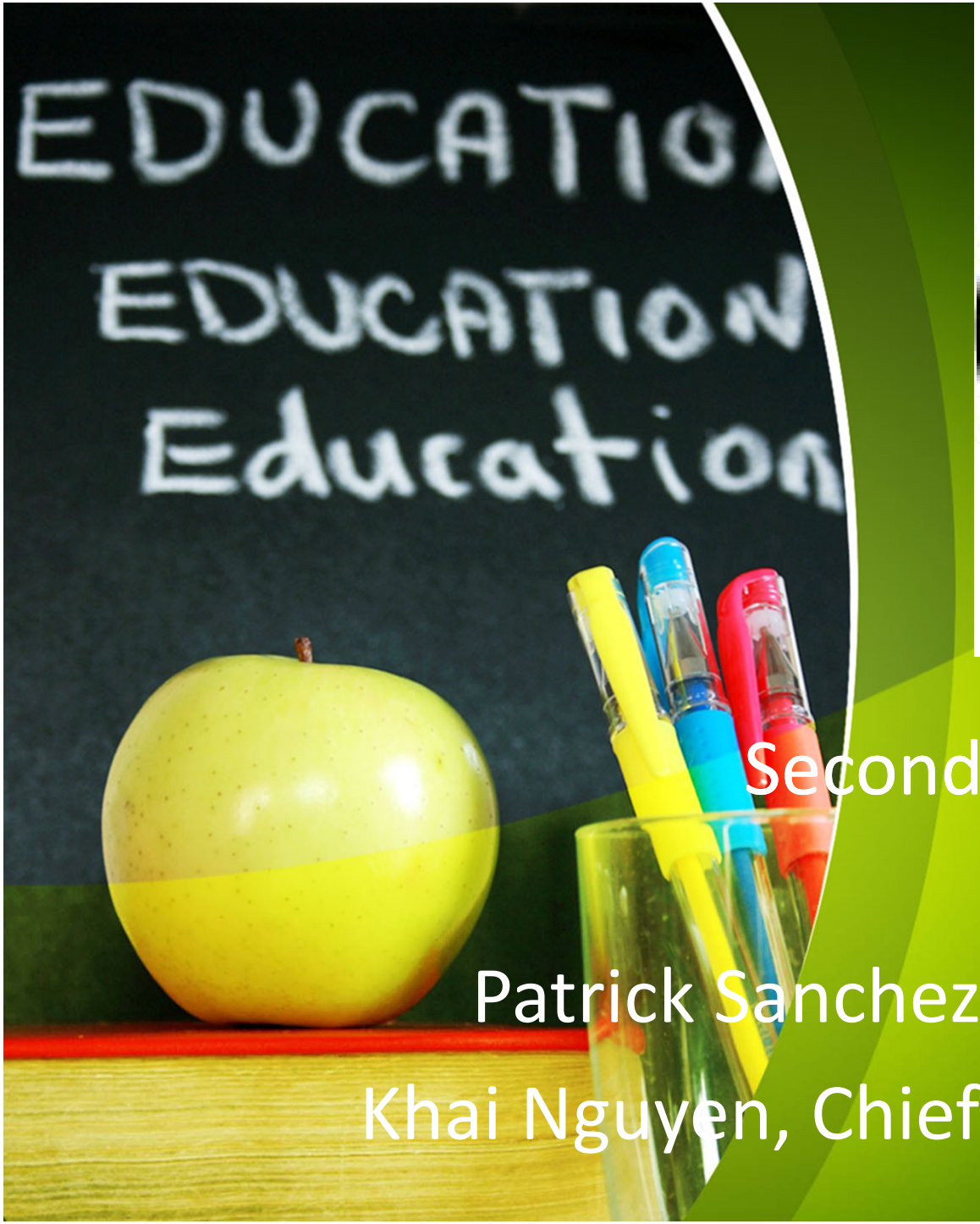

NEWARK UNIFIED SCHOOL DISTRICT
Newark, California

Second Interim 2018-19
March 7, 2019

Patrick Sanchez, Superintendent

Khai Nguyen, Chief Business Official

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Objective

- The Second Interim is as of January 31st
- Projects financial activity with known factors at this time through June 30th
  - Actual activity through January 31st
- January interim report contains the following:
  - Detailed Budget
  - Multi-Year Projections
  - Cash Flow Projections

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Current Status of District

- District will meet the 3% reserve for economic uncertainties
- Special Education has increased in the past two years
- Enrollment is being monitored closely
- Board made the required reduction to assist the District to maintain fiscal solvency for the next years by approving Resolution 2130
- Negotiation settlement: NTA and NEWMA
  - CSEA tentative agreement

