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BUDGET DEVELOPMENT ASSUMPTIONS – GENERAL FUND

FISCAL YEAR 2020-2021

Board Approval date:

INTRODUCTION

Fiscal Year 2020-2021 may be the most challenging budget that the education community has ever faced. The impacts of the Coronavirus on our District and other Districts throughout the State at this time is still being determined. This document contains the budget assumptions which the District will use to develop its 2020-2021 school year adopted budget for the General Fund. The assumptions fall into the following categories: General Assumptions; Fund Balance; Revenues; and Expenditures. Expenditure assumptions supplement and align with the Local Control Accountability Plan (LCAP) goals.

GENERAL ASSUMPTIONS

1. As a result of Covid 19, personal income tax deadlines were delayed, which will have an affect on finalizing the State's revenue assumptions. It is anticipated that the State's final revenue forecasts will not be finalized until July or August and our revenues will be adjusted accordingly.
2. The District activities and budget will continue to be guided by the Board approved Strategic Plan and LCAP.
3. This budget assumption document is based on the Governor's January 2020-2021 State Budget Proposal and recommendations from professional school business organizations such as School Services of California (SSCal), Schools for Sound Finance (SF2), Association of California School Administration (ACSA), California Association of School Business Officials (CASBO) and the San Mateo County Office of Education.
4. When the 2020-2021 State Budget May Revise is announced, the assumptions will be adjusted accordingly.
5. The 2020-2021 budget public hearing will be held at the June 4, 2020 Board meeting, and the budget will be presented for adoption at the June 18, 2020 Board meeting.

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FUND BALANCE

6. The Board has given direction to temporarily reduce the Board Policy of reserving 10% for Economic Uncertainties to 6%.
7. Other Fund Balance Designations include prior year carryovers of unspent allocations.
8. The 2019-2020 Unrestricted General Fund estimated ending balances, which are used to project 2020-2021 beginning balances, are shown below.

Budget Summary - 2019-2020 General Fund Unrestricted Fund Balance		
	<u>First Interim Dec 19,2019</u>	<u>Second Interim Mar 26, 2020</u>
Projected Unrestricted Ending Balance	\$ 29,207,380	\$ 29,771,614
Economic Uncertainties (6%)	\$ 9,516,704	\$ 9,540,647
Revolving Cash	\$ 35,000	\$ 35,000
Prepaid Expenditures	\$ 45,288	\$ 45,288
Other Designations	\$ 19,610,385	\$ 20,120,678
Projected Undesignated Ending Balance	\$ -	0

9. Until the 2019-2020 actual expenditures are known, the 2020-2021 restricted general fund program fund balances are estimated.

REVENUES

10. 2020-2021 represents the seventh year of LCFF implementation. Unrestricted General Fund revenue is per the LCFF Calculator from FCMAT (Fiscal Crisis and Management Assistance Team).
In January 2020, the 2020-2021 COLA was estimated at 2.29%, applied to LCFF target. Forecasted COLA's subsequent to the onset of the Coronavirus have fluctuated significantly.

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	2019-20	2020-21	2021-22	2022-23
Cost of Living Adjustment (COLA)	3.26%	2.29	2.71	2.82
LCFF Entitlement Gap Funding Rate	0.00%	0.00%	0.00%	0.00%
Base Grants (calculated at 100% implementation)				
Grades K-3	\$ 7,702	\$ 7,878	\$ 8,091	\$ 8,320
Grades 4-6	\$ 7,818	\$ 7,997	\$ 8,214	\$ 8,445
Grades 7-8	\$ 8,050	\$ 8,234	\$ 8,457	\$ 8,696
Grade Span Adjustment (calculated)				
Grades K-3	\$ 801	\$ 819	\$ 841	\$ 865
Add-Ons (no COLA)				
Targeted Instructional Improvement	\$ 224,147	\$ 224,147	\$ 224,147	\$ 224,147
Transportation	\$ 231,328	\$ 231,328	\$ 231,328	\$ 231,328
Supplemental Grant (percent of Base Grant amount)	7.73%	7.88%	7.38%	7.42%
San Mateo-Foster City School Districts' LCFF Entitlement Per ADA (estimated)	\$ 8,865	\$ 9,054	\$ 9,282	\$ 9,546
IMPACT OF CORONAVIRUS STILL TO BE DETERMINED				

11. Property Tax revenue is budgeted with a 4% increase (will be updated when County Assessor projection is issued in late August).
12. At this time, the District is projected to be a Basic Aid District for 2020-2021 and the two subsequent fiscal years in the Multi Year Projection.
13. Enrollment Trends and Assumptions - enrollment figures are used to project staffing, average daily attendance (ADA), and LCFF entitlement. The following projections will be updated and incorporated into our budget as new data emerges.

