



BOARD BUDGET WORKSHOP

Marysville Joint Unified School District

Presented to the Board of Trustees June 9, 2020

PURPOSE



COVID-19 has had an immense negative impact on both the national and state economies. Subsequently, the Governor's May Revision to the proposed 2020-21 State Budget proposes an immense negative impact on education budgets across the state.

This presentation is to provide the Board of Trustees with the most current information regarding the proposed negative impact to the MJUSD 2020-21 Budget.

The MJUSD 2020-21 Budget is presented to the Board for adoption on June 23, 2020.



OVERVIEW OF CHANGES

- Review 2019-20 Budget Changes
- Review 2020-21 Proposed Budget Changes
 - Discuss The Impact Of The May Revise:
 - Decrease In LCFF Revenue
 - Proposed Budget Savings For MJUSD 2020-21 Budget To Be Adopted June 23, 2020
- Review Reserves
- Budget Basics
- Proposed Budget Savings Process

UNRESTRICTED GENERAL FUND

Remember, it's normal and expected for the budget to change throughout the year.



2019-20 Significant Budget Changes Since 2nd Interim Report

Description	Amount	Notes
Plus: Decrease in Contribution to Special Education	\$0.4 M	Savings in expenses from 2nd Interim to end-of-year.
Less: Contribution to Fund 13 Cafeteria Fund	<\$1.1 M>	Changes due to COVID-19. Maintained full staff expense with 75% decrease in student participation, which substantially reduced revenue.
Plus: Postpone non-essential facility projects	\$0.3 M	See list of projects to be postponed.
Plus: Reduce Other Post Employment Benefit (OPEB) expense	\$1.3 M	Use OPEB balance to pay current year OPEB expense (pay-as-you-go).
Plus: Department savings	\$0.2 M	Savings achieved since COVID-19
Plus: Other line item savings from unspent budgets	\$--	Actual amount to be determined when books are closed.
Estimated Increase to General Fund Balance	\$1.1 M	

2019-20 Increase

UNRESTRICTED GENERAL FUND



2020-21 Proposed Changes for Budget Adoption

Less: LCFF funding reduction	<\$8.0 M>	Due to COVID-19 reduce 7.69%
Less: LCFF funding reduction for COLA in 2020-21	<\$1.4 M>	Due to COVID-19 Zero COLA projected for 2020-21
Less: Contribution to Fund 13 Cafeteria	\$--	Staffing and other expenses may need to be reduced to match revenue. Amount to be determined based on student meal participation. A contribution may be necessary.
Estimated Decrease to General Fund Balance	<\$9.4 M>	
Plus: Special Ed equalization funding to \$645 per ADA	\$2.6 M	Increase from \$359 to \$645 per ADA: $286 \times 9,137 = \$2.6M$
Plus: Cost savings from STRS & PERS pensions for 2020-21	\$0.4 M	Reduce pension costs for 2020-21 and 2021-22
Plus: Reduce Other Post Employment Benefit (OPEB) expense	\$1.3 M	Use OPEB balance to pay current year OPEB expense (pay-as-you-go).
Plus: Suspend 2020-21 LCAP transfer to Deferred Maintenance	\$1.2 M	General Fund \$1,180,000; Def. Maint. Fund 14 \$820,000
Plus: Postpone school bus purchase for 1 year	\$0.2 M	Buses available through grants at no cost to district.
Plus: 7.5% decrease to District Office department budgets	\$0.7 M	
Plus: 7% decrease to School Site discretionary budgets	\$0.4 M	
Estimated Increase to General Fund Balance	\$6.8 M	

What Does This Mean?
These changes result in a \$2.6 million deficit (less revenue than expense), but no Federal CARES Act funds are included. Amount of Federal funds for MJUSD to be determined.

Proposed changes based on the May Revision of the Governor's 2020-21 Budget Proposal and staff recommendations for savings.



REVIEW 2ND INTERIM RESERVES

GENERAL FUND 01	Millions
Beginning Balance	\$30.2 M
Ending Balance	\$24.4 M
Nonspendable	\$ 0.3 M
Committed: OPEB	\$ 1.8 M
Assigned	\$ 4.5 M
Reserve for Economic Uncertainty	\$ 4.0 M
Unassigned	\$13.7 M
Total General Fund	\$24.4 M
FUND 17 - SPECIAL RESERVE	
Total Fund 17 - Future COPS Payments	\$ 5.0 M
TOTAL GENERAL FUND + FUND 17	\$29.4 M

1 Month of MJUSD
Salary & Benefits = \$8.5M

1 Month of MJUSD
All Expenses = \$11M

Beginning 2023 to 2042,
MJUSD must pay annual
\$2.8M COPS Payment.

A new multi-year projection
will be included with the
Adopted Budget June 23rd.



BUDGET BASICS

- On or before July 1 of each year, the annual budget must be prepared and available for public viewing, then discussed during a public hearing prior to adoption by the governing board (Education Codes 42127, 42103, and 42126).
- The Budget is built, based on information known at the time, and is expected to be revised throughout the year as revenues and expenses change, due to a variety of factors.
 - First and Second Interim Budget reports are required each year to report adjustments to the budget.
 - A final report of Actuals is made available by September 15th each year after the books are closed in the summer.
- Typically, there are budget savings at year-end due to some budget accounts not being fully expended.



BUDGET BASICS (CONTINUED)

- The district has several funds, but the General Fund is the main operating fund of the district. Other funds have distinct purposes and must only be used for those purposes, i.e. the Cafeteria Fund.
- There are two sides to the General Fund, the **Unrestricted** side of the budget and the **Restricted** side.
 - Unrestricted side = revenues may be used for any purpose.
 - Restricted side = revenues are meant for a specific purpose and may only be used for that purpose.
 - If a restricted program has more expense than revenue, then the unrestricted side of the budget must contribute to the restricted program so it is balanced, i.e. the Special Education program.



BUDGET BASICS (CONTINUED)

Unrestricted Examples

Revenues

- LCFF funds
- Lottery – Non Prop 20

Expenses

- Paper and pencils
- Utilities
- Most teacher positions
- All Principal positions

Restricted Examples

Revenues

- Title I, II, III, IV and V
- Special Education
- Routine Restricted Maintenance

Expenses

- Para-educators funded with Title I
- Special Education Teachers
- Heat & Air Unit Filters



BUDGET SAVINGS NEXT YEAR

In order to achieve budget savings, we need to reduce expenses (or raise revenue) and these savings have the following requirements.

- Must be legal – some of our expenses support legal requirements and cannot be eliminated, i.e. Routine Restricted Maintenance.
- Non-negotiable – collective bargaining agreements are in place.
- Must be on the Unrestricted side of the budget – remember the restricted side includes revenues to be used only for very specific purposes.



PROPOSED BUDGET SAVINGS PROCESS

1. Begin July 1, 2020.
2. Include as many stakeholders as possible in the process.
3. Establish a timeline and request Board approval at July 21st meeting.
4. Determine a method to gather cost saving ideas.
5. Cost out the savings from ideas gathered.
6. Share the potential savings with stakeholders.
7. Meet with various stakeholder groups to prioritize potential savings.
8. Assemble the list of priorities.
9. Share the list with Board of Trustees for final decision.
10. Implement budget savings within established timeline.



Thank you

Questions?