

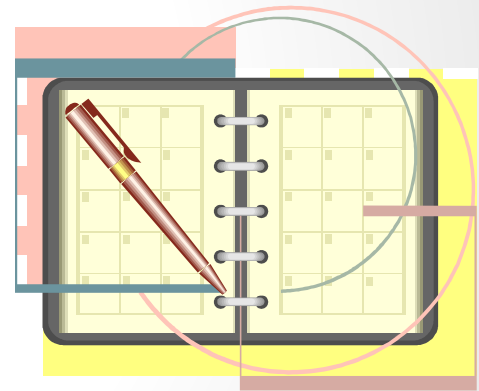


## Second Interim Report March 12, 2018

► San Rafael City Schools

# Agenda

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



# State Budget Process

- ▶ 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...



# Basic Aid (HSD) vs State Funded (ESD)

- ▶ 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



# Gap Funding and Target

- ▶ Each year, the District's target funding is determined via the "LCFF Calculator"
- ▶ The shortfall in funding between the District's funding and the target is the "Gap"
- ▶ Annual gap funding percentages work to close that gap
- ▶ Governor's plan is for zero gap in 2018–19

# Components: Funding Factors

- ▶ Average Daily Attendance (ADA) or Enrollment (HSD)
  - ESD – The projected ADA for 2017–18 is 4,602, which is an decrease of 40 from 1<sup>st</sup> Interim and 27 less ADA from 2016–17.
  - HSD – Projected enrollment is 2,680 which is 52 less than 1<sup>st</sup> Interim but 125 more than 2016–17.
  - HSD 17–18 Projected ADA is 2508 (141 Increase)
- ▶ 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.



# Revenue Assumptions

- ▶ LCFF funding for 2018–19 is expected to be 100% of full implementation.
  - Projected Impact: ESD \$707,792

1 <sup>st</sup> Interim			2 <sup>nd</sup> Interim	
YEAR	COLA	GAP	COLA	GAP
2016/17	0.00%	55.03%	0.00%	56.08%
2017/18	1.56%	43.19%	1.56%	44.97%
2018/19	2.15%	66.12%	2.15%	100.00%



- ▶ LCFF Supplemental and Concentration
  - Parents will continue to complete the Free and Reduced Meal Applications which drive the percentage (%) rate of eligibility for the Supplemental and Concentration dollars.



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

17-18 Property Tax Revenue	\$ 25,860,595
Less: LCFF Transition Revenue	<u>\$ 23,783,758</u>
Excess Property Taxes	\$ 2,076,837

- SRHSD would be entitled to \$24.7 million if LCFF were fully funded in 2017-18
- Based on current assumptions and 5% annual property tax growth, SRHSD would be entitled to approximately \$26.07 million by 2018-19 under the LCFF
  - Amount is \$1.045 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
- ▶ Increased STRS and PERS rates reflected
- ▶ ESD – Using Local Control Funding Formula (LCFF), including 1.56% COLA in 2017–18 and 44.97% “gap” funding toward target for current year = \$755 K
- ▶ HSD + \$2.0 M in excess property taxes
- ▶ Using P–1 Average Daily Attendance (ADA), projected to P–2
- ▶ Local Revenue includes Parcel Tax for each district ESD=\$2.83M, HSD=\$3.02M

# Key Budget Assumptions

- ▶ ESD & HSD Fund Balance assignments have been made for the Board designated reserve above the 3% reserve for economic uncertainty.
- ▶ Unduplicated pupil percentage for supplemental and concentration funding is estimated to be 68% for ESD and 51% for HSD

