

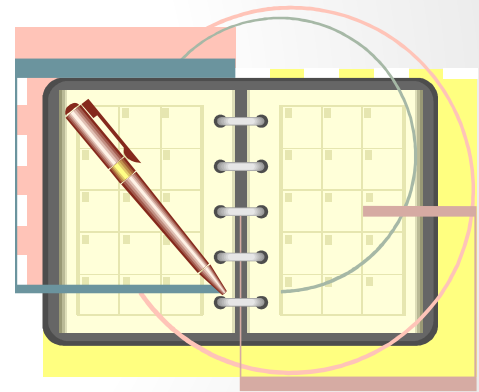


## Second Interim Report March 11, 2018

► San Rafael City Schools

# Agenda

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

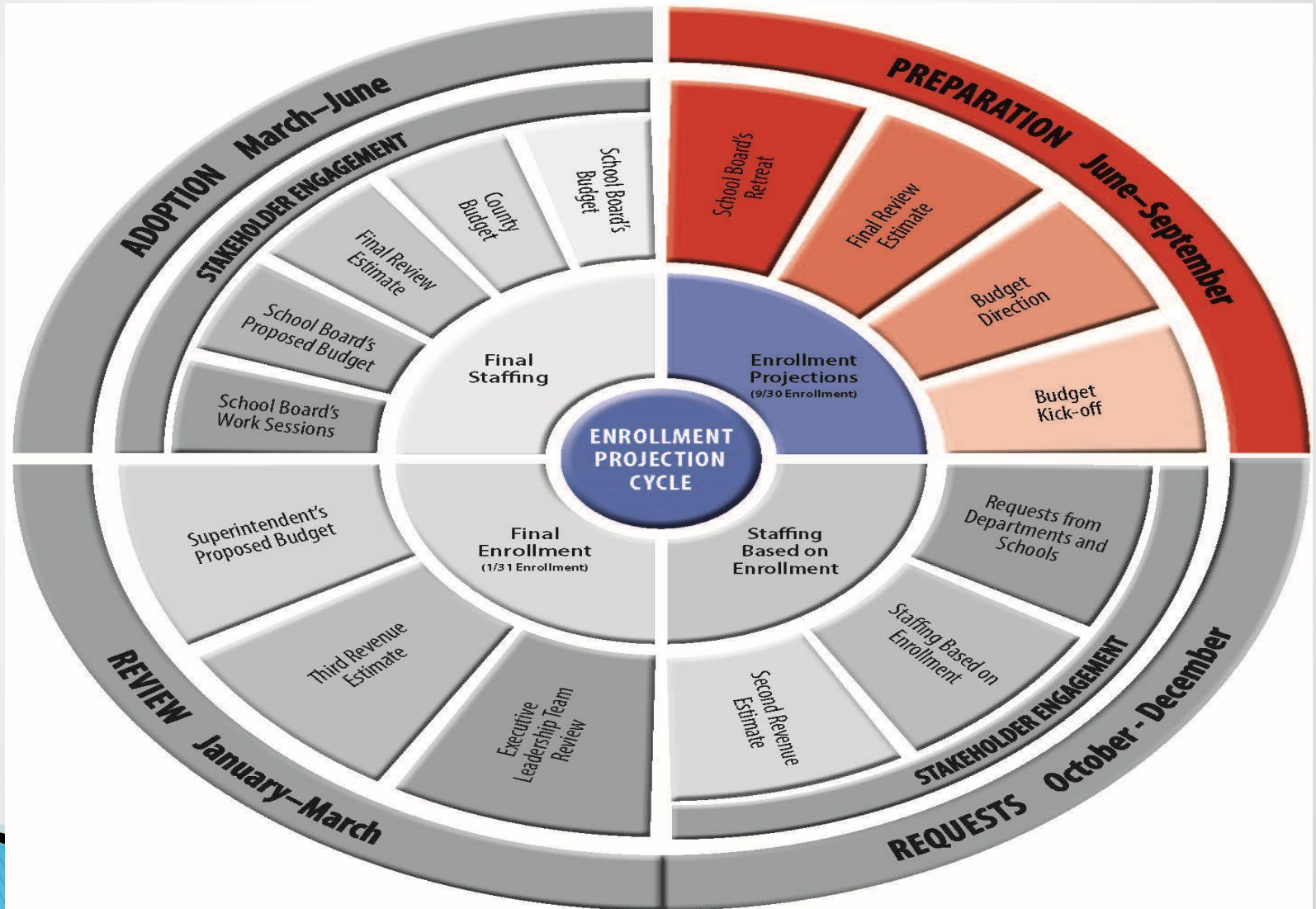


# State Budget Process

- ▶ 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...



