86.15% of Budget



Total Salaries by Unit: 2019-20 Projected Salaries - \$134 Million 23



Benefits : 2019-20 Projected Benefits - \$90.5 Million

Required Contributions from Unrestricted to Programs

Restricted Programs

	2018-19	2019-20	2020-21	2021-22
Unrestricted Contributions	(35.22)	(38.20)	(37.01)	(37.25)
Special Education	27.55	28.97	27.91	28.00
Routine Restricted Maintenance	7.06	8.37	8.21	8.35
Other Miscellaneous	0.61	0.86	0.89	0.90
Net	0.00	0.00	(0.00)	-

Unrestricted Programs

	2018-19	2019-20	2020-21	2021-22
Transportation	8.03	8.12	7.92	8.08
State Funding	2.67	2.67	2.67	2.67
Local Funding (contribution)	5.36	5.45	5.25	5.41

NOTE: Amounts in Millions

Special Education Contribution Summary

Special Ed Contributions		
		Increase
2016-17 Actual	\$ 26,304,624	
2017-18 Actual	\$ 26,792,001	\$ 487,377
2018-19 Estimated	\$ 27,547,899	\$ 755,898
2019-20 Estimated	\$ 28,973,777	\$ 1,425,878

2020-21 Budget Assumptions

Declining Enrollment

ADA .5% increase (average daily attendance) with Saturday Academies & Attendance Campaign:

“All-In, Every day! Show up, connect and learn”.

Includes a 4.5 % Expense Reduction and Align Staffing to Declining Enrollment

Reductions to assist future deficit spending

Reductions to continue filing a positive budget certification

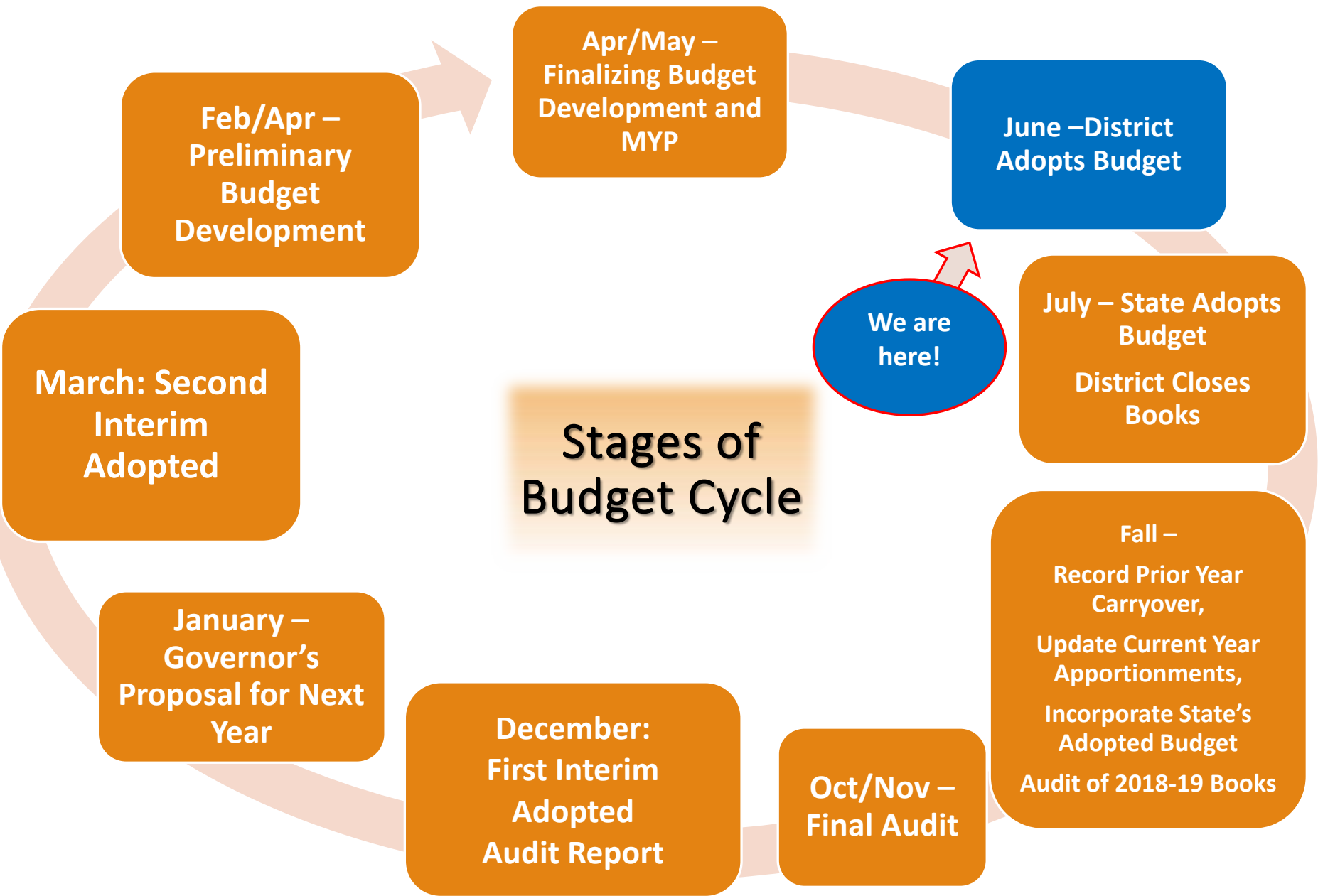
PVUSD is maximizing supplemental and concentration funding within the LCAP. (i.e. CTE College & Career Ready, Visual and Performing Arts, 21st Century Learning Environments, Social & Emotional Student Services & Parent Involvement.)

PVUSD continues to invest in our teachers and staff with Professional Development.

Budget reflects a Positive Certification – PVUSD will meet it’s current financial obligations and 2 subsequent years.

STAGES OF BUDGET CYCLE & NEXT STEPS

Stages of Budget Cycle



Next Steps

- Education Code section 42103 requires the Board to hold a public hearing on the adoption of the proposed budget
- Education Code section 42127 requires the Board adopt a budget on or before July 1 of each year. Pajaro Valley USD Board adopts budget at the June 26th Meeting
- Within 45 days after the State budget is adopted; school districts shall make available for public review any revisions in revenues and expenditures that it has made to its budget to reflect the funding made available by the Budget Act

Thank You!

2019-2020 Proposed July Budget Adoption

