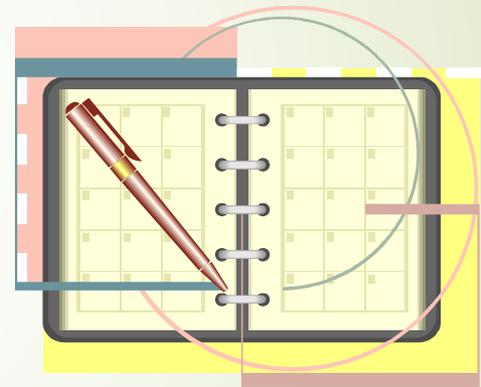




First Interim Report  
December 18, 2017

# Agenda

- State Budget Process
- Key Assumptions
- Enrollment and Attendance
- LCFF, Budget and MYP
- Prudence and Next Steps



# State Budget Process

3

January

- ▶ Governor's proposed budget for budget year

▶ February

- ▶ Legislative Analyst review with comments

▶ April

- ▶ Statutory COLA recalculated

▶ May

- ▶ "May Revise" reflects tax adjustments

▶ June 15 (or later)

- ▶ Final adopted State budget
  - ▶ COLAs, "gap" funding
  - ▶ Potential additional programs, or funding changes

▶ November

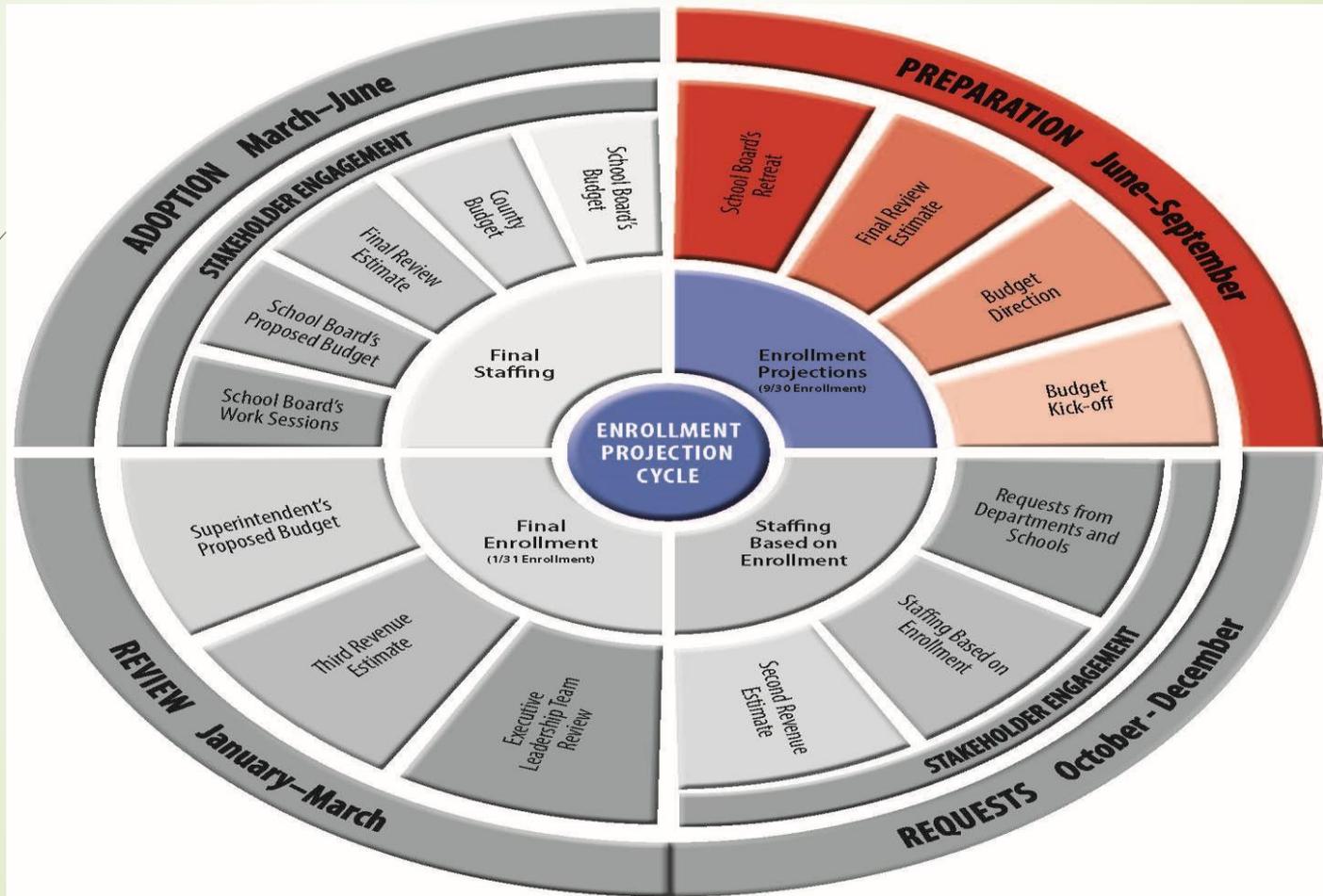
- ▶ Legislative Analyst Report (LAO Report)
  - ▶ Projections for next year based on tax collections and economic predictors

▶ January

- ▶ Governor's proposed budget for next budget year...



# Budget Development - Cycle - Preparation



# Basic Aid (HSD) vs

# State Funded (ESD)

5

- District is entitled to a calculated Entitlement
- Comprised of property taxes and State Aid
- If Property taxes fill the bucket and overflow, the district keeps the overflow \$\$ and only receives a minimum amount of State Aid



