



Preliminary Budget 2018-2019

June 14, 2018

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2018-2019 Budget Calendar

Budgeting for a school district is a continuous, year-round process. Projections continually change based on new and changing information.

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| ❖ June 30, 2018 | Adopted 2018 – 19 Budget |
| ❖ September 2018 | Unaudited Actuals |
| ❖ December 15, 2018 | 1st Interim Budget <i>(Data as of October)</i> |
| ❖ March 15, 2019 | 2nd Interim Budget <i>(Data as of January)</i> |
| ❖ June 30, 2019 | Adopted 2019 – 20 Budget |

Other than the presentation of the actual financial information all other budget presentations are a combination of actuals and projections for the current and upcoming year

May Revision Budget Proposal

- ▶ The May revision did not provide significant increases in Proposition 98 funding even though the State recognized over \$8 billion in additional ongoing revenue due to this being a Test 2 year
- ▶ Future year concerns of an economic slowdown were expressed by the Governor
 - Pressures from the Federal Government
 - Expenditure Pressures
 - Employee Pension Costs
 - Concern of implementing programs that then need to be rolled back
- ▶ One time block grant proposal is being used as a budget balancing tool in the proposal

AB 2808 – Would Create a New LCFF Target

- ▶ AB 2808 would not change the actual formula itself — supplemental, concentration, K–3 class size and 9–12 career and technical education adjustments all would reflect a proportional increase.
- ▶ AB 2808 adjusts the LCFF base grant targets as follows:
 - ▶ \$11,799 for average daily attendance in kindergarten and grades 1–3
 - ▶ \$11,975 for ADA in grades 4–6
 - ▶ \$12,332 for ADA in grades 7 and 8
 - ▶ \$14,289 for ADA in grades 9–12
- ▶ The mechanism utilized in AB 2808 of identifying anticipated Proposition 98 growth and directing it towards LCFF was also utilized when LCFF was first adopted in 2013.
- ▶ No new funding source is provided to fund this proposed increase, as was also the case at the outset of LCFF.
- ▶ Based on fiscal projections from the Legislative Analyst’s Office, barring a recession, this new funding target is anticipated to be reached in 5–7 years, assuming the only new investment in K–12 funding is provided by the Proposition 98 guarantee.

Major Expenditure Assumptions – Out Years

(At 2018-2019 Budget Adoption)

	2017 –2018	2018 –2019	2019–2020	2020–2021
LCFF Gap Rate Projection	44.97%	100%	0%	0%
Projected COLA (DOF)	1.56%	3.00%	2.57%	2.67%
Step & Column cost	\$1,213,816	\$1,897,076	\$1,710,633	\$1,758,225
STRS (increased rate)	\$1,082,585	\$1,332,391	\$1,182,098	\$737,762
PERS (increased rate)	\$369,746	\$510,252	\$585,467	\$594,736
Restricted Maintenance (3% contribution)	\$54,564	\$162,651	\$56,593	\$57,384
Reserve for Economic Uncertainties (increase to 7%)	\$841,227	\$217,733	\$132,051	\$133,895
Declining Enrollment (loss of revenue)	\$815,074	\$1,169,495	\$1,209,068	\$2,189,479
Special Education Contribution (SELPA)	\$675,373	\$898,905	\$492,198	\$410,288
Insurance / Workers Compensation	\$71,958	\$80,697	\$91,000	\$105,000
TOTAL New Expenditures	\$5,124,343	\$6,269,200	\$5,459,108	\$5,986,769

Multiyear Projections – Combined

	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>
Revenue	\$106,859,469	\$108,922,482	\$109,811,674	\$109,844,263
Expenses	\$105,873,341	\$109,453,081	\$111,339,528	\$113,252,305
Difference	\$986,128	(\$530,599)	(\$1,527,854)	(\$3,408,042)
Beginning Balance	\$27,361,206	\$28,347,334	\$27,816,735	\$26,288,881
Ending Balance	\$28,347,334	\$27,816,735	\$26,288,881	\$22,880,839
<u>Components of Ending Fund Balance</u>				
Reserve for Economic Uncertainties	\$7,443,545	\$7,661,716	\$7,793,767	\$7,927,662
Stores	\$20,000	\$20,000	\$20,000	\$20,000
Bus Replacement	\$360,000	\$270,000	\$180,000	\$90,000
Textbook Adoptions	\$2,693,072	\$2,693,072	\$2,693,072	\$2,693,072
Code to the Future	\$432,000	\$232,000	\$99,000	
ACA/AB1522	\$350,000	\$350,000	\$350,000	\$350,000
Revolving Cash	\$100,000	\$100,000	\$100,000	\$100,000
Restricted Designation	\$9,155,314	\$9,654,684	\$10,299,275	\$10,911,667
Facilities Use	\$120,305	\$120,305	\$120,305	\$120,305
Technology	\$652,000	\$652,000	\$652,000	\$652,000
Future STRS/PERS	\$7,021,098	\$6,062,958	\$3,981,462	\$16,133

