GORMAN SCHOOL DISTRICT

2018-2021 First Interim Multi-Year Budget Projections

Board Approved – December 11, 2018

Summary – General Fund

As it has been reported with the prior year's Budget Reports and during the Adopted Budget presentation, revenues have been projected with student enrollment between 85 to 90 and with ADA of approximately 85. However, during the 2017-18 school year, the ADA **dropped again to 74**. As of Month 2 for this year, the ADA is holding at 78 and enrollment is at 82 students. Therefore, the First Interim Budget ADA has been prepared to maintain a constant 79 ADA for this current year but adjusted to 77 for the subsequent years. Even with the consideration of School of Choice five-year renewal, the District teaching 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 seven 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. As this was beneficial for the past six years, and with the ADA has decreasing 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 which were done earlier in 2018 with a projected ADA of 79, it is more beneficial for the District 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 in 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 for the 2018-19 Adopted Budget and subsequent years. Without this one-time funding source, the District will have to reduce staff, supplies and operating expenditures by $80,000 in these years. These revenues have been projected in the subsequent two years if the District is able to apply for this entitlement to report those enrolled students who live in a federal forest.

In the 2018-19 year, there will be current plans for major facility well replacement with the use of the Sate School Building fund. 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 multi-year budget year in the Local Control Accountability Plan (LCAP) which was presented in conjunction with the proposed Adopted Budget.

ADA

ADA projections for the 2018-19 First 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 must 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 is continuing to work on moving the enrollment to ADA ratio to stay between 90% - 95%. The projected enrollment and ADA for these budget years have been increased slightly.

- 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
- 2017-18 P2 Report of ADA was at 74.54
- 2018-19 Projected ADA is at 79 with enrollment at 83
- 2019-20 Projected ADA is at 77 with enrollment at 83
- 2020-21 Projected ADA is at 77 with enrollment at 83

STATE AID - LOCAL CONTROL FUNDING FORMULA

The statutory COLA for 2018-19 is projected at 3.7%, 2.57% for 2019-20 and 2.67% for 2020-21 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 2017-18 ADA was revised to 74.54 from 80.64. As the 2018-19 year is currently using the prior year ADA of 74.54 for the calculated LCFF revenues, the District will see a slight increase in the LCFF revenues by approximately $35,000 if the ADA is reported at 78 – 79 for P1. For the 2018-19 First Interim Budget and subsequent years, the ADA projection is projected at 77 – 79 ADA.

	18-19 First Interim	18-19 Adopted Budget
• LCFF Base Grant	$ 599,819	$ 595,802
• Augmentation Grant	22,496	22,346
• Supplemental Grant	86,776	86,195
• Concentration Grant	45,802	45,496
• HTS & TIIG	56,762	56,762
Total LCFF Target	$ 811,655	$ 806,601

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, without the new enrollments, the Augmentation Grant will decrease in the projections for 2018-19 and 2019-20.

To calculate the LCFF Supplemental and Concentration Grants, Gorman's Unduplicated Count for 2018-19 is projected 58 students for the low income, English learners and foster youth resulting in a three-year average unduplicated percentage of 69.72%. These two grants add approximately $132,578 to the base to calculate the target revenues with the District being over 55% of low income.

The 2018-19 LCFF is planned that all schools will be at full funding.

The LCFF revenues estimated for 2018-19 is approximately $664,383 of the state aid portion. The property tax rate of $150.39 used by the district for this proposed First Interim Budget Report resulting in $11,885, which is a slight decrease from the Adopted Budget projections.

The total State Aid which also includes the EPA funds is projected for 2018-19, 2019-20 and 2020-21 to be $811,655, $825,725 and $846,213, respectively. As noted in the 2017-18 budget reports, there needs to be an increase of 10 – 15 students to allow for the district to be able to cover current expenditures with current revenues. With the revenues decreasing, it will be noted further in the assumptions that substantial reductions must occur to maintain a balanced budget**, except for those expenditures related to one-time grant funds or restricted funds.**

The estimated EPA funds calculated on the FCMAT worksheet projects these revenues are projected to be $135,387 for 2018-19, 2019-20 and 2020-21 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 2018-2019 have been projected on this Adopted Budget for the Federal Reserve funds with a conservative projection of approximately $80,000 based on the same enrollment for the forest areas as in 2017-18. The Forest Reserve was original applied for during the 2015-16 year and at this time. Forest Reserve funds from the 2017-18 year were deferred to be used in 2018-19 due to the deficit spending that was projected with the Adopted Budget report. The Small Rural School funds are planned along with a small amount of Title II totaling $17,600. 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 – Supporting Effective Instruction, Title VI – Rural Education, and Special Education IDEA. Due to the withdrawal of the charter, Gorman Learning Center, from the SELPA, the District will not be projected to receive any Special Ed IDEA funds. The funding has decreased by ($1,000) for the Title II funding.

OTHER STATE REVENUES AND OTHER LOCAL REVENUES

Lottery revenues for this coming year are projected at $204 per ADA - $151 for unrestricted and $53 for restricted lottery expenses. As the lottery is paid on the prior year ADA, a slight increase in the lottery revenues in 2018-19 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 $31.16 per ADA with projected revenues of $2,323, slight down from the projected $2,500. 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 $184 per ADA in 2017-18 whether the district had any prior year claims.

The District continues with one charter with a five-year agreement to end in 2019-2020. ***However, the administration is aware that the oversight fees has been materially impacted as the ADA of the Charter has decreased substantially by almost 50%.*** 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, 2019-20 and 2020-21 to be approximately $150,000.

