



2019-20 Budget Adoption and Estimated Actuals

Calexico Unified School District

Our Mission is...

We are committed to increase student achievement through a purposeful and effective instructional program that engages all students in academically rigorous learning.

All staff will be supported in the development of knowledge and skills to enhance professional practices.

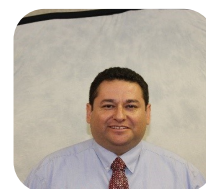
Parents community and staff will work collaboratively to support students in achieving their personal social and career goals.

And our vision consists of...

We will create academic pathways and a supportive environment that empowers our students to realize their potential and dreams.

The District...

Is located about 230 miles southeast of Los Angeles, 125 miles east of San Diego, 260 miles of Phoenix, and adjacent to Mexicali, Baja California, Mexico. Our district operates seven elementary schools, two junior high schools, one 9th-grade campus, and one high school.



A message from our Superintendent Mr. Carlos Gonzales...

The 2019-20 Calexico Unified School District Proposed Budget is presented in a format designed to communicate important financial information in a manner that is easily understandable. We hope this budget document is useful to the Board of Trustees, staff, and community in understanding the various elements and important components of the District's Budget.

Local Control Funding Formula

In 2014-15, the State implemented a new funding formula, known as the Local Control Funding Formula. This funding formula combined the former "base" funding with categorical programs. Along with the new funding formula,

there is an accountability measure, the Local Control Accountability Plan. The 2019-20 Proposed Budget has been prepared conservatively with the precarious nature of the state's budget in mind, while maintaining moderate class sizes and highly

qualified education for our students. The District's budget serves as an anchor and road map as we carry out our responsibility to educate our children.

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**ASSISTANT SUPERINTENDENT
BUSINESS SERVICES**



Mr. Cesar L. Vega

A message from the Assistant Superintendent of Business Services...

Budgets for California school districts are required by AB 1200 and related legislation. As a financial plan, the budget must be reviewed and updated on a periodic basis. Many district personnel are involved in the budget development process and managing the budget throughout the year, while the Board has the ultimate responsibility on a policy level for budget management.

Please keep in mind that although careful work is put into the proposed budget, the budget is never final until the “books are closed” at the end of the school year. Changes occur often as priorities and needs change, and as financial conditions are altered. The final State Budget has not been adopted as of the printing of this budget document.

This budget document and all district financial information is readily available on our district’s website at www.cusdk12.org

Budget Calendar and Budget Assumptions

The budget that is adopted by the Board of Education in June must be considered a “snapshot” of the District’s income and expenditures on that date. As variables change and new information becomes available, both revenue and expenditure projections must be updated. The Board of Education certifies these adjustments at least twice during the fiscal year, once during December (First Interim) and again during March (Second Interim). The cycle then continues throughout the year until we reach June 30. Once the fiscal year ends on June 30, the Business Office begins the year-end process of closing the District’s ledgers (books).

In September, the Board of Education is updated on how the District finished the previous fiscal year with the Unaudited Actuals Report. The District’s independent auditor then performs the financial audit for the prior year. The Annual Financial Audit Report is presented to the Board of Education for approval any time before the end of January of the following year. During the months of May and June the District finalizes its budget for the coming year. In order to project the budget, a series of assumptions about the conditions of the District must be determined. These assumptions are then inserted into state and district formulas in order to determine the final budget for the next fiscal year.

The business department uses the Fiscal Crisis Management and Assistance Team’s (FCMAT) LCFF Calculator, and School Services of California Dartboard for most of the assumptions needed to calculate our state revenues. Our county office of education also plays an intricate role on the development of our budget, and any other major fiscal reports, as they verify all of our data and the list of assumptions used to develop our proposed budget. The accuracy of the District’s budget projection for the next fiscal year is only as good as the assumptions that are used in developing the budget. If the assumptions are wrong, so too will be the budget.

What is new in state funding for schools?

California has a new Governor and his name is Gavin Newsom, a democrat who served as lieutenant Governor for LCFF champion and prior state Governor, Mr. Jerry Brown. And although there are significant similarities between Newsom and Brown, their budgeting ideas differ somewhat. For example, under Governor Brown we enjoyed several years of one-time funding that districts like ours were able to use for non-recurring purchases. However, Governor Newsom believes on being more prudent and invest on on-going programs and invest funds to reduce the dramatic increases in pension plans. He also continues on Brown’s legacy of investing in the state’s Rainy Day Fund and increase the reserves.

