

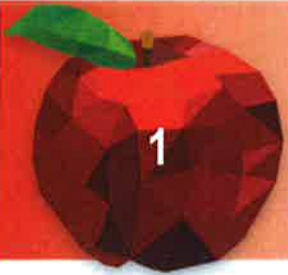


SAN PASQUAL UNION SCHOOL DISTRICT

2017-18 Budget Report

June 2017

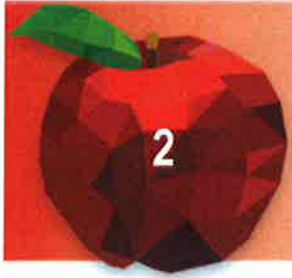
Rhonda Brown, Chief Business Official



June 2017 Budget Report

Governor's Proposal for 2017-18 State Budget

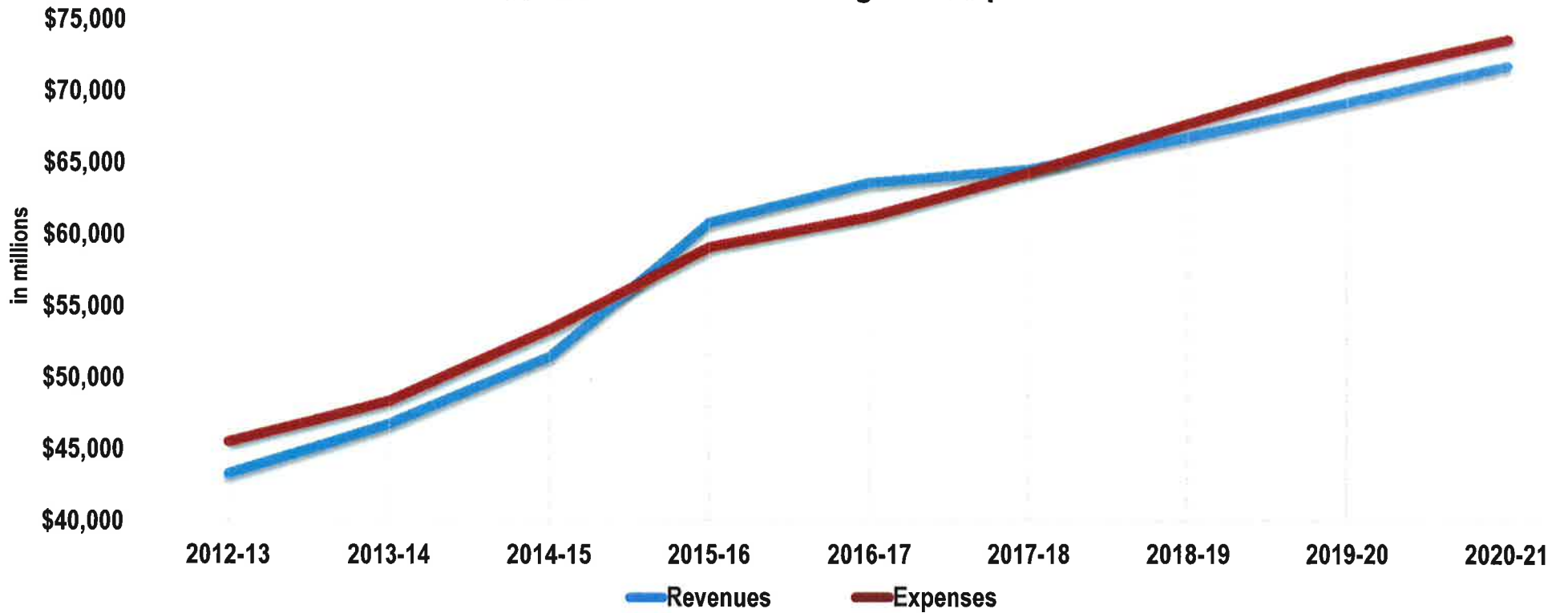
- Over the past four years public education has enjoyed growth in funding, however the 2017-18 State Budget dashes the hopes for any continuation of the trend
- Cola of 1.56%
- LCFF funding to 97% of the target
- Expenditures continue to rise and many LEAs are deficit spending and making expenditure reductions, including layoffs



School Agency State Revenues vs. Expenditure Trends

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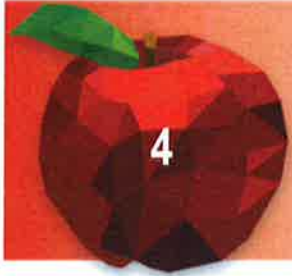
Historic School Funding and Expenditures