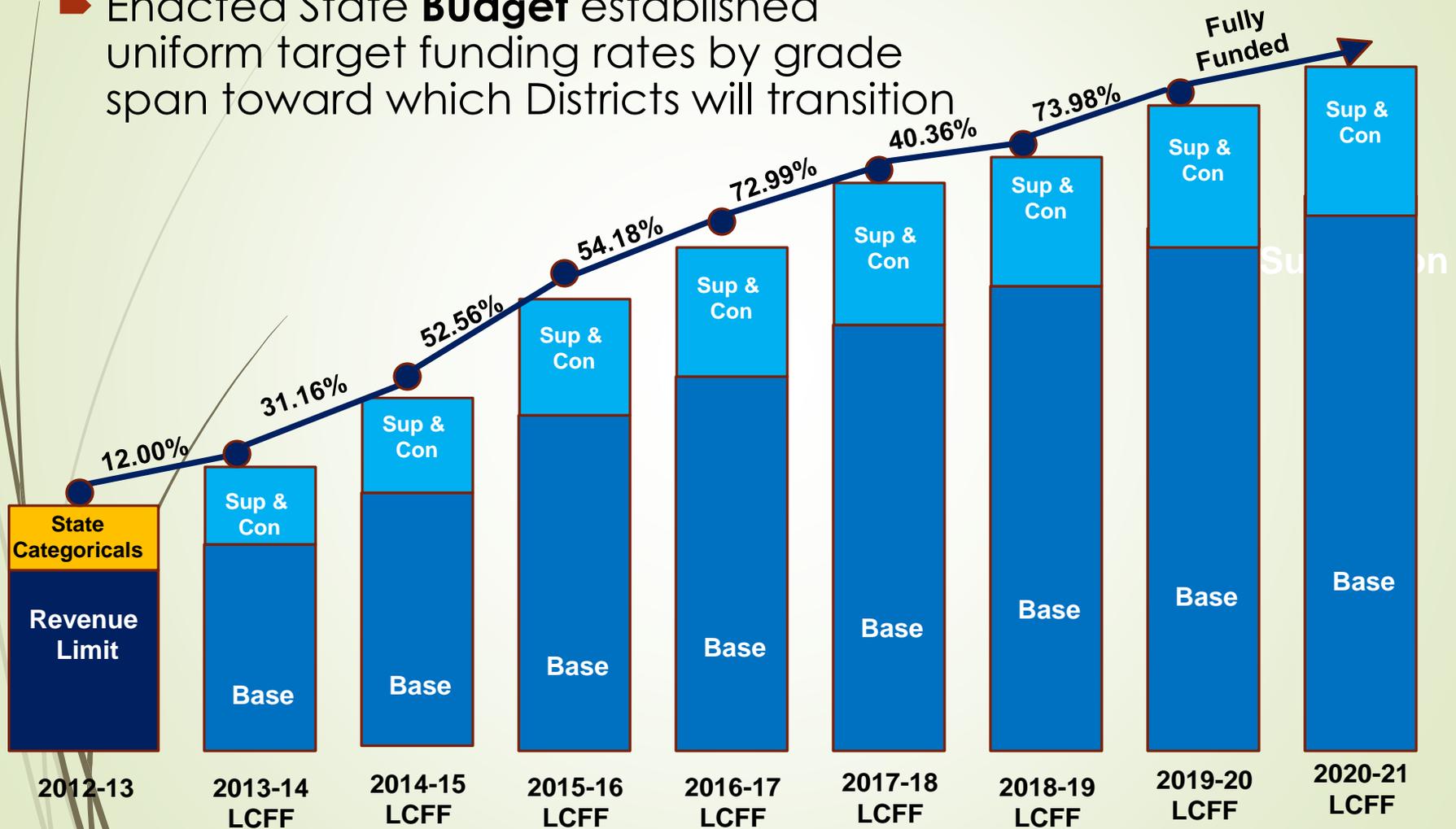
- District is entitled to a calculated Entitlement
- Comprised of property taxes and State Aid
- When property taxes don't fill the bucket, the State makes up the shortfall with State Aid



# Local Control Funding Formula Transition Percentage

6

- Enacted State **Budget** established uniform target funding rates by grade span toward which Districts will transition



# Components: Funding Factors

7

- ▶ Average Daily Attendance (ADA)
  - ▶ ESD - Actual ADA for 2017-18 is projected to be 4619, which is a slight decrease of 17 ADA from 2016-17.
  - ▶ HSD - Actual ADA for 2017-18 is projected to be 2472, which is an increase of 68 ADA from 2016-17 and 25 greater than budget.
- ▶ Due to the fact that the HSD is community funded, the increase in ADA over the last few years does not significantly impact operating revenues, but does increase operating expenditures.



# Property Taxes > LCFF Transition = Basic Aid Status for HSD

8

17-18 Property Tax Revenue	\$ 25,736,935
Less: LCFF Transition Revenue	<u>\$ 23,834,832</u>
Excess Property Taxes	\$ 1,902,103

- SRHSD would be entitled to \$24.8 million **if** LCFF were fully funded in 2017-18
- Based on current assumptions and 5.0% annual property tax growth, SRHSD would be entitled to approximately \$26.7 million by 2020-21 under the LCFF
  - Amount is \$4.4 million less than projected property taxes that year; thus, more than likely SRHSD will remain designated as a “Basic Aid” District in the foreseeable future

# Key Budget Assumptions

- ▶ All step and column adjustments, vacancies and late hires reflected in budget
- ▶ Using Local Control Funding Formula (LCFF), including 1.56% COLA in 2017-18 and 43.19% “gap” funding toward target for current year – Gap Increase: ESD +\$1.2 M, HSD +\$712 K
- ▶ Using P-1 Average Daily Attendance (ADA);
  - ▶ Decrease of \$223K in LCFF funding in ESD due to projected ADA less than budgeted and slight change in gap funding
- ▶ Increased STRS and PERS rates reflected
- ▶ Restricted Local Revenue includes Parcel Tax for each district

# Combined General Fund Revenue

## ► Elementary SD:

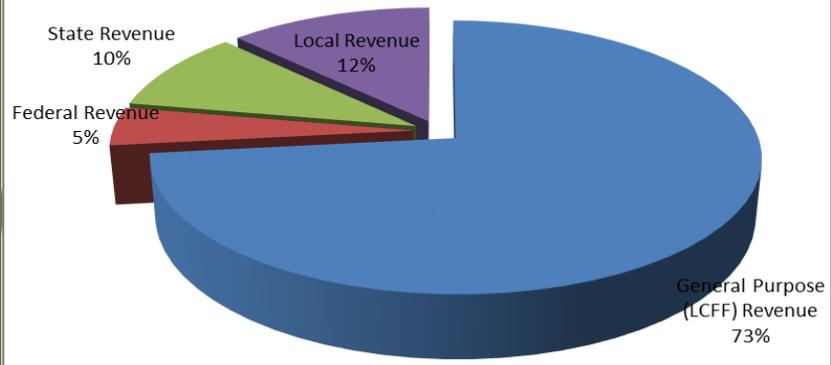
DESCRIPTION	AMOUNT
General Purpose (LCFF) Revenue	\$41,590,067
Federal Revenue	\$2,614,673
State Revenue	\$5,478,054
Local Revenue	\$7,099,585
<b>TOTAL</b>	<b>\$56,782,379</b>

## ► High School District:

DESCRIPTION	AMOUNT
General Purpose (LCFF) Revenue	\$26,304,280
Federal Revenue	\$1,112,123
State Revenue	\$2,460,586
Local Revenue	\$5,055,141
<b>TOTAL</b>	<b>\$34,932,130</b>

