

San Rafael Elementary School District
2019-20 Second Interim Report and Multiyear Fiscal Projection
As of January 31, 2020
Presented March 09, 2020

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 Second Interim Report is from July 1st through January 31st, and projects financial activity through June 30th. 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 Second Interim Report contains summarized and detailed budget information, multi-year projections, and estimated cash flow reports.

Governor’s Proposed 2020-21 Budget

Governor Gavin Newsom’s budget proposal for 2020-21 continues to build reserves and promotes a more effective government that can withstand a downturn in the economy, as well as emergencies and disasters. The State is prepared for an economic downturn with reserves of \$21 billion. Nevertheless, managing a recession will be challenging, as the State estimates even a moderate recession could result in revenue declines of nearly \$70 billion, and a budget deficit of over \$40 billion over three years.

The release of the Governor’s budget begins the six-month process of enacting a new state spending plan. The Governor’s 2020-21 budget proposal will require LEAs to adjust the 2020-21 cost of living adjustment (COLA) downward from prior projections to 2.29% and the 2021-22 COLA downward to 2.71%. Special education funding consolidates 2019-20 funding into 2020-21 base rates pursuant to a new funding formula, while adding restrictive language into the additional 2020-21 one-time funding for early intervention activities. Access for LEAs to one-time funding for professional development, community schools, and opportunity grants requires evaluation. The majority of the surplus in the 2020-21 budget proposal is devoted to one-time spending. This approach enables the State to make significant investments in critical areas while also maintaining reserves.

Proposition 98 Funding: The Governor’s proposal set Proposition 98 funding for 2020-21 at \$84 billion, which represents an increase of \$2.9 billion or 3.6% from the 2019-20 budget.

LCFF Cost-of-Living-Adjustment (COLA): The budget proposal contains an additional \$1.2 billion of Proposition 98 funding for the LCFF, which reflects a 2.29% COLA and brings total LCFF funding to \$64.2 billion. Illustrated below is a comparison of the COLA percentages between the proposed budget and previous estimates provided by the State at first interim.

Description	2019-20	2020-21	2021-22
Annual COLA (LCFF) – Estimates – 1 st Interim	3.26%	3.00%	2.80%
Annual COLA (LCFF) – Proposed Budget	3.26%	2.29%	2.71%

K-12 One-Time and Block Grant Mandate Funding: Similar to 2019-20, the Governor’s proposal for 2020-21 does not include any one-time mandate funding. While the Mandate Block

Grant funding remains unchanged in 2019-20 at \$32.18 (K-8) and \$61.94 (9-12) per ADA, the reduced COLA for the 2020-21 and 2021-22 years impacted the grant relative to estimates provided at First Interim. Funding for those years is now estimated at \$32.92 and \$33.81 per K-8 ADA and \$63.36 and \$65.08 per 9-12 ADA, respectively.

Recruitment and Professional Development – Provides \$900 million for teacher training and recruitment. The funding will support grants for students enrolled in a professional teacher preparation program who commit to working in a high-need field at a priority school; training and resources for classroom educators; and professional learning opportunities for public K-12 administrators and school leaders.

Expanded Supports and Services for the State’s Neediest Schools – Provides \$300 million for one-time grants and technical assistance to prepare and implement improvement plans at the State’s lowest-performing schools.

Community School Grants – Provides \$300 million one-time for competitive grants to develop community school models with innovative partnerships that support mental health and the whole child. This is not to be confused with County Operated Court and Community Schools, which provides wrap-around services to schools within the community to support at risk students and has been in place for many years.

Special Education – The 2019-20 Budget Act included a \$645 million increase for special education. The increase provided all SELPAs with at least the statewide target rate for base special education funding and increased the funding based on the number of children age 3 to 5 years with exceptional needs. For 2020-21, the Governor proposes an additional \$250 million for special education to bring the total amount of funding to approximately \$900 million.

