

Annual Budget Report

2017/18

Presented to the Board of Trustees
June 12, 2017

2017/18 Budget Assumptions

General Fund Revenue

- Local Control Funding Formula (LCFF)
 - COLA 1.56%; Gap funding of 43.97%
 - Base Grant \$23.1 million
 - Supplemental Grant \$1.7 million
 - Proposition 30 required disclosure: Education Protection Account (EPA) funds totaling \$3,679,307 will be spent on instructional salaries
- Funded ADA: 3,057 (24.99 ADA less than 2016/17 due to declining enrollment)
- ADA has declined by 66 (2%) the previous three years
- Current projected enrollment for 2017/18 shows an increase of 40 above May enrollment (won't know "drops" until August)
- Enrollment/Staffing will be reviewed in August
- Projections will be updated and incorporated at First Interim

2017/18 Annual Budget Assumptions

General Fund Revenue

- Mandated Block Grant @ \$28/ADA (same as 2016/17)
- Mandate Reimbursement – One Time Allocation @ \$170/ADA (\$0.5 million) payable in May 2019 – not reliable, not included

2017/18 Budget Revenues

	Estimated Actuals 2016/17	Adopted Budget 2017/18	Change
LCFF	\$ 24,403,068	\$ 24,838,065	\$ 434,997
Federal Income	\$ 1,471,231	\$ 1,072,956	\$ (398,275)
Other State Income	\$ 1,541,128	\$ 845,293	\$ (695,835)
Other Local Income	\$ 1,907,155	\$ 1,967,860	\$ 60,705
Sub Total	\$ 29,322,582	\$ 28,724,174	\$ (598,408)
Interfund Transfer In	\$ 0	\$ 0	\$ 0
Total	\$ 29,322,582	\$ 28,724,174	\$ (598,408)

2017/18 Budget Assumptions

General Fund Revenue – Major Changes from Estimated Actuals 2016/17

➤ Local Control Funding Formula

+\$434,997 Gap funding of 43.97% and 1.56% COLA
(\$117,103 of this increase is for Supplemental Grant);
Funded on 2016/17 ADA – a decline of 25 ADA

➤ Federal

-\$297,000 Remove Federal Revenue one-time unused grant
funds from prior years (\$316K), Title I cut of 22% (\$78K)
-\$23,000 Remove one-time MAA and MediCal revenue –
budgeted as received

2017/18 Budget Assumptions

General Fund Revenue – Major Changes from Estimated Actuals 2016/17

➤ State

- \$660,000 2016/17 Mandate Reimbursement
- \$28,000 Reduced Mental Health SELPA Reimbursement
- \$8,000 Project Lead the Way Grant reduction (matching contribution now \$186,000)

➤ Local

- + \$160,000 One-time risk management prior years premium refund
- \$94,000 School donations received in 2016/17, budget as received each year

2017/18 Budget Assumptions

General Fund Expenditures

➤ LCAP

- Allocated proposed Supplemental Grant expenditures of \$1,726,662

➤ Salary

Certificated

Salary estimates for 2.0 FTE additional positions
(Classroom teacher, and Applied Behavioral Analyst
(ABA) Teacher

Classified, Confidential, and Management

- Additional ABA aides and student support aides
- Program Specialist (funded by SELPA Mental Health Funds)

2017/18 Budget Assumptions

General Fund Expenditures

➤ Step and Column

Certificated - projected as of May 2017 personnel data

Classified - projected as of May 2017 personnel data

Management, Supervisory, and Confidential – projected as of May 2017 personnel data

➤ Health and Welfare

Maximum medical cap estimate \$18,825 per employee (7% est.)

August premium increases will be incorporated at First Interim

Dental, Vision, and Life Maximum actual \$1,772 per employee

➤ Pension Costs

➤ STRS Increase of 1.85% to 14.43% from 12.58%

➤ PERS Increase of 1.643% to 15.531% from 13.888%

2017/18 Budget Assumptions

General Fund Expenditures

➤ **School Site Allocations**

\$68 per pupil at the elementary sites (CPI increase of 2.72%)

\$109 per pupil at the intermediate site (CPI increase of 2.72%)

➤ **Transportation**

Budgeted at \$376,000 - unknown if new ABA class will add an additional route cost that will need to be negotiated with provider. Will be updated at First Interim if applicable.

