

SYLVAN UNION SCHOOL DISTRICT
BOARD OF TRUSTEES

Budget Study Agenda
April 16, 2019 5:00-6:30 pm

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1. Welcome and Purpose (Hendricks)

- A 2017-2020 Three Year District Wide Program Plan, and Board and Superintendent Goals, established at the start of the 2018-19 school year have provided an excellent roadmap for programs, and accountability within the district. Periodic reviews during board meetings, and Friday Updates have been provided to the board throughout the 2018-19 school year. A program review will not be a focus for tonight's meeting, however program goals should always be at the forefront of all financial decisions.
- The Budget Study Session portion of the meeting will provide an overview of budget planning. The time also provides an opportunity for staff to interact with the board to plan the 19-20 fiscal year budget within the program framework established by the three year plan, board and superintendent goals, and Budget Assumptions and Guidelines.
- The Second Interim multi-year projection will be presented to the board in March.
- One and 1/2 hours are allocated for the meeting.

2. Budget Assumptions (Perez, Sandoval)

PURPOSE:

Multi-year projections (MYP) are the mathematical result of today's decisions based on a given set of assumptions. MYP's are expected to change as various factors are updated and revised. Projections will change any time the underlying factors and assumptions are modified, therefore, we must plan and prepare to make changes as conditions and situations change.

The assumptions described below will be implemented as the 2019-20 Fiscal Year Budget and MYP is prepared. The primary source of these assumptions are the current 2018-19 Fiscal Year Budget, approved State Budget, California Department of Education, Department of Finance, School Services of California's Financial Projection Dart Board, other external sources and organizations, and of course the District's historical trends.

OVERALL ASSUMPTIONS:

1. Enrollment projection for 2019-20 is projected to increase compared to 2017-18. The projected enrollment for 2019-20 is 8,165.

	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>
Enrollment	8,190	8,102	8,058	8,255	8,165	8,178
Increase / (Decrease)	(93)	(88)	(44)	197	(90)	13
ADA	7,865	7,761	7,718	7,914	7,828	7,840
Increase / (Decrease)	(93)	(105)	(43)	196	(86)	12

Reported 2017-18 P-2 ADA

3-Year Average Retention 96%

2. Staffing Guidelines:

- K – 3 = Average 24/1 (Target for each class will vary based on grade and school enrollment to ensure compliance with GSA (Grade Span) requirements.)
- 4 – 6 = (32.0) / 1
- 7 – 8 = (32.0) / 1

REVENUE ASSUMPTIONS:

3. The Local Control Funding Formula based on the latest FCMAT (Fiscal Crisis & Management Team) LCFF calculator (v19.2c) released January 2019 includes the following factors:

	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>
		LCFF COLA	3.70%		
COLA	1.56%	3.70%	3.46%	2.86%	2.92%
<i>Previous</i>		2.71%	2.57%	2.67%	3.42%
Gap Funding %	42.97%	100.00%	100.00%	100.00%	100.00%
<i>Previous</i>		44.97%			
UPP	55.71%	55.42%	55.62%	54.99%	55.11%
(Unduplicated Pupil Count)					

	<u>2019 - 20</u>		
	<u>TK - 3</u>	<u>4- 6</u>	<u>7 - 8</u>
Base	\$7,717	\$7,833	\$8,066
Class Size	\$803	\$0	\$0
Supplemental	\$948	\$871	\$897
<i>Previous</i>	\$901	\$828	\$853
Concentration	\$26	\$24	\$25
<i>Previous</i>	\$28	\$25	\$26

4. Below are dollars set aside in a locally defined account.
- Instructional Material adoptions \$450,000
 - Pupil Transportation \$1,030,748
 - Technology Reserve and Replacement \$100,000
5. Lottery unrestricted revenue will be calculated at \$151.00 per unit of annual attendance and is projected to be \$1.26 million.
6. Lottery restricted revenue for instructional materials will be calculated at \$53.00 per unit of annual attendance and is projected to be \$473,107.
7. The District receives Special Education funding based on its average daily attendance entered into a formula by the Special Education Local Plan Area (SELPA).

