

The background features a close-up of a calculator with a silver pen resting on it. In the background, there are blurred financial charts, including a line graph and a bar chart. A dark blue arrow-shaped overlay is positioned on the right side of the page, containing the report title and background information.

# 2020-21 First Interim Report

## **BACKGROUND: FULL PRESENTATION**

Prepared by: Andi Stubbs, Chief Business Official

1 Prepared for: December 17, 2020 Regular Board Meeting

# 2020-21 FIRST INTERIM REPORT

-CHANGES SINCE  
2020-21 ORIGINAL  
BUDGET

-COVID-19 PANDEMIC  
-REVENUE  
-EXPENSES



# Introduction: First Interim Report

- 2020-21 First Interim Report was prepared using the most current information:
  - Governor's Adopted State Budget for 2020-21
  - School Services of California - Financial Projection Dartboard
  - 2019-20 Unaudited Actuals/2020-21 projected spending
  - LCFF Calculator, 2020-21 version 21.2, released 09.09.2020
- Multi-Year Projections are included in the Budget Report. Board approval confirms that the district will be:
  - Solvent and able to meet its financial obligations for the current fiscal year, and the next two fiscal years
  - Able to file a **POSITIVE** CERTIFICATION for 2020-21, and the next fiscal years

# Introduction: First Interim Report, *continued*

- 2020-21 Original Budget:
  - Assumptions developed in 2019-20 (Budget Committee & Board Review)
  - Built in financial database: April - June, 2020
  - Includes expenditures listed in the Local Control Accountability Plan (LCAP)
  
- 2020-21 First Interim Report:
  - Changes Since July 1, 2020 – October 31, 2020
  
- 2020-21 Second Interim Report:
  - Changes Since November 1, 2020 – January 31, 2021

# Fund Balance, General Fund

5

Description:	2020-21 Original Budget Report:	2020-21 First Interim Report:	Dollar Change:
Revenue, Total:	\$38,970,653	\$38,821,406	(\$149,247)
Expenditures, Total:	\$37,403,815	\$38,055,116	\$651,301
Excess(Deficiency):	\$1,566,839	\$766,290	(\$800,549)
Net, Other Financing Sources/Uses:	(\$840,000)	(\$840,000)	\$0
Net Increase(Decrease), Fund Balance:	\$726,838	(\$73,711)	(\$800,549)
<b>Unrestricted Increase(Decrease, Fund Balance):</b>	<b>\$732,397</b>	<b>\$189,313</b>	(\$543,084)
Beginning Fund Balance:	\$10,073,645	\$10,073,645	\$0
Ending Fund Balance:	\$10,800,484	\$9,999,934	(\$800,550)

# Summary of Changes, Revenue:

(Unrestricted/Restricted Combined)

Description (General Fund):	2020-21 Original Budget Report:	2020-21 First Interim Report:	Dollar Change:	Percent Change:
<b>Revenue</b>				
LCFF Sources:	\$35,440,233	\$35,206,250	(\$233,983)	(0.66%)
Federal Revenues	\$523,238	\$1,318,819	\$795,581	152.05%
State Revenues	\$2,811,182	\$1,980,596	(\$830,586)	(29.55%)
<u>Local Revenues</u>	\$196,000	\$315,741	\$119,741	61.09%
<b>TOTALS:</b>	<b>\$38,970,653</b>	<b>\$38,821,406</b>	<b>(\$149,247)</b>	<b>(0.38%)</b>

# Detail of Changes, Revenue:

(Unrestricted/Restricted Combined)

Impact from  
Glass Fire

7

Description (General Fund):	Changes (Detail):	Total Dollar Change:
<b>Revenue</b>		
LCFF Sources:	Property taxes came in lower than expected compared with 2019-20 (1.86% increase compared with budgeted 3.0%):	(\$233,983)
Federal Revenues:	Increase for one-time federal COVID-19 relief funds: <b>\$749,782</b> . Net of all other changes to Title I, Title II, and Special Education Funding: <b>\$45,799</b> .	\$795,581
State Revenues:	Decrease for STRS On-Behalf revenue: <b>(\$935,774)</b> . Increase for one-time state COVID-19 relief funds: <b>\$100,981</b> . Net of other adjustments to state revenue: <b>\$4,207</b> .	(\$830,586)
Local Revenues:	Local donations and scholarships:	\$119,741
<b>TOTALS:</b>		<b>(\$149,247)</b>

# Summary of Changes, Expenses:

(Unrestricted/Restricted Combined)

