



Morgan Hill Unified School District

2020-21 Adopted Budget Multi-Year Projection

Presented to:
Morgan Hill Board of Education
June 16, 2020

What does the Multi-Year Projection (MYP) have to do with Budget?

- AB 1200 requires the Board of Education, through a public hearing process, adopt a District's annual budget
 - Public Hearing occurred on June 2nd
- In addition to adopting the budget for the next fiscal year, the District must present projections for the subsequent two years to certify that it will be able to meet the reserve requirement of 3%
- After the State budget is adopted by legislature and signed by the Governor, the District will have 45 days to revise its adopted budget and revise projections

A decorative vertical bar on the left side of the slide, featuring a golden-yellow background with various financial symbols like dollar signs (\$), yen signs (¥), and the letters 'M' and 'Y' in a stylized, overlapping arrangement.

Multi-Year Projections

- Recognize that MYP are projections, not forecasts
 - Projections are expected to change as various factors change
 - They are not predictions
 - Projections will change any time when underlying factors change
 - Therefore, plan to adjust as conditions change
- 45-Day Revise will likely change many assumptions



Project With Caution!

- The cause of most LEA insolvencies can be traced to a bad financial decision made in prosperous times that causes problems during lean financial times
- Resist projecting one-time dollars to justify paying for ongoing expenditures
- While the State's May Revision is usually built upon actual personal income tax receipts and stable economic projections, both are missing this year
- Low/zero COLA environment
- Programs that require contributions
- This is a unusual year to say the least!

A decorative vertical bar on the left side of the slide, featuring a textured, 3D appearance with various currency symbols like the dollar sign (\$), yen sign (¥), and pound sign (£) in a golden-yellow color.

Economic Effects of COVID-19

- Governor Jerry Brown warned us a recession was coming, but even he could not have foreseen this
- No aspect of national or state economy seemed to be unscathed by the virus and the path of recovery is unknown
 - There are no models for how a world recovers from a near total shutdown of economies around the globe
- Actual economic effects will not be known for months and years
 - Nonetheless, State Administration must make some assumptions as to how California's economy will respond and how it will make an eventual comeback

Opposing Budget Proposals

Governor's May Revision

- Overall 10% reduction to Budget
- Even with statutory COLA set at 2.31%, overall deficit to LCFF is -7.92%
- Cuts to Categorical programs
- \$7.2 Billion in Apportionment Deferrals “Trigger Off” trailer bill language to reduce cuts if additional Federal Funds ARE given to states

SCCOE is requiring Santa Clara County School Districts to use May Revise

Senate Budget Committee

- Rejects proposed cuts to Prop 98
- Funds the 2.31% statutory COLA
- Rejects additional cuts to Categorical programs
- Assumes the State will receive additional Federal Funds “Trigger On” trailer bill language to implement additional Apportionment Deferrals if additional Federal Funds ARE NOT given to states

Key Assumptions

	2020-21	2021-22	2022-23
LCFF Statutory COLA	2.31%	2.48%	3.26%
Funded COLA	0%	0%	0%
Deficit Factor	-7.92%	-7.92%	-7.92%
CalSTRS Employer Rate	16.15%	16.02%	18.10%
CalPERS Employer Rate	20.70%	22.84%	25.50%

Key Assumptions

	2020-21	2021-22	2022-23
Revenues			
Funded ADA:	8,014.93	7,832.07	7,832.07
LCFF Gap Closure:	100%	100%	100%
Supplemental unduplicated Students:	42.43%	42.55%	42.55%
Salaries	<ul style="list-style-type: none"> Step/Column & Longevity increase included Negotiations settled (+1.5% increase) 	Step/Column & Longevity increase estimated at 1.75%	Step/Column & Longevity increase estimated at 1.75%
Benefits	<ul style="list-style-type: none"> MHFT & MHELA: \$9,000/FTE Single, \$12,000/FTE 2-Party, \$15,000/FTE Family MHCEA \$10,200/FTE 	<ul style="list-style-type: none"> MHFT & MHELA: \$9,000/FTE Single, \$12,000/FTE 2-Party, \$15,000/FTE Family MHCEA \$10,200/FTE 	<ul style="list-style-type: none"> MHFT & MHELA: \$9,000/FTE Single, \$12,000/FTE 2-Party, \$15,000/FTE Family MHCEA \$10,200/FTE