# Budget Development Cycle – Preparation



# 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



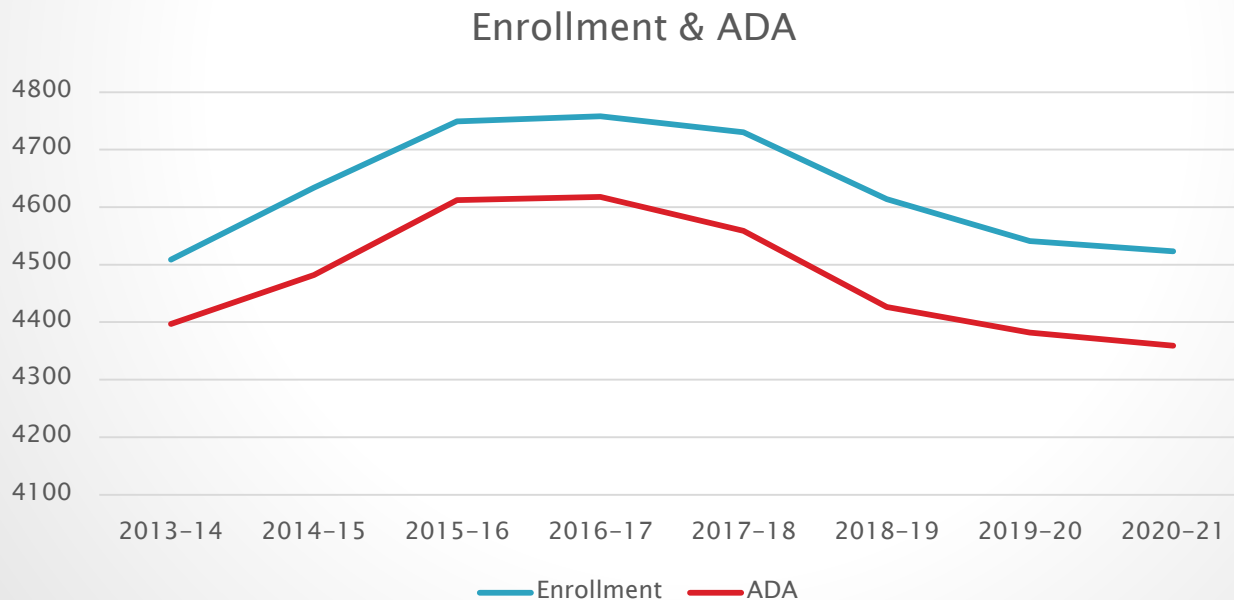
# Components: Funding Factors

- ▶ Average Daily Attendance (ADA) or Enrollment (HSD)
  - ESD – The projected ADA for 2018–19 is 4,426, which is a decrease of 133 less ADA from 2017–18.
  - HSD – Projected enrollment is 2,680 which is 12 more than 1<sup>st</sup> Interim but 3 less than 2017–18.
  - HSD 18–19 Projected ADA is 2472 (29 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.



# Components: ESD Funding Factors

- ▶ ESD Average Daily Attendance (ADA) and Enrollment decreasing
  - ESD – Since 2016–17 ADA has decreased 191 ADA which translates to \$1.7 Million in lost funding



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

18–19 Property Tax Revenue	\$ 26,899,511
Less: LCFF Transition Revenue	<u>\$ 25,728,722</u>
Excess Property Taxes	\$ 1,170,789

- Based on current assumptions and 4–5% annual property tax growth, SRHSD would be entitled to approximately \$27.8 million by 2020–21 under the LCFF
  - Amount is \$1.3 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, vacancy savings, and salary increases for SRTA, CSEA in budget
- ▶ Increased STRS and PERS rates reflected
- ▶ Using Local Control Funding Formula (LCFF), including 2.71% Statutory COLA plus a .99% LCFF augmentation in 2018–19 and 100.0% “gap” funding toward target two years earlier than projected
- ▶ HSD +\$1.2 M in excess property taxes
- ▶ Using P–1 Average Daily Attendance (ADA), projected to P–2
- ▶ Restricted Local Revenue includes Parcel Tax for each district

# ESD Parcel Tax

PARCEL TAX REVENUES :     \$3,218,230

CERTIFICATED SALARIES :     1,962,167

CLASSIFIED SALARIES :     414,460

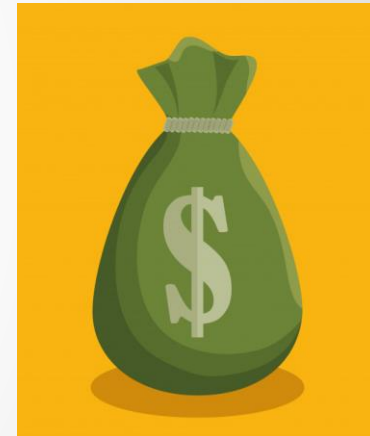
EMPLOYEE BENEFITS :     835,126

BOOKS AND SUPPLIES :     32,649

SERVICES:     80,862

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TOTAL EXPENDITURES     \$3,325,264



# HSD Parcel Tax

PARCEL TAX REVENUES :     \$3,175,256

CERTIFICATED SALARIES :     2,107,357

CLASSIFIED SALARIES :         201,624

EMPLOYEE BENEFITS :           654,805

BOOKS AND SUPPLIES :         139,725

SERVICES:                             83,275

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TOTAL EXPENDITURES             \$3,186,786



# 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 53% for HSD

# Combined General Fund Revenue

## ▶ Elementary SD:

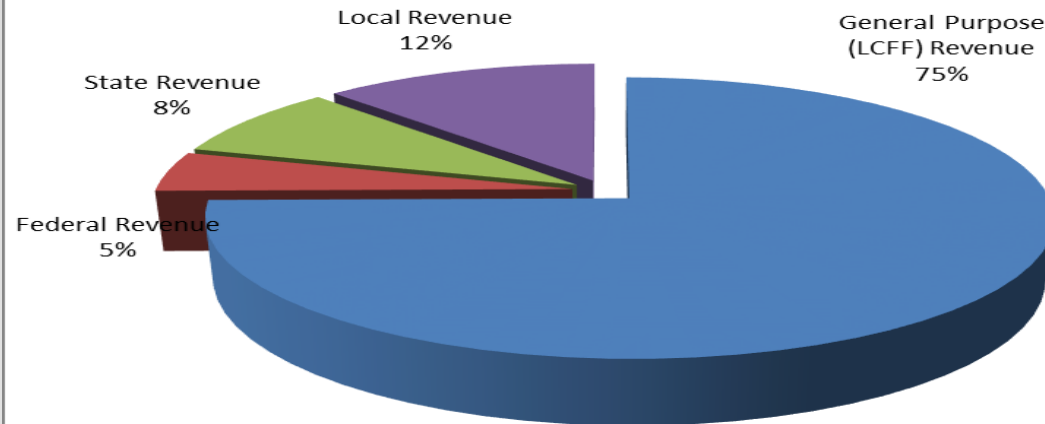
ESD DESCRIPTION	AMOUNT
General Purpose (LCFF) Revenue	\$44,346,427
Federal Revenue	\$2,766,088
State Revenue	\$4,944,234
Local Revenue	\$7,231,013
TOTAL	\$59,287,761

