

**Santa Rosa City Schools**  
**2016-17 First Interim Report and Multiyear Fiscal Projection**  
**As of October 31, 2016**  
Presented December 14, 2016

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, as well as the financial condition of the Santa Rosa City Schools as of the first reporting period. In addition, the First Interim Report contains detailed budget, multi-year projections, and estimated cash flow reports.

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

The Governor released his revised 2016-17 budget proposal on May 13, 2016 (May Revision), which contained \$626 million of new revenues to K-12 above what was provided in the January proposed budget. \$338 million is in the form of one time funding, and \$288 million is provided on an ongoing basis. Although projected revenues declined overall in the latest budget projections for 2015-16, districts were insulated from the changes due to Proposition 98 minimum guarantee based on growth in per-capita personal income (i.e. Test 2 year). However, for 2016-17, the Proposition 98 guarantee will be based on the growth in per-capita General Fund revenues plus five percent (i.e. Test 3 year), which means that the associated funding will be sensitive to any changes in 2016-17 state revenue. On June 27, 2016, Governor Jerry Brown signed the State Budget. Further, the Governor did not line-item veto any spending items; thus demonstrating consistent priorities with the Legislature.

During the preparation of the enacted state budget, there were various components of the May Revision budget that were either changed, removed, or not included in the enacted budget. Since the districts' budgets are prepared based on the May Revision, the First Interim incorporates such changes. Illustrated below are the major differences between the Governor's proposed budget and the state's enacted budget:

LCFF Gap Funding and Cost-of-Living-Adjustment (COLA): Funding for the LCFF increased to \$2.94 billion rather than to \$2.98 billion as originally projected. Illustrated below is a comparison of the gap funding percentages, and COLA percentages between the proposed and enacted state budget:

Description	2015-16	2016-17	2017-18	2018-19
<b>LCFF Gap Funding % – Proposed</b>	52.20%	54.84%	73.96%	41.22%
<b>LCFF Gap Funding % – Enacted</b>	52.56%	54.18%	72.99%	40.36%
<b>Annual COLA – Proposed</b>	1.02%	0.00%	1.11%	2.42%
<b>Annual COLA – Enacted</b>	1.02%	0.00%	1.11%	2.42%

**K-12 Mandate Funding:** One-time mandate repayments changed from a total of \$1.4 billion to \$1.28 billion, which continues to be intended as a down payment on outstanding mandate debt, while providing Local Educational Authorities (i.e. school districts, county offices of education, and charter schools) with discretionary

resources to support essential investments in education. As a result of the enacted state budget, LEAs are expected to receive approximately \$214 per ADA instead of \$237 per ADA.

**College Readiness Block Grant:** The enacted state budget appropriates \$200 million in one-time Prop. 98 funds to support access and successful transition to higher education for high school students. Each local educational agencies' (LEA) funding will be based on the number of unduplicated high school (grades 9-12) students, but will receive a minimum of no less than \$75,000 provided the district has at least one unduplicated student.

Eligible activities include professional development, implementing partnerships with postsecondary institutions, and providing subsidies to cover AP exam fees and college prep coursework.

LEAs must develop a plan and discuss the plan at a public board meeting. The recipients must also report to the SPI by January 1, 2017 on how they will measure the impact of the funds received. These funds can be spent over the next three years.

#### **Routine Restricted Maintenance Account:**

Due to the passage of Proposition 51, any local educational agency that applies for state bond funds and receives a Proposition 51 apportionment by the State Allocation Board (SAB) would be subject to conditions set forth by the bond measure. The Proposition 51 ballot initiative contained language that the School Facility Program (SFP) is administered as it existed on January 1, 2015 which includes the provision of contributing the full three percent of general fund expenditures into the routine restricted maintenance account (RRMA). This requirement, however, does not apply to projects funded by Propositions 1A, 47, and 55 as those bond measures did not contain similar language. Therefore, districts would either be required to contribute the three percent if participating in Proposition 51 (timing of contribution yet to be determined), or continue to follow the guidance of AB 104 and gradually increase their contributions as follows:

- 2015-16 & 2016-17:
  - The minimum contribution shall be the lesser of 2014-15 contributions or three percent of total general fund expenditures
- 2017-18 to 2019-20:
  - The greater of the following:
    - the lesser of 2014-15 contributions or three percent of total general fund expenditures
    - or
    - two percent of the total general fund expenditures for that year
- 2020-21:
  - Three percent of general fund expenditures

#### **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:

- The Proposition 98 maintenance factor must be fully repaid
- Proposition 98 must be funded based on Test 1
- Proposition 98 provides sufficient funds to support enrollment growth and the statutory COLA
- A deposit must be made into the Proposition 98 reserve when capital gains revenues exceed 8% of General Fund revenues

Currently, the cap is not expected to be in effect for fiscal years 2016-17 and 2017-18.

Senate Bill (SB) 858 also requires that school districts, starting with the 2015-16 adopted budgets, must add new procedures to the public hearing. The new required procedure consists of providing the following disclosures at the public hearing for the 2015-16 budget adoption:

- The minimum reserve level required in each year
- The amount of assigned and unassigned ending fund balance that exceeds the minimum in each year
- Reasons for the reserve being greater than the minimum

On January 21, 2015, the Legislative Analyst's Office (LAO) released a report regarding Senate Bill 858, which illustrated the rationale behind school district reserve levels, the benefits of prudent reserves, and the risks of reduced reserves. The report details five main reasons that school districts maintain adequate reserves:

- Managing cash flow
- Mitigating volatility in funding or expenditures
- Saving for larger purchases
- Addressing unexpected costs
- Reducing costs of borrowing

Further, the LAO described specific risks to school districts that lower their reserves in accordance with the SB 858 cap, including:

- The cap would allow most districts to maintain only a few weeks of payroll
- Emergency facility repairs and other unexpected costs would place districts with low reserves in a precarious position
- Districts with reserves below the caps have been about twice as likely to be flagged for fiscal intervention
- Districts with lower reserves could have their credit ratings reduced, increasing the cost of borrowing money

The experience of the most recent recession has clearly demonstrated the minimum levels are insufficient to protect educational programs from severe disruption in an economic downturn. The typical 3% reserve minimum represents less than two weeks of payroll for many districts.