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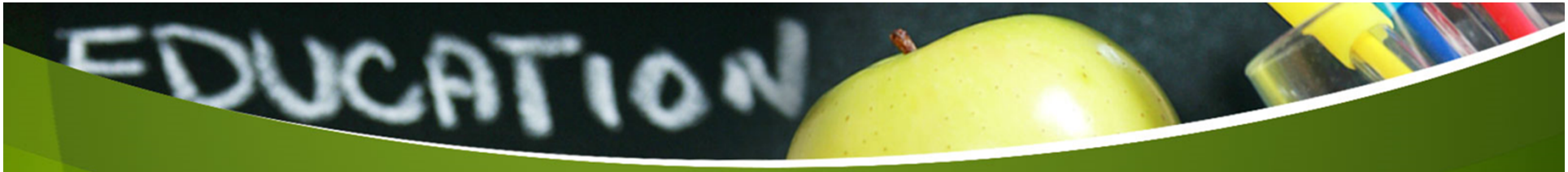

Governor's Proposed Budget

- Local Educational Agencies (LEAs) will continue to face budget challenges as Local Control Funding Formula (LCFF) funding flattens and costs rise
- No one-time discretionary fund
- Reduce CalSTRS contribution
- Early intervention – childcare services for low income families
  - Headstart and Regional Centers

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2019-20 LCFF Funding Factors

- The State Budget proposes $2 billion towards LCFF to fund the 3.46% statutory COLA
  - This brings LCFF funding to $63 billion (up from $61 billion in 2018-19)
- The K-12 COLA is 3.46% for 2019-20 and is applied to the LCFF base grants for each grade span

Grade Span	2018-19 Base Grant Per ADA	3.46% COLA	2019-20 Base Grant Per ADA
K-3	$7,459	$258	$7,717
4-6	$7,571	$262	$7,833
7-8	$7,796	$270	$8,066
9-12	$9,034	$313	$9,347

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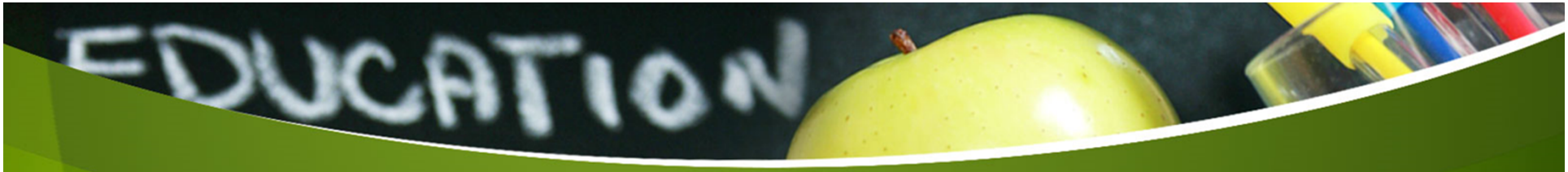

COLA Percentage Comparison

Fiscal Year	Adopted Budget	Governor's Budget	Difference
2019-20	2.57%	3.46%	0.89%
2020-21	2.67%	2.86%	0.19%
2021-22	3.42%	2.92%	-.50%
2022-23	3.26%	2.90%	-.36%

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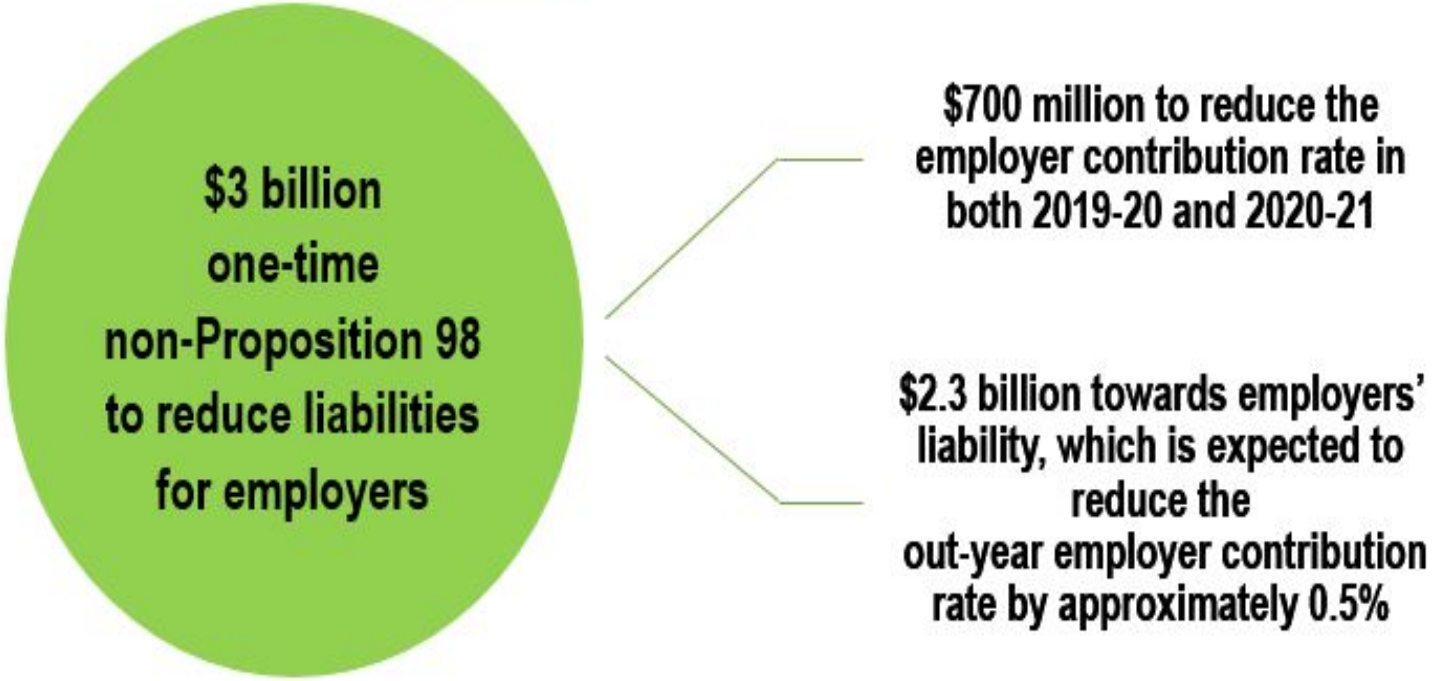
CalSTRS – Employer Contributions

