

**San Rafael High School District**  
**2019-20 First Interim Report and Multiyear Fiscal Projection**  
**As of October 31, 2019**  
Presented December 16, 2019

Interim budget reports provide a picture of a district’s financial condition during the fiscal year. The Governing Board of a school district certifies the district’s financial condition to the county office of education through these reports. The First Interim Report is from July 1<sup>st</sup> through October 31<sup>st</sup>, and projects financial activity through June 30<sup>th</sup>. Illustrated below is a summary of the State budget and budget guidelines as provided by the county office of education, School Services of California, and other professional organizations. In addition, the First Interim Report contains summarized and detailed budget information, multi-year projections, and estimated cash flow reports.

**Comparison of the State’s Proposed and Enacted Budget**

During the preparation of the Enacted State Budget, there were components of the May Revision budget that were either changed, removed, or not included in the Enacted State Budget. Since districts’ budgets are prepared based on the May Revision, the First Interim incorporates such changes. Illustrated below are the primary provisions and how the Enacted State Budget compares to the May Revise.

**Proposition 98 Funding:** The Enacted State Budget set Proposition 98 funding for 2019-20 at \$81.1 billion, which represents no change from the May Revise estimate.

**LCFF Cost-of-Living-Adjustment (COLA):** The Enacted State Budget provided \$1.96 billion in new funding for the LCFF, including a COLA of 3.26%, which is no change from the May Revision. Illustrated below is a comparison of the COLA percentages between the proposed and Enacted State Budget. Please note that due to the District being community funded (i.e. basic aid), only the annual COLA has a minimal effect with regard to the District’s funding.

| Description                     | 2018-19 | 2019-20 | 2020-21 | 2021-22 |
|---------------------------------|---------|---------|---------|---------|
| Annual COLA (LCFF) – May Revise | 3.70%   | 3.26%   | 3.00%   | 2.80%   |
| Annual COLA (LCFF) – Enacted    | 3.70%   | 3.26%   | 3.00%   | 2.80%   |

**K-12 One-Time and Block Grant Mandate Funding:** Unlike past years the Enacted State Budget included no one-time Proposition 98 discretionary funding, which was unchanged from the May Revise. There was also no change to the Mandate Block Grant from the May Revise, with funding at \$32.18 per K-8 ADA and \$61.94 per 9-12 ADA.

**Additional 2019-20 Enacted Budget Components**

Additional components of the Enacted State Budget for 2019-20 provide for the following items that were not included in, or changed relative to, the May Revise:

- The May Revise included a significant proposal to increase on-going funding by \$696.2 million to support expanded special education services and school readiness support for

LEAs with high percentages of both students with disabilities and English Learner/socioeconomic disadvantaged students. The Enacted Budget reduced that amount by nearly \$51 million to \$645.3 million, to be allocated mostly in one-time funds that could be converted to on-going funds (see more below). These funds will be allocated in the 2019-20 year for the following purposes:

- An ongoing \$152.6 million to increase funding for low-funded SELPAs to the 2019-20 AB 602 statewide target rate of \$557.27 per ADA
- \$492.7 million in one-time funding to provide special education early intervention preschool grants to LEAs serving children between the ages of 3 and 5 years, inclusive, with individualized education programs, except those enrolled in kindergarten or transitional kindergarten
  - Funding will be allocated to the school district of residence based on the December 2018 eligible pupil count
  - Districts will not be required to apply for these funds
  - The amount of funding per eligible pupil is estimated to be approximately \$9,010 *and will be unrestricted*
  - Although these funds were calculated on the basis of special education unduplicated preschool counts, *their expenditures are not restricted to those same students or for special education related services*
  - There should be no impact to an LEA's maintenance of effort if funds are used for existing special education related services or for non-special education expenditures charged to a specific goal (to avoid any increase in special education's share of the program cost report undistributed support cost allocation)
  - The allocation of this funding in the state budget will increase the state maintenance of effort so this increased funding will continue to be allocated for special education; *however, the allocation method may change, therefore this funding must be considered one-time for 2019-20*
  - In addition, for special education funding to be computed for 2020-21, the enacted state budget requires the inclusion of statutory changes in the 2020-21 Budget Act designed to improve the academic outcome of individuals with exceptional needs, which may include, but are not limited to the following:
    - An examination of the role of SELPAs in delivering special education services, including increasing accountability and incorporation into the statewide system of support
    - Expansion of inclusive practices to ensure every individual with exceptional needs has access to learn in the least restrictive environment
    - Opportunities for LEAs to receive state and regional support to address disproportionality of special education identification, placement, and discipline, as applicable, and ensure equitable access to services for individuals with exceptional needs

