



2019-20 Proposed Budget Report



Presented to the Board of Trustees

Public Hearing – June 12, 2019

Adoption – June 26, 2019

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**BUCKEYE UNION SCHOOL DISTRICT
EL DORADO HILLS/CAMERON PARK/SHINGLE
SPRINGS, CALIFORNIA**

ORGANIZATION STRUCTURE

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Position

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Nicole Schraeder
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Director of Curriculum and Instruction

BUCKEYE UNION SCHOOL DISTRICT

Mission/Vision Statement & Goals 2019-2020

Mission

Working together with families, the community, and a highly-qualified staff, the Buckeye Union School District ensures that each student masters the knowledge and skills needed to maximize his/her academic and personal success in a global society.

Vision

It is the Vision of the Buckeye Union School District to provide the highest quality educational program for all students, so that they fulfill their innate potential, become lifelong learners, and contribute to society as responsible citizens.

Board Goals and Objectives



Goal # 1: STUDENT ACHIEVEMENT - MAXIMIZE THE PERFORMANCE OF EACH STUDENT, ASSESS AND INCREASE ACADEMIC SUCCESS

We will provide a comprehensive educational experience with expanded opportunities for engagement, assessment and academic growth so that all students will achieve their fullest potential.

Goal # 2: MAINTAIN FISCAL INTEGRITY AND ACCOUNTABILITY

We will support the priority of the District goals by focusing expenditures on academic programs, student achievement and effective staff by developing and maintaining a balanced budget and prudent reserve.

Goal #3: MAXIMIZE USE OF TECHNOLOGY TO ENHANCE THE WORK OF STAFF

We will support the priority of the District goals by focusing on maintaining and using data management systems to target teaching programs, inform instruction, interventions, and use of resources.



Goal #4- STRENGTHEN COMMUNITY RELATIONS AND COMMUNICATIONS

All stakeholders will collaborate and communicate about decisions that guide the sites and District.



Goal #5 – SUPPORT THE WHOLE CHILD

We will foster the social and emotional growth of all students, implement an array of strategies to increase student engagement, identify individual socioemotional and behavioral needs, and apply collaborative appropriate interventions.

Buckeye Union School District

2019-20 Proposed Budget Report and Multiyear Fiscal Projection

Public Hearing – June 12, 2019

Adoption – June 26, 2019

Local Educational Agencies (LEAs) are required to adopt a budget prior to July 1 of each year in order to authorize the expenditure of funds. The proposed budget is only an initial blueprint for revenues and expenditures since the preparation of the adopted budget occurs before the State has enacted its budget, and before actual revenues and expenditures are known for the current year. In the event that material revisions are necessary, a revised budget will be presented to the Board no less than 45 days after the enacted state budget.

Illustrated below is a summary of the proposed state budget and budget guidelines as provided by the County Office of Education and School Services of California. The Proposed Budget Report also contains financial summaries, multi-year projections and detailed financial state reports relating to the estimated financial activity for 2019-20 through 2021-22 specific to the Buckeye Union School District.

Governor’s Revised State Budget Proposal “May Revision”

On January 10, 2019, Governor Newsom released his very first State proposed Budget for 2019-2020. On May 9, 2019, he released his proposed revision to the January budget proposal, known as the “May Revision.”

In the proposed Budget, Governor Newsom continues to build a strong fiscal foundation by paying down debts and liabilities and building up reserves that will help manage the effects of any future economic downturns. However, maintaining the fiscal health of the State and the Buckeye Union School District is an ongoing challenge. Growing uncertainty related to the global political and economic climate, federal policies, rising costs and the length of the current economic expansion require that the Governor’s Budget as well as the District’s budget be prudent. The May Revision takes a careful approach by allocating \$15 billion towards building more budget resiliency through paying off debts and deferrals, building reserves, and paying down unfunded liabilities. It makes strategic one-time investments to pay down long-term debts. The May Revision also recognizes slower growth in the economy. Given the slowing economic forecast and the intensified risks, the May Revision continues to save and prepare for uncertain times ahead.

The May Revision maintains full funding of the Local Control Funding Formula (LCFF). Illustrated below are the major components of the May Revision:

Proposition 98:

It is a voter-approved constitutional amendment that guarantees minimum funding levels for K-12 schools and community colleges. The Local Control Funding Formula is the primary mechanism for distributing these funds to support all students attending K-12 public schools in California. The total K-14 Proposition 98 funding for the May Revision was \$75.6 billion in 2017-18; \$78.1 billion in 2018-19, and will be \$81.1 billion in 2019-2020.