# Combined General Fund Revenue

## ▶ Elementary SD:

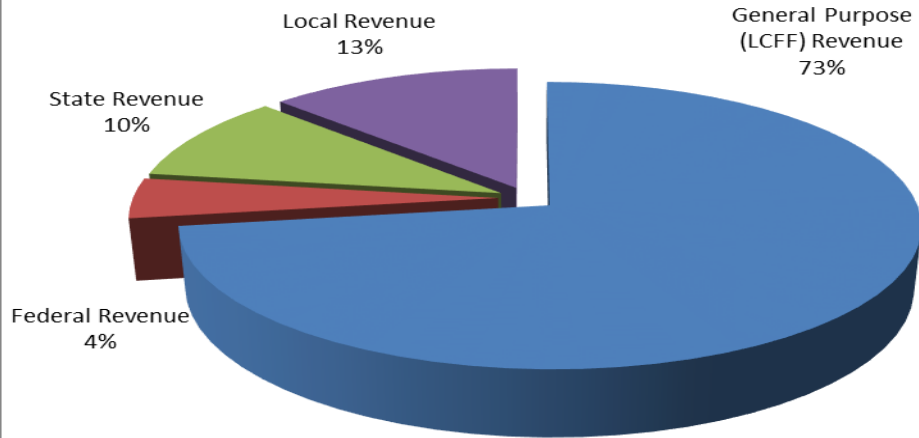
ESD DESCRIPTION	AMOUNT
General Purpose (LCFF) Revenue	\$41,666,208
Federal Revenue	\$2,630,771
State Revenue	\$5,694,389
Local Revenue	\$7,317,385
TOTAL	\$57,308,753

## ▶ High School District:

HSD DESCRIPTION	AMOUNT
General Purpose (LCFF) Revenue	\$26,200,012
Federal Revenue	\$1,112,123
State Revenue	\$2,977,715
Local Revenue	\$5,297,004
TOTAL	\$35,586,854

# General Fund Revenue Budget

**Total ESD General Fund Revenues  
2nd Interim 2017-18**



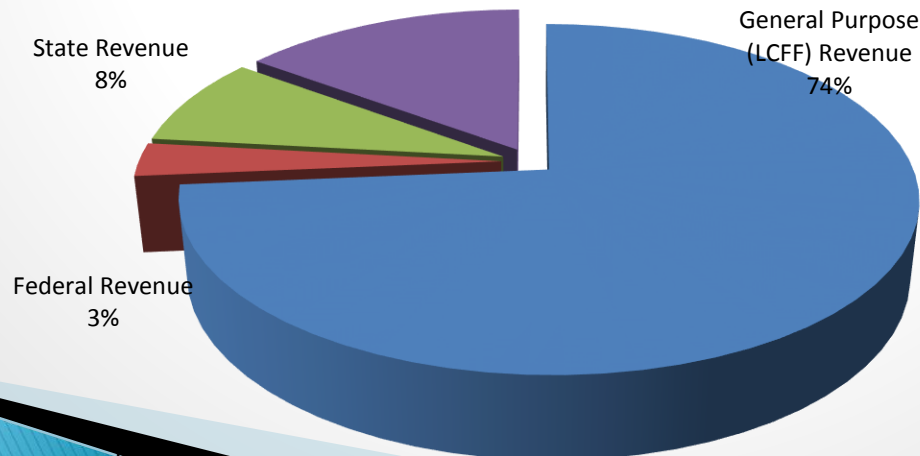
*General Purpose – Property taxes, basic state aide, and education protection account funds*