- A review of existing funding allocations for special education
  
- Increases Early Learning and Child Care funding from the May Revise:
  - \$143.3 million from three sources (an increase from \$80.5 million in the May Revise) for subsidized child care for school-age children from income-eligible families, providing 12,546 new slots
    - On-going funds of \$80.5 million from the Cannabis Fund and \$12.8 million from the federal Child Care Development Fund
    - \$50 million of one-time General Funds to be considered an advance of future Cannabis Fund dollars
  - \$10 million from the General Fund dedicated to the Emergency Child Care Bridge Program for Foster Program children
    - These funds will be suspended December 31, 2021 subject to sufficient funds being available to continue this allocation
  - \$56.4 million to implement 12-month child care eligibility for CalWORKS Stage 1, \$5 million one-time general fund dollars for a master plan for an early childhood education roadmap and \$2.2 million to establish the Early Childhood Policy Council
  - Ongoing non-Proposition 98 funds of \$31.4 million in 2019-20 and \$124.9 million in 2020-21 that provides 10,000 full-day State Preschool spaces for non-LEAs beginning April 1, 2020
    - Expands eligibility to all families in school attendance areas where 80% or more students qualify for free or reduced-price meals
    - Eliminates work requirements for eligible families, while providing a priority for working families for full day programs
    - Changed the definition of 3 and 4-year-old children for State Preschool
  - \$245 million for the Early Learning and Care Infrastructure Grant Program, plus an additional \$18 million transfer from the Child Care Facilities Revolving Loan Fund, for grants to non-LEA child care and preschool providers for facilities expansions
    - This funding will be allocated over the next four years
  - Income eligibility for all CDE funded early childhood education programs was updated to 85% of the state median income, up to \$6,719 per month (\$80,623 annually)
  
- A decrease from \$600 million in the May Revise to \$300 million in the Enacted Budget for one-time Proposition 98 funds to construct new or retrofit existing facilities to support full-day kindergarten programs, which will increase participation by addressing barriers to access
  - Eligibility will be limited to those districts that convert from part to full day programs in the 2019-20 and 2020-21 years only
  - These funds will increase the State's share of the grant to 75%

- The program will enable school districts to utilize project savings to further reduce barriers to access
- Increase student access to computer science education in the following manner:
  - \$7.5 million in one-time, non-Proposition 98 funding to address persistent gaps in broadband infrastructure, down from \$15 million per the May Revise
  - \$1 million in one-time, non-Proposition 98 funding to establish a Computer Science Coordinator under the State Board of Education, which is unchanged from the May Revise
- Mental Health Services partnership grants (\$10 million on-going, \$40 million one-time) for on-campus services, dropout and suicide prevention, outreach to at-risk and LGBTQ youth and placement assistance for students needing ongoing services
- \$10 million for the Inclusive Early Education Expansion Program (IEEEP) grant to build or modify facilities and provide professional development to increase inclusive practices in early education and care programs
- Wildfire Related Costs one-time funding of \$727,000 from Proposition 98 for the state's student nutrition programs wildfire-related losses
- Holds all school districts and charter schools impacted by the wildfires harmless for state funding for two years; previous language that provided an exclusion to charter schools who served 50% or more students prior to the wildfire was removed
- One-time Proposition 98 funds of \$500,000 to increase Breakfast After the Bell nutritional program participation, and \$150,000 for the California Association of Student Councils to provide leadership development opportunities for financially disadvantaged students
- After years of pension rate increases, the 2019-20 Enacted State Budget contains some financial relief for public employers
  - A \$3.15 billion one-time investment of non-Proposition 98 funds will be used to reduce CalSTRS and Cal PERS employer contribution rates in 2019-20 and beyond in the following manner:
    - \$850 million to decrease the statutory CalSTRS employer contributions from 18.13% to 17.1% for 2019-20, and from 19.1% to 18.4% in 2020-21; the reduced rates are slightly higher than the May Revise
    - This same amount will also be used to fund a reduction of the CalPERS employer contribution rate from 20.7% to 19.721% in 2019-20 and from 23.4% to 22.7% in 2020-21; these reductions were not included in the May Revise
    - \$2.3 billion to decrease the employers' share of the unfunded CalSTRS and CalPERS liability and reduce employer contribution rates long term

Other components of the Enacted 2019-20 budget that were not changed from the May Revise include:

- COLA of 3.26% for other education programs that are funded outside of the LCFF (i.e. mandate block grant, special education, preschool, child nutrition, etc.)