The LCFF Promise

- **When the Local Control Funding Formula (LCFF) was developed the main premises were as follows:**
 - **Restoration of prerecession purchasing power to the 2007-08 level by 2020-21**
 - **Redistribution of funding among LEAs to fund additional services to targeted students and close the achievement gap**
 - **Greater local control over programs and resources**



The LCFF

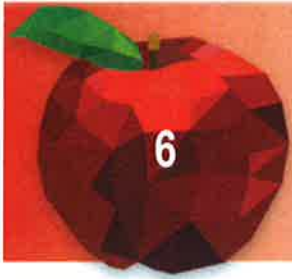
- **The next couple of years will test all three of those principles**
 - **Due to the increased costs for California State Teachers' Retirement System (CalSTRS), California Public Employees' Retirement System (CalPERS), special education, and other spending, it appears purchasing power will not be fully restored**
 - **As funding increases slow, local agencies are finding that “local control” of budget cuts is becoming more difficult**



2017-18 Local Control Funding Formula

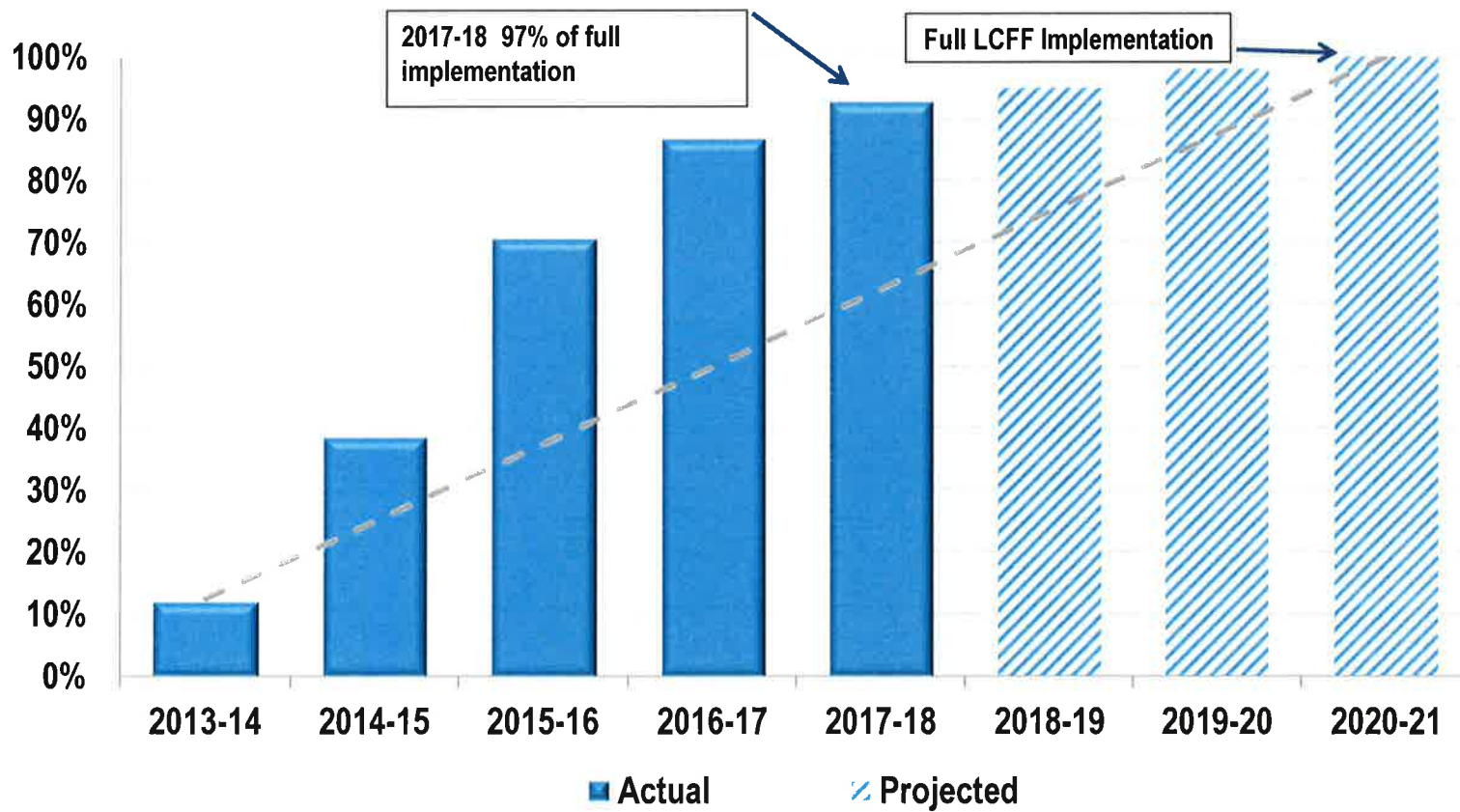
- **New funding is estimated to close the gap between 2016-17 funding levels and LCFF full implementation targets by 43.97%**
 - **In the first five years 93% of the gap closed**
 - **Target funding levels for 2017-18 are going to reach 97%**
 - **1.56% COLA**
 - **Annual growth in LCFF funding will be determined by the change in our ADA and COLA**
 - **Minimal increases to be expected**





