

First Interim 2019-2020

Business Services

12.12.19



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Big Picture Economic Outlook

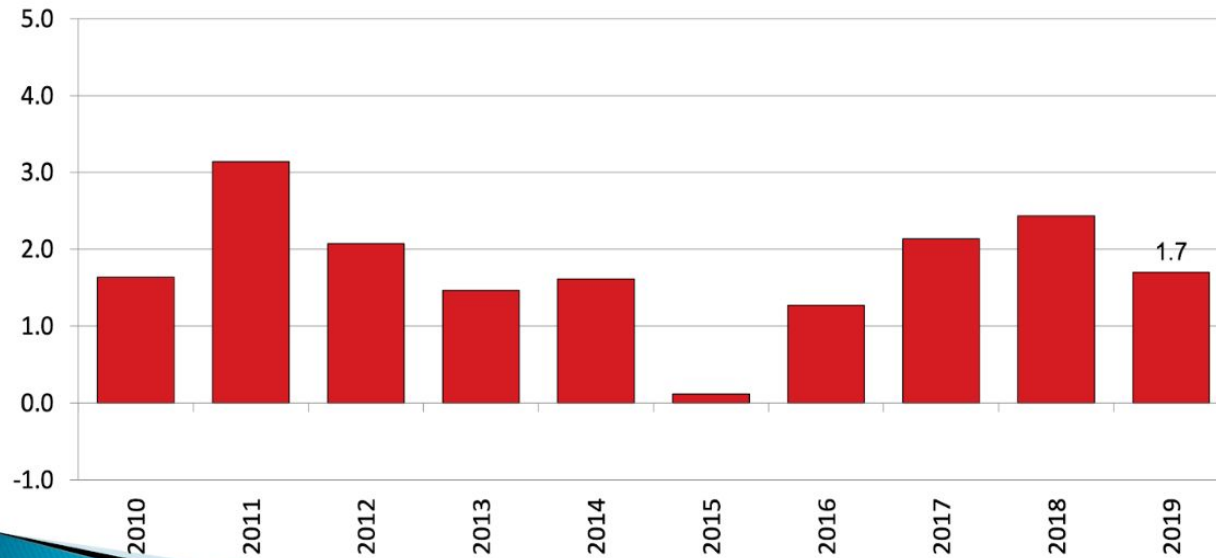
Outlook Highlights- “2020 Vision”

- No Recession, Rather...Record expansion...domestic strength
- Slower growth in 2020
- In the news, but won't cause recession...
 - Financial markets volatility – reaction, not a cause
 - Trade war/Global slowdown – exports a very small share of GDP
 - Political travails – more about news stream/Wall Street than Main Street
 - Low GDP growth rate, easier to dip into recession – powerful consumer