## ▶ High School District:

HSD DESCRIPTION	AMOUNT
General Purpose (LCFF) Revenue	\$27,367,833
Federal Revenue	\$1,070,759
State Revenue	\$2,626,367
Local Revenue	\$5,257,351
TOTAL	\$36,322,310

# General Fund Revenue Budget

**Total ESD General Fund Revenues  
2nd Interim 2018-19**



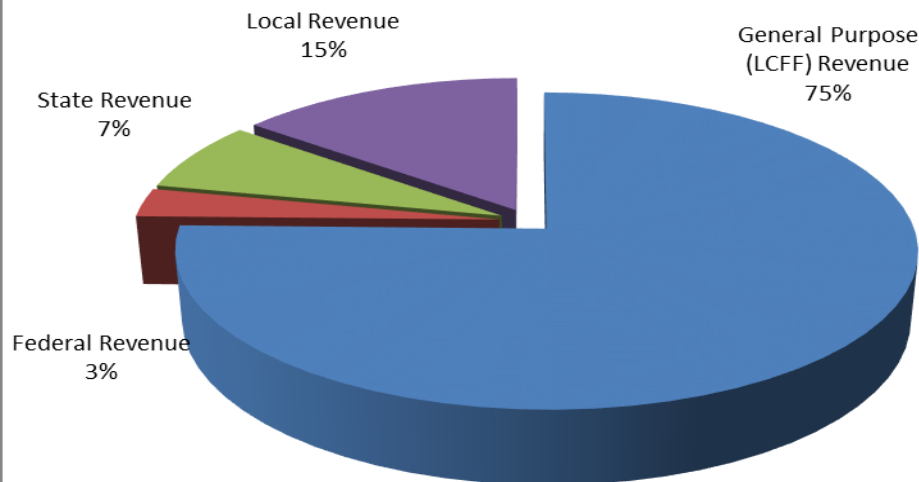
*General Purpose – Property taxes, basic state aide, and education protection account funds*

*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.)*

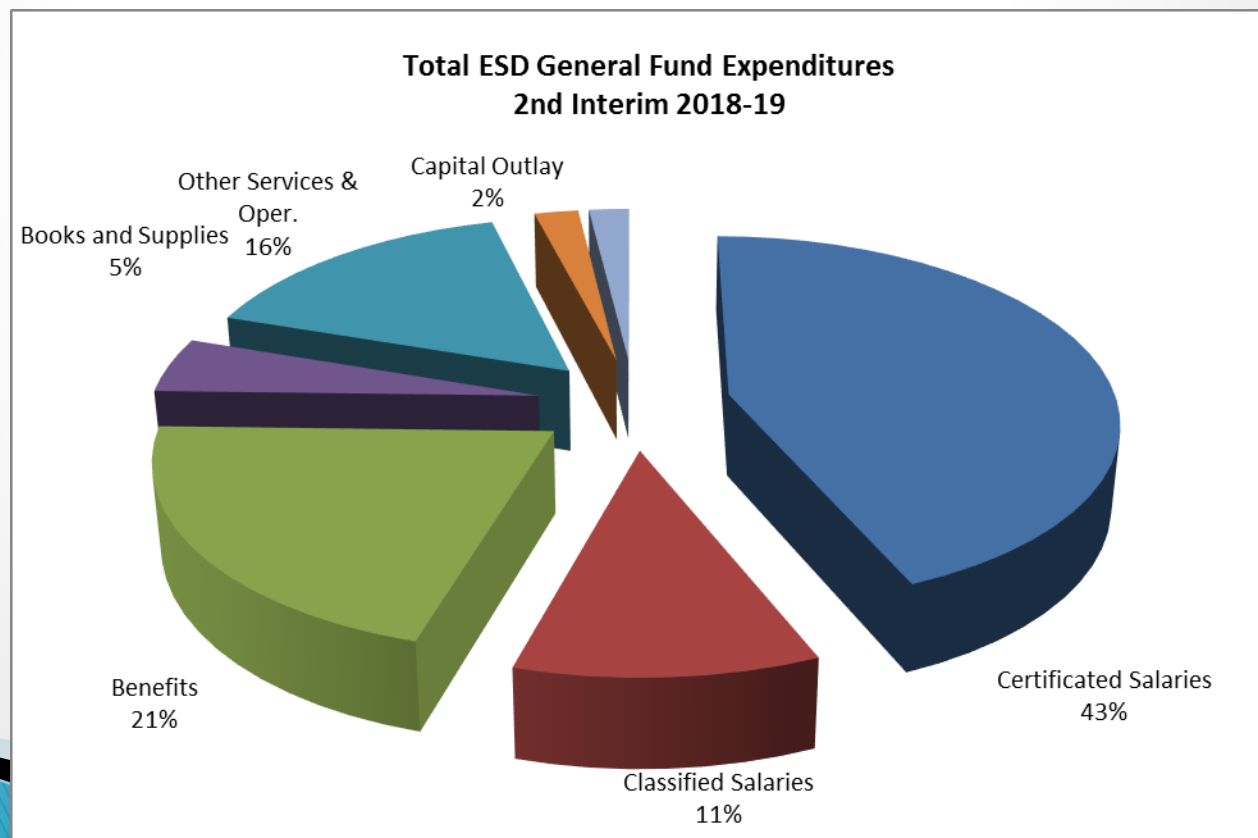
*Local – Funds received from local sources (Parcel Tax, Foundation support, PTSA support, Interest, etc.)*