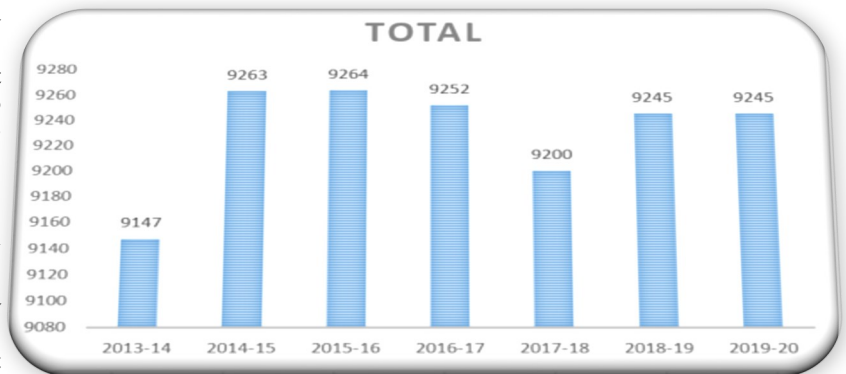


District Enrollment

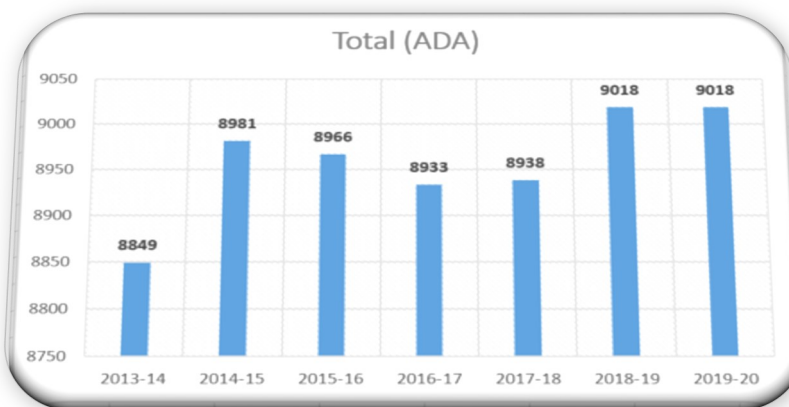
School districts in California are required to carefully calculate enrollment projections for two main reasons; first: to ensure student needs are met; the district must create a most-case-scenario enrollment projection to ensure we are adequately staffed with enough teachers, support staff, classroom space, furniture, materials and supplies, etc. Second; districts like Calexico rely on strong enrollment projections to develop accurate budgets for the current and two subsequent fiscal years.

Student enrollment projections can be affected by several factors like the opening of a charter school, competitive academic or sport programs at adjacent districts, housing market, state economy, and much more so it is critical for school district administrators to stay on top of all these variables that affect enrollment.

Our enrollment projection for fiscal year 2019-20 is 9245 which is consistent with our latest edition of the LCFF Calculator and prior year P-2 CALPADS report. It is important to note that even though we are only projecting an enrollment of 9245, there is a new apartment complex housing development being build on 1405 Hillary Street. This is a privately owned complex with approximately 48 new two-bedroom rental units. The estimated completion date is this fall which, by 2019-20 first interim report, I will then provide an update on any increase in enrollment projections.



Average Daily Attendance (ADA)

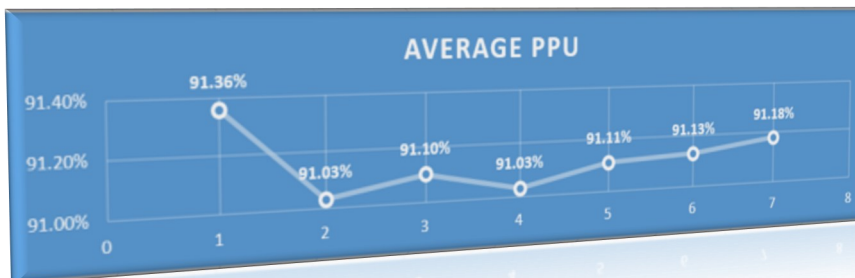


Why is the average daily attendance of students important for our district? The answer is simple; the district gets funded based on every student that attends class each and every day of the school year.

In other words, the total number of days of student attendance divided by the total number of days in the regular school year gives you your average daily attendance percentage ratio.

It is important to understand that ADA is not the same as enrollment, which is the number of students enrolled in each school and district. Typically, ADA is lower than enrollment due to factors such as the students moving, dropping out, or staying at home due to illness. For fiscal year 2019-20 proposed budget, the district has used 9018 as our average daily attendance percentage ratio.

