

2020-2021 First Interim Budget Report



SONORA UNION
HIGH SCHOOL DISTRICT
100 School Street ~ Sonora, CA 95370

Presented to the Board of Trustees
December 15, 2020

Sonora Union High School District
2020-21 First Interim Budget Report and Multiyear Fiscal Projection
For the Period July 1, 2020 through October 31, 2020
Presented December 15, 2020

The purpose of the First Interim is to provide the Board of Trustees and Sonora Union High School District an update on what resources (beginning balances and revenues) it has. It is also an update on the allocation of these available resources for the remainder of the 2020-21 budget as well as projections of resources and expenditures for the next two fiscal years. This reflects a snapshot in time of the actual annual income and it is also a time to adjust the budget based upon the Enacted State Budget and subsequent trailer bills, the closing of the prior fiscal year, and other factors that impact revenue and expenditures. The First Interim report covers the period of time from July 1 through October 31st.

As part of the State of California’s Local Control Funding Formula (LCFF), school districts are required to develop a Local Control Accountability Plan (LCAP) that drives the budget. Senate Bill (SB) 98 established that the LCAP was not required for the 2020-21 school year but instead adopted the Learning Continuity and Attendance Plan (LCP) which is a key part of the overall budget to address funding stability for schools while providing information at the local educational agency level for how student learning continuity will be addressed during the COVID-19 crisis in the 2020-21 school year. The LCP has helped guide our expenditures and our 2020-21 budgeting process. This budget has been compiled and formatted in the manner prescribed by the Tuolumne County Superintendent of Schools Office budgeting guidance and the California School Accounting Manual.

By December 15th, each Local Board of Education shall approve a budget and submit it to the County Office of Education for review and approval. A budget that does not provide adequate assurance that the district will meet its current and future obligations and resolve any problems identified in studies, reports, evaluations, or audits may be conditionally approved or disapproved.

In compiling the data for the First Interim, the Department of Finance (DOF) recently released its monthly report on state general fund revenue collections and, after two months of modest job recovery and general fund cash stabilization, state and revenues peaked in the second quarter of 2020. As we navigate through unprecedented fiscal challenges, maintaining fiscal solvency continues to be the priority. Monitoring cash flow is crucial as well as developing multiple budget assumptions.

Key planning factors that were incorporated per BASC Common Message include

PLANNING FACTORS	2020-21	2021-22	2022-23			
Statutory COLA	2.31%	2.48%	3.26%			
COLA Suspension	-2.31%	-2.48%	-3.26%			
Funded LCFF COLA	0.00%	0.00%	0.00%			
STRS Employer Rates	16.15%	15.92%	18.40%			
PERS Employer Rates	20.70%	22.84%	25.90%			
Lottery - Unrestricted per ADA	\$150	\$150	\$150			
Lottery - Prop. 20 per ADA	\$49	\$49	\$49			

Risk Factors Taken into Consideration

Fiscal uncertainties require careful planning and excellent contingency plans. Economic factors and legislative decisions at the state and federal level led to some immediate relief but also major long-term unknowns. The Business and Administration Steering Committee states all school districts should continue to follow these fundamental best practices:

Structurally Balanced Budget: A budget that supports educational plans over multiple years

Reserves: The Government Finance Officers Association recommends a reserve balance based on an analysis of the types of risk being managed with reserves. A general guideline is a minimum of 17% or two months' worth of operation expenditures.

Cash: The Fiscal Crisis and Management Assistance Team (FCMAT) emphasizes the need to assess not only fund balance but also actual cash on hand. This budget year districts face an unprecedented dollar amount of deferrals which include:

- Potential delays in local taxes
- State's ability to sustain deferrals versus enacting cuts to education funding
- Short timelines, changing federal requirements, unknown audit requirements
- Reliance on one-time stimulus funding
- Unknown costs due to changes in accountability
- Litigation costs (due process, COVID-19 exposure)
- Changes in statutes in Workers' Compensation
- Cost of mitigating learning loss over time
- Reductions in ADA
- Requirements to provide more services to students in need
- Increases in state non-education funding obligations

Significant Changes Since Budget Adoption:

- No ADA collected in 2020-21 for apportionment purposes
- Extended deadline for GEER funds to September 30, 2022
- Extended deadline for Learning Loss Mitigation (LLM) Funds from December 30, 2020 to June 30, 2021
- Expanded eligible expenditures for LLM funds to address health and safety
- Lottery Instructional Material funds (Resource 6300) definition of instructional materials to include laptop computers and other devices that provide internet access
- Increased funding for school nutrition programs

At the state level of reporting, the Legislative Analyst's Office (LAO) announced on November 18th that the state has undergone a rapid, but uneven recovery. While this is good news in the states revenue growth, there is caution as the growth over the subsequent three years is projected to grow at an average annual rate of less than 1% not including the most recent Governors stay-at-home order which could change the growth levels yet again.