*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.)*

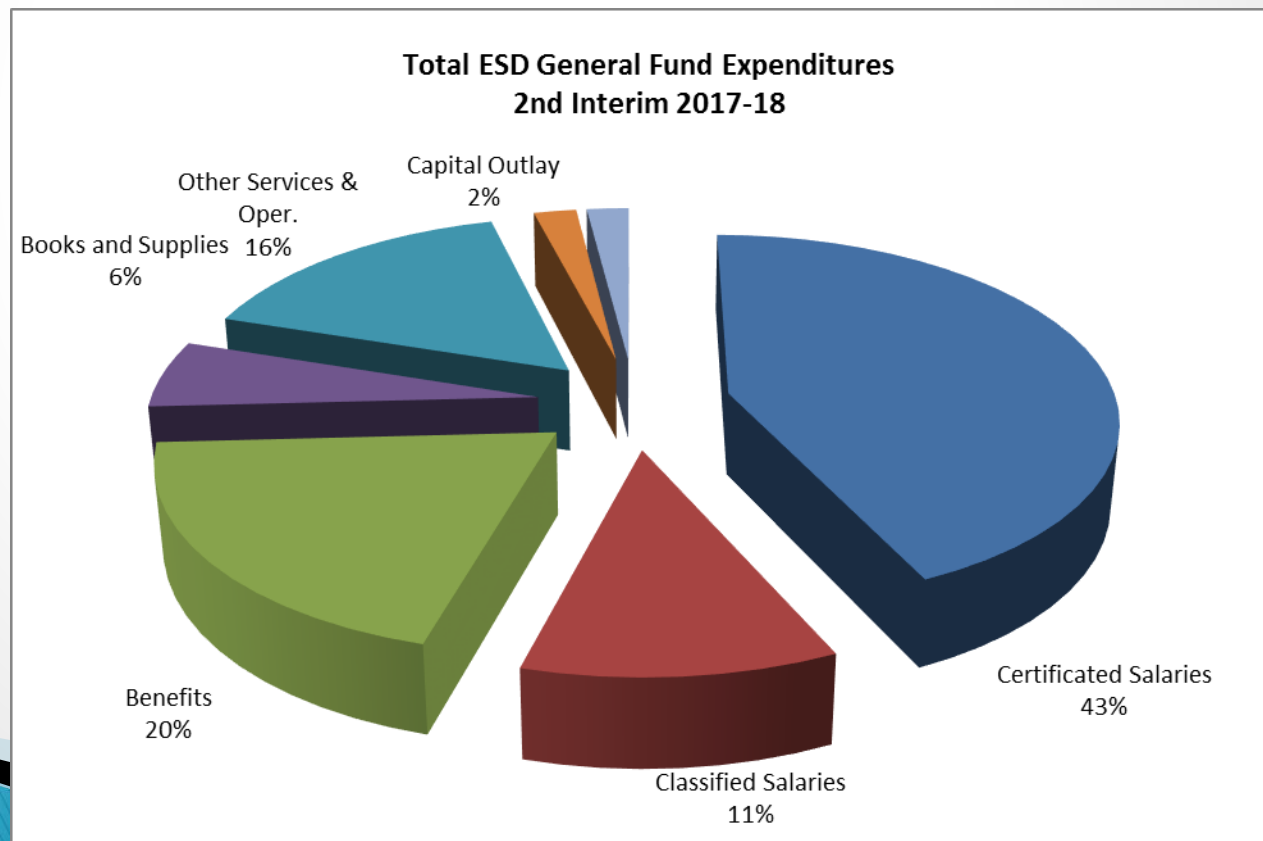
*Local – Funds received from local sources (Parcel Tax, Foundation support, PTSA support, Interest, etc.)*

**Total HSD General Fund Revenues**



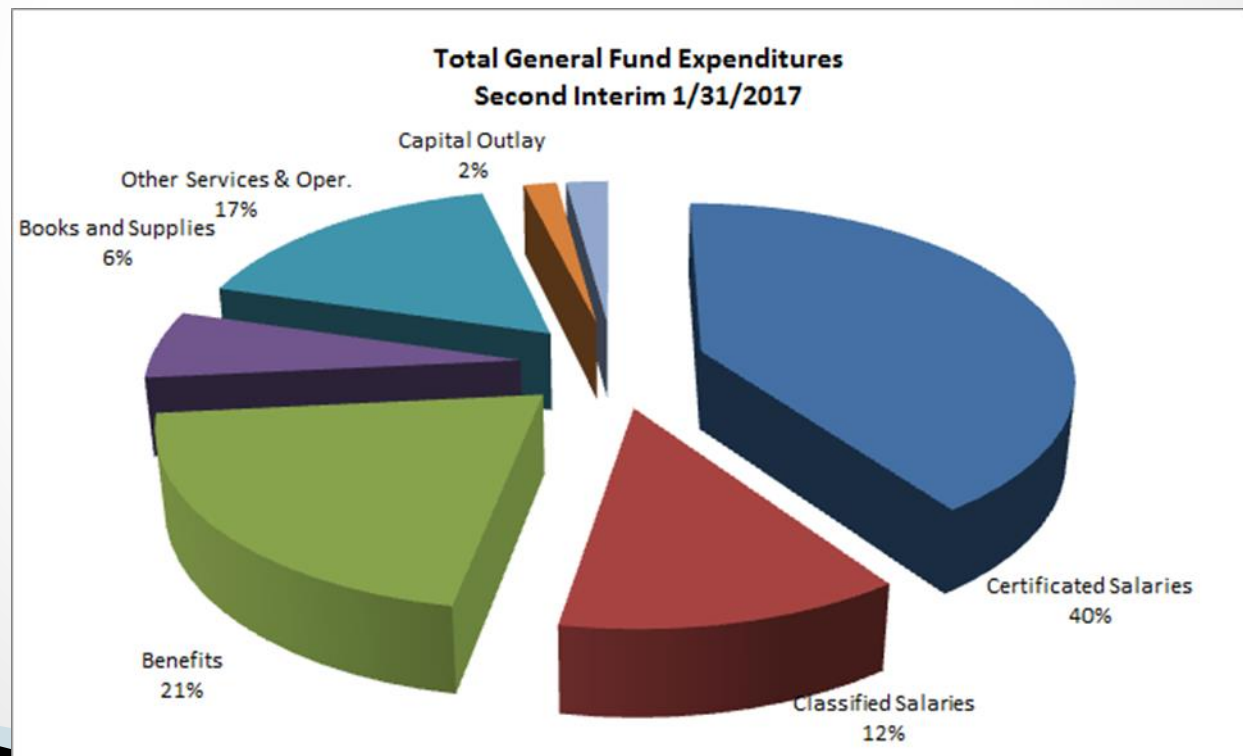
# General Fund Expenditures (ESD)

