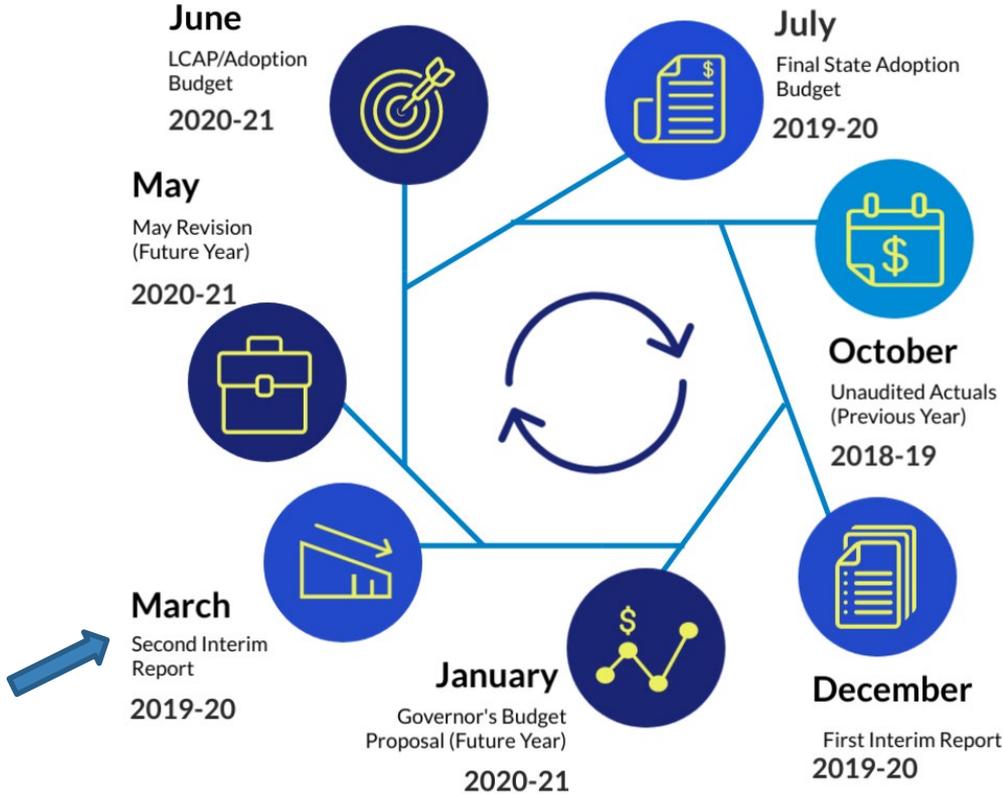


Second Interim Budget Report Fiscal Year 2019-2020

March 19, 2020

Budget Reporting Cycle



Budget Considerations

- DJUSD has a strong tradition of academic excellence and fiscal responsibility.
- While State funding has increased, it's not enough to pay for all the services we'd like to have for our students and families at this time.
- The Board and administration are committed to invest returning dollars strategically and wisely towards the future of our district.

Interim Reporting Overview

- School districts are required to file two interim reports during each fiscal year on the status of the District's financial health.
- These reports must include a certification of whether or not the District is able to meet its financial obligations.
 - Has sufficient cash to pay District payroll and vendors for supplies and services
- A positive certification is assigned when the District can meet its financial obligations for the current and two subsequent fiscal years.
 - Has sufficient cash to pay District payroll and vendors for supplies and services for a 3-year period

Second Interim General Fund Summary

- The District's State funding is based upon January Budget and projections from the Department of Finance.
 - Funding LCFF for inflation (COLA) only funding going forward
- The District's current "positive" budget certification is based upon:
 - Projected growth in LCFF revenue from the Department of Finance assumptions
 - Decrease staffing ratios including the use of attrition reductions to generate budget savings
 - The District will need to plan the use of projected increases in State LCFF revenue and future budget reduction actions to address structural deficit spending and to meet the future needs of the district for student programs, employee compensation and other operating expenditures

