GORMAN SCHOOL DISTRICT

2016-2019 Adopted Multi-Year Budget Projections
2015-2016 Estimated Actuals

Presented to the Board of Directors on June 14, 2016 – Public Hearing
Adopted by the Board of Directors on June 21, 2016 - Adoption

Summary – General Fund

For the several past years, revenues have been projected with student enrollment between 100 to 103 and with ADA of approximately 101. However, for the 2015-16 school year, the ADA dropped to 96.50. As the revenues have been projected based on the Local Control Funding Formula (LCFF), which was approved by the State Legislature, 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. Gorman is fortunate to be able to take advantage of this.

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 temporary tax increases passed in November 2012 and was voted to be in place for four years. At this time, Prop 30 revenues are set to expire completely in 2019-2020, with the sales tax portion expiring at the end of the calendar year 2016 and the temporary increase in the income tax rate for CA's wealthiest taxpayers will expire at the end of the calendar year 2018.

The restricted revenues are not expected to increase for the categorical Federal and Special Education for the next couple years. With the changes in the restricted state funds from the prior year, the District has not projected any additional one-time funds.

The focus of this past 2015-16 school year and in the 2016-17 year will be for the major facility improvements, upgrades and repairs. These repairs have been reviewed for several years and because of the large costs of the various projects, small amounts each year have been transferred from the General Fund to the Deferred Maintenance Fund. These repair projects for the district office building, classroom portables and the rental house are projected to be paid from the General Fund and the Deferred Maintenance fund.

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 closing year and the three budget years in the Local Control Accountability Plan (LCAP) which is presented in conjunction with the proposed Adopted Budget.

ADA

ADA projections for the 2016-2017 budget year and two subsequent years are working to bring back the student enrollment with slight increases each year that will allow the District's growth to be handled effectively. With the current number of students planned, the District is working with the staff and families to be more proactive in attendance and providing class time programs that will increase participation and therefore decrease the days of non-attendance. The District continues to work on moving the enrollment to ADA ratio to stay above 95%.

- 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 is at 99.00 with enrollment at 103
- 2017-18 Projected ADA is at 100.00 with enrollment at 105
- 2018-19 Projected ADA is at 100.00 with enrollment at 105

STATE AID - LOCAL CONTROL FUNDING FORMULA

The statutory COLA for 2016-17 is projected at 0%, 1.11% for 2017-18 and 2.42% for 2018-19 and has been incorporated into the LCFF projections.

In the LCFF calculations, the districts are to receive their revenues based on the greater of the prior or current year ADA. The 2014-15 ADA was 101.20, while the 2015-16 ADA was 96.50. This will allow little decrease in the calculation the LCFF Target for 2015-16. However, for the 2016-17 year, the projected ADA of 99.00 is used for the calculated LCFF revenues as this would be higher than the 2015-16 year ADA. Overall, the revenues for the 2016-17 will be less by approximately 2 ADA.

	Estimated Actuals	Projected Adopted Budget
• LCFF Base Grant	$ 930,723	$ 711,980
• Augmentation Grant	27,447	29,465
• Supplemental Grant	93,253	91,257
• Concentration Grant	25,452	24,245
• HTS & TIIG	56,762	56,762
Total LCFF Target	$ 923,723	$ 913,709

The District is able to 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.

In order to calculate the LCFF Supplemental and Concentration Grants, Gorman's Unduplicated Count for current year is 64 students for the low income, English learners and foster youth resulting in an three year average unduplicated percentage of 61.74.%. These two grants add approximately $116,000 to the base to calculate the target revenues.

The 2016-17 LCFF Floor revenue projection includes the following:

• 2015-16 Funded ADA	$ 711,200	- adjusted for each prior year gap funding
• 2012-13 Categorical Funding	150,144	
Total LCFF Floor	$ 861,344	

The gap between the LCFF target and LCFF floor is $52,365, which is to be adjusted over the next five 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 2016-17 is 54/84% resulting in $28,717 which is added to the LCFF floor.

The LCFF revenues estimated for 2016-17 is approximately $730,000 of the state aid portion. The property tax rate used by the district for this Adopted Budget Report is $80.32, which is an increase of $14.87 from the 2015-16 Budget Reports.

