

2017-2018 2nd *Interim* *Budget* *Board Report*



Andrés Zamora, Superintendent
Sara Crawley, Fiscal Services Director

Governor's Message in January

- For the 2018-19 years, Governor Brown proposes a Proposition 98 guarantee of \$78.3 billion, an increase of 3.1 billion year over year for K-12 education.
- \$3 billion will be proposed to fully close the LCFF funding gap two year ahead of schedule.
- After the 2018-19 year, Districts will receive COLA only funding and will experience a funding slow down.
- Governor Brown advises in his letter dated January 10, 2018 to the Senate and the Assembly: "In recent years, I have warned of an inevitable recession lurking in our future, which thankfully has not yet arrived. Nevertheless, we must remain vigilant and not let rosy statistics lull us into believing that economic downturns are a relic of the past. Fiscal restraints are needed more than ever as California approaches the peak of the business cycle."

BASC-MCOE COMMON MESSAGE

- It is imperative for LEAs to stay well informed, consider the impact of proposed and potential changes, both fiscal and programmatic, and adapt accordingly.
- A prudent reserve affords districts and their governing boards 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.
- Despite increased revenues, escalating fixed expenditures are increasingly difficult to manage (ie PERS/STRS) and may ultimately threaten fiscal solvency for many districts.
- Source: The Common Message, Second Interim 2017-18 V. Merced County Office of Education page 9, 10 & 20.

What is 2nd Interim?

- It's a snapshot in time of the district's budgeted revenues and expenditures for current fiscal year and projection of the two subsequent fiscal years.
- It's an opportunity to update the budget based on various factors that impact revenues and expenditures.
- 2nd Interim reporting period is from November 1st through January 31st of each fiscal year and must be submitted to Merced County Office of Education by March 15.



Budget Assumptions

LCFF Funding Assumptions

Annual COLA
 Funding Increase Using SSC GAP
 Gap Funding Dollars SSC
 Gap Funding Rate
 Unduplicated Percentage
 Projected Enrollment*
 Funded ADA*
 Change in Funded ADA over Prior Yr.*
 ADA Growth Funding* (Loss of \$ Due to Decline)

	2017/18	2018/19	2019/20
	1.56%	2.51%	2.41%
	1.55%	5.49%	1.45%
\$	377,784	\$ 1,355,496	\$ 378,131.00
	44.97%	100.00%	N/A
	89.11%	88.39%	87.88%
	2,532	2,515	2,513
	2,445.29	2,439.64	2,423.26
	(37.08)	(5.65)	(16.38)
	\$ (374,508.00)	\$ (60,377.00)	(178,614.00)

*Includes district referred Special Ed students to MCOE

Other Revenue Assumptions

Federal
 State
 Local

	2017/18	2018/19	2019/20
Current Yr. Award Letters		0%	0%
Current Yr. Award Letters		2.51%	2.41%
Current Yr. Received		2.51%	2.41%

Budget Assumptions

Expenditure Assumptions

	2017/18	2018/19	2019/20
Salary/Benefits Increase	Cert (3%)/Class 0/Mgt 0	Cert (2%)/Class 0/Mgt 0	0%
Certificated/Mgt. Step & Col.*		\$ 255,917	\$ 249,328
Classified/Mgt. Step*		\$ 42,269	\$ 58,922
Certificated/Mgt. FTE	138.5	139.5	139.5
Classified/Mgt. FTE	112.43	112.43	112.43
Certificated Health Cap	\$ 16,023	\$ 16,962	\$ 16,962
Classified/Mangt. HW Cap	\$ 14,185	\$ 14,185	\$ 14,185
ACA Insurance	\$ 6,576	Fixed cost rolled	Fixed cost rolled
Retiree Health Contribution	\$ 175,000	\$ 175,000	\$ 175,000
STRS Employer Rates	14.43%	16.28%	18.13%
Estimated Increase in STRS Costs	\$ 222,158	\$ 242,274	\$ 246,819
PERS Employer Rates	15.53%	17.70%	20.00%
Estimated Increase in PERS Costs	\$ 60,188	\$ 92,760	\$ 95,580
Consumer Price Index	3.18%	3.22%	3.04%
Routine Restricted Maint.	3%	3%	3%