Public School System Stabilization Account

Proposition 2, enacted by voters in 2014, established the Public School System Stabilization Account, and is referred to as the Proposition 98 Rainy Day Fund. The May Revision proposes that a deposit of \$389.3 million be made into the Account.

Under the current law, there is a cap on school district reserves in fiscal years immediately succeeding those in which the balance in the account is equal to or greater than 3 percent of the total K-12 share of the Proposition 98 Guarantee (approximately \$2.1 billion). Because the current deposition proposed is less than the necessary amount, school district reserve caps are not required in 2020-21.

Special Education Program:

The May Revision proposes to allocate a \$696.2 million ongoing Proposition 98 General Fund contribution for special education. This is \$119.2 million more than was proposed in the Governor's January Budget and is a 21-percent year-over-year increase in state funding for services for students with disabilities. The May Revision also includes a \$500,000 one-time, non-Proposition 98 General Fund contribution to increase local educational agencies' ability to draw down federal funds for medically related special education services and to improve the transition of three-year olds with disabilities from regional centers to local educational agencies.

CalSTRS Employer Contribution Rate

The Governor's January Budget proposed funding to reduce employer contributions to CalSTRS from 18.13 percent to 17.10 percent in 2019-2020, based on current assumptions. This reduction was intended to provide immediate fiscal relief to school districts for the rising cost of teacher pensions. The May Revision adds \$150 million one-time, non-Proposition 98 General Fund contribution to reduce the employer contribution rate to 16.7 percent in 2019-2020.

Computer Science Education

It is a priority of the Administration that all students in the K-12 public school system are able to access computer science education to provide them with the skills they need to succeed. In an important step toward this goal, the State Board of Education adopted California's first set of Computer Science Content Standards for K-12 schools in September 2018. It is anticipated that the Board will adopt an implementation plan for these new standards in May 2019. The May Revision includes a \$15 million, one-time, non-Proposition 98 General Fund contribution for broadband infrastructure and a \$1 million one-time, non-Proposition 98 General Fund contribution, available over four years, to the State Board of Education to establish a State Computer Science Coordinator.

Retaining and Supporting Well-Prepared Educators

The State has a long-term statewide teacher shortage in the areas of special education, science and math. The May Revision includes an \$89.8 million one-time, non-Proposition 98 General Fund contribution to provide an estimated 4,500 loan assumptions of up to \$20,000 for newly credentialed teachers to work in high-need schools for at least four years. Additionally, the May Revision includes a \$44.8 million one-time, non-Proposition 98 General Fund contribution to provide training and resources for classroom educators. Finally, the May Revision includes a \$13.9 million ongoing

federal fund for professional learning opportunities for public K-12 school administrator to support the diverse student population served in California public schools.

Cost of Living Adjustment (COLA)

The May Revision proposes a COLA of 3.26%, which is down slightly from that projected in January @ 3.46%.

No Discretionary One-Time Funds

No one-time discretionary funds are being proposed in the May Revision.

Local Control Accountability Plans (LCAP)

Effective 2013-14, the LCFF relies on the use of accountability plans in shifting control of LEA budgets from the state to the local level. Therefore, school districts and county offices of education (COEs) are required to adopt a Local Control and Accountability Plan (LCAP) using a template adopted by the State Board of Education (SBE).

It is required that the LCAP be effective for three years (updated annually), and include annual goals for pupils (including each subgroup of pupils) to be achieved for state and local priorities, as well as identify the specific actions the school district, or COE, will take during each year of the plan to achieve specified goals. Beginning with fiscal year 2017-18, the LCAP is a three-year static plan, which will result in the current year adoption and one subsequent adoption encompassing the same three-year cycle (2017-18 through 2019-20).

Prior to adopting or updating the LCAP, a district must provide the public and parent advisory committees (includes EL parent advisory committees) an opportunity to review and comment on the proposed LCAP. In addition, a district must hold at least one public hearing to solicit public comments regarding the LCAP, and must adopt the LCAP at a subsequent public meeting. Further, the LCAP must be adopted before the budget is adopted.

