

## **SAN MARINO UNIFIED SCHOOL DISTRICT BUSINESS SERVICES**

To: Dr. Jeff Wilson, Superintendent  
Submitted by: Dr. Linda de la Torre, Assistant Superintendent, Administrative Services  
Prepared by: Vangie Lingat, Director of Accounting  
Date: March 9, 2021  
Subject: **2020-21 SECOND INTERIM FINANCIAL REPORT AND LONG RANGE  
FINANCIAL PROJECTIONS FOR 2021-22 and 2022-23 FISCAL YEARS**

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The 2020-21 Second Interim Financial Report and the Long Range Financial Projections are presented to the Board of Education for review and approval. It is recommended that the Board of Education approve a "Positive Certification," declaring that the District will be able to meet its financial obligations for the 2019-20 fiscal year as well as the subsequent two fiscal years (2021-22 and 2022-23) based on the District's financial assumptions.

### **AB 1200 Reporting Requirement**

The District is required under AB 1200 (Chapter 1213/1991) and Education Code Section 35035 to submit two interim financial reports each fiscal year to the Los Angeles County Office of Education and to the California Department of Education (CDE). These laws require county offices and CDE to closely monitor and review school district budgets and financial projections.

### **Financial Reports Development**

The Second Interim was developed based on the Los Angeles County Office of Education's Assumptions for fiscal years 2020-21 through 2022-23. The information presented includes actual and projected financial information for the General Fund as of January 31, 2021.

### **Revenue Assumptions**

#### **Student Enrollment/ Average Daily Attendance**

The District's total student enrollment has declined over the past several years. As of October CBEDS, student enrollment for 2020-21 is at 2,821, which is 88 less students than in 2019-20. The District is carefully monitoring enrollment based on the trend of larger graduating classes (12th grade) and lower entering grade levels (K and 1st grades).

Average Daily Attendance (ADA) for 2020-21 LCFF funding purposes is projected at 2,842.97. This figure is based on the prior year P2 ADA, adjusted for annual non-public school (NPS) ADA. In future years, ADA is projected to decline based on declining student enrollment.

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Fiscal Year	Enrollment	P2 ADA	Funded ADA
2018-19	2,967	2,909.15	2,994.84
2019-20	2,916	2,842.97	2,908.90
2020-21	2,828	**	2,842.97
2021-22 *	2,740	2,664.57	2,841.92
2022-23 *	2,672	2,598.61	2,664.57

\* Projected

\*\* For 2020-21, Districts are not required to collect/report ADA and will be funded based on 2019-20 ADA

#### Statutory COLA's/ Adjustments in LCFF Funding

Under the Local Control Funding Formula (LCFF), school districts receive a base allocation for students by grade level based on Average Daily Attendance or ADA. The projected COLAs for 2021-22 and 2022-23 are based on LACOE's Second Interim Assumptions.

#### Augmentation Grants/Grade Span Adjustments

As part of the LCFF base funding allocation, the District receives funds in support of lower class sizes (grades TK-3 cumulative enrollment average of 24:1 by school site) in grades TK-3 and grades 9-12 (to support supplemental high school programs). These funds represent funding received previously for TK-3 CSR and Grade 9 CSR. The District's elementary schools' TK-3 cumulative average class size (per school site) is below the grade span threshold of 24:1.

#### Supplemental Grant and Proportionality

The District receives a Supplemental Grant allocation based on the 3-year average of the Unduplicated Pupil Count ratio to enrollment multiplied by 20% of its base LCFF allocation. The Unduplicated Pupil Count is a composite of students who qualify for free and reduced priced meals, English language learners, and foster youth. The District currently has 458 students or 16.72% of students in this category.

The District will expend \$766,269 in Supplemental Grant programs in 2020-21 to help serve and support Unduplicated Count students who qualify for supplemental services. These funds pay for English language development teachers, instructional aides, and specialized programs and services to support those students who qualify for free and reduced lunch, who are classified as English learners, and foster youth.

#### Federal Funding

The District will continue to receive federal funding for Title I, II, III, and IV, and Special Education

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IDEA Grants. The projected totals of these funding sources amount to \$1,042,084. For the most part, federal programs are targeted to serve economically disadvantaged, immigrant, limited English proficient students, and students with special needs. Allocations for Title I, II, III and IV are based on CARS application and determination of the schools' percentage of free and reduced students. The Special Education IDEA grants are allocated by the SELPA. The District has also received an allocation of \$1,101,694 from the CARES Act and Learning Loss Mitigation funding. This one-time funding was provided to support pupil academic achievement and mitigate learning loss related to COVID-19 school closures.

#### Other State Revenues

The District receives other state revenues for various programs, including Lottery, Mandated Block Grant, and Special Education Mental Health services. In 2020-21, it is projected that the District will receive one-time funding of \$233,016 for Learning Loss Mitigation from Proposition 98 Funds.