*Calculation includes Statutory Benefits



Budget Assumptions Declining Enrollment

ENROLLMENT	CALPADS 2014-2015	CALPADS 2015-2016	CALPADS 2016-2017	Enrollment based on grade level shift		
				CALPADS 2017-2018	Projected 2018- 2019	Projected 2019- 2020
Grade						
TK	69	61	49	54	54	54
K	249	279	278	267	267	267
1	262	258	283	285	267	267
2	300	244	265	278	285	267
3	287	290	245	269	278	285
4	275	285	285	242	269	278
5	285	258	284	284	242	269
6	285	285	267	282	284	242
7	305	293	276	269	282	284
8	285	305	288	284	269	282
Total District	2,602	2,558	2,520	2,514	2,497	2,495
Enrollment Change over PY		(44)	(38)	(6)	(17)	(2)
MCOE Sp Ed Enrollment	34	28	21	18	18	18
Total Enrollment	2,636	2,586	2,541	2,532	2,515	2,513



Budget Assumptions Declining Enrollment

2017-2018
funded on higher of prior
year or current year ADA
except for MCOE ADA

ADA-FUNDING	P-2 Actual 2014-2015	P-2 Actual 2015-2016	P-2 Actual 2016-2017	Projected 2017-2018	Projected 2018- 2019	Projected 2019- 2020
ADA	2,506	2,462	2,427.39	2,421.74	2,405.36	2,403.63
% of Enrollment	96.32%	96.25%	96.33%	96.33%	96.33%	96.33%
ADA Change over PY		(44.21)	(34.60)	(5.65)	(16.38)	(1.73)
Est. MCOE Attendance	30.47	24.12	20.38	17.9	17.9	17.9
Total Est. ADA	2,536.67	2,486.11	2,447.77	2,439.64	2,423.26	2,421.53
Est. Funded ADA	2,536.67	2,530.32	2,482.37	2,445.29	2,439.64	2,423.26
ADA Change over PY			(47.95)	(37.08)	(5.65)	(16.38)
Funding Loss due to Declining Enrollment			Estimated 2016-2017	Projected 2017-2018	Projected 2018- 2019	Projected 2019- 2020
LCFF Average Per ADA Funding			\$ 9,797	\$ 10,100	\$ 10,679	\$ 10,907
Loss of funding Per Year			\$ (469,766)	\$ (374,508)	\$ (60,377)	\$ (178,614)
Compounded Loss of Funding				\$ (844,274)	\$ (904,651)	\$ (1,083,265)

2017/2018 2nd Interim

		A UNRESTRICTED	B RESTRICTED	(A+B) COMBINED
REVENUE				
LCFF Sources	1	\$ 24,697,603	\$ -	\$ 24,697,603
Federal Revenue	2	-	1,876,091	1,876,091
Other State Revenue	3	805,554	1,908,920	2,714,474
Other Local Revenue	4	258,423	30,640	289,063
Contributions	5	(1,968,052)	1,968,052	-
TOTAL INCOME	6	\$ 23,793,528	\$ 5,783,703	\$ 29,577,231
EXPENDITURES				
Certificated Salaries	7	\$ 11,125,524	\$ 1,599,267	\$ 12,724,791
Classified Salaries	8	2,922,218	733,259	3,655,477
Employee Benefits	9	5,722,468	1,857,089	7,579,557
Books and Supplies	10	1,319,400	632,716	1,952,116
Service, Operations Expenses	11	1,823,352	615,285	2,438,637
Capital Outlay	12	1,721	41,050	42,771
Other Outgo	13	163,027	89,866	252,893
Transfers of Indirect/Direct Support Costs	14	(499,929)	276,833	(223,096)
Transfers Out	15	2,956,325.00	-	2,956,325.00
TOTAL EXPENSES	16	\$ 25,534,106	\$ 5,845,365	\$ 31,379,471
Net Increase/(Decrease) In Fund	17	\$ (1,740,578)	\$ (61,662)	\$ (1,802,240)
Beginning Balance	18	\$ 10,232,119	\$ 373,141	\$ 10,605,261
Ending Fund Balance	19	\$ 8,491,541	\$ 311,479	\$ 8,803,021