# General Fund Revenue Budget

**Total ESD General Fund Revenues  
1st Interim 2017-18**



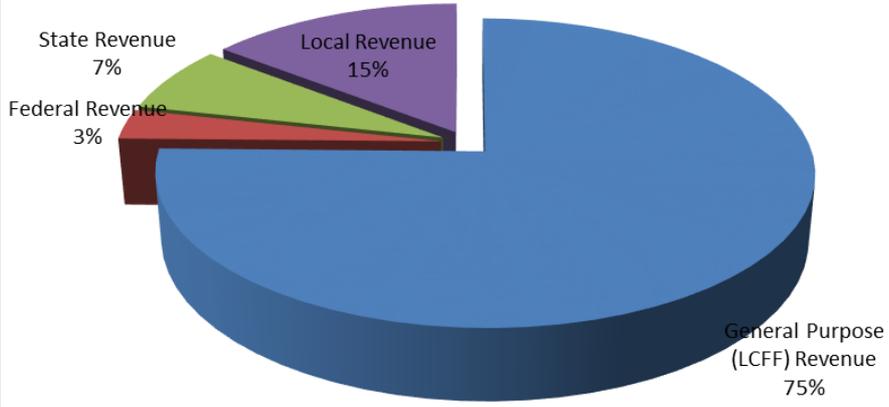
*General Purpose – Property taxes, basic state aide, and education protection account funds*

*Federal – District must follow specific grant guidelines (Title I, Title II, etc.)*

*Other State – State funds not part of State Aid (Lottery, Special Education, Mandate etc.)*

*Local – Funds received from local sources (Parcel Tax, Foundation support, PTSA support, Interest, etc.)*

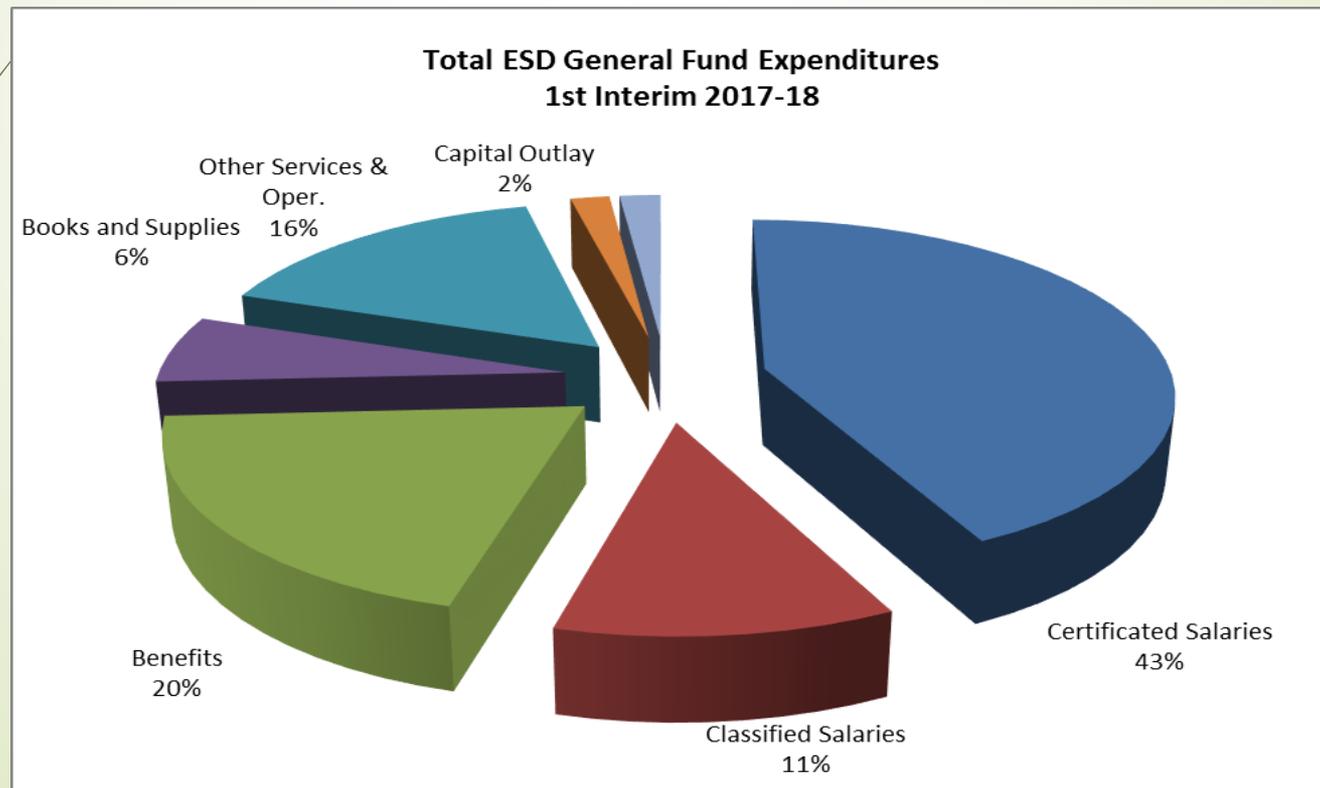
**Total HSD General Fund Revenues  
1st Interim 2017-18**



# General Fund Expenditures (ESD)

12

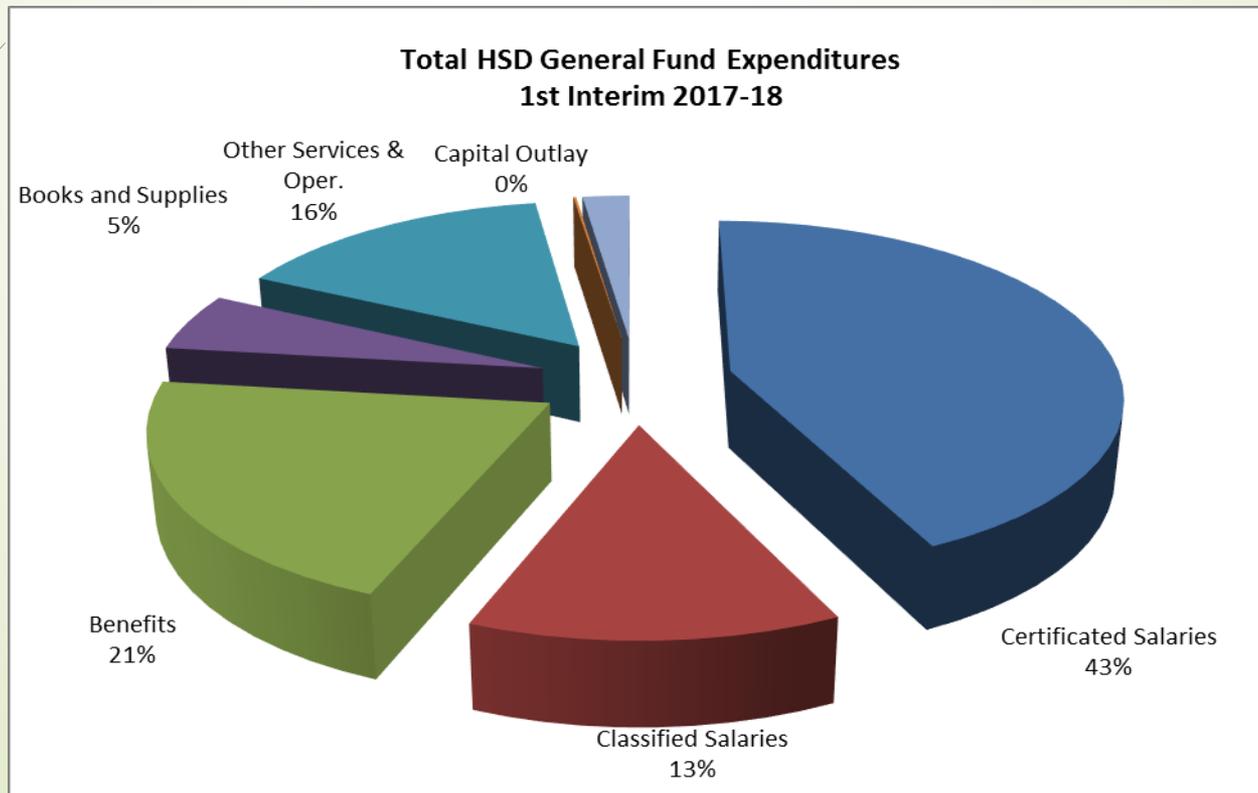
- Reflects General Fund only (no Cafeteria, Bonds, Child Development)
- While employee costs are approximately 74%, remember that approx half of the 5000's (Other Services) reflect other agency's employee costs (SELPA, NPS/NPA, Trans.)