Unduplicated Pupil Percentage (UPP)



“unduplicated pupils” enrolled in the district as certified for Fall 1 (CALPADS). It is important to understand that “unduplicated” means that each pupil is counted only once even if the pupil meets more than one of these criteria. For fiscal year 2019-20, the district will use 91.18% which is slightly higher (91.13%) than last years.

As part of the new Local Control Funding Formula, there is additional funding given to districts like ours that have a high percentage of students that qualify for one or more of the following groups: 1) English Learners; 2) Foster Youth; and 3) Free-Reduced Price Meals. Supplemental and Concentration grant amounts are calculated based on the percentage of

Cost of Living Adjustment (COLA)

	2018-19	2019-20	2020-21	2021-22	2022-23
Cost-of-Living Adjustment (COLA)	3.70%*	3.26%	3.00%	2.80%	3.16%
DOF Gap Funding %	100.00%	—	—	—	—
SSC Gap Funding %	100.00%	—	—	—	—

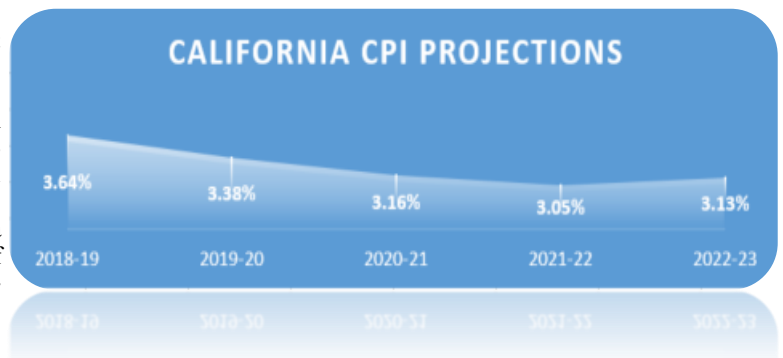
To calculate the cost-of-living adjustment, or COLA, requires many factors and pieces of information from various state and federal agencies; one being the United States Department of Commerce (USDC). The USDC released in April their 2019 first quarter value of the Implicit Price Deflator for state and local governments, which provides the last piece of information needed to establish the 2019-20 statutory cost-of-living

adjustment for school districts apportionments. Based on this data, the calculated 2019-20 COLA is 3.26% which represents a modest decrease from Governor Newsom's State Budget estimate of 3.46% back in January during his proposed new budget presentation.

Included in our proposed 2019-20 budget, are the current and out-year projections for the Local Control Funding Formula (LCFF) from the Department of Finance (DOF), as well as School Services of California Alternative gap funding percentage, which agrees with the DOF on the high probability that LCFF, in fact, will be fully funded two years ahead schedule.

Consumer Price Index (CPI)

The Consumer Price Index (CPI) is a measure of the average change overtime in the prices paid by consumers for a market basket of consumer goods and services. The CPI provides information about price changes in the Nation's economy to government, business, labor, and private citizens and is used by them as a guide to making economic decisions. In addition, the President, Congress, and the Federal Reserve Board use trends in the CPI to aid in formulating fiscal and monetary policies. The DOF, for fiscal year 2019-20, projects a CPI of 3.38% which is slightly lower than last year's of 3.64%. As we developed the budget, and our multi-year pro-



California Lottery—Unrestricted Vs Restricted



On April 8, 2010, Assembly Bill 142 (AB 142) was signed into law and requires that no less than 37.0% of the total annual Lottery revenues be distributed to public education. This percentage had been 34.0% in past years. As a result, Lottery revenues for public education increased by a slight margin. The new amount per Average Daily Attendance (ADA) is included in the 2019-20 Proposed Budget.

At approximately 1.5% of total district revenues, lottery funds are not a significant portion of the District's income, and the amount is not guaranteed. Nonetheless, this money is useful because it may be spent for any purpose except for construction or acquisition of property. Since the 1997-98 fiscal year, school districts have been required to use 50.0% of the growth in Lottery allocations for the purchase of instructional materials. Based on School Services of California's published Dartboard; it is projected that California school districts will receive \$151.00 of unrestricted and \$53.00 of restricted dollars per ADA for 2019-20.

Lottery funding is based on annual Average Daily Attendance multiplied by a factor of 1.0446 ($2,929 \times 1.0446 = 3,059$). This factor was established during the 1996-97 school year to hold

districts harmless due to the removal of excused absences from the calculation of Average Daily Attendance. Hence, Lottery funds are generated based on the children that attend school. An absence does not generate funding, regardless of whether it is an excused or unexcused absence.