#### **2016-17 Santa Rosa City Schools Primary Budget Components**

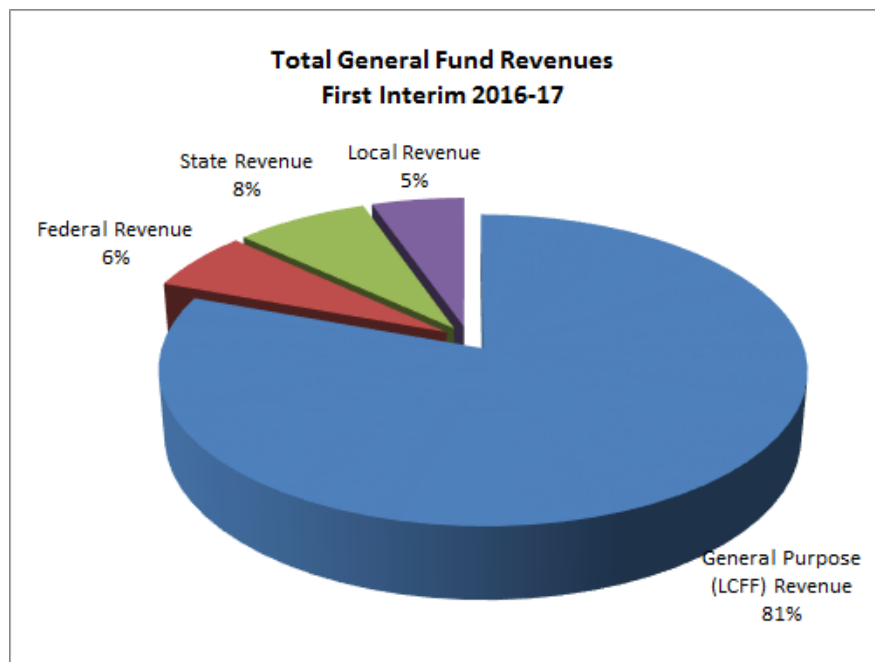
- ❖ Average Daily Attendance (ADA) is estimated at 3,990 for the ESD and 10,459 for the HSD for 2016-17. Due to declining enrollment, the district will be funded at the 2015-16 ADA of 14,577. (excludes COE ADA of 82.18)
- ❖ The District's estimated unduplicated pupil percentage for supplemental & concentration funding is estimated to be 76.35% for the ESD and 46.3% for the HSD. The percentage will be revised based on final data.
- ❖ Lottery revenue is estimated to be \$141 per ADA for unrestricted purposes and \$45 per ADA for restricted purposes.
- ❖ Mandated Cost Block Grant remains at \$28 for K-8, and \$56 for 9-12 ADA.
- ❖ One-Time Mandated Cost reimbursement is \$214 per 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	AMOUNT
General Purpose (LCFF) Revenue	\$136,059,977
Federal Revenue	\$10,590,795
State Revenue	\$13,102,488
Local Revenue	\$9,098,600
<b>TOTAL</b>	<b>\$168,851,860</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.

The creation of the EPA by 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 a State account called the Education Protection Account (EPA). The District will receive funds from the EPA based on its proportionate share of statewide general purpose funds. A corresponding reduction is made to its general purpose funds.

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 2016-17. 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, 2017</b>	
<b>Actual EPA Revenues:</b>	
Estimated EPA Funds	\$9,714,726
<b>Actual EPA Expenditures:</b>	
Certificated Instructional Salaries	\$9,714,726
<b>Total</b>	<b>\$9,714,726</b>

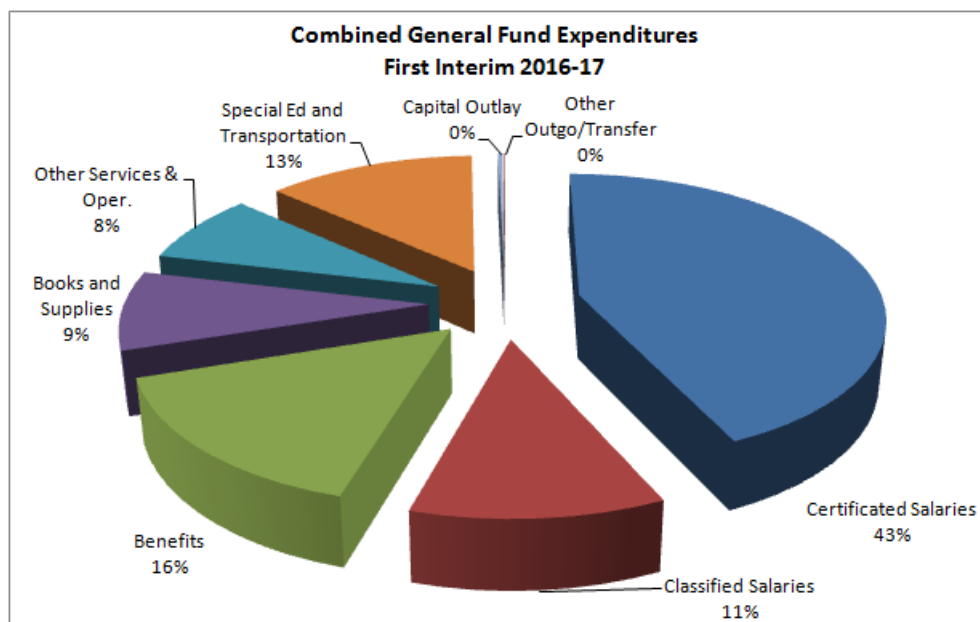
Subsequently, on November 8, 2016, the voters approved the California Children's Education and Health Care Protection Act (Proposition 55) that maintains increased personal income tax rates for taxpayers in high tax brackets through 2030. Proposition 55 did not extend the sales tax increase; therefore the temporary sales tax increase will expire at the end of calendar year 2016. Due to the improved state of the economy, the sales tax expiration is not expected to have an impact on the EPA revenues received by LEAs.