Lower Inflationary Expectations

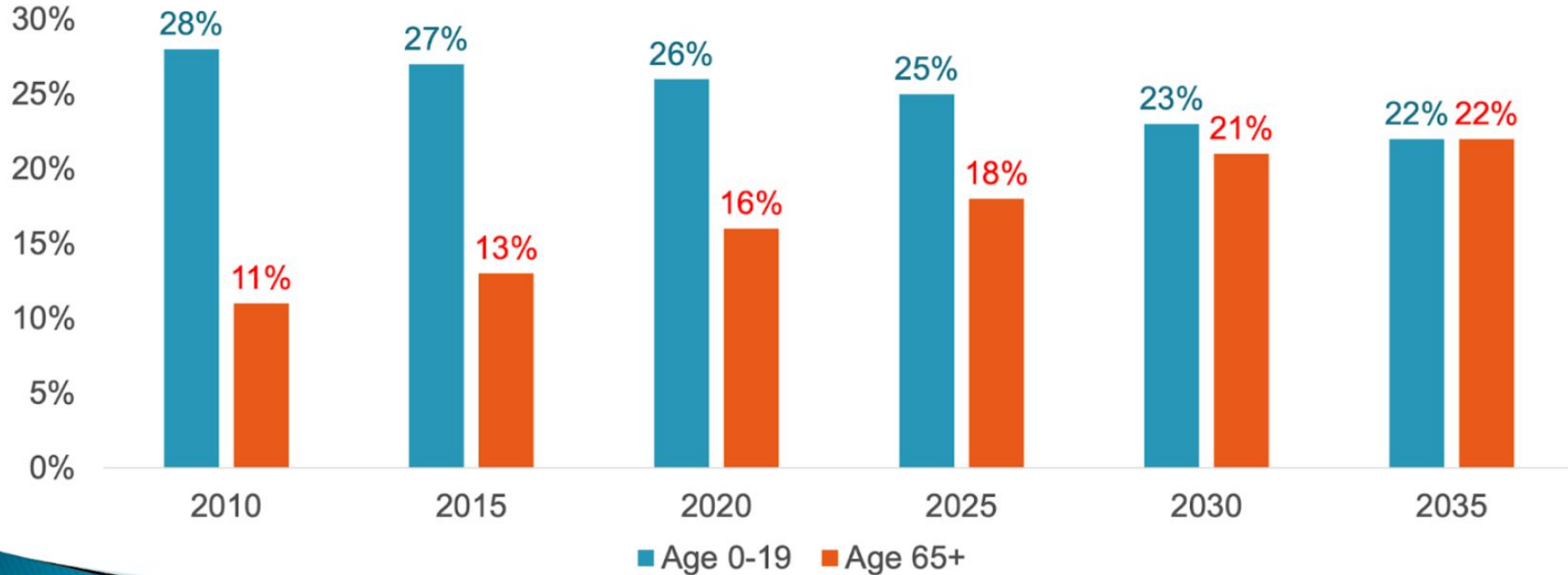
Inflation Historically Low