2017/2018 2nd Interim Alternative Report

	Unrestricted			Restricted				Combined
	General Unrestricted	LCAP Supplemental & Concentration	Page 9 Total Unrestricted	Special Education	Restricted Maintenance	Grants & Entitlements	Page 9 Total Restricted	Page 9 Unrest & Restricted
REVENUE								
LCFF Sources	24,697,603		24,697,603			-	-	24,697,603
Federal Revenue	-		-	328,061	-	1,548,030	1,876,091	1,876,091
Other State Revenue	805,555		805,555	639,552	-	1,269,368	1,908,920	2,714,475
Other Local Revenue	258,423		258,423		-	30,640	30,640	289,063
TOTAL INCOME	25,761,581	-	25,761,581	967,613	-	2,848,038	3,815,651	29,577,231
EXPENDITURES								
Certificated Salaries	8,859,073	2,266,451	11,125,524	1,080,513	-	518,754	1,599,267	12,724,791
Classified Salaries	1,852,530	1,069,688	2,922,218	286,274	288,968	158,017	733,259	3,655,477
Employee Benefits	4,562,893	1,159,575	5,722,468	509,474	145,620	1,201,995	1,857,089	7,579,557
Books and Supplies	509,710	809,690	1,319,400	-	84,277	548,439	632,716	1,952,116
Service, Operations Expenses	1,171,619	651,733	1,823,352	18,780	138,205	458,300	615,285	2,438,637
Capital Outlay	1,721		1,721	-	41,050	-	41,050	42,771
Other Outgo	(251,627)	414,654	163,027	89,866		-	89,866	252,893
Transfers of Indirect/Direct Support Costs	(499,929)		(499,929)	127,958	45,733	103,142	276,833	(223,096)
Total Expenses	16,205,990	6,371,791	22,577,781	2,112,865	743,853	2,988,647	5,845,365	28,423,146
Other Financing Sources/Uses								
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	2,940,774	15,551	2,956,325	-	-	-	-	2,956,325
Contributions	(8,002,976)	6,034,924	(1,968,052)	1,145,252	822,800	-	1,968,052	-
Net (Increase/-Decrease)	(1,388,159)	(352,418)	(1,740,578)	-	78,947	(140,609)	(61,662)	(1,802,240)
Beginning Balance	7,737,200	2,494,920	10,232,119	-	166,596	206,546	373,141	10,605,261
Ending Balance	6,349,040	2,142,501	8,491,542	-	245,543	65,936	311,479	8,803,021



To Determine Operational Deficit Spending

- Operational deficit spending is the difference between unrestricted revenue and unrestricted expenditures adjusted for one-time expenditures.
- If this number was negative, then the district budget is not balanced and has an operational deficit situation.

Figure references page 9, column A, line 17

Total 2017-18 Unrestricted

Net Increase/Decrease to Fund Balance	\$ (1,740,578.00)
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Adjustments For On-Time Spending	
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Transf To Fund 40 Capital Facilities	\$ 2,565,774.00
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Certificated \$1,000 Bonus	\$ 114,500.00
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Adjusted Net Increase/Decrease	\$ 939,696.00
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2017-2018 2nd Interim

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Combined</u>
TOTAL GENERAL FUND ENDING BALANCE	\$ 8,491,541	\$ 311,479	\$ 8,803,021
 <u>DESIGNATED COMPONENTS</u>			
<i>NonSpendable</i> Revolving Cash	\$ 10,000		
<i>Committed</i> Supplemental/Concentration	\$ 2,142,502		
<i>Assigned</i> New Bus	\$ 63,146		
Total	<u>\$ 2,215,647</u>		
 <i>Unassigned/unappropriated</i>			
<i>REU</i> 20% Reserve Requirement	\$ 6,275,894		
Undesignated	<u>\$ (0)</u>		
 <i>Restricted</i>			
5640 Medi-Cal Billing		\$ 63,760	
8150 Rountine Repair Maintenance		\$ 245,543	
9010 Other Restricted Local		\$ 2,176	
TOTAL CARRYOVER		<u>\$ 311,479</u>	