Description (General Fund):	2020-21 Original Budget Report:	2020-21 First Interim Report:	Dollar Change:	Percent Change:
<b>Expenses</b>				
Certificated Salaries:	\$16,328,669	\$16,525,849	\$197,180	1.21%
Classified Salaries:	\$4,490,635	\$4,517,397	\$26,762	0.60%
Employee Benefits:	\$10,607,604	\$9,568,537	(\$1,039,067)	(9.80%)
Books and Supplies:	\$1,514,565	\$2,276,182	\$761,617	50.29%
Services/Operating:	\$4,266,632	\$4,971,442	\$704,810	16.52%
Capital Outlay:	\$160,000	\$160,000	\$0	0.00%
Other Outgo:	\$35,710	\$35,710	\$0	0.00%
Transfers Out:	\$840,000	\$840,000	\$0	0.00%
<b>TOTALS:</b>	<b>\$38,243,815</b>	<b>\$38,998,834</b>	\$755,019	1.97%



# Detail of Changes, Expenses:

(Unrestricted/Restricted Combined)

9

Description (General Fund):	Expenses - Changes (Detail):	Dollar Change:
Certificated Salaries:	Includes increase for two .10 positions for technology support, additional substitute costs (e.g. for isolation area monitoring), and \$20 stipend for testing outside of district schedule.	\$197,180
Classified Salaries:	Net of all adjustments to salaries and supplemental pay. Includes some overtime and extra duty for cleaning/restocking supplies (COVID-19).	\$26,762
Employee Benefits:	Reduction to STRS On-Behalf calculation: <b>(\$975,208)</b> . Net of all other adjustments to medical benefits and statutory benefits: <b>(\$63,859)</b> .	<b>(\$1,039,067)</b>
Books and Supplies:	COVID-19 supplies/cleaning equipment, personal protective equipment, technology (purchased): <b>\$427,997</b> . Placeholder, additional COVID-19 supplies, etc.: <b>\$100,000</b> . Placeholder for additional technology related to distance learning, e.g. student and teacher devices/equipment: <b>\$200,000</b> . Local donation expenses, budgeted as received: <b>\$57,750</b> . Net of other changes: <b>(\$24,130)</b> .	\$761,617
Services/Operating:	COVID-19-related services (Fuel Education, Paper {tutoring}, contracted nursing support): <b>\$361,426</b> . Local donation expenses, budgeted as received: <b>\$299,233</b> . Net of all other adjustments: <b>(\$44,151)</b> .	\$704,810
	<b>TOTAL:</b>	<b>\$755,019</b>

# COVID-19 EXPENDITURES INCLUDED IN 2020-21 FIRST INTERIM REPORT, *continued*:

- Additional contracted nursing support for contact tracing, etc.
- Stipends for employee testing
- Personal protective equipment
- Physical distancing and health reminder signage
- Cleaning/disinfecting supplies and equipment
- Higher-grade filters (MERV 13)'s, room air scrubbers
- Additional equipment - food service delivery carts, tubs for student supplies
- Additional driver for transportation, for distancing
- Placeholder for additional expenses this year, e.g. more personal protective equipment/cleaning supplies

# COVID-19 EXPENDITURES INCLUDED IN 2020-21 FIRST INTERIM REPORT:

- Technology equipment to support distance learning (devices, hotspots, peripherals)
- Software licenses to support distance learning (Zoom, Imagine Learning, etc.)
- Distancing learning programs (Fuel Education, Paper {tutoring} )
- Two .10 FTE positions to support technology (RLS, SHHS)
- Long-term substitutes (isolation area monitoring, distance learning support)
- Professional development for distance learning
- Additional counseling hours to support students (UpValley Family Centers)
- Additional temporary custodial support, in-district and contracted

# Assigned Reserves – 2020-21 Through 2022-23

DESCRIPTION:	2020-21	2021-22	2022-23
Set-aside to offset any budgetary deficit resulting from COVID-19 Pandemic and/or Glass Fire (equates to approximate savings in STRS/PERS reductions):	\$500,000	\$500,000	\$500,000
COVID-19 Pandemic – Emergency Response/Recovery Expenditures:	\$250,000	\$250,000	\$250,000
Technology Infrastructure, Devices, Equipment:	\$350,000	\$350,000	\$350,000
Regular Academic Program Development (ELD, Math, Summer School, Intervention, etc.)	\$300,000	\$300,000	\$300,000
Operational Costs (Unexpected; e.g. Legal, Special Education, Transportation, Food Services, etc.)	\$200,000	\$200,000	\$200,000
Student Mental Health Support:	\$75,000	\$75,000	\$75,000
*Future Ready Classrooms Program:	\$200,000	\$200,000	\$200,000
Field Trips, Wellness Goals (Post-Kaiser Grant):	\$225,000	\$225,000	\$225,000
School Site Carryover Set-Aside, e.g. CTE Grant – Matching Funds	\$225,000	\$225,000	\$225,000
<b>TOTALS:</b>	<b>\$2,325,000</b>	<b>\$2,325,000</b>	<b>\$2,325,000</b>