- An additional year of funding for the Classified School Employee Summer Assistance Program with \$36 million of one-time funds, to be available over a three-year period
- \$50 million in ongoing Proposition 98 funds to provide an increase of approximately 8.3% to the per-pupil daily rate for After School Education and Safety Program (ASES) increasing the rate from \$8.19 to \$8.87 per day, in response to cost pressures related to recent increases in the state’s minimum wage
- \$500,000 in one-time, non-Proposition 98 funds to increase an LEA’s ability to draw down federal funds for medically related Special Education services, and to transition three-year old students with disabilities from regional centers to local LEAs
- Increases to the paid family leave program by two weeks after the birth or adoption of a child, or care for a seriously ill family member, beginning in the 2020-21 fiscal year to be funded by the Disability Insurance Fund
- \$10 million in one-time, non-Proposition 98 funds to plan and develop a longitudinal data system that would connect data from multiple educational and workforce segments
- Funds to address the challenge of hiring and retaining qualified teachers re: Workforce Investments:
  - \$43.8 million one-time, non-Proposition 98 funds for training and resources to build capacity and skills around English learners, special education, inclusive practices, social emotional learning, computer science, restorative practices and subject matter competency
  - \$89.8 million one-time, non-Proposition 98 funds for loan assumptions, up to \$20,000 for newly credentialed teachers
    - An estimated 4,500 loan repayments will be available for teachers that commit to working at least four years in high-need schools with the highest rates of non-credentialed or waiver teachers in hard-to-hire subject matter areas
  - \$13.8 million in ongoing federal funds for professional learning opportunities for school administrators to successfully support California’s diverse student population
  - \$195 million over five years to provide early learning and workforce grants to all 58 counties; each county will have one grantee that is a “quality improvement partnership,” such as a county office of education, local planning council, or Quality Counts California consortium

**Federal Funding**

The approved 2019 federal spending bill included an increase to education funding on a national level by \$581 million; Title I and federal special education (Individuals with Disabilities Education Act) each received an increase of \$100 million. Please note that these increases are inconsequential at the local level since California receives one-tenth of these national figures that is spread among all LEAs across the State.

President Donald Trump released the Fiscal Year 2020 Budget Proposal on March 11, 2019. While it retained the level funding for two of the largest federally funded programs (Title I and Individuals with Disabilities Education Act), the President proposed to reduce education funding

by \$8.5 billion from federal fiscal year 2019 to a proposed total of \$62 billion. The largest programs proposed for elimination include:

- 21st Century Community Learning Centers (\$1.2 billion)
- Student Support and Academic Enrichment Grants (\$1.2 billion)
- Supporting Effective Instruction State Grants (\$2.1 billion)

**Routine Restricted Maintenance Account:**

Per Education Code Section 17070.75, school districts are required to deposit into the account a minimum amount equal to or greater than three percent (3%) of the total General Fund expenditures and other financing uses for that fiscal year. While school districts have taken advantage of multiple flexibility provisions over the past decade, school districts must now comply with the 3% contribution provision beginning in 2019-20 due to the interpretation of Education Code Section 17070.75(b)(2)(B-C) by the California Department of Education. Illustrated below are the primary compliance components:

- The 3% contribution is calculated on total General Fund expenditures, including other financing uses (i.e. transfers out, debt issuances relating to the General Fund)
- The 3% contribution incorporates RRMA and CalSTRS on-behalf expenditures
- The final 3% contribution is based on year-end actual data; therefore, while it is developed based on budget, it must be trued up using actual expenditures
- The actual contribution will be audited as part of the School Facility Program Bond Audit

**Reserves**

**District Reserve Requirements (Senate Bill 858):** The 2014 State Budget Act and the passage of Proposition 2 in November 2014 established a hard cap on district reserves, if all of the following conditions are met:

1. Proposition 98 must be funded based on Test 1
2. Full repayment of the maintenance factor prior to 2014-15
3. Proposition 98 provides sufficient funds to support enrollment growth and the statutory COLA
4. Capital gains exceed 8% of General Fund revenues

Prior law specified that in any fiscal year immediately following a year in which a transfer of any amount is made to the Public School System Stabilization Account, a district's assigned or unassigned fund balance (including Fund 01 and Fund 17) may not exceed two times the reserve for economic uncertainty (three times the reserve for economic uncertainty for districts with more than 400,000 ADA).