Second Interim Overview

- Comparisons to First Interim Report (December)
- Multi-Year Projections
- Considerations and Fiscal Sustainability

Budget Revision Assumptions

General Fund 2019-2020

- Final State Budget Assumptions
 - Pension Costs, Special Education Funding (One-Time)
- Projected Paid ADA of 7,654
 - Actual DJUSD Non-Charter Enrollment of 7,964
- Position Control – Classroom FTE, Stipends, Benefits
- Program costs
- Utilities and Operating costs

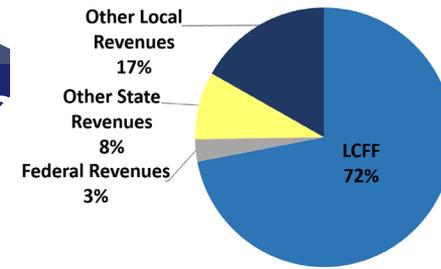
**DAVIS JOINT UNIFIED SCHOOL DISTRICT
SECOND INTERIM GENERAL FUND SUMMARY**

| Description | <----- 2019-20 BUDGET -----> | | |
|--|-----------------------------------|----------------------|----------------------|
| | UNRESTRICTED | RESTRICTED | TOTAL |
| REVENUES | \$83,482,253 | \$13,862,972 | \$97,345,225 |
| EXPENDITURES | \$66,819,069 | \$35,256,437 | \$102,075,506 |
| OTHER FINANCING SOURCES/USES | (\$18,261,587) | \$17,888,581 | (\$373,006) |
| NET INCR. (DECR.) IN FUND BALANCE | (\$1,598,403) | (\$3,504,884) | (\$5,103,287) |
| BEGINNING FUND BALANCE JULY 1ST | \$5,756,339 | \$4,767,633 | \$10,523,972 |
| ENDING FUND BALANCE JUNE 30TH <i>RESERVE %</i> | \$4,157,936 <i>4.1%</i> | \$1,262,749 | \$5,420,685 |
| <u>COMPONENTS OF ENDING BALANCE</u> | | | |
| Revolving Cash/Stores | \$67,500 | | \$67,500 |
| Legally Restricted Balances | \$0 | \$1,262,749 | \$1,262,749 |
| Designated for Economic Uncertainties | \$3,076,196 | | \$3,076,196 |
| <i>Designated for Economic Uncertainties %</i> | <i>3.0%</i> | | |
| <u>Other Assignments:</u> | | | |
| State Funding Contingency | \$800,000 | | \$800,000 |
| Deficit Spending Reserves | \$214,240 | | \$214,240 |
| <i>Total Other Assignments %</i> | <i>1.0%</i> | | |
| Unassigned/Unappropriated Amount | \$0 | \$0 | \$0 |
| <i>Total Unassigned %</i> | <i>0.0%</i> | | |



Second Interim Compared to First Interim

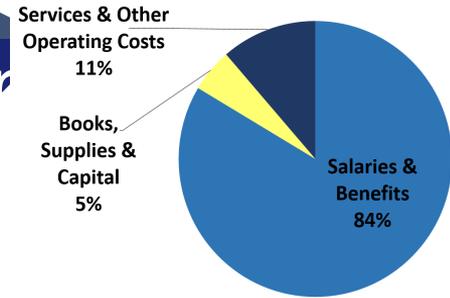
Total Revenues (Unrestricted and Restricted)



| (In Thousands) | Unrestricted Variance FY2019-20 | Restricted Variance 2019-20 | Total Variance | Reason(s) |
|-----------------------|---------------------------------|-----------------------------|-----------------|---|
| LCFF | \$1 | - | \$1 | |
| Federal Revenues | - | \$17 | \$17 | Title I Funding |
| Other State Revenues | \$375 | -\$3,413 | -\$3,038 | Grants: Classified Employee to Teacher, Classified Professional Development |
| Other Local Revenues | -\$8 | \$573 | \$566 | Local Solutions grant, local site & program donations |
| Total Revenues | \$369 | -\$2,822 | -\$2,454 | |