### **Operating Expenditure Components**

The General Fund is used for the majority of the functions within the District. As illustrated below, the largest part of expenditures are salaries and benefits that comprise of approximately 77% of the District's unrestricted budget, and approximately 70% of the total General Fund budget. If the costs coded within the Other Services and Operations category that relate to special education and transportation salaries paid to other agencies were tracked as personnel costs to the District, salaries and benefits would comprise approximately 82% of unrestricted and 83% of restricted expenditures.

DESCRIPTION	UNRESTRICTED	COMBINED
Certificated Salaries	63,254,265	\$78,147,865
Classified Salaries	15,253,097	\$20,385,511
Benefits	19,157,199	\$27,908,298
Books and Supplies	12,056,574	\$15,959,135
Other Services & Oper.	10,247,633	\$14,253,764
Special Ed and Transportation	6,482,000	\$23,482,000
Capital Outlay	85,520	\$531,748
Other Outgo/Transfer	173,970	\$173,970
Indirect Cost Reimbursement	0	(\$768,655)
<b>TOTAL</b>	<b>126,710,258</b>	<b>\$180,073,636</b>

Following is a graphical description of expenditures by percentage:



#### **Contributions to/from Restricted Programs**

The budget includes the following transfers of unrestricted resources to restricted programs to cover restricted program expenditures in excess of revenue:

Description	Amount
Special Ed IDEA	554,979
Special Ed	19,813,550
Special Ed Mental Health	2,152,064
Routine Maintenance	3,767,968
<b>Total Contributions</b>	<b>26,288,561</b>

### General Fund Summary

Even with the infusion of one-time discretionary funds of \$3,146,000, the District's 2016-17 General Fund projects a total operating deficit of \$10,723,000, resulting in an estimated ending fund balance of \$15,068,000. The components of the District's fund balance are as follows: revolving cash and inventory - \$126,412; assignments - \$1,925,140; restricted programs - \$1,313,262; economic uncertainty - \$5,387,300; and unassigned / unappropriated of \$5,727,486.

### Cash Flow

The District is anticipating having positive monthly cash balances during the 2016-17.

### Fund Summaries

As illustrated below, all Funds are anticipated to have a positive ending fund balance:

All Funds of the District				
Fund Number and Description		Fund Balance July 1, 2016	Current Year Activity	Fund Balance June 30, 2017
01	General Fund	\$25,790,371	(\$10,722,566)	\$15,067,805
09	Charter Schools	\$1,545,071	\$1,608,856	\$3,153,927
12	Child Development	\$527	\$395	\$922
13	Cafeteria	\$933,096	(\$916)	\$932,180
14	Deferred Maintenance Fund *	\$808,017	\$110,110	\$918,127
17	Special Reserve for Other Than Capital Outlay	\$387,034	\$73,200	\$460,234
21	Bond	\$10,509,190	(\$1,389,993)	\$9,119,197
22	Elementary Bond	\$106,203	\$765	\$106,968
25	Capital Facilities	\$3,356,094	\$381,614	\$3,737,708
35	County School Facilities	\$233,090	\$52,840	\$285,930
40	Special Reserve for Capital Outlay	\$2,879,149	(\$227,004)	\$2,652,145
67	Self-Insurance Dental	\$572,238	\$1,780	\$574,018
* District is assumed to continue funding Deferred Maintenance at the current level.				

### Multiyear Projection

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

Illustrated below are the latest factors released by the Department of Finance (DOF) for Districts to utilize (2015-16 is illustrated for comparison purposes):

Planning Factor	Fiscal Year			
	2015-16	2016-17	2017-18	2018-19
COLA (DOF)	1.02%	0.00%	1.11%	2.42%
LCFF Gap Funding Percentage (DOF)	52.56%	54.18%	72.99%	40.36%
STRS Employer Rates	10.73%	12.58%	14.43%	16.28%
PERS Employer Rates (PERS Board / Actuary)	11.847%	13.888%	15.50%	17.10%

<b>Lottery – unrestricted per ADA*</b>	\$144	\$144	\$144	\$144
<b>Lottery – Prop. 20 per ADA*</b>	\$45	\$45	\$45	\$51
<b>Mandated Cost per ADA / One Time Allocations (DOF)</b>	\$529	\$214	\$0	\$0
<b>Mandate Block Grant for Districts: K-8 per ADA</b>	\$28	\$28	\$28	\$28
<b>Mandate Block Grant for Districts: 9-12 per ADA</b>	\$56	\$56	\$56	\$56
<b>Mandate Block Grant for Charters: K-8 per ADA</b>	\$14	\$14	\$14	\$14
<b>Mandate Block Grant for Charters: 9-12 per ADA</b>	\$42	\$42	\$42	\$42
<b>Educator Effectiveness Funding</b>	\$1,466 per Cert. FTE	\$0	\$0	\$0
<b>Routine Restricted Maintenance Account</b> <i>* Percentage of total general fund expenditures</i>  <i>(Note: due to the passage of the facilities bond measure on the November 2016 ballot, the RRMA requirement may revert to 3% for applicable LEAs. Please refer to description noted above)</i>	Lesser of: 3%* or 2014-15 Amount	Lesser of: 3% or 2014-15 Amount	*Greater of: Lesser of 3% / 2014-15 Amount or 2%	At Least: 3%
<b>* Lottery funding will no longer include the 2007-08 ROP and Adult Education ADA in 2015-16 and beyond.</b>				