However, Senate Bill (SB) 751 which became effective January 1, 2018 made changes to the school district reserve cap law in the following manner:

- It requires that the reserve cap is triggered in a fiscal year immediately after a fiscal year in which the amount of moneys in the Public School System Stabilization Account is equal to or exceeds three percent of the combined total of General Fund revenues appropriated for school districts and allocated local proceeds of taxes (Proposition 98 funding), as specified, for that fiscal year



- Adjusts the reserve cap from a combined assigned and unassigned ending fund balance based on the size of the district to a combined assigned or unassigned ending balance, in the General Fund (01) and the Special Reserve Fund for Other Than Capital Outlay (17), of 10% of those Funds for all districts
- Reserves would be capped at 10% as long as the amount in the Public School System Stabilization Account remained at 3% or greater of the Proposition 98 amount in each preceding year
  - The State must notify local educational agencies when the conditions are and are no longer applicable
- Basic aid school districts and districts with fewer than 2,501 average daily attendance are exempt from the reserve cap requirement

The district reserve cap is not activated for 2019-20 since all four above provisions were not met in 2018-19. While all four provisions illustrated above are expected to be met in 2019-20, a cap on district reserves will not be triggered for 2020-21 since the Proposition 98 reserve will be well below the required 3% of the Proposition 98 funding level to activate the cap.

### **Significant Statutory Changes Since Budget Adoption**

The Legislature has been very active since the state budget was adopted in June, and many of the new laws impact school district budgets. Major legislation was passed in these areas:

- School start time
- Vaccinations
- Very significant changes to charter school formation, teacher credentialing and required differentiated assistance by authorizers for underperforming charter schools
- A new ballot proposal for school bonds
- Increased liability exposure to sexual assault and molestation claims

Many of the new laws will require school districts and charter schools to analyze and evaluate the financial impact to their budget.

### **School Bond Measure on the March 2020 Ballot**

Governor Gavin Newsom signed the AB 48 into law allowing the Public Preschool, K-12, and College Health and Safety Bond Act of 2020 to appear on the March 2020 ballot. If approved by voters, the following educational entities will receive facilities funding:

Preschool through Grade 12:

- \$5.2 billion for modernization, \$2.8 billion for new construction, \$500 million for career technical education and \$500 million for charter schools

Higher Education:

- \$6.0 billion for University of California, California State University and California Community Colleges

### **Other Items of Interest to K-12 Schools**

Two new matching fund programs were funded from General Funds to encourage parents to save for the cost of their child’s post-secondary education. \$50 million was allocated in one-time state funds to provide “seed money” for grants, half of which is dedicated to children who meet low income eligibility requirements.

**2019-20 San Rafael High School District Primary Budget Components**

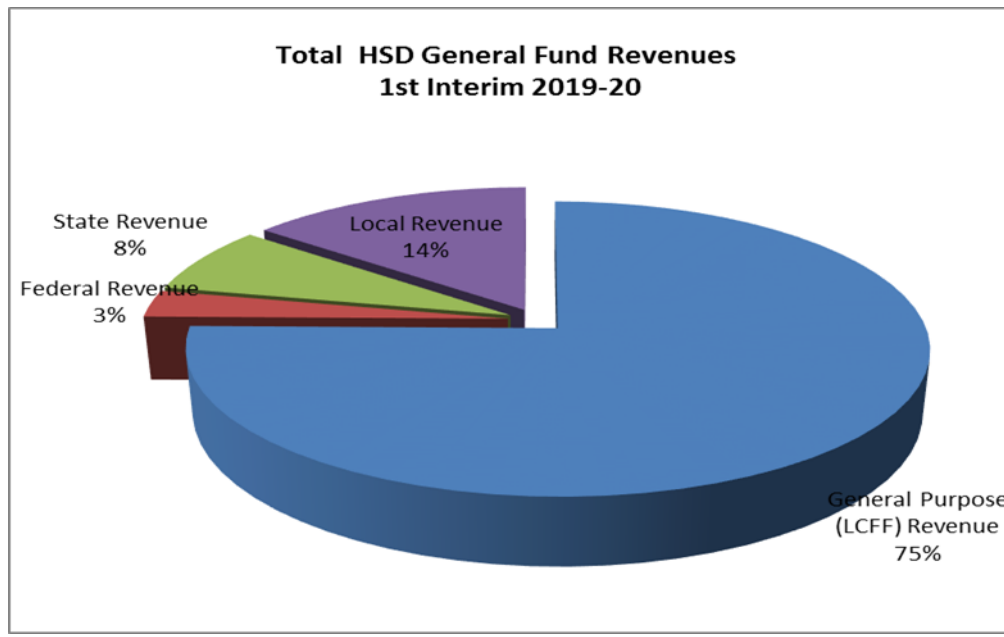
- ❖ Average Daily Attendance (ADA) is estimated at 2601.59 (excludes COE ADA of 38).
  - Due to being a community funded district, changes in ADA do not materially impact LCFF revenues.
- ❖ The District’s estimated unduplicated pupil percentage for supplemental and concentration funding is estimated to be 52.42%. The percentage will be revised based on actual data.
- ❖ Lottery revenue is estimated to be \$153 per ADA for unrestricted purposes and \$54 per ADA for restricted purposes, slightly higher than amounts included with the May Revise.
- ❖ Mandated Cost Block Grant is \$61.94 for 9-12 ADA.
- ❖ Except as illustrated under Contributions to Restricted Programs, all federal and state restricted categorical programs are self-funded.