Second Interim Compared to First Interim

Total Expenditures (Unrestricted and Restricted)



| (In Thousands) | Unrestricted Variance FY2019-20 | Restricted Variance 2019-20 | Total Variance | Reason(s) |
|---|---------------------------------|-----------------------------|----------------|--|
| Salaries and Benefits | -\$290 | \$3,647 | \$3,357 | Pensions on behalf expenditures offset by final payroll reconciliation |
| Books, Supplies and Capital | \$2 | -\$268 | -\$267 | Restricted Local Grants and Donations |
| Services, Other Operating and Other Outgo | -\$225 | -\$722 | -\$947 | Restricted Local Grants and Donations, Maintenance |
| Total Expenditures | -\$513 | \$2,657 | \$2,144 | |

**DAVIS JOINT UNIFIED SCHOOL DISTRICT
SECOND INTERIM GENERAL FUND UNRESTRICTED SUMMARY**

| Description | <----- 2019-20 BUDGET -----> | | |
|--|------------------------------|-----------------------------|-------------|
| | BOARD APPROVED BUDGET | SECOND INTERIM BUDGET | DIFFERENCE |
| REVENUES | \$83,113,681 | \$83,482,253 | \$368,572 |
| EXPENDITURES | \$66,305,954 | \$66,819,069 | (\$513,115) |
| OTHER FINANCING SOURCES/USES | (\$17,930,360) | (\$18,261,587) | (\$331,227) |
| NET INCR. (DECR.) IN FUND BALANCE | (\$1,122,633) | (\$1,598,403) | (\$475,770) |
| BEGINNING FUND BALANCE JULY 1ST | \$5,756,339 | \$5,756,339 | \$0 |
| ENDING FUND BALANCE JUNE 30TH | \$4,633,706 | \$4,157,936 | (\$475,770) |
| <i>RESERVE %</i> | 4.4% | 4.1% | -0.4% |
| COMPONENTS OF ENDING BALANCE | | | |
| Revolving Cash/Stores | \$67,500 | \$67,500 | \$0 |
| Designated for Economic Uncertainties | \$3,390,740 | \$3,076,196 | (\$314,545) |
| <i>Designated for Economic Uncertainties %</i> | 3.2% | 3.0% | -0.2% |
| Other Assignments: | | | |
| State Funding Contingency | \$1,175,466 | \$800,000 | (\$375,466) |
| Deficit Spending Reserves | \$0 | \$214,240 | \$214,240 |
| <i>Total Other Assignments %</i> | 1.1% | 1.0% | -0.1% |
| Unassigned/Unappropriated Amount | \$0 | \$0 | \$0 |
| <i>Total Unassigned %</i> | 0.0% | 0.0% | 0.0% |
| Operating Deficit - / Surplus + | (\$1,400,000) | (\$1,600,000) | (\$200,000) |

Unrestricted Differences

+Favorable/-Unfavorable

Revenue **+\$368,572**

- LCFF Revenue **+\$1k**
- Other State Revenues **+\$375k**
 - *Trueup of one time revenues (Teacher Credentialing)*
- Other Local Revenues **-\$8k**

Unrestricted Differences

+Favorable/- Unfavorable

Expenditures

-\$513,115

- Salaries & Benefits

-\$290k

- Position control true up and reconciliation

- Supplies, Services and Capital

-\$203k

- One time restricted credentialing and type of commitments

- Other outgo/Indirect Costs

-\$20k

Other Financing

-\$331,227

- Contributions & Transfers Out

-\$331k

- SNS program transfer, ~~time~~ federal program adjustment, required maint. transfer

Net Incr. + / Decr. In Fund Balance

-\$475,770

Unrestricted Risk and Opportunities

- **Risks**
 - Attendance rate (decreased ADA)
 - Special Education costs
- **Opportunities**
 - Under spending
 - Increased revenues