**Total HSD General Fund Revenues  
2nd Interim 2018-19**



# General Fund Expenditures (ESD)

- ▶ Reflects General Fund only (no Cafeteria, Bonds, Child Development)
- ▶ Employee costs are approximately 75% for combined general fund and 84% for unrestricted general fund



# Positions and Employees (ESD)

- ▶ The ESD budget funds:

259.3 FTE Certificated Positions

110.3 FTE Classified Positions

30.7 FTE Management and Confidential Positions

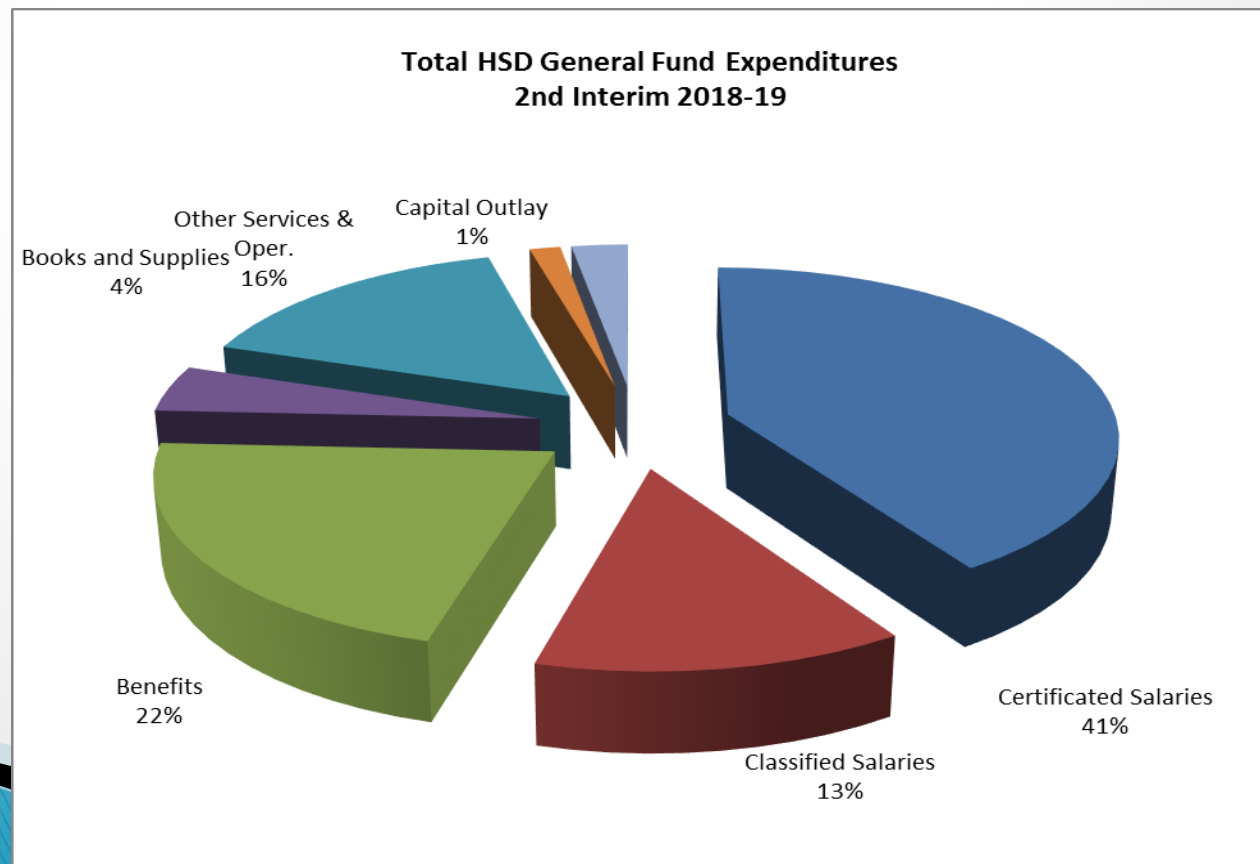
## 414 Employees

289 Certificated

125 Classified

# General Fund Expenditures (HSD)

- ▶ Reflects General Fund only (no Cafeteria, Bonds, Adult Ed)
- ▶ Employee costs are approximately 76% for combined general fund and 85% for unrestricted general fund



# Positions and Employees (HSD)

- ▶ The HSD budget funds:

131.3 FTE Certificated Positions

70.1 FTE Classified Positions

20.5 FTE Management and Confidential Positions

## 259 Employees

150 Certificated

109 Classified

# 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 2018-19			
Description	Unrestricted	Restricted	Total
Total Revenues	46,638,152	12,649,609	59,287,761
Total Expenditures	39,235,082	20,681,210	59,916,292
Excess/(Deficiency)	7,403,070	(8,031,601)	(628,531)
Other Sources/Uses	(7,996,821)	6,704,489	(1,292,332)
<b>Net Increase/(Decrease)</b>	<b>(593,751)</b>	<b>(1,327,112)</b>	<b>(1,920,863)</b>
Add: Beginning Fund Balance	14,573,855	3,848,852	18,422,708
<b>Ending Fund Balance</b>	<b>13,980,104</b>	<b>2,521,741</b>	<b>16,501,845</b>

