

# Salinas City Elementary School District 2018-19 First Interim Report December 10, 2018



# State of the Budget Highlights

## ➤ July 1 Approved Budgets vs 1<sup>st</sup> Interim Report

1. 1<sup>st</sup> Interim analysis confirms financial challenge for District although to a minor extent than previously projected.
2. \$3.5 vs \$6 Million budget reduction required for 2019-20.
3. Financial Picture improved by \$1.5 Million from approved budget.
4. A series of meetings have been held and will continue to happen in order to disseminate the urgency of the budget situation with District stakeholders.

# State of the Budget Highlights

## ➤ **July 1 Approved Budgets vs 1<sup>st</sup> Interim Report**

5. Budget reduction ideas have been solicited at every meeting and are being compiled to share with Budget Learning Team for consideration and prioritization.
6. 2018-19 Budget will continue to be closely monitored to identify possible implementation of mid-year reductions.

# Highlight of Assumptions

## ➤ Revenues

1. Local Control Funding Formula (LCFF) increase of \$32,889.
2. 2017-18 P-2 ADA (average daily attendance) of 8,398 is being used for the LCFF calculation.
3. Federal Revenues – Known increases have been incorporated into this area such as carryover and revised known entitlements, which resulted in an increase of \$984,927. (*see Table III in narrative*)

# Highlight of Assumptions

## ➤ Revenues

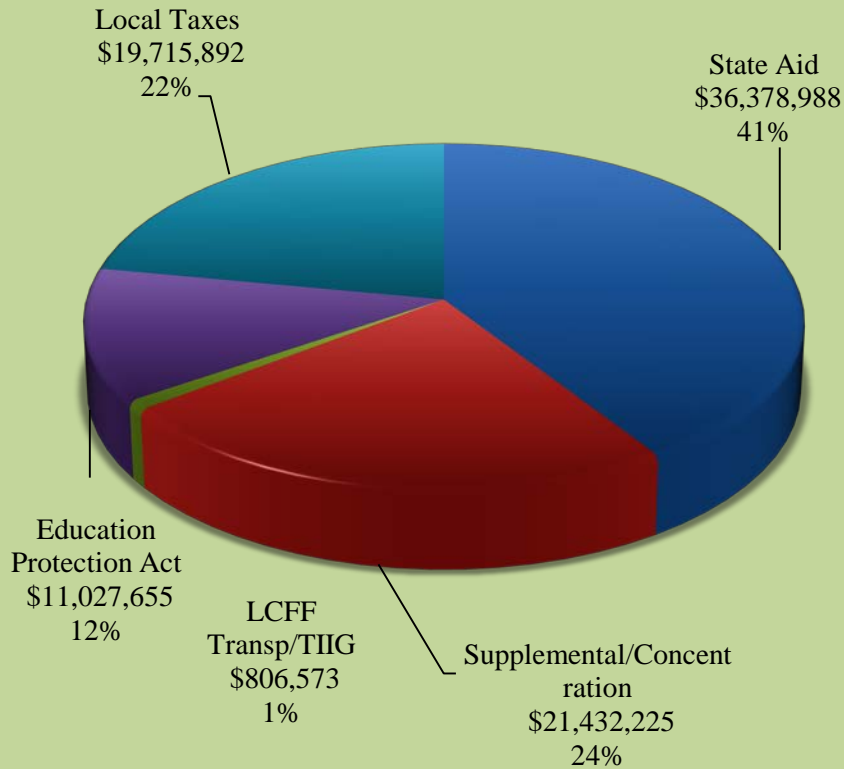
4. State Revenues – Known increases have been incorporated in this area as well with a resulting increase of \$500,120.

The increase is mainly due to receipt of the Low Performing Grant in the amount of \$395,205, plus increases in Lottery and STRS on behalf. (*see Table IV in narrative*)

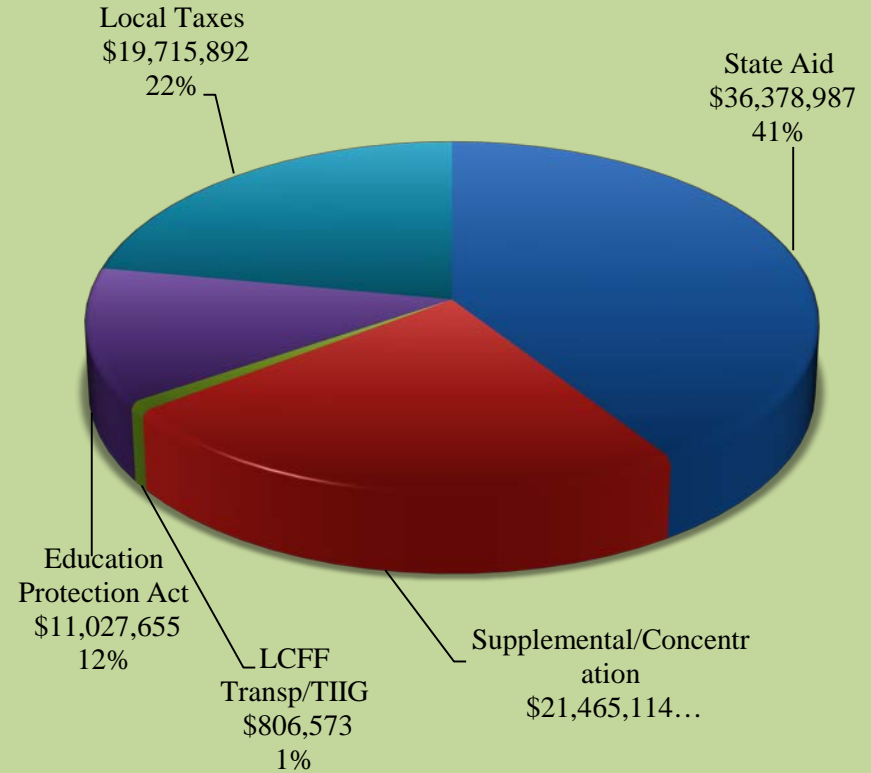
5. Local Revenues have been evaluated and revised as necessary. Increase in this area of \$288,263 is mainly due to a one-time refund in Sp. Ed. Bill back of \$328,710 from MCOE. (*see Table V in narrative*)