**General Fund Revenue Components**

The District receives funding for its general operations from various sources. A summary of the major funding sources is illustrated below:

| DESCRIPTION                    | Unrestricted        | Combined            |
|--------------------------------|---------------------|---------------------|
| General Purpose (LCFF) Revenue | \$29,032,493        | \$29,032,493        |
| Federal Revenue                | \$0                 | \$1,153,697         |
| State Revenue                  | \$520,720           | \$2,858,583         |
| Local Revenue                  | \$506,966           | \$5,536,959         |
| <b>TOTAL</b>                   | <b>\$30,060,179</b> | <b>\$38,581,732</b> |





### **Education Protection Account**

As approved by the voters on November 6, 2012, The Schools and Local Public Safety Protection Act of 2012 (Proposition 30) temporarily increased the State's sales tax rate and the personal income tax rates for taxpayers in high tax brackets.

Proposition 30 provides that a portion of K-14 general purpose funds must be utilized for instructional purposes. Revenues generated from Proposition 30 are deposited into an account called the Education Protection Account (EPA). For the majority of districts, EPA dollars are part of and not in addition to state aid; thus, a corresponding reduction is made to its general purpose funds. However, the EPA funding is additional state aid for the XXXX School District and other basic aid districts.

Subsequently, on November 8, 2016, the voters approved the California Children's Education and Health Care Protection Act (Proposition 55) that maintains increased personal income tax rates for taxpayers in high tax brackets through 2030. Proposition 55 did not extend the sales tax increase; therefore, the temporary sales tax increase expired at the end of calendar year 2016.

K-14 local agencies have the sole authority to determine how the funds received from the EPA are spent, but with these provisions:

- The spending plan must be approved by the governing board during a public meeting
- EPA funds cannot be used for the salaries or benefits of administrators or any other administrative costs (as determined through the account code structure)
- Each year, the local agency must publish on its website an accounting of how much money was received from the EPA and how the funds were expended

Further, the annual financial audit includes verification that the EPA funds were used as specified by Proposition 30. If EPA funds are not expended in accordance with the requirements of Proposition 30, civil or criminal penalties could be incurred.

Illustrated below is how the District’s EPA funds are appropriated for 2019-20. The amounts will be revised throughout the year based on information received from the State.