# Changes Since First Interim– ESD

ESD Unrestricted Changes Since First Interim			Change in Fund Balance 2018-19
Excess of Expenditures over Revenues			\$ 126,269
Revenue Changes			
LCFF Funding - unduplicated student count change	(84,237)		
Local Revenue -	(10,456)		
	(94,693)		\$ (94,693)
Expenditure Changes			
Certificated Salaries - compensation adjustments (4.0% raise)	(716,399)		
Classified Salaries	57,670		
Benefits	28,047		
Books and Supplies	(21,988)		
Other Services, Operations - donations	80,072		
Other Changes - transportation funding transfers	(76,598)		
Transfers of Indirect	(985)		
Contribution to Restricted Budget - SpEd Trans & MCOE excess costs	24,854		
Total Expenditure Change	(625,327)		\$ (625,327)
Revised Excess of Expenditures over Revenues			\$ (593,751)

# What Were the Changes to the ESD Budget?

- ▶ LCFF funding decreased due to change in unduplicated student count since 1<sup>st</sup> interim
- ▶ SRTA & CSEA 4.0% Salary Increase
- ▶ Donations and local grants received since first interim
- ▶ Special Ed contribution reduced by \$24K for transportation and MCOE excess costs change

# 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

HSD 2nd Interim General Fund Budget 2018-19			
Description	Unrestricted	Restricted	Total
Total Revenues	28,961,464	7,360,846	36,322,310
Total Expenditures	23,832,579	14,445,013	38,277,592
Excess/(Deficiency)	5,128,884	(7,084,166)	(1,955,282)
Other Sources/Uses	(6,356,849)	6,328,084	(28,765)
<b>Net Increase/(Decrease)</b>	<b>(1,227,965)</b>	<b>(756,082)</b>	<b>(1,984,047)</b>
Add: Beginning Fund Balance	6,260,509	1,634,183	7,894,692
<b>Ending Fund Balance</b>	<b>5,032,545</b>	<b>878,101</b>	<b>5,910,645</b>

# Changes Since First Interim – HSD

HSD Unrestricted Changes Since First Interim			
			Change in Fund Balance 2018-19
Excess of Expenditures over Revenues		\$	(1,409,067)
Revenue Changes			
LCFF Revenue	5,586		
Other Local Revenue - Transportation, Donations, Flood Insurance	261,859		
	<u>267,445</u>	\$	<b>267,445</b>
Expenditure Changes			
Certificated Salaries	9,106		
Classified Salaries - Compensation adjustment (2.0% raise), vacancy savings	(31,280)		
Benefits	(34,840)		
Books and Supplies	(8,204)		
Other Services, Operations - settlement agreement, SRHS flood damage	261,628		
Other Changes	7,995		
Transfer out - for Food Services FD13	34,093		
Contribution to Restricted Budget - SpEd Trans and MCOE excess costs	<u>(152,155)</u>		
Total Expenditure Change	86,343	\$	<b>(86,343)</b>
Revised Excess of Expenditures over Revenues		\$	<b>(1,227,965)</b>

# What Were the Changes to the HSD Budget?

- ▶ LCFF funding adjusted for small increase in EPA funding
- ▶ Local revenue budgets are increased upon actual receipt of funds
- ▶ Adjusted CSEA salaries due to 2% raise and vacancy savings for unfilled positions
- ▶ Adjusted services for settlement agreement, SRHS flood damage and master scheduling software
- ▶ Spec. Ed. contributions decreased by \$152K

# Carryover Budget

- ▶ The revised General Fund Budget at First Interim includes the spending down of funds from the prior year or carry over
  - Backing out budgeted carry over; projection shows a structural deficit in ESD unrestricted budget

ESD - 2nd Interim General Fund Budget 2018-19			
Description	Unrestricted	Restricted	Total
Beginning Fund Balance	14,573,855	3,848,852	18,422,708
Net Surplus/(Deficit)	(593,751)	(1,327,112)	(1,920,863)
Budgeted Carry over spending	319,081	1,596,099	
Natural Surplus/(Deficit)	(274,671)	268,987	

- Backing out budgeted carry over; projection shows a structural deficit in HSD unrestricted budget

2nd Interim General Fund Budget 2018-19			
Description	Unrestricted	Restricted	Total
Beginning Fund Balance	6,260,509	1,634,183	7,894,692
Net Surplus/(Deficit)	(1,227,965)	(756,082)	(1,984,047)
Budgeted Carry over spending	66,881	760,852	
Natural Surplus/(Deficit)	(1,161,084)	4,770	

# 2018-18 All Funds (ESD)

## All Funds of the ESD District

Fund Number and Description		Fund Balance July 1, 2018	Current Year Activity	Fund Balance June 30, 2019
01	General Fund	\$18,531,115	(\$1,092,950)	\$17,438,166
12	Child Development	\$46,248	\$0	\$46,248
13	Cafeteria	\$874,694	\$2,792	\$877,486
14	Deferred Maintenance Fund *	\$816,217	\$30,207	\$846,424
20	Special Reserve for OPEB	\$3,291,543	\$770,295	\$4,061,838
21	Building Funds	\$16,858,474	(\$15,932,688)	\$925,786
25	Capital Facilities Fund	\$116,593	\$12,955	\$129,548
40	Special Reserve for Capital Outlay	\$1,685,440	\$217,062	\$1,902,502
51	Bond Interest Redemption	\$8,768,411	\$0	\$8,768,411