# General Fund Expenditures (HSD)

13

- Reflects General Fund only (no Cafeteria, Bonds, Adult Ed)
- While employee costs are 77%, remember that approx half of the 5000's (Other Services) reflect other agency's employee costs (SELPA, NPS/NPA, transportation)



# First Interim Budget Summary - ESD

- ▶ The General Fund is comprised of Unrestricted and Restricted dollars
  - ▶ Unrestricted is LCFF, most of Lottery, one-time dollars
  - ▶ Restricted is Title I, Special Ed, Prop 20 Lottery among others

<b>1st Interim General Fund Budget 2017-18</b>			
<b>Description</b>	<b>Unrestricted</b>	<b>Restricted</b>	<b>Total</b>
Total Revenues	43,649,074	13,133,305	56,782,379
Total Expenditures	36,444,191	20,505,911	56,950,102
Excess/(Deficiency)	7,204,883	(7,372,606)	(167,723)
Other Sources/Uses	(7,391,258)	6,369,073	(1,022,185)
<b>Net Increase/(Decrease)</b>	<b>(186,375)</b>	<b>(1,003,533)</b>	<b>(1,189,908)</b>
Add: Beginning Fund Balance	13,596,391	2,402,003	15,998,393
<b>Ending Fund Balance</b>	<b>13,410,016</b>	<b>1,398,470</b>	<b>14,808,485</b>

# First Interim Budget Summary - HSD

15

- ▶ The General Fund is comprised of Unrestricted and Restricted dollars
  - ▶ Unrestricted is LCFF, most of Lottery, one-time dollars
  - ▶ Restricted is Title I, Special Ed, Prop 20 Lottery among others

<b>1st Interim General Fund Budget 2017-18</b>			
<b>Description</b>	<b>Unrestricted</b>	<b>Restricted</b>	<b>Total</b>
Total Revenues	27,712,724	7,219,406	34,932,130
Total Expenditures	23,340,095	13,948,776	37,288,871
Excess/(Deficiency)	4,372,629	(6,729,370)	(2,356,741)
Other Sources/Uses	(6,137,938)	6,207,938	70,000
<b>Net Increase/(Decrease)</b>	<b>(1,765,309)</b>	<b>(521,432)</b>	<b>(2,286,741)</b>
Add: Beginning Fund Balance	6,853,228	1,197,173	8,050,401
<b>Ending Fund Balance</b>	<b>5,087,919</b>	<b>675,741</b>	<b>5,763,660</b>

# Changes Since Adopted Budget - ESD

Unrestricted Changes Since Adopted Budget		
		Change in Fund Balance 2017-18
<b>Excess of Expenditures over Revenues at Adopted Budget</b>		<b>\$ 110,038</b>
<b>Revenue Changes</b>		
LCFF Funding - ADA and gap funding changes	(222,764)	
Other State Revenue	683,227	
Other Local Revenue	71,861	
	532,324	<b>\$ 532,324</b>
<b>Expenditure Changes</b>		
Certificated Salaries	(231,239)	
Classified Salaries	180,499	
Benefits	(393,993)	
Books and Supplies	576,382	
Other Services, Operations	188,598	
Other Changes	(6,751)	
Contribution to Restricted Budget	515,241	
<b>Total Expenditure Change</b>	<b>828,737</b>	<b>\$ (828,737)</b>
<b>Revised Excess of Expenditures over Revenues at Adopted Budget</b>		<b>\$ (296,413)</b>

# What Were the Changes to the ESD Budget?

17

- ▶ LCFF funding decreased due to lower ADA than anticipated and slight change in gap funding
- ▶ One-time mandated cost funding budgeted \$680,039
- ▶ Adjusted salaries and benefits to reflect actual projected costs
- ▶ Posted carryover
- ▶ Adjusted Special Ed contribution for speech and language therapists not budgeted for at budget adoption
- ▶ Donations and local grants received since budget adoption

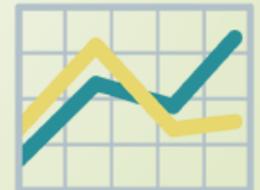


# Changes Since Adopted Budget - HSD

Unrestricted Changes Since Adopted Budget		
		Change in Fund Balance 2017-18
<b>Excess of Expenditures over Revenues at Adopted Budget</b>		<b>\$ (2,178,654)</b>
<b>Revenue Changes</b>		
Property Taxes - LCFF Revenue	224,619	
Other State Revenue - One-Time Mandated Cost Funding	359,751	
Other Local Revenue	180,718	
	<b>765,088</b>	<b>\$ 765,088</b>
<b>Expenditure Changes</b>		
Certificated Salaries	642,773	
Classified Salaries	(103,881)	
Benefits	(278,772)	
Books and Supplies	114,122	
Other Services, Operations	438,666	
Other Changes	60,973	
Contribution to Restricted Budget	(522,138)	
	<b>351,743</b>	<b>\$ (351,743)</b>
<b>Revised Excess of Expenditures over Revenues at Adopted Budget</b>		<b>\$ (1,765,309)</b>

# What Were the Changes to the HSD Budget?

- ▶ LCFF funding adjusted for slight increase in property taxes – community redevelopment funds
- ▶ One-time mandated costs revenue budgeted \$353,770
- ▶ Local revenue budgets are increased upon actual receipt of funds
- ▶ Adjusted certificated salaries due to 3% raise for 16-17 and 3.5% raise for 17-18 for SRFT
  - ▶ Raises due to favorable reduction of 2016-17 deficit
- ▶ Adjusted employee benefits to actual projected costs (h&w)
- ▶ Posted carryover and budgets were increased accordingly within books, supplies and professional services
- ▶ Contributions to restricted programs adjusted closer to projected actual costs