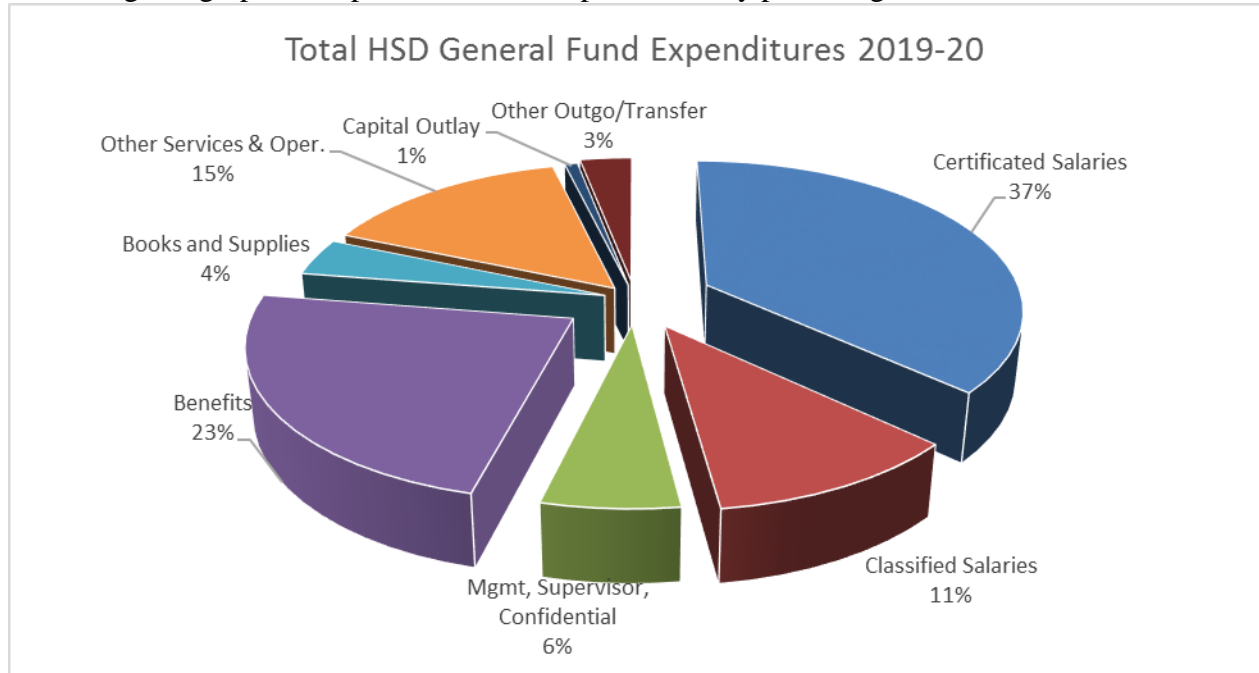
| <b>Education Protection Account (EPA)</b> |                   |
|---|-------------------|
| <b>First Interim</b>                      |                   |
| <b>Fiscal Year Ending June 30, 2020</b>   |                   |
| <b>EPA Revenues:</b>                      |                   |
| Estimated EPA Funds                       | \$ 527,918        |
| <b>EPA Expenditures:</b>                  |                   |
| Certificated Instructional Salaries       | \$ 447,813        |
| Certificated Instructional Benefits       | \$ 80,105         |
| <b>Total</b>                              | <b>\$ 527,918</b> |

**Operating Expenditure Components**

The General Fund is used for the majority of the functions within the District. As illustrated below, salaries and benefits comprise approximately 85% of the District’s unrestricted budget, and approximately 77% of the total General Fund budget.

| DESCRIPTION                    | UNRESTRICTED      | COMBINED            |
|--------------------------------|-------------------|---------------------|
| Certificated Salaries          | 10,509,102        | \$15,109,489        |
| Classified Salaries            | 3,127,039         | \$4,502,190         |
| Mgmt, Supervisor, Confidential | 2,131,106         | \$2,432,175         |
| Benefits                       | 5,565,520         | \$9,667,373         |
| Books and Supplies             | 940,986           | \$1,620,837         |
| Other Services & Oper.         | 2,678,915         | \$6,044,513         |
| Capital Outlay                 | 45,154            | \$308,454           |
| Other Outgo/Transfer           | 26,096            | \$1,251,553         |
| <b>TOTAL</b>                   | <b>25,023,918</b> | <b>\$40,936,585</b> |

Following is a graphical representation of expenditures by percentage:



**General Fund Contributions to Restricted Programs**

The following contributions of unrestricted resources to restricted programs are necessary to cover restricted program expenditures in excess of revenue:

| HSD Contributions to Restricted | Amount           |
|---------------------------------|------------------|
| Special Ed IDEA                 | 5,439,246        |
| Special Ed Mental Health        | 218,004          |
| Routine Maintenance             | 1,147,381        |
| District ROP Programs           | 206,055          |
| Library                         | 7,000            |
| <b>Total Contributions</b>      | <b>7,017,686</b> |

**General Fund Summary**

The District’s 2019-20 General Fund projects a total operating deficit of \$2.368 million resulting in an estimated ending fund balance of \$5.6million. The components of the District’s fund balance are as follows: revolving cash & other nonspendables - \$5,600; restricted programs - \$1.2Million; economic uncertainty - \$1.2Million; unassigned - \$4.4Million. In accordance with SB 858 a detail description of assigned & unassigned balances is illustrated below.

| Description                             | 2019-20 1st Interim |                     |                     |
|---|---------------------|---------------------|---------------------|
|   | Unrestricted        | Restricted          | Combined            |
| <b>NONSPENDABLE</b>                     |                     |                     |                     |
| Revolving Cash                          | \$ 5,600            | \$ -                | \$ 5,600            |
| <b>Total - NONSPENDABLE</b>             | <b>5,600</b>        | <b>-</b>            | <b>5,600</b>        |
| <b>TOTAL - RESTRICTED</b>               | <b>\$ -</b>         | <b>\$ 1,243,752</b> | <b>\$ -</b>         |
| <b>ASSIGNED</b>                         |                     |                     |                     |
| Board Designated Reserve above 3%       | 3,165,037           |                     | 3,165,037           |
| <b>Total - Assigned</b>                 | <b>\$ 3,165,037</b> | <b>\$ -</b>         | <b>\$ 3,165,037</b> |
| <b>UNASSIGNED</b>                       |                     |                     |                     |
| Economic Uncertainty Reserve (3% State) | 1,230,700           |                     | 1,230,700           |
| <b>TOTAL - UNASSIGNED</b>               | <b>\$ 1,230,700</b> | <b>\$ -</b>         | <b>\$ 1,230,700</b> |
| <b>TOTAL - FUND BALANCE</b>             | <b>\$ 4,401,337</b> | <b>\$ 1,243,752</b> | <b>\$ 5,645,089</b> |