Progress Toward LCFF Implementation

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SSC Dartboard

| Factor | K-3 | 4-6 | 7-8 | 9-12 |
|------------------------------|---------|---------|---------|---------|
| 2017-18 Base Grants | \$7,193 | \$7,301 | \$7,518 | \$8,712 |
| Grade Span Adjustments | \$748 | - | - | \$227 |
| 2017-18 Adjusted Base Grants | \$7,941 | \$7,301 | \$7,518 | \$8,939 |

| Factor | 2016-17 | 2017-18 | 2018-19 | 2019-20 |
|----------------------------|---------|---------|---------|---------|
| Statutory COLA | 0.00% | 1.56% | 2.15% | 2.35% |
| SSC Gap Funding Percentage | 55.03% | 43.97% | 39.03% | 41.51% |
| DOF Gap Funding Percentage | 55.03% | 43.97% | 71.53% | 73.51% |



Cap on Local Reserves

- **SSC advises to not spend down reserves because of the potential cap**
 - **The hard cap does not take effect until the year following the year in which all conditions are met and a deposit into the account is made**
- **If the hard cap takes effect and the law is not repealed, districts can ask the COE for a waiver**
- **Fortunately we are exempt from district reserve cap due to our school size**





School District Reserve Cap Legislation

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- While three bills were introduced this year to address the school district reserve cap, only two remain active

AB 235

O'Donnell

Cap would be triggered if the Proposition 98 Rainy Day Fund has a balance worth 3% of annual K-12 spending

Basic aid and small districts would be exempt

Status: In the Senate

SB 751

Hill

Would increase reserve cap to 17% and change what funds are subject to the cap

Basic aid and districts under 2,501 ADA would be exempt

Status: In the Assembly

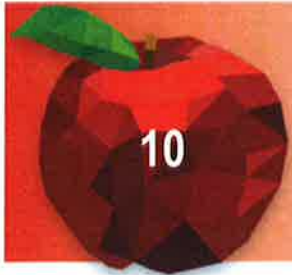
SB 590

Moorlach

Would have completely repealed the reserve cap

Was rejected by the Senate Education Committee

Status: Dead



CaPERS

- Employer contribution rates reflect the CaPERS Board's action to reduce the assumed rate of return on investments from 7.5% to 7.0% over a three-year period
- Employer contribution rate of 15.531% for 2017-18, which is almost 2% higher than the 2016-17 rate of 13.888%

| Year | Employer Contribution Rate |
|---------|----------------------------|
| 2017-18 | 15.531% |
| 2018-19 | 18.1% |
| 2019-20 | 20.8% |
| 2020-21 | 23.8% |
| 2021-22 | 25.2% |
| 2022-23 | 26.1% |
| 2023-24 | 26.8% |
| 2024-25 | 27.3% |



CalSTRS

- As like the CalPERS Board, the CalSTRS Board has:
 - Reduced its assumed rate of return from 7.5% to 7.0% over two years, and
 - Updated demographic assumptions that acknowledge CalSTRS members are living longer
- Employer rates are increasing to 14.43% in 2017-18, up from 12.58% in 2016-17
 - No specific funds are provided for this cost increase

| Year | Employer Contribution Rate |
|---------|----------------------------|
| 2016-17 | 12.58% |
| 2017-18 | 14.43% |
| 2018-19 | 16.28% |
| 2019-20 | 18.13% |
| 2020-21 | 19.10% |



