



# PASO ROBLES

JOINT UNIFIED SCHOOL DISTRICT  
THE DISTRICT OF EXCELLENCE

SUPERINTENDENT: CHRIS WILLIAMS  
800 NIBLICK ROAD  
PASO ROBLES, CA 93446  
Tel: (805) 769-1000 Fax: (805) 237-3339  
WWW.PASOSCHOOLS.ORG

## Executive Summary

### First Interim Budget Assumptions 2017-18

Duane Wolgamott, Chief Business Officer

Laura Becker, Director of Fiscal Services

The purpose of the 1<sup>st</sup> Interim Budget Assumptions is to provide our District an update on what resources (beginning balances and revenues) it has and also an update on the allocation of these available resources for the remainder of the 2017-18 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 Vision that every student will be prepared for success in college, career, and community; and our 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 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 community and through public forums. From that input the following assumptions have guided our 2017-18 budgeting process.

By December 15 the Local Board of Education shall approve a budget 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 2016-17 fiscal year was \$5,648,890.14. Carrying that balance forward to 2017-18, it is projected in this First Interim Budget that the 2017-18 ending balance will now be \$5,843,446.43. This is a small increase in the estimated ending balance over the 2017-18 original adopted budget estimate for ending fund balance of \$5,817,676.20. Salary negotiation settlement costs are not reflected in the 1<sup>st</sup> Interim Report as the related expenditures are being paid out after the 1<sup>st</sup> Interim Reporting Period. This will reduce the unrestricted ending balance by \$990,000 at second interim.
2. The revenues generated with the Local Control Funding Formula (LCFF) increased school funding in the 2017-18 budget, however the current funding level is still far below the adjusted 2007-2008 funded target levels by \$1,859,320.

The combination of increases in Average Daily Attendance (ADA) and the LCFF projected increases have increased district LCFF revenue by \$2,363,672 from the prior year (2016-17). The District must dedicate at least \$4,000,000 of LCFF funding to Supplemental and Concentrate grants for English Learners, FRPM, or Foster Youth services to improve their academic achievement. Plans for these expenditures are outlined in the LCAP.

3. Overall District revenue is projected to be \$76,801,921.32 for 2017-18. This includes "Unearned" 2016-17 Federal Grant revenues which were not spent in 2016-17. These now count as 2017-18 revenues. (2016-17 revenues were \$74,107,868.55 – an overall increase in 17-18 of \$2,694,052.77)

Enrollment projections for 2017-18 estimate an increase in enrollment compared to the 2016-17 academic year. The projected enrollment for 2017-18 academic year is now estimated at 6,940 (an increase of 143 enrolled PRJUSD students from 2016-17):

- 2019-20 – 7,210 estimated
  - 2018-19 – 7,080 estimated
  - 2017-18 – 6,940 estimated
  - 2016-17 – 6,797
  - 2015-16 – 6,672
  - 2014-15 - 6,555
  - 2013-14 - 6,533
4. Funding for 2017-18 is now based on an estimated ADA of 6,592.63 (an increase of 112.31 ADA from the original adopted budget). Actual ADA will not be known until P-2 is completed in mid-April 2017 and will determine the 2017-18 ADA.
    - 2019-20 – 6,840.63 94.71% estimated
    - 2018-19 – 6,720.63 94.75% estimated
    - 2017-18 – 6,592.63 94.82% estimated
    - 2016-17 – 6,468.44 95.02%
    - 2015-16 - 6,331.33 94.74%
    - 2014-15 - 6,250.21 95.19%
    - 2013-14 - 6,222.02 95.10%

### **Revenue Assumptions**

1. The District base grant is determined on the 2017-2018 ADA with a 1.56% cost of living adjustment (COLA). If fully funded by the State, the District's 2017-18 base grant would be:

Grades TK-3 \$7,941 per unit of actual attendance (includes \$748 Grade Span Adjustment)

Grades 4-6 \$7,301 per unit of actual attendance

Grades 7-8 \$7,518 per unit of actual attendance

Grades 9-12 \$8,939 per unit of actual attendance (includes \$227 Grade Span Adjustment)



Based upon a funded attendance projection of 6,592.63, if fully funded, our base grant, inclusive of adjustments, would be to be \$53,320,572 in LCFF Revenue.

2. The District supplemental/concentration grants determination is based on an estimate of an 51.52% unduplicated student count. Based upon a funded attendance projection of 6,592.63, the supplemental/concentration grants would be \$5,560,269. 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 has been reviewed and updated for the 2017-18 year.

- a. The above numbers do not take into account that our District is underfunded in the combined total of Base Grant and Supplemental & Concentration Grants by \$1,859,320 for the 2017-18 fiscal year.
3. Unrestricted Lottery revenues are projected to be \$146.00 per a formula based on ADA - \$990,248 which is allocated to school sites and programs for use as program discretionary funds.

Restricted Lottery revenues are projected to be \$48.00 per a formula based on ADA \$309,453. 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 2017-18 academic year, the projected General Fund contribution is anticipated to be \$7,707,803

\$7,235,184 was budgeted in 2016-17 for contribution from the General Fund for Special Education. In the 16-17 Unaudited Actuals, the contribution from the General Fund was \$7,362,588.