- The State Budget recognizes the cost pressures LEAs face with rising the California State Teachers' Retirement System (CalSTRS) employer contribution rates



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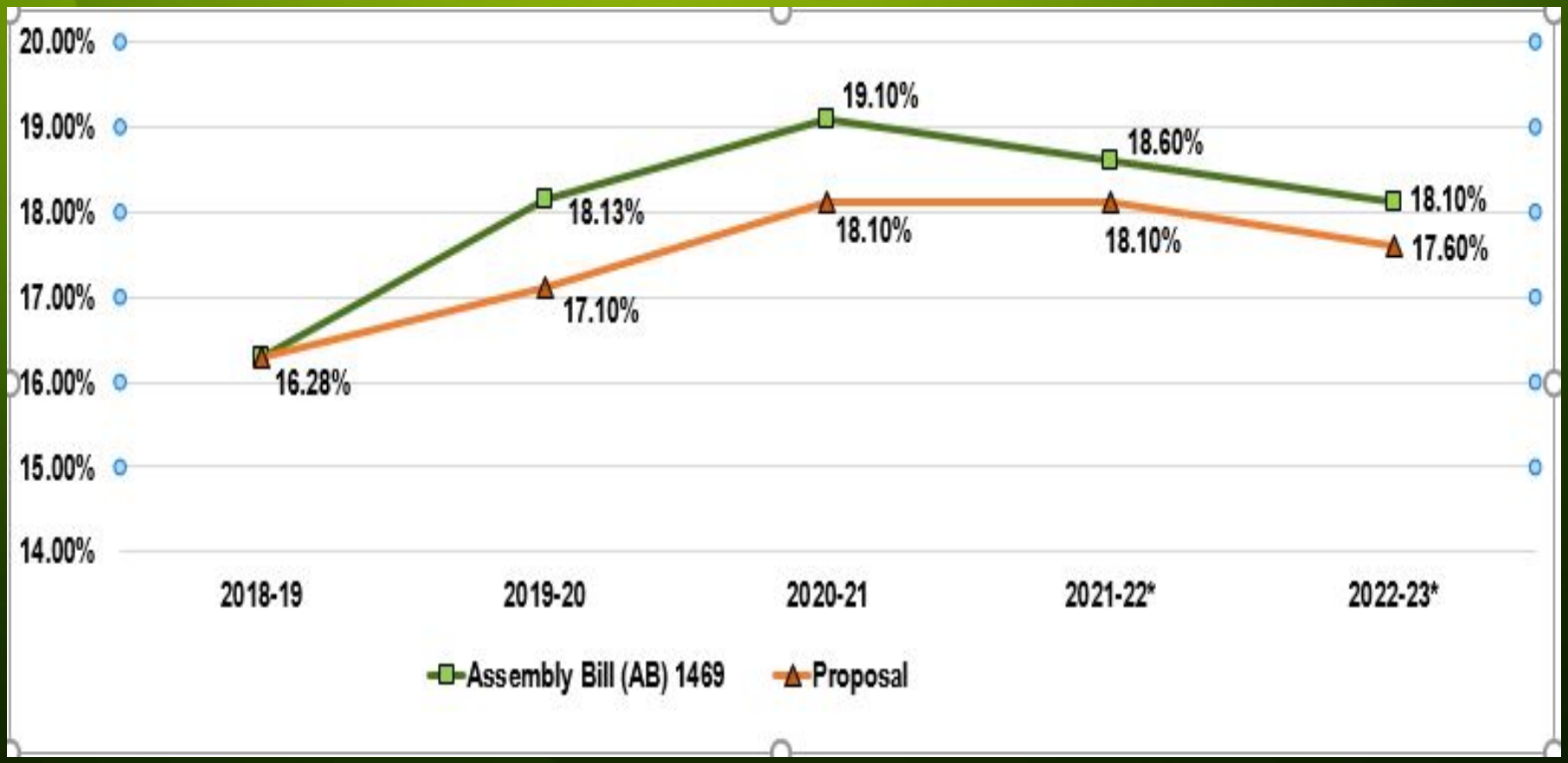
CalSTRS Employers Contribution Rates – Current Law Versus Governor's Proposal



