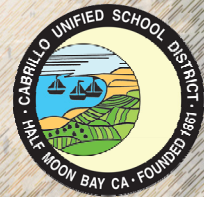


CUSD Financial Overview and Considerations to Inform Mid-Term Financial Solvency

Cabrillo Unified School District Governing Board Special Meeting

August 5, 2019



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Objectives

- Discuss the current funding situation in Cabrillo Unified
- Discuss a preliminary plan for mid-term financial solvency
- Present information to inform a subsequent public hearing
- Inform Board's decision on potential parcel tax ballot measure

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Review of Tonight's Board Agenda

- Presentation on financial overview for CUSD
- Potential strategies for mid-term financial solvency
- Decision points for a recommendation for a replacement parcel tax
- Discussion of Board on information received
- Public Hearing on proposal for replacement parcel tax
- Board asked to take action and vote on CUSD Board Resolution

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Introduction

- K-12 education **funding is inadequate and underfunded** in California
- There is increasing **statewide advocacy** for full and fair funding of schools, but there is ongoing state budget fiscal prudence and districts are struggling
- Many districts continue to rely on **local parcel tax measures** to supplement LCFF and other K-12 revenues; rates vary widely across San Mateo County
- **CUSD forecasts significant budget gaps** as our reserves have diminished because our **costs continue to outpace revenues** for a host of reasons
- At a minimum, short-term **CUSD budget stabilization is needed now**, and a **mid-term financial solvency strategy** is strongly advised

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San Mateo County – Per-Student Funding Highlights

CUSD 6th lowest LCFF, parcel tax; 80% of avg LCFF and 66% of avg parcel tax

2016-17 SAN MATEO COUNTY SPENDING PER STUDENT¹

Elementary School Districts ¹	Spending per Student
Bayshore	\$13,004
Belmont-Redwood Shores	\$10,307
Brisbane	\$16,726
Burlingame	\$9,894
Hillsborough City	\$18,850
Jefferson	\$10,780
Las Lomitas	\$18,022
Menlo Park City	\$15,903
Millbrae	\$9,442
Pacifica	\$ 9,927
Portola Valley	\$ 22,860
Ravenswood City	\$16,282
Redwood City	\$12,315
San Bruno Park	\$10,321
San Carlos	\$11,564
San Mateo-Foster City	\$10,151
Woodside	\$25,385

High School Districts ¹	Spending per Student
Jefferson Union High	\$11,901
San Mateo Union High	\$16,990
Sequoia Union High	\$16,658

Unified School Districts ¹	Spending per Student
Cabrillo Unified	\$10,747
La Honda-Pescadero Unified	\$18,615
South San Francisco Unified	\$11,027

County-Level Data ¹	Spending per Student
County Average	\$12,773

**CUSD LCFF 6th lowest
overall and lowest
among local Unifieds**

**CUSD parcel tax 6th
lowest overall and mid
among local Unifieds**

	\$ tax/parcel/year average (range)
All districts	\$227 (\$0 to \$828)
Top quartile	\$380 (\$297 to \$828)
Bottom quartile	\$61 (\$0 to \$150)

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CUSD Financial Outlook

Continued flat revenues and increasing costs continue to erode CUSD reserves; we forecast a significant budget gap, increasing to >25% of revenues by 2022-23