Pursuant to the current year budget, the continued allocation of these funds was contingent upon the adoption by the Legislature and Administration of reforms to the special education funding formula and special education accountability system as part of the 2020 Budget Act. For 2020, the Governor proposes a three-phase process that will focus on increased funding, a new funding formula, and expanding statewide supports leading to improved specialized services.

Special Education Reform - The Governor’s budget proposals for special education begin by acknowledging the significant shortfall in federal funding provided for special education services. The federal government funds only about 10% of special education costs in California, woefully short of the stated 40% goal, and only a small fraction of preschool special education costs. The Governor also expresses multiple concerns with the existing California special education funding formula including complexity, administrative burden and expense, varying SELPA funding rates and various supplemental add-ons with varying formulas and restrictions. Because of research conducted by the Administration and Legislature during 2019, which included consulting with LEAs, SELPAs and stakeholders to determine best practices and opportunities, the Governor proposes a multiyear process to improve special education finance, services and student outcomes.

For the 2020-21 fiscal year, the Governor proposes a revised special education base funding formula using a three-year rolling average of local educational agencies ADA, including districts, charters and COEs, while continuing to allocate funding to SELPAs. The budget includes an additional, ongoing \$645 million for distribution through the new formula, which

includes \$152.6 million in AB 602 funding and redirecting \$492.7 million in special education early intervention grant funding, both of which were provided in 2019-20. This additional, ongoing funding would further increase base funding rates of the lowest funded SELPAs to a new base funding rate. Best estimates indicate this would yield between \$640 and \$680 per ADA, virtually eliminating the special education funding deficit. The Governor estimates most LEAs would experience an increase in base funding, and approximately 100 LEAs with current funding rates higher than the new base rate would be held harmless.

The 2020-21 budget also proposes an additional \$250 million in ongoing funding for children ages 3 to 5 years with exceptional needs, for a per-pupil rate of \$4,570. However, one-time funding will be allocated to districts based on the number of preschool-age children with disabilities served. School districts will be required to allocate these funds to increased or improved services. Given this, best strategies suggest these funds be utilized pre-IEP such that the district avoids increasing its maintenance of effort requirement and continue with this practice until these funds are allocated on an ongoing basis.

For the 2020-21 fiscal year, the budget proposes that all other existing AB 602 special education categorical funding sources remain unchanged until a new funding formula is adopted in a future fiscal year.

The budget also proposes \$500,000 in one-time funding for a study of the current SELPA governance and accountability structure, and \$600,000 in one-time funding for two workgroups to study improved accountability for special education service delivery and student outcomes. Finally, the budget proposes \$4 million one-time funding for dyslexia research, training, and a statewide conference.

In future phases, the Administration anticipates finalizing the new special education funding formula, incorporating statutory changes based on recommendations from the governance and accountability workgroups established in the 2020-21 budget, pursuing reforms related to family and student engagement and incorporating recommendations from the Master Plan for Early Learning and Care.

Early Childhood Education - The Governor's January Budget for 2020-21 proposes a major shift in governance with the creation of the Department of Early Childhood Development under the Health and Human Services agency, effective July 1, 2021. This new department will implement recommendations from the Master Plan for Early Learning and Care, with the intent of improving program integration and coordination.

The proposal includes a 2.29% increase for State reimbursement rates for child-care and preschool. Also, the 2020-21 budget proposes \$50 million in ongoing funding from the Cannabis Fund to support over 3,000 general child-care slots previously funded with general fund, and an additional \$10.3 million Cannabis Fund for an increase of 621 general child-care slots.

The 2020-21 budget proposes an increase of \$31.9 million in 2020-21 and \$127 million ongoing non-Prop. 98 general fund to support an additional 10,000 State Preschool slots at non-LEAs beginning April 1, 2021. Additionally, \$75 million in Prop. 98 general funds are included to expand the Inclusive Early Education Expansion Program, which provides funding to LEAs to

construct or modify preschool facilities to serve students with exceptional needs or severe disabilities.