**DAVIS JOINT UNIFIED SCHOOL DISTRICT
SECOND INTERIM GENERAL FUND RESTRICTED SUMMARY**

| Description | <----- 2019-20 BUDGET -----> | | |
|--|------------------------------|-----------------------------|-----------------|
| | BOARD APPROVED BUDGET | SECOND INTERIM BUDGET | DIFFERENCE |
| REVENUES | \$16,685,258 | \$13,862,972 | (\$2,822,286) |
| EXPENDITURES | \$37,913,205 | \$35,256,437 | \$2,656,768 |
| OTHER FINANCING SOURCES/USES | \$17,667,880 | \$17,888,581 | \$220,701 |
| NET INCR. (DECR.) IN FUND BALANCE | (\$3,560,067) | (\$3,504,884) | \$55,183 |
| BEGINNING FUND BALANCE JULY 1ST | \$4,767,633 | \$4,767,633 | \$0 |
| ENDING FUND BALANCE JUNE 30TH | \$1,207,566 | \$1,262,749 | \$55,183 |
| <u>COMPONENTS OF ENDING BALANCE</u> | | | |
| Legally Restricted Balances | \$1,207,566 | \$1,262,749 | \$55,183 |
| Unassigned/Unappropriated Amount | \$0 | \$0 | \$0 |
| <u>RESTRICTED BALANCE DETAIL</u> | | | |
| <i>Lottery Instructional Materials</i> | \$794,705 | \$794,705 | \$0 |
| <i>Low Performing Student Block Grant</i> | \$0 | \$13,256 | \$13,256 |
| <i>Donations and Grants</i> | \$412,861 | \$454,788 | \$41,927 |
| TOTAL LEGALLY RESTRICTED BALANCES | \$1,207,566 | \$1,262,749 | \$55,183 |

Restricted Differences

+Favorable/- Unfavorable

Revenue

-\$2,822,286

- **Federal Revenues**

+\$17k

- *Title III Immigrant Funding (did not qualify)*

- **Other State Revenues**

+\$3,413k

- *State Pension Accounting STRS/PERS on Behalf*

- **Other Local Revenues**

+\$573k

- *Local grants and donations*

Restricted Differences

+Favorable/- Unfavorable

Expenditures

+\$2,656,768

- **Salaries & Benefits**

+\$3,647k

- State Pension Accounting STRS/DEBS half

- **Supplies, Services and Capital**

-\$1,006k

- Teacher Credentialing and Other Local Grants and Donations

- **Otheroutgo/Indirect Costs**

+\$16k

OtherFinancing

+\$220,701

- **Contributions & Transfer Out**

+\$221k

- onetimefederal program adjustment, required maint. transfer

Net Incr. + / Decr. In Fund Balance

+\$55,183

Restricted Risk and Opportunities

- **Risks**
 - Special Education revenue expense
- **Opportunities**
 - Staffing and service levels
 - Under spending of expenditures
 - Revenue increases
 - SELPA funding
 - Local donations

Multi-Year Projections



Multi-Year Projection (MYP) Assumptions for Second Interim (2019-2022)

- Enrollment and Attendance Declining
- LCFF = COLA Increase only (through 2022)
- Parcel Tax Rate will be Adjusted for Inflation
- Continued Cost Increases (pensions, net step and column)
- LCFF Supplemental Program Spending Requirements
- Budget Reductions to Meet 3% Reserve