The total State Aid which also includes the EPA funds is projected for 2015-16, 2016-17, 2017-18 and 2018-19 to be $877,147, $897,200, $924.116 and $953,172, respectively. The estimated EPA funds calculated on the FCMAT worksheet projects these revenues decreasing over these next four years as noted - $157,298 for 2015-16 and $151,426, $137,231 and $68,289 for subsequent years 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 temporary .25% sales tax increase through 2016 and temporary increase in 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. The EPA revenues are set to close out in 2019-2020.

FEDERAL REVENUES & FEDERAL SEQUESTRATION

Unrestricted Federal revenues for 2015-16 have not been projected on the Adopted Budget due to low population count on the Federal census. The Small Rural School funds are planned along with a small amount of Title II and Special Education IDEA. The District‘s federal amount of projected revenues have been projected 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 2015-16 and subsequent years will continue to be reflected upcoming Interim Multi-Year Budget reports.

OTHER STATE REVENUES AND OTHER LOCAL REVENUES

Lottery revenues for this coming year are projected at $181.00 per ADA - $140.00 for unrestricted and $41.00 for restricted lottery expenses. This is an increase of $13.00 per ADA for this coming year for a projected total lottery revenue of $18,100. The Mandated Block Grant which allows a district to participate in the mandated claiming process is at $28 per ADA with projected revenues of $2,688. In the May Revision of the Govenor’s Budget, there is one-time discretionary funds for the prior year Mandated Cost Reimbursements debt repayment to the schools. The distribution of the mandate reimbursement is at $237 per ADA with projected revenues of $22,752 for the 2016-17 year. There are no one time funds projected for either 2017-18 or 2018-19.

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 2015-16 Estimated Actuals and 2016-2017 Adopted Budget at $177.906 and $207,628. The charter is projected to increase in their enrollment and ADA by 250 for the 2016-2017 year.

Prop 39 California Clean Energy Jobs Act funds were projected to be received for the 2015-16 year for $15,919 but not used. For the 2016-17 year, two years of Prop 39 CA Clean Energy is budgeted at $31,000 which will be used for partial replacement of HVAC units on the school campus.

The rental property has been rented and is projected to generate approximately $10,800 in the subsequent years. At this time, 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 District has been working with the stakeholders throughout 2015-2016 who include the Board, the staff, parents and students. Meetings have been held 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.

New and revised programs include 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 classroom and 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, classroom management techniques, efficiency and student engagement with Positive Behavioral Interventions and Supports (PBIS).

EXPENDITURES

CERTIFICATED SALARIES

For the 2016-17 and subsequent fiscal years, certificated salaries are budgeted with step adjustments for five teachers. At the time of the budget preparation, no changes in the credentialed staff are planned and no additional COLA increases are projected for these 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 Administration stipend has been approved for one teacher who is completing her 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 2016-19 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.

Both long term and day subs are projected in the 2016-17 through 2018-19 school years as prudence would dictate that instructional needs have to still be met for the students' daily instruction. At this time, the long-term substitutes are not specifically planned in separately from the short term day substitutes.

CLASSIFIED SALARIES

For the 2016-17 and subsequent fiscal years, the District will continue the classified staff with the addition of one part-time resource aide to assist the Special Education Director. The Sp Ed aide will be a part-time position. Two aides, two clerical and one maintenance person, all full-time positions, are in the current year salaries and are continued to be in the projected costs for 2015-16 and 2016-17. Three classified substitutes are projected for a limited number of days based on the potential need to assist when a staff member is out sick.

The classified salaries are projected to increase slightly in the 2016-17 Adopted Budget due to the continuing annual increases for the hourly wage rate. The State approved the increase for the minimum wage from $10 to $15 in 2017. These increases are reflected in the projected budgets for the years applicable.

EMPLOYEE BENEFITS

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 2016-2019 budget years. Health benefit costs are projected to be $105,759 for 2016-17, $107,383 for 2017-18 and $109,562 for 2018-19. Health costs are approximately 50% of staff benefits, and approximately 14% 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 Affordable 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 Cal STRS 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%
Current	2015-16	10.73%	9.20%
Proposed	2016-17	12.58%	10.25%
	2017-18	14.43%	10.25%
	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 2016-17, 2017-18 and 2018-19 budget years are $50,462, $59,226 and $68,482 will be increasing from 24% to 29% of employee benefits and 7% to 9% of total staff costs.