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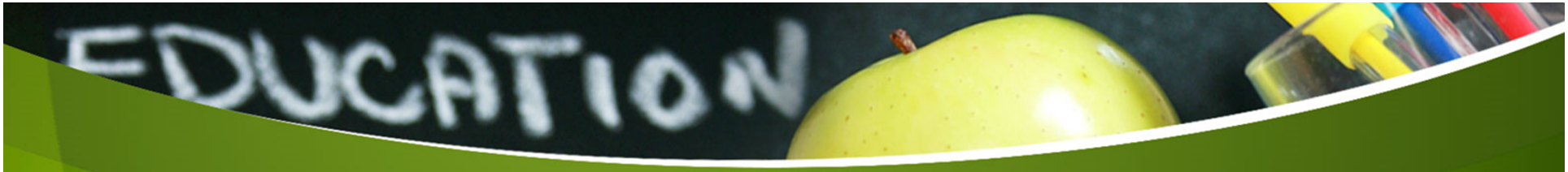

What does this Mean for Newark USD?

- CalSTRS
  - From 18.13% to 17.10%
    - Change to STRS -$322,000
- COLA 3.46%
  - From 2018-19 Base Grants to 2019-20 Base
    - $1,529,000
  - From 2.57% to 3.46% COLA
    - $393,980

This update is based on the Governor's Proposal!

- First step in the state budget process
- Still needs approval by the State Legislature

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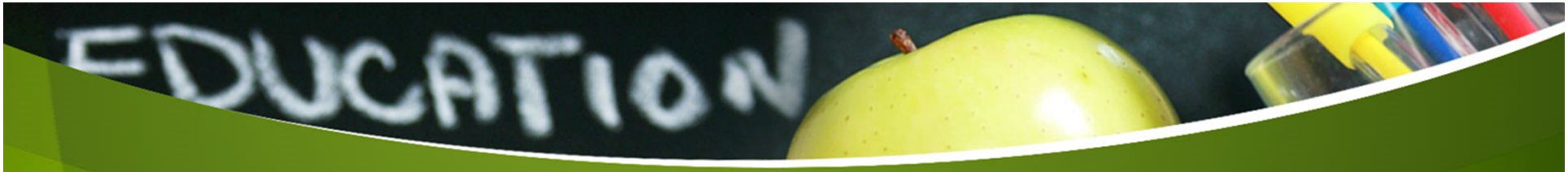

Other Assumptions

- Lottery is estimated to be funded at $151 per ADA for unrestricted purposes, and $53 for restricted purposes
  - CalSTRS Rate (Projected)
    - 2018-19: 16.28%
    - 2019-20: 17.10%
    - 2020-21: 18.10%
  - CalPERS Rate (Projected)
    - 2018-19: 18.062%
    - 2019-20: 20.70%
    - 2020-21: 23.4%
  - Step and Column
    - Certificated: 1.67%
    - Classified: .72%
  - Reduction of $2,200,000

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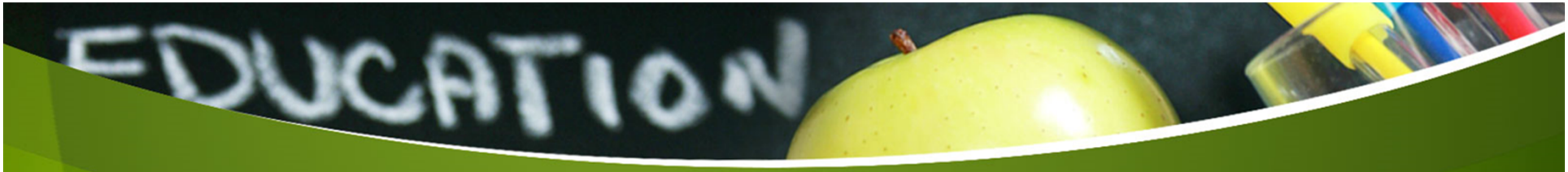

Enrollment

Year	Adopted Budget	2nd Interim	Variance
2018-19	5,914	5,756	(158)
2019-20	6,028	5,729	(299)
2020-21	6,068	5,676	(392)
Total			(849)