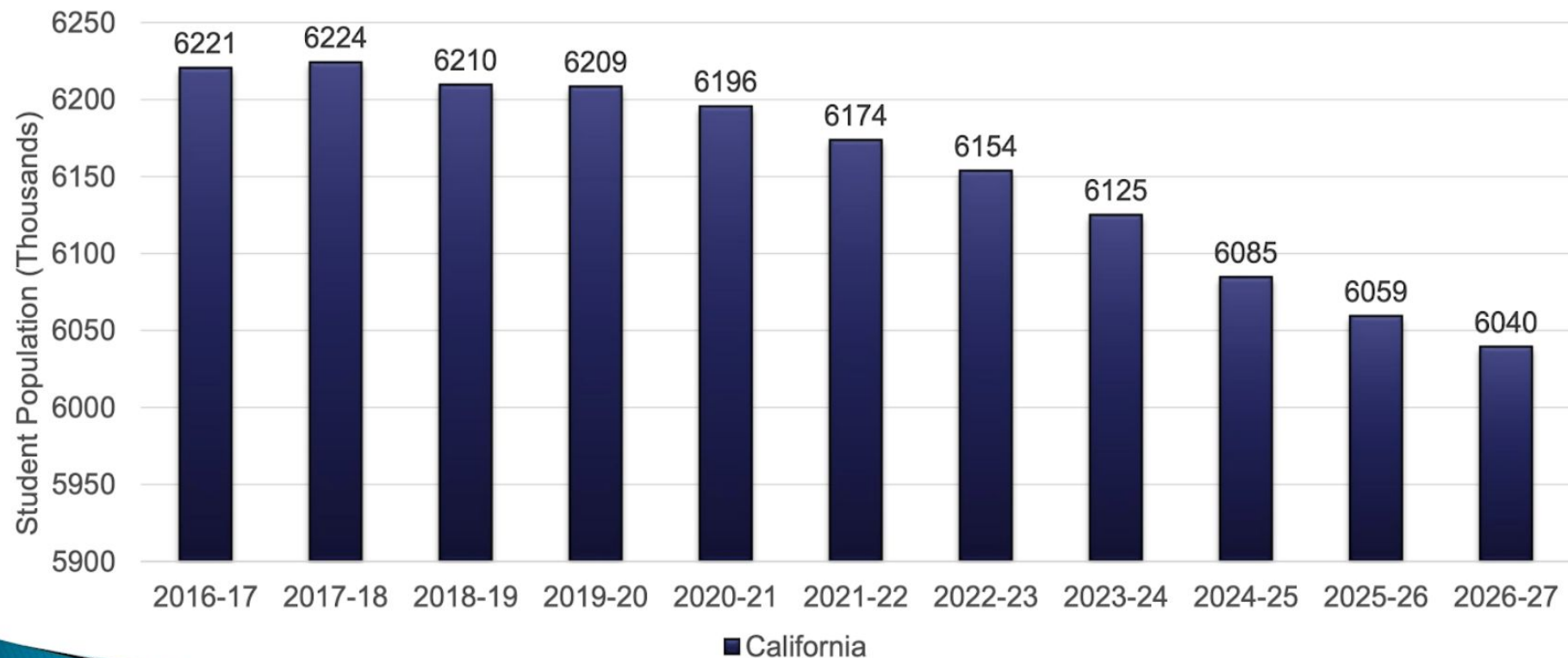
Lower inflation =
less revenues

Aging Population = Lower Birth Rates and Less Students