The Buckeye Union School District held a public hearing on June 12, 2019 for the Buckeye Union School District LCAP, the Valley View Charter Montessori School LCAP and the Buckeye Union Mandarin Immersion Charter School LCAP.

As noted above, the Governor proposes improving transparency by requiring districts to illustrate that their supplemental expenditures enable them to meet specific LCAP goals by showing how supplemental dollars are spent to increase and improve services to high-need students.

LCAP Federal Addendum

In addition to the main LCAP template and the Budget Overview, this year the District will need to complete the LCAP Federal Addendum and submit it directly to CDE by July 1, 2019, through CDE's online submission system. The Addendum is tied to an LEA's application for federal funds through the Consolidated Application.

Routine Restricted Maintenance Account

Due to the passage of Proposition 51, any local educational agency that applies for state bond funds and receives a Proposition 51 apportionment by the State Allocation Board (SAB) would be subject to conditions set forth by the bond measure. The Proposition 51 ballot initiative contained language that the School Facility Program (SFP) is administered as it existed on January 1, 2015 that includes the provision of contributing the full three percent of General Fund expenditures and financing uses into the routine restricted maintenance account (RRMA). This requirement, however, does not apply to projects funded by Propositions 1A, 47, and 55 as those bond measures did not contain similar language.

Therefore, districts would either be required to contribute the three percent of General Fund expenditures and financing uses after receiving School Facility Program (SFP) Proposition 51 funding, or continue to follow the guidance of AB 104 and gradually increase their contributions. The Buckeye Union School District contributes 3%.

Reserves

County offices, as well as other well-respected school finance experts, continue to reinforce the need for reserves in excess of the minimum reserve for economic uncertainty. The required reserve for economic uncertainty represents only a few weeks of payroll for most districts, including BUSD. The Government Finance Officers Association recommends reserves, at minimum, equal to two months of average general fund operating expenditures, or about 17%. In determining an appropriate level of reserves, districts should consider multiple external and local factors including but not limited to:

- State and federal economic forecasts and volatility
- Unknown impacts of federal tax reform on state revenue
- Forecasted revenue changes versus projected expenditure increases in budget and multiyear projection years
- Ending balance impact of various district enrollment scenarios
- Cash flow requirements and the relationship between budgeted reserves and actual cash on hand
- Savings for future one-time planned expenditures
- Protection against unanticipated/unbudgeted expenditures
- Credit ratings and long-term borrowing costs

A prudent reserve affords districts and their governing board's time to thoughtfully identify and implement budget adjustments over time. Inadequate reserves force districts to react quickly, often causing significant disruption, sometimes unnecessarily, to student programs and employees.

The Governor's May Revise continues to stress that fiscal restraint has never been more important. By the end of 2018-19, the expansion will have matched the longest since World War II. To buffer the State against uncertainty and future budget cuts, the proposed budget is projected to build the Rainy Day Fund to \$16.5 billion by the end of 2019-20, by adding another \$1.2 billion. The Rainy Day Fund is proposed to reach 100% of its constitutional target (10% of

expenditures) by 2020-21, and by 2022-23, the total balance is projected to be approximately \$18.7 billion. It is important for districts to recognize the purpose of the Rainy Day Fund is to protect the non-Proposition 98 side of the state budget and, when fully funded, will delay possible cuts for districts that might otherwise be necessary during an economic downturn. According to the Governor, even a mild recession could result in lost revenue of \$20 billion annually, and recovery takes years.

The district reserve cap is not operable in the current year or in 2019-20 and is not expected to be operable in 2020-21. SB 751 modified Education Code 42127.01 (the district reserve cap), and these changes became effective January 1, 2018. The Public School System Stabilization Account (PSSSA) must now contain a balance of 3% or greater of the Proposition 98 amount in that year to trigger the reserve cap in the following year. Reserves would be capped at 10% (including designated and undesignated reserves in the General Fund (Fund 01) and Special Reserve Fund (Fund 17)) as long as the amount in the PSSSA remained at 3% or greater of the Proposition 98 amount in each preceding year. Basic aid and small school districts (those with fewer than 2,501 ADA) are exempt from the reserve cap. The four conditions that must be met to enable a transfer to the PSSSA are:

1. Proposition 98 is funded based on Test 1
2. Proposition maintenance factor is fully repaid
3. Proposition is sufficient for enrollment growth and statutory COLA
4. At least 8% of state general fund revenues must come from capital gains.