- Average Daily Attendance to Enrollment Ratio: 96%

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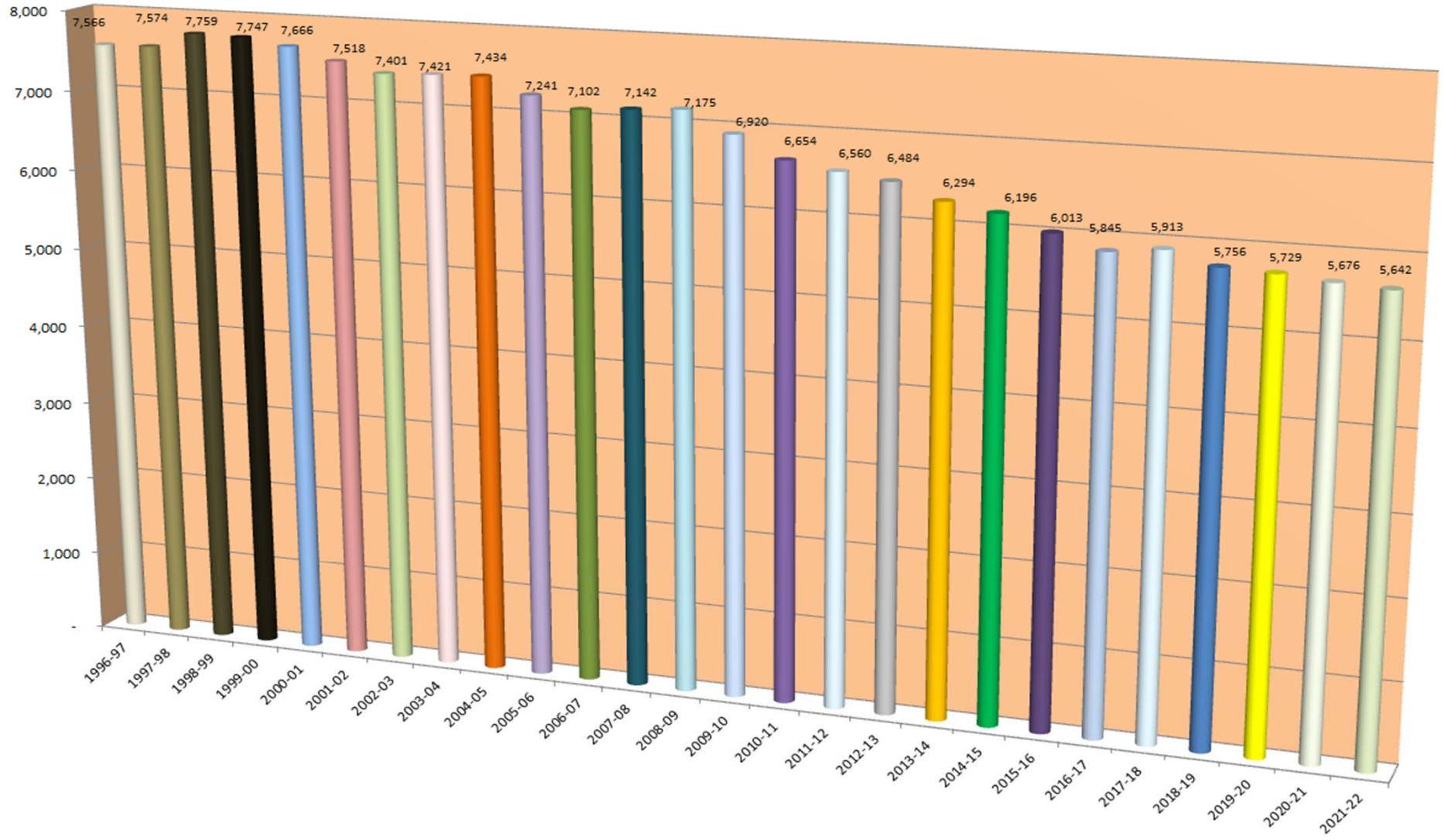
Historical and Projected Enrollment Trends



Revenue Summary				
Fund Name	Object	Adopted Budget 2018-19	2nd Interim 2018-19	Variance
LCFF Sources	8010-8099	54,469,530	54,246,100	(223,430)
Federal Revenues	8100-8299	2,110,041	2,417,143	307,102
Other State Revenues	8300-8599	6,700,783	5,823,217	(877,566)
Other Local Revenues	8600-8799	3,430,893	3,572,669	141,776
Total		66,711,247	66,059,129	(652,118)

Variance Explanation

LCFF Sources: COLA increase from 2.51% to 3.70%. Former Governor Brown added more funds to the Base of LCFF

Federal Revenues: Carryovers from prior year

Other State Revenues: One time discretionary fund went from $344 to $184 per ADA

Other Local Revenues:

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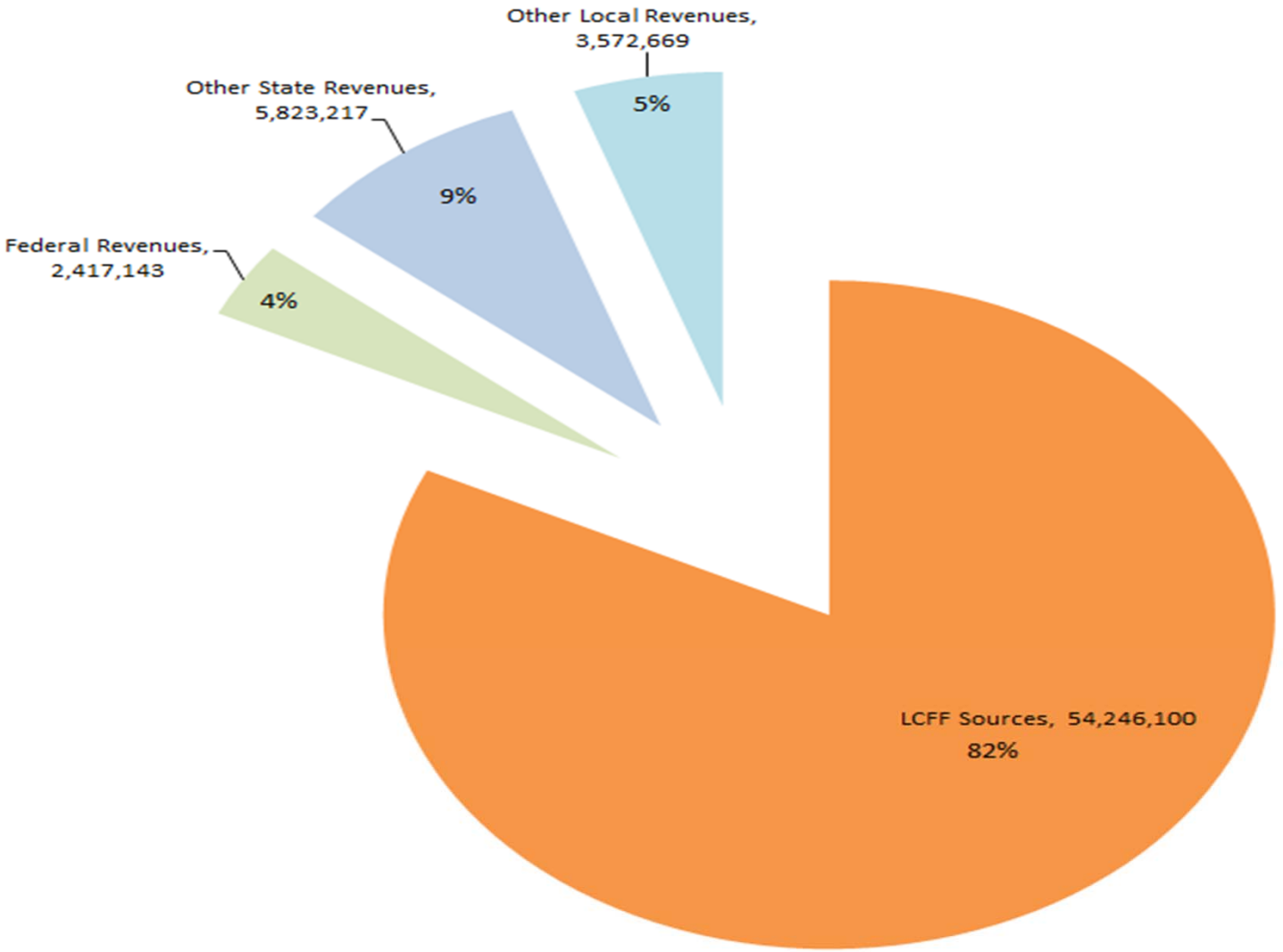
General Fund Revenues



General Purpose – Property taxes, basic state aide, and education protection account funds

Federal – District must follow specific grant guidelines (Title I, Title II, etc.)

Other State – State funds not part of State Aid (Lottery, Special Education, Mandate, Prop 39, etc.)

Local – Funds received from local sources (Foundation support, PTSA support, Use of Facilities, etc.)

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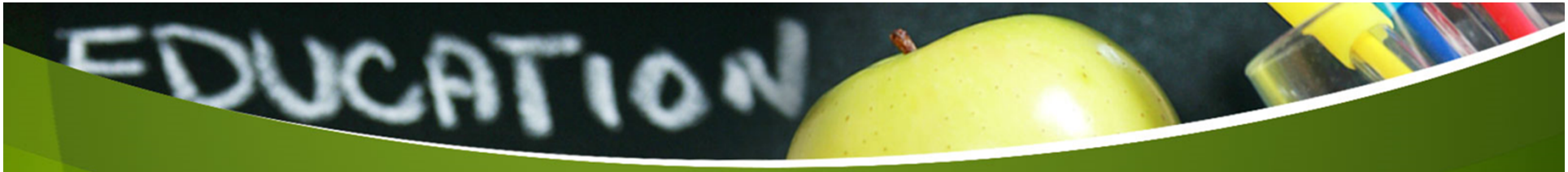