MYP Assumptions Changes since Dec

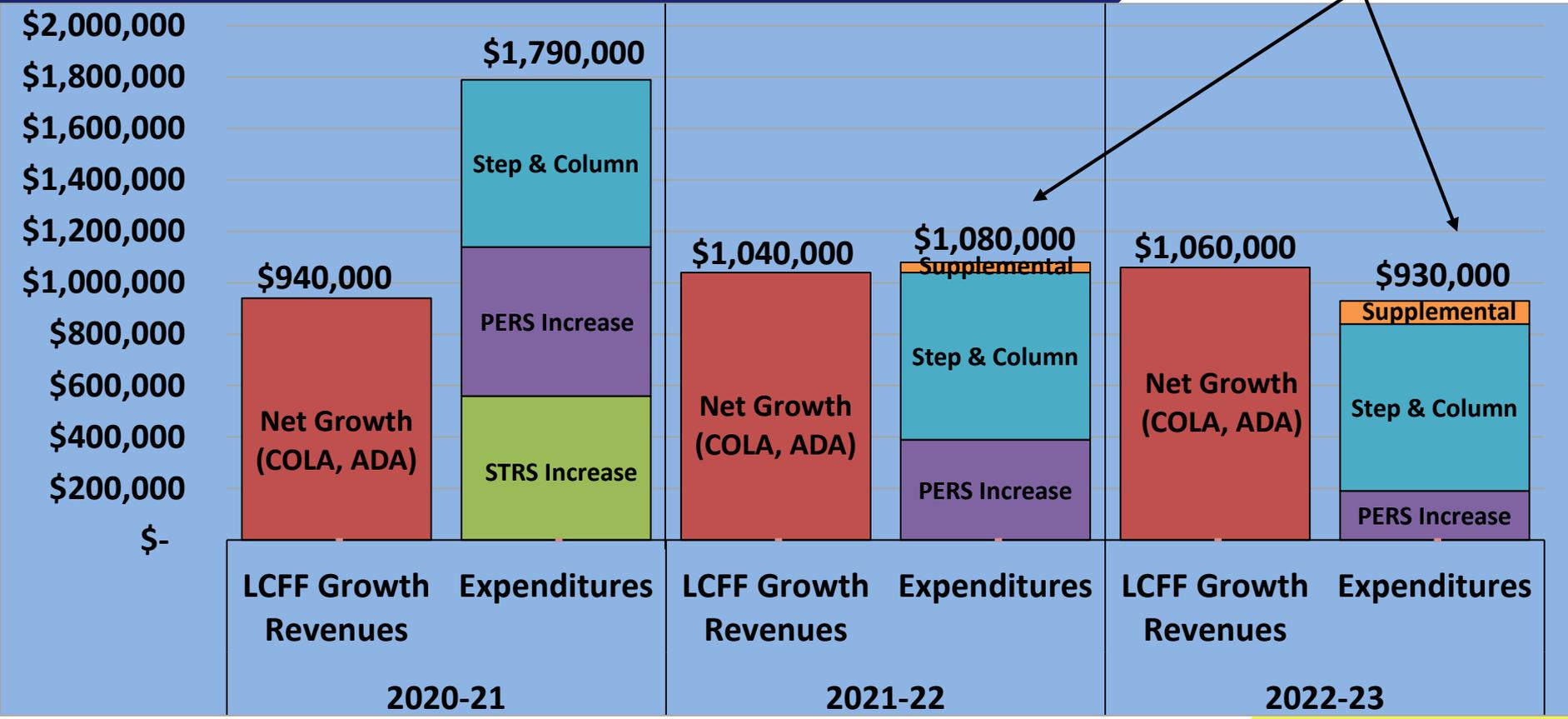
- Decreased Enrollment of 175 Students (2019-2022) (-\$800 K-\$1.6 Million ongoing)
- Decrease in Projected COLA(-\$400 K ongoing)
- Special Education Funding (+\$800 K on-going; held in reserve until approved)