The likelihood of the reserve cap becoming operable in future years remains low, but if this does come to pass, districts have the option to request a waiver from the county superintendent of schools for up to two consecutive years in a three-year period. Districts are advised to manage and maintain prudent reserves without consideration of the reserve cap language included in Education Code 42127.01.

2019-20 **Buckeye Union School District Primary Budget Components**

❖ Average Daily Attendance (ADA) is estimated to be as follows:

• District:	3,652.54
• VVCM:	715.88
• OMMI:	60.80
• County Program:	31.91
Total Funded ADA:	4,461.11

Due to a decline in enrollment in 2019-2020, the funded ADA will be based on the prior year (2018-2019) adjusted ADA as follows:

• District:	3,910.04 (2018/19 ADA)
• VVCM:	715.88
• OMMI:	60.88
• County Program:	31.91

Total Funded ADA for 2019-2020: 4,718.61

- ❖ The District’s estimated unduplicated pupil percentage for supplemental funding is estimated to be 18.62%. Due to the low percentage, the District does not receive any concentration funding. The percentage will be revised based on actual data.
- ❖ Lottery revenue is estimated to be \$151 per ADA for unrestricted purposes and \$53 per ADA for restricted purposes.
- ❖ Mandated Cost Block Grant is \$32.18 for K-8 ADA – traditional schools and \$16.86 for K-8 ADA - Charter schools.
- ❖ STRS Employer Statutory Rates (statute until 2020-21) are 18.13% in 2019-2020, 19.10% in 2020-2021 and 19.10% in 2021-2022.
- ❖ STRS Employer Statutory Rates (Proposed Buy down) are 16.70% in 2019-2020, 18.10% in 2020-2021 and 18.6% in 2021-2022.
- ❖ PERS Employer Projected Rates (May 2019) are 20.733% in 2019-2020, 23.6% in 2020-2021 and 24.90% in 2021-2022.
- ❖ Except as illustrated under Contributions to Restricted Programs, all federal and state restricted categorical programs are self-funded.