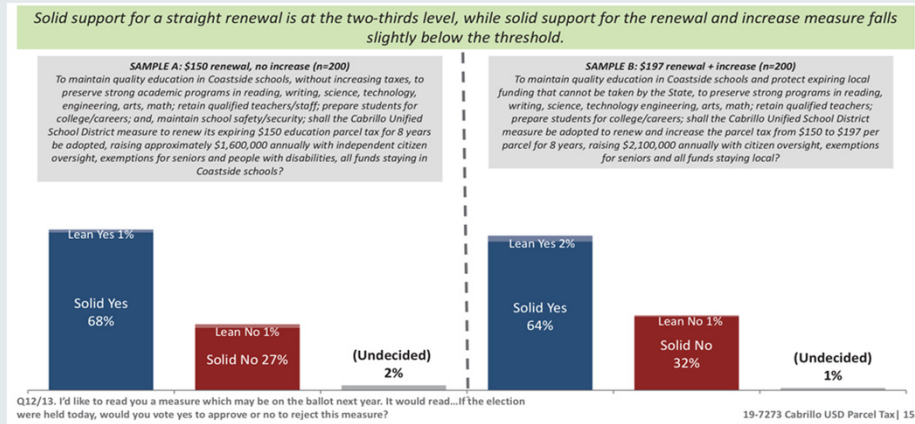
	2019-2020	2020-2021	2021-2022	2022-2023
Revenues	36,516,722	35,226,699	36,029,748	36,883,713
Expenditures	(38,169,791)	(39,153,182)	(39,842,950)	(40,283,819)
Beginning balance	5,043,876	3,390,807	(535,676)	NA
Ending balance	3,390,807	(535,676)	(4,438,878)	NA
Cash/inventory/prepaid	35,500	35,500	35,500	NA
Restricted/committed/assigned	655,714	655,714	655,714	NA
Minimum reserve (3%) ¹	1,145,094	1,174,599	1,195,292	1,208,515
Budget gap ²	1,544,499	(2,401,489)	(6,235,384)	(9,886,280)

Note: General Fund as reported at CUSD Governing Board Meeting June 6, 2019. Figures do not include salary schedule increases for CUTA, CSEA, administrators, or other staff during this time frame.

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CUSD Parcel Tax Polling Results

Solid support for \$150 renewal tax meets minimum $\frac{2}{3}$ voting level; solid support for increase falls slightly below but approaches minimum when including 'lean yes' (and historically parcel tax ballot actual results trend slightly higher than in polls)



Note: All parcel tax proposals include full exemptions for seniors and people with disabilities.

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Budget Impact of Potential Parcel Tax Measures

Even with a renewal parcel tax at current rate or a slightly higher rate, major cuts will need to be implemented in CUSD, up to \$4.9M+ over three years (2022-23)

Budget gap scenarios	2020-2021	2021-2022	2022-2023
No parcel tax	(-2,401,489)	(-6,235,384)	(-9,806,280)
\$150/parcel tax renewal	(-752,459)	(-2,937,324)	(-4,858,890)
\$197/parcel tax renewal	(-208,623)	(-1,849,652)	(-3,227,382)

Note: FTE fully loaded cost is approximately \$100K - e.g., \$1M translates to approximately 10 FTE

Note: General Fund, as reported at CUSD Governing Board Meeting June 6, 2019. Figures do not include any salary schedule increases for CUTA, CSEA, administrators, or other employees during this time frame.

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Financial Advisory Committee

Recommendations are important context for financial solvency planning

- A committee of community members was convened and led by CUSD's former CBO in Spring of 2019 to brainstorm and compile a potential list of ranked budget cuts
- There was a total \$3.2M+ of recommended budget cuts, including consolidation, reduction, or elimination of services as well as the exploration of transferring costs to partner organizations, and these potential cuts were then compiled and ranked
- CUSD must explore creative efficiencies; however, budget cuts and staff reductions may require reducing student services and/or increasing staff workload in CUSD
- **No Board decisions on budget cuts are proposed today;** a draft listing, as well as additional recommendations from the district (e.g., FCMAT consult), will be shared with school communities in Fall/Winter 2019 for Board decisions in Winter/Spring 2020

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PROPOSAL

Preliminary Strategy for Mid-term Financial Solvency

- **Propose \$150/parcel measure** on November 2019 ballot
- **Cut \$750K+** for 2020-21 school year in Spring of 2020
- **Assess feasibility for a second parcel tax measure** for November 2020 and/or March 2021 ballots
- **Plan for further cuts to achieve long-term solvency**

