

Outcome of the Supplemental Employee Retirement Program

March 5, 2019

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History

2017-18 to current

Building Blocks - General Education Class Size

2017-18

- TK - 1 = 24:1
- 2 - 3 = 26:1
- 4 - 6 = 31:1

Memorandum of Understanding with Saugus Teachers Association allowed for class sizes of 29:1 beginning in grades TK - 3 beginning with the 2013-14 school year.

Successful Agreements with Employee Groups

Agreements where Board approved on June 12, 2018 and included:

1. 2% increase for all employees.
2. \$600 annual increase in medical cap or \$250 annual increase of cash-in-lieu benefits.

These items had an estimated cost of \$1,815,036

Building Blocks - General Education Class Size

2017-18

- TK - 1 = 24:1
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2018-19

- TK - 1 = 24:1
- 2 - 3 = 26:1
- 4 - 6 = 31:1

Previous Memorandum of Understanding class-size language is added to the Collective Bargaining Agreement and says the following, “The grades Transitional Kindergarten (TK) through third (3rd) maximum average class-size enrollment shall be 28:1. For all subsequent school years, the District agrees, if financially viable, to make progress toward the 24:1 average class size goal in grades TK-3 at each school site...”

2017-18 Unaudited Actuals

	2017-2018 Unaudited Actuals Unrestricted	2017-2018 Unaudited Actuals Restricted	2017-2018 Unaudited Actuals Combined
General Fund (01.0 and 01.1)			
Subtotal Surplus/(Deficit)	\$ (743,322)	\$ 66,719	\$ (676,603)
<u>Fund Balance</u>			
Beginning Fund Balance - July 1	10,779,280	3,376,974	14,096,254
Ending Fund Balance - June 30	9,975,958	3,443,693	13,419,651
Nonspendable	36,561	-	36,561
Restricted	-	3,443,693	3,443,693
Reserve - Fund 01	9,939,397	-	9,939,397
Reserve - Fund 17	-	-	2,904,767
Unassigned Ending Fund Balance	-	-	(0)
Total Available Reserves by Amount			12,844,164
Total Available Reserves by Percent			13.09%

2018-19 Second Interim Report

	2018-2019 Board Approved Budget	2018-2019 Second Interim Unrestricted	2018-2019 Second Interim Restricted	2018-2019 Second Interim Combined
General Fund (01.0 and 01.1)				
Subtotal Surplus/(Deficit)	\$ (4,800,456)	\$ (1,818,385)	\$ (2,153,322)	\$ (3,971,707)
Fund Balance				
Beginning Fund Balance - July 1	13,419,651	9,919,958	3,443,693	13,419,651
Ending Fund Balance - June 30	8,619,195	8,157,573	1,290,371	9,447,944
Nonspendable	2,500	2,500	-	2,500
Restricted	941,478	-	1,290,371	1,290,371
Reserve - Fund 01	7,675,217	8,155,073	-	8,155,073
Reserve - Fund 17	2,958,210	-	-	2,958,210
Unassigned Ending Fund Balance	-	-	-	-
Total Available Reserves by Amount	10,633,427			11,113,283
Total Available Reserves by Percent	9.90%			10.39%

Back of the Napkin

1. Deficit spent **(\$ 743,322)** in 2017-18.
2. On track to deficit spend **(\$ 1,818,385)** for the 2018-19 school year.
3. If no action is taken, and assumptions stay the same, it is projected that we would deficit spend **(\$ 3,923,306)** in 2019-20 and **(\$ 4,403,993)** in 2020-21 and we would be in state receivership.
4. It is no longer ***financially viable*** to staff based on the 2018-19 Building Blocks, until we curtail our deficit spending.

Building Blocks - General Education Class Size

2017-18

- TK - 1 = 24:1
- 2 - 3 = 26:1
- 4 - 6 = 31:1

2018-19

- TK - 1 = 24:1
- 2 - 3 = 26:1
- 4 - 6 = 31:1

2019-20

- TK - 1 = 28:1
- 2 - 3 = 28:1
- 4 - 6 = 31:1

Previous Memorandum of Understanding class-size language is added to the Collective Bargaining Agreement and says the following, “The grades Transitional Kindergarten (TK) through third (3rd) maximum average class-size enrollment shall be 28:1. For all subsequent school years, the District agrees, if financially viable, to make progress toward the 24:1 average class size goal in grades TK-3 at each school site...”