## MULTI-YEAR PROJECTION

-BACKGROUND

-MULTI-YEAR PROJECTIONS

-DEFICIT MANAGEMENT PLAN

-NEXT STEPS



# BACKGROUND

14

- SHUSD budgets 3% growth on property taxes each year per the annual budget assumptions approved by the Business Operations Committee
- In the years since the Great Recession, property taxes have increased more than 3% annually
- The COVID-19 Pandemic was expected to potentially impact property tax growth beginning in 2021-22

## COVID-19 EVENT – IMPACT ON NAPA COUNTY COMMUNITY-FUNDED (“BASIC AID”) SCHOOL DISTRICTS

“Downward assessments of properties could begin impacting property tax revenues in 2021-22 and beyond. At a minimum, districts should consider running an MYP planning scenario with 0% growth in 2021-22 and 2022-23 to begin considerations of how the district might respond if such a scenario played out.”

-Excerpt from the April 30, 2020 Napa County Office of Education (NCOE) Memorandum to Community Funded (“Basic Aid”) Districts – *“Budget Risk Assessment in Uncertain Times”*

# BACKGROUND, *continued...*

16

- The Glass Fire has impacted property taxes for 2020-21. Adjustments were not expected until the “J-29 P-2 Property Tax Certification Report” that is released in April of every year; however the Napa County Assessor did provide a rough estimate on the loss which was included in the “J-29 P-1” report that was received in November (used to prepare the 2020-21 First Interim Report)
- Property tax increase as of November, 2020 compared with 2019-20: **1.86%** increase (budgeted: 3.0%)
- The Napa County Assessor is still compiling lists of parcels and data to provide roll corrections, which will not be processed until January, 2021 or later. The corrections will be complicated because there are multiple buildings on multiple parcels, etc.
  - Additional Information on Assessment: Some of the larger, more expensive properties lost in the Glass Fire were older and still held a lower tax base. If rebuilt, only the new structure will have the higher tax base (the entire property is not reassessed). Additionally, only the portion that is identical to the previous building is at the old tax base. Any added space to the footprint is set at a new tax base



# Multi-Year Projections

## *What does this information mean for budget planning?*

- ▶ All school district financial reports must show a multi-year projection
- ▶ Multi-year projections help districts plan for the future and identify potential budgetary issues
- ▶ Given the impact of the Glass Fires in combination with possible downward property tax assessments resulting from the COVID-19 Pandemic, the district should submit a multi-year projection that shows less than the usual budgeted 3% growth
- ▶ Deficit spending is allowable as long as the district can meet its financial obligations and has a plan to balance the budget
- ▶ Two models are presented for review/discussion
  - ▶ 2% Growth Multi-Year Projection
  - ▶ 0% Growth Multi-Year Projection



# 2% GROWTH MULTI-YEAR PROJECTION

<b>General Fund, Unrestricted Only:</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>
Projected Budgetary Surplus/(Deficiency):	\$189,314	\$190,297	(\$370,312)
<b>Avail. Reserves By Percent:</b>	<b>29.98%</b>	<b>30.94%</b>	<b>28.94%</b>

Minimum reserve requirement met all 3 years

- If property taxes increase by 2% each year, the budget can be balanced with the following expenditure adjustments (included in above projection):
  - ✓ Freeze the contribution to Fund 14 (\$50,000). Use a portion of the fund balance in this account and/or in Fund 01, Resource 8150 (Routine Restricted Maintenance) for small maintenance projects as needed
  - ✓ Freeze the contribution to Fund 40 (\$400,000). Use a portion of the fund balance if needed for small maintenance projects as needed
  - ✓ Freeze the set-aside for the “Future Ready Classrooms” project (\$150,000)
  - ✓ Use one-time reserves to mitigate the budgetary deficit in 2022-23
- If property taxes come in higher, these items can be reinstated accordingly; and/or the Board can choose to use reserves depending on financial outlook