Multi-Year Projections – General Fund

| Key Assumptions | 2019-20 | 2020-21 | 2021-22 |
|---|---------------------|---------------------|---------------------|
| DJUSD Enrollment (Non-Charter - excludes DVCA) | 7,964 | 7,864 | 7,764 |
| <i>Change in Enrollment</i> | (35) | (100) | (100) |
| Average Daily Attendance (ADA) | 7,654 | 7,587 | 7,493 |
| <i>Change in ADA</i> | (49) | (67) | (94) |
| Total LCFF Funding per ADA (RATE) | \$9,142 | \$9,347 | \$9,603 |
| PROJECTED COLA % | 3.26% | 2.29% | 2.71% |
| PROJECTED LCFF GROWTH % (RATE) | 3.19% | 2.24% | 2.75% |
| TOTAL LCFF REVENUE | \$69,974,104 | \$70,913,241 | \$71,957,256 |
| LCFF FUNDING CHANGE | \$1,729,341 | \$939,137 | \$1,044,015 |
| PARCEL TAX REVENUE | \$10,238,536 | \$10,501,140 | \$10,731,140 |
| Projected Step & Column Increases | | \$1,133,000 | \$1,133,000 |
| Pension Contribution Increase STRS | \$360,000 | \$560,000 | \$0 |
| Pension Contribution Increase PERS | \$310,000 | \$580,000 | \$390,000 |
| TOTAL UNRESTRICTED RESERVE % | 4.1% | 3.9% | 3.9% |
| RESERVE FOR ECONOMIC UNCERTAINTIES % | 3.0% | 3.0% | 3.0% |
| Budget Reductions - Staffing | | \$437,000 | |
| Budget Reductions - Operating Expenditures | | \$50,000 | |

Projected LCFF Growth & Expenditures with enrollment decline

STRS increases could happen in future years



Second Interim Multi-Year Projection (Unrestricted)

| Description | 2019-20 | 2020-21 | 2021-22 |
|--|----------------------|--------------------|--------------------|
| REVENUES | \$83,482,253 | \$83,595,487 | \$84,869,502 |
| EXPENDITURES | \$66,819,069 | \$66,848,070 | \$67,810,476 |
| OTHER FINANCING SOURCES/USES | (\$18,261,587) | (\$17,066,700) | (\$17,006,148) |
| NET INCR. (DECR.) IN FUND BALANCE | (\$1,598,403) | (\$319,283) | \$52,878 |
| BEGINNING FUND BALANCE JULY 1ST | \$5,756,339 | \$4,157,936 | \$3,838,653 |
| ENDING FUND BALANCE JUNE 30TH | \$4,157,936 | \$3,838,653 | \$3,891,531 |
| RESERVE % | 4.1% | 3.9% | 3.9% |
| COMPONENTS OF ENDING BALANCE | | | |
| Revolving Cash/Stores/Prepaid | \$67,500 | \$67,500 | \$67,500 |
| Designated for Economic Uncertainties \$ | \$3,076,196 | \$2,971,153 | \$3,024,031 |
| Designated for Economic Uncertainties % | 3.0% | 3.0% | 3.0% |
| Other Assignments | | | |
| State Funding Contingency | \$800,000 | \$800,000 | \$800,000 |
| Deficit Spending Reserves | \$214,240 | \$0 | \$0 |
| Total Other Assignments % | 1.0% | 0.8% | 0.8% |
| Unassigned Amount | \$0 | \$0 | \$0 |
| Unassigned/Unappropriated % | 0.0% | 0.0% | 0.0% |
| Operating Deficit - / Surplus + | (\$1,600,000) | (\$300,000) | \$100,000 |

Considerations and Fiscal Sustainability Indicators

- Lower LCFF Inflation growth (COLA) projections
- State not prioritizing local district allocations for existing programs
- Recognize Year-to-Year Trends Including Declining Resident Enrollment and Deficit Spending
- Reserve Levels
- General Fund Contributions

Mult-Year Planning Considerations

LCFF Funding

- Funded at COLA (Inflation)
- January Budget COLA adjusted down from First Interim Budget Projections
- No planned State increases for aspirational targets

| | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
|----------------------|----------------|----------------|----------------|----------------|
| January Budget | 3.26% | 2.29% | 2.71% | 2.82% |
| First Interim Budget | 3.26% | 3.00% | 2.80% | 3.16% |
| <i>Change</i> | | -0.71% | -0.09% | -0.34% |