California Public Employees Retirement System (CalPERS)

PERS employer contribution rate at this time is planned to increase from 11.847% to 13.888%. 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%	13.888%	15.50%	17.10%	18.60%	19.30%

The increases in the employer contribution for PERS which is an average of 2.0% to 2.5% 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 $17,177, $20,199 and $23,211, which is approximately 9.0% 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.

BOOKS, MATERIALS AND SUPPLIES

Supplies and materials have been planned for the 2016-17 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). These planned increases are reflected in student materials for intervention programs, additional on-line instructional software, classroom equipment, science fair supplies and library resource materials.

In addition, increased costs are planned for the school vans maintenance and fuel to help transport the students in the mountain areas. As well, supplies for maintenance and custodial were in need to be increased to be able to keep the facility clean and safe for the students, staff and visitors.

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, Special Ed Director and teacher trainings. Increased training will be in process for Special Ed 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.

Utilities have had to be increased with the current rate increases to the District for normal inflation. It is planned that the District's electric bill will be able to remain the same with the completion of the light replacement project.. Repairs and replacement costs have continued to be budgeted in order to maintain the safety and cleanliness of the facility with needed increases. Communication services are planned to remain fairly constant. Any pending E-rate reimbursements are projected as a net on the budgeted expenditures for communications.

The transportation contract is still planned to remain at the $93,000 which increased $30,000 in the 2015-16 school year. The Home to School Transportation revenue of $56,752 is included in the LCFF add-ons. Additional funds from the unrestricted LCFF revenues will help defray the costs of the student transportation.

Legal costs increased substantially in 2015-16 due to current concerns that the District must address. As some of these issues have been settled in the 2015-16 school year, the legal costs have been slightly decreased. 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, with the exception of 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 20116-17 and subsequent years for the current student needs.

CAPITAL OUTLAY – OTHER OUTGO

Large facility improvements have been planned for the past two years and will be continued through this coming year which includes the HVAC replacement, lighting replacements and district office roof replacement. Some of these projects will be paid out of the Deferred Maintenance fund as well as the General Fund. The HVAC replacement and equipment upgrade will be paid from the Prop 39 California Clean Energy grant. The lighting replacement and upgrade will be sponsored by the Southern California Edison Energy Grant and EcoGreen Solutions.

For 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. In order 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 2015-16 and 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.

Funds have been budgeted in 2015-16 and in 2016-17 to be transferred to cover the costs of the roof replacement, blacktop replacement, sprinkler repairs and water lines to be repaired. Planning for the large facility projects, transfers to the Deferred Maintenance Fund are projected in the 2015-16 and 2016-17 years.

DIRECT SUPPORT/INDIRECT COSTS-TRANSFERS

Oversight allowance from the one charter school has been projected to continue through 2018-2019 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 will also be passing through the In Lieu of Property Tax and Special Education revenues due to the Charter.

Transfers are projected at $15,000 to the Cafeteria fund in 2016-17 and subsequent years to cover operating costs, and $22,000 for Deferred Maintenance in 2016-17and 2017-18 and $24,000 for 2018-19. These transfers will be used for the facility projects for the continued building improvements.

ENDING FUND BALANCE AND DEFICIT SPENDING

Deficit Spending

It is anticipated that the current year will have deficit spending which has been outlined above based on the retirement, health costs and legal settlements and associated cost increases. For the subsequent years, no deficit spending will be projected with material reductions being made in materials and supplies and operational expenses. 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.

For the Estimated Actuals for 2015-16, the net decrease in fund balance will be ($112,000), and for 2016-17. 2017-18 and 2018-19, the net surplus is $359, $1,172 and $1,426.

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 2015-16 Estimated Actuals and the 2016-17 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 $100.000 for each year which is between 8% and 9% 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 assigned reserves for the GAP Funding for 2015-16, 2016-17, 2017-18 and 2018-19 as calculated in the LCFF which are $112,082, $36,557, $32,365 and $23,440. 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 and for unrestricted lottery of $15,000 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 2015-2016 is $30,000 to cover the operating costs and the transfer for 2016-17 is projected to decrease from $30,000 to $20,000. The higher transfer in 2015-16 was needed to allow for an oven replacement and refrigerator repair.

There are several deferred maintenance projects planned from Fund 14 which may include a portions of the roof replacement, HVAC replacement, main water line repairs, painting and facility asphalt maintenance. These projects are being scheduled to start this coming summer.   The projected ending fund balance for the Deferred Maintenance Fund will be $40,000 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 2016-17 and subsequent years.