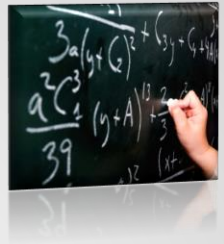
# 2018-19 All Funds (HSD)

## All Funds of the High School District

Fund Number and Description		Fund Balance July 1, 2018	Current Year Activity	Fund Balance June 30, 2019
01	General Fund	\$7,894,692	(\$1,984,047)	\$5,910,645
11	Adult Ed Fund	\$59,293	(\$47,402)	\$11,891
13	Cafeteria	\$3,789	(\$3,789)	\$0
14	Deferred Maintenance Fund *	\$460,708	(\$169,507)	\$291,201
20	Special Reserve for OPEB**	\$2,032,147	\$30,000	\$2,062,147
21	Building Funds	\$12,694,409	\$23,336,874	\$36,031,283
25	Capital Facilities Fund	\$237,423	(\$14,074)	\$223,350
40	Special Reserve for Capital Outlay	\$1,296,993	(\$655,596)	\$641,397
51	Bond Interest Redemption	\$6,548,236	\$0	\$6,548,236



# Multi-Year Assumptions



- ▶ Assumed flat to slightly decreasing enrollment and Dept of Finance (DOF) gap funding assumptions
- ▶ For high school district, assumed 4–5% increase annually in property taxes
- ▶ Step and Column cost increases 1.5% annually
- ▶ Increased STRS costs by 1.85% and 0.97% and PERS costs by 2.64% and 2.7% of salaries in 2019–20 and 2020–21 respectively

# 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

CalSTRS Rates per Education Code Sections 22901.7 and 22950.5								
Description	2017-18 Actual	2018-19 Actual	2019-20 Approved	2020-21 Approved	2021-22 Projected	2022-23 Projected	2023-24 Projected	2024-25 Projected
<b>Employer Rates</b>	14.43%	16.28%	18.13%	19.10%	18.60% (20.10% Max.)	18.10% (20.25% Max.)	18.10% (20.25% Max.)	18.10% (20.25% Max.)
<b>Member (2% at 60)</b>	10.25%	10.25%	10.25%	10.25%	10.25%	10.25%	10.25%	10.25%
<b>Member (2% at 62)</b>	9.205%	10.205%	10.205%	10.205%	10.205%	10.205%	10.205%	10.205%

CalPERS Rate Comparison								
Description	2017-18 Actual	2018-19 Actual	2019-20 Projected	2020-21 Projected	2021-22 Projected	2022-23 Projected	2023-24 Projected	2024-25 Projected
<b>Employer Rates</b>	15.531%	18.062%	20.7%	23.4%	24.5%	25.0%	25.5%	25.7%
<b>Member (Pre-PEPRA)</b>	7%	7%	7%	7%	7%	7%	7%	7%
<b>Member (Post-PEPRA)</b>	6%	6%	6%	6%	6%	6%	6%	6%

# Expenditures: STRS and PERS

- ▶ ESD – Since 2013–14 the employer share of STRS contributions up \$4.23M and PERS up \$609,671
- ▶ Equivalent to \$1,094/ADA
- ▶ HSD – Since 2013–14 the employer share of STRS contributions up \$2,659,427 and Per up \$416,429
- ▶ Equivalent to \$1,244/ADA
- ▶ The Governor's January Budget proposes to reduce the employer portion of STRS by 1% in 19–20, 1% in 20–21 and a .5% ongoing reduction, beginning in 21–22

# Unrestricted Funds to Restricted Programs

## ► Contributions to Restricted programs for ESD:

ESD Contributions to Restricted	Amount
Special Ed IDEA	5,102,590
Special Ed	26,899
Special Capital Projects	185,000
Routine Maintenance	1,575,000
Total Contributions	6,889,489

## ► Contributions to Restricted programs for HSD:

HSD Contributions to Restricted	Amount
Special Ed IDEA	4,903,550
Special Ed Mental Health	175,982
Routine Maintenance	1,025,000
District ROP Programs	223,553
Total Contributions	6,328,084