With all of these implications taken into account, the attached budget documents demonstrate that Sonora Union High School District will maintain reserve balances at or above the 4% minimum state standard requirement necessary for a positive certification, even though deficit spending in the current and future two years is projected. Included are various supplemental forms to ensure accountability for the district's fiscal solvency. It projects the district's current

and future year's fiscal outlook in the Multiyear Projections which biannually, within a fiscal year, the School Board is required to review which reflect changes since original budget adoption.

FIRST INTERIM REVENUE AND ASSUMPTIONS

LCFF

At budget adoption, LCFF Revenue was estimated at \$11,257,269. Revenue estimated at first interim is \$11,526,814 at a difference of \$269,814 which is a 2.4% increase due to an increase in local property tax and Principal Apportionment in State Aid.

FEDERAL

Unrestricted Federal Revenue stayed consistent with \$28,030 at budget and first interim projections.

Restricted money including Title I, Title II, Other NCLB/ESSA, and CTE had slight differences but the largest increase was due to the COVID-19 funds, which all combined added \$741,817.19 of restricted revenue.

STATE REVENUE

Unrestricted Lottery revenue estimated at first interim is \$207,000 or \$150 per ADA, which is the same as budget adoption. There was an increase in revenue in the Career Technical Education Incentive Grant as at the time of budget adoption, we were not expected to receive the full grant. The full allocation of funding is now \$168,433 which is a net increase of \$78,625 from adopted budget. Unrestricted state revenue also had an increase due to the COVID-19 state fund allocations.

LOCAL REVENUE

All other local revenue was estimated at adopted budget to be \$737,300, which includes leases and rent, interest, and interagency services. The projected 8% increase was incurred in part by an excess contribution to STRS in 19/20 which was refunded in the 20/21 year.

FIRST INTERIM EXPENDITURE AND ASSUMPTIONS

CERTIFICATED AND CLASSIFIED SALARIES

Certificated salaries have been budgeted with step and column increases for 2020-21. Substitute budgets have been adjusted accordingly based on actuals to date. Total certificated salaries: \$3,973,940

Step and column increases have been budgeted for classified salaries as well. Substitute budgets reflected actuals to date. Total classified salaries: \$2,287,564

EMPLOYEE BENEFITS

Total employee benefits at adopted budget was \$2,288,498 with first interim assumptions at \$2,266,512 which is a 1% decrease.

BOOKS AND SUPPLIES

Total books and supplies for 2020-21 is projected to be \$494,864 which is an increase necessary to expend the CARES Act funds. The district purchased laptops, dual monitors, cameras, Chromebooks, etc. to help support student learning.

SERVICES AND OTHER OPERATING EXPENDITURES

The budget was also increased to account for services to be expended from the CARES Act funding. Purchases included Pear Deck licenses, more licenses for APEX, Go Guardian, etc. for increased online learning and teaching. There was also an increase in our insurance premiums due to the California Statute of Limitation change. The increase from adopted budget \$1,142,196 to the projected year total at \$1,188,812 is a 4.1% difference.

CAPITAL OUTLAY

The district applied for and received a Carl Moyer grant from the Tuolumne County Air Pollution Control District to replace an older special needs bus in the 2019-20 school year. Due to the Corona virus, the bus was not received until the 2020-21 fiscal year. Appropriations for revenue and expenditures of \$90,000 (grant) and \$135,000 (cost of bus) was scheduled but the expenditure, shared by all Tuolumne County Districts participating in the county-wide special needs transportation program, and revenue from these districts will incur in the 2020-21 year.

TRANSFERS OUT

Transfers out include estimated costs to be paid out for our share of Special Education Transportation and fund transfers to Cafeteria and Adult Education.

CONTRIBUTIONS TO RESTRICTED RESOURCES

Contributions to restricted resources including Special Education at \$1,446,245 and Routine Restricted Maintenance at \$517,526 for the 3% required minimum defined in Ed Code section 17002.

The District contracts with the Tuolumne County SELPA to provide Special Education services to qualifying District students. The SELPA is in its third year of the allocation model that is based on district usage of services. The District has again contracted with Point Quest in helping to run the Functional Living Skills class at Shaws Flat. The total amount of this service is \$510,400, of which the SELPA will reimburse the District at 70% (compared to 90% last year), or \$357,280. The SELPA has indicated that all high cost pool services, including the FLS program, will be covered at 70% moving forward.

Conclusion

The District's 2020-21 First Interim Budget and MYP reflects reserves at 15.65% for 2020-21, 21.29% for 2021-22, and 17.20% for 2022-23, all of which exceed the required 4.0% minimum State standard and result in a positive certification. Although the budget is positive, it reflects deficit spending in all three years and relies on utilizing fund balance reserves to meet expenditure levels making the District vulnerable for meeting cash flow requirements and future needs.