GORMAN SCHOOL DISTRICT

2017-2020 Adopted Multi-Year Budget Projections
2016-17 Estimated Actuals

Public Hearing Presentation – June 13, 2017
Board Adoption – June 20, 2017

Summary – General Fund

For the past two years, it was discussed during budget presentation, that 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 held constant pending any final approval by the CA Department of Education regarding School of Choice. 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 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 this past 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 not projected the one-time funds for the Forest Reserve as it was for 2016-2017 which were deferred from 2015-2016. Without this one-time funding source, the District has had to decrease overall expenditures by $100,000 from 2016-2017. These revenues have not been projected in the subsequent two years also.

Unlike in the 2015-16 and 2016-17school year, there will not be any current plans for major facility improvements, upgrades and repairs. 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 is no 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 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 have declined substantially from the last six years. 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 was at 99.00 with enrollment at 103
- 2016-17 P2 Report of ADA was at 84.65
- 2017-18 Projected ADA is at 85 with enrollment at 90
- 2018-19 Projected ADA is at 85 with enrollment at 90
- 2019-20 Projected ADA is at 85 with enrollment at 90

STATE AID - LOCAL CONTROL FUNDING FORMULA

The statutory COLA for 2017-18 is projected at 1.56%, 2.15% for 2018-19 and 2.35% for 2019-20 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 2016-17 ADA was 84.65 and the 2017-18 ADA is projected at 85.0. As the 2016-17 year could use the prior year ADA of 96.50 for the calculated LCFF revenues, the District will see a material decrease in the LCFF revenues by approximately ($76,000).

	2nd Interim 16-17	**Proposed Adopted 17-18**
• LCFF Base Grant	$ 694,154	$ 629,744
• Augmentation Grant	28,810	23,190
• Supplemental Grant	92,886	84,555
• Concentration Grant	33,401	31,831
• HTS & TIIG	56,762	56,762
Total LCFF Target	$ 903,013	$ 826,082

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 is decreasing by ($5,000)

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 64.75%. These two grants add approximately $116,000 to the base to calculate the target revenues, which is approximately a decrease of ($10,000) from 2016-17.

The 2016-17 LCFF Floor revenue projection is planned for $801,000 for the proposed Adopted Budget. The gap between the LCFF target and LCFF floor is $25,000, which is to be adjusted over the next three 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 43.97% resulting in $11,000 which is added to the LCFF floor.

The LCFF revenues estimated for 2017-18 is approximately $657,000 of the state aid portion. The property tax rate used by the district for this proposed Adopted Budget Report is $8,500.

The total State Aid which also includes the EPA funds is projected for 2017-18, 2018-19 and 2019-20 to be $803,586, $818,276, and $844,727, 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. As this is a material drop in revenues, it will be noted further in the assumptions that substantial reductions are being proposed to maintain a balanced budget**.**

The estimated EPA funds calculated on the FCMAT worksheet projects these revenues decreasing over these next three years as noted **-** $146,387 for 2017-18 through 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 2016-17 have not been projected on this proposed Adopted Budget for the Federal Reserve funds due to possible federal revenue reductions. The Forest Reserve was only projected for the 2016-17 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. The District 's restricted federal amount of projected revenues has 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 2016-17 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 $189 per ADA - $144 for unrestricted and $45 for restricted lottery expenses. As the lottery is paid on the prior year ADA, a decrease in the lottery revenues will begin in 2017-18. The Mandated Block Grant which allows a district to participate in the mandated claiming process is at $28.42 per ADA with projected revenues of $2,743. 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. However, these Mandated Cost one time funds would not be available until May 2019. There are no one time funds projected for 2017-18 through 2019-2020.

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 Adopted Budget at $210,000. The administration is aware that the oversight fees could be materially impacted if the ADA at the Charter decreases or changes in the Charter law and they are working on contingent plans.

Prop 39 California Clean Energy Jobs Act funds are projected to be received for the 2017-18 year for $133,000. Corresponding expenditures for outside contracts has been budgeted for the same costs for partial replacement of HVAC units 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 is 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 District has been working with the stakeholders throughout 2016-17 who include the Board, the staff, parents and students. Meetings continue to be 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 of approximately $112,000.

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 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, language arts, efficiency and student engagement. New programs for the Arts, Science Research and technology upgrades to student tablets.

EXPENDITURES

CERTIFICATED SALARIES

For the 2017-18 and subsequent years, certificated salaries are budgeted with step adjustments for four teachers and one superintendent/principal.

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.

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. Now, the 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, one classroom aide, 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.

The classified salaries are projected to increase slightly in Multi-Year Budgets due to the continuing annual increases for the hourly wage rate. 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 2016-2019 budget years. Health benefit costs are projected to be approximately $100,000 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 51% of staff benefits, and approximately 13% 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%
Current	2016-17	12.58%	10.25%
Proposed	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 2017-18, 2018-19 and 2019-20 budget years are $53,184, $61,587 and $61,333 will be increasing from 27% to 29% of employee benefits and 7% to 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%	18.10%	20.80%	23.80%

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 $17,802, $20,906 and $22,076, which is approximately 10.0% 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 54% for 2017-18, 61% for 2018-19 and 59% for 2019-20 with the proposed staff changes/reductions.

BOOKS, MATERIALS AND SUPPLIES

Supplies and materials have been planned for the 2017-18 proposed 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 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, 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 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 to decrease from the $93,000 which the Home to School. However, the decrease is not currently known. Transportation revenue of $56,752 is included in the LCFF add-ons. Additional funds from the unrestricted EPA funds and Small Rural Schools 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

Large facility improvements have been planned for the past two years and will not be planned for the coming year. The HVAC replacement and equipment upgrade will be paid from the Prop 39 California Clean Energy grant. When the project is completed, the revenues will be requested from the State.

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 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 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 $25,000 to the Cafeteria fund in 2017-18 and $17,000 in subsequent years to cover operating costs, and $5,000 for Deferred Maintenance in 2017-18 and $10,.000 in 2019-2020.

ENDING FUND BALANCE AND DEFICIT SPENDING

Deficit Spending

It is anticipated that the current year will have a surplus of $18,100 pending year-end adjustments.

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 proposed Adopted Budget Report for 2017-18. 2018-19 and 2019-20, the net surplus (deficit) is projected to be $8.00, $80.56 and $20.65, respectively. No deficit spending is projected for the three budget years.

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 $9.000 for each year which is between 6% and 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, 2018-19 and 2019-20 as calculated in the LCFF which are $14,500, $14,500 and $18,500. 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 $35,000, facility costs of $75,000 and for unrestricted lottery of $28,000 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 decrease from $26,000 to $25,000.

There have been several deferred maintenance projects planned from Fund 14 which included the roof replacement and facility asphalt maintenance. The projected ending fund balance for the Deferred Maintenance Fund will be $15,000 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.