# Elementary MYP at Second Interim

	2018-19				2019-20				2020-21		
	Unrestricted	Restricted	Combined		Unrestricted	Restricted	Combined		Unrestricted	Restricted	Combined
<b>Revenue</b>											
General Purpose	44,346,427		44,346,427	1	44,476,566		44,476,566	1	45,109,180	0	45,109,180
Federal Revenue		2,766,088	2,766,088		0	2,431,710	2,431,710		0	2,431,710	2,431,710
State Revenue	1,720,216	3,224,018	4,944,234	2	867,245	3,196,471	4,063,716	2	867,245	3,196,471	4,063,716
Local Revenue	571,509	6,659,504	7,231,013	3	322,500	6,227,473	6,549,973		332,500	6,228,034	6,560,534
<b>Total Revenue</b>	<b>46,638,152</b>	<b>12,649,609</b>	<b>59,287,761</b>		<b>45,666,311</b>	<b>11,855,654</b>	<b>57,521,965</b>		<b>46,308,925</b>	<b>11,856,215</b>	<b>58,165,140</b>
<b>Expenditures</b>											
Certificated Salaries	20,176,087	6,012,005	26,188,092	4	20,352,961	5,826,546	26,179,507	4	20,648,923	5,910,972	26,559,895
Classified Salaries	4,411,292	2,024,099	6,435,391	4	4,649,297	1,913,034	6,562,331	4	4,713,386	1,940,061	6,653,447
Benefits	8,363,939	4,196,657	12,560,596	5	9,126,559	4,342,241	13,468,800	5	9,615,263	4,500,164	14,115,427
Books and Supplies	1,648,821	1,216,110	2,864,931		1,427,779	1,031,805	2,459,584		1,427,779	1,052,441	2,480,220
Other Services & Oper. Expenses	4,616,248	4,823,590	9,439,838		4,504,901	4,400,000	8,904,901		4,625,182	4,557,888	9,183,070
Capital Outlay	88,621	1,182,324	1,270,945		25,000	30,000	55,000		25,000	30,000	55,000
Other Outgo 7xxx	224,012	1,000,258	1,224,270		224,012	1,000,258	1,224,270		224,012	1,000,258	1,224,270
Transfer of Indirect 73xx	(293,938)	226,167	(67,771)		(293,938)	226,623	(67,315)		(293,938)	226,623	(67,315)
<b>Total Expenditures</b>	<b>39,235,082</b>	<b>20,681,210</b>	<b>59,916,292</b>		<b>40,016,571</b>	<b>18,770,507</b>	<b>58,787,078</b>		<b>40,985,607</b>	<b>19,218,407</b>	<b>60,204,014</b>
Deficit/Surplus	7,403,070	(8,031,601)	(628,531)		5,649,740	(6,914,853)	(1,265,113)		5,323,318	(7,362,192)	(2,038,874)
Other Sources/(uses)	20,000		20,000		20,000	0	20,000		20,000	0	20,000
Transfers in/(out)	(1,127,332)	(185,000)	(1,312,332)		(1,127,332)	(185,000)	(1,312,332)		(1,127,332)	(185,000)	(1,312,332)
Contributions to Restricted	(6,889,489)	6,889,489	0	7	(7,062,024)	7,062,024	0	7	(7,264,024)	7,264,024	0
<b>Net increase (decrease) in Fund Balance</b>	<b>(593,751)</b>	<b>(1,327,112)</b>	<b>(1,920,863)</b>		<b>(2,519,616)</b>	<b>(37,829)</b>	<b>(2,557,445)</b>		<b>(3,048,038)</b>	<b>(283,168)</b>	<b>(3,331,206)</b>
Beginning Balance	14,573,855	3,848,852	18,422,708		13,980,104	2,521,741	16,501,845		11,460,488	2,483,912	13,944,400
<b>Ending Balance</b>	<b>13,980,104</b>	<b>2,521,741</b>	<b>16,501,845</b>		<b>11,460,488</b>	<b>2,483,912</b>	<b>13,944,400</b>		<b>8,412,450</b>	<b>2,200,744</b>	<b>10,613,194</b>
Revolving/Stores/Prepays	2,500		2,500		2,500		2,500		2,500		2,500
Reserve for Econ Uncertainty (3%)	1,836,900		1,836,900		1,803,000		1,803,000		1,845,500		1,845,500
7% Board Designated Reserve	4,286,100		4,286,100		4,207,000		4,207,000		4,306,200		4,306,200
Assigned for future compensation adj	85,400	14,400	99,800		88,200	15,000	103,200		90,400	15,400	105,800
Restricted Programs		2,507,341	2,507,341			2,468,912	2,468,912			2,185,344	2,185,344
<b>Unappropriated Fund Balance</b>	<b>7,769,204</b>	<b>0</b>	<b>7,769,204</b>	8	<b>5,359,788</b>	<b>0</b>	<b>5,359,788</b>	8	<b>2,167,850</b>	<b>0</b>	<b>2,167,850</b>
<i>Unappropriated Percent</i>			<b>13.0%</b>				<b>9.1%</b>				<b>3.6%</b>

# ESD MYP Footnotes

## Notes:

- <sup>1</sup> Increases to LCFF funding a result of anticipated increases to COLA only
- <sup>2</sup> Eliminated One-Time Mandated revenues of \$184/ADA in 2019-20 (unrestricted)
- <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>6</sup> Additional contributions primarily relate to the increase of the following: step & column costs, and pension (STRS & PERS)
- <sup>7</sup> This amount represents level of fund balance above or (below) the required level.