- ▶ Reflects General Fund only (no Cafeteria, Bonds, Child Development)
- ▶ Employee costs are approximately 74% for combined general fund and 83% for unrestricted general fund



# General Fund Expenditures (HSD)

- ▶ Reflects General Fund only (no Cafeteria, Bonds, Adult Ed)
- ▶ Employee costs are approximately 76% for combined general fund and 86% for unrestricted general fund



# Second 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

ESD 2nd Interim General Fund Budget 2017-18			
Description	Unrestricted	Restricted	Total
Total Revenues	43,948,035	13,360,718	57,308,753
Total Expenditures	37,469,384	21,047,264	58,516,648
Excess/(Deficiency)	6,478,651	(7,686,546)	(1,207,895)
Other Sources/Uses	(7,565,435)	6,543,250	(1,022,185)
<b>Net Increase/(Decrease)</b>	<b>(1,086,784)</b>	<b>(1,143,296)</b>	<b>(2,230,080)</b>
Add: Beginning Fund Balance	13,596,391	2,402,003	15,998,393
<b>Ending Fund Balance</b>	<b>12,509,607</b>	<b>1,258,707</b>	<b>13,768,313</b>



# Changes Since First Interim– ESD

ESD Unrestricted Changes Since First Interim		Change in Fund Balance 2017-18
Revenue Changes		
LCFF Funding - ADA and gap funding changes	76,141	
Local Revenue - ERATE rebates, interest income, donations	222,820	
	298,961	\$ 298,961
Expenditure Changes		
Certificated Salaries - compensation adjustments (4.5% raise)	(682,093)	
Classified Salaries	(32,500)	
Benefits	(128,671)	
Books and Supplies	42,634	
Other Services, Operations - utilities, technology, nurse support	(229,343)	
Other Changes	5,893	
Transfers of Indirect	(1,113)	
Contribution to Restricted Budget - SpEd Trans & MCOE excess costs	(174,177)	
Total Expenditure Change	(1,199,370)	\$ (1,199,370)
Revised Excess of Expenditures over Revenues		\$ (900,409)

# What Were the Changes to the ESD Budget?

- ▶ LCFF funding increased due to adjustments in in gap funding and ADA
- ▶ SRTA 4.5% Salary Increase = \$682K
- ▶ Donations and local grants received since first interim
- ▶ Adjusted services for projected increased utilities, nurse support (diabetic services), one-time technology services
- ▶ Special Ed contribution increased by \$174K for transportation and MCOE excess costs

# Second Interim Budget Summary – HSD

- ▶ 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

2nd Interim General Fund Budget 2017-18			
Description	Unrestricted	Restricted	Total
Total Revenues	27,769,822	7,817,032	35,586,854
Total Expenditures	23,497,064	14,666,868	38,163,932
Excess/(Deficiency)	4,272,758	(6,849,836)	(2,577,078)
Other Sources/Uses	(6,243,749)	6,313,749	70,000
<b>Net Increase/(Decrease)</b>	<b>(1,970,991)</b>	<b>(536,087)</b>	<b>(2,507,078)</b>
Add: Beginning Fund Balance	6,853,228	1,197,173	8,050,401
<b>Ending Fund Balance</b>	<b>4,882,237</b>	<b>661,086</b>	<b>5,543,323</b>