# 0% GROWTH MULTI-YEAR PROJECTION

19

<b>General Fund, Unrestricted Only:</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>
Projected Budgetary Surplus/(Deficiency):	\$189,314	(\$482,718)	(\$1,729,805)
<b>Avail. Reserves By Percent:</b>	<b>29.98%</b>	<b>29.19%</b>	<b>23.82%</b>

Minimum reserve requirement met all 3 years

- The 0% projection shown above includes the same expenditure adjustments as in the 2% scenario:
  - ✓ Freeze the contribution to Fund 14 (\$50,000). Use a portion of the fund balance in this account and/or in Fund 01, Resource 8150 (Routine Restricted Maintenance) for small maintenance projects as needed.
  - ✓ Freeze the contribution to Fund 40 (\$400,000). Use a portion of the fund balance if needed for small maintenance projects as needed.
  - ✓ Freeze the set-aside for the “Future Ready Classrooms” project (\$150,000).
- A portion of reserves can be used to help offset a potential budget deficit beginning in 2020-21 and beyond. A list of possible budget reductions should be also be identified and implemented if needed.

# Proposed Next Steps

- **December 17, 2020:** First Interim Report presented to the Board. Staff recommends approval with a 0% Growth MYP
- **January, 2021:** Staff meets with representatives from the Napa County Assessor's Office and Napa County Department of Education to learn more about the long-term impact of the COVID-19 Pandemic and Glass Fire on property taxes
- **February, 2021:** *Board Study Session – Budget Development and Enrollment Options.* Study session includes an outline for working with the Business Operations Committee to develop a dynamic “Deficit Mitigation Plan” that combines the use of reserves and possible budget reductions to address any shortfall as needed
- **March, 2021:** Business Operations Committee begins developing the “Deficit Mitigation Plan” (in collaboration with Board of Trustees and negotiations team)
- **April, 2021:** “J-29 P-2 Property Tax Certification Report” released (will be based on more accurate roll data)
- **June, 2021:** 2021-22 Original Budget due. Must include 2023-24 in the Multi-Year Projection. Presentation will incorporate any new information about the state and local financial outlook
- **December, 2021:** 2021-22 First Interim Report presented to the board for review/approval, with the “Deficit Mitigation Plan” for 2021-22 and beyond
- **Ongoing:** Elements of the plan will be implemented as needed

# Committee Input:

21

- ▶ The Business Operations Committee met on December 9, 2020 and provided input on the Multi-Year Projection
- ▶ **Outcome:** Consensus support for Board approval of the 2020-21 First Interim Report with a Multi-Year Projection showing 0% property tax growth in 2021-22 and 2022-23 with next steps as presented



# Additional Information, 2020-21 First Interim Report

22



# Multiyear Projection – General Fund:

	2020-21	2021-22	2022-23
REVENUES/TRANSFERS IN	\$38,821,406	\$37,802,764	\$37,802,764
EXPENDITURES/TRANSFERS OUT	\$38,895,116	\$38,297,984	\$39,663,912
Excess(Deficiency):	(\$73,711)	(\$495,220)	(\$1,861,148)
<i>Unrestricted:</i>	<i>\$189,313</i>	<i>(\$482,718)</i>	<i>(\$1,729,805)</i>
Beginning Balance	\$10,073,645	\$9,999,934	\$9,504,715
Ending Balance	\$9,999,934	\$9,504,715	\$6,763,920
Restricted/Non-Spendable Balance:	\$764,039	\$751,537	\$620,195
Assigned Fund Balance:	\$2,325,000	\$2,325,000	\$2,325,000
Reserve, Economic Uncert. (3%)	\$1,166,854	\$1,148,940	\$1,189,917
Available Reserves, Fund 01	\$5,744,042	\$5,279,238	\$3,508,455
Available Reserves, Fund 17	\$4,739,614	\$4,749,614	\$4,749,614
Total Available Reserves:	\$11,660,510	\$11,177,792	\$9,447,986
Requirement Met?	YES	YES	YES
<b>Avail. Reserves By Percent:</b>	<b>29.98%</b>	<b>29.19%</b>	<b>23.82%</b>