Revenue Changes – Unrestricted General Fund

- State Lottery
 - \$153 per pupil for 2020-21 to 2022-23
- Mandated Block Grant

	2020-21	2021-22	2022-23
Grades K-8 per ADA	\$32.18	\$32.18	\$32.18
Grades 9-12 per ADA	\$61.94	\$61.94	\$61.94

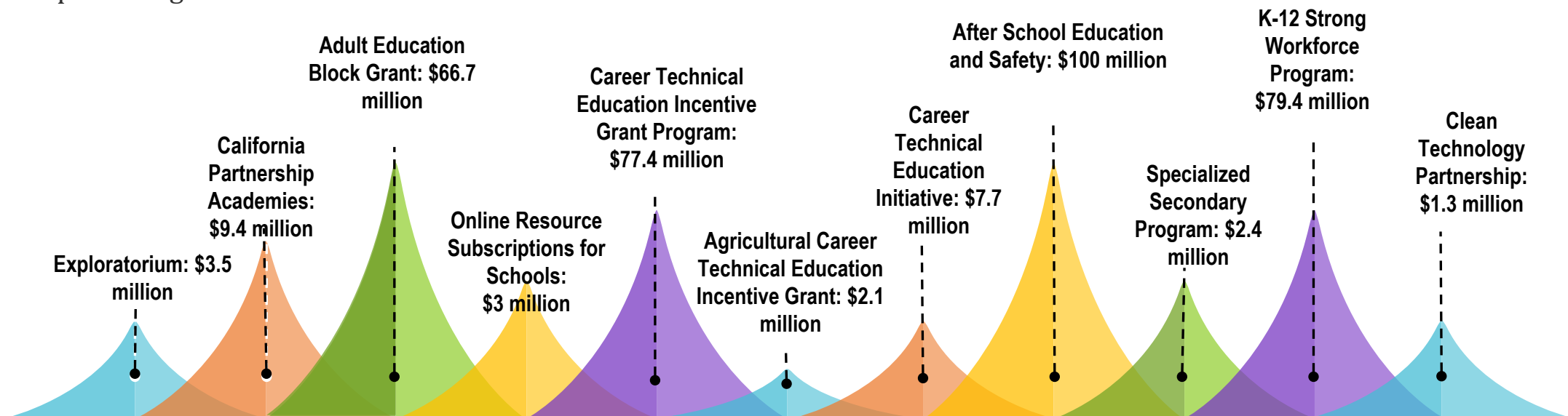
- Indirect Cost Rate = 6.01%

Revenue – Unrestricted General Fund

REVENUE	2020-21	2021-22	2022-23	Major Changes
LCFF Sources	\$70,522,508	\$69,189,902	\$69,189,902	<i>Reduction in projected ADA</i>
Federal	\$0	\$0	\$0	
Other State	\$1,620,427	\$1,619,346	\$1,619,346	<i>Mandated Block Grant and Lottery</i>
Other Local	\$1,501,570	\$1,499,170	\$1,499,170	<i>Transportation - sales of buses</i>
Transfers In	\$31,950	\$31,950	\$31,950	
Contributions	-\$14,042,824	-\$14,546,593	-\$14,993,301	<i>Increasing costs in SpEd & RRM</i>
TOTAL	\$59,633,631	\$57,793,775	\$57,347,067	

Revenues for the Restricted General Fund

- The ConApp (Consolidated Application) is used by CDE to distribute categorical funds from various State and Federal programs to school districts
 - Program entitlements are determined by formulas contained in the laws that created the programs
 - January – Winter release informing districts of their entitlement amounts per grant
 - Title I, Title II, Title III, and Title IV
- Grants are given for a particular purpose and for specific periods of time
- Governor's proposed cuts to State categorical programs (reductions of 10% up to 50%) not included in Adopted Budget