# Changes Since First Interim – HSD

HSD Unrestricted Changes Since First Interim		
		Change in Fund Balance 2017-18
<b>Revenue Changes</b>		
Property Taxes - Adjusted Community Redevelopment Taxes	(104,268)	
Other State Revenue	7,722	
Other Local Revenue - ERATE, Donations	153,644	
	57,098	\$ 57,098
<b>Expenditure Changes</b>		
Certificated Salaries Compensation adjustment included in 1st Interim	334,736	
Classified Salaries - Compensation adjustment (3.5% raise)	(338,132)	
Benefits	(61,417)	
Books and Supplies	12,107	
Other Services, Operations - utilities, technology	(103,233)	
Other Changes	(1,030)	
Contribution to Restricted Budget - SpEd Trans and MCOE excess costs	(105,811)	
Total Expenditure Change	(262,780)	\$ 262,780
<b>Revised Excess of Expenditures over Revenues</b>		\$ (205,682)

# What Were the Changes to the HSD Budget?

- ▶ LCFF funding adjusted for decrease in community redevelopment taxes
- ▶ Local revenue budgets are increased upon actual receipt of funds
- ▶ Adjusted salaries due to raises for all units and for late hires, unfilled positions (due to recruitment) and positions that will not be filled in the future.
- ▶ Adjusted services for projected increased utilities, and one-time technology services
- ▶ Spec. Ed. contributions increased by \$106K

# 2017-18 All Funds (ESD)

All Funds of the Elementary School District				
Fund Number and Description		Fund Balance July 1, 2017	Current Year Activity	Fund Balance June 30, 2018
01	General Fund	\$15,998,393	(\$1,189,908)	\$14,808,485
12	Child Development	\$4,015	\$0	\$4,015
13	Cafeteria	\$82,716	\$0	\$82,716
14	Deferred Maintenance Fund *	\$816,217	\$30,207	\$846,424
20	Special Reserve for OPEB	\$2,508,127	\$765,295	\$3,273,422
21	Building Funds	\$23,016,400	(\$14,740,965)	\$8,275,435
25	Capital Facilities Fund	\$106,952	\$9,465	\$116,417
40	Special Reserve for Capital Outlay	\$1,453,567	\$163,858	\$1,617,425
51	Bond Interest Redemption	\$9,217,909	\$0	\$9,217,909



# 2017-18 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	(\$2,507,078)	\$5,543,323
11	Adult Ed Fund	\$113,320	(\$102,163)	\$11,157
13	Cafeteria	\$43,990	\$28	\$44,018
14	Deferred Maintenance Fund *	\$410,078	\$54,682	\$464,760
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	\$103,011	\$1,806,258
51	Bond Interest Redemption	\$9,863,252	\$0	\$9,863,252





# Multi-Year Assumptions



- ▶ Assumed flat enrollment and Dept of Finance (DOF) gap funding assumptions
  - For high school district, assumed 5% increase annually in property taxes
- ▶ Step and Column cost increases 1.5% annually
- ▶ Increased STRS costs by 1.85% and PERS costs by 2.17% (18–19) and 2.3% (19–20) of salaries

# 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

<i>Description</i>	<i>Fiscal Year</i>			
<i>Planning Factor</i>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>
<b>STRS Employer Rates</b>	12.58%	14.43%	16.28%	18.13%
<b>PERS Employer Rates (PERS Board / Actuary)</b>	13.89%	15.53%	17.70%	20.00%

# Unrestricted Funds to Restricted Programs

## ► Contributions to Restricted programs for ESD:

ESD Contributions to Restricted	Amount
Special Ed IDEA	4,237,373
Special Ed	730,877
Special Capital Projects	185,000
Routine Maintenance	1,575,000
Total Contributions	6,728,250

## ► Contributions to Restricted programs for HSD:

HSD Contributions to Restricted	Amount
Special Ed IDEA	4,255,136
Special Ed - Transportation	715,623
Special Ed Mental Health	98,072
Routine Maintenance	1,025,000
District ROP Programs	219,918
Total Contributions	6,313,749