\$	2020-2021	2021-2022	2022-2023
Post measure (Dec '19)	(-752,459)	(-2,937,324)	(-4,658,890)
Post cuts (Jun '20)	0	(-1,432,406)	(-2,601,513)
Post measure (Apr'21)	0	167,594	598,487

PROs:

- Solid support for \$150 November 2019 ballot measure
- Budget cuts needed for 2020-21 are challenging (\$750K)

CONs:

- Risk of voter fatigue and economic downturn, and costs for 2nd measure
- If 2nd measure is not passed, an additional \$2.6M of drastic cuts by '22-23 would be needed
- Additional cuts will likely be needed to manage the long-term budget ahead

Note: General Fund, as reported at CUSD Governing Board Meeting June 6, 2019. Figures do not include any salary schedule increases for CUTA, CSEA, administrators, or other staff during this time frame. All plans subject to change based on internal and external factors.

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ALTERNATIVE A

Preliminary Strategy for Mid-term Financial Solvency

- **Propose \$197/parcel measure** on November 2019 ballot
- **Cut \$210K+** for 2020-21 school year in Spring of 2020
- **Assess feasibility for second \$150/parcel tax measure** for November 2020 or March 2021 ballots
- **Plan for further cuts to achieve long-term solvency**

\$	2020-2021	2021-2022	2022-2023
Post measure (Dec '19)	(-208,623)	(-1,849,652)	(-3,227,382)
Post cuts (Jun '20)	0	(-1,432,406)	(-2,601,513)
Post measure (Apr'21)	0	167,594	598,487

PROs:

- Budget cuts for 2020-21 manageable (\$200K)

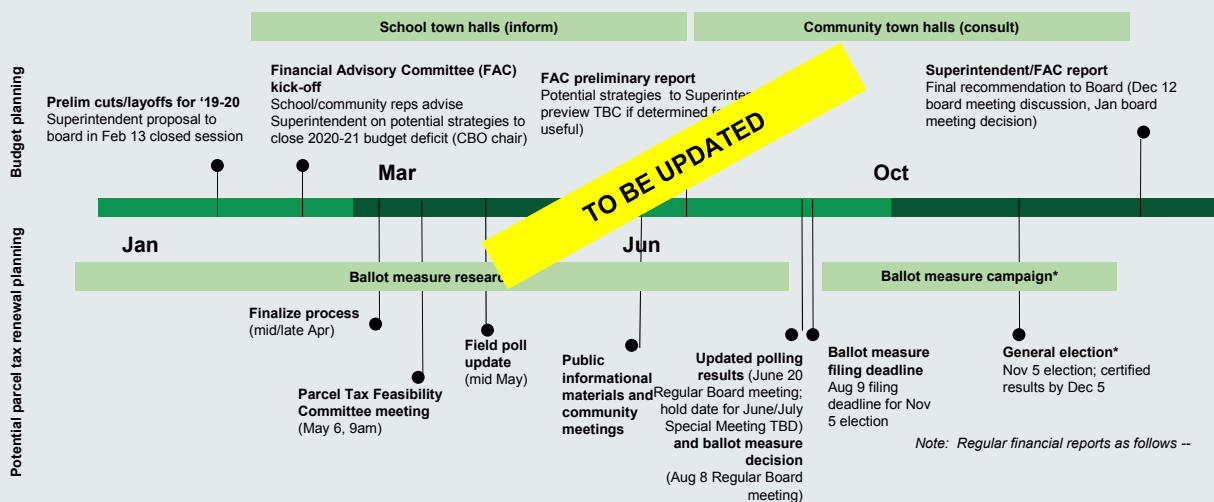
CONS:

- Slightly less solid support for \$197 Nov 2019 ballot measure
- Risk of voter fatigue, economic downturn, and costs for 2nd measure
- If 2nd measure is not passed, additional \$2.6M of drastic cuts by '22-23 are needed
- Further cuts will still likely be needed to manage long-term budget ahead

Note: General Fund, as reported at CUSD Governing Board Meeting June 6, 2019. Figures do not include any salary schedule increases for CUTA, CSEA, administrators, or other staff during this time frame. All plans subject to change based on internal and external factors.