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

#### **Revenue Assumptions:**

The Department of Finance (DOF) released the following estimated COLA percentages. Illustrated below is a comparison of the estimated gap funding factors for DOF & School Services of California (SSC):

<b>Description</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>
<b>COLA (DOF &amp; SSC)</b>	1.02%	0.00%	1.11%	2.42%
<b>LCFF Gap Funding Percentage (DOF)</b>	52.56%	54.18%	72.99%	40.36%
<b>LCFF Gap Funding Percentage (SSC)</b>	52.56%	54.18%	19.30%	34.25%

The District anticipates enrollment to remain relatively flat through 2108-19. The District's Local Control Funding Formula (LCFF) is estimated to be adjusted per Department of Finance's recommendations and in accordance with enrollment projections.

State revenue is estimated to decrease for 2016-17 primarily due to removing one-time discretionary mandated cost revenue, and remain constant thereafter. Increase of contributions to restricted programs is primarily due to accounting for increased costs associated with salary step costs, and pension cost increases.



**Expenditure Assumptions:**

Salary changes from 2016-17 encompass step & column increases, as well as adding back one-time salary savings in current year due to late hiring into vacant positions.

Assembly Bill 1469 increased the contribution rates that employers, employees and the State pay to support the State Teachers Retirement System. As illustrated below, employer rates will continue to increase until 2020-21 and are expected to bring the retirement system to full funding in about 31 years.

<b>CalSTRS Rates per Education Code Sections 22901.7 and 22950.5</b>							
	<b>2014-15 Actual</b>	<b>2015-16 Actual</b>	<b>2016-17 Actual</b>	<b>2017-18 Approved</b>	<b>2018-19 Approved</b>	<b>2019-20 Approved</b>	<b>2020-21 Approved</b>
<b>Employer</b>	8.88%	10.73%	12.58%	14.43%	16.28%	18.13%	19.1%
<b>Member (2% at 60)</b>	8.15%	9.20%	10.25%	10.25%	10.25%	10.25%	10.25%
<b>Member (2% at 62)</b>	8.15%	8.56%	9.205%	9.205%	9.205%	9.205%	9.205%

Illustrated below are the actual CalPERS rates through 2016-17, and subsequent year projections:

<b>CalPERS Actual and Projected Rates</b>							
	<b>2014-15 Actual</b>	<b>2015-16 Actual</b>	<b>2016-17 Actual</b>	<b>2017-18 Proposed</b>	<b>2018-19 Projected</b>	<b>2019-20 Projected</b>	<b>2020-21 Projected</b>
<b>Employer</b>	11.771	11.847	13.888	15.50%	17.10%	18.60%	19.80%
<b>Member (Pre-PEPRA)</b>	7%	7%	7%	7%	7%	7%	7%
<b>Member (Post-PEPRA)</b>	6%	6%	6%	6%	6%	6%	6%

Therefore, adjustments to benefits reflect the effects of salary changes noted above, and expected increases to employer pension costs.

Textbooks are expected to decrease in 2017-18 and thereafter due to removing the one-time textbook adoption funds of \$7M planned in the current year. Decrease of transfers in relates to removing the transfer from charter schools of their prior years' reimbursement for indirect costs.

Based on assumptions as of 10/31/2016 discussed above, without immediate action to balance the budget, the District is projected to end 2018-19 with a negative fund balance. Staff has identified an amount of targeted budget reductions that must be specifically identified by January 31 in order for the District to have a balanced budget in the out years. A summary of the multi-year projection, without reductions, is shown below:

First Interim Multi-Year Projection (Total GF)			
Description	2016-17 Revised Budget	Projected 2017-18	Projected 2018-19
Total Revenues	168,851,860	168,886,860	170,913,860
Total Expenditures	180,073,636	176,605,353	181,688,600
Excess/(Deficiency)	(11,221,776)	(7,718,493)	(10,774,740)
Other Sources/Uses	499,210	(233,790)	(233,790)
<b>Net Increase/(Decrease)</b>	<b>(10,722,566)</b>	<b>(7,952,283)</b>	<b>(11,008,530)</b>
Add: Beginning Fund Balance	25,790,371	15,067,805	7,115,522
<b>Ending Fund Balance</b>	<b>15,067,805</b>	<b>7,115,522</b>	<b>(3,893,008)</b>

A table that reflects the magnitude of the reductions to be identified, \$4M in 2017-18 and another \$2.5M in 2018-19, and the resulting multi-year financial position is shown in the next table:

First Interim Multi-Year Projection (Total GF)			
Description	2016-17 Revised Budget	Projected 2017-18	Projected 2018-19
Total Revenues	168,851,860	168,886,860	170,913,860
Total Expenditures	180,073,636	176,605,353	181,688,600
Excess/(Deficiency)	(11,221,776)	(7,718,493)	(10,774,740)
Other Sources/Uses	499,210	(233,790)	(233,790)
<b>Net Increase/(Decrease)</b>	<b>(10,722,566)</b>	<b>(7,952,283)</b>	<b>(11,008,530)</b>
<b>Cuts To Be Identified by 2nd Interim</b>	<b>0</b>	<b>4,000,000</b>	<b>6,500,000</b>
Add: Beginning Fund Balance	25,790,371	15,067,805	11,115,522
<b>Ending Fund Balance</b>	<b>15,067,805</b>	<b>11,115,522</b>	<b>6,606,992</b>

#### ***Estimated Ending Fund Balances:***

During 2017-18, after \$4M of on-going budget reductions, the District estimates that the General Fund is projected to deficit spend by \$3.9M, resulting in an ending General Fund balance of approximately \$11.1M. After reservations, assignments, and restrictions, the 2017-18 unassigned / unappropriated fund balance is estimated to be approximately \$4.4M.

