# GORMAN SCHOOL DISTRICT

2017-2020 Second Interim Multi-Year Budget Projections

*Presented and Approved by the Board of Directors on March 13, 2018*

## Summary – General Fund

As was reported with the First Interim Budget Report presented in December 2017 and during budget presentation, revenues have been projected with student enrollment between 100 to 103 and with ADA of approximately 101. However, during the 2016-17 school year, the ADA **dropped to 85** and the proposed Adopted Budget ADA has been prepared to maintain a constant 85 ADA for the coming three years. This projection for the ADA has been adjusted again down to project ADA for 2017-18 and subsequent years to be **79** due to the current year declining enrollment and student withdrawals. Even with the consideration of School of Choice five-year renewal, the District staff must work to not only enhance enrollment, but to maintain the current student enrollment and increase the attendance rates.

As the revenues have been projected based on the Local Control Funding Formula (LCFF) for the last six years, one of the provisions in the LCFF calculations is that the District is funded on the better of the current year ADA or the prior year. This year may be beneficial for this, however, as the ADA has continued to decrease the past two years, the impact of lost revenues is being seen in 2017-18 and 2018-19. The District can choose this year between the LCFF calculations or the Necessary Small School (NSS). Based on the revenue and ADA calculations shown here, at this time we have chosen to stay with the Local Control Funding Formula.

| Year | 2018-2019 | 2019-2020 |
|---|---|---|
| ADA Calculation | 79 | 79 |
| Base Grant LCFF | $593,062 | $607,538 |
| Base Grant NSS | $533,329 | $533,329 |

Prior to the LCFF revenue calculations, the District received the Necessary Small School funding as well as additional funding for the K-3 CSR, Targeted Instructional Improvement Grant and Home to School Transportation. These funding sources are now built into the LCFF funding model and no longer received separately as categorical funding.

The state aid unrestricted funds have been adjusted with the Prop 30 - Education Protection Account (EPA) which is the vehicle to collect and disburse funds generated by the tax increases which was approved last November 2016 by the voters for the additional increase in the income tax rate for CA's wealthiest taxpayers.

The restricted revenues are not expected to increase for the categorical Federal and Special Education for these three years. The District has projected the one-time funds for the Forest Reserve as it was for 2016-2017. Without this one-time funding source, the District will have to decrease instructional aide costs as well as supplies or operating services expenditures by $70,000 in subsequent years. These revenues have been projected in the subsequent two years as long as the District is able to apply for this entitlement.

In the 2017-2018 year, there will be current plans for major facility improvements with the use of the Prop 30 Clean Energy funds. Necessary repairs and maintenance must be completed for the safety of the students, staff and the District. However, as both routine maintenance and capital improvements must be funded with the unrestricted General Fund revenues from LCFF, there will still be funds planned for these.

The current administration is working to provide the best services and materials for the students for much needed instructional materials and programs with the use of the Supplemental and Concentration Grants within the LCFF. These services and supplies for the student programs are outlined for this three budget years in the Local Control Accountability Plan (LCAP) which was presented in conjunction with the proposed Adopted Budget.

## ADA

ADA projections for the 2017-2018 budget year and two subsequent years have declined substantially from the last six years. With the current number of students planned, <u>the District staff and families have to be more proactive in attendance and providing class time programs that will increase participation and therefore decrease the days of non-attendance</u>. The District continues to work on moving the enrollment to ADA ratio to stay above 95%. The projected enrollment and ADA are very conservative.