# Multi-Year Assumptions



- ▶ Assumed flat enrollment and Dept of Finance (DOF) gap funding assumptions
  - ▶ For high school district, assumed 5.0% increase annually in secured property taxes
- ▶ Added one-time Mandated Cost revenues in 2017-18
- ▶ Step and Column cost increases included at 1.5% of salaries annually
- ▶ Increased STRS costs by 1.85%, PERS costs by 1.64%

# Expenditures: STRS and PERS

- Recent legislation requires ever increasing contributions to the retirement systems for both the employer and the employee
  - By far the biggest increases are for the employer

CalSTRS Rates per EC§ 22901.7 and 22950.5							
	2014-15 Actual	2015-16 Actual	2016-17 Actual	2017-18 Actual	2018-19 Projected	2019-20 Projected	2020-21 Projected
Employer	8.880%	10.73%	12.58%	14.43%	16.28%	18.13%	19.10%
Member (2% at 60)	8.150%	9.20%	10.25%	10.25%	10.25%	10.25%	10.25%
Member (2% at 62)	8.150%	8.56%	9.205%	9.205%	9.205%	9.205%	9.205%
	<i>increase</i>	1.85%	1.85%	1.85%	1.85%	0.97%	0.97%
CalPERS Actual and Projected Rates							
	2014-15 Actual	2015-16 Projected	2016-17 Actual	2017-18 Actual	2018-19 Projected	2019-20 Projected	2020-21 Projected
Employer	11.771%	11.85%	13.89%	15.53%	18.10%	20.80%	23.50%
	<i>Increase</i>	0.076%	2.04%	1.64%	2.57%	2.70%	2.70%

# Unrestricted Funds to Restricted Programs

22

## Contributions to Restricted programs for ESD:

<b>ESD Contributions to Restricted</b>	<b>Amount</b>
Special Ed IDEA	3,164,124
Special Ed	1,536,084
Special Ed Mental Health	13,865
Special Capital Projects	265,000
Routine Maintenance	1,575,000
<b>Total Contributions</b>	<b>6,554,073</b>

## Contributions to Restricted programs for HSD:

<b>HSD Contributions to Restricted</b>	<b>Amount</b>
Special Ed IDEA	3,580,401
Special Ed	1,287,069
Special Ed Mental Health	98,072
Routine Maintenance	1,025,000
District ROP Programs	217,395
<b>Total Contributions</b>	<b>6,207,937</b>

# Elementary MYP at First Interim

23

	Adopted Budget 2017-18			First Interim 2017-18			Projection 2018-19			Projection 2019-20		
	Unrestricted	Restricted	Combined	Unrestricted	Restricted	Combined	Unrestricted	Restricted	Combined	Unrestricted	Restricted	Combined
<b>Revenue</b>												
General Purpose	41,812,831	0	41,812,831	41,590,067		41,590,067	43,288,356		43,288,356	44,505,833	0	44,505,833
Federal Revenue	0	1,999,013	1,999,013		2,614,673	2,614,673	0	2,303,641	2,303,641	0	2,303,641	2,303,641
State Revenue	827,118	2,992,819	3,819,937	1,510,345	3,967,709	5,478,054	830,306	3,095,692	3,925,998	830,306	3,095,692	3,925,998
Local Revenue	476,801	6,494,831	6,971,632	548,662	6,550,923	7,099,585	486,801	6,525,747	7,012,548	486,801	6,525,747	7,012,548
<b>Total Revenue</b>	<b>43,116,750</b>	<b>11,486,663</b>	<b>54,603,413</b>	<b>43,649,074</b>	<b>13,133,305</b>	<b>56,782,379</b>	<b>44,605,463</b>	<b>11,925,080</b>	<b>56,530,543</b>	<b>45,822,940</b>	<b>11,925,080</b>	<b>57,748,020</b>
<b>Expenditures</b>												
Certificated Salaries	18,751,872	4,658,495	23,410,367	18,520,633	5,798,388	24,319,021	18,783,268	5,787,497	24,570,765	19,049,843	5,869,272	24,919,115
Classified Salaries	4,201,914	2,168,659	6,370,573	4,382,413	2,117,116	6,499,529	4,437,638	2,148,564	6,586,202	4,493,692	2,180,485	6,674,177
Benefits	7,840,127	3,713,342	11,553,469	7,446,134	3,965,384	11,411,518	7,817,096	4,217,393	12,034,489	8,503,738	4,492,811	12,996,549
Books and Supplies	1,254,334	886,305	2,140,639	1,830,716	1,706,749	3,537,465	1,232,783	873,594	2,106,377	1,232,783	873,594	2,106,377
Other Services & Oper. Expenses	4,106,233	4,503,214	8,609,447	4,294,831	4,792,913	9,087,744	4,149,710	4,708,312	8,858,022	4,149,710	4,810,000	8,959,710
Capital Outlay	105,551	65,000	170,551	102,551	920,305	1,022,856	102,551	65,000	167,551	102,551	65,000	167,551
Other Outgo 7xxx	153,718	981,132	1,134,850	153,718	982,038	1,135,756	153,718	982,038	1,135,756	153,718	982,038	1,135,756
Transfer of Indirect 73xx	(283,054)	210,648	(72,406)	(286,805)	223,018	(63,787)	(286,805)	223,018	(63,787)	(286,805)	223,018	(63,787)
Unidentified Budget ((Cuts)/Increase)	0	0		0	0	0	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>36,130,695</b>	<b>17,186,795</b>	<b>53,317,490</b>	<b>36,444,191</b>	<b>20,505,911</b>	<b>56,950,102</b>	<b>36,389,959</b>	<b>19,005,416</b>	<b>55,395,375</b>	<b>37,399,230</b>	<b>19,496,218</b>	<b>56,895,448</b>
Deficit/Surplus	6,986,055	(5,700,132)	1,285,923	7,204,883	(7,372,606)	(167,723)	8,215,504	(7,080,336)	1,135,168	8,423,710	(7,571,138)	852,572
Other Sources/(uses)	20,000		20,000	20,000		20,000	20,000	0	20,000	20,000	0	20,000
Transfers in/(out)	(857,185)	(185,000)	(1,042,185)	(857,185)	(185,000)	(1,042,185)	(857,185)	(185,000)	(1,042,185)	(857,185)	(185,000)	(1,042,185)
Contributions to Restricted	(6,038,832)	6,038,832	0	(6,554,073)	6,554,073	0	(6,744,141)	6,744,141	0	(6,955,233)	6,955,233	0
<b>Net increase (decrease) in Fund Balance</b>	<b>110,038</b>	<b>153,700</b>	<b>263,738</b>	<b>(186,375)</b>	<b>(1,003,533)</b>	<b>(1,189,908)</b>	<b>634,178</b>	<b>(521,195)</b>	<b>112,983</b>	<b>631,292</b>	<b>(800,905)</b>	<b>(169,613)</b>
Beginning Balance	13,596,391	2,402,003	15,998,393	13,596,391	2,402,003	15,998,393	13,410,016	1,398,470	14,808,485	14,044,194	877,275	14,921,468
<b>Ending Balance</b>	<b>13,706,429</b>	<b>2,555,703</b>	<b>16,262,131</b>	<b>13,410,016</b>	<b>1,398,470</b>	<b>14,808,485</b>	<b>14,044,194</b>	<b>877,275</b>	<b>14,921,468</b>	<b>14,675,486</b>	<b>76,370</b>	<b>14,751,855</b>
Revolving/Stores/Prepays	2,500		2,500	2,500		2,500	2,500		2,500	2,500		2,500
Reserve for Econ Uncertainty (3%)	1,576,768		1,576,768	1,739,800		1,739,800	1,693,200		1,693,200	1,738,200		1,738,200
7% Board Designated Reserve	3,679,126		3,679,126	4,059,460		4,059,460	405,940		405,940	405,940		405,940
Assigned for future compensation adj			0	3,741,000		3,741,000	3,741,000		3,741,000	3,741,000		3,741,000
Restricted Programs		2,555,703	2,555,703			0		877,275	877,275		76,370	76,370
<b>Unappropriated Fund Balance</b>	<b>8,448,035</b>	<b>0</b>	<b>8,448,035</b>	<b>3,867,256</b>	<b>1,398,470</b>	<b>5,265,725</b>	<b>8,201,554</b>	<b>0</b>	<b>8,201,554</b>	<b>8,787,846</b>	<b>0</b>	<b>8,787,846</b>
<i>Unappropriated Percent</i>			<b>1.9%</b>			<b>9.2%</b>			<b>14.8%</b>			<b>15.4%</b>