	2019-20 2nd Interim	2020-21 Projected	2021-22 Projected	2022-23 Projected
Budgeted Enrollment	11,576	11,478	11,432	11,402
Change from prior year		-98	-46	-30
Percentage change		-0.85%	-0.40%	-0.26%
Average Daily Attendance (ADA)	11,127	11,033	10,988	10,960

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14. Initial 2020-2021 Lottery revenues were projected as follows by California Lottery Commission, however it is reported that Lottery sales have decreased as a result of the Coronavirus and we anticipate a reduction in funding:
 - Unrestricted at \$153.00 per ADA
 - Restricted Proposition 20 at \$54.00 per ADA
15. The District will continue to budget for the Mandate Block Grant. The 2020-2021 estimated rate is \$32.92 per ADA.
16. Special Education state revenue will be budgeted adjusted to align with the newly proposed special ed funding formula. Federal revenue will be budgeted at same level as in 2019-2020.
17. Other Federal categorical programs will be budgeted at the same level as in 2019-2020.
18. Interest income is projected to be at 1.5%.
19. Local grants and donations (revenue & expenses) are not budgeted for in the July 1 budget. When received, these revenues (and associated expenses) will be posted to the budget.
20. Board approved facility use fees will continue to be collected from the users of District facilities, however the impact of the coronavirus has been to significantly reduce facility usage. We will forecast a reduction in facility fees.
21. A Parcel Tax was authorized by the voters in 1991 (Measure B). This tax will continue to be adjusted by the change in the Consumer Price Index (CPI).
22. The Measure V parcel tax was passed by voters at the Nov. 6, 2018 election. Revenue from this parcel tax is estimated at \$10 million per year and is included in the 2020-2021 budget. The term is nine years and will expire in 2028-2029.
23. The Annex Program was forecasted to contribute \$500,000 and Fee-based preschool was forecasted to contribute \$250,000 to the General Fund. These forecasts will be reduced by 50% for the 20-21 year as a result of the Coronavirus. The Annex program generates \$400,000 a month in revenue, and the fee based program generates \$190,000 a month in revenue. Each month that these programs do not operate will result in a direct loss of revenue as specified, and will result in a corresponding reduction in the reserves for both of these programs.

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EXPENDITURES

24. Classroom teacher allocations (FTEs) will be calculated based on the 2020-2021 enrollment projections, ratios are as follows.
 - Grade TK-3 = 24 to 1 staffing ratio (averaged per site)
 - Grade 4-8 = 30 to 1 staffing ratio
25. Classified support staff will be determined based on established allocation formulas.
 - Student supervision
 - School office assistants
 - Custodians
 - Maintenance and Grounds Keeping
26. The District will continue to provide support for physical education for elementary schools.
27. The District will continue the purchase of instructional materials as necessary to implement California State Standards and meet Williams Settlement requirements.
28. Salary projections include the negotiated salary increases through 2020-2021 and costs of step and column advancement for:
 - SMETA (average 4% annually from Step 1 to Step 22)
 - CSEA (average 5% annually from Step 1 to Step 6)
29. Projections include the negotiated SMETA hourly rate of \$30 to \$45 per hour
30. Other certificated projections include the District sponsored Outdoor Education stipend of \$250 per night and new stipends for Montessori certification and Title I schools, BCLAD, Special Education, and the new substitute rate.
31. Artist in Residence (5th grade music) hourly rate of \$40 is included in consultants. The TK-5 music program is included in other services. The SMFCSD Education Foundation's annual donation funds a portion of the Artist in Residence (5th grade music) program.

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32. It is the District's priority to provide fair and equitable salaries and benefits consistent with the District's budget and priorities. Negotiable salary adjustments are added to the budget upon settlement. Salary increases for SMETA 2020-2021 have been settled and are included in the adopted budget assumptions. Salary increases for years beyond 2020-21 are not included in the adopted budget's multi year projection.
33. The Low Performing Student Block Grant will support 3 FTE of Math TOSAs for 2020/21 and it ends.
34. Positions funded with LCAP Supplemental funds are funded entirely through the LCAP and are reviewed annually to ensure that they provide increased or improved services to qualified students.
35. Estimated payroll driven costs are listed below.