# High School MYP at Second Interim

	Second Interim 2018-19				Projection 2019-20				Projection 2020-21		
	Unrestricted	Restricted	Combined		Unrestricted	Restricted	Combined		Unrestricted	Restricted	Combined
<b>Revenue</b>											
General Purpose	27,367,833		27,367,833	1	28,552,610		28,552,610	1	28,673,239	0	28,673,239
Federal Revenue		1,070,759	1,070,759			932,082	932,082		0	932,082	932,082
State Revenue	994,370	1,631,996	2,626,367	2	527,810	1,609,777	2,137,587	2	527,810	1,609,777	2,137,587
Local Revenue	599,261	4,658,090	5,257,351	3	209,868	4,765,059	4,974,927		209,868	4,810,134	5,020,002
<b>Total Revenue</b>	<b>28,961,464</b>	<b>7,360,846</b>	<b>36,322,310</b>		<b>29,290,288</b>	<b>7,306,918</b>	<b>36,597,206</b>		<b>29,410,917</b>	<b>7,351,993</b>	<b>36,762,910</b>
<b>Expenditures</b>											
Certificated Salaries	11,416,287	4,241,621	15,657,908	4	11,575,809	4,290,872	15,866,681	4	12,063,375	4,354,353	16,417,728
Classified Salaries	3,640,268	1,435,064	5,075,332	4	3,789,432	1,486,135	5,275,567	4	3,572,177	1,506,327	5,078,504
Benefits	5,206,042	3,065,501	8,271,543	5	5,744,698	3,262,475	9,007,173	5	5,738,583	3,382,071	9,120,654
Books and Supplies	905,994	784,455	1,690,449		802,374	623,249	1,425,623		802,374	630,000	1,432,374
Other Services & Oper. Expenses	2,875,498	3,126,559	6,002,057		2,598,650	3,027,350	5,626,000		2,586,103	3,108,180	5,694,283
Capital Outlay	26,060	533,952	560,012		10,000	7,929	17,929		10,000	7,929	17,929
Other Outgo 7xxx	45,082	1,011,712	1,056,794		45,082	1,011,712	1,056,794		45,082	1,011,712	1,056,794
Transfer of Indirect 73xx	(282,652)	246,150	(36,502)		(280,953)	246,150	(34,803)		(280,953)	246,150	(34,803)
<b>Total Expenditures</b>	<b>23,832,579</b>	<b>14,445,013</b>	<b>38,277,592</b>		<b>24,285,092</b>	<b>13,955,872</b>	<b>38,240,964</b>		<b>24,536,741</b>	<b>14,246,722</b>	<b>38,783,463</b>
Deficit/Surplus	5,128,884	(7,084,166)	(1,955,282)		5,005,196	(6,648,954)	(1,643,758)		4,874,176	(6,894,729)	(2,020,553)
Other Sources/(uses)			0		0	0	0		0	0	0
Transfers in/(out)	(28,765)		(28,765)		70,000	0	70,000		70,000	0	70,000
Contributions to Restricted	(6,328,084)	6,328,084	0	6	(6,737,759)	6,737,759	0	6	(6,851,339)	6,851,339	0
<b>Net increase (decrease) in Fund Balance</b>	<b>(1,227,965)</b>	<b>(756,082)</b>	<b>(1,984,047)</b>		<b>(1,662,563)</b>	<b>88,805</b>	<b>(1,573,758)</b>		<b>(1,907,163)</b>	<b>(43,390)</b>	<b>(1,950,553)</b>
Beginning Balance	6,260,509	1,634,183	7,894,692		5,032,545	878,101	5,910,645		3,369,981	966,906	4,336,887
<b>Ending Balance</b>	<b>5,032,545</b>	<b>878,101</b>	<b>5,910,645</b>		<b>3,369,981</b>	<b>966,906</b>	<b>4,336,887</b>		<b>1,462,818</b>	<b>923,516</b>	<b>2,386,334</b>
Revolving/Stores/Prepays	0		0		0		0		0		0
Reserve for Econ Uncertainty (3%)	1,149,200		1,149,200		1,145,200		1,145,200		1,161,500		1,161,500
Assigned for Compensation	275,600	102,200	377,800		284,400	104,800	389,200		291,000	107,600	398,600
Assigned Econ Uncertainty above 3%	3,607,745		3,607,745		1,940,381		1,940,381		10,318		10,318
Restricted Programs		775,901	775,901			862,106	862,106			815,916	815,916
<b>Unappropriated Fund Balance</b>	<b>0</b>	<b>0</b>	<b>0</b>		<b>0</b>	<b>0</b>	<b>0</b>		<b>0</b>	<b>0</b>	<b>0</b>
<i>Unappropriated Percent</i>			<b>0.0%</b>				<b>0.0%</b>				<b>0.0%</b>

# HSD MYP Assumption Footnotes

## Notes:

- <sup>1</sup> For high school district, assumes 4.5% and 4.0% increase annually in secured prop taxes for 19-20 and 20-21.
- <sup>2</sup> Eliminated One-Time Mandated revenues of \$184/ADA in 2019-20
- <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 increase of the following: SpEd step & column costs, and pension (STRS & PERS) & additional required contribution to Routine Restricted Maintenance.

# Summary Elementary MYP

- ✓ Trend of unrestricted 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	2018-19 Revised Budget	Projected 2019-20	Projected 2020-21
Total Revenues	59,287,761	57,521,965	58,165,140
Total Expenditures	59,916,292	58,787,078	60,204,014
Excess/(Deficiency)	(628,531)	(1,265,113)	(2,038,874)
Other Sources/Uses	(1,292,332)	(1,292,332)	(1,292,332)
<b>Net Increase/(Decrease)</b>	<b>(1,920,863)</b>	<b>(2,557,445)</b>	<b>(3,331,206)</b>
Add: Beginning Fund Balance	18,422,708	16,501,845	13,944,400
<b>Ending Fund Balance</b>	<b>16,501,845</b>	<b>13,944,400</b>	<b>10,613,194</b>

# Summary High School MYP

- ▶ Ongoing trend of deficit spending will need to be addressed within the 2020–21 budget adoption

HSD 2nd Interim Multi-Year Projection (Total GF)			
Description	2018-19 Revised Budget	Projected 2019-20	Projected 2020-21
Total Revenues	36,322,310	36,597,206	36,762,910
Total Expenditures	38,277,592	38,240,964	38,783,463
Excess/(Deficiency)	(1,955,282)	(1,643,758)	(2,020,553)
Other Sources/Uses	(28,765)	70,000	70,000
<b>Net Increase/(Decrease)</b>	<b>(1,984,047)</b>	<b>(1,573,758)</b>	<b>(1,950,553)</b>
Add: Beginning Fund Balance	7,894,692	5,910,645	4,336,887
<b>Ending Fund Balance</b>	<b>5,910,645</b>	<b>4,336,887</b>	<b>2,386,334</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, 2019 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 to slightly decreasing going forward for both districts
  - ▶ Retiree benefits continue to escalate
  - ▶ Eventual downturn in the economy (every 8–10 years) based on past trends
  - ▶ 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, pension reform relief and program changes
- ▶ LCAP and budget public hearings are scheduled on June 24th, and adoption/approval on June 26th

# Questions