# ESD MYP Footnotes

## Notes:

<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> Eliminated One-Time Mandated revenues of \$147/ADA in 2018-19 (unrestricted) CA Clean Energy Act \$855,305 in 2018-19 (restricted)

<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 1.5% certificated and 1.5% classified.

<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. Assumes 10% increase in health & welfare benefits beginning in January of budget year.

<sup>7</sup> Additional contributions primarily relate to the increase of the following: step & column costs, and pension (STRS & PERS)

<sup>8</sup> This amount represents level of fund balance above or (below) the required level.

# High School MYP at First Interim

25

	Adopted Budget 2017-18			First Interim 2017-18			Projection 2018-19			Projection 2019-20				
	Unrestricted	Restricted	Combined	Unrestricted	Restricted	Combined	Unrestricted	Restricted	Combined	Unrestricted	Restricted	Combined		
<b>Revenue</b>														
General Purpose	26,079,661	0	26,079,661	26,304,280		26,304,280	1	27,401,998	27,401,998	1	28,699,670	0	28,699,670	
Federal Revenue	0	862,361	862,361		1,112,123	1,112,123			997,805	997,805	0	997,805	997,805	
State Revenue	511,067	1,584,699	2,095,766	870,818	1,589,768	2,460,586	2	509,394	1,577,221	2,086,615	2	509,394	1,577,221	2,086,615
Local Revenue	356,908	4,247,873	4,604,781	537,626	4,517,515	5,055,141	3	367,908	4,458,627	4,826,535	3	367,908	4,458,627	4,826,535
<b>Total Revenue</b>	<b>26,947,636</b>	<b>6,694,933</b>	<b>33,642,569</b>	<b>27,712,724</b>	<b>7,219,406</b>	<b>34,932,130</b>		<b>28,279,300</b>	<b>7,033,653</b>	<b>35,312,953</b>		<b>29,576,972</b>	<b>7,033,653</b>	<b>36,610,625</b>
<b>Expenditures</b>														
Certificated Salaries	11,446,337	3,942,922	15,389,259	12,089,110	3,929,241	16,018,351	4	12,263,711	3,921,225	16,184,936	4	12,440,931	3,979,053	16,419,984
Classified Salaries	3,254,726	1,557,118	4,811,844	3,150,845	1,697,256	4,848,101	4	3,191,963	1,720,781	4,912,744	4	3,233,698	1,744,659	4,978,357
Benefits	5,127,790	3,036,365	8,164,155	4,849,018	2,973,146	7,822,164	5	5,005,666	3,160,415	8,166,081	5	5,455,192	3,374,500	8,829,692
Books and Supplies	874,743	514,905	1,389,648	988,865	991,630	1,980,495		880,000	561,997	1,441,997		880,000	561,997	1,441,997
Other Services & Oper. Expenses	2,061,462	3,093,075	5,154,537	2,500,128	3,228,501	5,728,629		2,300,000	3,144,449	5,444,449		2,400,000	3,144,449	5,544,449
Capital Outlay	0	7,929	7,929	31,433	20,135	51,568		0	7,929	7,929		0	7,929	7,929
Other Outgo 7xxx	33,082	840,337	873,419	33,082	840,337	873,419		33,082	840,337	873,419		33,082	840,337	873,419
Transfer of Indirect 73xx	(331,926)	298,070	(33,856)	(302,386)	268,530	(33,856)		(332,000)	268,530	(63,470)		(332,000)	268,530	(63,470)
Unidentified Budget ((Cuts)/Increase)	0	0		0	0	0		0	0	0		0	0	0
<b>Total Expenditures</b>	<b>22,466,214</b>	<b>13,290,721</b>	<b>35,756,935</b>	<b>23,340,095</b>	<b>13,948,776</b>	<b>37,288,871</b>		<b>23,342,422</b>	<b>13,625,663</b>	<b>36,968,085</b>		<b>24,110,903</b>	<b>13,921,454</b>	<b>38,032,357</b>
Deficit/Surplus	4,481,422	(6,595,788)	(2,114,366)	4,372,629	(6,729,370)	(2,356,741)		4,936,878	(6,592,010)	(1,655,132)		5,466,069	(6,887,801)	(1,421,732)
Other Sources/(uses)			0			0		0	0	0		0	0	0
Transfers in/(out)	70,000	0	70,000	70,000		70,000		70,000	0	70,000		70,000	0	70,000
Contributions to Restricted	(6,730,076)	6,730,076	0	(6,207,938)	6,207,938	0	6	(6,387,938)	6,387,938	0	6	(6,587,938)	6,587,938	0
<b>Net increase (decrease) in Fund Balance</b>	<b>(2,178,654)</b>	<b>134,288</b>	<b>(2,044,366)</b>	<b>(1,765,309)</b>	<b>(521,432)</b>	<b>(2,286,741)</b>		<b>(1,381,060)</b>	<b>(204,072)</b>	<b>(1,585,132)</b>		<b>(1,051,869)</b>	<b>(299,863)</b>	<b>(1,351,732)</b>
Beginning Balance	6,853,228	1,197,173	8,050,401	6,853,228	1,197,173	8,050,401		5,087,919	675,741	5,763,660		3,706,859	471,669	4,178,528
<b>Ending Balance</b>	<b>4,674,574</b>	<b>1,331,461</b>	<b>6,006,035</b>	<b>5,087,919</b>	<b>675,741</b>	<b>5,763,660</b>		<b>3,706,859</b>	<b>471,669</b>	<b>4,178,528</b>		<b>2,654,990</b>	<b>171,806</b>	<b>2,826,796</b>
Revolving/Stores/Prepays	5,600		5,600	0		0		0		0		0		0
Reserve for Econ Uncertainty (3%)	1,052,927		1,052,927	1,118,766		1,118,766		1,107,000		1,107,000		1,138,900		1,138,900
Assigned for compensation	0		0	1,125,000		1,125,000		1,125,000		1,125,000		1,125,000		1,125,000
Assigned Econ Uncertainty above 3%	2,456,830		2,456,830	2,215,036		2,215,036		1,474,859		1,474,859		391,090		391,090
Restricted Programs		1,331,461	1,331,461		675,741	675,741			471,669	471,669			171,806	171,806
<b>Unappropriated Fund Balance</b>	<b>1,159,217</b>	<b>0</b>	<b>1,159,217</b>	<b>629,117</b>	<b>(0)</b>	<b>629,117</b>	7	<b>(0)</b>	<b>0</b>	<b>(0)</b>	7	<b>(0)</b>	<b>0</b>	<b>(0)</b>
<i>Unappropriated Percent</i>			<b>1.9%</b>			<b>1.7%</b>				<b>0.0%</b>				<b>0.0%</b>