# 2018-19 GF Local Control Funding Formula (LCFF)

**2018-19 July 1 Revised Budget**  
**Total LCFF \$89,361,333**



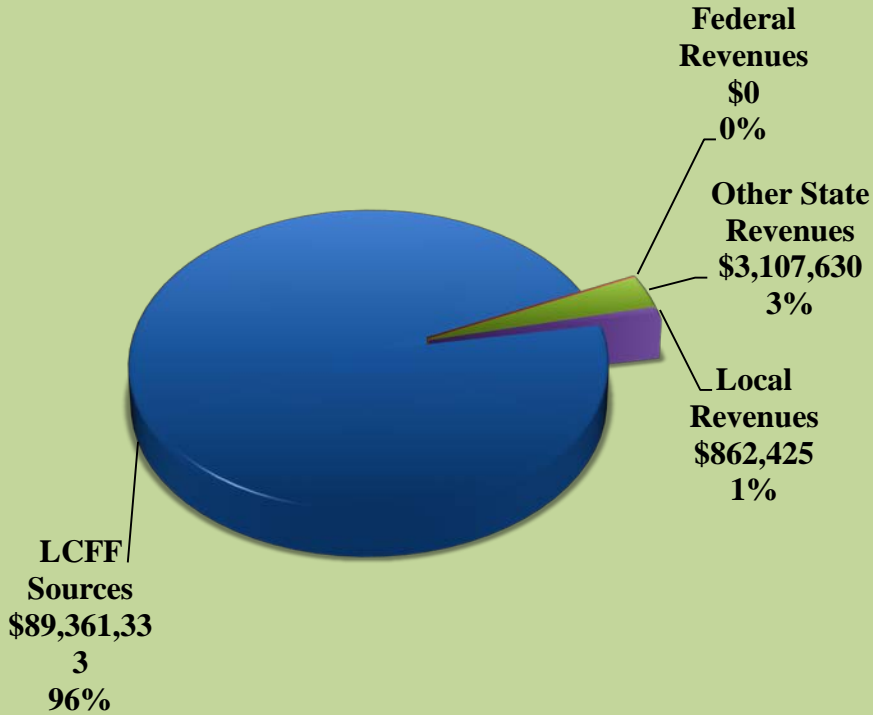
**2018-19 1st Interim Report**  
**Total LCFF \$89,394,222**



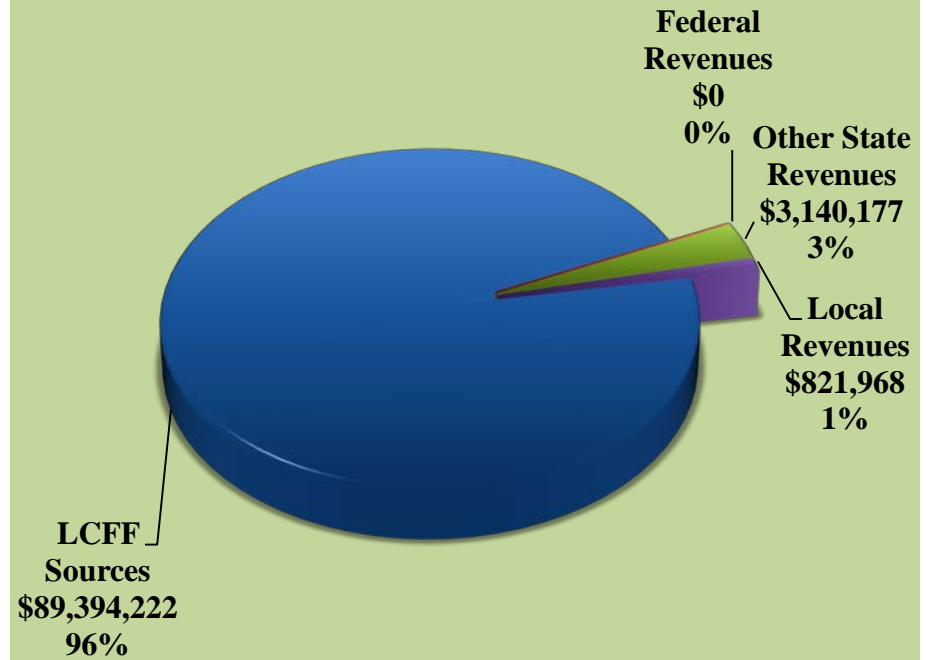
Rev. Diff. July 1 Approved vs 1st Interim \$32,889

# 2018-19 GF UNRESTRICTED REVENUES

2018-19 Revised July 1 Budget  
Unrestricted Revenues - Total  
\$93,331,388



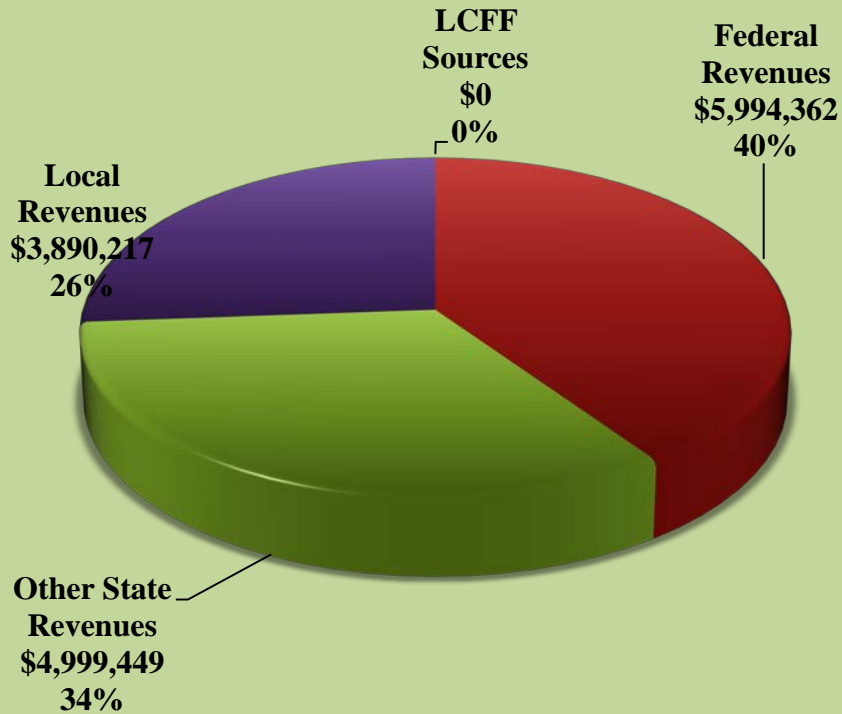
2018-19 1st Interim Report  
Unrestricted Revenues - Total  
\$93,356,367



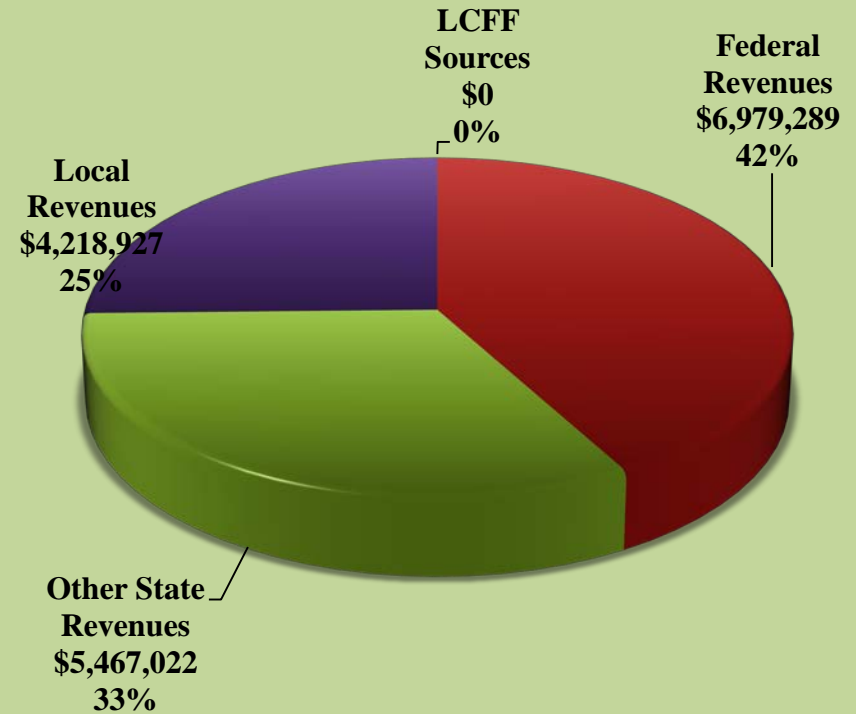
Rev. Diff. July 1 Approved vs 1<sup>st</sup> Interim Report \$24,979