During 2018-19, after an additional \$2.5M of on-going budget reductions, the District estimates that the General Fund is projected to deficit spend by \$4.5M, resulting in an ending General Fund balance of approximately \$6.6M. After reservations, assignments, and restrictions, the 2018-19 unassigned / unappropriated fund balance is estimated to exceed the 3% minimum reserve by \$1.2M.

#### ***Conclusion:***

Due to significant current year and subsequent year projected deficit spending, the first interim budget and multi-year projections indicate that the District may not be able to meet its financial obligations for the current or subsequent two years. Therefore, the First Interim report is certified as Qualified. Administration is confident that the District will be able to make the necessary reductions in order to maintain a minimum economic uncertainty reserve of three percent, and have the necessary cash in order to ensure that the District remains fiscally solvent.

**SANTA ROSA CITY SCHOOLS**  
**First Interim 10/31/2016**  
**General Fund**

Description	General Fund		
	Unrestricted	Restricted	Total
<b>REVENUES</b>			
General Purpose (LCFF) Revenues:			
State Aid & EPA	57,794,982	3,699,603	61,494,585
Property Taxes & Misc. Local	74,565,392	-	74,565,392
Total General Purpose	132,360,374	3,699,603	136,059,977
Federal Revenues	125,000	10,465,795	10,590,795
Other State Revenues	5,905,333	7,197,155	13,102,488
Other Local Revenues	3,317,631	5,780,969	9,098,600
<b>TOTAL - REVENUES</b>	<b>141,708,338</b>	<b>27,143,522</b>	<b>168,851,860</b>
<b>EXPENDITURES</b>			
Certificated Salaries	63,254,265	14,893,600	78,147,865
Classified Salaries	15,253,097	5,132,414	20,385,511
Employee Benefits (All)	19,157,199	8,751,099	27,908,298
Books & Supplies	12,056,574	3,902,561	15,959,135
Other Operating Expenses (Services)	16,729,633	21,006,131	37,735,764
Capital Outlay	85,520	446,228	531,748
Other Outgo	173,970	-	173,970
Direct Support/Indirect Costs	(1,188,180)	419,525	(768,655)
<b>TOTAL - EXPENDITURES</b>	<b>125,522,078</b>	<b>54,551,558</b>	<b>180,073,636</b>
<b>EXCESS (DEFICIENCY)</b>	<b>16,186,260</b>	<b>(27,408,036)</b>	<b>(11,221,776)</b>
<b>OTHER SOURCES/USES</b>			
Transfers In		-	-
Transfers (Out)	-	-	-
Net Other Sources (Uses)	638,000	(138,790)	499,210
Contributions (to Restricted Programs)	(26,288,561)	26,288,561	-
<b>TOTAL - OTHER SOURCES/USES</b>	<b>(25,650,561)</b>	<b>26,149,771</b>	<b>499,210</b>
<b>FUND BALANCE INCREASE (DECREASE)</b>	<b>(9,464,301)</b>	<b>(1,258,265)</b>	<b>(10,722,566)</b>
<b>FUND BALANCE</b>			
Beginning Fund Balance	23,218,844	2,571,527	25,790,371
Ending Balance, June 30	13,754,543	1,313,262	15,067,805