# HSD MYP Assumption Footnotes

## Notes:

- <sup>1</sup> For high school district, assumed 5.0% increase annually in secured property taxes
- <sup>2</sup> Eliminated One-Time Mandated revenues of \$147/ADA in 2018-19.
- <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 1.5% certificated and 1.5% classified.
- <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> Additional contributions primarily relate to the increase of the following: step & column costs, and pension (STRS & PERS)
- <sup>7</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.

# Summary Elementary MYP

- ✓ Trend of deficit spending can be sustained due to sufficient fund balance in elementary district

1st Interim Multi-Year Projection (Total GF)			
Description	2017-18 Revised Budget	Projected 2018-19	Projected 2019-20
Total Revenues	56,782,379	56,530,543	57,748,020
Total Expenditures	56,950,102	55,395,375	56,895,448
Excess/(Deficiency)	(167,723)	1,135,168	852,572
Other Sources/Uses	(1,022,185)	(1,022,185)	(1,022,185)
<b>Net Increase/(Decrease)</b>	<b>(1,189,908)</b>	<b>112,983</b>	<b>(169,613)</b>
Add: Beginning Fund Balance	15,998,393	14,808,485	14,921,468
<b>Ending Fund Balance</b>	<b>14,808,485</b>	<b>14,921,468</b>	<b>14,751,855</b>

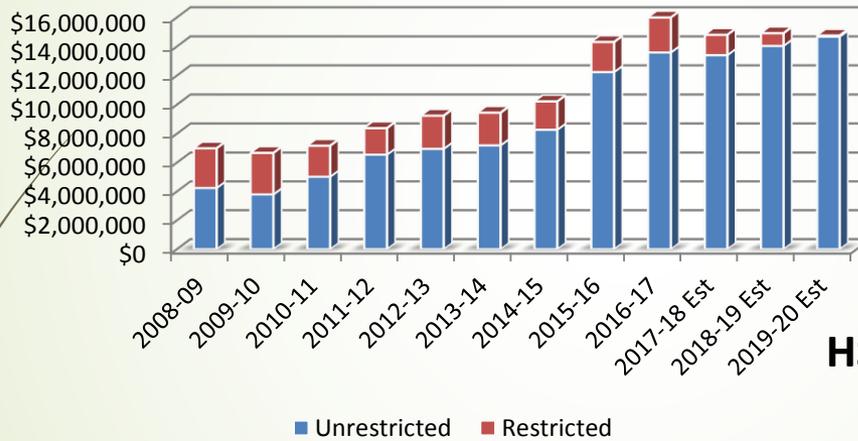
# Summary High School MYP

- ▶ Trend of deficit spending can be sustained due to sufficient fund balance in high school district.
  - ▶ Must consider budget reductions in years beyond 2019-20

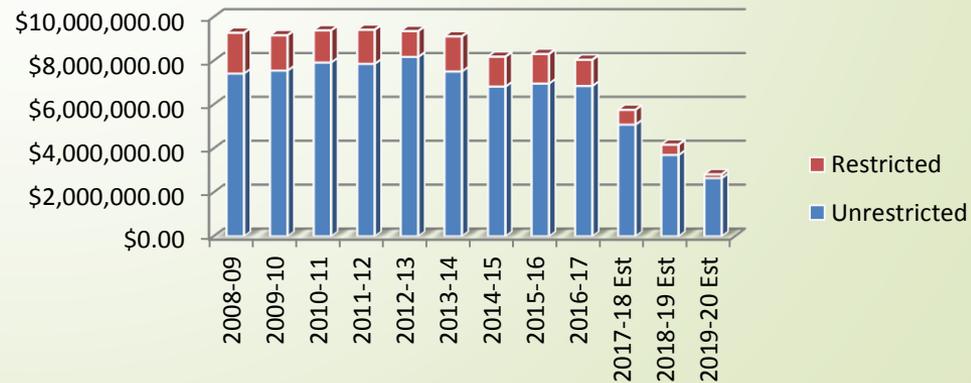
<b>1st Interim Multi-Year Projection (Total GF)</b>			
<b>Description</b>	<b>2017-18 Revised Budget</b>	<b>Projected 2018-19</b>	<b>Projected 2019-20</b>
Total Revenues	34,932,130	35,312,953	36,610,625
Total Expenditures	37,288,871	36,968,085	38,032,357
Excess/(Deficiency)	(2,356,741)	(1,655,132)	(1,421,732)
Other Sources/Uses	70,000	70,000	70,000
<b>Net Increase/(Decrease)</b>	<b>(2,286,741)</b>	<b>(1,585,132)</b>	<b>(1,351,732)</b>
Add: Beginning Fund Balance	8,050,401	5,763,660	4,178,528
<b>Ending Fund Balance</b>	<b>5,763,660</b>	<b>4,178,528</b>	<b>2,826,796</b>