# 2018-19 GF RESTRICTED REVENUES

**July 1 Revised Budget - Restricted Revenues - Total \$14,884,028**



**1st Interim Report - Restricted Revenues - Total \$16,665,238**

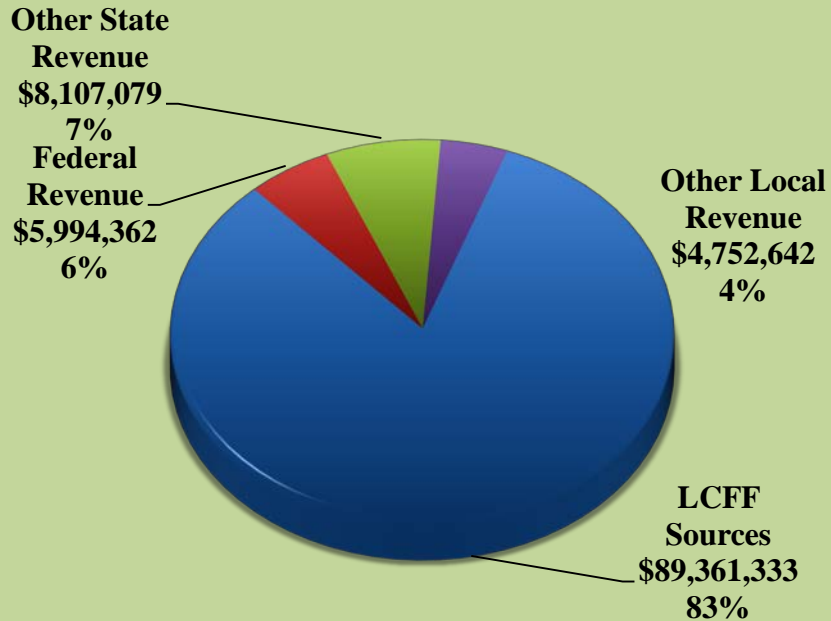


**Rev. Diff. July 1 Approved vs 1<sup>st</sup> Interim Report  
\$1,781,210**

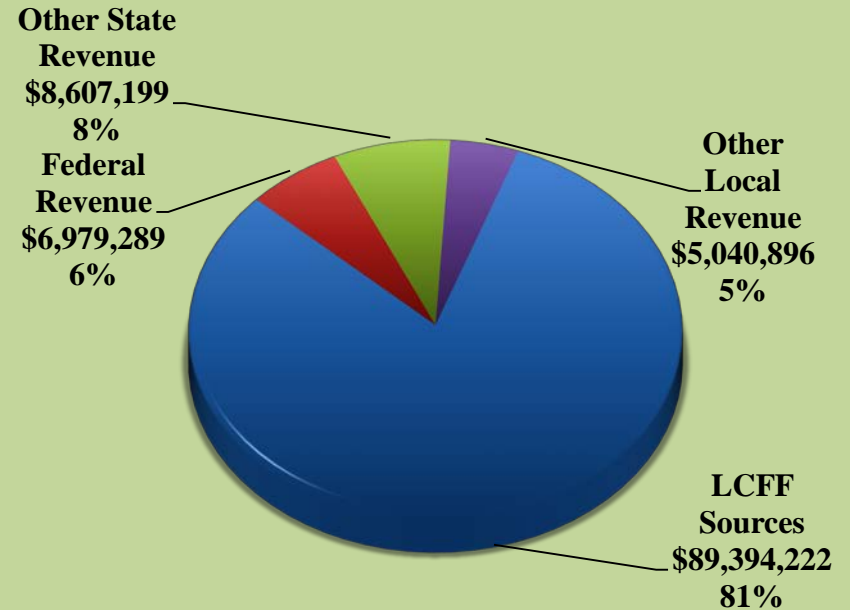


# 2018-19 GF Total Revenues

**July 1, Approved Budget – Total Revenues \$108,215,416**



**1st Interim Report - Total Revenues \$110,021,605**



**Rev. Diff. July 1 vs 1st Interim \$1,806,189**

# Highlight of Assumptions

## ➤ Expenditures

The following are significant changes in the projected expenditures budget:

1. Positions were extensively reviewed and amended accordingly in order to accurately budget based on position control. This resulted in considerable savings.
2. All non-position based (subs, hourly, overtime, extra time, etc.) amounts were also reviewed.
3. The negotiated 2% on schedule and off schedule have been fully incorporated into the 1<sup>st</sup> Interim Budget.
4. All remaining salary related changes such as column and new hires have also been incorporated into the 1<sup>st</sup> Interim Budget.

# Highlight of Assumptions

## ➤ Expenditures

5. Books and Supplies areas of the budget were changed mainly to reflect the carryover amounts. No increases to this area were made. Low Performing Students Grant in the amount of \$395,205 was budgeted in this area as a place holder in the budget.
6. Services and Other Operating Expenditures were also changed to reflect carryover and budget transfers from books and supplies. Again, no new budget increases were made.
7. Indirect Cost increased by \$42,523 and Contribution to restricted programs decreased by \$399,369 mainly due to a one-time Sp. Ed. Refund of \$328,710. For the most part the above areas remained status quo from the July 1 Approved Budget.