First Interim Budget and MYP  
With Needed Budget Reductions

		First Interim 2016-17				Projection 2017-18				Projection 2018-19		
		Unrestricted	Restricted	Combined		Unrestricted	Restricted	Combined		Unrestricted	Restricted	Combined
<b>Revenue</b>												
General Purpose		132,360,374	3,699,603	136,059,977	1	135,541,374	3,699,603	139,240,977	1	137,568,374	3,699,603	141,267,977
Federal Revenue		125,000	10,465,795	10,590,795		125,000	10,465,795	10,590,795		125,000	10,465,795	10,590,795
State Revenue		5,905,333	7,197,155	13,102,488	2	2,759,333	7,197,155	9,956,488	2	2,759,333	7,197,155	9,956,488
Local Revenue		3,317,631	5,780,969	9,098,600	3	3,317,631	5,780,969	9,098,600	3	3,317,631	5,780,969	9,098,600
<b>Total Revenue</b>		<b>141,708,338</b>	<b>27,143,522</b>	<b>168,851,860</b>		<b>141,743,338</b>	<b>27,143,522</b>	<b>168,886,860</b>		<b>143,770,338</b>	<b>27,143,522</b>	<b>170,913,860</b>
<b>Expenditures</b>												
Certificated Salaries	9	63,254,265	14,893,600	78,147,865	4	64,576,165	15,094,700	79,670,865	4	65,447,965	15,295,800	80,743,765
Classified Salaries	9	15,253,097	5,132,414	20,385,511	4	16,268,997	5,230,914	21,499,911	4	16,581,397	5,329,414	21,910,811
Benefits	9	19,157,199	8,751,099	27,908,298	4,5	21,583,899	9,088,715	30,672,614	4,5	23,272,899	9,512,432	32,785,331
Books and Supplies	6	12,056,574	3,902,561	15,959,135	6	4,581,574	3,902,561	8,484,135		4,581,574	3,902,561	8,484,135
Other Services & Oper. Expenses		16,729,633	21,006,131	37,735,764		15,279,633	21,061,128	36,340,761		15,279,633	22,547,858	37,827,491
Capital Outlay		85,520	446,228	531,748		85,520	446,228	531,748		85,520	446,228	531,748
Other Outgo 7xxx		173,970	0	173,970		173,970	0	173,970		173,970	0	173,970
Transfer of Indirect 73xx		(1,188,180)	419,525	(768,655)		(1,188,180)	419,529	(768,651)		(1,188,180)	419,529	(768,651)
On-going Budget Cuts 2017-18			0	0		(4,000,000)		(4,000,000)	11	(4,000,000)		(4,000,000)
On-going Budget Cuts 2018-19			0	0		0	0	0	11	(2,500,000)		(2,500,000)
<b>Total Expenditures with Cuts</b>		<b>125,522,078</b>	<b>54,551,558</b>	<b>180,073,636</b>		<b>117,361,578</b>	<b>55,243,775</b>	<b>172,605,353</b>		<b>117,734,778</b>	<b>57,453,822</b>	<b>175,188,600</b>
Deficit/Surplus		16,186,260	(27,408,036)	(11,221,776)		24,381,760	(28,100,253)	(3,718,493)		26,035,560	(30,310,300)	(4,274,740)
Other Sources/(uses)		0	0	0		0	0	0		0	0	0
Transfers in/(out)		638,000	(138,790)	499,210		(95,000)	(138,790)	(233,790)		(95,000)	(138,790)	(233,790)
Contributions to Restricted		(26,288,561)	26,288,561	0	7	(28,325,777)	28,325,777	0	7	(29,049,094)	29,049,094	0
<b>Net increase (decrease) in Fund Balance</b>		<b>(9,464,301)</b>	<b>(1,258,265)</b>	<b>(10,722,566)</b>		<b>(4,039,017)</b>	<b>86,734</b>	<b>(3,952,283)</b>		<b>(3,108,534)</b>	<b>(1,399,996)</b>	<b>(4,508,530)</b>
Beginning Balance		23,218,844	2,571,527	25,790,371		13,754,543	1,313,262	15,067,805		9,715,526	1,399,996	11,115,522
<b>Ending Balance</b>		<b>13,754,543</b>	<b>1,313,262</b>	<b>15,067,805</b>		<b>9,715,526</b>	<b>1,399,996</b>	<b>11,115,522</b>		<b>6,606,992</b>	<b>(0)</b>	<b>6,606,992</b>
Revolving/Stores/Prepays		126,412		126,412		126,412		126,412		126,412		126,412
Reserve for Econ Uncertainty (3%)		5,387,300		5,387,300		5,185,200		5,185,200		5,262,700		5,262,700
Assigned for Supp/Conc		1,925,140		1,925,140		0		0		0		0
Assigned for Other Programs/Cover Deficit		588,205		588,205		0		0		0		0
Restricted Programs		0	1,313,262	1,313,262		0	1,399,996	1,399,996		0	(0)	(0)
<b>Unappropriated Fund Balance</b>		<b>5,727,486</b>	<b>0</b>	<b>5,727,486</b>	8	<b>4,403,914</b>	<b>0</b>	<b>4,403,914</b>	8	<b>1,217,880</b>	<b>0</b>	<b>1,217,880</b>
<i>Unappropriated Percent</i>				<b>3.2%</b>				<b>2.6%</b>				<b>0.7%</b>

Notes:

First Interim Budget and MYP  
With Needed Budget Reductions

<sup>1</sup> LCFF funding continues to increase, but at a slower pace as district approaches Target funding level. Enrollment projected to remain relatively flat.

<sup>2</sup> Reduced One-Time Mandated revenues from \$528/ADA in 2015-16 to \$215/ADA in 2016-17 Budget. Eliminated One-Time Mandated revenues of \$215/ADA in 2017-18.

<sup>3</sup> Decrease of other local revenue due to not budgeting local grants and donations until received.

<sup>4</sup> Projections include step and column movement of 1.35% certificated and 1.92% classified, increased budgets for currently vacant positions. One-time audit adjustment of \$880,000 of classified salaries in 2015-16 artificially lowers 2015-16 total salaries.

<sup>5</sup> Projection includes estimated increases in state pension percentages for both STRS & PERS, as well as increased statutory benefits for increased salary costs.

<sup>6</sup> Textbook budget increased by \$7M for 2016-17 only; funds were set aside out of fund balance as of June 30, 2016. Budget reduced in 2017-18 going forward.

<sup>7</sup> Additional contributions primarily relate to the increase of the following: step & column costs, and pension (STRS & PERS) In 2017-18, increased contribution to Routine Maintenance by \$1.4M to get to state mandated 3% contribution level, offset by a reduction of transportation costs of \$500K.

<sup>8</sup> This amount represents level of fund balance above or (below) the required level. The Budget will need to be balanced so that this amount is a positive number.

<sup>9</sup> Salaries and Benefits increased by \$3M to cover unbudgeted subs, overtime and extra duty costs. Also, vacancies for late hires and eliminated positions removed from budget

<sup>11</sup> Budget adjustments needed to meet minimum reserve levels.