# Elementary MYP at Second Interim

	Second Interim 2017-18				Projection 2018-19				Projection 2019-20		
	Unrestricted	Restricted	Combined		Unrestricted	Restricted	Combined		Unrestricted	Restricted	Combined
<b>Revenue</b>											
General Purpose	41,666,208		41,666,208	1	43,996,965		43,996,965	1	44,891,713	0	44,891,713
Federal Revenue		2,630,771	2,630,771		0	2,353,227	2,353,227		0	2,353,227	2,353,227
State Revenue	1,510,345	4,184,044	5,694,389	2	830,306	3,085,012	3,915,318	2	830,306	3,085,012	3,915,318
Local Revenue	771,482	6,545,903	7,317,385	3	501,801	6,339,724	6,841,525		501,801	6,339,724	6,841,525
<b>Total Revenue</b>	<b>43,948,035</b>	<b>13,360,718</b>	<b>57,308,753</b>		<b>45,329,072</b>	<b>11,777,963</b>	<b>57,107,035</b>		<b>46,223,820</b>	<b>11,777,963</b>	<b>58,001,783</b>
<b>Expenditures</b>											
Certificated Salaries	19,202,726	6,041,705	25,244,431	4	19,475,417	5,867,781	25,343,198	4	19,752,198	5,950,556	25,702,754
Classified Salaries	4,414,913	2,101,523	6,516,436	4	4,475,075	2,127,846	6,602,921	4	4,536,140	2,154,565	6,690,705
Benefits	7,574,805	4,072,381	11,647,186	5	8,222,473	4,210,958	12,433,431	5	8,834,677	4,414,943	13,249,620
Books and Supplies	1,788,082	1,628,896	3,416,978		1,232,783	875,000	2,107,783		1,232,783	875,000	2,107,783
Other Services & Oper. Expenses	4,524,174	4,787,391	9,311,565		4,425,174	4,725,459	9,150,633		4,425,174	4,607,791	9,032,965
Capital Outlay	96,658	1,102,320	1,198,978		96,658	35,000	131,658		96,658	35,000	131,658
Other Outgo 7xxx	153,718	1,091,143	1,244,861		153,718	1,091,143	1,244,861		153,718	1,091,143	1,244,861
Transfer of Indirect 73xx	(285,692)	221,905	(63,787)		(285,692)	221,905	(63,787)		(285,692)	221,905	(63,787)
<b>Total Expenditures</b>	<b>37,469,384</b>	<b>21,047,264</b>	<b>58,516,648</b>		<b>37,795,606</b>	<b>19,155,092</b>	<b>56,950,698</b>		<b>38,745,656</b>	<b>19,350,903</b>	<b>58,096,559</b>
Deficit/Surplus	6,478,651	(7,686,546)	(1,207,895)		7,533,466	(7,377,129)	156,337		7,478,164	(7,572,940)	(94,776)
Other Sources/(uses)	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)
Contributions to Restricted	(6,728,250)	6,728,250	0	7	(6,923,369)	6,923,369	0	7	(7,137,993)	7,137,993	0
<b>Net increase (decrease) in Fund Balance</b>	<b>(1,086,784)</b>	<b>(1,143,296)</b>	<b>(2,230,080)</b>		<b>(227,088)</b>	<b>(638,760)</b>	<b>(865,848)</b>		<b>(497,014)</b>	<b>(619,947)</b>	<b>(1,116,961)</b>
Beginning Balance	13,596,391	2,402,003	15,998,393		12,509,607	1,258,707	13,768,313		12,282,519	619,947	12,902,465
<b>Ending Balance</b>	<b>12,509,607</b>	<b>1,258,707</b>	<b>13,768,313</b>		<b>12,282,519</b>	<b>619,947</b>	<b>12,902,465</b>		<b>11,785,505</b>	<b>0</b>	<b>11,785,505</b>
Revolving/Stores/Prepays	2,500		2,500		2,500		2,500		2,500		2,500
Reserve for Econ Uncertainty (3%)	1,786,800		1,786,800		1,739,800		1,739,800		1,774,200		1,774,200
7% Board Designated Reserve	4,059,460		4,059,460		4,059,460		4,059,460		4,059,460		4,059,460
Assigned for future compensation adj			0				0		0		0
Restricted Programs			0			619,947	619,947			0	0
<b>Unappropriated Fund Balance</b>	<b>6,660,847</b>	<b>1,258,707</b>	<b>7,919,553</b>	<b>8</b>	<b>6,480,759</b>	<b>0</b>	<b>6,480,759</b>	<b>8</b>	<b>5,949,345</b>	<b>0</b>	<b>5,949,345</b>
<i>Unappropriated Percent</i>			<b>13.5%</b>				<b>11.4%</b>				<b>10.2%</b>

# ESD MYP Footnotes

<sup>1</sup> LCFF funding projected to be 100% funded in 2018-19

<sup>2</sup> Eliminated One-Time Mandated revenues of \$147/ADA in 2018-19 (unrestricted) CA Clean Energy Act \$1,067,320 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 historical increase in health & welfare benefits.