Final year of 5 year agreement. Bid and/or negotiate all routes for 2018/19 in 2017/18

2017/18 Budget Expenditures

	Estimated Actuals 2016/17	Adopted Budget 2017/18	Change
Certificated Salaries	\$ 13,891,137	\$ 13,951,577	\$ 60,440
Classified Salaries	\$ 4,013,129	\$ 4,050,186	\$ 37,057
Employee Benefits	\$ 6,509,218	\$ 7,117,883	\$ 608,665
Books & Supplies	\$ 2,316,130	\$ 1,694,751	\$ (621,379)
Services/Operating Exp.	\$ 2,472,187	\$ 2,363,574	\$ (108,613)
Capital Outlay	\$ 0	\$ 0	\$ 0
Other Outgoing	\$ 664,088	\$ 364,558	\$ (299,530)
Total	\$ 29,865,889	\$ 29,542,529	\$ (323,360)

2017/18 Budget Assumptions

General Fund Expenditure – Major Changes from Estimated Actuals 2016/17

➤ **Certificated Salaries**

\$60,000 Increase

Additions: (\$246,000) general education classroom teachers (4 @ .50 each for anticipated additional enrollment), program specialist (funded from SELPA Mental Health funds), ABA classroom teacher, step, column and longevity

Reductions: (-\$185,000) educator effectiveness grant and Title I, II, III reductions

2017/18 Budget Assumptions

General Fund Expenditure – Major Changes from Estimated Actuals 2016/17

➤ Classified Salaries

\$37,000 Increase

Additions: (\$173,000) Special education ABA class and additional permanent aides – total increase 5.28 FTE. Step and longevity

Deletions: (-\$136,000) Reductions to Title I, II, III, school site budgets

➤ Benefits

\$609,000 Increase

STRS and PERS increases, 7% estimated health premium increases, additional benefitted positions noted above

2017/18 Budget Assumptions

General Fund Expenditure – Major Changes from Estimated Actuals 2016/17

➤ Books and Supplies, Services

\$621,000 Decrease

School site donations and categorical carryovers removed, Title I reduction, chromebook initiative reduction

➤ Services

\$108,000 Decrease

Additions: (\$45,000) Utilities, Special education transportation

Decreases: (-\$153,000) Title I, II, III, Educator Effectiveness Grant removed, Special Education mental health services

2017/18 Budget Assumptions

General Fund Expenditure – Major Changes from Estimated Actuals 2016/17

➤ Other Outgoing

\$313,000 Decrease

Five special education students attending county program returned to newly created ABA program

2017/18 Budget Assumptions

General Fund Reserve

- Per Board Policy 3105 the Designation For Economic Uncertainties Reserve target is at 5%.
- This is 2% above the state minimum of 3% and represents an additional one-time deposit to the reserve of approximately \$600,000.
- The district previously experienced a loss of \$600,000 in reserves during 2014/15 when 4 students were enrolled in non-public schools at \$50,000 per student. The impact to the multiyear projection was \$600,000. This contributed to a qualified certification.

2017/18 Budget Assumptions

General Fund Reserves

- Reserves are projected to end the year at \$4.6 million, or 15%.
- State minimum requires \$896,000, or 3% of expenditures. The state minimum is insufficient to absorb significant multi-year impacts to the budget and avoid qualified or negative certifications.
- E.C. 42127 (a)(2)(B) and (C) requires explanation of amounts above 3%. Therefore, the difference of \$3.7 million is for the following reasons:

\$1.4 million Technology Chromebook Initiative/Site tech allocations

\$1.7 million deficit spending in Multi-Year Projection

\$0.6 million per Board Policy for additional 2% reserves

Multi-year Projections

Revenue Assumptions – Future Years

- Local Control Funding Formula Sources
 - 2.15% COLA in 2018/19; 39.03% of Gap Funded
 - 2.35% COLA in 2019/20; 41.51% of Gap Funded
- ADA: funded on 2018/19 estimate of 3,057 (same as 2017/18) and no additional growth/decline 2019/20
- Gap funding is at “COLA equivalent” amount versus higher Department of Finance (DOF) estimates due to economic uncertainty
- One-time premium refund of \$160,000 removed

Multi-year Projections

Expenditure Assumptions - Future Years

➤ 2018/19 Salaries and Employee Benefits

Step, column and longevity costs:

Certificated – 1.8%

Classified – 2.0%

Management and Confidential – 0.7%

Health and welfare premium increases – 7%

STRS rate increase – 1.85%

PERS rate increase – 2.57%

Reduction of 2.0 FTE due to flat enrollment in 2017/18

Reduction of Principal on Special Assignment

Classified noon duty aide minimum wage increase

Multi-year Projections

Expenditure Assumptions - Future Years

➤ 2018/19 Other District Expenses

\$80,000 General Election Costs

\$65,000 Supplemental Grant increase

-\$450,000 Remove Science Textbook Adoption Cost

-\$228,000 Reduce Chromebook Initiative Costs

\$100,000 Special Education encroachment increases

\$3.19% Consumer Price Index (CPI) Cost increase for supplies, utilities, contracted services, insurance services, transportation, non-public schools

Multi-year Projections

Expenditure Assumptions - Future Years

➤ 2019/20 Salaries and Employee Benefits

Step, column and longevity costs:

Certificated – 1.8%

Classified – 2.0%

Management and Confidential – 0.7%

Health and welfare premium increases – 7%

STRS rate increase – 1.85%

PERS rate increase – 2.70%

Classified noon duty aide minimum wage increase

Multi-year Projections

Expenditure Assumptions - Future Years

➤ 2019/20 Other District Expenses

\$61,000 Supplemental Grant increase

\$100,000 Special Education encroachment increases

\$80,000 Election costs removed (bi-annual)