- 2014-15 Projected ADA was at 100.18 with enrollment at 105
- 2014-15 P2 Report of ADA was at 101.20
- 2015-16 Projected ADA is at 101.14 with enrollment at 104
- 2015-16 P2 Report of ADA was at 96.50
- 2016-17 Projected ADA was at 99.00 with enrollment at 103
- 2016-17 P2 Report of ADA was at 80.65
- 2017-18 Projected ADA is at 79 with enrollment at 85
- 2018-19 Projected ADA is at 79 with enrollment at 83
- 2019-20 Projected ADA is at 79 with enrollment at 83

## STATE AID - LOCAL CONTROL FUNDING FORMULA

The statutory COLA for 2017-18 is projected at 1.56%, 2.51% for 2018-19 and 2.41% for 2019-20 and has been incorporated into the LCFF projections. ***COLA affects only the calculation of the LCFF Target and does not describe the net increase in funding for the district.***

In the LCFF calculations, the districts are to receive their revenues based on the greater of the prior or current year ADA. The 2016-17 ADA was revised to 80.65 from 84.65 and the 2017-18 ADA is projected at 83.0. As the 2017-18 year is currently using the prior year ADA of 84.65 for the calculated LCFF revenues, the District will see a material decrease in the LCFF revenues by approximately ($45,000) which will need to be repaid to the State.

| | 1st Interim 17-18 | 2nd Interim 17-18 |
|---|---|---|
| • LCFF Base Grant | $ 618,744 | $ 618,847 |
| • Augmentation Grant | 22,816 | 22,816 |
| • Supplemental Grant | 83,095 | 86,932 |

| | | | |
|---|---|---|---|
| • | Concentration Grant | 31,281 | 40,874 |
| • | HTS & TIIG | 56,762 | 56,762 |
| | Total LCFF Target | $ 812,801 | $ 826,231 |

The District can still take advantage of the Augmentation Grants for the K-3 CSR without losing the K-3 CSR state funding that has been received in the past. The District maintains the classes at the state approved size of 24. However, with the new enrollments decreasing, the Augmentation Grant will decrease in the projections for 2018-19 and 2019-20. ***The total LCFF target one year ago was projected at $893,261 which shows the continued decrease in the funding.***

To calculate the LCFF Supplemental and Concentration Grants, Gorman's Unduplicated Count for 2017-18 is projected 60 students for the low income, English learners and foster youth resulting in a three-year average unduplicated percentage of 67%. These two grants add approximately $126,000 to the base to calculate the target revenues.

The 2017-18 LCFF Floor revenue projection is planned for $790,576 for the proposed Second Interim Budget, which is an ($11,000) decrease from the Adopted Budget projection. The gap between the LCFF target and LCFF floor is $34,654, which is to be adjusted over the next two years when it is planned that all schools will be at full funding. The portion of the gap that is projected to be paid in 2017-18 is planned to increase slightly since the First Interim Budget Report from 43.19% to 44.97% resulting in $16,034 to be added to the LCFF floor.

The LCFF revenues estimated for 2017-18 is approximately $658,000 of the state aid portion. The property tax rate used by the district for this proposed Second Interim Budget Report is $10,200, which is a slight increase from the Adopted Budget projections.

The total State Aid which also includes the EPA funds is projected for 2017-18, 2018-19 and 2019-20 to be $807,142, $797,088 and $831,138, respectively. As noted in the 2017-18 projected LCFF revenues, there will be a net decrease of ($70,000) due to the drop in the ADA of 11 students from the prior year's funding. As this has been a material drop in revenues, it will be noted further in the assumptions that substantial reductions are being held to maintain a balanced budget**, except for the expenditures related to one-time grant funds.**

The estimated EPA funds calculated on the FCMAT worksheet projects these revenues decreasing over these next three years as noted – from a projected $146,387 to $137,795 for 2017-18 and $127,000 for 2018-19 and 2019-20 and are included in the total state aid; however, the EPA funds are paid separately at the end of each quarter. The EPA funds are the result of the income tax rate for the higher income taxpayers. The EPA funds are not additional funds above the state, but instead reduce the same amount of the EPA entitlement from the state aid.

## FEDERAL REVENUES

Unrestricted Federal revenues for 2017-2018 have been projected on this proposed Second Interim Budget for the Federal Reserve funds with a conservative projection of approximately $70,000 due to the decrease in the enrollment. The Forest Reserve was original applied for during the 2015-16 year and at this time, it is not known if the District will meet the requirements for the coming years, although we will continue to apply for the program funds. The Small Rural School funds are planned along with a small amount of Title II and Special Education IDEA totaling $23,100. The District 's restricted federal amount of projected revenues has been projected for the two subsequent years with little to no difference.