Unrestricted Changes Since Adopted Budget			Impact on Fund Balance 2016-17
<b>Excess of Expenditures over Revenues at Adopted Budget</b>			<b>(9,963,048)</b>
<b>Revenue Changes</b>			
LCFF Funding - ADA and gap funding changes <sup>1</sup>	(508,913)		
Other Local Revenue	(2,396)		
Transfers In/(Out) <sup>4</sup>	733,000		
Contributions to Restricted Programs <sup>5</sup>	(335,023)		
<b>Total Revenue Changes</b>	<b>(113,332)</b>		<b>(113,332)</b>
<b>Expenditure Changes</b>			
Certificated Salaries - vacancies, subs, extra duty <sup>2</sup>	1,046,305		
Classified Salaries - vacancies, subs, OT <sup>2</sup>	(832,045)		
Benefits - to reflect above salary changes <sup>2</sup>	(809,063)		
Books and Supplies	(288,818)		
Professional Services, Operations <sup>3</sup>	684,380		
Indirect Costs Charged to Charters <sup>6</sup>	(426,185)		
<b>Total Expenditure Changes</b>	<b>(625,426)</b>		<b>625,426</b>
<b>Revised Excess of Expenditures over Revenues First Interim</b>			<b>(9,450,954)</b>

<sup>1</sup> LCFF funding decreased due to lower ADA than anticipated and slight change in gap funding.

<sup>4</sup> Net change due to removing vacancies and budgeting for subs, OT and extra assignment.

<sup>3</sup> Addition of LCAP goals E105, E115 and H113, H202 not included in Adopted Budget - relating to data system for MTSS, Best Plus, Restorative Practices, PBIS, CA Standards and Next Gen Science. Removed \$600K of NPA/S anticipated budget savings.

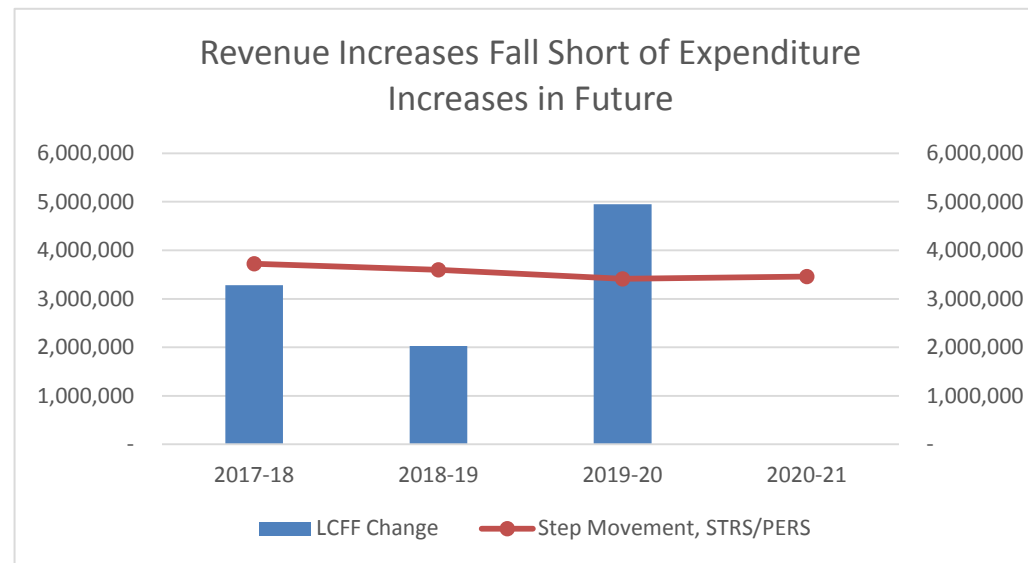
<sup>4</sup> Transfer a portion of charter funds to General Fund to repay for indirect costs not charged in the past.

<sup>5</sup> Added sub and OT costs, reduced salaries for vacancies, reduced NPS budgets for anticipated budget savings.

<sup>6</sup> Indirect costs assessed to charter schools, consistent with prior year

### Multi-Year Projection (MYP) Adjustments

	2017-18	2018-19	2019-20	2020-21
LCFF Change	3,281,000	2,027,000	4,951,000	0
Step Movement (1.35%, 1.92%)	(1,733,000)	(1,779,000)	(1,511,000)	(1,532,000)
STRS/PERS Increase	(1,989,000)	(1,818,000)	(1,899,000)	(1,926,000)
<b>Annual Change in Rev/Salaries/Benefits</b>	<b>(441,000)</b>	<b>(1,570,000)</b>	<b>1,541,000</b>	<b>(3,458,000)</b>
Remove One-Time Revenue in 2016-17	(3,879,000)			
Remove One-Time Expenditures in 2016-17	5,795,000			
On-going Other Adj (RRM, Def Maint)	(50,000)			
<b>Net Change to FB in MYP</b>	<b>1,425,000</b>	<b>(1,570,000)</b>	<b>1,541,000</b>	<b>(3,458,000)</b>