● MYPs are projections, not forecasts

■ Projections are expected to change as various factors change

■ Projections are the result of today's decisions based on the facts as of today

San Pasqual Union Elementary
Multi-Year Projections Summary Report
2017-18 Adopted Budget

| DESCRIPTION | OBJECT CODE | FY 2017-18 Current (Base Year) | | | FY 2018-19 First Projected Year | | | FY 2019-20 Second Projected Year | | |
|---|--|-----------------------------------|--------------------|---|------------------------------------|--------------------|--------------------|-------------------------------------|--------------------|--------------------|
| | | Unrestricted | Restricted | Combined | Unrestricted | Restricted | Combined | Unrestricted | Restricted | Combined |
| A | Beginning Balance as of July 1 | \$875,162 | \$72,139 | \$947,301 | \$851,030 | \$57,034 | \$908,064 | \$804,509 | \$57,034 | \$861,543 |
| B | Revenues | | | | | | | | | |
| 1 | Revenue Limit Sources 8010 8099 | 4,157,755 | 24,527 | 4,182,280 | 4,304,048 | 24,527 | 4,328,575 | 4,421,928 | 24,527 | 4,446,455 |
| 2 | Federal Revenues 8100 8299 | 0 | 127,093 | 127,093 | 0 | 127,093 | 127,093 | 0 | 127,093 | 127,093 |
| 3 | Other State Revenues 8300 8599 | 97,299 | 258,488 | 355,787 | 97,310 | 263,499 | 360,809 | 97,322 | 267,789 | 365,111 |
| 4 | Other Local Revenues 8600 8799 | 32,500 | 492,007 | 524,507 | 92,500 | 502,585 | 595,085 | 92,500 | 502,585 | 595,085 |
| 5 | Total Revenues | 4,347,552 | 902,115 | 5,249,667 | 4,493,857 | 917,704 | 5,411,561 | 4,611,750 | 921,994 | 5,533,744 |
| Beginning Balance & Revenue (A+B5) | | \$5,222,714 | \$974,254 | \$6,196,968 | \$5,344,887.29 | \$924,738 | \$6,319,625 | \$5,416,259 | \$979,028 | \$6,395,287 |
| C | Expenditures | | | | | | | | | |
| 1 | Certificated Salaries 1000-1999 | 2,172,536 | 332,087 | 2,504,623 | 2,221,590 | 297,103 | 2,518,693 | 2,249,086 | 301,633 | 2,550,719 |
| 2 | Classified Salaries 2000-2999 | 587,641 | 234,626 | 822,267 | 603,351 | 239,669 | 843,020 | 611,124 | 244,830 | 855,954 |
| 3 | Employee Benefits 3000-3999 | 810,286 | 357,433 | 1,167,719 | 885,362 | 389,252 | 1,274,613 | 955,951 | 433,640 | 1,389,591 |
| 4 | Books & Supplies 4000-4999 | 172,282 | 38,682 | 210,964 | 185,378 | 39,916 | 225,294 | 171,680 | 41,058 | 212,737 |
| 5 | Services, Other Operating Exp 5000-5999 | 471,797 | 75,888 | 547,685 | 481,397 | 78,282 | 559,679 | 496,055 | 80,521 | 576,576 |
| 6 | Capital Outlay 6000-6999 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 7 | Other Outgo - exclude Direct Sup 7100-7299 | 0 | 35,646 | 35,646 | 0 | 36,783 | 36,783 | 0 | 37,835 | 37,835 |
| 8 | Debt Service 7400-7499 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 9 | Direct Support/Indirect Costs 7900-7399 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 10 | CSR Reduction (for info only) 1000-7999 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 11 | Projected Budget Reduction | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 12 | Total Expenditures | \$4,214,542 | \$1,074,362 | \$5,288,904 | \$4,377,078 | \$1,081,004 | \$5,458,081 | \$4,483,895 | \$1,139,517 | \$5,623,412 |
| D | Interfund Xfers/Other Sources | | | | | | | | | |
| 1 | Transfers In 8910-8929 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2 | Transfers Out 7610-7629 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 3 | Sources 8930-8979 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4 | Uses 7630-7699 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 5 | Contributions 8980-8999 | (157,142) | 357,142 | 0 | (163,300) | 163,300 | 0 | (160,488) | 160,488 | 0 |
| E | Net Increase (Decrease) in Fund Balance | (\$24,332) | (\$15,105) | (\$39,437) | (\$46,521) | (\$0) | (\$46,521) | (\$37,633) | (\$57,034) | (\$89,648) |
| F | Ending Balance | \$851,030 | \$57,034 | \$908,064 | \$804,509 | \$57,034 | \$861,543 | \$771,875 | (\$0) | \$771,875 |
| 1 | Revolving Cash 9711 | 1,000 | 0 | 1,000 | 1,000 | 0 | 1,000 | 1,000 | 0 | 1,000 |
| 2 | Other Reserves 97xx | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 3 | Restricted 9740 | 0 | 57,034 | 57,034 | 0 | 57,034 | 57,034 | 0 | (0) | (0) |
| 4 | Stabilization Arrangements 9750 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 5 | Other Commitments 9760 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 6 | Assigned - Other Assignments 9780 | 445,000 | 0 | 445,000 | 395,000 | 0 | 395,000 | 345,000 | 0 | 345,000 |
| 7 | Reserve for Economic Uncertainties 9789 | 211,556 | 0 | 211,556 | 218,323 | 0 | 218,323 | 224,936 | 0 | 224,936 |
| 8 | Unassigned/Unappropriated Amount 9790 | 194,474 | 0 | 194,474 | 190,186 | 0 | 190,186 | 200,939 | 0 | 200,939 |
| G | Components of Ending Fund Balance Total | \$851,030 | \$57,034 | \$908,064 | \$804,509 | \$57,034 | \$861,543 | \$771,875 | (\$0) | \$771,875 |
| Reserve Percentage Level for this district: | | 4.00% | | 4% Calculated Reserve, or \$50,000 (greater of the two) | | | | | | |
| FY 2017-18 ADA Input Sheet (District): | | 536.41 | | | Total Reserves | | 4% Calculated | Difference* | | |
| | | | | | FY 2017-18 Bud | \$211,556 | \$211,556 | \$0 | | |
| | | | | | FY 2018-19 Proj | \$218,323 | \$218,323 | \$0 | | |
| | | | | | FY 2019-20 Proj | \$224,936 | \$224,936 | \$0 | | |
| FY 2018-19 Unappropriated Amount is: | | Positive | | | | | | | | |
| FY 2019-20 Unappropriated Amount is: | | Positive | | | | | | | | |