The programs that the District does receive funds that may be affected are Title II – Improving Teacher Quality, Title VI – Rural Education, and Special Education IDEA. Any reduction on these projected revenues for 2017-18 and subsequent years will continue to be reflected upcoming Interim and Adopted Multi-Year Budget reports.

## OTHER STATE REVENUES AND OTHER LOCAL REVENUES

Lottery revenues for this coming year are projected at $194 per ADA - $146 for unrestricted and $48 for restricted lottery expenses. As the lottery is paid on the prior year ADA, a slight increase in the lottery revenues will begin in 2017-18 and will see no increase in subsequent years.

The Mandated Block Grant which allows a district to participate in the mandated claiming process is at $30.34 per ADA with projected revenues of $2,568. In the May Revision of the Governor's Budget, it was stated that one-time discretionary funds for the prior year Mandated Cost Reimbursements debt repayment to the schools. These funds will be paid at $147 per ADA whether the district had any prior year claims.

One-time discretionary funds for Mandated Cost Reimbursement are planned to be distributed in 2018-19 at $295 per ADA for a projected total of $23,600. As these are one-time funds. The District has not planned any on-going expenditures.

The District continues with one charter with a five-year agreement to end in 2019-2020. The oversight revenues are based on the charter's revenues from their current year's ADA in the LCFF. The oversight is projected in the proposed Second Interim Budget at $200,000 for 2017-18. ***However, the administration is aware that the oversight fees could be materially impacted if the ADA as the Charter decreases or changes in the Charter law and they are working on contingent plans.*** The District has planned for this decrease in the subsequent years of 2018-19 and 2019-20, with the projected Charter ADA to be approximately 1,400 ADA. This will result in oversight revenues in 2018-19 and 2019-20 to be $102,000 and $120,000, respectively.

Prop 39 California Clean Energy Jobs Act funds are projected to be received for the 2017-18 year for $133,134. Corresponding expenditures for outside contracts has been budgeted for the same costs for partial replacement of HVAC units and lights on the school campus. If the projects are not completed and funds not fully expended, these funds will be deferred at the year-end to be used in the next year. The last day to submit Energy Expenditure Plans was August 1, 2017 to ensure funds are encumbered by the deadline of June 30, 2018. These projects must be completed by June 30, 2020.

The rental property has been rented and is projected to generate approximately $10,800 in the subsequent years. No increase in rental income has been discussed.

Interest income is projected to increase due to the steady interest rates even and with the District's more conservative use of cash during the economic cut backs.

# LOCAL CONTROL AND ACCOUNTABILITY PLAN (LCAP)

The Administration has been working with the stakeholders since the inception of the Local Control and Accountability Plan who include the Board, the staff, parents and students. Meetings continue to be held throughout the year to garner information from the stakeholders for suggestions, recommendation and comments for the improvement of the educational programs for the students and their safety in the District's facility.

The LCAP report has a comprehensive review of the District's actions and plan for implementing the recommendations and comments from the stakeholders. In addition, the LCAP reflects the programs that will be funded by the Supplemental and Concentration Grants from the LCFF of approximately $126,000.

New and revised programs include Robotics, Intervention Math programs for enrichment and tutoring, materials for science fairs, on-line instructional software for Pupil Outcome. Additional expenditures for the Conditions of Learning will include student IPads, PE equipment, math manipulative, increased online student software and science equipment. Additional services and professional development have been planned for the teachers to include bullying, language arts, efficiency and student engagement. New programs for the Arts Program, xcience research and technology upgrades to existing student tablets.

# EXPENDITURES

## CERTIFICATED SALARIES

For the 2017-18 and subsequent years, certificated salaries are budgeted with the step adjustments of approximately $7,000 for four teachers and one superintendent/principal. However, the subsequent years have been planned for only three teachers and one administrator to compensate for the declining enrollments.