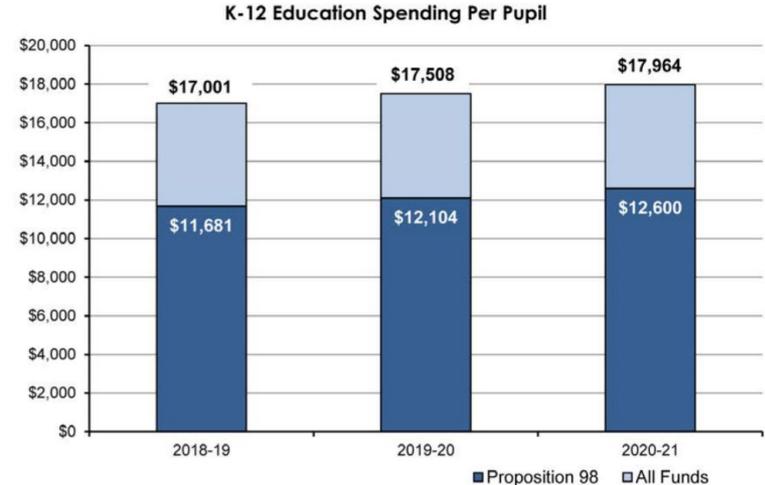
State not prioritizing local district allocations for existing on-going programs

GOVERNOR'S BUDGET SUMMARY — 2020-21

INVESTING IN EDUCATION

The Proposition 98 funding for K-12 schools and community colleges for 2020-21 is \$84 billion—an all-time high. When combined with more than \$819 million in settle-up payments for prior fiscal years, the Budget proposes an increased investment of \$3.8 billion in schools and community colleges.

Reflecting the changes to Proposition 98 funding levels noted above, total K-12 per-pupil expenditures from all sources are projected to be \$17,508 in 2019-20 and \$17,964 in 2020-21—the highest level ever. Ongoing K-12 per-pupil expenditures of Proposition 98 funds are \$12,600 in 2020-21, an increase of \$496 per pupil over the level provided in 2019-20—and \$5,600 higher than its low point in 2011-12.



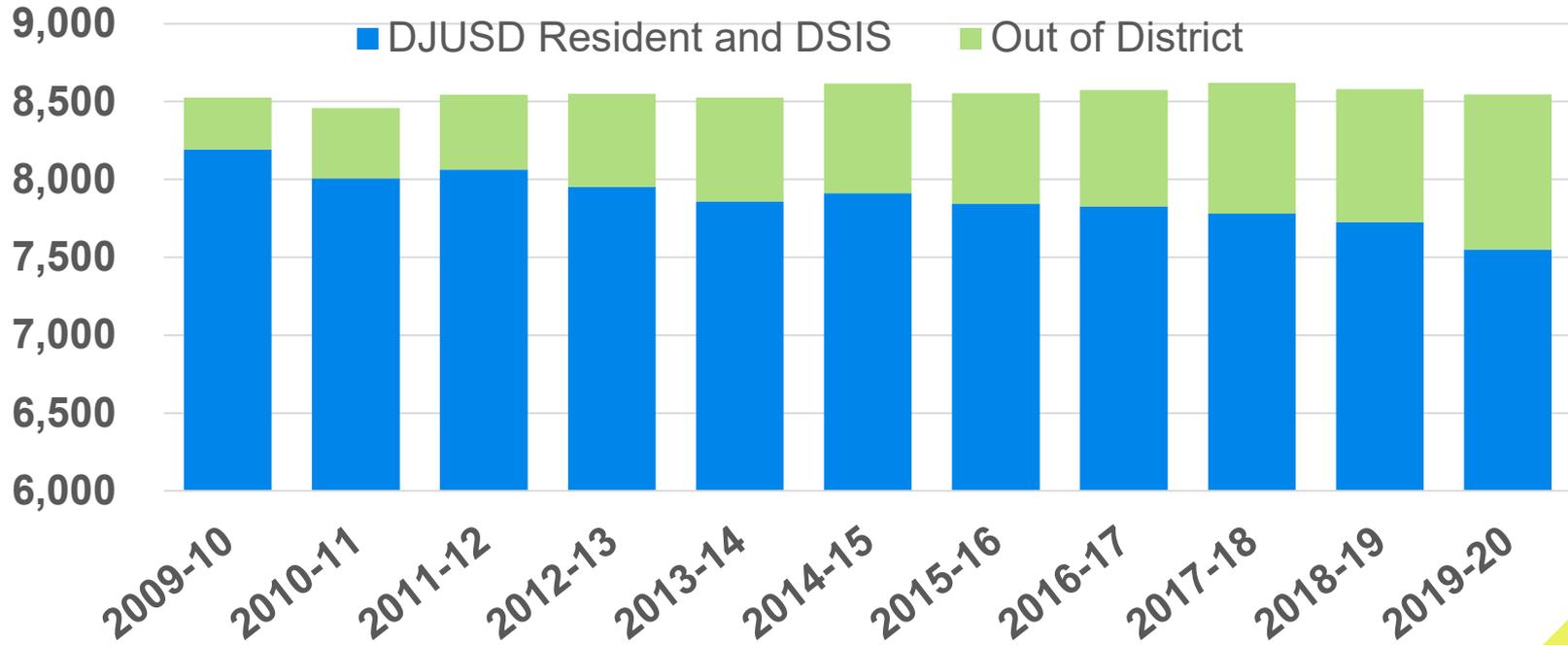
State not prioritizing local district allocations for existing on-going programs

