

**KINGSBURG JOINT UNION HIGH SCHOOL DISTRICT****2018 - 2019****BUDGET NARRATIVE**

**DATE:** JUNE 25, 2018

**TO:** MEMBERS OF THE BOARD OF TRUSTEES

**FROM:** ANDREA SALVADOR, INTERIM CBO

We are in an environment of continuing change, with the twists and turns of Local Control Funding Formula (LCFF) implementation and recent developments in our accountability system. The May Revision focused on the fact that the revenue forecast through 2018-19 is increased by \$8 billion. Meanwhile, expenditures continue to rise, causing a huge squeeze for LEAs (Local Educational Agencies). The Governor's top priority has been full implementation of the LCFF funding model, which means levels that prevailed in 2007-08 the year before the bad recession. The Governor proposed funding to reach full implementation in 2018-19, two years earlier than planned. Districts are seeing cost increases for employer contributions rates to the California State Teachers Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS). These costs continue to increase past full implementation of the LCFF, which will impact district budgets. Planning for the next recession by adding to Special Reserves and to Deferred Maintenance Funds is crucial.

The statutory COLA used for this budget is 2.71%. Enrollment used is 1103.47 plus 10.75 (FCOE County Special Day School) for total ADA of 1114.22. The district is expecting an increase in enrollment for 2018-19, with a projected large freshmen class entering. This will be unknown until April P2 documents are prepared in April, 2019. At that time the district will adjust the budget if documents show an increase to ADA.

The budget no longer drives policy and programs. The Local Control and Accountability Plan (LCAP) does. This new formula shifts the state away from a system of rule compliance that was measured by audits to a system of accountability based on local needs which are measured by goals explicitly linked to the district budget. The district is doing it right and has followed the intent of the law; however, we are still learning how to make it more effective and taking advantage of local control. It will take years before we can attempt to measure the success of this new model LCFF/LCAP. With this in mind our Budget Proposal represents a balanced budget for 2018-2019.

Outlined below are the budget assumptions for the 2018-2019 fiscal year based on the LCFF/LCAP:

- The average daily attendance (ADA) or enrollment projections were determined for the budget year by using P-2 (Second Period Report of Attendance) for fiscal year 2017-18. That P2 is based on 1103.47 plus 10.75 FCOE Special Day, a total 1114.22 ADA.

- A reserve for economic uncertainties is at 3% of expenditures, transfers out and other uses (Fund 0100, objects 1000-7999). As set forth in the Standards and Criteria for local budgets the amount for us is set at 3% (Education Code Section 33127) \$429,600.00.
- The district's funded LCFF entitlement base is \$8,973, which includes a grade span adjustment of \$233. The cost of living adjustment used in this budget "COLA" is 2.71%.
- The district has budgeted one-time revenues at this time. The governor did indicate in the final budget that there would be one-time revenues based on  $\$344 \times 1114.22 \text{ ADA} = \$383,292.00$ . The district budgeted for the following expenditures: \$83,292 for Textbooks/Supplies; \$100,000 for Equipment; \$100,000.00 to be transferred to the Deferred Maintenance Fund and to the Special Reserve Fund.
- The district budget does provide transfer of funds to the Deferred Maintenance Fund at this time in the budget process. The district will transfer \$100,000 to the program once we have received one-time funding. The State no longer gives districts funding for this purpose, but does require districts to maintain facilities. This district will continue to maintain providing transfers to keep the Deferred Maintenance Fund flowing.
- HEALTH BENEFITS. The district has a cap on health benefits at \$15,500 per active employee. The district has 93 full time employees and one retiree = \$1,463,726.30; 5 board members = \$65,532.40 (capped at \$13,175).
- Maintenance of retiree health benefits to the age of sixty-five has been budgeted. The cost to the district is \$15,500. The district currently has 1 retiree.
- Lottery funding has been budgeted based on the allocation of \$146.00 per annual ADA for unrestricted and \$48.00 per annual ADA for restricted funding.
- All staff salaries were budgeted according to step and column increases.
- STRS (California State Teachers' Retirement) has been budgeted at 16.28%.
- Workers' Compensation Rate was not known at the time the budget was being produced. The current year rate is \$1.78 per all salaries paid.
- PERS has been budgeted at the rate of 18.10%.
- Unemployment rate remains at 0.005%.
- The district budgeted for the first and second subsequent years of the Multiyear Projections the LCFF projections that is being anticipated. We did not add any one-time funding in either of those years. We have indicated step and column increases in salaries but no cost of living adjustment in the two subsequent years.

- The district's budget indicates deficit spending for Restricted Programs but the Unrestricted portion has contributions of \$742,984.43 to cover those expenditures at this time.
- The fund balance and cash position at this time indicate that there will be a positive balance and the recommended reserve level of 3 percent will be met.