# SALINAS CITY ELEMENTARY SCHOOL DISTRICT

1st Interim Budget  
Fiscal Year 2018-19

<u>GENERAL FUND</u>	<u>UNRESTRICTED</u>	<u>RESTRICTED</u>	<u>TOTAL</u>
Total Revenues	\$ 93,356,367	\$ 16,665,238	\$ 110,021,605
Total Expenditures	\$ 77,471,924	\$ 36,646,637	\$ 114,118,561
Transfers In	\$ -	\$ -	\$ -
Transfers Out	\$ (500,000)		\$ (500,000)
Contributions	\$ (19,185,841)	\$ 19,185,841	\$ -
Total Other Sources/Uses	\$ (19,685,841)	\$ 19,185,841	\$ (500,000)
Net.inc./(dec.) in Fund Balance	\$ (3,801,398)	\$ (795,558)	\$ (4,596,956)
Beg. Bal. July 1, Unaudited	\$ 10,331,221	\$ 1,379,228	\$ 11,710,449
<b>Ending Balance, June 30</b>	<b>\$ 6,529,823</b>	<b>\$ 583,670</b>	<b>\$ 7,113,493</b>

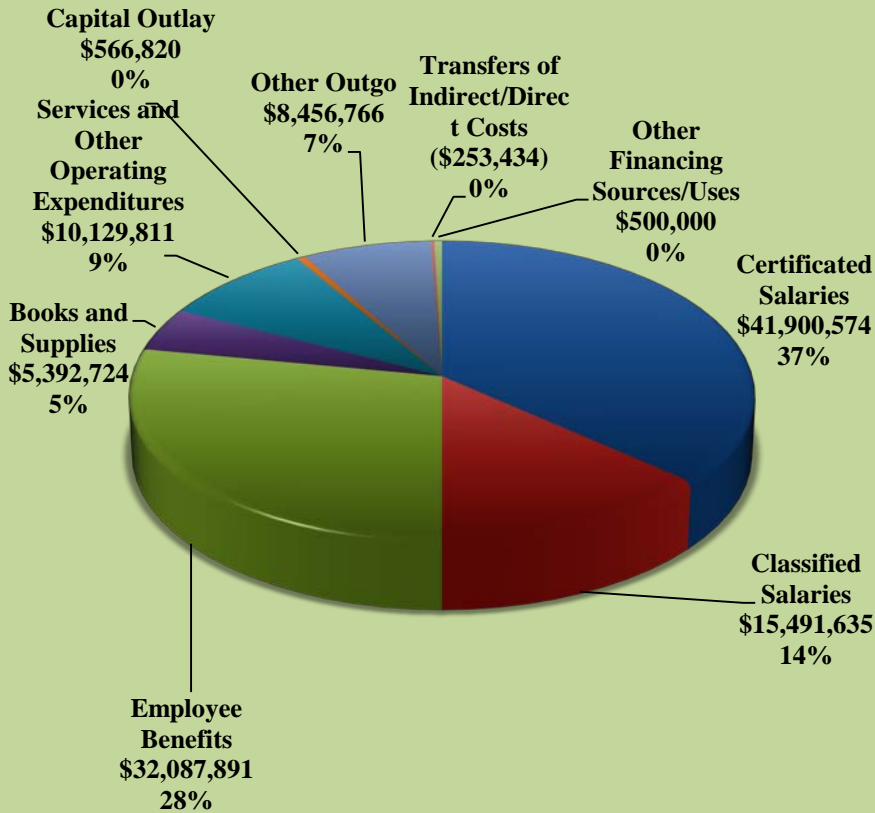
# 2018-19 Adopted Budget

## General Fund / Combined

DESCRIPTION	OBJECT	I	II	III
		Unrestricted	Restricted	Combined
<b>A. REVENUES</b>				
LCFF Sources	8010-8099	89,394,222	-	89,394,222
Federal Revenues	8100-8299	-	6,979,289	6,979,289
Other State Revenues	8300-8599	3,140,177	5,467,022	8,607,199
Other Local Revenues	8600-8799	821,968	4,218,927	5,040,895
<b>TOTAL REVENUES</b>		<b>93,356,367</b>	<b>16,665,238</b>	<b>110,021,605</b>
<b>B. EXPENDITURES</b>				
Certificated Salaries	1000-1999	34,977,401	6,856,730	41,834,131
Classified Salaries	2000-2999	10,614,681	4,385,136	14,999,817
Employee Benefits	3000-3999	22,532,461	8,615,932	31,148,393
Books and Supplies	4000-4999	2,892,665	3,139,273	6,031,938
Services and Other Operating Expenditures	5000-5999	6,254,759	4,770,301	11,025,060
Capital Outlay	6000-6599	21,753	854,856	876,609
Other Outgo	7100-7299 & 7400-7499	659,963	7,796,803	8,456,766
Direct Support / Indirect Costs	7300-7399	(481,760)	227,606	(254,154)
<b>TOTAL EXPENDITURES</b>		<b>77,471,923</b>	<b>36,646,637</b>	<b>114,118,560</b>
<b>C. EXCESS OF REVENUES OVER EXPENDITURES</b>		<b>15,884,444</b>	<b>(19,981,399)</b>	<b>(4,096,955)</b>
<b>D. OTHER FINANCING SOURCES/USES</b>				
Interfund Transfers				
Transfers Out	7610-7629	(500,000)		(500,000)
Contributions	8980-8999	(19,185,841)	19,185,841	-
<b>TOTAL OTHER FINANCING SOURCES/USES</b>		<b>(19,685,841)</b>	<b>19,185,841</b>	<b>(500,000)</b>
<b>E. NET INCREASE / DECREASE</b>		<b>(3,801,397)</b>	<b>(795,558)</b>	<b>(4,596,955)</b>
<b>F. FUND BALANCE, RESERVES</b>				
Beginning Balance		10,331,220	1,379,228	11,710,448
Ending Balance		<b>6,529,823</b>	<b>583,670</b>	<b>7,113,493</b>
<b>COMPONENTS OF ENDING BALANCE</b>				
A) NONSPENDABLE				
Revolving Cash	9711	10,000	-	10,000
B) RESTRICTED				
Other Assignments - Future Deficits, CalSTRS, CalPERS	9780	3,081,266		3,081,266
Economic Uncertainties @ 3%	9789	3,438,557		3,438,557
<b>TOTAL COMPONENTS OF ENDING FUND BALANCE</b>		<b>6,529,823</b>	<b>583,670</b>	<b>7,113,493</b>