“investment of \$3.8 billion in schools and community colleges”

*K-12 : \$3.4 billion (\$496 per student)
Community Colleges: \$0.4 Billion*

| Proposition 98 K-12 Spending On-Going Programs: | \$'s In Millions | % |
|---|-------------------------|-------------|
| K-12 COLA (LCFF and Categoricals) | \$1,328 | 39% |
| Special Education Formula Reform (AB602) | \$645 | 19% |
| Special Education Pre-School Grant (one-time purpose) | \$250 | 7% |
| Nutrition Reimbursement Rate Increase | \$60 | 2% |
| Other | \$9 | 0% |
| Total K-12 On-Going Spending | \$2,292 | 67% |
| Proposition 98 K-12 Spending One-Time Programs: | | |
| Teacher Initiatives | \$768 | 22% |
| Community School Grants | \$300 | 9% |
| Classified Teacher Credential Program | \$20 | 1% |
| Computer Science Credential | \$15 | 0% |
| Other | \$33 | 1% |
| Total K-12 One-Time Spending from On-Going Resources | \$1,136 | 33% |
| Total Proposition 98 K-12 Increases | \$3,428 | 100% |

DJUSD Enrollment History



Fiscal Health





Fiscal Health Analysis

- **Davis Joint USD | BP 3100 Business and Non-instructional Operations Budget**

The Board of Education recognizes its critical responsibility for adopting a sound budget for each fiscal year which is aligned with the district's vision, goals, and priorities. The district budget shall guide administrative decisions and actions throughout the year and **shall serve as a tool for monitoring the fiscal health of the district.**

The Board shall establish and maintain a general fund reserve for economic uncertainty that **meets or exceeds** the requirements of law. (Education Code 33128.3; 5 CCR 15450)

- **Board direction given in 2007 to follow FCMAT recommendations for fiscal health following the 2006 FCMAT Fiscal Review**
 - Review indicators to measure fiscal health on an annual basis

Fiscal Health Indicators



- Most Important Fiscal Indicators
 - Recognize year-to-year trends, e.g., declining enrollment or **deficit spending****
 - **Maintain reserves****
 - **Control escalating contributions** from general fund **

** Represents the conditions that have been found most frequently to indicate fiscal distress

Important Reminders

- DJUSD is highly dependent on increases in State funding
- Reserve levels are low, slightly above the minimum
- Fiscal distress is a common problem in districts with declining enrollment and multiple years of deficit spending

Acknowledgements

The 2019-20 Second Interim Budget represents the time and effort of our District team. These budget revisions include extra efforts by school site staff, department staff and other program staff.

Questions?