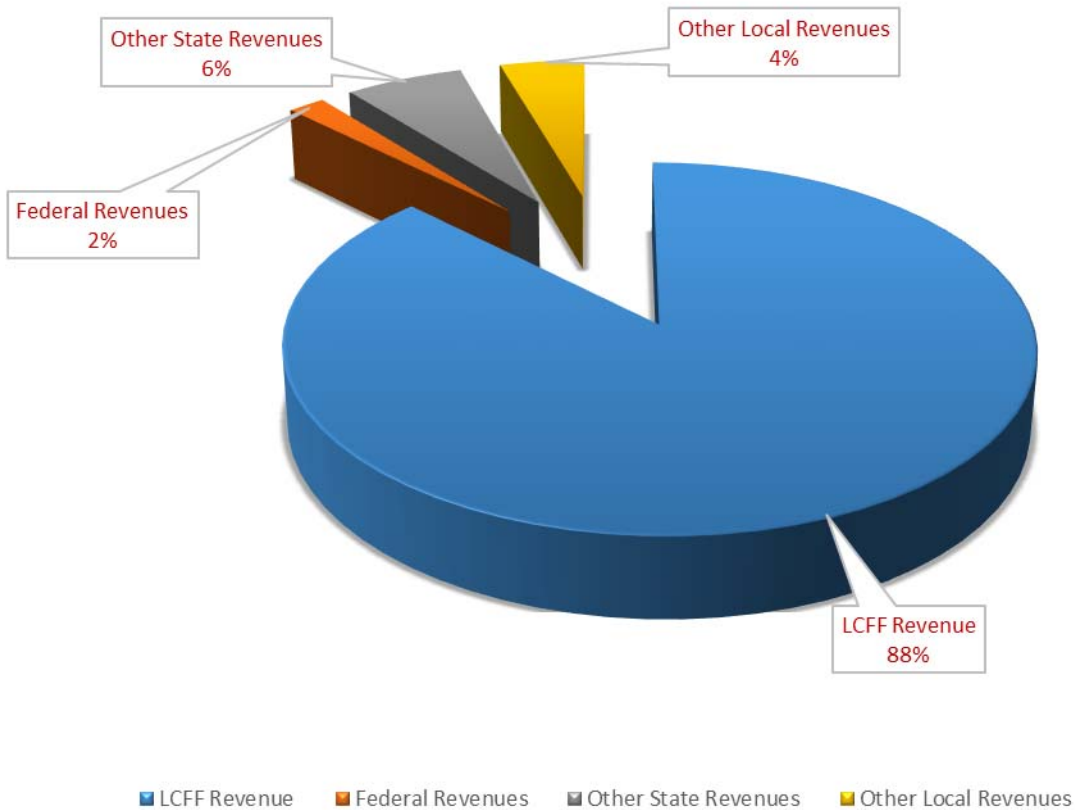
General Fund Revenue Components

The District receives funding for its general operations from various sources. A summary of the major funding sources is illustrated below:

2019-2020		
Description	Unrestricted	Combined
General Purpose Revenue (LCFF)	\$40,411,016	\$40,411,016
Federal Revenues	\$62,455	\$880,085
Other State Revenues	\$895,953	\$2,858,488
Other Local Revenues	\$484,814	\$2,055,317
Transfers In & Indirect Cost Recaptures	\$0	\$0
Contribution to Restricted Programs	(\$6,130,113)	
TOTAL	\$35,724,125	\$46,204,906

Following is a graphical representation of revenue by percentage:

Combined Revenue



Education Protection Account

As approved by the voters on November 6, 2012, The Schools and Local Public Safety Protection Act of 2012 (Proposition 30) temporarily increased the State’s sales tax rate and the personal income tax rates for taxpayers in high tax brackets.

The creation of Proposition 30 provides that a portion of K-14 general purpose funds must be utilized for instructional purposes. Revenues generated from Proposition 30 are deposited into an account called the Education Protection Account (EPA). The District will receive funds from the EPA based on its proportionate share of statewide general purpose funds. A corresponding reduction is made to its state aid funds.

K-14 local agencies have the sole authority to determine how the funds received from the EPA are spent, but with these provisions:

- The spending plan must be approved by the governing board during a public meeting
- EPA funds cannot be used for the salaries or benefits of administrators or any other administrative costs (as determined through the account code structure)
- Each year, the local agency must publish on its website an accounting of how much money was received from the EPA and how the funds were expended

Further, the annual financial audit includes verification that the EPA funds were used as specified by Proposition 30. If EPA funds are not expended in accordance with the requirements of Proposition 30, civil or criminal penalties could be incurred.

Illustrated below is how the District's EPA funds are appropriated for 2019-2020. The amounts will be revised throughout the year based on information received from the State.

Education Protection Account (EPA) Budget 2018-19 Fiscal Year	
Description	Amount
BEGINNING BALANCE	\$0
BUDGETED EPA REVENUES: <i>Estimated EPA Funds</i>	\$6,840,016
BUDGETED EPA EXPENDITURES: <i>Certificated Instructional Salaries and Benefits</i>	\$6,840,016
TOTAL	\$6,840,016
ENDING BALANCE	\$0

Subsequently, on November 8, 2016, the voters approved the California Children's Education and Health Care Protection Act (Proposition 55) that maintains increased personal income tax rates for taxpayers in high tax brackets through 2030. Proposition 55 did not extend the sales tax increase; therefore, the temporary sales tax increase expired at the end of calendar year 2016.