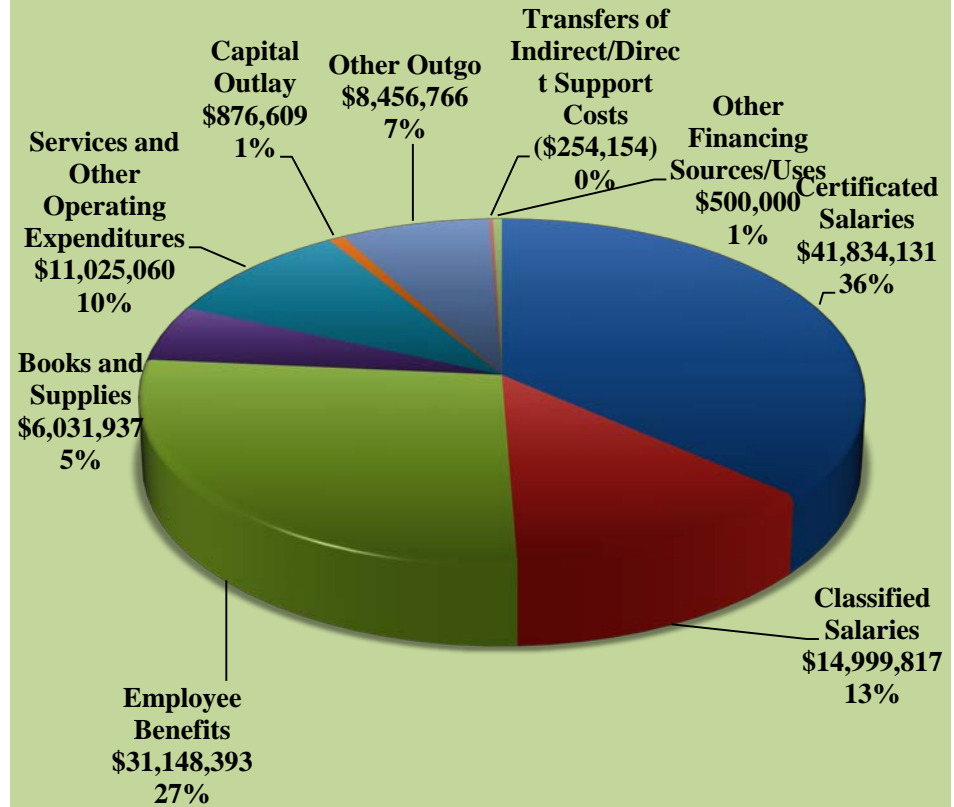
# 2018-19 GF Total Expenditures

## 2016-17 July 1 Budget Total Expenditures \$114,272,787



**Total Salaries and Benefits = 78%**

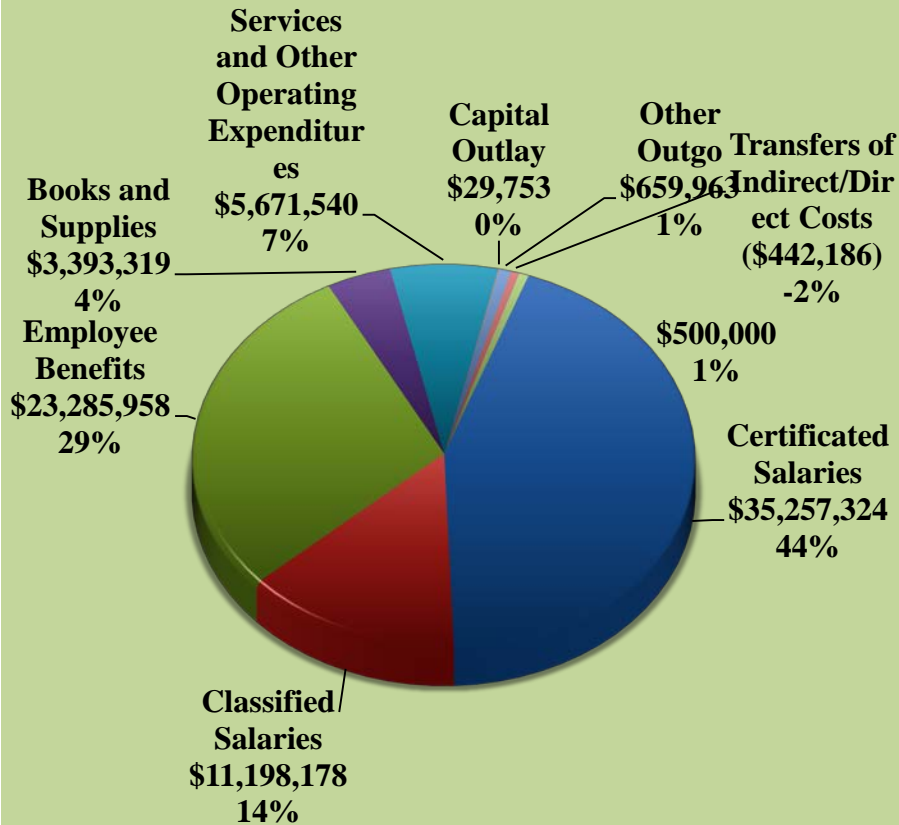
## 2018-19 1st Interim Report Total Expenditures \$114,618,560