<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 Second Interim

	Second Interim 2017-18				Projection 2018-19				Projection 2019-20		
	Unrestricted	Restricted	Combined		Unrestricted	Restricted	Combined		Unrestricted	Restricted	Combined
<b>Revenue</b>											
General Purpose	26,200,012		26,200,012	1	27,475,146		27,475,146	1	28,673,239	0	28,673,239
Federal Revenue		1,112,123	1,112,123			999,805	999,805		0	999,805	999,805
State Revenue	878,540	2,099,175	2,977,715	2	517,116	1,585,863	2,102,979	2	517,116	1,585,863	2,102,979
Local Revenue	691,270	4,605,734	5,297,004	3	383,170	4,605,734	4,988,904		383,170	4,605,734	4,988,904
<b>Total Revenue</b>	<b>27,769,822</b>	<b>7,817,032</b>	<b>35,586,854</b>		<b>28,375,432</b>	<b>7,191,402</b>	<b>35,566,834</b>		<b>29,573,525</b>	<b>7,191,402</b>	<b>36,764,927</b>
<b>Expenditures</b>											
Certificated Salaries	11,754,374	4,488,665	16,243,039	4	11,892,180	4,393,711	16,285,891	4	12,063,375	4,456,674	16,520,049
Classified Salaries	3,488,977	1,441,539	4,930,516	4	3,525,584	1,460,995	4,986,579	4	3,572,177	1,480,924	5,053,101
Benefits	4,910,435	3,006,230	7,916,665	5	5,343,675	3,132,940	8,476,615	5	5,738,583	3,283,451	9,022,034
Books and Supplies	976,758	792,568	1,769,326		882,572	408,588	1,291,160		882,572	408,588	1,291,160
Other Services & Oper. Expenses	2,603,361	3,155,477	5,758,838		2,486,103	3,093,044	5,579,147		2,586,103	3,093,044	5,679,147
Capital Outlay	32,463	520,900	553,363		0	20,135	20,135		0	0	0
Other Outgo 7xxx	33,082	992,959	1,026,041		33,082	992,959	1,026,041		33,082	992,959	1,026,041
Transfer of Indirect 73xx	(302,386)	268,530	(33,856)		(332,000)	268,530	(63,470)		(332,000)	268,530	(63,470)
<b>Total Expenditures</b>	<b>23,497,064</b>	<b>14,666,868</b>	<b>38,163,932</b>		<b>23,831,196</b>	<b>13,770,902</b>	<b>37,602,098</b>		<b>24,543,892</b>	<b>13,984,170</b>	<b>38,528,062</b>
Deficit/Surplus	4,272,758	(6,849,836)	(2,577,078)		4,544,236	(6,579,500)	(2,035,264)		5,029,633	(6,792,768)	(1,763,135)
Other Sources/(uses)			0		0	0	0		0	0	0
Transfers in/(out)	70,000		70,000		70,000	0	70,000		70,000	0	70,000
Contributions to Restricted	(6,313,749)	6,313,749	0	6	(6,496,848)	6,496,848	0	6	(6,700,199)	6,700,199	0
<b>Net increase (decrease) in Fund Balance</b>	<b>(1,970,991)</b>	<b>(536,087)</b>	<b>(2,507,078)</b>		<b>(1,882,612)</b>	<b>(82,652)</b>	<b>(1,965,264)</b>		<b>(1,600,566)</b>	<b>(92,569)</b>	<b>(1,693,135)</b>
Beginning Balance	6,853,228	1,197,173	8,050,401		4,882,237	661,086	5,543,323		2,999,625	578,434	3,578,059
<b>Ending Balance</b>	<b>4,882,237</b>	<b>661,086</b>	<b>5,543,323</b>		<b>2,999,625</b>	<b>578,434</b>	<b>3,578,059</b>		<b>1,399,059</b>	<b>485,865</b>	<b>1,884,924</b>
Revolving/Stores/Prepays	0		0		0		0		0		0
Reserve for Econ Uncertainty (3%)	1,142,900		1,142,900		1,126,000		1,126,000		1,153,800		1,153,800
Assigned for compensation			0				0		0		0
Assigned Econ Uncertainty above 3%	2,456,830		2,456,830		1,873,625		1,873,625		245,259		245,259
Restricted Programs		661,086	661,086			578,434	578,434			485,865	485,865
<b>Unappropriated Fund Balance</b>	<b>1,282,507</b>	<b>0</b>	<b>1,282,507</b>		<b>(0)</b>	<b>0</b>	<b>(0)</b>		<b>(0)</b>	<b>0</b>	<b>(0)</b>
<i>Unappropriated Fund Balance as % of Total Fund Balance</i>			<i>3.4%</i>				<i>0.0%</i>				<i>0.0%</i>