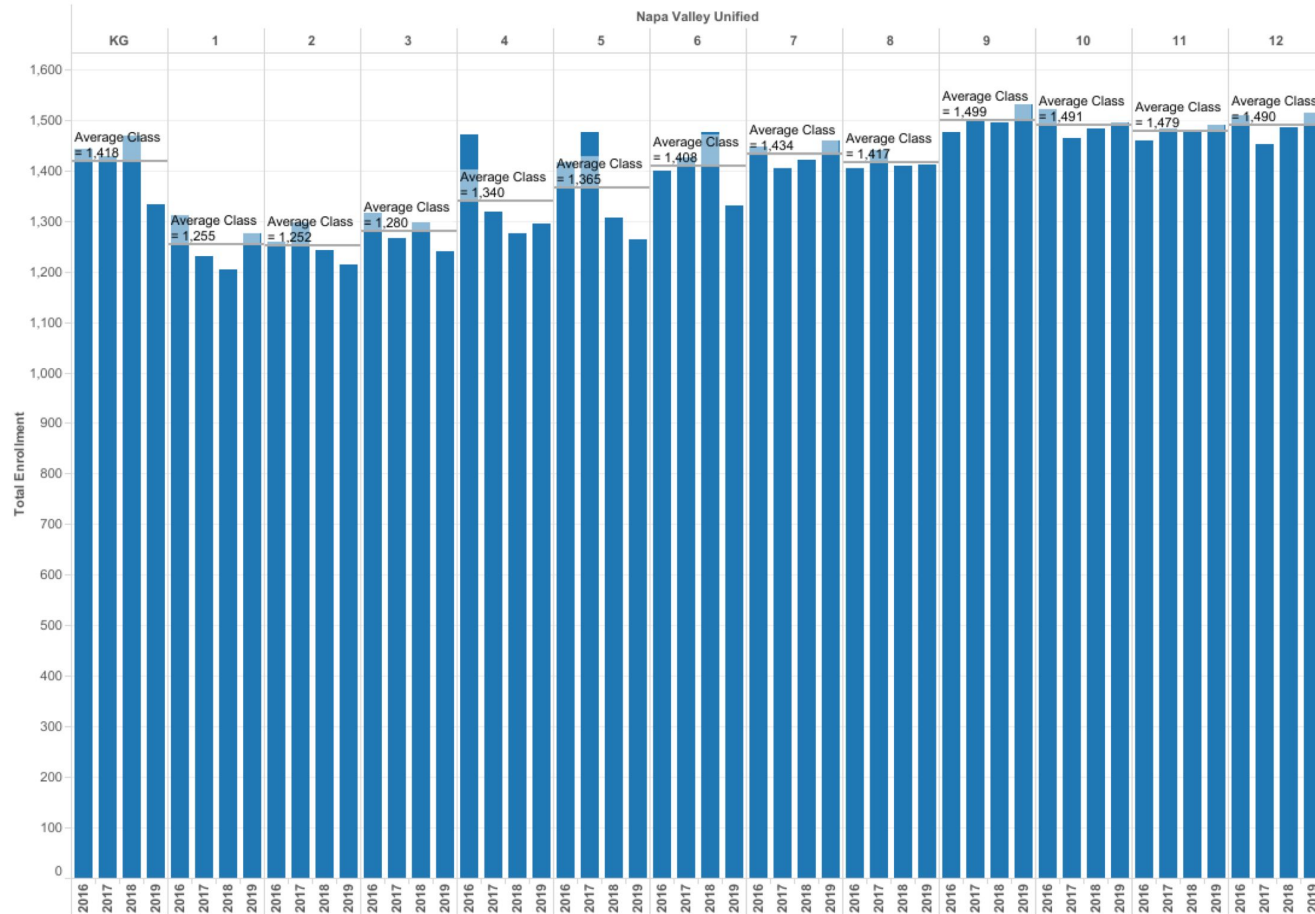
Percentage of Population Distribution, California