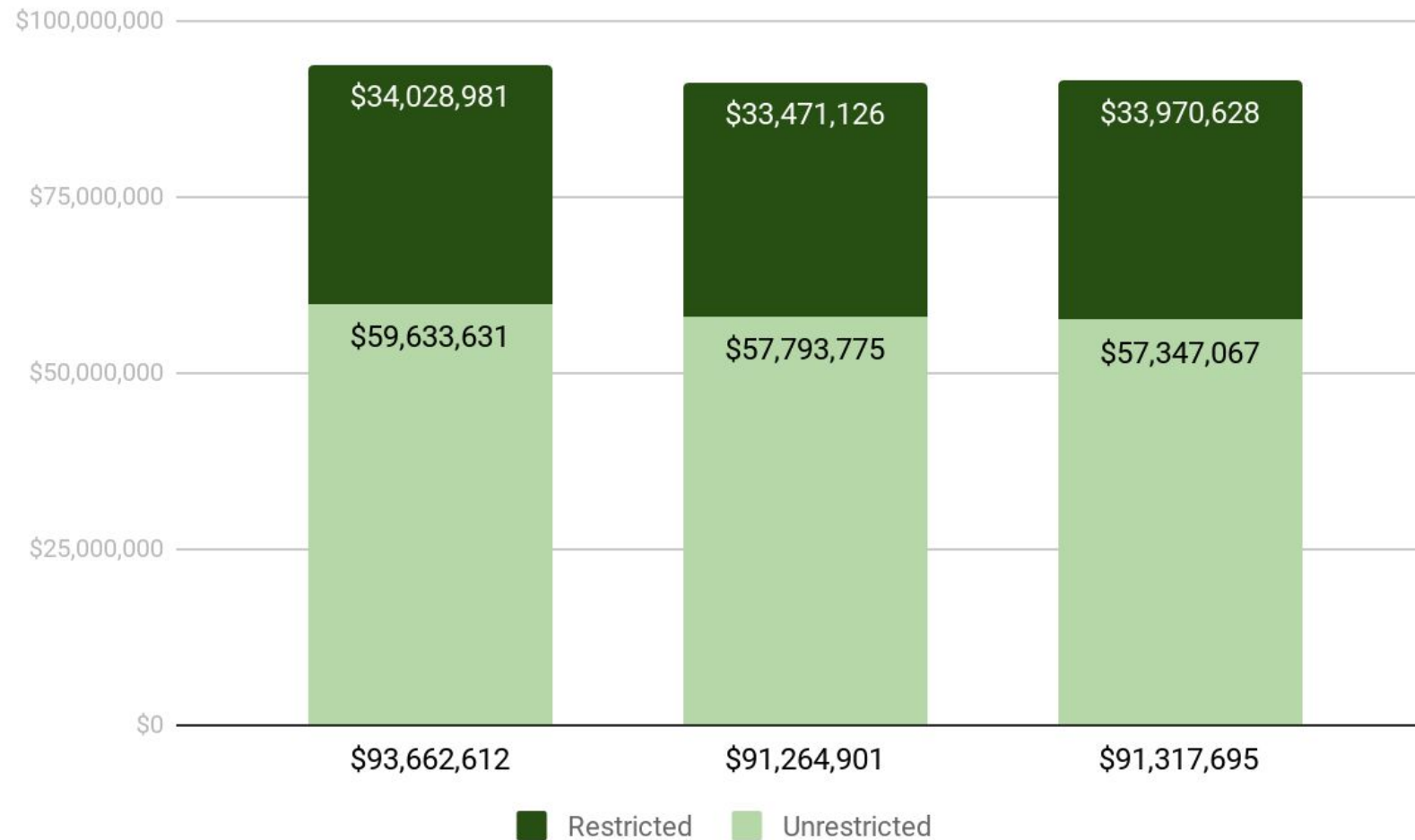
Revenue Changes – Restricted General Fund

- Lottery
 - \$54 per pupil for 2020-21 thru 2022-23
- Carryover (unused grant funds that can be spent in subsequent budget years)
 - Will be reflected after Unaudited Actuals are approved by the Board
- Indirect Cost rate = maximum of 6.01%
 - Some restricted grants do not allow for indirect cost charges or have a maximum limit to charge, which is usually lower than the approved rate