**Total Salaries and Benefits = 77%**

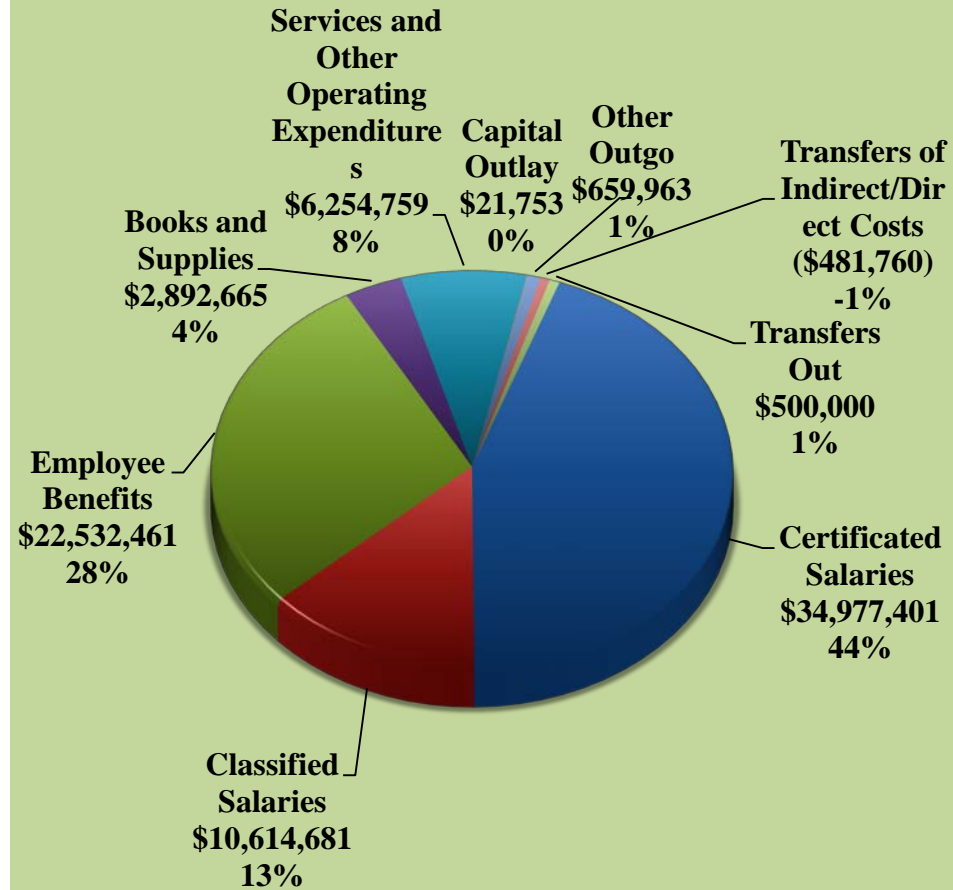
# 2018-19 GF Unrestricted Expenditures

**2018-19 July 1 Budget Unrestricted Expenditures \$79,553,849**



**Total Salaries & Benefits = 87%**

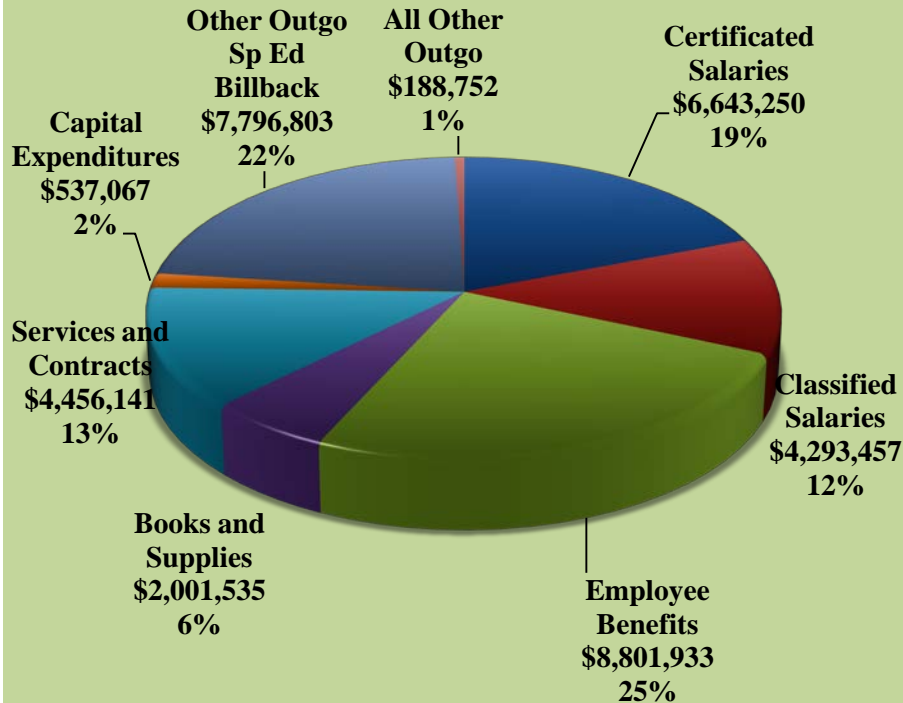
**2018-19 1st Interim Report Unrestricted Expenditures \$77,971,923**



**Salaries and Benefits = 87%**

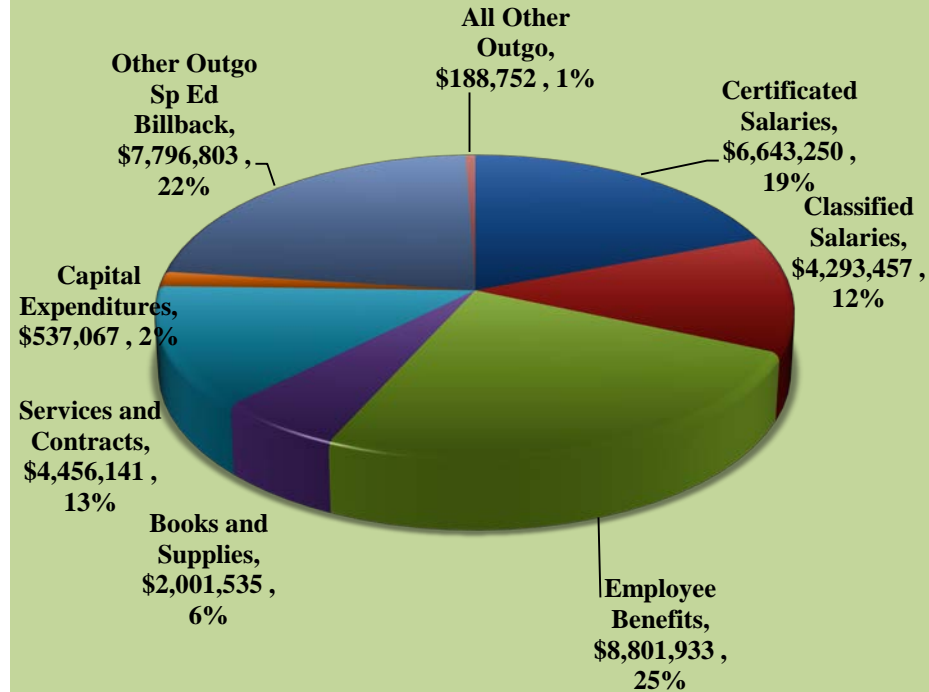
# 2018-19 GF Restricted Expenditures

**2018-19 July 1 Budget  
Restricted Expenditures Total  
\$36,646,637**



**Total Salaries and Benefits = 57%**

**2018-19 1st Interim Report Total  
Restricted Expenditures \$36,646,637**



**Total Salaries and Benefits = 57%**



# SALINAS CITY ELEMENTARY SCHOOL DISTRICT

## BUDGET COMPARISON

Approved Budget vs. 1st Interim Budget

Fiscal Year 2018-19

<u>GENERAL FUND</u>	APPROVED BUDGET	1st INTERIM BUDGET	DIFFERENCE
Total Revenues	\$ 108,215,416	\$ 110,021,605	\$ 1,806,189
Total Expenditures	\$ 113,802,242	\$ 114,118,560	\$ 316,318
Transfers In	\$ -	\$ -	\$ -
Transfers Out	\$ 500,000	\$ 500,000	\$ -
Contributions	\$ -	\$ -	\$ -
Total Other Sources/Uses	\$ (500,000)	\$ (500,000)	\$ -
Net.inc./(dec.) in Fund Balance	\$ (6,086,826)	\$ (4,596,955)	\$ 1,489,871
Beg. Bal. July 1, Unaudited	\$ 11,710,448	\$ 11,710,448	\$ -
<b>Ending Balance, June 30</b>	<b>\$ 5,623,622</b>	<b>\$ 7,113,493</b>	<b>\$ 1,489,871</b>

**Salinas City Elementary School District  
MULTI – YEAR PROJECTIONS  
2018-19 First Interim Report  
December 10, 2018**



EXACTLY WRONG, BUT  
APPROXIMATELY RIGHT





# Multiyear Projections

The cause of most LEA insolvencies can be traced to a bad financial decision made during prosperous times that came back to bite the LEA during lean financial times, so caution is key

Projections are expected to change as various factors change

Required by AB 1200 (Chapter 1213/1991) and AB 2756 (Chapter 52/2004)