2.86% Consumer Price Index (CPI) Cost increase for supplies, utilities, contracted services, insurance services, transportation, non-public schools

\$5,000 School site technology allocations increase to \$65,000 total

Multi-year General Fund Summary

	17/18 Adopted Budget	18/19 Projected Budget	19/20 Projected Budget
Total Revenue and Transfers In	\$ 28,724,174	\$ 29,074,174	\$ 29,657,174
Total Expenditures & Outgoing	\$ 29,542,529	\$ 29,704,615	\$ 30,820,615
Change in Fund Balance	\$ (818,355)	\$ (630,441)	\$ (1,163,441)
Beginning Balance	\$ 4,570,950	\$ 3,752,595	\$ 3,122,154
Ending Balance	\$ 3,752,595	\$ 3,122,154	\$ 1,958,713
Components of Fund Balance			
Reserved Amounts	\$ 10,000	\$ 10,000	\$ 10,000
Legally Restricted	\$ 0	\$ 0	\$ 0
Economic Uncertainties	\$ 1,477,000	\$ 1,485,000	\$ 1,541,000
Assigned	\$ 1,192,000	\$ 1,572,000	\$ 1,572,000
Undesignated Amount	\$ 1,073,595	\$ 55,154	\$ (1,164,287)

2017/18 Budget Report

- Operational deficit spending (excludes one-time revenues and expenses) in 2017/18 is projected at approximately \$70,000 per year.
- Textbook adoption at \$450,000
- Chromebook cart initiative continues with \$298,000 appropriated for third phase to fully implement program
- School site technology allocation continues with \$60,000 appropriated

2017/18 Budget Report

- LCAP and Budget focuses on both classroom teaching increases and program support
- STRS and PERS employer cost increases continue to burden current and future year projections
- LCFF “Target” for the District is 97% funded as of this Adopted Budget
- “COLA only” estimates for 2 future years continue the funded target at 97%
- The gap between 97% and full funding for our district is \$783,000 for 2017/18

2017/18 Multi-Year Projection Budget Report

- As a reminder, beginning with 2013/14 salary raises of 5%, 3% and 4% per year were approved that spent down reserves
- Controlled deficit spending has been the plan, bolstered with future LCFF funding increases included in projections until revenues “catch up” with expenses
- We have experienced a decline of 68 ADA (revenue loss) since 2013/14 through 2016/17, yet we have increased teaching FTE by 5.70 (expenditure increase) due to making progress toward reducing class size to 24:1 in TK-3
- We hope to see enrollment remain flat (at least) in 2017/18

2017/18 Multi-Year Projection Budget Report

- Pension rate increases have absorbed significant dollars in all three budget years that were not in the plan when LCFF was implemented in 2013/14. Districts will lose 25% of their purchasing power by 2020/21 as a result of this mandate.
- The District's financial picture will become clearer as student enrollment and corresponding staffing is identified, special education transportation routes are determined, and health and welfare premiums rates are approved by CalPERS in August.
- All of the above is to emphasize there are many variables in the district's budget yet to be determined before we get a clearer picture of where we are heading financially.

2017/18 Multi-Year Projection

Budget Report

- The District General Fund is projected to deficit spend 2.8% and end the year with a balance of \$3.8 million, or 13%. \$1.2 million (4%) of one time mandate funds are reserved for chromebooks and BEST Project (LACOE), leaving available reserves at 4% above the desired reserve level of 5%.
- Deficit spending of \$0.6 million, or 2%, continues in the 2018/19 fiscal year and available reserves are projected to be 0% above the desired level of 5%. \$1.6 million is reserved for chromebook initiative, BEST Project (LACOE), Social Science curriculum adoption
- Continued deficit spending in the 2019/20 fiscal year projects the District to be at 1% available reserves.

2017/18 Multi-Year Projection Budget Report

- If this scenario remains at First Interim, the District would probably issue a qualified certification due to the magnitude of reductions that must be considered in order to achieve a 4% increase to reserves.

2017/18 Facilities Funds Budgets

➤ **Three Funds**

- Deferred Maintenance – planned maintenance projects
- Capital Facilities - developer fees for growth impacts
- Special Reserve for Capital Outlay – capital facilities projects

➤ **Special Reserve Fund**

- Funding source for deferred maintenance projects and facilities projects
- Lease income from two rental properties generated \$850,000 annual income
- One tenant has failed to pay rent since April 2017 (approximately \$20,000 per month)
- 2017/18 budget impact is a loss of \$240,000 until resolved

2017/18 Multi-Year Projection Budget Report

- **First Reading, Public Hearing of the District's Proposed 2017/18 Budget
June 12, 2017**
- **Second Reading, Adoption of the District's Proposed 2017/18 Budget
June 26, 2017**

2017/18 Budget Report

Questions or Comments?