Additional 2020-21 Proposed Budget Components

Additional components of the proposed budget for 2020-21 provide for the following items:

- Continue to prioritize access to computer science education:
 - \$15 million for grants to LEAs to help 10,000 teachers earn a supplementary computer science authorization on their credential
 - \$2.5 million for a County Office of Education to act as a repository of computer science resources
 - \$1.6 million to create a new UC Subject matter Project in computer science and fund one cohort of 1,200 educators to participate
- Increase funding for school nutrition programs by \$60 million in on-going funds and \$10 million in one-time funds to train food service workers to promote healthier meals

Federal Funding

The federal government passed a \$1.4 trillion federal spending package that includes increased funding for all the major education programs as listed below; bringing education funding nationally to \$72.8 billion. California receives approximately 10% of this funding. This package sets federal funding levels through September 2020 (the end of the federal fiscal year), and impacts school district awards for the 2020-21 fiscal year. Among the largest increases are spending levels for Title I, the Individuals with Disabilities Education Act (IDEA), and investments in various early childhood programs including Head Start and the Child Care and Development Block Grant. The actual impact to districts will be determined at a future date.

Appropriation (in millions of dollars)				
Program	FY 2019	FY 2020	Increase/ (Decrease)	Percent Change
Title I Grants	\$16,544.0	\$16,996.8	\$452.8	2.7%
Title II (Teacher Quality)	2,055.8	2,132.0	76.2	3.7%
Title III (English Language Acquisition)	737.4	787.4	50.0	6.8%
Title IV-A (Student Support and Academic Enrichment)	1,170.0	1,210.0	40.0	3.4%
Education Innovation and Research	130.0	190.0	60.0	46.2%
Impact Aid	1,446.1	1,486.1	40.0	2.8%
21st Century Community Learning Centers	1,221.7	1,249.7	28.0	2.3%
Charter School Grants	440.0	440.0	0.0	0.0%
IDEA Part B State Grants	12,364.4	12,764.4	400.0	3.2%
Career Technical Education State Grants	1,262.6	1,282.6	20.0	1.6%
Adult Education State Grants	656.0	671.0	15.0	2.3%
TRIO	1,060.0	1,090.0	30.0	2.8%
Head Start (including Early Head Start)	10,063.1	10,613.0	549.9	5.5%
Child Care Development Block Grant	5,276.0	5,826.0	550.0	10.4%
Preschool Development Grants	250.0	275.0	25.0	10.0%

President Trump's Administration recently released its budget proposal for fiscal year 2021-22, which includes an overall spending reduction of \$6.1 billion or an 8.4% cut to the US Department of Education from last year. The K12 area of the budget proposal would consolidate 29 programs including Title I, II-A, III English Learners and IV-A into one block grant to states called the Elementary and Secondary Education for the Disadvantaged (ESED) Block Grant. The new block grant represents an almost 20% cut in K-12 spending. The proposal would consolidate nearly all existing K-12 formula and competitive grants programs into a single \$19.4 billion fund. The total appropriations for these individual programs last year was over \$24 billion. Specific details on the exact funding formulas, allowable uses of the funds, existing set asides, and fiscal requirements that would be applicable to the proposed block grant were not outlined in the budget proposal.

Pension Contribution Rates

The 2019-20 State budget included some pension relief for public education employers; specifically, a \$3.15 billion non-Prop. 98 general fund payment on behalf of employers to CalSTRS and the CalPERS Schools Pool. Of this amount, approximately \$850 million will buy down the employer contribution rates in 2019-20 and 2020-21.

The remaining \$2.3 billion will be paid toward the employers' long-term unfunded liability for both systems. Overall, this payment is expected to save employers \$6.9 billion over the next three decades.

The CalSTRS employer contribution rates are 17.1% in 2019-20, 18.4% in 2020-21 and 18.1% in 2021-22. The CalPERS Schools Pool employer contribution rates are 19.721% in 2019-20, 22.8% in 2020-21 and 24.9% in 2021-22. These rates are very similar to those estimated at first interim.