Employer Tax	2019-20	2020-21	2021-22	2022-23
STRS (State Retirement - Cert)	17.10%	18.40%	18.10%	18.10%
PERS (State Retirement - Class)	20.70%	22.80%	24.90%	25.90%
Employee PERS	0	0	0	0
OASDI (Federal Retirement)	6.20%	6.20%	6.20%	6.20%
Medicare	1.45%	1.45%	1.45%	1.45%
Unemployment Insurance	0.05%	0.05%	0.05%	0.05%
Workers Comp	2.41%	2.50%	2.20%	2.20%
Retiree Benefits (OPEB)	2.50%	2.50%	2.50%	2.50%
Certificated P/R Tax & Benefits	23.51%	24.90%	24.30%	24.30%
Classified P/R Tax & Benefits	33.31%	35.50%	37.30%	38.30%
STRS Employer Statutory Rates (Proposed Buydown)				
Impact of Coronavirus still to be determined				

36. Sites will provide training and staff development for certificated and classified staff through School Plan for Student Achievement (SPSA) planning and budgeting. The District will support and expand upon site-based training and staff development through the Local Control Accountability Plan (LCAP) planning and budgeting.

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37. The budget currently includes all middle schools will have an Assistant Principal, and Elementary schools with a student enrollment of 600 have an Assistant Principal.
38. School allocations per enrolled student as of October CalPADS/CBEDS and SEIS (Special Education Pre School) will be as follows:
 - a. Middle School instructional supplies: \$34 (down from \$36.00)
 - b. Elementary School instructional supplies: \$29 (down from 31.00)
 - c. Special Education Pre School instructional supplies: \$29 (down from \$31.00)
 - d. School office supplies: \$10.00
 - e. Custodial supplies: \$10.00
39. The Routine Restricted Maintenance (RRM) set aside of 3% of total general fund expenditures is required by Education Code Section 17070.75 for ongoing maintenance of the grounds and buildings.
40. Deferred Maintenance set aside of 1% of unrestricted general fund revenues transferred to Fund 14 to ensure safe, clean, and functional school facilities in compliance with the requirements of the Williams Act settlement and Education Code Section 17582(a). Deferred maintenance includes major repair or replacement of plumbing, heating, air conditioning, electrical, roofing, floor systems, interior/exterior painting of school buildings, and the inspection, sampling, and analysis of building materials for carcinogenic materials.
41. Utility costs historically have been projected based on three years average of actual annual spending and discussion and notifications from utility companies (if any). Utility costs decreased from March through June of 2020 as a result of the Coronavirus. The budget will include utilities based on 19-20 Actuals.

District Operations

42. The Medical Insurance rate for 2021 will be released by CALPERS in June 2020. The District will use 7% for all medical benefits until the actual rate is received.
43. Per the Government Accounting Standard Board (GASB) Statement 75, the District must recognize and record expenses relating to Other Post-Employment Benefits (OPEB). The district will budget the payroll charge of 2.5% to be transferred to the Retiree Benefit Fund 71. The District will explore options for reducing OPEB liabilities through an irrevocable trust.

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44. San Mateo County Schools Insurance Group (SMCSIG) will approve the 2020-2021 insurance rates in May 2020. The Tentative Budget will use the following rate adjustment assumptions:
- Dental Premium (Joint Power Agency): -5%
 - Vision Premium (Joint Power Agency): -5%
 - Property Liability Insurance, including flood insurance and cyber security insurance (Joint Power Agency): 44.93%
 - Workers Compensation Insurance Premium 4%
45. Transfer into the Special Reserve for Insurance, Fund 17 an amount equal to the difference in property and liability and flood insurance cost at a higher level of deductible per occurrence as listed below. The intent is to maintain a fund to pay for the District's insurance deductibles as needed.
- Property and liability insurance will be purchased at the \$10,000 and \$15,000 deductible level instead of \$5,000 deductible level.
 - Flood insurance will be purchased at the \$500,000 deductible level instead of the \$250,000 deductible level.
46. SMCSIG will no longer insure against mold claims. The District will establish a self insurance fund for mold damage in Fund 17 to help offset the liability of these losses.
47. The District is preparing for a Board Member election on the Nov. 5, 2020 general election ballot. The cost for a general election is budgeted at \$400,000.
48. Funding for Title I, II, III and IV and the Individuals with Disabilities Education Act (IDEA) programs will be allocated and reported on according to the federal program guidelines.
49. Title I schools will be determined annually based on a participation rate in the Free and Reduced Lunch Program of 50% or greater. Schools for 2020/21 are Fiesta Gardens, Sunnybrae, LEAD, and San Mateo Park.
50. The District will pay the required fees of the International Baccalaureate (IB) program at Sunnybrae.
51. The District will continue to budget general fund contributions to support services for Special Education, Transportation, Academic Centers, Induction Program and the after school athletic programs at the middle schools.

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52. Technology devices for staff and/or students budgeted at \$500K of unrestricted general fund revenues is for the replacement of obsolescent or broken devices and \$350K for new purchases (Chrome books). These funds may carryover if needed.