Student Population Projections



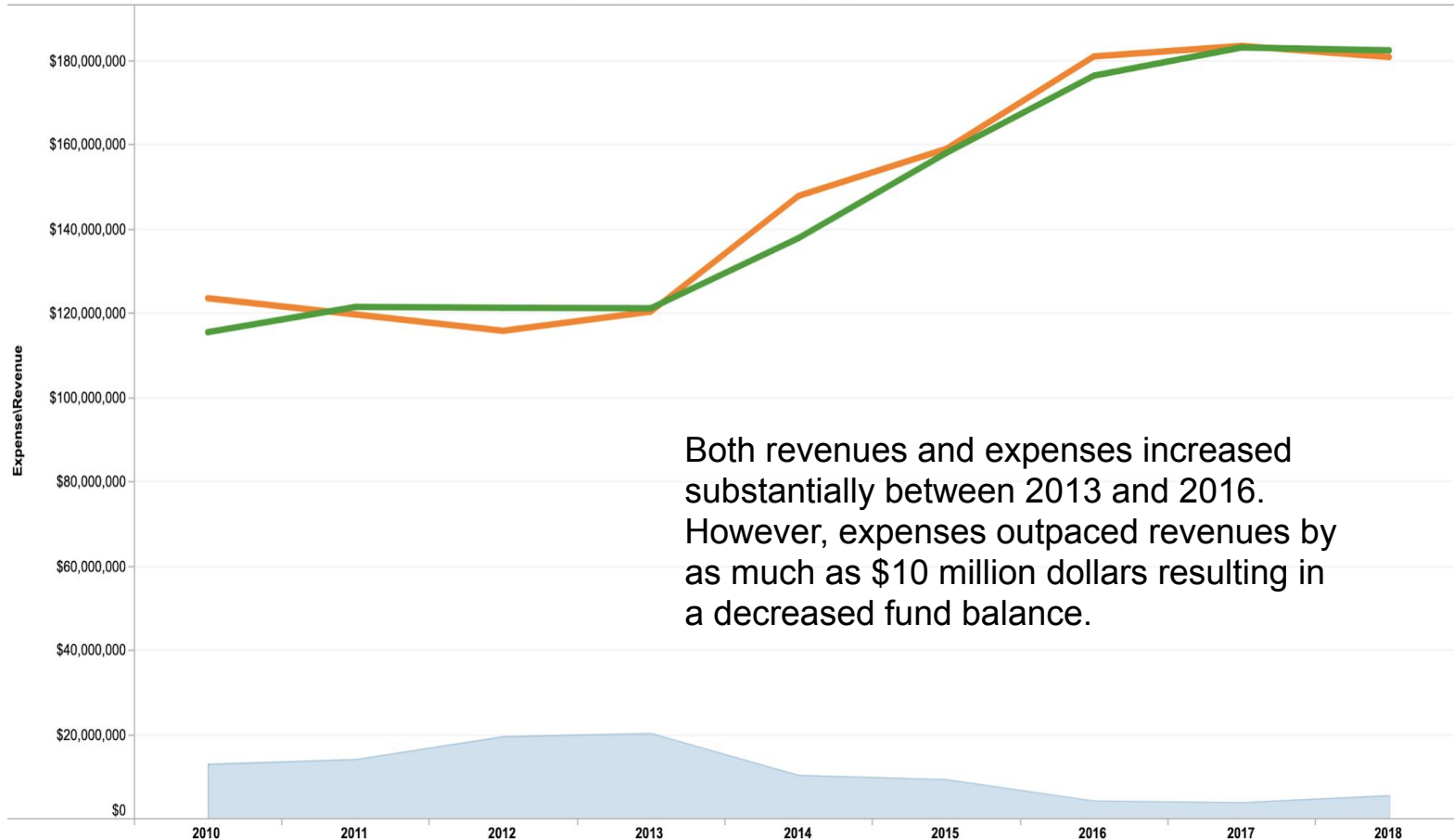
District Grade Level
 District(s): Napa Valley Unified
 Source: California DOE Student & School Data Files



Secondary Schools
 will feel the the
 impact of declining
 enrollment in
 2020-2021.