Routine Restricted Maintenance Account

Per Education Code Section 17070.75, school districts are required to deposit into the Routine Restricted Maintenance Account (RRMA) 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, the final contribution must be based on 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 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 pupil attendance 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

While all four provisions illustrated above are 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.

Local Control and Accountability Plan (LCAP)

During the 2019-20 fiscal year our district will implement the actions and services outlined in our LCAP. Since 2019-20 is the last year of the current three-year LCAP document (2017-20), we will need to collect information necessary to complete the current plan while developing actions and services for the new three-year LCAP for fiscal years 2020-21 through 2022-23.

Also, pursuant to the requirements set forth in AB 1840, the State Board of Education adopted a new LCAP template for the coming three-year cycle.

To prepare for the development of the final 2019-20 annual update and the 2020-23 LCAP, the district will review progress toward metrics contained in the LCAP and consider which goals, actions, and services will be continued in the new three-year LCAP and which may not. The district also will consider how financial information has been reported in prior LCAPs to determine if changes are needed based on the requirements of the new LCAP template.

Statutory Agenda

Changes Since 2019-20 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.

Proposed Legislation – Priorities for the education agenda for 2020 include:

- Expanding access to early childhood education
- Providing funding for preschool facilities
- Improving academic outcomes for special needs students
- Clean-up legislation regarding the recently enacted charter school reform
- Increasing LCFF base grants and targets for improving performance
- LCFF reform that may include returning supplemental and concentration grant funds to restricted funding status

Statewide Funding Initiatives

March 2020 ballot: Governor Gavin Newsom signed AB 48 into law allowing Proposition 13, the \$15 billion Public Preschool, K-12, and College Health and Safety Bond Act of 2020 to appear on the March 3, 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

November 2020 ballot: The Schools & Communities First Initiative would tax commercial and industrial properties at fair market value and is referred to as the “Proposition 13 split roll” measure (in reference to Proposition 13 approved by voters in 1978 that reduced property tax growth in California, not the school facility measure on the March 2020 ballot). An earlier version of this proposition has qualified for the November 2020 ballot, but proponents are gathering signatures for an updated replacement version.

If approved by voters, this measure will significantly increase taxes on the targeted properties to be shared by schools and other public agencies.

Originally slated for the November 2020 ballot, another measure to address school funding titled The Full and Fair Funding Initiative sponsored by the California School Boards Association, the Association of California School Administrators and the Community College League of California will be delayed until 2022 to allow the Schools & Communities First Initiative to appear on the ballot without competition.

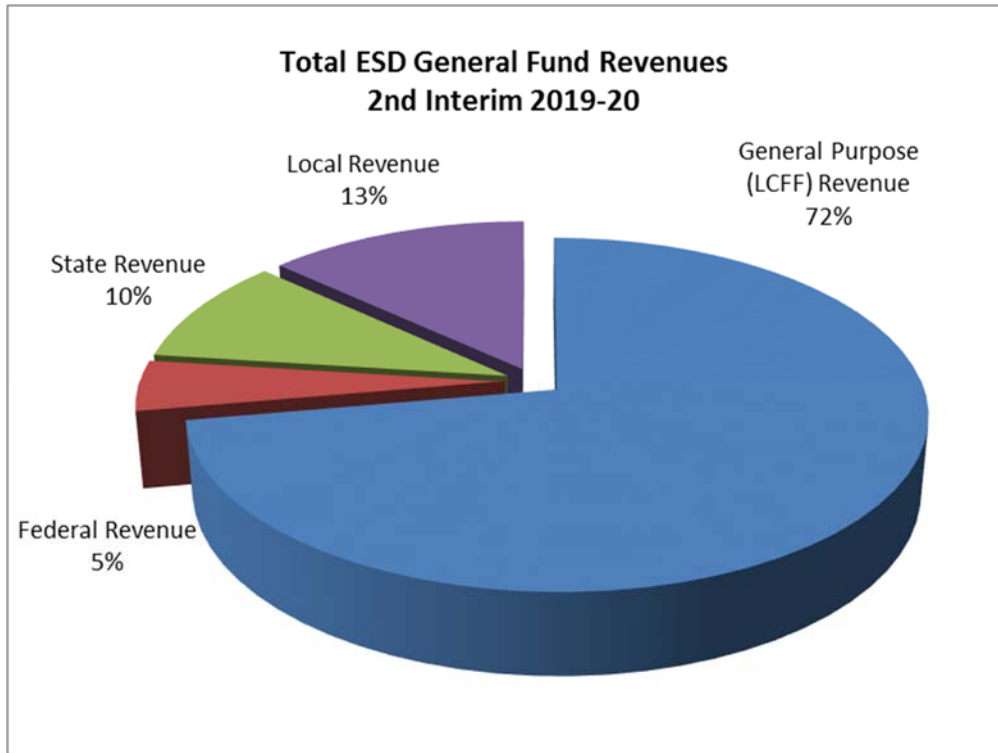
2019-20 San Rafael Elementary School District Primary Budget Components