Mandate Block Grant

The Mandate Block Grant also known as the MBG funding is available to county offices of education (COEs), school districts, and charter schools (both direct and locally funded) that elect to participate.

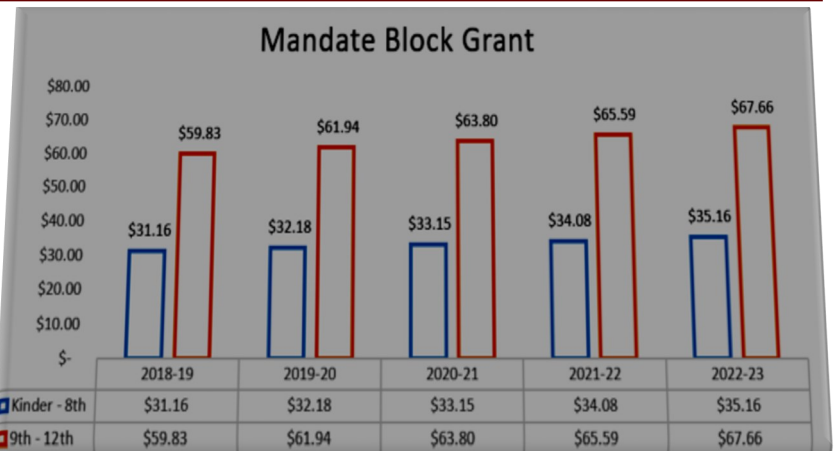
The MBG funds are specifically intended to fund the costs of mandated programs and activities identified in Government Code (GC) Section 17581.6(e).

For fiscal year 2019-20, the district is projected to receive \$32.18 per ADA for students enrolled in grades kinder - 8th, and \$61.94 for students in grades 9th - 12th, per ADA.

The following graphs give a brief summary on the level of funding the MBG grant provides to our district starting with the current year through 2022-23 projections.

Although the MBG has been in place for a number of years, it is not guaranteed forever and it's subject to our state's economy. Also, the funding rates are not locked permanently and are subject to change each year.

Lastly, this grant is available to County Office of Education, charter schools, and school districts like ours. This grant is subject to penalties if audits determine a school district like or county office of education is not performing all the mandated activities required, therefore, it is extremely important to stay on top of all required guidelines.

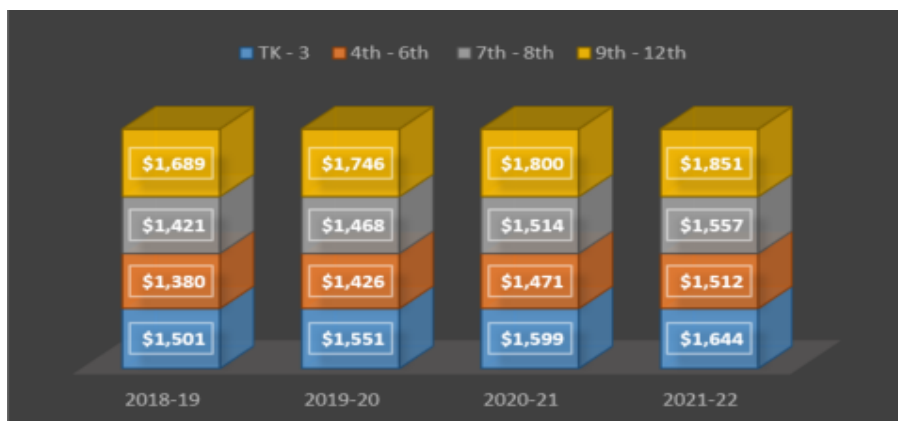


Local Control Fund Formula—Entitlement Factors

LCFF ENTITLEMENT FACTORS				
Entitlement Factors per ADA	K-3	4-6	7-8	9-12
2018-19 Base Grants	\$7,459	\$7,571	\$7,796	\$9,034
COLA at 3.26%	\$243	\$247	\$254	\$295
2019-20 Base Grants	\$7,702	\$7,818	\$8,050	\$9,329
Grade Span Adjustment Factors	10.4%	—	—	2.6%
Grade Span Adjustment Amounts	\$801	—	—	\$243
2019-20 Adjusted Base Grants	\$8,503	\$7,818	\$8,050	\$9,572

Most of CUSD revenues come from the LCFF Base Grant, and other key entitlement factors that are added to the Base Grant like COLA, and Grade Span Adjustments. Next year's budget takes into account the current base grant funding for the current year plus what Governor Newsom has given us in terms of COLA at 3.26% for 2019-20 which averages an increase in base-funding of approximately \$260 per grade group. It also takes into account two grade span adjustments for groups k-3 and 9-12, which, when adjusted, the new 2019-20 base grant will range from \$8,503 to \$9,572, depending on the grade group.