Revenue, Expenditures and Changes in Fund Balance

District: Napa Valley Unified
Source: California Department of Education Financial Data



District

Napa Valley Unified

Year

(All)

Fund

☐ (All)

☒ 01 General Fund

☐ 09 Charter Schools Special Revenue Fund

☐ 11 Adult Education Fund

☐ 12 Child Development Fund

☐ 13 Cafeteria Special Revenue Fund

☐ 14 Deferred Maintenance Fund

☐ 17 Special Reserve Fund for Other Than Ca...

☐ 21 Building Fund

☐ 25 Capital Facilities Fund

☐ 35 County School Facilities Fund

☐ 40 Special Reserve Fund for Capital Outlay ...

☐ 51 Bond Interest and Redemption Fund

☐ 63 Other Enterprise Fund

☐ 67 Self-Insurance Fund

☐ 71 Retiree Benefit Fund

☐ 73 Foundation Private-Purpose Trust Fund

Revenue by Fund

Expenses by Fund

Fund Balance

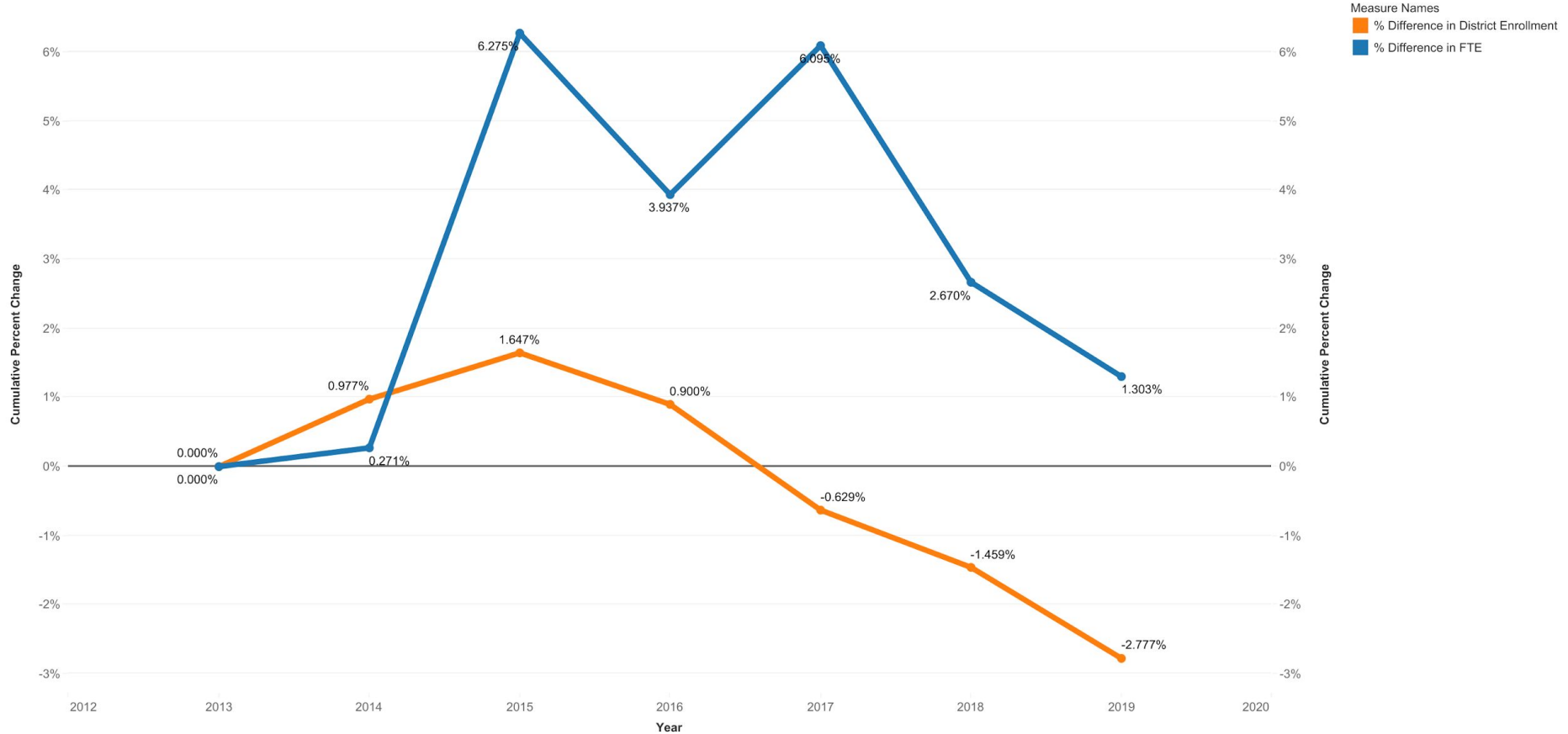
FTE Change versus Enrollment Change

Cumulative Change from Base Year

District: Napa Valley Unified

Position(s): Teacher

Source: California Department of Education Staff Demographic and Assignment Data



Financial Implications for NVUSD

- Declining enrollment will have a negative impact on revenues for the foreseeable future
- A slowing economy will reduce our revenues by \$1 million dollars by every .5% decrease in the cost of living adjustment
- Both certificated and classified cuts will need to occur every year as long as we have declining enrollment
- Enrollment decline will reduce revenues by about \$2 million every year for the foreseeable future
- Enrollment declined much faster than positions were cut in the past. This will result in accelerated cuts until we catch-up
- Mid year spending increases or requests will need to be matched by spending decreases until our reserves are at board policy of 7.5%