**Assumptions + Today's Decisions = Projections**

Projections are not forecasts or predictions

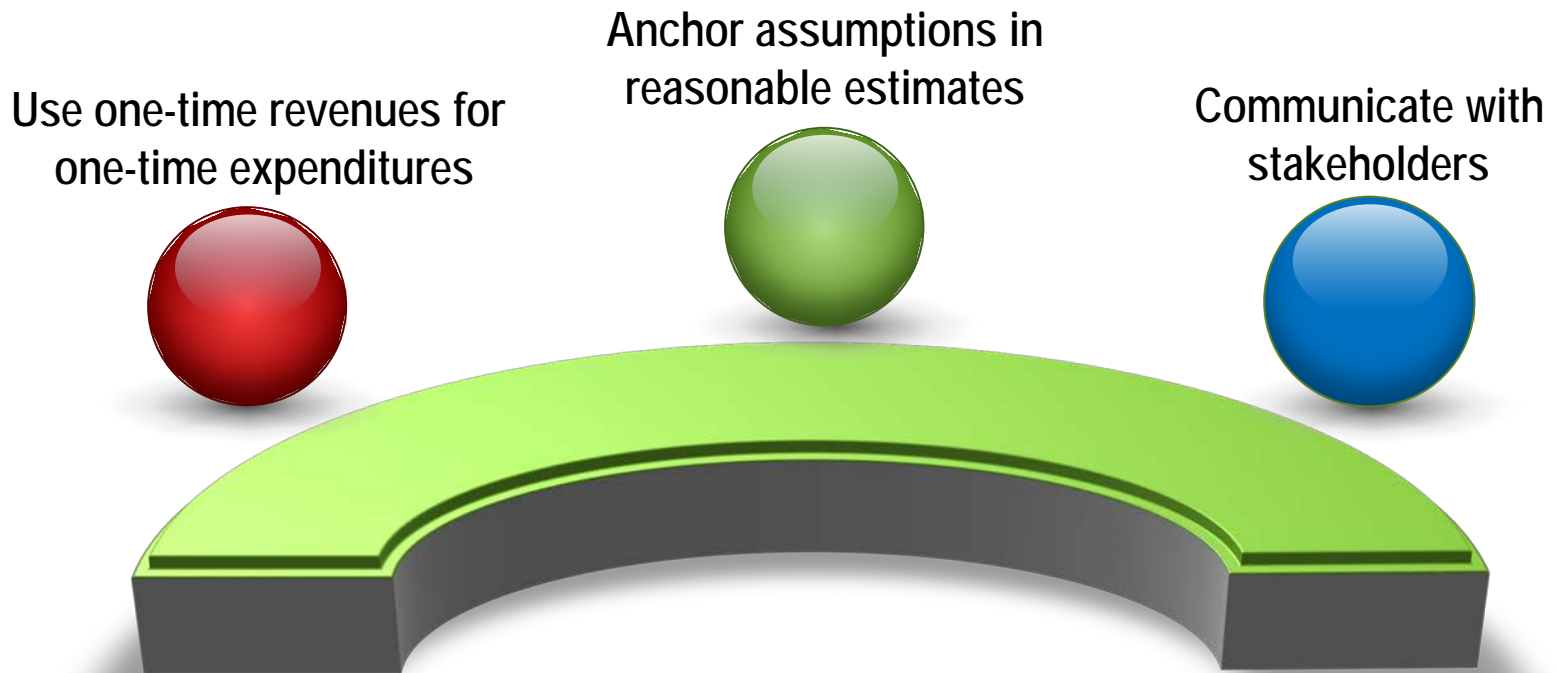
# SSC Financial Planning Dartboard



Factor	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
LCFF Planning Factors	SSC LCFF Simulator	SSC LCFF Simulator	SSC LCFF Simulator	SSC LCFF Simulator	SSC LCFF Simulator	SSC LCFF Simulator
Statutory COLA	1.56%	2.71%	2.57%	2.67%	3.42%	3.42%
California Consumer Price Index	3.40%	3.66%	3.50%	3.23%	2.94%	2.94%
Ten-year Treasuries	2.58%	3.17%	3.38%	3.50%	3.40%	3.40%
CalPERS Rates	15.531%	18.062%	20.8%	23.5%	24.60%	24.60%
CalSTRS Rates	14.43%	16.28%	18.13%	19.10%	18.60%	18.60%

## Reserves

State Reserve Requirement	District ADA Range	Reserve Plan
The greater of 5% or \$50,000	0 to 300	SSC recommends one year's increment of planned revenue growth
The greater of 4% or \$50,000	301 to 1,000	
3%	1,001 to 30,000	
2%	30,001 to 400,000	
1%	400,001 and higher	





## Multiyear Projections Under the LCFF

23

- Reserves are the local buffer that allow problems to be solved locally instead of turning to the COE or the state for help
- The state-recommended minimum Reserve for Economic Uncertainties is just that – a minimum number – most districts need more
- Other circumstances that call for higher reserves include:
  - Declining enrollment
  - Rapid enrollment growth
  - Opening or closing schools
  - Volatile economic times
- A reserve level dictated solely by district size is no longer relevant when volatility and exposure are disparate



## Multiyear Projections Under the LCFF

24

- Other circumstances that call for higher reserves include:
  - Declining enrollment
  - Rapid enrollment growth
  - Opening or closing schools
  - Basic aid districts
  - Volatile economic times
- There are no circumstances that warrant lower reserves
  - Any temporary shortfall should be fixed immediately

The purpose of this reserve is to provide a “softer landing” when the next downturn occurs, as it surely will



# MYP Highlight of Assumptions

## ➤ Revenues

1. Local Control Funding Formula (LCFF) – It is being projected to increase by .86% or \$764,339 for 2019-20.
2. For 2020-21 LCFF funding is projected to increase by an additional 1.43% or \$1,290,629.
3. PY P-2 ADA for 2019-20 of 8,272.01 and 2020-21 of 8,173.97 is projected excluding MCOE ADA.

# MYP Highlight of Assumptions

## ➤ Revenues

5. Federal Revenues have been projected with no reduction or increases for F.Y. 2019-20 & 2020-21 assuming that funding will remain flat. No One-Time monies are being budgeted for these two years.
6. State Revenues outside the LCFF have been projected with no increase for 2019-20 and 2020-21.
7. Local revenues are being projected to remain flat for the two subsequent fiscal years or 2019-20 and 2020-21.

# MYP Highlight of Assumptions

## ➤ Expenditures

1. No salary increase has been budgeted for the two subsequent years. Only step and column at 1.5% movement for certificated and classified employee groups has been included.
2. Benefits are being projected with increases in the following areas:

	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>
<i>CalSTRS</i>	<i>16.280%</i>	<i>18.130%</i> (+1.85%)	<i>19.10%</i> (+.97%)
<i>CalPERS</i>	<i>18.062%</i>	<i>20.800%</i> (+2.738%)	<i>23.50%</i> (+2.70)
<i>H&amp;W</i>	<i>0.0%</i>	<i>+0.50%</i>	<i>+0.50%</i>

3. Supplies and Services show projected reductions for F.Y. 2019-20 of 20% unrestricted and 5% of restricted for a total of \$735,497. F.Y. 2020-21 shows a reduction of 20% unrestricted and 5% restricted for a total of \$611,942.

# MYP Highlight of Assumptions

## ➤ Expenditures

4. The Contracts area show a reduction of 20% unrestricted and 5% restricted for a total of \$1,489,467. For 2020-21 an additional 20% unrestricted and 5% restricted is reflected for a total of \$1,227,351.
5. The Capital Outlay area remains status quo with the exception of one-time expenditures being taken out.
6. Total reductions for F.Y. 2019-29 equal to \$3,591,452 and \$1,839,293 for F.Y. 2020-21.