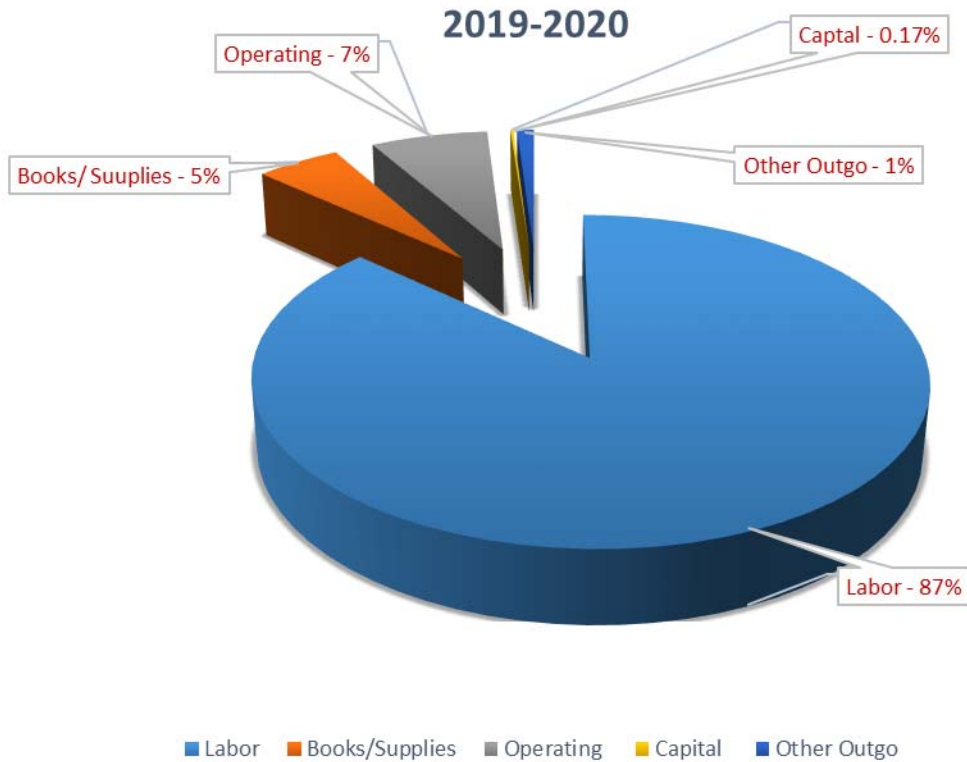
Operating Expenditure Components

The General Fund is used for the majority of the functions within the District. As illustrated below, salaries and benefits comprise of approximately 86% of the District's unrestricted budget, and combined General Fund budget.

Description	Unrestricted	Combined
Certificated Salaries	\$18,911,558	\$20,925,545
Classified Salaries	\$4,972,970	\$7,499,430
Benefits (Payroll Taxes, STRS/PERS and Health & Welfare Contributions)	\$8,802,966	\$12,140,588
Books and Supplies	\$1,728,757	\$2,268,252
Other Operating Expenditures	\$1,303,960	\$3,171,558
Capital Outlay	-	-
Transfers-Out & Other Outgo (<i>Excludes Indirect Cost Recaptures</i>)	\$238,980	\$312,224
Indirect Support	(\$42,895)	-
TOTAL	\$35,916,296	\$46,317,597

Following is a graphical representation of expenditures by percentage:

Combined Expenses



General Fund Contributions to Restricted Programs

The following contributions of unrestricted resources to restricted programs are necessary to cover restricted program expenditures in excess of revenue:

Description	Amount
Restricted Maintenance Account	\$ 1,473,556
Special Programs – Special Education	\$ 4,524,430
Special Programs - ERMHS	\$173,351
Medi-Cal Billing	<\$41,224>
TOTAL CONTRIBUTIONS	6,132,113

General Fund Summary

The District’s 2019-20 General Fund projects deficit spending in the amount of approximately \$112,691, resulting in an estimated decreased ending fund balance of approximately \$6.6 million. The components of the District’s fund balance are as follows:

Description	Amount
Revolving Cash	\$1,000
Restricted	\$490,069
3% Reserve for Economic Uncertainties	\$1,389,528
1% Board Reserve for Economic Uncertainties	\$463,176
Additional Economic Uncertainty Reserve	\$4,295,538
TOTAL	\$6,639,311

Cash Flow

The District is anticipating having positive monthly cash balances during the 2019-20 school year. Cash is always closely monitored in order to ensure the District is liquid to satisfy its obligations.

Fund Summaries

Illustrated below is a summary of each Fund's fund balance and corresponding change.

FUND	2019-20 Beginning	Est. Net Change	2019-20 Ending
GENERAL (UNRESTRICTED & RESTRICTED) – Fund 01	\$6,752,002	(\$112,691)	\$6,639,311
FOOD SERVICE – Fund 13	\$73,986	\$2,322	\$76,308
DEFERRED MAINTENANCE – Fund 14	\$486,171	\$172,500	\$658,671
SPECIAL RESERVE – Fund 17	\$375,545	\$2,500	\$382,045
DEVELOPER FEE – Fund 21	\$1,538,466	\$260,117	\$1,798,583
BUILDING FUND – Fund 35	\$3,915,225	(\$1,087,963)	\$2,827,262
CAPITAL FACILITIES – Fund 49	\$2,931,290	\$2,013,902	\$4,945,192
BOND INTEREST & REDEMPTION – Fund 51	\$1,147,391	\$78,417	\$1,225,808
TOTAL	\$17,220,076	\$1,249,624	\$18,553,180