A technology stipend has been approved by the Board for one teacher to take on additional duties to monitor and address technology concerns for the District. An Administrative stipend has been approved for one teacher who has completed the Administrative Certification to oversee the needs of the students and teachers when the Superintendent/Principal is not on campus.

A part-time Special Education Director will continue to be planned in the 2017-20 Multi-year Budget to help oversee and coordinate the needs of the District students as well as oversee the Special Education students for the Charter. This position has not been projected in the 2018-19 or 2019-20

Day subs are projected in the 2017-18 through 2019-20 school years as prudence would dictate that instructional needs still must be met for the students' daily instruction. Long-term substitutes are not specifically planned in separately from the short-term day substitutes.

## CLASSIFIED SALARIES

For the 2017-18 and subsequent fiscal years, the District will continue the classified staff which include one special education resource aide, two classroom aides (one full-time and one part-time), two clerical staff and one maintenance person, are in the current year salaries and are continued to be in the projected costs through 2019-20. Three classified substitutes are projected f**or a limited number of hours and days** based on the potential need to assist when a staff member is out sick and to be in place during the recess and lunch hour.

The classified salaries are projected to increase in the subsequent years by approximately $10,000 due to the continuing annual increases for the hourly wage rate, along with the annual increases. LA County Board of Supervisors approved the minimum wage increase starting at $10.50 on July 2017, $12.00. in July 2018, $13.25 in July 2019, $14.25 in July 2020 and $15.00 in July 2021. These increases are reflected in the projected budgets for the years applicable.

## EMPLOYEE BENEFITS

### Health Coverage

As noted in the past budget reports, the District will plan to continue to pay the full costs of employer paid medical health benefits. The employee contribution of $100 per month for each employee enrolled in the program is projected for the current and subsequent budget years. Health benefit costs are projected to be approximately $90,000 for the three budget years. This does not include the additional health stipend paid to those staff member who are on the District's health plan. This is an additional $36,000. Health costs are approximately 46% of staff benefits, and approximately 12% of total staff costs.

As recommended in prior reports, both the employer cost and the employee contribution will continue to be reviewed in the coming months to comply with the Health Care Act and probable increases that will continue to impact the total budget. Eligible employees not enrolled for health benefits will receive a monthly stipend that is projected to remain at $500 to offset their health insurance benefit costs

### California State Teachers' Retirement System (CalSTRS)

The Governor proposed a plan beginning in 2014-15 to eliminate the estimated $74 billion CalSTRS outstanding liability within the next 32 years. This plan would require increased contributions to CalSTRS from the State, educational agencies and the members. Below are the proposed increases for the employer and the employee contribution rates, with the employer rates increasing approximately 1.60% each year until 2020-21 which is expected to bring the under-funded retirement system to full funding in 30 years. Of the $74 billion liability, the burden is clearly on the employers for $47 billion.

| | Year | Employer | Employee |
|---|---|---|---|
| Prior Years | 2013-14 | 8.25% | 8.00% |
| Prior Years | 2014-15 | 8.88% | 8.15% |
| Prior Years | 2015-16 | 10.73% | 9.20% |
| Prior Years | 2016-17 | 12.58% | 10.25% |
| Current | 2017-18 | 14.43% | 10.25% |
| Proposed | 2018-19 | 16.28% | 10.25% |
| | 2019-20 | 18.13% | 10.25% |
| | 2020-21 | 19.10% | 10.25% |

The employer portion of the retirement costs have increased from 8.25% to an average of 1.5% to 2.0% each year through 2020-21 at which time approximately 20% of certificated costs will be for retirement. Certificated retirements costs for the 2017-18, 2018-19 and 2019-20 budget years are $53,978, $50,758 and $57,646 will be approximately 30% of employee benefits and 9% of total staff costs.