General Fund Expenditures

Expenditures Summary				
Fund Name	Object	Adopted Budget 2018-19	2nd Interim 2018-19	Variance
Certificated Salaries	1000-1999	32,395,038	31,312,762	(1,082,276)
Classified Salaries	2000-2999	8,683,264	8,649,181	(34,083)
Employee Benefits	3000-3999	13,942,810	14,003,259	60,449
Books and Supplies	4000-4999	2,760,047	2,734,453	(25,594)
Services and Other Operating Expenses	5000-5999	7,894,235	10,093,781	2,199,546
Capital Outlay	6000-6999	95,176	287,357	192,181
Other Outgo	7100-7499	774,211	756,174	(18,037)
Total		66,544,781	67,836,967	1,292,186

Variance Explanation

Certificated Salaries: Unable to fill certificated positions

Services and Other Operating Expenses: Outsource special education services; utility, water, liability insurance, equipment repairs, legal fee expenses increase; Carryover from prior years such as Title I, II, III, Prop 39; New grants

Capital Outlay: Clean Energy project

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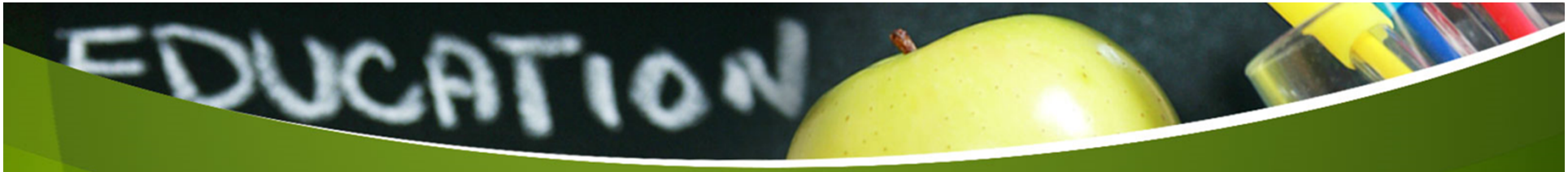

Contribution from the Unrestricted General Fund

Summary of Contributions	Actuals 2016-17	Actuals 2017-18	Revised Budget 2018-19
Special Ed	7,113,679	6,816,499	7,485,653
Major Maintenance Account	1,346,477	1,263,398	1,782,120
Total	8,460,156	8,079,897	9,267,773

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Special Education Enrollment

Description	2016-17	2017-18	2018-19	Three Year Change
Special Ed	684	720	756	72
SDC	261	273	274	13

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Multi-Year Projection 2018-2021

	2018-19	2019-20	2020-21
Beg. Balance	6,079,765	4,271,927	2,827,640
Revenues	66,059,129	64,560,640	65,556,241
Total	72,138,894	68,832,567	68,383,881
Expenditures	67,866,967	67,682,927	67,021,182
Budget Reduction	-	(1,678,000)	(686,000)
Deficit	(1,807,838)	(1,444,287)	(778,941)
Ending Balance	4,271,927	2,827,640	2,048,699
Reserve for Economic Uncertainity	2,036,009	1,980,148	1,990,055
Total Reserve Percentage	3%	3%	3%

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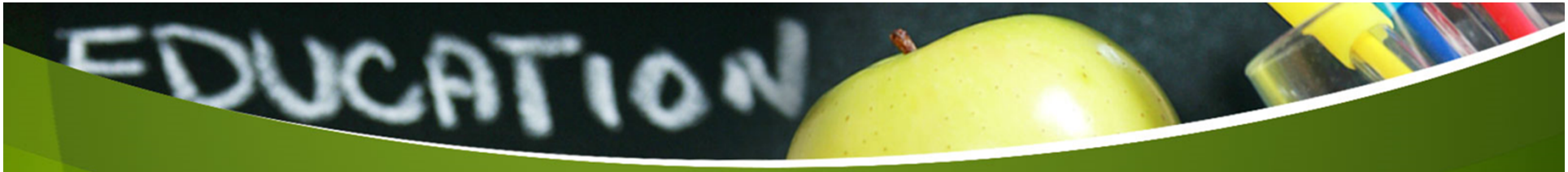

Why Financial Challenges

- Declining enrollment
- Reduction in ADA to enrollment yields
- STRS and PERS rate increases
- Combination of salary schedule increases and one-time payouts
- Increased in special education obligations due to increased special education student enrollment

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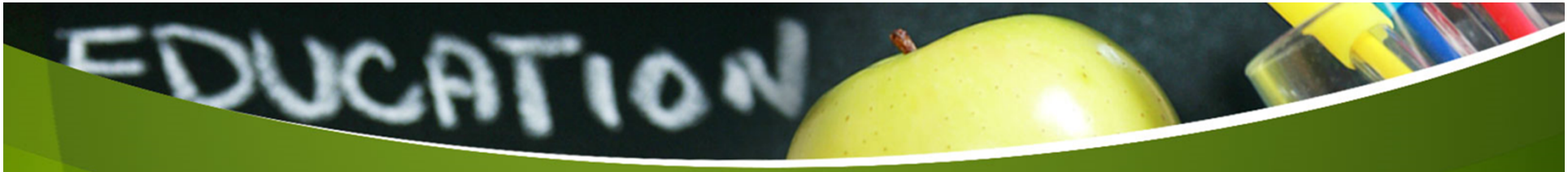

