



Executive Summary
Second Interim Budget Assumptions 2016-17

Duane Wolgamott, Chief Business Officer
Laura Becker, Director of Fiscal Services

The purpose of the 2nd Interim Budget Assumptions is to provide our District an update on what resources (balances and revenues) it has and also an update on the allocation of these available resources for the remainder of the 2016-17 budget as well as projections of resources and expenditures for the next two fiscal years.

The Budget of our District reflects our District's commitment to:

Our District's Beliefs that: Every student will have success;

Our District's Vision that: Every student will be prepared for success in college, career, and community;

and Our District's Mission to: Deliver an exemplary education, in a safe environment, which empowers students with the skills, knowledge, and attitudes necessary for success in an ever-changing world.

As part of the new LCFF funding formula, school districts are required to develop a Local Control Accountability Plan (LCAP) that outlines how the monetary resources provided from the state will be spent. In developing our LCAP, input was taken from various elements of our District's various stakeholders and through public forums. From that input the following assumptions have guided our 2016-17 budget.

By March 15th, the Local Board of Education shall approve the 2nd Interim Report and submit it to the County Office of Education (COE) for review and approval. A budget that does not provide adequate assurance to the COE that the district will meet its current and future obligations and resolve any problems identified in studies, reports, evaluations, or audits may be conditionally approved or disapproved by the COE.

Overall Assumptions

1. The General Fund ending fund balance for the 2015-16 fiscal year was \$6,000,241. Carrying that balance forward to 2016-17 as the beginning balance, it is projected in this Second Interim Budget that the 2016-17 ending balance will now be \$6,245,262.

This is an increase in the estimated ending balance over the 2016-17 adopted budget estimate for ending fund balance of \$5,334,251.

2. The revenues generated with the Local Control Funding Formula (LCFF) increased our District funding in the 2016-17 budget, however the current funding level is still far below the State funded target level for our District by \$2,133,571.



The combination of increases in Average Daily Attendance (ADA) and the LCFF projected increases (gap funding) have increased district LCFF revenue by \$4,157,828 from the prior year (2015-16). The District must dedicate at least \$3,000,679 of LCFF funding to Supplemental and Concentrate grants for English Learners, FRPM, or Foster Youth services to improve their academic achievement in the current year's budget. Plans for these expenditures are outlined in the LCAP.

3. Overall District revenue is projected to be \$71,628,145 for 2016-17. This includes "Unearned" 2015-16 Federal Grant revenues which were not spent in 2015-16. These 2015-16 "unearned" revenues count as 2016-17 revenues. (2015-16 revenues were \$68,613,365.12 – an overall increase in 16-17 of \$3,014,780)

Enrollment projections for 2016-17 estimates an increase in enrollment compared to the 2015-16 academic year. The projected enrollment for 2016-17 academic year is now estimated at 6,821 (an increase of 111 from the original adopted budget of 6,710):

- 2018-19 – 7,140 estimated
 - 2017-18 – 6,987 estimated
 - 2016-17 – 6,821 estimated
 - 2015-16 - 6,588
 - 2014-15 - 6,555
 - 2013-14 - 6,533
4. Funding for 2016-17 is now based on an estimated ADA of 6,541.38 (an increase of 111.38 ADA from the original adopted budget). Actual ADA will not be known until P-2 attendance reporting is completed in mid-April 2017 and will determine the 2016-17 funded Average daily Attendance.
 - 2018-19 – 6,804.96 94.72% estimated
 - 2017-18 – 6,693.33 95.94% estimated
 - 2016-17 – 6,551.38 95.93% estimated
 - 2015-16 - 6,430.59 96.51%
 - 2014-15 - 6,250.21 95.22%
 - 2013-14 - 6,222.02 95.10%

Revenue Assumptions

1. The District base grant is determined on the 2016-2017 ADA with a 0% cost of living adjustment (COLA). The District's 2016-17 base grant is estimated to be:

Grades TK-3 \$7,802 per unit of actual attendance (includes \$737 Grade Span Adjustment)
Grades 4-6 \$7,189 per unit of actual attendance
Grades 7-8 \$7,403 per unit of actual attendance
Grades 9-12 \$8,801 per unit of actual attendance (includes \$223 Grade Span Adjustment)



Based upon a funded attendance projection of 6,551.38 the Phase-In Base Revenue entitlement for LCFF is estimated to be \$51,757,889.

2. The District supplemental/concentration grants determination is based on an estimate of an 51.33% unduplicated student count. Based upon a funded attendance projection of 6,551.38 the supplemental/concentration grants are estimated to be \$4,307,259. These funds are for services to improve the academic success of students who are EL, FRPM, or Foster Youth. The District has not designated all of these funds to the LCAP as allowed as the District is not fully funded under LCFF. However, future LCAP budgets will need to be increased to get to the funded level by the time the LCFF is fully funded.

The Local Control Accountability Plan was reviewed and updated for the 2016-17 year.

3. Unrestricted Lottery revenues are projected to be \$140.00 per a formula based on ADA - \$924,320 (allocated to school sites and programs for use as program discretionary funds).

Restricted Lottery revenues are projected to be \$41.00 per a formula based on ADA \$270,694. Restricted Lottery revenues are to be used for adopted textbook and curriculum purchases.

4. The District receives Special Education funding based on its average daily attendance entered into a formula by the Special Education Local Plan Area (SELPA).