- ❖ Average Daily Attendance (ADA) is estimated at 4361.45 (excludes COE ADA of 24.35).
 - Due to declining enrollment the funded ADA will be based on the prior year ADA of 4438.85.
- ❖ The District’s estimated unduplicated pupil percentage for supplemental and concentration funding is estimated to be 68.43%.
- ❖ 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 \$32.18 for K-8 ADA and \$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:

ESD DESCRIPTION	AMOUNT
General Purpose (LCFF) Revenue	\$44,575,569
Federal Revenue	\$2,936,272
State Revenue	\$6,021,130
Local Revenue	\$8,163,339
TOTAL	\$61,696,309



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). The District receives funds from the EPA based on its proportionate share of statewide general purpose funds. A corresponding reduction is made to its state aid funds.

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.

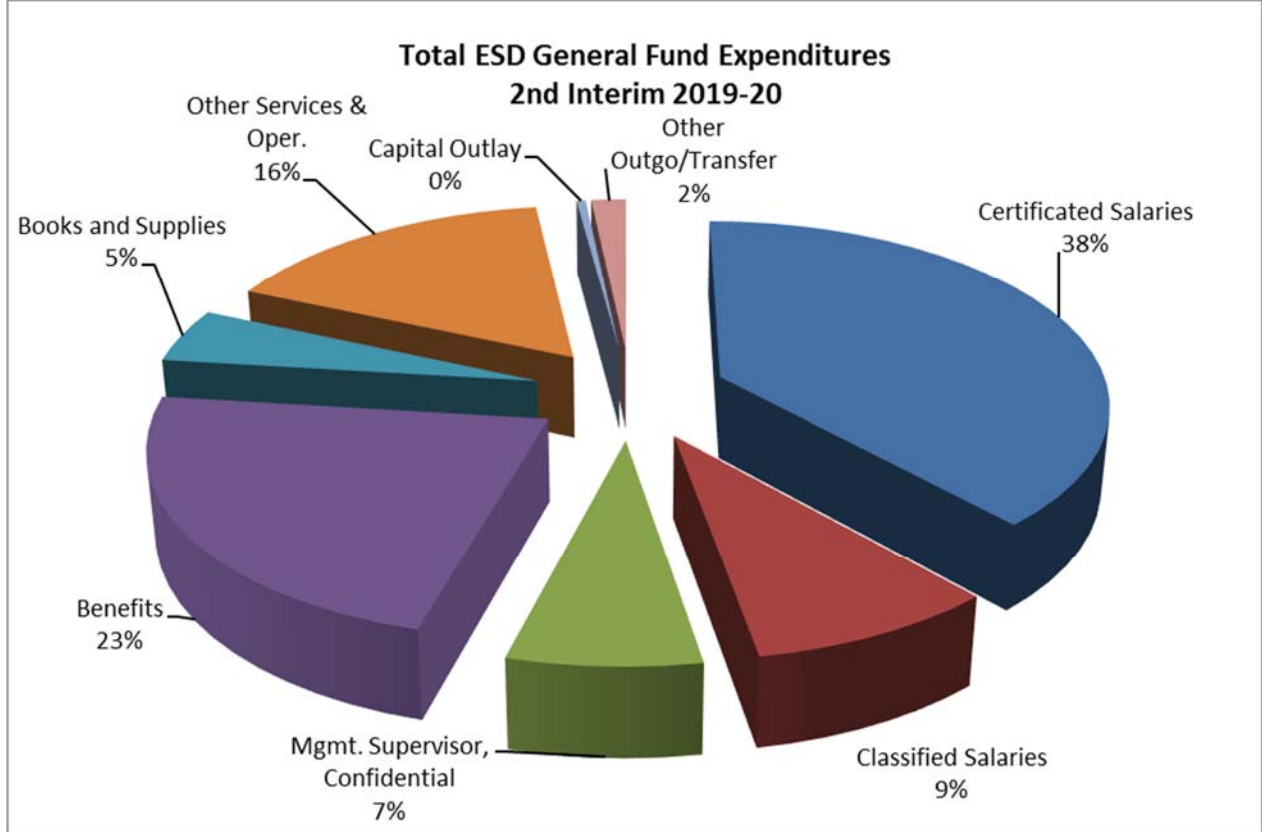
Education Protection Account (EPA)	
2nd Interim	
Fiscal Year Ending June 30, 2019	
EPA Revenues:	
Estimated EPA Funds	\$ 3,739,581
EPA Expenditures:	
Certificated Instructional Salaries	\$ 3,113,178
Certificated Instructional Benefits	\$ 626,403
Total	\$ 3,739,581

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 84% of the District's unrestricted budget, and approximately 77% of the total General Fund budget.

ESD Total General Fund		
DESCRIPTION	UNRESTRICTED	COMBINED
Certificated Salaries	17,698,991	\$23,873,408
Classified Salaries	3,453,637	\$5,508,897
Mgmt. Supervisor, Confidential	3,613,971	\$4,253,732
Benefits	8,732,147	\$14,138,411