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Financial planning process - overview



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San Mateo County parcel tax rates - detail (1)

Elementary School Districts	LCFF	Parcel Tax (PT)	PT % of LCFF
San Bruno Park	\$10,321	\$0.00	0.00%
Jefferson	\$10,780	\$68.00	0.63%
Redwood City	\$12,315	\$85.00	0.69%
Millbrae	\$9,442	\$97.00	1.03%
Bayshore	\$13,004	\$102.94	0.79%
Pacifica	\$9,927	\$118.00	1.19%
Ravenswood City	\$16,282	\$196.00	1.20%
San Carlos	\$11,564	\$246.00	2.13%
Burlingame	\$9,894	\$256.00	2.59%
Woodside	\$25,385	\$290.00	1.14%
Belmont-Redwood Shores	\$10,307	\$292.00	2.83%
Brisbane	\$16,726	\$297.00	1.78%
Las Lomitas	\$18,022	\$311.00	1.73%
San Mateo-Foster City	\$10,151	\$442.96	4.36%
Portola Valley	\$22,860	\$581.00	2.54%
Hillsborough City	\$18,850	\$651.00	3.45%
Menlo Park City	\$15,903	\$828.00	5.21%

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San Mateo County parcel tax rates - detail (2)

High School Districts	LCFF	Parcel Tax (PT)	PT % of LCFF
San Mateo Union High	\$16,990	\$0.00	0.00%
Sequoia Union High	\$16,658	\$0.00	0.00%
Jefferson Union High	\$11,901	\$118.00	0.99%
Unified	LCFF	Parcel Tax (PT)	PT % of LCFF
SSF Unified	\$11,207	\$0.00	0.00%
La Honda-Pescadero Unified	\$18,615	\$100.00	0.54%
Cabrillo Unified	\$10,747	\$150.00	1.40%

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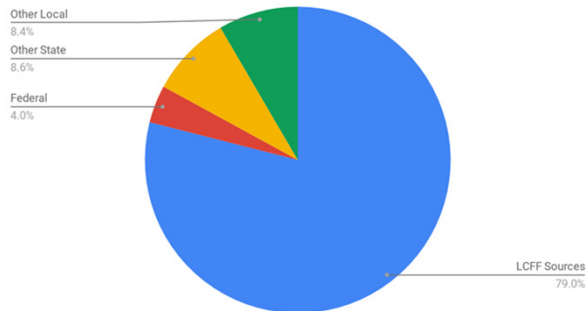
Cabrillo Unified Operating Budget Snapshot

Heavy reliance on community support; bulk of budget goes to employee costs

MONEY IN

8.4% of funding comes in from 'other local sources' including parcel tax, PTOs, and foundations

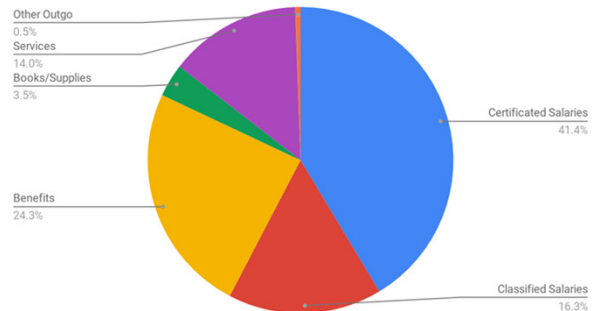
Revenues Total \$36,135,265



MONEY OUT

82% of CUSD funding is spent on employee salaries and benefits

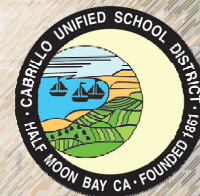
Expenses Total \$37,446,184



Note: 2017-2018 General Fund (operating budget) Unaudited Actuals, as reported at CUSD Governing Board Meeting September 13, 2018.

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Board Discussion



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