Balance of Excess Minimum Reserve

13

District: San Pasqual Union School
CDS #: 37-68953

Adopted Budget
2017-18 Budget Attachment
Balances in Excess of Minimum Reserve Requirements

Reasons for Assigned and Unassigned Ending Fund Balances in Excess of Minimum Recommended Reserves

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/unappropriated Fund Balances | | | 2017-18 Budget | Objects 9780/9789/9790 |
|---|---|--|----------------|------------------------|
| Form | Fund | | | |
| 01 | General Fund/County School Service Fund | | \$908,064.00 | Form 01 |
| 17 | Special Reserve Fund for Other Than Capital Outlay Projects | | \$223,707.00 | Form 17 |
| Total Assigned and Unassigned Ending Fund Balances | | | \$1,131,771.00 | |
| District Standard Reserve Level | | | 4% | Form 01CS Line 108-4 |
| Less District Minimum Reserve for Economic Uncertainties | | | \$211,556.00 | Form 01CS Line 108-7 |
| Remaining Balance to Substantiate Need | | | \$920,215.00 | |

| Reasons for Fund Balances in Excess of Minimum Reserve for Economic Uncertainties | | | | |
|---|---|----------------|---|--|
| Form | Fund | 2017-18 Budget | Description of Need | |
| 01 | General Fund/County School Service Fund | \$245,000.00 | One-Time Funds (Mandated Costs) | |
| 01 | General Fund/County School Service Fund | \$150,000.00 | Curriculum/Textbook Adoption (Common Core) | |
| 01 | General Fund/County School Service Fund | \$100,000.00 | Declining Enrollment | |
| 01 | General Fund/County School Service Fund | \$25,000.00 | Legal Fees | |
| 01 | General Fund/County School Service Fund | \$138,000.00 | Technology Equipment | |
| 01 | General Fund/County School Service Fund | \$41,508.00 | Campus Safety Projects | |
| 17 | Special Reserve Fund for Other Than Capital Outlay Projects | \$70,000.00 | Legal Fees and/or Special Education IDT | |
| 17 | Special Reserve Fund for Other Than Capital Outlay Projects | \$53,707.00 | Technology Infrastructure | |
| 17 | Special Reserve Fund for Other Than Capital Outlay Projects | \$100,000.00 | Unanticipated Expenditures (STRS, PERS, hourly rate increase) | |
| Insert Lines above as needed | | | | |
| Total of Substantiated Needs | | | \$920,215.00 | |

Remaining Unsubstantiated Balance \$0.00 Balance should be Zero

Education Code Section 42127 (d)(1) requires a county superintendent to either conditionally approve or disapprove a school district budget if the district does not provide for EC 42127 (a)(2)(B) public review and discussion at its public budget hearing.



Final Thoughts

- **We believe that we will soon be in a COLA-only environment and that the increased demands on our base funding (STRS & PERS contributions, step and column costs, and increases in health benefits) will exceed the COLA funding**
- **Continue to evaluate budget to address deficit spending**