### **Cash Flow**

Per the enclosed cash flow schedule, the District is anticipating the need to borrow \$9 million from its other Funds until the District receives its property taxes in January. This is needed to maintain positive monthly cash balances during the fiscal year. Cash will be closely monitored to ensure the District is liquid in order to satisfy its obligations.

### **Fund Summaries**

Illustrated below is a summary of each Fund's fund balance and corresponding change.

| Fund Number and Description |                                    | Fund Balance<br>July 1, 2019 | Current Year<br>Activity | Fund Balance<br>June 30, 2020 |
|-----------------------------|------------------------------------|------------------------------|--------------------------|-------------------------------|
| 01                          | General Fund                       | \$8,013,900                  | (\$2,368,811)            | \$5,645,089                   |
| 11                          | Adult Ed Fund                      | \$0                          | \$400                    | \$400                         |
| 13                          | Cafeteria                          | \$0                          | \$0                      | \$0                           |
| 14                          | Deferred Maintenance Fund *        | \$345,109                    | (\$3,700)                | \$341,409                     |
| 20                          | Special Reserve for OPEB**         | \$2,068,167                  | \$30,000                 | \$2,098,167                   |
| 21                          | Building Funds                     | \$60,142,024                 | (\$22,782,361)           | \$37,359,663                  |
| 25                          | Capital Facilities Fund            | \$306,921                    | \$0                      | \$306,921                     |
| 40                          | Special Reserve for Capital Outlay | \$771,269                    | \$140,286                | \$911,555                     |
| 51                          | Bond Interest Redemption           | \$10,696,145                 | \$0                      | \$10,696,145                  |

### **Multiyear Projection**

#### ***General Planning Factors:***

Illustrated below are the latest factors released by the Department of Finance (DOF) that districts are expected to utilize as planning factors:

| <i>Description</i>  | <i>Fiscal Year</i>  |  |  |  |
|---|---|--|--|--|
|   | <i>2018-19</i>  | <i>2019-20</i>   | <i>2020-21</i>   | <i>2021-22</i>   |
| <b>Planning Factor</b>  |   |  |  |  |
| <b>COLA (minimal effect)</b>  | 2.71%<br>(3.70%<br>LCFF Only)                                       | 3.26%  | 3.00%  | 2.80%  |
| <b>Estimated Local Property Tax increase</b>  | 6.61%   | 3.5%   | 5.0%   | 5.0%   |
| <b>LCFF Gap Funding Percentage</b>  | 100%/Target   | N/A - Target   | N/A - Target   | N/A - Target   |
| <b>STRS Employer Rates (Current Rates / AB1469)</b>   | 16.28%  | 18.13%   | 19.10%   | 18.60%   |
| <b><u>OR</u></b>  |   |  |  |  |
| <b>STRS Employer Rates (Governor's Proposed Rates)</b>  | 16.28%  | 17.10%   | 18.40%   | 18.10%   |
| <b>PERS Employer Rates (PERS Board / Actuary)</b>   | 18.062%   | 19.721%  | 22.70%   | 24.60%   |
| <b>Lottery – Unrestricted per ADA</b>   | \$151   | \$153  | \$153  | \$153  |
| <b>Lottery – Prop. 20 per ADA</b>   | \$53  | \$54   | \$54   | \$54   |
| <b>Mandated Cost per ADA / One Time Allocation</b>  | \$184   | \$0  | \$0  | \$0  |
| <b>Mandate Block Grant for Districts: K-8 per ADA</b>   | \$31.16   | \$32.18  | \$33.15  | \$34.08  |
| <b>Mandate Block Grant for Districts: 9-12 per ADA</b>  | \$59.83   | \$61.94  | \$63.80  | \$65.59  |
| <b>Mandate Block Grant for Charters: K-8 per ADA</b>  | \$16.33   | \$16.86  | \$17.37  | \$17.86  |
| <b>Mandate Block Grant for Charters: 9-12 per ADA</b>   | \$45.23   | \$46.87  | \$48.28  | \$49.63  |
| <b>One-Time Special Education Early Intervention<br/>Preschool Grant</b>  | n/a   | \$9,010  | n/a  | n/a  |
| <b>Routine Restricted Maintenance Account</b><br>* Percentage of total General Fund expenditures and financing uses<br><br>(Note: For the 2018-19 fiscal year, LEAs receiving School Facility Program (SFP) Prop. 51 funding, the RRMA requirement reverts to 3% of total General Fund expenditures and financing uses after the receipt of the SFP funds.) | Greater of:<br>Lesser of<br>3%* /<br>2014-15<br>Amount<br>or<br>2%* | Equal to or<br>greater than 3%<br>of total <u>actual</u><br>General Fund<br>expenditures &<br>financing uses | Equal to or<br>greater than 3%<br>of total <u>actual</u><br>General Fund<br>expenditures &<br>financing uses | Equal to or<br>greater than 3%<br>of total <u>actual</u><br>General Fund<br>expenditures &<br>financing uses |