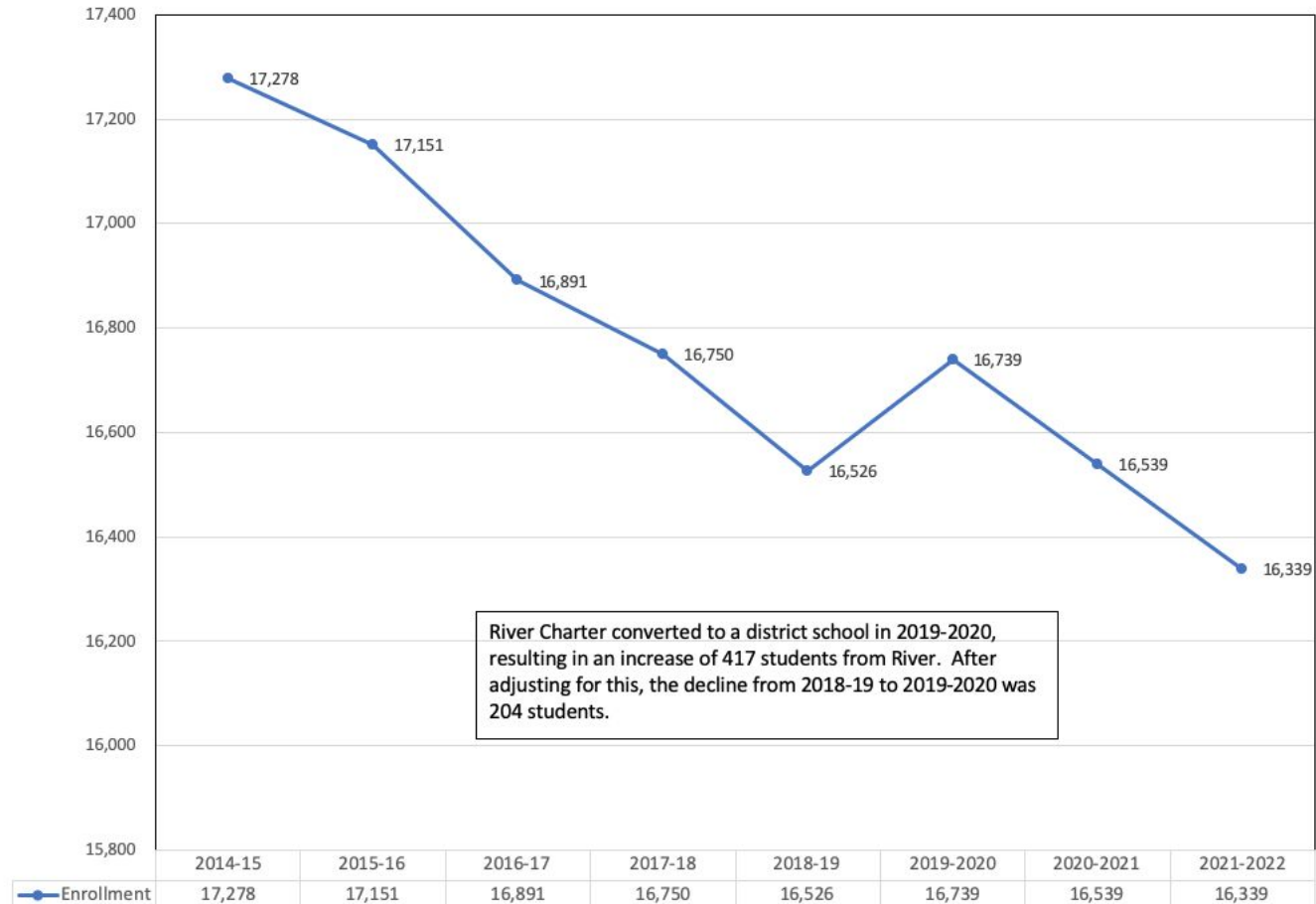
Revenue Assumptions

- LCFF funding is calculated based on the state formula, but reduced for enrollment decline of approximately 200 students per year.
- SPED
 - The district will receive \$2 million in SPED Funds for 2019-20
 - Only \$1 million of the SPED funds are projected to continue for each of the out years due to possible formula changes
- Pension fund augmentation
 - \$1 million is included for budget year
 - No additional pension augmentation was included in the out years since it was a one-time augmentation
- District received over \$1 million in MAA funds for last year, but due to their uncertainty are not carried forward
- The District unexpectedly closed school due to PG&E Planned Power Outages for approximately 3.5 days. It is assumed that the J-13 waiver will be approved.
- Contributions from the general fund to special education continue to increase as program costs increase

Expenditure Assumptions

- Budget Cuts of approximately \$5,000,000 in 2020-2021
 - Projected savings due to closure of Mt. George and Yountville
 - \$2,800,000 reduction in certificated salary costs
 - Reduction of 40 certificated FTE as follows:
 - Reduction at secondary level due to staffing to contract language
 - Reduction due to declining enrollment
 - Reduction of Teachers on Special Assignment
 - \$730,000 reduction in benefits due to FTE reduction above
 - Reduction of \$400,000 in classified support due to declining enrollment
 - Reduce Food Services encroachment by \$300,000 per year for both out years
 - Reduce this encroachment by continuing to increase revenues and cuts in costs
- Property and liability insurance costs increase by \$600,000 in each of the out years (\$1,200,000 total)
- Even with reductions in certificated and classified salary costs due to reduced FTE, salaries are projected to grow because of step and column and COLA