EXPENDITURE ASSUMPTIONS:

8. Salaries

- a. Step increases are reflected for those employees who qualify for movement based upon their longevity with the District.
- b. Column increases are budgeted for those certificated employees who have indicated completion of the required number of units.
- c. Vacancies created due to retirements or employees indicating the intent not to return are budgeted as follows:

Certificated:	Class D, Step IV
Classified:	Step 2, Range per Classification
Administrative:	Step 3, Range per Classification

- d. The Sylvan Educators Association has a settlement agreement with the District for FY 2018-19 with a 3.71% increase to the certificated salary schedule. California School Employees Association is currently in negotiations with the district for FY 2018-19. Once negotiations with CSEA are settled for FY 2018-19, negotiations will be scheduled for FY 2019-20.
- e. Costs resulting from a paid leave of absence are budgeted under the corresponding program.
- f. For federally funded programs, the positions allocated are reflective of the funding available.
- g. Health insurance premium increases for the budget year are estimated as follows:

Sutter	5%
Kaiser	5%
Dental	0%
Vision	5%

9. Benefits

Employer statutory benefits for the budget year are estimated with the following rates.

	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>
STRS	12.58%	14.43%	16.28%	17.10%	18.10%	18.10%	17.60%
PERS	13.888%	15.531%	18.062%	20.8%	23.5%	24.6%	25.0%
Previous STRS %	-	-		18.13%	19.10%	18.60%	18.60%
SS	6.2%	6.2%	6.2%	6.2%	6.2%	6.2%	6.2%
Medicare	1.45%	1.45%	1.45%	1.45%	1.45%	1.45%	1.45%
SUI	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%
W/C	1.1%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%
Certificated	15.18%	16.73%	18.58%	19.40%	20.40%	20.40%	19.90%
Classified	22.688%	24.031%	26.6%	29.3%	32.0%	33.1%	33.5%

10. Supplies, Services, Capital Outlay, and Other Outgo

- a. School sites receive an allocation for instructional and non-instructional materials based on a formula as follows:
 - K-5 Traditional \$51.16 / enrolled
 - 6-7-8 \$66.93 / enrolled
 - \$150.00/Classroom Teacher
- b. Approximately \$2.9 million has been set aside for textbook adoptions.
- c. 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 General Education is necessary. The contribution for 2019-20 is projected to be \$14,448,967.

<i>Actual 2017-18</i>	<i>Projected Budget 2018-19</i>	<i>Projected Budget 2019-20</i>	<i>Projected Budget 2020-21</i>
\$12,275,435	\$13,998,335	\$14,448,967	\$14,706,859
<i>Increase</i>	\$1,722,900	\$450,632	\$257,892
		<i>Total Increase</i>	\$708,524

- d. The following increases over the prior year projected expense for utilities:

Natural Gas	1.5%
Electricity	4.0%
Water, Sewer & Storm Drain	3.0%
Telephone	1.0%
Trash Disposal	3.0%
- e. Liability insurance rates are projected to increase 5% over the 2018-19 rates, and will be adjusted as additional information is received by the District's Risk Manager.

- f. The Stanislaus County Office of Education (SCOE) master agreements to SUSD has been developed for fiscal year 2019-20. For Fiscal year 2019-20, the agreements approved by the board were \$275,663.25. County services include Audiology Screening Services, Internet/Telecommunications Access, Media Streaming, Mail Delivery, Teacher Induction Program, and Information Systems for accounting, budget, and human resources. Outdoor Education for 6th grade students under a separate agreement is included in the amount of \$190,000 for a four day program.
- g. Pupil Transportation expenditures for FY 2019-20 are planned to be \$1,030,748. Under the Local Control Funding Formula the district must expend no less than the amount expended in 2012-13, \$200,268 of State funds.
- h. The Debt Service payment for the budget year to pay for the California Energy Commission (CEC) loan will be \$73,085.
- i. An annual allocation of \$100,000 to support technology replacements for middle
- j. Costs for technology infrastructure system upgrades that will include software, equipment, and labor costs for FY 2019-20 will be \$398,460.
- k. Educational Options FY 2019-20 budget will include \$313,364 in salaries for a mental health clinician, social worker, and two para behavioral support assistants.
- l. One assistant principal will be included at a cost of \$129,318.

11. Indirect/Direct Costs

- a. Inter-program indirect costs will be calculated at the maximum allowable rate per program. The district's State approved indirect cost rate for fiscal year 2019-20 will be 4.68%.
- b. Cafeteria Fund will be charged indirect costs using the district rate or state-wide Cafeteria rate, whichever is less. Education Code Sections 38101 and 52616.4(a)(3) specify that the indirect cost rate for Cafeteria Funds is the lesser of the school district rate or the statewide average rate. With the preceding criteria as the rule, the 2019-20 indirect rate for the Cafeteria Fund will be 4.68%.
- c. Direct costs will be charged to the Childcare Fund for staff time to support the program, use of facilities, and transportation services.