Multiyear Projection

General Planning Factors:

Illustrated below are the latest factors released by the Department of Finance (DOF) that districts are expected to utilize as planning factors:

Planning Factor	2019-20	2020-21	2021-22
Statutory COLA (DOF)	3.26%	3.00%	2.80%
STRS Employer Statutory Rates (statute until 2020-21)	18.13%	19.10%	19.10%
STRS Employer Statutory Rates (Proposed Buydown)	*16.70%	*18.10%	*18.60%
PERS Employer Projected Rates (May 2019)	20.733%	23.60%	24.90%
Lottery – Unrestricted per ADA	\$151.00	\$151.00	\$151.00
Lottery – Proposition 20 per ADA	\$53.00	\$53.00	\$53.00
Mandated Block Grant for Districts – K-8 per ADA	\$32.18	\$33.15	\$34.08
Mandated Block Grant for Districts – 9-12 per ADA	\$61.94	\$63.80	\$65.59
Mandated Block Grant for Charters – K-8 per ADA	\$16.86	\$17.37	\$17.86
Mandated Block Grant for Charters – 9-12 per ADA	\$46.87	\$48.28	\$49.63
State Preschool (CSPP) Part-Day Daily Reimbursement Rate	\$30.87	\$30.87	\$30.87
State Preschool (CSPP) Full-Day Daily Reimbursement Rate	\$49.85	\$49.85	\$49.85
General Child Care (CCTR) Daily Reimbursement Rate	\$49.54	\$49.54	\$49.54
Routine Restricted Maintenance Account	Equal or greater than 3% of total GF expenditures	Equal or greater than 3% of total GF expenditures	Equal or greater than 3% of total GF expenditures

Various aspects of the planning factors illustrated above will be further discussed below with the District's specific revenue and expenditure assumptions.

Revenue Assumptions:

The Local Control Funding Formula is estimated to be adjusted per Department of Finance's estimates of COLA and being funded at the District's LCFE Target. Federal and local revenue is expected to remain relatively constant for subsequent years. State revenue is expected to decline in 2019-20 due to the loss of one-time mandate funds and remain constant thereafter.

Enrollment Data and Trends

Per enrollment data and trends, the District anticipates enrollment to decrease for the current and year in its traditional school, but increase for its Charter School programs. Set forth below is an analysis of the ADA data:

ADA Analysis

P-2 ADA for:	DISTRICT OPERATED PROGRAMS						
	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020*	2020-2021*	2021-2022*
District	4,254.15	4,227.77	4,082.53	3,910.04	3,652.54	3,652.54	3,652.54
VVCM	420.11	274.04	491.88	588.89	715.86	715.86	715.86
OMMI	-	-	-	40.37	60.80	60.80	60.80
Totals	<u>4,674.26</u>	<u>4,501.81</u>	<u>4,574.41</u>	<u>4,539.30</u>	<u>4,429.20</u>	<u>4,429.20</u>	<u>4,429.20</u>
Change over PY	N/A	(172.45)	72.60	(35.11)	(110.10)	-	-
County Prgm ADA	20.63	24.38	29.42	31.91	31.91	31.91	31.91
Total	<u>4,694.89</u>	<u>4,526.19</u>	<u>4,603.83</u>	<u>4,571.21</u>	<u>4,461.11</u>	<u>4,461.11</u>	<u>4,461.11</u>
Funded DISTRICT ADA	4,274.78	4,278.53	4,257.19	4,114.44	3,941.95	3,684.45	3,684.45
Funded Charter ADA	420.11	274.04	491.88	629.26	776.66	776.66	776.66
Total Funded ADA	<u>4,694.89</u>	<u>4,552.57</u>	<u>4,749.07</u>	<u>4,743.70</u>	<u>4,718.61</u>	<u>4,461.11</u>	<u>4,461.11</u>

As of the 2020-2021 fiscal year, unless enrollment improves the District will be funded on approximately 257 less students, **which equates to a loss of approximately 1.1 million dollars in on-going revenue.**

Expenditure Assumptions:

On December 21, 2016, the California Public Employees’ Retirement System (CalPERS) Board took action to approve lowering what is known as the “discount rate” from 7.5% to 7.0% over three years beginning in 2019-20. This action effectively lowers what CalPERS projects will be the annual rate of return on its entire investment portfolio (i.e., investment return percentage). Illustrated below are the actual *CalPERS rates* through 2018-19 and projected rates through 2023-24.