#### Special Education Revenues

The District is projecting \$4,128,140 in Special Education funding in 2020-21. These funds represent federal, state and local (SELPA) funding for special needs students. School districts' costs for special education services continue to rise without the commitment of additional financial support from the federal and state governments. The District total costs associated with special education programs and services in 2020-21 total \$8,507,829. The rising costs of the District's special education programs and the insufficiency of state and federal financing resources continues to be a major concern.

#### Parcel Tax Revenues

It is projected that the District will receive \$5,696,078 in parcel tax revenues in 2020-21. Proceeds received from the parcel taxes are used to fund teaching, counseling, and instructional support positions. The additional positions help the District to preserve its core academic instructional programs, and support services. The District provides exemptions for seniors who are 65 years of age or older, residents on disability, and for contiguous parcels through an application process. The District publishes an annual accountability report of actual parcel tax revenues and expenditures. Measure R was renewed on February 26, 2019 at a rate of \$366 per parcel, with a future year CPI adjustment, for a six-year term (through 2025). The District called for a parcel tax election for the renewal of Measure E on March 2, 2021 and is currently awaiting the official election results. While the election results have not been certified, it appears to date as though Measure E will not pass with a 2/3rds vote. In response, the District will mitigate the loss of revenues by reducing and/or eliminating particular kinds of services within the certificated and classified bargaining units. The District has agendized a resolution for reduction in force for the Board of Education's approval on March 9, 2021. Moreover, the District intends to place the measure back on the ballot in August 2021.

#### Use of Facilities Revenues

The District receives use of facilities revenues from community user groups including the San Marino Chinese School, PTAffiliates, Crown City United Soccer, the City of San Marino, San

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Marino Community Athletics Association, and other local community athletics groups. The District typically receives approximately \$350,000 in use of facilities revenues. Due to school closures and the removal of the cell tower at San Marino High School, the District is projecting a significant decline in these revenues to \$60,000 for 2020-21.

#### Interest Earnings

It is projected that the District will earn \$20,000 in interest earnings in 2020-21, and in future years.

#### San Marino Schools Foundation Grants

The San Marino Schools Foundation is a significant part of the District's local funding. The District receives \$2 million in funding annually, which funds approximately 20 teaching positions to maintain lower class sizes across all grade levels. The Foundation initiated the "We Are San Marino" Campaign in April 2020 to help save certificated positions and was successful in raising \$1.2 million to provide one-time funding for 11.2 FTE certificated positions for the 2020-21 fiscal year.

#### Parents and ASB Donations

The District receives donations from parents, PTA's/PTSA, and ASB's. The donations help to provide supplemental instructional materials and educational programs. These funds are restricted for specific teacher and instructional support positions, specialized programs, materials, and equipment. The District is projecting \$705,705 in parent and ASB donations in 2020-21. Accountability reports are provided to school site principals to share with their PTAs/PTSA and ASBs.

#### Other Donations

The District is projecting \$513,000 in other donations. These include donations for the District's Certificates of Participation debt service payments, contributions from the City of San Marino for extra-curricular student transportation.

#### Cash Flow

The District issued a Tax Revenue Anticipation Note (TRAN) for the 2020-21 fiscal year in the amount of \$5,930,000 through the California Education Notes program. These funds are helping the District with its cash flow needs. The maturity date for the current issuance is January 29, 2021 which has been repaid.

#### Expenditure Assumptions

##### Certificated and Classified Salaries

Certificated and classified salaries have been adjusted based on employees' actual step and column placements.

##### Employee Health Benefits

The District fully funds employee-only coverage for both Blue Shield and Kaiser HMO plans. For two-party and family Blue Shield and Kaiser HMO coverage, the District contributes 70% of the cost. For PPO coverage, the District contributes \$6,500 for employee-only coverage, \$9,500 for two-party coverage, and \$12,500 for family coverage.

District Health Benefit Contributions 2020-21:

	Employee Only	Two-Party	Family
Kaiser HMO	100%	70%	70%
Blue Shield HMO	100%	70%	70%
Blue Shield PPO	\$6,500 per year	\$9,500 per year	\$12,500 per year

The District also provides two options for dental insurance, as well as vision, life insurance for benefit-eligible employees, and an employee assistance program for all employees.

CalSTRS and CalPERS Pension Benefits

Employers' share of pension contributions for CalSTRS and CalPERS will continue to increase over the next several years. The District's contributions for CalSTRS and CalPERS are projected to increase by \$121,404 in 2021-22, and \$536,194 in 2022-23.

CalSTRS and CalPERS Employer Rates:

<b>Employer Contributions</b>	<b>2019-20*</b>	<b>2020-21*</b>	<b>2021-22</b>	<b>2022-23</b>
CalSTRS	17.10%	16.15%	15.92%	18.00%
CalPERS	19.721%	20.70%	23.00%	26.30%

\*Actual Rates

Other Statutory Benefits

The other statutory benefits, including Medicare, OASDI, State Unemployment Insurance, and Workers Compensation have been included in the salary and benefit projections.