**California Public Employees Retirement System (CalPERS)**

PERS employer contribution rate is planned to increase from 13.888% to 15.531%. Classic members will continue to pay 7%, while new members will pay 6% with a possible fluctuation year to year. The projected PERS rates have been included in the projected multiyear budget benefits, which have been projected by School Services to be:

| Actual | | | | Projected | | |
|---|---|---|---|---|---|---|
| ***2014-15*** | ***2015-16*** | ***2016-17*** | ***2017-18*** | ***2018-19*** | ***2019-20*** | ***2020-21*** |
| 11.771% | 11.847% | 13.88% | 15.531% | 17.70% | 20.00% | 22.70% |

The increases in the employer contribution for PERS which is an average of 2.0% to 3.0% year through 2020-21 at which time approximately 20% the eligible classified staff costs will be for retirement. The PERS retirement costs for these three budget years are $19,618, $23,902 and $28,546, which is approximately 12.0% of employee benefits and 3.0% of total staff costs.

Other employer paid benefits include Social Security (OASDI), Medicare, State Unemployment Insurance (SUI) and Workers' Compensation.

Due to the increased costs of salaries and benefits total projected costs are increasing each year compared to total revenues, at 74% for 2017-18, 60% for 2018-19 and 62% for 2019-20 with the proposed staff changes/reductions.

## BOOKS, MATERIALS AND SUPPLIES

Supplies and materials have been planned for the 2017-18 proposed Second Interim Budget based on necessary textbook replacements, materials to meet the requested programs planned to be put into place as identified in the Local Control Accountability Plan (LCAP) using the Supplemental and Concentration Grant funds. These expenditures are reflected in student materials for intervention programs, additional on-line instructional software, classroom equipment, science fair supplies and library resource materials. The Science Adoption has been planned to start in 2018-19 and an additional $15,000 will be projected for the curriculum pending the stability of the ADA and revenues.

Decreased costs are planned for the school vans maintenance and fuel to help transport the students in the mountain areas as there will only be one van running along with the regular school bus. As well, supplies for maintenance and custodial were decreased for the facility.

## SERVICES AND OPERATING EXPENSES

Mileage reimbursements have been projected for the subsequent budget years based on projected IRS mileage rates. Conference budgets have been reviewed to be equitable to the needs of the Superintendent and for teacher trainings. Increased training will be in process for staff to stay current with regulations and changes and for the teachers to have professional development to educate themselves with enhancing classroom management and efficiency techniques and to replace the previous professional development provider with PBIS.

Utilities are projected to have little change to the District with the help of the staff to conserve use of these utilities. It is planned that the District's electric bill will be able to remain the same with the completion of the light replacement project last year. Repair and replacement costs have continued to be budgeted to maintain the safety and cleanliness of the facility with needed increases. Communication services are planned to increase due to the monthly internet contract amount projected with AT&T.

The transportation contract is planned for $90,000 for the Home to School. Transportation revenue of $56,752 is included in the LCFF add-ons. Additional funds from the unrestricted EPA funds and LCFF revenues will help defray the costs of the student transportation.

Legal costs are projected to be increased in 2017-18 due to current concerns that the District must address. The consultant contracts are being maintained at current levels to allow more funds for services to be maintained with the District staff and business office providing the necessary services, except for psychologist, speech and resource providers that are provide services to the special education students.

Any increase in the Special Education costs for student needs have been budgeted for the 2017-18 and subsequent years for the current student needs for services and materials.

## CAPITAL OUTLAY – OTHER OUTGO

The HVAC replacement and equipment upgrades will be paid from the Prop 39 California Clean Energy grant. When the project is completed, the revenues will be requested from the State and report will be completed. The lighting replacement and upgrade will be sponsored by the Southern California Edison Energy Grant and EcoGreen Solutions.