Revenue – Restricted General Fund

REVENUE	2020-21	2021-22	2022-23	Major Changes
LCFF Sources	\$3,908,538	\$3,908,540	\$3,908,540	
Federal	\$4,343,436	\$3,483,114	\$3,483,114	<i>Reduce 1x funding of ESSER, School Improvement Grant, Title IV</i>
Other State	\$5,449,228	\$5,210,647	\$5,210,647	<i>Reduce Low Performing Students BG</i>
Other Local	\$3,671,380	\$3,682,521	\$3,708,918	<i>Reduce all one-time grants</i>
Transfer In	\$2,613,575	\$2,639,711	\$2,666,108	<i>Redevelopment Agency revenue</i>
Contributions	\$14,042,824	\$14,546,593	\$14,993,301	<i>Increasing contribution in SpEd & RRM</i>
TOTAL	\$34,028,981	\$33,471,126	\$33,970,628	

Unrestricted & Restricted Revenues





Expenditure Changes –Unrestricted & Restricted General Fund

- Step/Column and Longevity increases
- Minimum Wage increases
 - \$13.00/hour: 1/1/2020
 - \$14.00/hour: 1/1/2021
 - \$15.00/hour: 1/1/2022
- CalSTRS
 - 16.02% for 2021-22
 - 18.10% for 2022-23
- CalPERS
 - 22.84% for 2021-22
 - 22.50% for 2022-23
- Reduce expenses for:
 - One-Time dollars and Local Grants

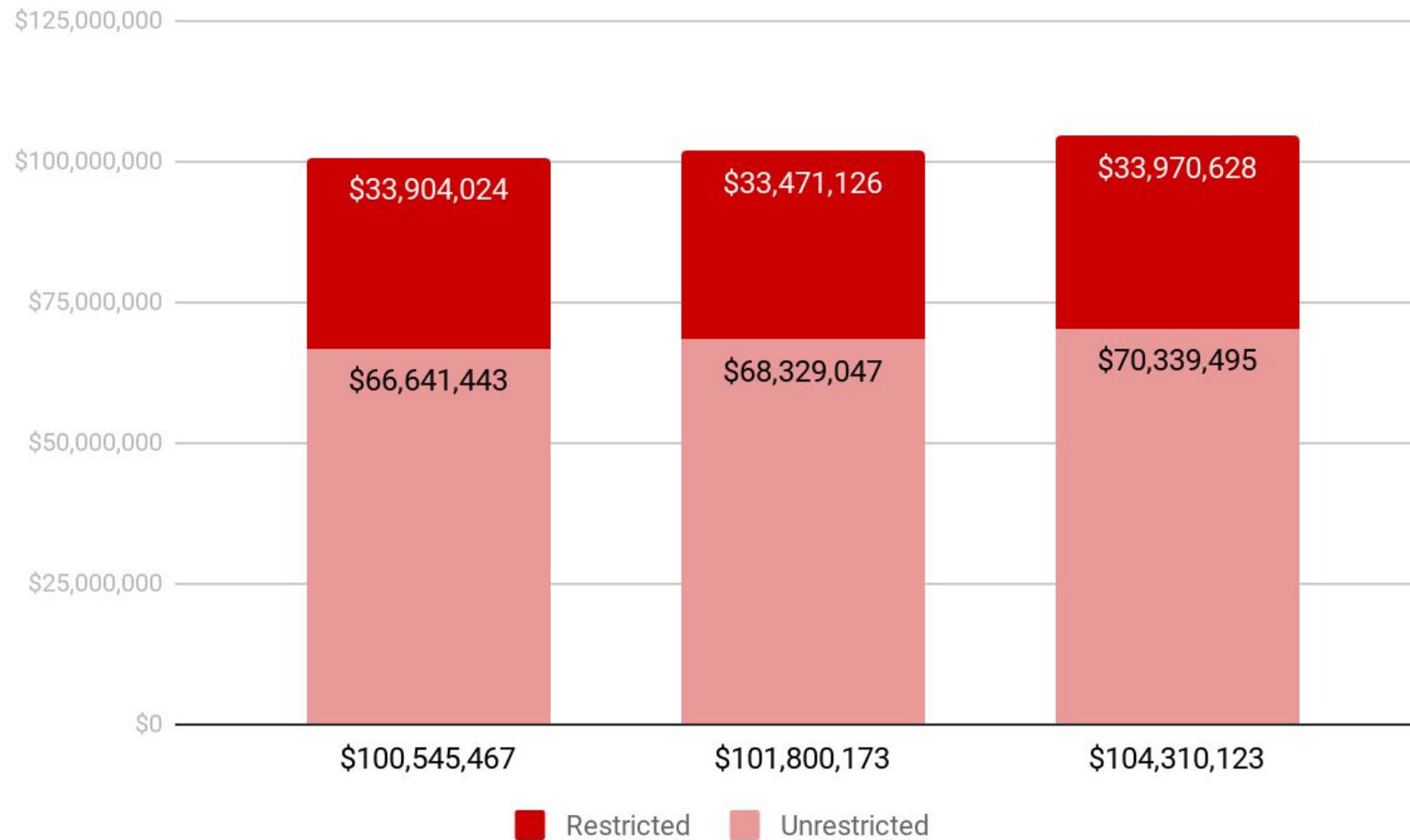
Expenditures – Unrestricted General Fund