# Assumptions – Multiyear Projection - Revenue

24

Description:	2020-21	2021-22	2022-23
Property Taxes/All LCFF Sources	\$33,650,776	\$33,650,777	\$33,650,777
Property Taxes, Percent Increase	1.86%	-0-%	-0-%
Enrollment, Estimated:	1,183	1,183	1,183
Average Daily Attendance, Estimated:	1,135.68	1,135.68	1,135.68
Unduplicated Pupils (Eligible for Free/Reduced Lunch, English Learners, Foster Youth):	537	537	537
Minimal Proportionality Percentage	8.88%	9.08%	9.08%
Supplemental Grant Portion, Local Control Funding Formula (LCFF); Estimated:	\$911,463	\$899,123	\$898,728
California Lottery, Unrestricted; per-ADA Amount:	\$150	\$150	\$150
California Lottery, Restricted; per-ADA Amount:	\$49	\$49	\$49
Mandate Block Grant, Grades K-8; per-ADA Amount:	\$32.18	\$32.18	\$32.18
Mandate Block Grant, Grades 9-12; per-ADA Amount	\$61.94	\$61.94	\$61.94
Revenue for one-time or short-term scholarships, donations and grants are budgeted as received and removed from subsequent years			



# Assumptions – Multiyear Projection - Expenses

25

Description:	2020-21	2021-22	2022-23
Negotiated Salary Increases, All Non-Executive Cabinet:	4%	3%	0%
Step and Column Increases, Certificated:	≈2%	2%	2%
State Teachers' Retirement System (STRS) Rate:	16.15%	16.00%	18.10%
Step and Column Increases, Classified:	≈2%	2%	2%
California Public Employees Retirement System (PERS) Rate:	20.70%	23.00%	26.30%
Medical Benefits Increases:	5.87% eff. 01.01.2021	10% eff. 01.01.2022	10% eff. 01.01.2023
Consumer Price Index (CPI):	0.98%	1.59%	1.87%
Statutory Cost of Living Increase (COLA):	2.31%	2.48%	3.26%
Freeze, Contribution to Fund 14 (Deferred Maint.):	\$0	(\$50,000)	Ongoing
Freeze, Contribution to Fund 40 (Capital Outlay):	\$0	(\$400,000)	Ongoing
Freeze, Future Ready Classrooms (FRC) Program:	\$0	(\$150,000)	Ongoing
Expenses for one-time or short-term scholarships, donations and grants are budgeted as revenue is received and removed from subsequent years			

# Other Funds:

	Adult Education Fund 11	Child Nutrition Fund 13	Deferred Maintenance Fund 14	Special Reserve Fund Fund 17	Post Employment Benefits Fund 20
Beginning Balance	\$41	\$48,253	\$563,149	\$4,709,614	\$216,127
REVENUES	\$25,000	\$332,000	\$3,000	\$40,000	\$2,000
EXPENDITURES	\$25,000	\$749,915	\$115,532	\$-0-	\$-0-
Excess (Deficiency) of Revenue over Expenditures	\$-0-	(\$417,915)	(\$112,532)	\$40,000	\$2,000
Transfers In/Out	\$-0-	\$390,000	\$50,000	\$-0-	\$-0-
Increase/ (Decrease) In Fund Balance	\$-0-	(\$27,915)	(\$62,532)	\$-0-	\$2,000
Ending Fund Balance	\$41	\$20,338	\$500,617	\$4,749,614	\$218,127

## Other Funds, continued:

	Building Fund (Measure B&C) Fund 21	Developer Fees Fund 25	Special Reserve, Capital Outlay Fund 40
Beginning Balance	\$456,436	\$1,295,997	\$1,755,291
REVENUES	\$3,000	\$105,000	\$15,000
EXPENDITURES	\$300,000	\$241,000	\$250,000
Excess (Deficiency) of Revenue over Expenditures	(\$297,000)	(\$136,000)	(\$235,000)
Transfers In/Out	\$-0-	\$-0-	\$400,000
Increase/ (Decrease) In Fund Balance	(\$297,000)	(\$136,000)	(\$165,000)
Ending Fund Balance	\$753,436	\$1,159,997	\$1,920,291

## Next Steps – Regular District Budget Development

- 2020-21 First Interim Report forwarded to the Napa County Office of Education and the California Department of Education
- Ongoing review/development of 2020-21 District Budget
- Budget Committee: 2021-22 Budget Assumptions – Review, Update
- 2021-22 SHUSD Budget Development
- 2021-22 Governor's May Revision of State Budget
- 2021-22 District Original Budget, Board Approval: June, 2021
- 2021-22 Unaudited Actuals: September, 2021

**Recommendation:** Approve the 2020-21 First Interim Report as Presented (with 0% Growth Multi-Year Projection and recommended next steps)