Description	Resource Codes	Object Codes	2017-18 Estimated Actuals			2018-19 Budget			% Diff Column C & F
			Unrestricted (A)	Restricted (B)	Total Fund col. A + B (C)	Unrestricted (D)	Restricted (E)	Total Fund col. D + E (F)	
<b>A. REVENUES</b>									
1) LCFF Sources		8010-8099	10,799,178.00	0.00	10,799,178.00	11,381,236.99	0.00	11,381,236.99	5.4%
2) Federal Revenue		8100-8299	0.00	834,087.00	834,087.00	0.00	836,959.00	836,959.00	0.3%
3) Other State Revenue		8300-8599	403,044.41	707,331.21	1,110,375.62	620,181.76	755,144.33	1,375,326.09	23.9%
4) Other Local Revenue		8600-8799	299,720.79	538,631.55	836,352.34	231,494.94	549,014.62	780,509.56	-6.7%
5) TOTAL, REVENUES			11,501,943.20	2,078,049.76	13,579,992.96	12,232,913.69	2,141,117.95	14,374,031.64	5.8%
<b>B. EXPENDITURES</b>									
1) Certificated Salaries		1000-1999	5,274,150.55	741,000.80	6,015,151.35	5,297,704.82	728,479.84	6,026,184.66	0.2%
2) Classified Salaries		2000-2999	1,430,866.87	326,192.86	1,757,059.73	1,431,521.14	385,600.19	1,817,121.33	3.4%
3) Employee Benefits		3000-3999	2,537,301.75	1,003,336.17	3,540,637.92	2,672,842.96	1,033,382.91	3,706,225.87	4.7%
4) Books and Supplies		4000-4999	283,472.50	346,129.11	629,601.61	317,443.00	386,888.52	704,331.52	11.9%
5) Services and Other Operating Expenditures		5000-5999	1,138,846.51	271,335.88	1,410,182.39	1,029,519.36	240,019.92	1,269,539.28	-10.0%
6) Capital Outlay		6000-6999	11,531.01	0.00	11,531.01	107,519.65	0.00	107,519.65	832.4%
7) Other Outgo (excluding Transfers of Indirect Costs)		7100-7299 7400-7499	377,428.00	76,430.64	453,858.64	377,572.00	98,800.00	476,372.00	5.0%
8) Other Outgo - Transfers of Indirect Costs		7300-7399	(7,413.00)	7,413.00	0.00	(10,931.00)	10,931.00	0.00	0.0%
9) TOTAL, EXPENDITURES			11,046,184.19	2,771,838.46	13,818,022.65	11,223,191.93	2,884,102.38	14,107,294.31	2.1%
<b>C. EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES AND USES (A5 - B9)</b>									
			455,759.01	(693,788.70)	(238,029.69)	1,009,721.76	(742,984.43)	266,737.33	-212.1%
<b>D. OTHER FINANCING SOURCES/USES</b>									
1) Interfund Transfers									
a) Transfers In		8900-8929	65,080.79	0.00	65,080.79	1,400.00	0.00	1,400.00	-97.8%
b) Transfers Out		7600-7629	12,696.00	0.00	12,696.00	212,696.00	0.00	212,696.00	1575.3%
2) Other Sources/Uses									
a) Sources		8930-8979	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
b) Uses		7630-7699	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
3) Contributions		8980-8999	(609,945.43)	609,945.43	0.00	(742,984.43)	742,984.43	0.00	0.0%
4) TOTAL, OTHER FINANCING SOURCES/USES			(557,560.64)	609,945.43	52,384.79	(954,280.43)	742,984.43	(211,296.00)	-503.4%

Description	Resource Codes	Object Codes	2017-18 Estimated Actuals			2018-19 Budget			% Diff Column C & F
			Unrestricted (A)	Restricted (B)	Total Fund col. A + B (C)	Unrestricted (D)	Restricted (E)	Total Fund col. D + E (F)	
<b>E. NET INCREASE (DECREASE) IN FUND BALANCE (C + D4)</b>			(101,801.63)	(83,843.27)	(185,644.90)	55,441.33	0.00	55,441.33	-129.9%
<b>F. FUND BALANCE, RESERVES</b>									
1) Beginning Fund Balance									
a) As of July 1 - Unaudited		9791	2,039,044.41	83,843.27	2,122,887.68	1,937,242.78	0.00	1,937,242.78	-8.7%
b) Audit Adjustments		9793	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
c) As of July 1 - Audited (F1a + F1b)			2,039,044.41	83,843.27	2,122,887.68	1,937,242.78	0.00	1,937,242.78	-8.7%
d) Other Restatements		9795	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
e) Adjusted Beginning Balance (F1c + F1d)			2,039,044.41	83,843.27	2,122,887.68	1,937,242.78	0.00	1,937,242.78	-8.7%
2) Ending Balance, June 30 (E + F1e)			1,937,242.78	0.00	1,937,242.78	1,992,684.11	0.00	1,992,684.11	2.9%
Components of Ending Fund Balance									
a) Nonspendable									
Revolving Cash		9711	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
Stores		9712	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
Prepaid Items		9713	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
All Others		9719	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
b) Restricted			0.00	0.00	0.00	0.00	0.00	0.00	0.0%
c) Committed									
Stabilization Arrangements		9750	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
Other Commitments		9760	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
d) Assigned									
Other Assignments		9780	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
e) Unassigned/Unappropriated									
Reserve for Economic Uncertainties		9789	414,922.00	0.00	414,922.00	429,600.00	0.00	429,600.00	3.5%
Unassigned/Unappropriated Amount		9790	1,522,320.78	0.00	1,522,320.78	1,563,084.11	0.00	1,563,084.11	2.7%