Changes to 2017-2018 2nd Interim Budget

GENERAL FUND - Combined

		2017-2018 1st Interim	2017-2018 2nd Interim	(B-A) Difference	%
		A	B	C	D
REVENUE					
LCFF Sources	1	\$ 24,674,426	\$ 24,697,603	\$ 23,177	0.1%
Federal Revenue	2	1,877,260	1,876,091	(1,169)	-0.1%
Other State Revenue	3	2,741,008	2,714,474	(26,534)	-1.0%
Other Local Revenue	4	284,970	289,063	4,093	1.4%
Contributions		-	-	-	0.0%
TOTAL INCOME	5	\$ 29,577,664	\$ 29,577,231	\$ (433)	0.0%
EXPENDITURES					
Certificated Salaries	6	\$ 12,008,537	12,724,791	\$ 716,254	6.0%
Classified Salaries	7	3,670,026	3,655,477	(14,549)	-0.4%
Employee Benefits	8	7,469,976	7,579,557	109,581	1.5%
Books and Supplies	9	2,022,180	1,952,116	(70,064)	-3.5%
Service, Operations Expenses	10	2,581,497	2,438,637	(142,860)	-5.5%
Capital Outlay	11	42,771	42,771	-	0.0%
Other Outgo	12	252,893	252,893	-	0.0%
Transfers of Indirect/Direct Support	13	(223,096)	(223,096)	-	0.0%
Transfers Out		1,990,551	2,956,325	965,774	48.5%
TOTAL EXPENSES	14	\$ 29,815,335	\$ 31,379,471	\$ 1,564,136	5.2%
Net (Increase/-Decrease)	21	\$ (237,671)	\$ (1,802,240)		
Beginning Balance	22	\$ 10,605,261	\$ 10,605,261		
Ending Balance	23	\$ 10,367,590	\$ 8,803,021		

Changes to 2017-2018 2nd Interim Budget

(Page 13, Column C)

The following is a narrative to some of changes that have occurred since the budget was reported to the board in December.

REVENUE

- **LCFF** Reduction of funding represents a projected ADA reduction of .88 for our students served by MCOE and 1 student adjustment to CALPADs. Small increase to GAP funding in current year of 0.01%
- **FEDERAL** Award letters for federal programs are typically adjusted during this time of year and the following programs were impacted as follows:
 - Title I increase \$9,871
 - Title II Teacher & Prin. Training decrease -\$12,937
 - Title III Migrant Ed decrease -\$5,405
 - Title III LEP increase \$7,302
- **LOCAL** Reimbursement, rentals and donation budget accounts were updated to reflect recent transactions.

Changes to 2017-2018 2nd Interim Budget

(Page 13, Column C)

Expenditures

- **SALARIES** Changes made to this account classification are related to position turnover as well as other changes that impact personnel. The most significant increase to certificated salaries was the \$654,360 related to the most recent negotiated salary settlement.
- **BENEFITS** Changes made to salary expenditures directly impact the statutory benefits. \$137,177 was related to the negotiated certificated salary settlement.
- **BOOKS AND SUPPLIES/SERVICES** Budget reclassification, additions related to carryover/unused revenue and new programs are the typical reasons for changes made to these budget categories. Supplemental and Concentration program budgets were reviewed to determine if amounts reflected the anticipated spending plan for the remainder of the year. As a result, \$169,245 in SCG was released in this budget category.
- **TRANSFERS OUT** The \$965,774 increase of funding moved to the Capital Facilities fund 40 is needed to address the cost of the bid received by Marco Construction for site work.



2017-2018 2nd Interim Budget Multi-Year Projections

What are Multi-Year Projections and why do we prepare them?

- Reports the current year budget and projects the next two years.
- Reasonable assumptions are applied to the current year budget to project the next two years.
- Sources of these assumptions are, SSC Dartboard, MCOE's Common Message, and local projections in enrollment.
- School districts are required to prepare a MYP in three parts, unrestricted, restricted, and combined.