Since 2014-15 and subsequent years, the deferred maintenance funding has been folded into the LCFF base grant with no restrictions; funds that were previously specifically ear-marked for deferred maintenance are now included in the LCFF allocation. To comply with the Williams requirements and to maintain safe, clean and functional environments for student success the district will be setting aside funds from the LCFF for deferred maintenance. As specified in AB 104, there is a gradual increase in the required contribution for the RRM to 3 percent. For 2016-17, the RRM contribution is the lesser of 3 percent of the total General Fund expenditures or the amount deposited in 2014-15. For 2017-18, 2018-19 and 2019-20, the RRM contribution is the greater of (1) the lesser of 3 percent of the total General Fund expenditures or the current amount deposited in 2014-15 or (2) 2 percent of the total General Fund expenditures. In 2020-21 and beyond, at full LCFF implementation, the minimum RRM contribution is 3 percent of the total General Fund expenditures.

Planning for the smaller facility projects will include the transfers to the Deferred Maintenance Fund, however due to the decreased funding, no projects are being projected from the General Fund for 2017-18 through 2019-20, other than the projects that will be funded by the Prop 39 Clean Energy Act.

## DIRECT SUPPORT/INDIRECT COSTS-TRANSFERS

Oversight allowance from the one charter school has been projected to continue through 2019-20 in Local Revenues. The District and Charter approved a five-year charter renewal which includes the agreement for oversight fees of 1%which expires in the 2019-2020 school year. The District has planned for a decrease in the subsequent years of 2018-19 and 2019-20, with the projected Charter ADA to be approximately 1,400 ADA. This will result in oversight revenues in 2018-19 and 2019-20 to be $102,000 and $120,000, respectively.

The District will also be passing through the In Lieu of Property Tax and Special Education revenues due to the Charter.

Transfers are projected at $30,000 to the Cafeteria fund in 2017-18 and $15,000 in subsequent years to cover operating costs, and $30,000 for Deferred Maintenance in 2017-18.

## ENDING FUND BALANCE AND DEFICIT SPENDING

### Deficit Spending

It is anticipated that the current year will have a surplus of $ 1,083. However, due to both the declining enrollment of the District which affects all the funding sources and the split of the charter which reduces the charter oversight revenues, the District could have deficit spending. The administration is working to reduce any deficit spending as much as possible so as not to reduce the District's reserves.

For the proposed Second Interim Budget Report for 2017-18. 2018-19 and 2019-20, the net surplus (deficit) is projected to be $1,083, ($44,870) and ($57,518), respectively.

Any restricted programs that show a deficit fund balance before year-end closing will reflect the proper unrestricted-restricted transfers to make the program fund balance zero.

## FUND BALANCE RESERVES

For the 2017-18 proposed Adopted multi-year projections, the Reserve for Economic Uncertainties (REU) are required a minimum of 5%, however with the increased monthly costs of operations, the REU is being estimated at approximately $97.000 for current year which is 7% of projected expenditures. There will still be a positive Unrestricted Fund Balance for each of these years.

Included in the fund balance reserves for the General Fund are the Restricted balances for the restricted programs and the Non-spendable revolving cash reserve. As well, there are committed reserves for the GAP Funding for 2017-18 as calculated in the LCFF for $22,500. A reserve assignment for the District's rental property has been included for any unforeseen repairs or improvements for each of the budget years of $75,000, facility costs of $125,000 and for unrestricted lottery of $25,000 for each of the budget years.

## OTHER FUNDS

The Cafeteria Fund is projected for no increases in revenues for the federal or state lunch program reimbursements or the lunch sales. Expenditures for the Cafeteria Funds are projected to decrease with less staffing costs charged to the program. The General Fund contribution for 2017-18 is projected to be no more than $30,000 for current year.

There have been several deferred maintenance projects completed from Fund 14 which include the roof replacement in the prior year. Large facility improvements have been completed the past two years and were not initially planned for the coming year. However, with the replacement of the kitchen sink to be compliant for the school lunch program needs, it has been found that the plumbing replacement of old galvanized pipes and connections have to be replaced from the kitchen to the restrooms This plumbing project is planned to be completed during the Spring break. The projected ending fund balance for the Deferred Maintenance Fund will be $95,000 for the continued maintenance of the facility as outlined in the Capital Outlay and Transfers notes above.

All other funds of the District will remain positive as little or no activity is planned for 2017-2018 and subsequent years.