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
Rates @ 19-20 Proposed	15.531%	18.062%	20.733%	23.60%	24.90%	25.30%	25.80%	26.00%

Assembly Bill 1469 (CalSTRS full-funding plan) increased the contribution rates that employers, employees, and the State pay to support the California State Teachers’ Retirement System (CalSTRS). Similar to CalPERS, the CalSTRS Board lowered its assumed rate of return on its investment portfolio from 7.5% to 7.0% and adopted new demographic assumptions. Under Assembly Bill (AB) 1469 both state and employer contribution rates may be increased by the CalSTRS Board in order to maintain the goal of reaching full funding of the retirement system by 2046.

Current law increases contribution rates to a maximum of 19.1% beginning July 1, 2020. Further, under Education Code Section 22950.5, CalSTRs will have the authority to increase or decrease the employer and state contribution rates. However, the rates may not be increased by more than one percent in a year and cannot exceed 12% overall until the remaining unfunded actuarial obligation is eliminated. In addition, new CalSTRS members (hired after January 1, 2013) are required to pay at least half of the normal cost of the DB program; thus, these members’ contributions increased by 0.5% effective July 1, 2017.

Illustrated below are the statutory *CalSTRS* rates through 2020-21 and maximum rates from 2021-22 through 2023-24:

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
Statutory Rates @ 19-20 Buy-down	14.43%	16.28%	16.70%	18.10%	18.60%	19.10%	19.60%	20.25% (Max.)

Therefore, adjustments to benefits reflect the effects of salary changes noted above, expected increases to employer pension costs, and projected H&W benefit costs.

Supplies and services are expected to remain relatively constant for subsequent years. Capital outlay activity for the current and subsequent years is based on estimated equipment needs relating to transportation bus grants. Indirect costs and transfers-out are expected to remain constant.

Estimated Ending Fund Balances:

During 2019-20, the District estimates that the General Fund is projected to end the year deficit spending in the amount of approximately (\$11,691) resulting in a projected General Fund ending balance of approximately \$6.6 million.

During 2020-21, the District estimates that the General Fund is projected to end the year deficit spending in the amount of approximately \$645,902, resulting in a General Fund balance of approximately \$5.5 million.

During 2021-22, the District estimates that the General Fund is projected to end the year deficit spending in the amount of approximately \$382,593, resulting in a General Fund balance of approximately \$5.1 million.

Illustrated below are the estimated components of the General Fund ending balance for the current year and two subsequent years. It is important to note, however, that the District has not reached labor settlements for the 2019-20 thru 2021-22 school years.

GENERAL FUND			
Description	2019-20	2020-21	2021-22
Revolving Cash	\$1,000	\$1,000	\$1,000
Restricted	\$490,069	-	-
3% Reserve for Economic Uncertainties	\$1,389,528	\$1,390,006	\$1,394,905
1% Board Reserve for Economic Uncertainties	\$463,176	\$463,335	\$464,968
Additional Economic Uncertainty Reserve	\$4,295,538	\$3,648,999	\$3,259,874
<i>Estimated Ending Fund Balance</i>	\$6,639,311	\$5,503,340	\$5,120,747

Conclusion:

The projected budget and multi-year projections support the District’s assertion that it is able to meet its financial obligations for the current and subsequent two years. The District is in a good financial position, and despite some long-term budgetary challenges, the District is confident that it will be able to maintain prudent operating reserves and have the necessary cash in order to ensure that the District remains fiscally solvent.

Next Steps:

- Staff will attend workshops in July for additional clarity and implementation guidance.
- Staff will bring revised 2019-2020 Budget to Board in August 2019 to adjust for any material revisions, if any are required.
- Staff will continue to update and begin work on the update to the Local Control Accountability Plan in 2019-20
- Labor Relations for 2019-20
- Close Books for FY18-19
- Complete Financial Audit – October/November
- Continue Monitoring Enrollment