Expenditures	2020-21	2021-22	2022-23
Certificated Salaries	\$34,038,382	\$34,610,188	\$35,192,000
Classified Salaries	\$10,384,361	\$10,551,651	\$10,721,869
Employee Benefits	\$14,679,392	\$15,010,931	\$16,163,969
Books & Supplies	\$1,494,215	\$1,494,215	\$1,494,215
Other Operating Expenditures	\$5,830,795	\$6,367,322	\$6,367,322
Capital Outlay	\$2	\$2	\$2
Other Outgo	\$150,000	\$150,000	\$150,000
Indirect Cost	-\$1,182,345	-\$1,182,345	-\$1,182,345
Other	\$1,246,640	\$1,327,083	\$1,432,463
TOTAL	\$66,641,442	\$68,329,047	\$70,339,495

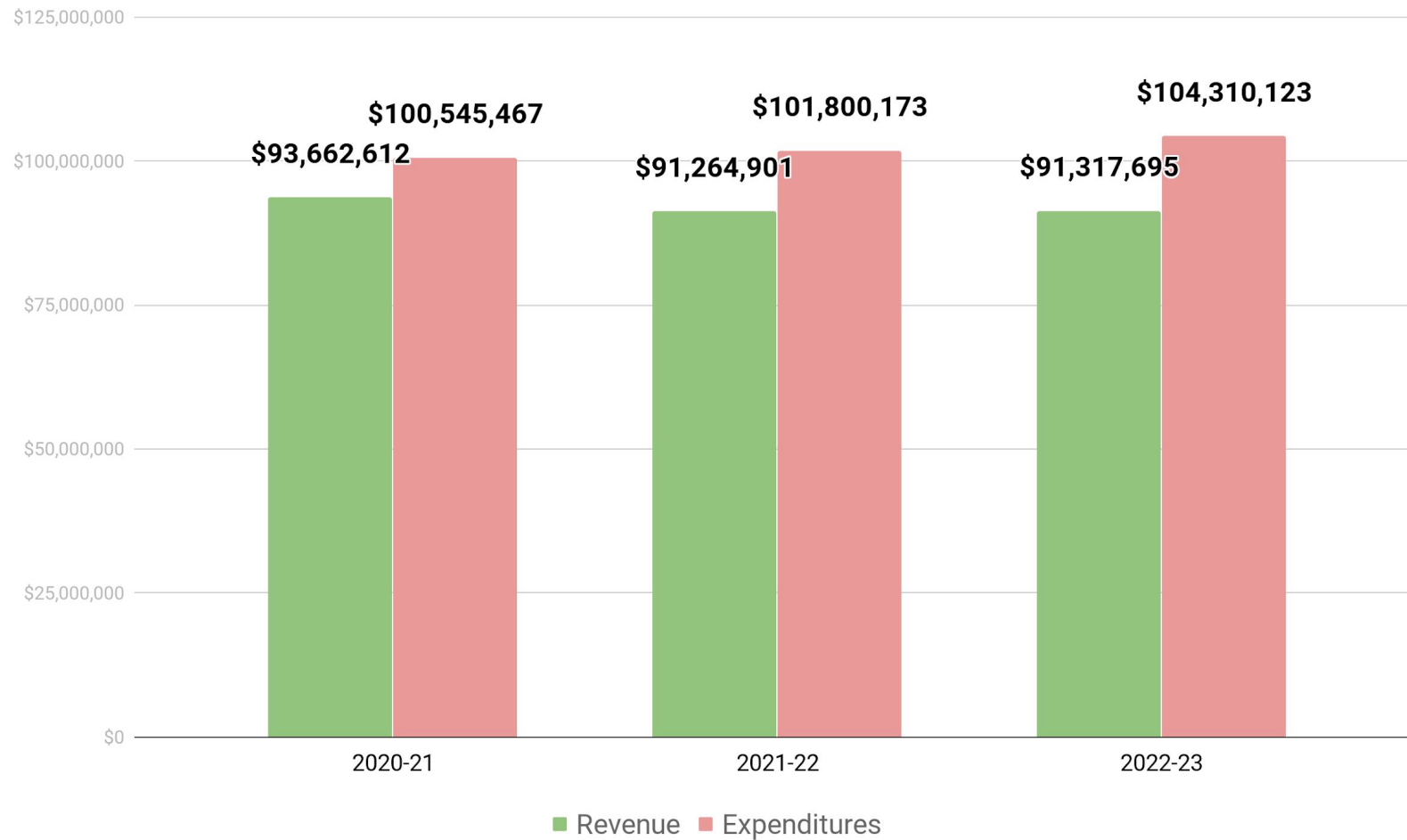
Expenditures – Restricted General Fund

Expenditures	2020-21	2021-22	2022-23
Certificated Salaries	\$6,837,137	\$6,703,114	\$6,755,045
Classified Salaries	\$4,361,050	\$4,356,597	\$4,426,758
Employee Benefits	\$7,811,825	\$7,838,718	\$8,046,210
Books & Supplies	\$1,210,064	\$1,309,625	\$1,356,334
Other Operating Expenditures	\$5,201,214	\$4,806,884	\$4,930,094
Capital Outlay	\$0	\$0	\$0
Other Outgo	\$4,812,968	\$4,812,968	\$4,812,968
Indirect Cost	\$1,056,190	\$1,029,644	\$1,029,644
Other	\$2,613,575	\$2,613,575	\$2,613,575
TOTAL	\$33,904,024	\$33,471,126	\$33,970,628