2017-2018 2nd Interim Budget Multi-Year Projections

What are Multi-Year Projections and why do we prepare them? (continued)

- MYPs show the consequences of today's actions in light of a reasonable set of assumptions for the future.
- MYP are projections, not forecasts and are subject to change when assumptions or local decisions change.
- After MCOE has reviewed our budget, they will indicate in a letter addressed to the board on whether our assumptions used in the MYPs are reasonable.
- MCOE uses the MYPs to determine whether or not they agree with our certification of financial condition, positive, qualified, or negative.

2017-2018 2nd Interim Budget Multi-Year Projections

Why do Multi-Year Projections Change?

- This year's budget will look vastly different when looking back at prior years MYPs due to the changes in the assumptions.
- Some of the State and National elements that impact MYP assumptions are:
 - Legislatures approval to fund the LCFF
 - Changes in the economy which ultimately impact COLA and CPI assumptions
- Some of the local elements that impact MYP assumptions are:
 - Changes in enrollment
 - Negotiations settlements and other local spending decisions
 - Litigation



2017-2018 2nd Interim Budget Multi-Year Projections

COMBINED						
		2017/2018	2018/2019 PROJECTED	%	2019/2020 PROJECTED	%
		A	B		C	
REVENUE						
LCFF	1	\$ 24,697,603	26,053,100	5.49%	26,431,231	1.45%
Federal Revenue	2	1,876,091	1,645,233	-12.31%	1,645,233	0.00%
Other State Revenue	3	2,714,474	2,416,026	-10.99%	2,474,253	2.41%
Other Local Revenue	4	289,063	296,318	2.51%	303,460	2.41%
Contributions	5	-	-	0.00%	-	0.00%
Total Revenue	6	\$ 29,577,231	\$ 30,410,678	2.82%	\$ 30,854,176	1.46%
EXPENSES						
Certificated Salaries	7	\$ 12,724,791	\$ 13,095,903	2.92%	\$ 13,341,578	1.88%
Classified Salaries	8	3,655,477	3,684,807	0.80%	3,725,391	1.10%
Employee Benefits	9	7,579,557	8,225,695	8.52%	8,637,920	5.01%
Books & Supplies	10	1,952,116	1,806,381	-7.47%	1,861,295	3.04%
Services & Other Operating Expenditures	11	2,438,637	2,181,393	-10.55%	2,247,708	3.04%
Capital Outlay	12	42,771	44,148	3.22%	45,490	3.04%
Other Outgo	13	252,893	281,432	11.28%	288,799	2.62%
Direct Support/Indirect Costs	14	(223,096)	(242,998)	8.92%	(250,386)	3.04%
Transfers Out	15	2,956,325	403,127	-86.36%	415,382	3.04%
Total Expenses	16	\$ 31,379,471	\$ 29,479,888	-6.05%	\$ 30,313,177	2.83%
NET INCREASE/(DECREASE) IN FUND BAL	17	\$ (1,802,240)	\$ 930,790		\$ 540,999	
BEGINNING FUND BALANCE	18	\$ 10,605,261	\$ 8,803,021		\$ 9,733,811	
ENDING FUND BALANCE	19	\$ 8,803,021	\$ 9,733,811		\$ 10,274,810	