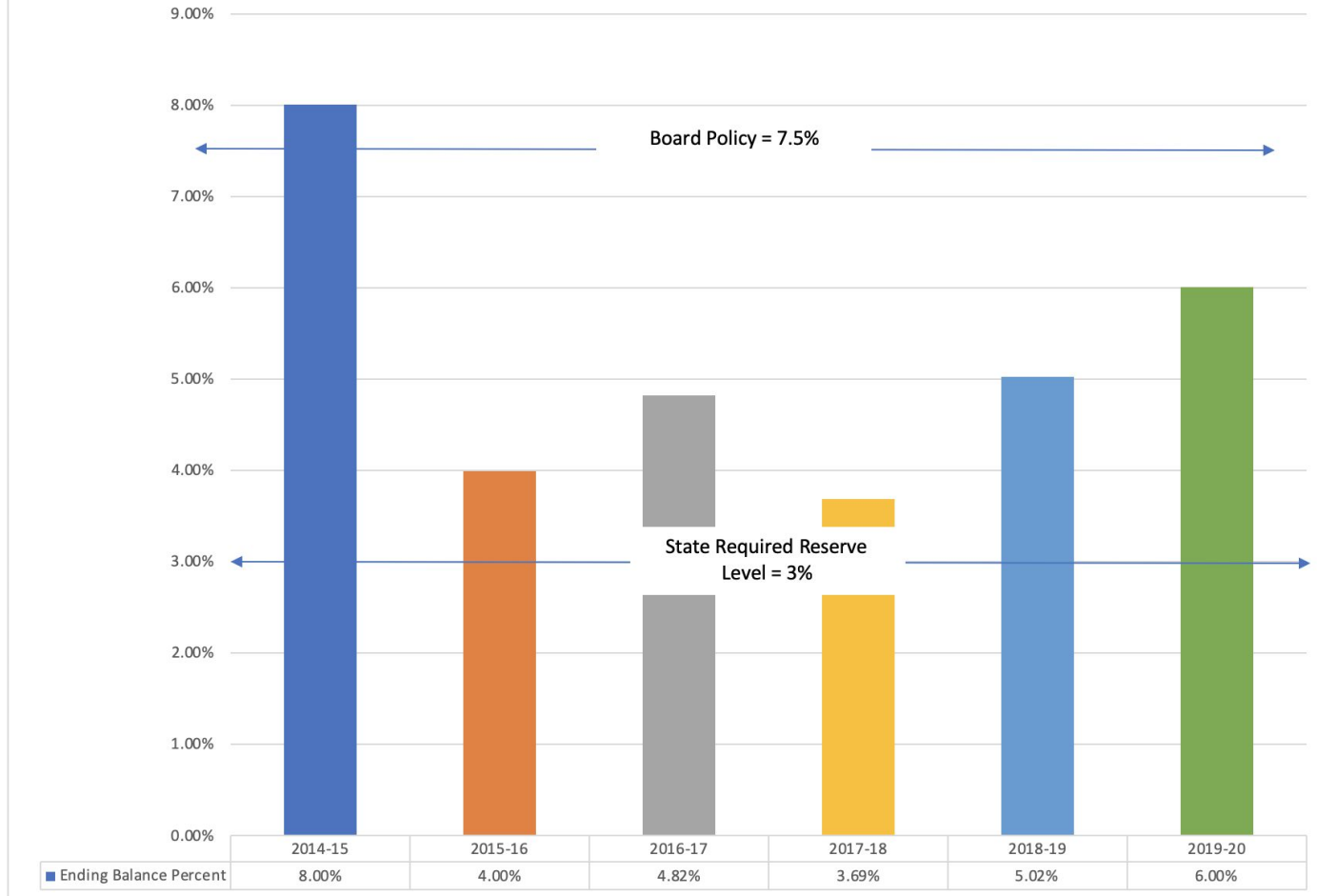
Total NVUSD Enrollment



Multi Year Projection

First Interim Unrestricted Summary			
	<u>2019-2020</u> <u>Base Year</u>	<u>2020-2021</u> <u>Year 2</u>	<u>2021-2022</u> <u>Year 3</u>
Revenue	\$ 166,311,576.73	\$ 167,119,670.17	\$ 167,947,441.53
Expense*	\$ 164,473,561.13	\$ 168,036,862.14	\$ 172,976,311.21
Net Increase (Decrease) in Fund Balance	\$ 1,838,015.60	\$ (917,191.97)	\$ (5,028,869.68)
Available Reserves	\$ 12,210,814.22	\$ 11,294,624.13	\$ 6,667,616.45
Reserve Requirement	\$ 6,095,761.00	\$ 6,103,806.00	\$ 6,267,616.00
Reserve Percentage	6.01%	5.55%	3.19%
3% Reserve Requirement Met (Yes or No)	Yes	Yes	Yes
*This summary includes approximately \$5,000,000 in ongoing budget reductions beginning for 2020-2021. An additional \$2,000,000 in ongoing budget reductions in 2021-2022.			

Ending Balance Percent





Current Year Challenges

- Unexpected Increases in Special Education Costs
- Lost ADA Due to PG&E Planned Power Outages (J-13 Waiver)
- Routine Restricted Maintenance contribution will need to be increased to maintain 3% minimum
- One Time Costs Associated with Conversion from Digital Schools to Escape+Significant Annual Costs
- River Conversion
- Conversion to New Financial System May Uncover Large Discrepancies
- Other Unexpected Mid-Year Cost Increases