Unrestricted & Restricted Expenditures



Revenue Vs. Expenditures

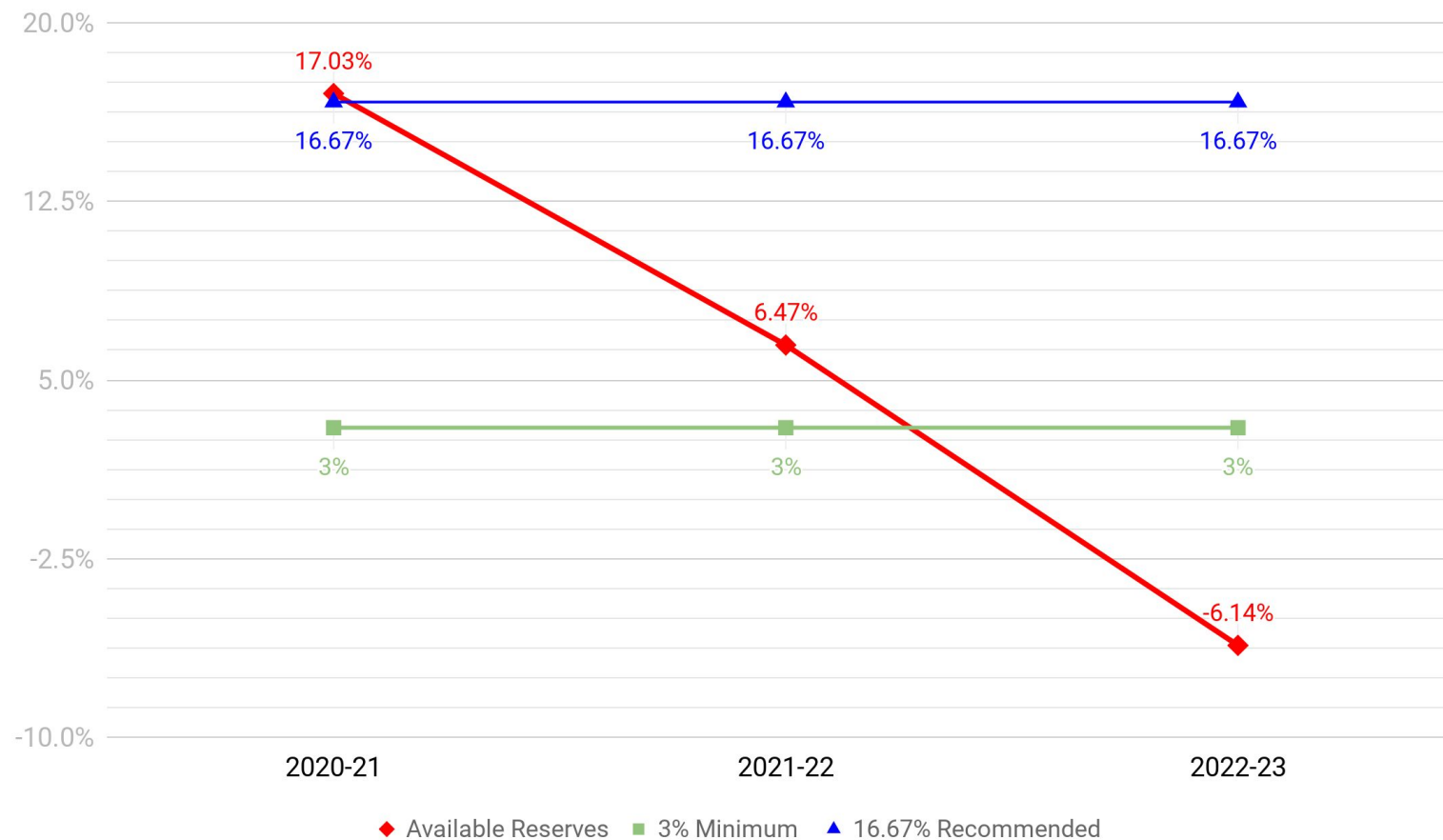




General Fund Reserves

- The District is able to meet the 3% State minimum reserve requirement in 2020-21 and 2021-22 **but not in 2022-23**
 - 3% represents about two weeks of payroll costs
 - Reserves are one-time money
 - When reserves are used, it takes reductions of double the size in the subsequent years to restore
 - Having 16.67% in reserves is best practice, and equivalent to two months of expenditures

Reserves in the Multi-Year Projection



This does not include Fund 17 (Special Reserve)

Budget Workshop Discussion on Reserves

- Use of reserve as a part of a multi-year budget strategy
 - Consensus that current policy of 16.67% could be reduced in a budget crisis but agreement that State minimum of 3% is not sufficient
- Continue to explore local revenue generation options (parcel tax)