# HSD MYP Assumption Footnotes

- <sup>1</sup> For high school district, assumed 5% increase annually in secured property taxes for 18-19 and 19-20.
- <sup>2</sup> Eliminated One-Time Mandated revenues of \$147/ADA in 2018-19 & CA Clean Energy Jobs Act (\$500,765)
- <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 increases of SpEd transportation and MCOE excess costs



# Summary Elementary MYP

- ✓ Trend of deficit spending will need to be addressed in the future.
  - Due to sufficient one-time fund balance the ESD has planning time.

ESD 2nd Interim Multi-Year Projection (Total GF)			
Description	2017-18 Revised Budget	Projected 2018-19	Projected 2019-20
Total Revenues	57,308,753	57,107,035	58,001,783
Total Expenditures	58,516,648	56,950,698	58,096,559
Excess/(Deficiency)	(1,207,895)	156,337	(94,776)
Other Sources/Uses	(1,022,185)	(1,022,185)	(1,022,185)
<b>Net Increase/(Decrease)</b>	<b>(2,230,080)</b>	<b>(865,848)</b>	<b>(1,116,961)</b>
Add: Beginning Fund Balance	15,998,393	13,768,313	12,902,465
<b>Ending Fund Balance</b>	<b>13,768,313</b>	<b>12,902,465</b>	<b>11,785,505</b>

# Summary High School MYP

- ▶ Ongoing trend of deficit spending will need to be addressed within the 2018–19 budget adoption

HSD 2nd Interim Multi-Year Projection (Total GF)			
Description	2017-18 Revised Budget	Projected 2018-19	Projected 2019-20
Total Revenues	35,586,854	35,566,834	36,764,927
Total Expenditures	38,163,932	37,602,098	38,528,062
Excess/(Deficiency)	(2,577,078)	(2,035,264)	(1,763,135)
Other Sources/Uses	70,000	70,000	70,000
<b>Net Increase/(Decrease)</b>	<b>(2,507,078)</b>	<b>(1,965,264)</b>	<b>(1,693,135)</b>
Add: Beginning Fund Balance	8,050,401	5,543,323	3,578,059
<b>Ending Fund Balance</b>	<b>5,543,323</b>	<b>3,578,059</b>	<b>1,884,924</b>

# Cash Flow



- ▶ As a result of deficit spending and dwindling reserves, there may be months where the general fund reflects negative cash balances (districts pay their bills faster than property taxes come in)
- ▶ The June 30, 2018 cash balance is projected to be positive for both districts, however, the “dry period” of October through December, before property taxes are received, indicates a cash shortfall in Oct./Nov. (HSD)
  - The District has prepared to cover the “dry period” with short-term borrowing from the County Treasurers Office via 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
  - ▶ Eventual downturn in the economy (every 8–10 years) based on past trends
  - ▶ STRS and PERS annual increases look to be above funding increases
  - ▶ Deficit spending erodes fund balance in next two – three years
- ✓ In the absence of revenue increases, on-going expenditure reductions must be made in the near future



## Second Interim Certification for Elementary District

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



## Second Interim Certification for High School District

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





# Next Steps



- ▶ Budget development is underway, meetings with budget managers (principals and department directors) scheduled over the next couple of months.
- ▶ The Governor's May Budget Revision may impact the District's budget through COLAs, gap funding, and program changes
- ▶ LCAP and budget public hearings are scheduled on June 25th, and adoption/approval on June 27th

# Questions