# District Reserves and Net Ending Balance

**ESD District Reserves and Net Ending Balance**



**HSD District Reserves and Net Ending Balance**



# 2016-17 All Funds (ESD)

All Funds of the Elementary District				
Fund Number and Description		Fund Balance July 1, 2016	Current Year Activity	Fund Balance June 30, 2017
01	General Fund	\$14,309,541	(\$3,239,489)	\$11,070,052
12	Child Development	\$8	\$0	\$8
13	Cafeteria	\$155,835	(\$6,125)	\$149,710
14	Deferred Maintenance Fund	\$727,800	\$9,020	\$736,820
20	Special Reserve for Post Employment Benefits	\$1,739,595	\$761,195	\$2,500,790
21	Bond	\$24,723,484	(\$5,999,085)	\$18,724,399
25	Capital Facilities	\$88,795	\$105,000	\$193,795
40	Special Reserve for Capital Outlay	\$968,862	\$443,629	\$1,412,491
51	Bond Interest Redemption	\$6,515,897	\$0	\$6,515,897



# 2016-17 All Funds (HSD)

All Funds of the High School District				
Fund Number and Description		Fund Balance July 1, 2017	Current Year Activity	Fund Balance June 30, 2018
01	General Fund	\$8,050,401	(\$2,286,741)	\$5,763,660
11	Adult Ed Fund	\$113,320	(\$102,163)	\$11,157
13	Cafeteria	\$43,990	\$28	\$44,018
14	Deferred Maintenance Fund *	\$410,078	\$72,182	\$482,260
20	Special Reserve for OPEB**	\$2,013,008	\$2,500	\$2,015,508
21	Building Funds	\$32,190,913	(\$28,136,765)	\$4,054,148
25	Capital Facilities Fund	\$176,226	(\$24,600)	\$151,626
40	Special Reserve for Capital Outlay	\$1,703,247	\$166,511	\$1,869,758
51	Bond Interest Redemption	\$9,863,252	\$0	\$9,863,252

- Fund 40, which is comprised of General Fund contributions and facility use fees, shall be used for the replacement of the athletic turf field at TLHS (Estimated cost = \$850,000)

# New LCFF Funding Not Enough to Cover New Costs in ESD

- ▶ In two of the next four years, the annual increases in LCFF dollars are not going to be enough to cover the on-going increases in salaries and benefits
  - ▶ Estimated COLA and gap funding is projected to be less than the 1.85% to 2.57% annual increases in STRS & PERS, plus step costs and H&W projected increases

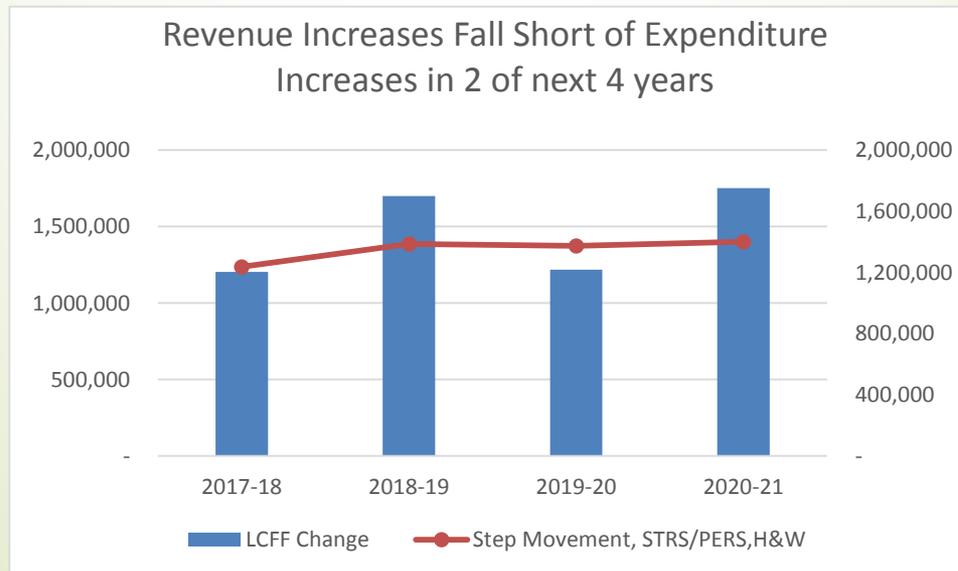
Description	2016-17	2017-18	2018-19	2019-20
<b>LCFF Gap Funding % – Proposed</b>	55.03%	43.97%	71.53%	73.51%
<b>LCFF Gap Funding % – Enacted</b>	56.08%	43.19%	66.12%	64.92%
<b>Annual COLA – Proposed</b>	0.00%	1.56%	2.15%	2.35%
<b>Annual COLA – Enacted</b>	0.00%	1.56%	2.15%	2.35%

# ESD LCFF Revenue Less Than Step, STRS and PERS, and H&W

33

- Even the recently passed Prop 55, which extended a portion of Prop 30 taxes, may not help

ESD Multi-Year Projection (MYP) Adjustments				
	2017-18	2018-19	2019-20	2020-21
LCFF Change	1,203,146	1,698,289	1,217,477	1,751,778
Step Movement	(552,000)	(550,000)	(553,151)	(561,000)
STRS/PERS Increase	(489,000)	(624,000)	(591,800)	(600,000)
H&W Increase	(195,000)	(212,481)	(228,103)	(240,000)
<b>Annual Change in Rev/Salaries/Benefits</b>	<b>(32,854)</b>	<b>311,808</b>	<b>(155,577)</b>	<b>350,778</b>



# Cash Flow



- ▶ As a result of deficit spending and dwindling reserves, there will be months where the general fund reflects negative cash balances (districts pay their bills faster than property taxes come in)
  - ▶ This is why districts, especially those that are deficit spending, must maintain larger fund balances than the meager state 3% minimum. Larger reserves lead to larger cash balances.
- ▶ The June 30, 2017 cash balance is projected to be positive for both districts, however, the “dry period” of October through December, before property taxes are received, indicates cash shortfalls
  - ▶ The District has prepared to cover short-term borrowing from County Office of Ed funds for the current year (a Tax Anticipation Note)

# Uncertainties and Prudence

- Enrollment and ADA are fairly flat going forward for the ESD, but projected to grow for the HSD creating a tightening of the budget
- Retiree benefits continue to escalate
- STRS and PERS annual increases look to be above funding increases
- Deficit spending in HSD erodes fund balance in next two – three years

In the absence of revenue increases, on-going expenditure reductions must be considered for near future budgets



## First Interim Certification for the Elementary and High School District

- Per AB 1200
- *The First Interim projection indicates that, as defined in AB 1200, “the San Rafael Elementary and High School Districts **will** be able to meet its financial obligations for the current fiscal year and subsequent two years.”*
- ✓ **The San Rafael Elementary School District is self-certifying as “Positive”**
- ✓ **The San Rafael High School District is self-certifying as “Positive”**



# Questions