12. Transfers to Other Funds

- a. As a requirement of receiving state General Obligation bond funding for facilities, pursuant of Education Code 17070.75, 3% of General Fund expenditures must be set aside in a Routine Restricted Maintenance Account. For 2019-20 the transfer is estimated at \$2,607,507.
- b. The following interfund transfers are assumed to be ongoing:

\$337,000 To Fund 20 – Special Reserve for Postemployment Benefits
 \$200,000 To Fund 40 – Special Reserve for Bus Replacements
 \$ 25,000 To Fund 40 – Special Reserve for Equipment Replacement
 \$100,000 To Fund 40 – Special Reserve for New Phone System
\$100,000 To Fund 14 – Deferred Maintenance
 \$762,000

BALANCES:

13. Reserve for “Economic Uncertainty” of 3% will be maintained. The amount is calculated by applying 3% to the combined expenditures and other financing uses of the restricted and unrestricted General Fund.

14. Insurance Deductible Set-aside for insurance claims in the amount of \$200,000.

15. Instructional Materials Set-aside for State mandates of new instructional materials in Mathematics, English Language Arts, Science and Social Studies. The District allocates revenue annually to support ongoing and new adoptions.

The budget is developed in support of the Local Control and Accountability Plan (LCAP). The purpose of the LCAP is to provide information on services and programs planned by the District to support positive student outcomes across a broad spectrum of areas. The LCAP and the proposed budget documents are presented to the Board of Trustees concurrently for adoption at one meeting.

End of Budget Assumptions

3. Budget Guidelines (Perez, Sandoval)

1. Continue to provide an effective and current educational program, which meets District and state standards at all grade levels, shall be the prime consideration in developing the budget.
2. Budgeted expenditures shall not exceed income plus any carry over from prior years.
3. Board goals, directions, and priorities will be a driving force in the development of the budget to the extent allowed within the available funding.
4. When the Board authorizes or approves a new goal, project, or program, it shall specify the allocation or reallocation of resources required.
5. When new projects, plans, or programs are presented to the Board for approval, the estimated fiscal impact of the project and available funding sources shall be included. Upon approval, the budget shall be adjusted as deemed appropriate based on the availability of funds.
6. Funds shall be made available in the budget to support current and anticipated collective bargaining commitments in accordance with AB 1285.

7. The budget shall include a General Fund Reserve for Economic Uncertainty of no less than 3% of the total General Fund appropriations in classes 1000 through 7000.
8. Staffing shall be maintained so as to appropriately carry out Board policies, support future growth, and honor collective bargaining agreements.
9. All employees will be provided competitive salary and benefits packages that reflect a level of incentive sufficient to continue to attract and retain qualified people.
10. Furniture and equipment replacement will be funded to the extent that can be justified in relationship to available resources.
11. Supply and equipment formulas in effect for the current year shall be reviewed and adjusted as necessary.
12. Allowance shall be made for increases and/or decreases in the cost of services and supplies; e.g., gasoline, natural gas, electricity, insurance, water, postage, trash collection, telephone services, lease agreements, debt repayment, employee retirement contributions, or benefits mandated by law.
13. Unless there is a mandated level of General Fund participation, all categorical programs shall be self-supporting and, where allowable, shall include allocations for indirect and support costs. Special Education and Transportation are not recognized as self-supporting; however, a goal of self-support shall be maintained. An annual review of each of these programs shall be conducted to ensure as much of a reduction in the use of General Fund dollars as possible.
14. The Cafeteria Fund, Child Care Fund, and Associated Student Body funds shall be self-supporting and, where allowable, shall include allocations for direct, indirect, and support costs. An annual review of each of these funds/programs shall be conducted by the Business Department to ensure they are self-supporting.
15. The Multiple Year Projection budget document shall display General Fund Unrestricted and Restricted revenues and expenditures. This budget document shall be itemized by major revenue and expense categories. Revenues and expenses shall be displayed for the prior year, current year, and projected two years into the future. Detailed budget information shall be available so the Board and the public can examine the components of a specific program.
16. All Special funds, such as Building, Cafeteria, Capital Facilities, Special Reserve Funds, etc., shall be shown separately in a format similar to the Multiple Year Projection budget document.
17. The budget development process will include user friendly information that provides disclosure of anticipated beginning balances, revenues, expenditures and ending balances for all of the District's funds. This information will be provided to highlight the intended uses of these funds during the budget year.

18. A separate accounting shall be maintained to portray the receipt and expenditure of Lottery funds. Lottery funds received in the current fiscal year are not expended until the following fiscal year.
19. Provisions shall be made for an orderly program to preserve the use and value of existing facilities and equipment through capital improvements and preventive maintenance to the extent allowed within the available funding.
20. Any/all debt service obligations shall be included in the budget.
21. Start-up and ongoing expenses related to bringing new schools online shall be identified and budgeted within sufficient time to allow for the adequate transition to the opening of new schools.
22. All carryover funds in Federal categorical programs are considered restricted balances and will be continued as deferred income.