Staffing

Building Blocks, Enrollment, and Staffing

2019-20 Building Blocks

- TK - 3 = 28:1
- 4 - 6 = 31:1

2019-20 Enrollment

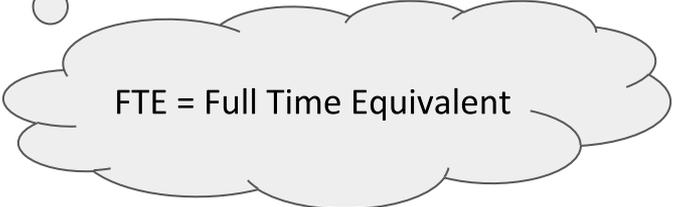
- TK - 3 = 5,334 (was 5,492)
- 4 - 6 = 4,111 (was 4,051)

2019-20 Perfect Staffing

- TK - 3 = $5,334/28 = 190.5$ FTE
- 4 - 6 = $4,111/31 = 132.6$ FTE
- Total of 323.1 FTE

2018-19 Current Staffing

- Total of 356 FTE



FTE = Full Time Equivalent

32.4 FTE

Difference between our current staffing and the conceptually perfect staffing formula model.

Perfect Staffing - Is it Attainable?

- Our goal is to be within 4 FTE of perfect staffing.
- In 2017-18 we were staffed 2.8 FTE higher than perfect staffing.

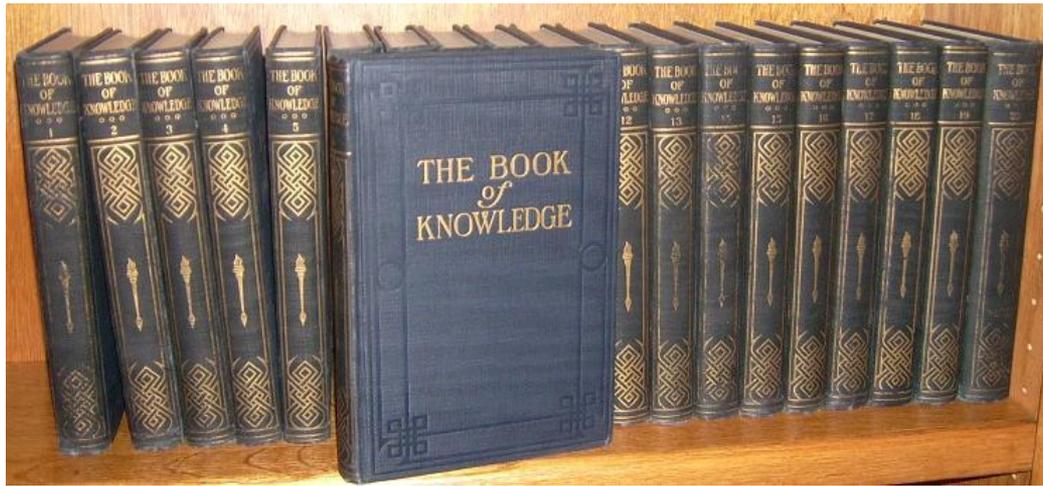
28 FTE

In order to address our deficit spending and create a financially viable future, the District plans to decrease certificated staffing by 28 Full Time Equivalents.

The Process

The Process

- A reduction in force (RIF) process is never a good process for a district, need to find an alternative, but if all else fails, cannot forget to address the major issue of deficit spending and keep the district financially viable.



The Process - Alternative Found

- Keenan & Associates has offered the Supplemental Employee Retirement Plans (SERP) program for many years and it is designed to create incentives that effectively and efficiently increase and accelerate the retirement rate, in excess of the natural attrition rate.
- On December 11, 2018, the Governing Board voted to pursue offering the SERP to ALL eligible employees in hopes to avoid the Reduction in Force process.
- Deadline for those wanting to participate was February 21, 2019.

The Results

82 Commit

Of the 82 staff members, 37 are teachers.

The Results - As an Average for ALL

Average Salary of Participant	\$ 73,126
Average Benefit of Participant	+ \$ 27,878
Average Salary/Benefit of Participant	\$ 101,004

The Results - As an Average for ALL

Average Salary of Replacement	\$ 30,973
Average Benefit of Replacement	+ \$ 14,871
Average Salary/Benefit of Replacement	\$ 45,844

The Results - As an Average for ALL

Average Salary/Benefit of Participant	\$ 101,004
Average Salary/Benefit of Replacement	- \$ 45,844
Average Salary/Benefit Savings	\$ 55,160

The Results - As an Average for ALL

Average Salary/Benefit Savings	\$ 55,160
Average Retiree Benefit	- \$ 7,135
Average SERP Payment	- \$ 11,103
Average SERP Commission	- \$ 509
Average Savings per Commitment	\$ 36,413

The Results - As an Average for ALL

Average Savings per Commitment	\$ 36,413
Number of Committed	X 82
Estimated Savings for 2019-20	\$ 2,985,866

The Results - The Risk

- The SERP total payments to retirees is estimated to be about \$ 4,633,296 over the 5 year period.
- Not replacing positions for the next 5 years is the only key to savings.