Books and Supplies, Services and Equipment Costs

Instructional and non-instructional supplies, textbooks, operating services and equipment accounts are reflective of allocated amounts. Funding is allocated to the school sites for general school site operations, state adopted instructional materials and other instructional support needs.

Transfers of Indirect Support

The District is authorized to transfer indirect costs from certain state and federal restricted programs to offset General Fund operating costs. The current approved rate for the 2020-21 year is 8.16%. This results in an offset of \$135,826 to Unrestricted General Fund expenditures.

Other Financing Sources/Uses

Included in the projections for 2020-21 is a transfer of \$158,602 from the Cash Flow Fund to the General Fund to help bridge the gap, on a one-time basis, between revenues and expenditures.

Due to school closures, and the decrease in school lunch revenues, a contribution of \$485,000 to the Food Services Program from the General Fund is anticipated.

### **Ending Balance Assumptions**

#### **Reserve for Economic Uncertainties**

The District is projecting a 3% reserve for economic uncertainties in 2020-21, and in future years.

#### **Assigned for Carryover Funds**

As part of the Ending Balance, various sources of funding have been assigned for specific purposes, including restricted school site donations, and categorical programs.

#### **Revolving Fund and Stores**

The Ending Balance also includes \$100,000 Revolving Funds and \$14,480 in Warehouse Stores.

### **Future Year Projections**

Despite the LCFF funding model, state funding for K-12 Education is below the national average. The District is exceedingly appreciative for the generous contributions received from the San Marino Schools Foundation, parcel tax revenue, and parent donations to support its high quality educational programs and services.

In a statewide effort to reopen schools, Governor Newsom announced on March 1 a deal with the legislature to provide \$2 billion for In-Person Instruction Grants and \$4.6 billion for Expanded Learning Opportunity Grants. As part of the 2 billion plan for schools to start in-person learning by spring, a one-time payment for the safe school for all reopening plan is provided. The \$4.6 billion for learning recovery constitutes a \$1,000 for each homeless student enrolled while the remaining funds will be allocated based on P-1 and P-2 apportionments and CALPADS data. Preliminary numbers indicate that San Marino Unified is eligible to receive up to \$844,214 for in-person instruction grants, \$3,000 in homeless funding, and \$1,780,677 for expanded learning opportunity grants.

More information will be forthcoming when the new Governor presents his May Revise Report in mid-May 2021.

### **Other Funds**

As part of the Second Interim Financial Report, information and projections for each of the District's "Other Funds" are provided.

#### **Food Services Fund 13.0**

The District's food services program is intended to be self-supporting. In a typical year, the Food Services Fund covers all costs associated with the program including employee salaries, benefits, food, supplies, repairs, and equipment. Due to the Covid-19 pandemic, Legislative action was taken to require school districts to provide lunches for students within the local community under the age

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of 18, free of charge. Subsequently, Legislative action was taken which prohibited school districts from reducing and/or eliminating food service positions during the 2020-21 school year. Federal and state reimbursements for lunches provided were insufficient to cover the cost of operating the program and therefore, the District will transfer \$485,000 from the General Fund to offset the loss in revenues. The projected ending balance in the fund for 2020-21 is \$30,204. These funds are assigned for food services operations.

### Deferred Maintenance Fund 14.0

The Deferred Maintenance Fund supports major maintenance and repairs throughout the District. The projected ending balance in the fund for 2020-21 is \$361,497. These funds are assigned for future deferred maintenance needs.

### Health Benefits Fund 17.0

The Health Benefits Fund represents realized savings to offset future health benefit premium increases. The projected ending fund balance for 2020-21 is \$10,132.

### Cash Flow Fund 17.2

Included in the budget and long range financial projections are transfers out from the Cash Flow Fund to the General Fund. These funds have served to bridge the gap between total revenues and expenditures in the General Fund since 2015-16. For the 2020-21 year, a \$158,602 transfer has been scheduled and reported as part of the Second Interim. The projected ending balance in the fund for 2020-21 is \$1,486,863.

### Capital Facilities Fund 25.0

The Capital Facilities Fund accounts for income and expenditures associated with the collection of developer fees. Developer Fee revenues are projected at \$100,000 in 2020-21. The projected ending balance in the fund for 2020-21 is \$343,869.

### Capital Projects and Improvement Fund 40.0

The Capital Projects and Improvement Fund represents restricted donations for capital improvements to the Titan Field and Track, alumni tiles, and remnants of funding for the Barth Athletics Complex. The projected ending balance for this fund is \$160,059.

### **Next Steps - Future Year Planning**

The District is preparing for the 2021-22 and 2022-23 budget years based on budget assumptions provided by the Los Angeles County Office of Education and enrollment projections. The 2021-22 District Budget will be developed in accordance with the Budget Development Calendar and the Local Control Accountability Plan development process.

As more information is received, updates will be provided to the Board of Education.