End of Budget Guidelines

4. Enrollment and Staffing Projection (Peterson, Perez)

- Enrollment Projections as of January, 2019 for General Education will require:
 - Add 3.0 FTE Elementary Teachers
 - Middle School will remain unchanged for staffing
 - Reconfigure 6th grade for Ustach Modernization
- Enrollment Projections as of January, 2019 for Special Education will require:
 - Add 2.0 FTE Teacher Autism
 - Add 8.0 FTE PARA Behavior Specialist
 - Add 2.0 FTE PARA Learning Assistant Support

5. Elementary Technology Replacement/Refresh Plan (Perez)

In an effort to support continued student learning, staff believes that elementary school technology Chromebooks should be refreshed every five years. In order to accommodate this plan, schools will be paired in groups to facilitate a 2:1 student to computer ratio for 2nd through 5th grade. These groups are designed so that the smallest number of students are created, thus the largest student populated school is paired with the smallest student populated school.

Learning and academic achievement are dependent on providing students with current curriculum and effective assessments. Our adopted English Language Arts curriculum, our Social Studies curriculum and our soon to be adopted Next Gen Science curriculum contain major technology components that are required for students to achieve at their highest levels.

The following are the school pairings and associated cost estimates to facilitate the 2:1 student to computer ratio (grades 2-5):

	A	B	C	D	E	F	G	H	I	J
1	Schools	Students	Chromebooks (2:1)		School Pairings	Pairing Chromebooks		Chromebook Costs (\$250 per)	Google Enterprise License (\$25 per)	Total
2	Brown	264	132		CR/WO	415		\$103,750.00	\$10,375.00	\$114,125.00
3	Crossroads	560	280		FR/SY	395		\$98,750.00	\$9,875.00	\$108,625.00
4	Freedom	508	254		OR/ST	344		\$86,000.00	\$8,600.00	\$94,600.00
5	Sanders	386	193		SA/BR	325		\$81,250.00	\$8,125.00	\$89,375.00
6	Orchard	373	186.5		SH/SC	314		\$78,500.00	\$7,850.00	\$86,350.00
7	Sherwood	296	148							
8	Standiford	314	157							
9	Stockard	331	165.5							
10	Sylvan	282	141							
11	Woodrow	269	134.5							

Year 2019-2020 - Crossroads Elementary School/Woodrow Elementary School: \$114,125

Year 2020-2021 - Freedom Elementary School/Sylvan Elementary School: \$108,625

Year 2021-2022 - Orchard Elementary School/Standiford School: \$94,600

Year 2023-2024 - Mary Ann Sanders Elementary School/Brown Elementary School: \$89,375

Year 2024-2025 - Sherwood Elementary School/Stockard Coffee Elementary School: \$86,350

To support elementary schools that are refreshed in the later years, current existing newer Chromebook technology at sites refreshed earlier in the five year cycle, will be transferred to schools such as Sherwood, Stockard Coffee, Mary Ann Sanders and C. F. Brown. Or, devices may need to be shared across sites to accommodate State testing.

Technology Plan refresh in 2021 will include an updated elementary school Chromebook refresh plan to accommodate continued planning in subsequent school years.

6. Fiscal Impacts to Consider (Perez, Sandoval)

- The district is in good financial standing and remains fiscally solvent as we enter the 2019-20 fiscal year budget planning cycle
- The district has settled negotiations with SEA or CSEA
- Increases to STRS contribution requirement
- Increases to PERS contribution requirement
- Increase of minimum wage to \$15.00 by January 2022
- Increasing contribution to Special Education
- Textbook adoption
- Facilities in need of repair beyond the 3% required contribution.
- COLA only year over year increases to revenue.

7. Next Steps (Perez, Sandoval)

- February 12, 2019: Draft Budget Assumptions
- March 5, 2019: Approve 2nd Interim Report for FY 2018-19
- April 16, 2019: Budget Study Session (5:30 to 8:00 pm)
- April 19: Friday Update: Staff response to questions by Board
- April 23: Regular Board Meeting:
 - Budget Assumptions Draft Updated
 - Final Board Direction on the 2019-20 Fiscal Year Budget provided to Staff
- May 21: Regular Board Meeting:
 - Update on Governor's May Revise, Budget and LCAP Progress
- June 4: Regular Board Meeting:
 - Public Hearing for the 2018-19 Local Control and Accountability Plan