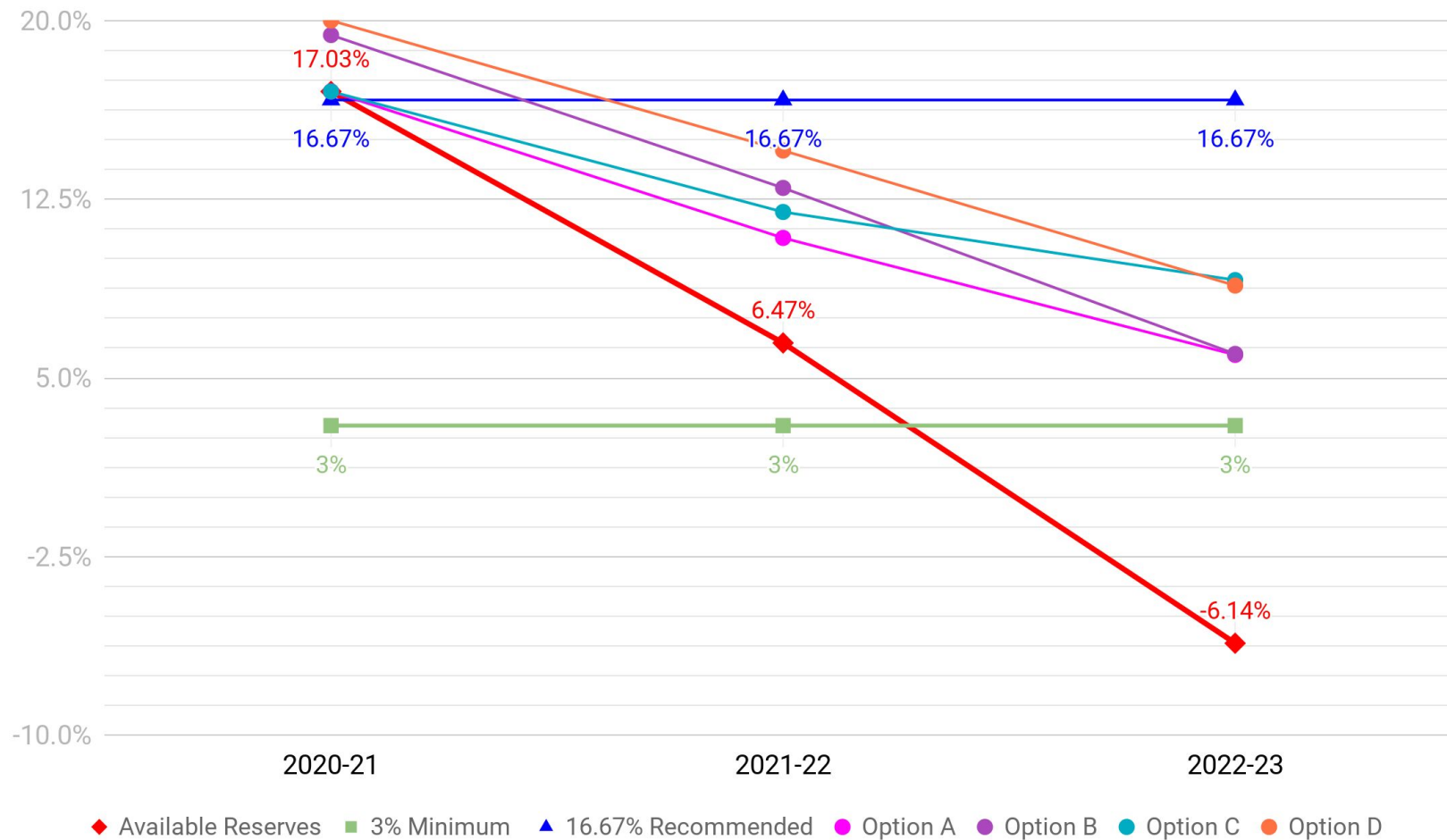


Options for Consideration

- Option A: Budget reduction of \$4M in 2021-22 and \$4M in 2022-23
 - Targeting a 6% reserve level for 2022-23
- Option B: Budget reduction of \$2M in 2020-21, \$2.1M in 2021-22, and \$2.1M in 2022-23
 - Targeting a 6% reserve level for 2022-23
- Option C: Budget reduction of \$5M in 2021-22 and \$5M in 2022-23
 - Targeting a 9% reserve level for 2022-23
- Option D: Budget reduction of \$2.5M in 2020-21, \$2.5M in 2021-22, and \$2.5M in 2022-23
 - Targeting a 9% reserve level for 2022-23

* All options assume reductions are ongoing not one-time

Options for Considerations





Considerations for Board discussion

- BP3100 currently has a reserve of 16.67%, Board consensus is that a lower reserve is appropriate given the State's budget crisis
 - What reserve level is appropriate?
 - Staff has presented options of 6% and 9% based on the Budget Workshop discussion
 - Potential next steps: Revise BP3100, Board resolution committing to reductions via Resolution at 45-Day Revise
- Timing of reductions
 - Should reductions be made sooner or later?
 - Staff has presented options for ongoing reductions beginning in 2020-21 or 2021-22
 - Potential next steps: Staffing adjustments, Board resolution committing to reductions via Resolution at 45-Day Revise

Considerations for Board discussion

- Development of Board Values and Beliefs for Budget Development
 - Potential next steps: Discussion and vetting of values, development and adoption of Board Resolution
- Local Funding Measures
 - Potential next steps: Exploration for 2022 election cycle (or sooner?)





Next Steps

- The State Budget has not been adopted
 - How will this affect the MYP?
 - Staff will update the Board as new information becomes available from the State
- 2020-21 45-Day Revise
 - Presented no later than 45 days after the Governor signs the annual Budget Act
 - Need to demonstrate ability to meet 3% minimum State required reserve in MYP or SCCOE will conditionally approve the District's budget
 - SCCOE can require District to develop fiscal stabilization plan
- Close 2019-20 Fiscal Year (Unaudited Actuals)
 - Presented to the first Board meeting in September
- 2020-21 1st Interim Budget
 - Presented in November and December 2020

Questions?