The contribution from General Fund to Special Education in 2015-16 was \$6,595,534  
The contribution from General Fund to Special Education in 2014-15 was \$5,552,305  
The contribution from General Fund to Special Education in 2013-14 was \$3,580,717



## Expenditure Assumptions

### 1. Salaries

- 1.1 Certificated salary costs have **decreased** by \$326,137.49 from the original adopted budget. This is due to reductions in positions and positions being filled with less costly employees instead of salary projections used for open positions.
- 1.2 Classified salary costs have **decreased** by \$419,960.62 from the original adopted budget. This is due to reductions in positions and positions being filled with less costly employees instead of salary projections used for open positions.

### 2. Benefits

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

STRS	14.43% (was 12.58% in 16-17)
PERS	15.531% (was 13.888% in 16-17)
OASDI (FICA)	6.20%
Medicare	1.45%
Workers Comp	2.860%
Unemployment	0.05%
OPEB	2.727%

- 2.2 Benefit costs are **increasing** by \$1,723,337.16 from the original adopted budget. This is mainly due to the STRS on-behalf adjustments which increase restricted Other State Income and Benefits by 2,218,000.

3. Books and Supplies are **increasing** by \$702,818.40 from the original adopted budget. This is mainly due to increased expenditures related to increased Federal revenues (“unearned” carryover).
4. Services and Other Operating Expenses are **increasing** from the original adopted budget by \$2,434,825.44. This is all restricted program expenditures due to increased expenditures related to increased Federal revenues, “unearned” carryover.
5. Capital Outlay increased from the original adopted budget by \$1,805,867.89. This is all in restricted programs. The majority being the Proposition 39 (Energy Conservation) project equipment purchase contract expenditures.
6. Fund 12 – Child Development Fund is expected to have a positive ending fund balance of \$161,650



7. Fund 13 – Cafeteria Special Revenue Fund is expected to have a positive ending fund balance of \$519,381
8. Fund 14 – Deferred Maintenance Fund is expected to have a positive ending fund balance of \$3,800
9. Fund 15 – Pupil Transportation Equipment Fund is expected to have a positive ending fund balance of \$118,194
10. Fund 17 – Special Reserve for Other Than Capital Outlay Projects Fund is expected to have a positive ending fund balance of \$549,220
11. Fund 21 – Building Fund is expected to have a positive ending fund balance of \$319,253
12. Fund 25 – Capital Facilities Fund is expected to have a positive ending fund balance of \$0
13. Fund 40 – Special Reserve for Capital Outlay Projects Fund is expected to have a positive ending fund balance of \$800
14. Fund 61 – Cafeteria Enterprise Fund is expected to have a negative ending fund balance of (\$96,588.44). We are working with Food Service to reverse this projection.
15. Fund 67 – Self Insurance Fund is expected to have a positive ending fund balance of \$109,907

### **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 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”.

The 1<sup>st</sup> Interim projected reserve reflects the budget as of October 31<sup>st</sup>, 2017. That unrestricted reserve is projected to be \$6,364,064.51

The \$990,943 in costs for the negotiated contract settlements are not reflected as of the first interim and will reduce the reserve by that amount at the 2<sup>nd</sup> Interim reporting period.



In the Audit report being presented to the Board of Trustees in January, there are two adjustments which will negatively affect the reserve at second interim.

One is a reduction in 2016-17 LCFF funding in the amount of \$1,114,787, which will be returned to the State due to P-2 reporting and school site attendance audit adjustments. After this was caught by the auditors during their October visit, our District submitted revised P-2 and Annual ADA reports to the County Office of Education for 2016-17 ADA. Note: Current year budgets have been adjusted to reflect the lowered projected ADA percentages related to this on both the revenues and expenditure side.

The other is a negative adjustment in the amount of \$861,188 for an EPA overpayment in 2014-15 for which the State took the money back in 2015-16. The state withholding of the \$861,188 was not caught by our District nor the auditors in previous years closing of the books. This adjustment is being offset by identified additional current year expenditure reductions which will also be reflected at the 2<sup>nd</sup> Interim Report.

\$ 5,814,844.51	Fund 01 Unrestricted Reserve start
\$ 549,220.00	Fund 17 Special Reserve for Other than Capital Projects
<hr/>	<hr/>
\$ 6,364,064.51	Fund 17 Special Reserve for Other than Capital Projects
\$ (1,975,975.00)	LCFF and other audit adjustments
\$ 922,383	Identified additional current year budget reductions
\$ (990,943.25)	Negotiation salary adjustments
<hr/>	<hr/>
\$ (2,044,529.26)	Total Adjustments to Unrestricted Reserve for 2nd Interim
\$ 4,319,529.26	Projected Adjusted Unrestricted Ending Balance (Reserve)
5.633%	Projected Reserve at 2nd Interim

**Multi-Year Projections**

Enrollment and ADA increases are projected for 2017-18 as well as 2018-19 and 2019-20 as outlined above.

2017-18 year projected reserve level is 5.633% explained above.

2018-19 year projected reserve level is 6.587% after above adjustments made at second interim

2019-20 year projected reserve level is 6.851% after above adjustments made at second interim