Books and Supplies	1,794,181	\$2,951,251
Other Services & Oper.	4,787,159	\$10,084,584
Capital Outlay	26,250	\$273,318
Other Outgo/Transfer	(8,869)	\$1,037,241
TOTAL	40,097,468	\$62,120,843

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:

ESD Contributions to Restricted	Amount
Special Ed IDEA	5,816,643
Special Capital Projects	185,000
Routine Maintenance	1,776,443
Total Contributions	7,778,086

General Fund Summary

The District’s 2019-20 General Fund projects a total operating deficit of \$1.745 million (\$1.747 million unrestricted deficit) resulting in an estimated ending fund balance of \$16.8 million. The components of the District’s fund balance are as follows: restricted programs - \$3.2 million; economic uncertainty - \$10.8 million; unassigned - \$2.8 million. A detailed description of assigned & unassigned balances is illustrated below.

Description	2019-20 ESD 2nd Interim		
	Unrestricted	Restricted	Combined
Total - NONSPENDABLE	\$ -	\$ -	\$ -
TOTAL - RESTRICTED	\$ -	\$ 3,226,619	\$ -
ASSIGNED			
14% Board Designated Reserve	8,884,642		8,884,642
Reserve for compensation	-	0	-
Total - Assigned	\$ 8,884,642	\$ -	\$ 8,884,642
UNASSIGNED			
Economic Uncertainty Reserve (3% State)	1,903,852		1,903,852
Unappropriated	2,808,186		2,808,186
TOTAL - UNASSIGNED	\$ 4,712,038	\$ -	\$ 4,712,038
TOTAL - FUND BALANCE	\$ 13,596,680	\$ 3,226,619	\$ 16,823,299

Cash Flow

The District is anticipating having positive monthly cash balances during the 2019-20 school year. Cash is always closely monitored in order to ensure the District is liquid to satisfy its obligations.