- Public Hearing for the 2018-19 Fiscal Year Budget
- June 25 Regular Board Meeting:
 - Adopt the 2019-20 Local Control and Accountability Plan
 - Adopt the 2019-20 Fiscal Year Budget

8. Ustach Modernization Update (Hendricks, Perez)

- a. The architect is close to 80% of construction documents.
- b. Lease Lease Back Method Delivery Method: Plan to issue RFP for a contractor in the Month of February, with a recommendation to the board in March or April. When contract is awarded, the contractor will begin immediately partnering with the district to review the design for constructability prior to competitive bidding for sub-contracting of the trades.
- c. 90% of the concrete (approximately 50,000 sq. ft.) will have to be removed to bring the school in compliance with ADA.
- d. Unforeseen conditions related to water lines and plumbing lines are expected. Therefore a larger contingency is warranted.
- e. Need to free up 8 classrooms for each phase of project
 - i. 5 classrooms are available
 - ii. Move up to 3 classrooms to another middle school (plan in progress) **or**
 - iii. Add 1-3 temporary portables to site during construction (estimated at \$30,000 per portable for a 12 month period).
- f. Priority List includes:
 - i. ADA upgrades as required
 - ii. HVAC: Convert to package or split units (Rheem and VRF)
 - iii. Electrical: Upgrade required to accommodate new HVAC system
 - iv. Roofs: Replace all except for MPR Roof (completed Summer 2018)
 - v. Restroom upgrade: Considering penal-ware fixtures for the 90's wing restrooms due to on-going destruction of the rest rooms. All other restrooms will be to current district standards.
 - vi. Fire Alarm upgrade: Fire alarm is original to the school and has reached its useful life
 - vii. Technology: Standardize classrooms with short throw projectors/teaching stations
 - viii. Landscaping: More concrete. Trees must be removed that are damaging concrete and buildings
 - ix. Paint Building Interior
 - x. Replace carpet
- g. Additional Needs:
 - i. Kitchen Remodel: Kitchen is out of compliance with ADA and inadequate
 - ii. Convert showers to storage: Retain one ADA compliant shower in both boys and girls locker rooms
 - iii. Bleachers are old and should be replaced
 - iv. Compactor: Electrical added to accommodate compactor
 - v. Track: There is not a track at the school
- h. Project Schedule: September 1, 2019 to September/October 2020

i. Funding:

Deferred Maintenance	Fund 14	\$1,200,000
Developer Fees	Fund 25	369,843
State Facilities	Fund 35	<u>\$7,093,118</u>
Total Available now:		\$8,662,961
Less: Soft Cost Estimate:	8%	<u>\$ 693,039</u>
Construction Cost:		\$7,969,924

It is anticipated funding will be inadequate to complete the project priority list.

Potential Future Funds available over next 4-6 years:

Sylvan State Reimbursement:	\$2,798,309
Orchard State Reimbursement:	\$2,632,218
Ustach State Match	<u>\$4,621,565</u>
Total Future 4-6 years:	\$9,752,092

j. Construction Cost Increase over 6 years vs. Cost of Financing

California Consturction Cost Index for Northern California			Cost of Waiting to Make \$2 Million Improvements			Financing Cost: \$2 million over 6 years	
	CCCI		Scenario 1			3%	187,889.00
2017	3.50%				2,000,000.00	4%	252,906.00
2016	4.40%		Yr 1	1.50%	2,030,000.00	5%	319,110.00
2015	2.20%		Yr 2	2.30%	2,076,690.00		
2014	1.30%		Yr 3	1.30%	2,103,686.97		
2013	2.30%		Yr 4	2.20%	2,149,968.08		
2012	1.50%		Yr 5	4.40%	2,244,566.68		
2011	1.50%		Yr 6	3.50%	2,323,126.51		
2010	6.30%				323,126.51		
2009	-1.10%		Scenario 2				
2008	6.80%				2,000,000.00		
2007	2.10%		Yr 1	2.50%	2,050,000.00		
2006	5.40%		Yr 2	2.50%	2,101,250.00		
Average	3.02%	12 yrs	Yr 3	2.50%	2,153,781.25		
Average	2.53%	6 yrs	Yr 4	2.50%	2,207,625.78		
			Yr 5	2.50%	2,262,816.43		
			Yr 6	2.50%	2,319,386.84		
					319,386.84		
			Scenario 3				
					2,000,000.00		
			Yr 1	1.50%	2,030,000.00		
			Yr 2	1.50%	2,060,450.00		
			Yr 3	1.50%	2,091,356.75		
			Yr 4	1.50%	2,122,727.10		
			Yr 5	1.50%	2,154,568.01		
			Yr 6	1.50%	2,186,886.53		
					186,886.53		