What other school districts are doing

- LAUSD: 2021-22 provisions will require new funding, either through a parcel tax or increased in state or federal funding

Districts	2018-19	2017-18	2016-17	2015-16	2014-15	Five Year Change	Budget Reduction	Parcel Tax
Alameda	9,380	9,503	9,483	9,455	9,499	(119)	(3,200,000)	$.33/sq ft.
Castro Valley	9,258	9,312	9,358	9,366	9,361	(103)	(1,800,000)	Exploring Parcel Tax
Dublin	12,063	11,294	10,680	9,965	9,151	2,912	-	$96/per parcel
Fremont	35,176	35,419	34,819	34,503	33,866	1,310	(14,200,000)	$73/per parcel
Hayward	19,911	20,429	20,771	20,947	20,996	(1,085)		
Livermore	13,740	13,765	12,924	12,519	12,540	1,200	-	$138/per parcel
New Haven	11,316	11,613	11,893	12,171	12,459	(1,143)	(4,000,000)	No parcel
Newark	5,756	5,913	5,845	6,013	6,196	(440)	(2,200,000)	Exploring Parcel Tax
Oakland	36,708	37,096	36,814	37,124	37,096	(388)	(21,700,000)	$195, $120/per parcel
Pleasanton	15,036	14,864	14,778	14,754	14,768	268		
San Leandro	8,926	8,880	8,638	8,560	8,617	309	-	$39/per parcel
San Lorenzo	10,201	10,496	10,730	10,990	11,135	(934)		

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Parcel Tax – Oakland USD

PARCEL TAX MEASURES

- Measure G, passed by Oakland voters on 2/5/08, is a special tax of $195 per year on each parcel of taxable real-property in the City.
- Measure N, passed by Oakland voters on 11/4/14 for 10 years, is a $120 per parcel special tax on each taxable parcel in the City.
- Measure G1, passed by Oakland voters on 11/8/16 for 12 years, is a $120 per parcel special tax on each taxable parcel in the City.

			Available Homeowner Exemptions	
Parcel Tax Measures	Purpose	Amount	Low Income Homeowner	Senior Citizen Homeowner
Measure G	• Attract and retain highly qualified teachers • Maintain courses that help students qualify for college • Maintain up-to-date textbooks and instructional materials • Keep class sizes small • Continue after-school academic programs • Maintain school libraries • Provide programs, including arts and music, that enhance student achievement	$195	✓	
Measure N	• Reduce the drop-out rate • Provide high school students with real-world work and learning opportunities • Prepare students for admission to the University of California and other four-year colleges • Expand mentoring, tutoring, counseling, support services, and transition to job training programs	$120	✓	✓
Measure G1*	• Provide more educational enrichment opportunities for District and charter middle school students such as music, art, and world language • Pay teachers and educational staff of District schools and charter schools more so they can better afford to live in Oakland, where they work	$120	✓	✓

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Revenue Enhancement

- City of Newark to pay for MacGregor water bills
- Use of Facility
- Improve ADA to enrollment ratio
- Parcel Tax

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Other Funds

FUNDS	Beginning Balance	Ending Balance
11 Adult Education	29,468	29,604
12 Child Development	179,213	204,801
13 Cafeteria Fund	696,793	312,770
17 Special Reserve Other Than Capital Outlay Projects	2,224,793	2,246,793
21 Building Fund - General Obligation Bond	12,417,732	9,589,392
25 Capital Facilites Fund	10,762,853	13,889,302
40 Capital Outlay Projects - Ruschin	11,129,589	10,805,891
51 Bond Interest and Redemption	8,711,771	7,787,439
67 Self Insurance	2,999,816	2,535,937

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Next Steps

- State Level
  - May Revision
- District Level
  - May 20, 2019 – Governor's May Revise
  - June 13, 2019 – 2019/20 Budget Public Hearing
  - June 27, 2019 – 2019/20 LCAP and Budget Adoption

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Items to Consider

- More than likely the Governor will increase COLA from 2.86% and 2.92% in 2020-21 and 2021-22, respectively
- Governor may return one-time discretionary fund in outer years
- Enrollment may begin to flatten or increase marginally beginning 2022-23 or sooner
- Parcel Tax being approved by the community in March or November 2020

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Budget Certification

- Positive Budget Certification assures our bond rating to stay positive and competitive for Newark Unified School District
- This means that based on current projections the District will meet its financial obligations for the current year and two subsequent fiscal years.

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Questions

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