Fund Summaries

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

All Funds of the Elementary School District			
Fund Number and Description	Fund Balance July 1, 2019	Current Year Activity	Fund Balance June 30, 2020
01 General Fund	\$18,568,717	(\$1,745,418)	\$16,823,299
12 Child Development	\$36,126	\$0	\$36,126
13 Cafeteria	\$35,431	\$0	\$35,431
14 Deferred Maintenance Fund *	\$900,366	(\$31,338)	\$869,028
20 Special Reserve for OPEB	\$4,105,395	\$770,295	\$4,875,690
21 Building Funds	\$59,358,876	(\$56,323,067)	\$3,035,809
25 Capital Facilities Fund	\$163,520	\$15,655	\$179,175
40 Special Reserve for Capital Outl	\$1,952,997	\$167,035	\$2,120,032
51 Bond Interest Redemption	\$16,719,080	\$0	\$16,719,080

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>Planning Factor</i>	2019-20	2020-21	2021-22	2022-23
LCFF COLA	3.26%	2.29%	2.71%	2.82%
STRS Employer Rates (Current Rates / AB1469 for 2019-20 and 2020-21, otherwise estimated rates)	17.10%	18.40%	18.10%	18.10%
PERS Employer Rates (PERS Board / Actuary)	19.721%	22.80%	24.90%	25.90%
Lottery – Unrestricted per ADA	\$153	\$153	\$153	\$153
Lottery – Prop. 20 per ADA	\$54	\$54	\$54	\$54
Mandate Block Grant for Districts: K-8 per ADA	\$32.18	\$32.92	\$33.81	\$34.76
Mandate Block Grant for Districts: 9-12 per ADA	\$61.94	\$63.36	\$65.08	\$66.92
Mandate Block Grant for Charters: K-8 per ADA	\$16.86	\$17.25	\$17.72	\$18.22
Mandate Block Grant for Charters: 9-12 per ADA	\$46.87	\$47.94	\$49.24	\$50.63
One-Time Special Education Early Intervention Preschool Grant	\$9,010	n/a	n/a	n/a
Routine Restricted Maintenance Account * <i>Percentage of total General Fund expenditures and financing uses</i>	Equal to or greater than 3% of total <u>actual</u> General Fund expenditures & financing uses	Equal to or greater than 3% of total <u>actual</u> General Fund expenditures & financing uses	Equal to or greater than 3% of total <u>actual</u> General Fund expenditures & financing uses	Equal to or greater than 3% of total <u>actual</u> General Fund expenditures & 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 a decline in its enrollment. The Local Control Funding Formula is based on the Department of Finance's estimates of COLA as noted above. 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. Unrestricted certificated salaries include a reduction of two certificated positions due to the closure of Short

Elementary School expected declines in enrollment. Classified step costs are expected to increase by 1.5% each year. Restricted certificated and classified expenditures are estimated to decrease for 2019-20 primarily due to program adjustments.

As a result, adjustments to benefits reflect the effects of salary changes noted above, program adjustments, and expected changes to employer pension costs as described above.

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 decrease for 2019-20 due to program adjustments noted above, and remain constant thereafter. Contributions to restricted programs are expected to increase for 2020-21 due to step and additional pension costs for restricted programs that receive support from the unrestricted general fund.

Estimated Subsequent Year Ending Fund Balances:

During 2020-21, the District estimates that the General Fund is projected to deficit spend by \$3.7 million resulting in an ending General Fund balance of approximately \$13.1 million.

During 2021-22, the District estimates that the General Fund is projected to deficit spend by \$3.5 million resulting in an ending General Fund balance of \$9.6 million.

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.