2018-2019 Proposed Budget Multi-Year Projection

Education Code Section 42127(a)(2)(B) requires a statement of the reasons that substantiates the need for assigned and unassigned ending fund balances in excess of the minimum reserve standard for economic uncertainties for each fiscal year identified in the budget.

Combined Assigned and Unassigned Fund Balances				
Fund	Fund Description	2018-2019	2019-2020	2020-2021
01	General Fund/County School Service Fund	\$18,042,050.60	\$15,869,605.60	\$11,849,171.60
17	Special Reserve Fund for Other Than Capital Outlay Projects	\$0.00	\$0.00	\$0.00
Total Assigned and Unassigned Fund Balance		\$18,042,050.60	\$15,869,605.60	\$11,849,171.60
District Standard Reserve Level		3.0%	3.0%	3.0%
Less: Reserve for Economic Uncertainties		\$3,383,592.42	\$3,340,185.83	\$3,397,569.14
Fund Balance that Requires a Statement of Reasons		\$14,758,458.18	\$12,529,419.77	\$8,451,602.46

Reasons for Assigned and Unassigned Ending Fund Balances Above the State Recommended Minimum Level

Form	Fund	2018-19	2019-20	2020-21	Reasons
01	General Fund/County School Service Fund	\$ -	\$ -	\$ -	
	Bus Replacemnt	\$ 270,000.00	\$ 180,000.00	\$ 90,000.00	Replacement of aging fleet
	Textbook Adoption/One-time Mandate Funding	\$ 2,693,072.00	\$ 2,693,072.00	\$ 2,693,072.00	Instructional Adoptions / Common Core
	Code to the Future	\$ 232,000.00	\$ 99,000.00	\$ -	Completion of implementation contract
	Affordable Care Act/AB1522 Sick Leave	\$ 350,000.00	\$ 350,000.00	\$ 350,000.00	Mandated Health & Welfare benefits
	Technology Sustainability	\$ 652,000.00	\$ 652,000.00	\$ 652,000.00	Teacher and classroom devices
	Facilities Use Contracts	\$ 120,304.50	\$ 120,304.50	\$ 120,304.50	Facilities rehabilitation
	Board Priority Reserve above the Minimum Requirement	\$ 4,378,123.58	\$ 4,453,581.17	\$ 4,530,092.86	Board LCAP reserve goal of 7%
	STRS/PERS Increases	\$ 6,062,958.10	\$ 3,981,462.10	\$ 16,133.10	Increased contribution requirements
17	Special Reserve Fund for Other Than Capital Outlay Projects	\$ -	\$ -	\$ -	
Total of Substantiated Needs		\$ 14,758,458.18	\$ 12,529,419.77	\$ 8,451,602.46	

Next Steps – State Adoption

- ▶ Budget Adoption at June 28, 2018 Meeting
- ▶ First Interim Budget Revision in December 2018
 - **Waiting for the Official Adoption and Governor's signature**
 - **Will include reconciliation of May Revision including additional LCFF funding and one-time block grant funding**
- ▶ Multi-year projection
 - **There are significant warning signs from the Governor and the Department of Finance that Education funding in the future, due to COLA only, will not increase significantly and the COLA is not guaranteed**
 - **Increased pension costs in each out year will move the district to significant deficit spending in the third year of our multi-year projection.**

Certification Definition – June 28th

- ❖ **Positive** = A school district that, based on current projections, **will** be able to meet its financial obligations for the current fiscal year and subsequent two fiscal years.
 - ❖ Superintendent's is recommending that the Board approve the 2018 – 2019 Adopted Budget Report with a Positive Certification
- ❖ **Qualified** = A school district that, based on current projections, **may not** meet its financial obligations for the current fiscal year or subsequent two fiscal years.
- ❖ **Negative** = A school district that, based on current projections, **will be unable** to meet its financial obligations for the current fiscal year or for subsequent two fiscal years.