## Salinas City Elementary School District

### MULTI-YEAR PROJECTION AS OF 1ST INTERIM REPORT

		2018-19 1st Interim Budget			2019-20 Projection			2020-21 Projection		
LCFF 3.7% COLA \$184/ADA	Object									
	Codes	Unrestricted	Restricted	Unr/Rest	Unrestricted	Restricted	Unr/Rest	Unrestricted	Restricted	Unr/Rest
LCFF/Property Tax	8010-8099	89,394,222		89,394,222	90,158,561		90,158,561	91,449,190		91,449,190
Federal Revenue	8100-8299		6,979,289	6,979,289		6,979,289	6,979,289		6,979,289	6,979,289
Other State Revenue	8300-8599	3,140,177	5,467,022	8,607,199	1,611,298	5,467,022	7,078,320	1,611,298	5,467,022	7,078,320
Other Local Revenue	8600-8799	821,969	4,218,927	5,040,896	821,968	4,218,927	5,040,895	821,968	4,218,927	5,040,895
<b>TOTAL REVENUES</b>		<b>93,356,368</b>	<b>16,665,238</b>	<b>110,021,606</b>	<b>92,591,827</b>	<b>16,665,238</b>	<b>109,257,065</b>	<b>93,882,456</b>	<b>16,665,238</b>	<b>110,547,694</b>
Certificated Salaries	1000-1999	34,977,402	6,856,730	41,834,132	34,872,592	6,959,581	41,832,173	35,397,253	7,062,432	42,459,685
Classified Salaries	2000-2999	10,614,682	4,385,136	14,999,818	10,536,563	4,450,913	14,987,476	10,697,598	4,517,440	15,215,038
Employee Benefits	3000-3999	22,532,461	8,615,932	31,148,393	22,875,788	9,050,639	31,926,427	23,749,783	9,298,785	33,048,568
Books & Supplies	4000-4999	2,892,665	3,139,273	6,031,938	2,314,132	2,982,309	5,296,441	1,851,306	2,833,194	4,684,500
Operating Expenses	5000-5999	6,254,759	4,770,301	11,025,060	5,003,807	4,531,786	9,535,593	4,003,046	4,305,197	8,308,243
Capital Outlay	6000-6900	21,753	854,856	876,609	29,753	157,642	187,395	29,752		29,752
	7100-7299									
Other Outgo	7400-7499	659,963	7,796,803	8,456,766	659,963	7,796,803	8,456,766	659,963	7,796,802	8,456,765
Direct/Indirect Costs	7300-7399	(481,760)	227,606	(254,154)	(481,760)	227,606	(254,154)	(481,760)	227,606	(254,154)
<b>TOTAL EXPENDITURES</b>		<b>77,471,925</b>	<b>36,646,637</b>	<b>114,118,562</b>	<b>75,810,838</b>	<b>36,157,279</b>	<b>111,968,117</b>	<b>75,906,941</b>	<b>36,041,456</b>	<b>111,948,397</b>
Transfers In	8900-8929			-	818,316		818,316	818,316		818,316
Transfers Out	7600-7629	(500,000)		(500,000)	(500,000)		(500,000)	(500,000)		(500,000)
Sources	8930-8979									
Contributions to Restricted	8980-8999	(19,185,841)	19,185,841	-	(19,185,841)	19,185,841	-	(19,185,841)	19,185,841	-
<b>TOTAL OTHER FINANCING SOURCES/USES</b>		<b>(19,685,841)</b>	<b>19,185,841</b>	<b>(500,000)</b>	<b>(18,867,525)</b>	<b>19,185,841</b>	<b>318,316</b>	<b>(18,867,525)</b>	<b>19,185,841</b>	<b>318,316</b>
<b>Increase/Decrease in Fund Balance</b>		<b>(3,801,398)</b>	<b>(795,558)</b>	<b>(4,596,956)</b>	<b>(2,086,536)</b>	<b>(306,200)</b>	<b>(2,392,736)</b>	<b>(892,010)</b>	<b>(190,377)</b>	<b>(1,082,387)</b>
Beginning Fund Balance	9791	<b>10,331,221</b>	<b>1,379,228</b>	<b>11,710,449</b>	<b>6,529,823</b>	<b>583,670</b>	<b>7,113,493</b>	<b>4,443,287</b>	<b>277,470</b>	<b>4,720,757</b>
Non Spendable	9711	10,000		10,000	10,000		10,000	10,000		10,000
Restricted	9740		583,670	583,670		277,470	277,470		87,093	87,093
Committed	9760			-			-			-
Assigned - Economic Uncertainties	9789	3,438,557		3,438,557	3,295,065		3,295,065	3,330,634		3,330,634
Assigned - Deficit Spending/CalSTRS/CalPERS	9780	3,081,266	-	3,081,266	1,138,222		1,138,222	210,643		210,643
<b>Ending Fund Balance</b>		<b>6,529,823</b>	<b>583,670</b>	<b>7,113,493</b>	<b>4,443,287</b>	<b>277,470</b>	<b>4,720,757</b>	<b>3,551,277</b>	<b>87,093</b>	<b>3,638,370</b>

# SALINAS CITY ELEMENTARY SCHOOL DISTRICT

1st Interim Report - Multi-Year Projection At a Glance

**Fiscal Year 2018-2019**

<u>GENERAL FUND</u>	<u>Unaudited Actuals</u> <u>2017-18</u>	<u>Projected Budget</u> <u>2018-19</u>	<u>Projected Budget</u> <u>2019-20</u>	<u>Projected Budget</u> <u>2020-21</u>
Total Revenues	\$ 105,881,159	\$ 110,021,605	\$ 109,257,065	\$ 110,547,694
Total Expenditures	\$ 107,082,573	\$ 114,618,561	\$ 111,649,801	\$ 111,630,081
Projected Budget Reductions	\$ -	\$ -	<b>\$ (3,591,452)</b>	<b>\$ (1,839,293)</b>
Net.inc./(dec.) in Fund Balance	<b>\$ (1,201,414)</b>	<b>\$ (4,596,956)</b>	<b>\$ (2,392,736)</b>	<b>\$ (1,082,387)</b>
Beg. Bal. July 1, Unaudited	\$ 12,911,863	\$ 11,710,449	\$ 7,113,493	\$ 4,720,757
<b>Ending Balance, June 30</b>	<b>\$ 11,710,449</b>	<b>\$ 7,113,493</b>	<b>\$ 4,720,757</b>	<b>\$ 3,638,370</b>
3% Mandated Reserve	\$ 3,212,477	\$ 3,438,557	\$ 3,349,494	\$ 3,348,902
Ending Balance - Reserves	\$ 8,497,972	\$ 3,674,936	\$ 1,371,263	\$ 289,468

# Summary

- ▶ Based on the State's present financial picture, the current analysis shows the District should be able to meet its obligations for the current and two subsequent years based on variable factors in place for the First Interim Report.
- ▶ Based on the projected balances shown in this review, SCESD can show a positive certification this year, and a positive certification for the following two years.

# Next Steps

- ▶ First Interim report is due December 15, 2018 and the Second Interim report is due March 15, 2018.
- ▶ Staff will continue to refine assumptions and highlight changes during the next few months and prior to the Second Interim report.
- ▶ Will start work with Budget Learning Team in Mid-January to review the status of the budget at that point.
- ▶ LCAP and LCFF plans will need to be developed prior to the adoption of the July 1, 2019 budget adoption.