

# May Revise Update

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May 28, 2020

# Agenda

- 19-20 Year-End Estimates
- 20-21 Budget (rough draft)
- Current vs. Prior Year Comparison
- May Revise Revenue
- STRS Buydown
- Cash Deferrals

# 2019-20 YE Estimates

		2019/20	2019/20
		Estimated YE Actuals Middle School	Estimated YE Actuals Elem School
<b>Revenue</b>			
	General Block Grant	4,012,919	2,601,046
	Federal Revenue	164,229	86,252
	Other State Revenues	481,811	218,675
	Local Revenues	246,942	263,707
	Fundraising and Grants	7,500	8,500
	<b>Total Revenue</b>	<b>4,913,401</b>	<b>3,178,179</b>
<b>Expenses</b>			
	Compensation and Benefits	3,955,167	2,382,858
	Books and Supplies	288,085	196,420
	Services and Other Operating Expenditures	756,529	505,136
	Depreciation	-	-
	<b>Total Expenses</b>	<b>4,999,781</b>	<b>3,084,414</b>
<b>Operating Income</b>		<b>(86,380)</b>	<b>93,765</b>
<b>Ending Fund Balance</b>		<b>2,165,942</b>	<b>1,029,312</b>
<b>Ending Fund Balance as a % of Expense</b>		<b>43%</b>	<b>33%</b>
<b>Performance Bonuses</b>		<b>100,150</b>	<b>49,850</b>

## Rough Draft of 20-21 Budget

<b>20-21 Forecast</b>	<b>Middle School</b>	<b>Elem School</b>
Revenue	\$4.64M	\$3.03M
Expenses	\$4.98M	\$2.98M
<b>Operating Income</b>	<b>(\$342.8K)</b>	<b>\$53.4K</b>

- As we build plans to re-open campus for on-site instruction, we will most likely need to increase our 4000 & 5000 series to keep the campus clean & safe.
- A staffing plan for 20-21 will be finalized by June 5.

# Current Year vs. Prior Year

<b>Elementary</b>	<b>2019-20</b>	<b>2020-21</b>	<b>Difference</b>
LCFF Funding	\$2.60M	\$2.36M	(\$238K) decrease
Comp & Benefits	\$2.38M	\$2.30M	\$86K decrease

<b>Middle</b>	<b>2019-20</b>	<b>2020-21</b>	<b>Difference</b>
LCFF Funding	\$4.01M	\$3.47M	(\$540K) decrease
Comp & Benefits	\$3.96M	\$3.99M	\$39K increase

- Compensation & Benefits is now 80% of our planned expenses.
- 75% of our revenue comes from LCFF funding that is drastically decreasing.
- Decreasing our largest revenue stream, while continuing to increase our largest expense will not be financially sustainable.

# LCFF Assumptions

- May Revise suspends the 2.31% statutory COLA & will include an additional reduction of 10% to LCFF.
  - This results in a -7.92% decrease to the current 19-20 funding levels
  - This reduction to the 20-21 Base Grant is then used to calculate the 10.4% class-size reduction funding and the 20% Supplemental Grant funding for our Unduplicated Pupil Count (UPP).
  - There is a trigger to pull this back if Federal Funds from the Heroes Act are approved
- LCFF Base funding levels will return to **2016-17 rates**
  - This is an overall loss of \$351K for the MS from 19-20 levels
    - *MS will also lose an additional \$189K from 19-20 levels due to declining enrollment*
  - This is an overall loss of \$238K for the ES from 19-20 levels

	<b>19-20 LCFF</b>	<b>20-21 LCFF</b>	<b>Loss/ADA</b>
<b>K-3</b>	7,702	7,092	(788)
<b>4-6</b>	7,818	7,199	(800)
<b>7-8</b>	8,050	7,412	(824)

# Funding Per ADA

- ADA Based Revenue
  - LCFF, Federal & State SPED, Lottery, MBG, & Parcel Tax
- Non-ADA Program Revenue
  - ESSA (Title I-IV), ASES, Interest, & \*One-time funds
- Other Variable Revenue
  - Office sales, Fee-based programs (after-school), field trips, fundraising, grants, & other misc
- Below is the estimated revenue per ADA
  - *Reminder: only the “ADA Based Revenue” is directly driven by student enrollment*

	<b>Middle School</b>	<b>Elem School</b>
<b>LCFF Revenue</b>	\$8,124	\$8,402
<b>Other ADA Based Revenue</b>	\$1,246	\$1,327
<b>Non-ADA Program Revenue</b>	\$928	\$479
<b>Other Variable Revenue</b>	\$54	\$61