LCFF Calculator Universal Assumptions							
Santa Rosa City Schools Combined - First Interim							
Summary of Funding							
	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Target	\$ 138,191,560	\$ 138,867,330	\$ 137,303,208	\$ 137,237,993	\$ 140,668,936	\$ 144,365,529	\$ 144,365,529
Floor	\$ 104,504,925	\$ 114,628,758	\$ 126,523,959	\$ 131,343,107	\$ 135,645,761	\$ 137,673,129	\$ 142,624,206
Applied Formula: Target or Floor	FLOOR	FLOOR	FLOOR	FLOOR	FLOOR	FLOOR	FLOOR
Remaining Need after Gap <i>(informational only)</i>	33,686,635	24,238,572	10,779,249	5,894,886	5,023,175	6,692,400	1,741,323
Current Year Gap Funding	10,159,944	12,739,216	5,931,197	4,302,677	2,027,353	4,951,038	-
Economic Recovery Target	-	-	-	-	-	-	-
Additional State Aid	-	-	-	-	-	-	-
<b>Total Phase-In Entitlement First Interim</b>	<b>\$ 114,664,869</b>	<b>\$ 127,367,974</b>	<b>\$ 132,455,156</b>	<b>\$ 135,645,784</b>	<b>\$ 137,673,114</b>	<b>\$ 142,624,167</b>	<b>\$ 142,624,206</b>
<b>Total Phase-In Entitlement - Adopted Budg</b>	<b>\$ 114,674,647</b>	<b>\$ 127,357,001</b>	<b>\$ 132,963,710</b>	<b>\$ 136,372,615</b>	<b>\$ 139,082,523</b>	<b>\$ 144,216,127</b>	<b>\$ 144,397,324</b>
diff	(9,778)	10,972	(508,554)	(726,830)	(1,409,408)	(1,591,961)	(1,773,118)
Components of LCFF By Object Code							
	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
8011 - State Aid	\$ 29,203,934	\$ 41,737,191	\$ 47,523,234	\$ 51,528,857	\$ 54,225,650	\$ 67,559,655	\$ 67,559,695
8011 - Fair Share	-	-	-	-	-	-	-
8311 & 8590 - Categoricals	-	-	-	-	-	-	-
EPA (for LCFF Calculation purposes)	16,606,216	5,303,765	9,714,726	9,052,416	8,382,953	-	-
Local Revenue Sources:	-	-	-	-	-	-	-
8021 to 8089 - Property Taxes	73,859,709	86,297,825	81,437,063	81,437,063	81,437,063	81,437,063	81,437,063
8096 - In-Lieu of Property Taxes	(5,004,990)	(5,970,807)	(6,310,867)	(6,372,552)	(6,372,552)	(6,372,552)	(6,372,552)
Property Taxes net of in-lieu	68,854,719	80,327,018	75,126,196	75,064,511	75,064,511	75,064,511	75,064,511
<b>TOTAL FUNDING</b>	<b>\$ 114,664,869</b>	<b>\$ 127,367,974</b>	<b>\$ 132,364,156</b>	<b>\$ 135,645,784</b>	<b>\$ 137,673,114</b>	<b>\$ 142,624,167</b>	<b>\$ 142,624,206</b>
Less: Excess Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Less: EPA in Excess to LCFF Funding	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Phase-In Entitlement</b>	<b>\$ 114,664,869</b>	<b>\$ 127,367,974</b>	<b>\$ 132,455,156</b>	<b>\$ 135,645,784</b>	<b>\$ 137,673,114</b>	<b>\$ 142,624,167</b>	<b>\$ 142,624,206</b>
8012 - EPA Receipts <i>(for budget &amp; cashflow)</i>	\$ 16,606,216	\$ 5,303,765	\$ 9,714,726	\$ 9,052,416	\$ 8,382,953	\$ -	\$ -
Summary of Student Population							
	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
<b>Unduplicated Pupil Population</b>							
Agency Unduplicated Pupil Count	8,917.00	8,054.00	8,049.00	8,049.00	8,049.00	8,049.00	8,049.00
COE Unduplicated Pupil Count	117.00	76.00	76.00	76.00	76.00	76.00	76.00
Total Unduplicated pupil Count	9,034.00	8,130.00	8,125.00	8,125.00	8,125.00	8,125.00	8,125.00
<b>FUNDED ADA</b>							
<b>Adjusted Base Grant ADA</b>	<i>Current Year</i>	<i>Current Year</i>	<i>Prior Year</i>	<i>Current Year</i>	<i>Current Year</i>	<i>Prior Year</i>	<i>Prior Year</i>
Grades TK-3	2,477.96	2,443.70	2,331.45	2,436.16	2,436.16	2,436.16	2,436.16
Grades 4-6	1,696.95	1,715.37	1,711.93	1,553.45	1,553.45	1,553.45	1,553.45
Grades 7-8	2,980.40	3,010.87	3,010.71	3,010.87	3,014.76	3,014.75	3,013.26
Grades 9-12	7,537.08	7,522.32	7,521.85	7,522.32	7,531.97	7,531.93	7,528.24
<b>Total Adjusted Base Grant ADA</b>	<b>14,692.39</b>	<b>14,692.26</b>	<b>14,575.94</b>	<b>14,522.80</b>	<b>14,536.34</b>	<b>14,536.29</b>	<b>14,531.11</b>



### All Funds of the District

Fund Number and Description		Fund Balance July 1, 2016	Current Year Activity	Fund Balance June 30, 2017
01	General Fund	\$25,790,371	(\$10,722,566)	\$15,067,805
09	Charter Schools	\$1,545,071	\$1,608,856	\$3,153,927
12	Child Development	\$527	\$395	\$922
13	Cafeteria	\$933,096	(\$916)	\$932,180
14	Deferred Maintenance Fund *	\$808,017	\$110,110	\$918,127
17	Special Reserve for Other Than Capital Outlay	\$387,034	\$73,200	\$460,234
21	Bond	\$10,509,190	(\$1,389,993)	\$9,119,197
22	Elementary Bond	\$106,203	\$765	\$106,968
25	Capital Facilities	\$3,356,094	\$381,614	\$3,737,708
35	County School Facilities	\$233,090	\$52,840	\$285,930
40	Special Reserve for Capital Outlay	\$2,879,149	(\$227,004)	\$2,652,145
67	Self-Insurance Dental	\$572,238	\$1,780	\$574,018

\* District is assumed to continue funding Deferred Maintenance at the current level.