The Analysis

Analysis

Benefit of offering the SERP

Estimated Savings for 2019-20 of \$ 2,985,866

Reduction of Certificated Teacher FTEs in MYP

28 x \$84,000 (average salary) = \$2,352,000

Total Benefits = \$ 497,080

Total reduction in MYPs = \$ 2,849,080

Multi-Year Projection Assumptions	2018-2019 First Interim	2018-2019 Second Interim	2019-2020 Second Interim	2020-2021 Second Interim
LCFF GAP Funding %	100.00%	100.00%	100.00%	100.00%
Statutory COLA - LCFF	3.70%	3.70%	3.46%	2.86%
Statutory COLA - Other Programs	2.71%	2.71%	3.46%	2.86%
Enrollment (CALPADS October 3, 2018)	9,791	9,791	9,694	9,681
P2 ADA	9,491.72	9,492.88	9,397.86	9,385.26
Funded ADA (2018-2019 Funded on PY ADA)	9,646.67	9,646.67	9,492.88	9,397.86
Attendance Factor			96.95%	96.95%
Unduplicated Count % (3-year average)	27.84%	27.81%	27.81%	27.81%
MBG - One time funding (\$184/PY ADA)*	\$1,774,987	\$1,775,373	\$0	\$0
Lottery-Unrestricted; per ADA	\$151	\$151	\$151	\$151
Lottery-Restricted; per ADA	\$53	\$53	\$53	\$53
Certificated/Classified Step & Colum	1.00%	1.00%	1.00%	1.00%
Certificated Teacher FTEs	445.9	443.6	415.6	415.6
CalSTRS Employer Rate	16.28%	16.28%	18.13%	19.10%
CalPERS Employer Rate	18.062%	18.062%	20.70%	23.40%
CPI	3.66%	3.58%	3.18%	3.05%
Interest Rate for Ten-Year Treasuries	3.17%	2.87%	3.19%	3.19%

Analysis

Offering the SERP will allow us to realize a savings that we were expecting based on our building blocks. This savings is only realized if we hold true to not replacing certain positions if all other budget assumptions hold true.

Analysis

The SERP does not address the total depth of our deficit spending as seen in our current MYPs, but it does keep us solvent.

	2018-2019 Second Interim Budget	2019-2020 Second Interim MYP	2020-2021 Second Interim MYP
General Fund - Unrestricted			
LCFF Revenue	81,751,682	83,382,115	84,716,636
Federal Revenue	342,900	-	-
State Revenue	3,655,601	1,833,163	1,823,750
Local Revenue	1,656,222	1,695,716	1,695,716
Transfers In	235,957	235,957	235,957
Contributions - SPED/Maint	(16,470,536)	(17,214,203)	(17,571,167)
Total Revenue	71,171,826	69,932,748	70,900,892
Certificated Salaries	37,128,865	35,140,774	35,484,802
Classified Salaries	9,930,453	10,029,757	10,130,055
Benefits	15,236,806	15,719,929	16,406,671
Books and Supplies	3,223,657	2,449,388	2,485,084
Services and Operating Expenses	7,005,200	7,241,485	7,475,317
Capital Outlay	173,160	173,160	173,160
Other Outgo-(excludes indirects)	551,263	551,263	551,263
Other Outgo-(indirects)	(259,223)	(259,223)	(259,223)
Total Expenditure	72,990,181	71,046,533	72,447,129
Subtotal Surplus/(Deficit)	(1,818,355)	(1,113,785)	(1,546,237)
Fund Balance			
Beginning Fund Balance - July 1	9,975,958	8,157,603	7,043,818
Ending Fund Balance - June 30	8,157,603	7,043,818	5,497,581
Nonspendable	2,500	2,500	2,500
Restricted	-	-	-
Reserve - Fund 01	8,155,103	7,041,318	5,495,081
Unassigned Ending Fund Balance	-	-	-



Questions?