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 be the same each year due to the interest rates being 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 $132,000.

New and revised programs include Robotics, 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, science research and technology upgrades to existing student tablets.

EXPENDITURES

CERTIFICATED SALARIES

For the 2018-19 and subsequent years, certificated salaries are budgeted with the step adjustments of approximately $7,000 for four teachers and one superintendent/principal. These same four certificated spots are projected for the future years.

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.

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 2018-19 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 custodian, are in the current year salaries and are continued to be in the projected costs through 2020-21. 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 $8,000 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 $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.

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 have increased due to the new staff enrollments and are projected to be approximately $115,000 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 $24,000. Health costs have increased and are approximately 54% of staff benefits, and approximately 17% 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. **It is recommended that there is a cap on the health benefits costs that the District will cover due to the rising costs of health coverage and the increasing wages.** 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 Year	2013-14	8.25%	8.00%
Prior Year	2014-15	8.88%	8.15%
Prior Year	2015-16	10.73%	9.20%
Prior Year	2016-17	12.58%	10.25%
Prior Year	2017-18	14.43%	10.25%
Current	2018-19	16.28%	10.25%
Proposed	2019-20	18.13%	10.25%
Proposed	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 2018-19, 2019-20 and 2020-21 budget years are $65,894, $74,577 and $79,582 will be approximately 26% of employee benefits and 8% of total staff costs.

California Public Employees Retirement System (CalPERS)

PERS employer contribution rate is planned to increase from 15.531% to 18.62% in 2018-19. 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%	18.062%	20.80%	23.50%

The increases in the employer contribution for PERS 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 $16,368, $18,335 and $20,656, which is approximately 7.0% 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 65% for 2018-19, 71% for 2019-20 and 72% for 2020-20 with the proposed staff changes/reductions.

BOOKS, MATERIALS AND SUPPLIES

Supplies and materials have been planned for the 2018-19 Adopted 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 which was planned to start in 2018-19 has been postponed until the budget stabilizes. However, $35,000 has been reserved in the fund balance for this future necessary adoption.

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. However, supplies for maintenance and custodial have to remain the same due to the safety needs of the facility for the students.

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 with staff development on student minimum days.

Utilities are projected to increase slightly for the District and with the help of the staff continuing 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. Currently, there have been several repairs that have to be done for 2018-19 year increasing the budgeted repairs by approximately $10,000. A security camera system and changes on the front door locks have been installed to better monitor the safety of the students and staff. 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 and it is in the last year of the contract. 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 2018-19 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 2018-19 and subsequent years for the current student needs for services and materials.

CAPITAL OUTLAY – OTHER OUTGO

The HVAC replacement and equipment upgrades have been paid from the Prop 39 California Clean Energy grant. The project has been completed and the revenues will be requested from the State and report will be completed. There are an additional $15,000 costs over the Prop 39 funds allocated which must be covered by the General Fund unrestricted sources. This will be covered from a transfer of $20,000 from the Deferred Maintenance fund.

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 2018-19 and subsequent years, 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 a minimum of 3 percent of the total General Fund expenditures.

Planning for the smaller facility projects will paid from the Deferred Maintenance Fund, however due to the decreased funding, no improvement projects are being projected from the General Fund for 2018-19 through 2020-21.

DIRECT SUPPORT/INDIRECT COSTS-TRANSFERS

Oversight allowance from the one charter school has been projected to continue through 2019-20 in Local Revenues with the approved MOU between 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.   With the projected Charter ADA to be approximately 1,400 ADA, a reduction of 50% of their student ADA, the District has planned for a decrease of oversight fees in the subsequent years starting with 2018-19. This will result in an oversight revenue reduction of approximately S70,000 to $100,000. Oversight revenues have been projected at approximately $150,000 for each of the budgeted years.

The District will also be passing through the In Lieu of Property Tax that is received from the County to the Charter.

Transfers are projected at $30,000 to the Cafeteria fund only in 2018-19 and reducing transfers in the subsequent years.   A transfer from the Deferred Maintenance fund of $20,000 is planned to cover the additional costs incurred in completing the HVAC replacement system.

ENDING FUND BALANCE AND DEFICIT SPENDING

Deficit Spending

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 is still projecting 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 2018-19 First Interim Budget Report for 2018-19, 2019-20 and 2020-21, the net surplus (deficit) is projected to be (101,175), ($97,215) and ($88,042), respectively. The deficit spending has decreased by approximately $25,000 from the Adopted Budget projections for these budget years.

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 2018-19 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 $85.000 for 2018-19 which is 6% 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 and prepaids. As well, there are committed reserves for the GAP Funding for 2018-19 as calculated in the LCFF for $47,000 which is the final year of any potential GAP funds not paid. 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 $35,000, facility costs of $150,000, reservation for the science curriculum adoption of $35,000 and for unrestricted lottery of $37,000 for 2018-19. Only reservations for the facility, rental and lottery have been assigned for 2019-20 and 2020-2021.

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 slightly increase even with the decreased staff costs charged to the program, but the equipment replacement that must be completed. The General Fund contribution for 2018-19 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 must be replaced from the kitchen to the restrooms This plumbing project still have to be completed when the administration feels that funds are stable enough.

Currently, the most important facility project that must be completed is the replacement of the water well. This project is being researched for an approved contractor and at a reasonable cost which will is planned to be paid from the State School Building once approval from the state is received.

All other funds of the District will remain positive as little or no activity is planned for 2018-19 and subsequent years.