Actual costs for special education are dependent on the type of services that the District is required to provide each individual student. For the District to provide these specialized services a contribution from the General Education (Base Grant) fund is necessary. For the 2016-17 academic year, the projected General Fund contribution is anticipated to be \$7,166,424

\$6,664,494 was budgeted in 2015-16 for contribution from the General Fund for Special Education. In the 15-16 Unaudited Actuals, the contribution from the General Fund was \$6,590,682.

The contribution from General Fund to Special Education in 2014-15 was \$5,513,366.

Expenditure Assumptions

1. Salaries
 - 1.1 Certificated salary costs have **increased** by \$335,310 from the original adopted budget. This is mainly due to growth positions authorized due to additional ADA.
 - 1.2 Classified salary costs have **decreased** by \$790,099 from the original adopted budget. This is mainly due to savings in unfilled positions and vacancies.



2. Benefits

2.1 The following reflects estimated employer rates for all statutory benefits for the budget year:

STRS	12.58% (was 10.73% in 15-16)
PERS	13.888% (was 11.847% in 15-16)
OASDI (FICA)	6.20%
Medicare	1.45%
Workers Comp	2.268%
Unemployment	0.05%

2.2 Benefit costs are **decreasing** by \$298,493 from the original adopted budget. This is mainly due to the reduction in overall payroll from the adopted budget.

3. Books and Supplies are **increasing** by \$1,416,754 from the original adopted budget. This is mainly due to increased expenditures related to increased Federal revenues ("unearned" carryover) and to completion of a major textbook series adoption.
4. Services and Other Operating Expenses are **increasing** from the original adopted budget by \$855,983. Once again this is mainly due to increased expenditures related to increased Federal revenues ("unearned" carryover), purchase of educational software and shift of funds into contracted services.
5. Capital Outlay increased from the original adopted budget by \$43,476. This is due to equipment purchased for grants and a replacement pressure washer for facilities.
6. Fund 12 – Child Development Fund is expected to have an ending fund balance of \$0
7. Fund 13 – Cafeteria Special Revenue Fund is expected to have a positive ending fund balance of \$482,318
8. Fund 14 – Deferred Maintenance Fund is expected to have a positive ending fund balance of \$14,963
9. Fund 15 – Pupil Transportation Equipment Fund is expected to have a positive ending fund balance of \$109,234
10. Fund 17 – Special Reserve for Other Than Capital Outlay Projects Fund is expected to have a positive ending fund balance of \$545,384
11. Fund 21 – Building Fund is expected to have a positive ending fund balance of \$316,696.95



12. Fund 25 – Capital Facilities Fund is expected to have a positive ending fund balance of \$320,814
13. Fund 40 – Special Reserve for Capital Outlay Projects Fund is expected to have a positive ending fund balance of \$83,854.78
14. Fund 61 – Cafeteria Enterprise Fund is expected to have a positive ending fund balance of \$0 (balanced budget).
15. Fund 67 – Self Insurance Fund is expected to have a positive ending fund balance of \$61,548

Balances

1. The Reserve for “Economic Uncertainty” of 3% required by CA Education Code 33128 is funded. However, a 3% General Fund reserve for a unified school district of our size is inadequate for most uncertainties that may prevail. The Board of Trustees revised the Board Policy to now have the District work toward a 10% General Fund reserve.

The current projected undesignated fund balance in Fund 01 and Fund 17 are equal to a 8.47% reserve for the current fiscal year.

The current legislation limiting District reserves to the 3% minimum has not yet been triggered by all the qualifying factors. School Services of California continues to advise districts “to take no action to reduce reserves below prudent levels. Spend as much as you can on students, but do not reduce reserves below your own judgement of what is required”.

Multi-Year Projections

Revenues - Budget assumptions for the 2017-18 and 2018-19 do not include revenues from prior year such as Unearned Income or Carryover.

This is reflected in an overall projected funding decrease for 2017-18 of \$245,926. Carryover and Unearned Income and expenditures will be added to the 2017-18 budget at that year’s 1st Interim (after the 2017-18 Unaudited Actuals have been completed).

Revenue changes projected for 2017-18 compared to 2016-17 estimates:

LCFF - \$1,946,776
Federal – (\$806,373)
State – (\$833,986)
Other Local – (\$52,343)
Transfers In – (\$420,000)



Expenditures - Budget assumptions for the 2017-18 and 2018-19 do not include expenditures of funds from prior year revenues such as Unearned Income or Carryover. This is reflected in an overall projected expenditure decrease for 2017-18 of \$141,670.

Expenditure Estimates for Salaries and Benefits are from Position Control assumptions that all funded positions will be filled for 2017-18 and 2018-19. During each fiscal year, there are, at times, open and unfilled positions which result in year savings during that fiscal year.

This difference results in what can appear to be large increases in salaries and benefits for the 2017-18 fiscal year.

Carryover and Unearned Income and expenditures are be added to the 2017-18 budget at that year's 1st Interim (after the 2017-18 Unaudited Actuals have been completed).

Expenditure changes projected for 2017-18 from 2016-17 estimates

Certificated Salaries –	\$952,037
Classified Salaries -	\$175,129
Benefits -	\$968,790
Supplies -	(\$730,762)
Services -	(\$1,055,500)
Transfers -	(\$399,067)

Enrollment and ADA increases are projected for 2016-17 as well as 2017-18 and 2018-19 as outlined above.

2016-17 year projected reserve level is 8.47%

2017-18 year projected reserve level is 8.46%

2018-19 year projected reserve level is 10.38%