# Federal Every Student Succeeds Act (ESSA) Funding

- **Title III:** AoA will be a consortium between the ES & MS program in order to participate in English Language Learner (ELL) funding
- An extension for flexibility on restricted programs has not yet been addressed by the Governor

	<b>Middle School</b>	<b>Elementary School</b>	<b>Notes</b>
<b>Title I</b>	\$77.3K	\$36.9K	Hold harmless rules hurt the ES funding
<b>Title II</b>	\$14.3K	\$6.9K	Must be use on PD for staff
<b>Title III</b>	\$6.5K	\$6.7K	~\$116/ English Language Learner
<b>Title IV</b>	\$10K	\$10K	Can be used on academic or socio-emotional

# ASES Funding

Part of the Governor's efforts to balance the budget include deep cuts to categorical programs (in half) by approximately \$353M

- For AoA, this may mean a possible reduction to ASES
- Currently, ASES is being targeted with a reduction of \$100M
- With approximately \$537M in ASES funding, this may result in a 15% to AoA's ASES Grant
  - The Director of Finance has been in communication with AUSD, but they are unclear of how ASES will be impacted
  - AUSD asked that we at least continue to offer services through June to honor the funds we have received for 2019-20
  - ASES funding for summer programming is still unclear, but AoA will not be offering any on-site summer programs

# ES After School Fee-Based Program

- This program is still TBD
- The staff is working on addressing the following questions:
  - How will the “bubbles” be affected if kids are mixed for after-school
  - Determine the need from families
- Current revenue & expense assumptions for the program have been eliminated from budget projections & will be added back in if we are able to offer something in 20-21

# STRS Buydowns & Minimum Wage

- The Governor is proposing to buy down STRS costs as follows:
  - 20-21 → 16.15% (previously assumed at 18.4%)
  - 21-22 → 16.02% (previously assumed at 18.2%)
  - 22-23 → not included in the May Revise, but I will assume at 18.2% in out-years
- Assuming staffing for STRS eligible employees remains the same, this would result in a reduction of ~\$85K in STRS costs from the 18.4% rate
- Minimum Wage schedules will continue as scheduled with rates increasing to \$14/hr on 1/1/21
  - All AoA employees are currently above the scheduled rate for 1/1/22 and this should not present any immediate problems for the organization

# Cashflow & Deferrals



- 19-20 June State Aid deferred to July → approx \$506K
- 20-21 Monthly expenses will average \$690K/month
  - Current operational cash in the bank = 1.5 months of expenses
  - Current LAIF cash account = 2 months of expenses
  - Current PPP Loan account = 1.5 months of expenses
- AoA currently has approximately 5 months of cash reserves to cover the suggested deferrals in the May Revise
- 20-21 Quarter 4 deferrals will be approximately \$715K
  - Currently, only State Aid apportionments are deferred. Property taxes are expected to remain on the same schedule.
  - AoA's Q4 property taxes are estimated to be \$479K

# Flexibility Options Not Identified in May Revise

**Although the following options were not explicitly mentioned in the May Revise, trailer bills will most likely focus on addressing the following items:**

- Flexibility to reduce the instructional year and minutes w/out penalty
- Extend the ADA hold harmless provided for in 2019-20 in 2020-21
- Flexibility in the use of supplemental and concentration grant funds
- Ability to sweep ending balances from categorical programs and restricted funds to the unrestricted General Fund

# FEMA Grant

- The Director of Finance applied for FEMA funding to help create a safe environment for the students upon return to school.
- Next steps: submit a proposal of the cost of the project (under \$131K is considered a small grant and the process is less cumbersome)
- Once approved, begin purchasing the items needed to retro-fit the school according to the guidelines established by the [CDC](#).

# Multi-Year Projections

## Use of Reserves

- AoA should use reserves to fund one-time costs and avoid deficit spending on ongoing salaries and benefits during the recession
- Enrollment & ADA are our largest drivers for revenue. The current pandemic is different than a normal recession and the effects on our enrollment are unknown.

## Recommendation

- Create a current year and multi-year budget projection that aims to achieve a break-even operating income.
  - 20-21 is already showing severe cuts to K-12 funding & analysts are forecasting that 21-22 will experience even larger cuts to funding.
- Maintaining strong reserves (both fund balance & cash) will allow us to weather the unknown length and severity of this pandemic.