2017-2018 2nd Interim Budget Multi-Year Projections

	UNRESTRICTED			RESTRICTED		
	2017/2018	2018/2019 PROJECTED	2019/2020 PROJECTED	2017/2018	2018/2019 PROJECTED	2019/2020 PROJECTED
	A	B	C	A	B	C
REVENUE						
LCFF	1 \$ 24,697,603	\$ 26,053,100	\$ 26,431,231	\$ -	\$ -	\$ -
Federal Revenue	2 -	-	-	1,876,091	1,645,233	1,645,233
Other State Revenue	3 805,554	459,193	470,259	1,908,920	1,956,834	2,003,994
Other Local Revenue	4 258,423	264,910	271,294	30,640	31,409	32,166
Contributions	5 (1,968,052)	(2,034,317)	(2,098,980)	1,968,052	2,034,317	2,098,980
Total Revenue	6 \$ 23,793,528	\$ 24,742,885	\$ 25,073,804	5,783,703	5,667,793	5,780,372
EXPENSES						
Certificated Salaries	7 \$ 11,125,524	\$ 11,477,639	\$ 11,714,616	\$ 1,599,267	\$ 1,618,264	\$ 1,626,962
Classified Salaries	8 2,922,218	2,950,496	2,989,550	733,259	734,311	735,841
Employee Benefits	9 5,722,468	6,287,895	6,647,505	1,857,089	1,937,800	1,990,415
Books & Supplies	10 1,319,400	1,361,885	1,403,286	632,716	444,496	458,009
Services & Other Operating Expenditures	11 1,823,352	1,882,064	1,939,279	615,285	299,329	308,429
Capital Outlay	12 1,721	1,776	1,830	41,050	42,372	43,660
Other Outgo	13 163,027	188,672	193,219	89,866	92,760	95,580
Direct Support/Indirect Costs	14 (499,929)	(516,027)	(531,714)	276,833	273,028	281,328
Transfers Out	15 2,956,325	403,127	415,382	-	-	-
Total Expenses	16 \$ 25,534,106	\$ 24,037,527	\$ 24,772,952	\$ 5,845,365	\$ 5,442,361	\$ 5,540,225
Proposed On-going Cuts		\$ -	\$ -			
NET INCREASE/(DECREASE) (6-16)	17 \$ (1,740,578)	\$ 705,358	\$ 300,851	\$ (61,662)	\$ 225,432	\$ 240,148
BEGINNING FUND BALANCE	18 \$ 10,232,119	\$ 8,491,541	\$ 9,196,899	\$ 373,141	\$ 311,479	\$ 536,912
ENDING FUND BALANCE	19 \$ 8,491,541	\$ 9,196,899	\$ 9,497,750	\$ 311,479	\$ 536,912	\$ 777,060



2017-2018 2nd Interim Budget Other Funds

	Child Development - Fund 12	Cafeteria - Fund 13	Building - Fund 21	Capital Facilities Developer Fees - Fund 25	Special Reserve Capital Outlay- Fund 40	Bond Interest and Redemption - Fund 51
Beginning Balance	\$ 112,325	\$ 1,073,340	\$ 2,680,273	\$ 3,610,307	\$ 3,190,516	\$ 289,698
Income						
Revenue Limit		\$ -	\$ -	\$ -	\$ -	\$ -
Federal Revenue		2,157,316	-			
Other State Revenue	1,648,499	137,875	-			
Other Local Revenue	8,335	26,298	18,000	253,485	39,293	
Total Income	1,656,834	\$ 2,321,489	\$ 18,000	253,485	\$ 39,293	\$ -
Expenditure						
Certificated Salaries	\$ 372,265	\$ -	\$ -	\$ -	\$ -	\$ -
Classified Salaries	471,039	815,747				
Employee Benefits	364,402	418,770				
Books and Supplies	180,952	1,002,753			386,780	
Services and Other Op	170,199	88,465	\$ 6,240	5,425	512,517	
Capital Outlay	-	-	\$ 7,656,625		3,872,901	
Other Outgo	-			365,129	-	
Transfers of Indirect/Direct	106,082	117,014				
Total Expenditures	\$ 1,664,939	\$ 2,442,749	\$ 7,662,865	\$ 370,554	\$ 4,772,198	\$ -
Other Financing Sources/Uses						
Transfers In	\$ 7,923	7,628	5,000,000	-	2,940,774	-
Net Incr/(Decr)	\$ (182)	\$ (113,632)	\$ (2,644,865)	\$ (117,069)	\$ (1,792,132)	\$ -
Ending Balance	\$ 112,143	\$ 959,708	\$ 35,408	\$ 3,493,238	\$ 1,398,384	\$ 289,698
					\$ (838,843)	
					\$ 559,541	

Classroom Facilities Project

Transfer in from General Fund for Deferred Maint and Facility Project Needs

COPs Payment

SACS STATE REPORTS

- FUNDS 1-51
- AVERAGE DAILY ATTENDANCE
- CASH FLOW ANALYSIS
- MULTI-YEAR PROJECTIONS
- CRITERIA & STANDARDS