Various aspects of the planning factors illustrated above will be further discussed below with the District's specific revenue and expenditure assumptions.

***Revenue Assumptions:***

Per enrollment trends, the District continues to anticipate flat to slightly decreasing enrollment. The Local Control Funding Formula is based on the Department of Finance's estimates of COLA and funding percentages towards the District's LCFF Target as noted above. However, as a Community Funded district, changes in ADA and LCFF funding are not material to the district. Unrestricted local revenue is estimated to remain relatively constant for the subsequent years. Restricted federal and local revenue increases are associated with increased costs relating to self-funded programs. State revenue is expected to decrease due to the reduction of various program revenues.

***Expenditure Assumptions:***

Certificated step and column costs are expected to increase by 1.5% each year. Classified step costs are expected to increase by 1.5% each year.

As a result, adjustments to benefits reflect the effects of salary changes noted above, program adjustments, and expected increases to employer pension costs as per the narrative provided earlier in this report.

Unrestricted supplies and operating expenditures are estimated to remain constant. Restricted supplies and operating expenditures are estimated to decrease for 2019-20 primarily due to program adjustments. Capital outlay and other outgo is estimated to remain relatively constant. Indirect costs from restricted programs are expected to remain constant for 2019-20. Transfers out are expected to increase for support to the food service program. Contributions to restricted programs are expected to increase due to step and additional pension costs for restricted programs that receive support from the unrestricted general fund.

***Estimated Ending Fund Balances:***

During 2019-20, the District estimates that the General Fund is projected to deficit spend by \$2.368M resulting in an unrestricted ending General Fund balance of approximately \$4.4 million.

During 2020-21, the District estimates that the General Fund is projected to deficit spend by \$1.1 million resulting in an unrestricted ending General Fund balance of \$3.18 million.

| <b>1st Interim Multi-Year Projection (Total GF)</b> |                               |                          |                          |
|---|-------------------------------|--------------------------|--------------------------|
| <b>Description</b>                                  | <b>2019-20 Revised Budget</b> | <b>Projected 2020-21</b> | <b>Projected 2021-22</b> |
| Total Revenues                                      | 38,581,732                    | 39,611,988               | 41,309,766               |
| Total Expenditures                                  | 40,936,585                    | 40,745,938               | 41,171,932               |
| Excess/(Deficiency)                                 | (2,354,853)                   | (1,133,950)              | 137,834                  |
| Other Sources/Uses                                  | (13,958)                      | (13,958)                 | (13,958)                 |
| <b>Net Increase/(Decrease)</b>                      | <b>(2,368,811)</b>            | <b>(1,147,908)</b>       | <b>123,876</b>           |
| Add: Beginning Fund Balance                         | 8,013,900                     | 5,645,089                | 4,497,181                |
| <b>Ending Fund Balance</b>                          | <b>5,645,089</b>              | <b>4,497,181</b>         | <b>4,621,057</b>         |
|   |                               |                          |                          |

***Conclusion:***

Despite current year and future projected deficit spending, the projected budget and multi-year projections support that the District is projecting to be able to meet its financial obligations for the current and subsequent two years.

Administration is confident that the District will be able to maintain prudent operating reserves, and have the necessary cash in order to ensure that the District remains fiscally solvent.

Administration is examining the budget and corresponding programs in greater detail with the purpose of proposing a plan to reduce expenditures in order to maintain minimum economic uncertainty reserve levels and have the necessary cash in order to ensure that the District remains fiscally solvent.