Supplemental Grant



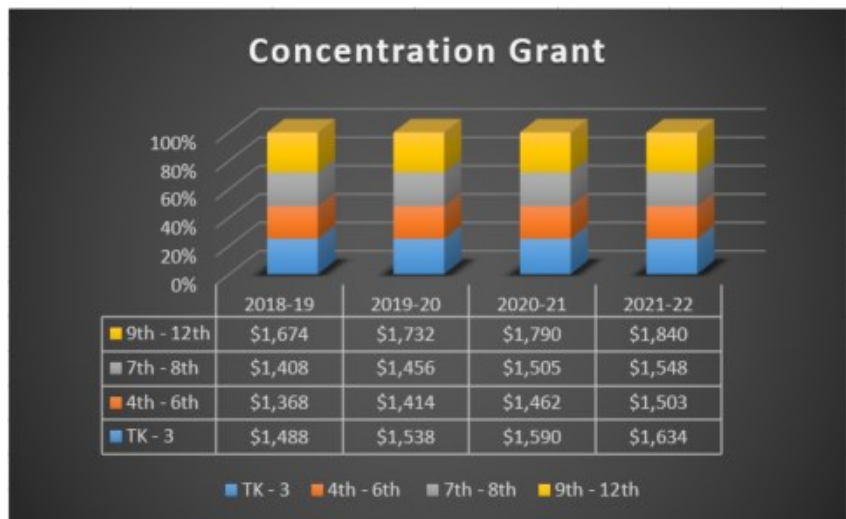
The other two LCFF Grants (other than base) are focused on districts with high-needs students; these districts tend to have lower academic performance indexes. The extra funding goes towards three major groups: English Learners, Foster Youth, and Free-Reduced Price.

School districts like CUSD receive supplemental funding equal to 20 percent of the base grant for each high-need student. Funding is determined by unduplicated counts (CUSD = 91.18%) to avoid double counting a single student that, for example, is both English Learner and Free-Reduced.

Concentration Grant

Concentration grant, the last of the 3-LCFF grants; funds go to districts in which more than 55 percent of students are high need (CUSD = 91.18%). In other words, for each student above the 55% threshold, districts like Calexico USD receive funding equal to 50% of the base grant. The following graph indicates CUSD current year concentration grant funding opportunity, and what we are projecting to receive for 2019-20 and beyond until June 30, 2022.

The Local Control Funding Formula allows supplemental and concentration funds to be spent for any educational purpose but requires districts to develop a Local Control and Accountability Plan that detail district goals and actions, as a way to measure their progress towards those goals. For fiscal year 2019-20, the district is projecting to receive \$28,376,915 million



Local Control and Accountability Plan - LCAP

Along with the budgetary flexibility created with the LCFF came the requirement that school districts work with community groups to create accountability plans. The LCFF requires school districts to inform the public how LCFF funds are being utilized. This requirement is achieved via a Local Control Accountability Plan (LCAP), which details goals and priorities. Additionally, the purpose of the LCAP is to provide a high quality instructional program for all students to ensure they leave our schools college and career ready. It addresses the needs of student groups to eliminate the achievement gap. The plan provides districts with the flexibility to address specific student needs and focuses on improvement of teaching and learning.



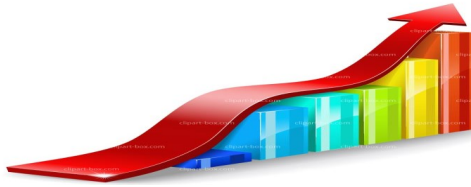
The Calexico Unified School District, as well as other County district, must engage a broad group of stakeholders: students, parents, district advisory committees, teachers, administrators, and other school personnel. The LCAP is part of the annual budget planning process. It is intended to better align academic plans with spending plans and, similar to the budget adoption process, the District must hold a public hearing before the Board of Education adopts the plan. The LCAP must be adopted before the annual budget is adopted. It will be updated annually and include a three-year plan.

A District's LCAP must describe annual goals that address state and local priorities for all students: including, low-income, English Learners, foster youth and homeless. The plan must also describe the services and/or actions to achieve the goals and budget expenditures to support those services and/or actions. In addition, the plan must address eight state priorities through conditions of learning, pupil outcomes, and engagement.

The fiscal aspect of the LCAP is closely monitor by the business department, however, the duty to execute the goals and actions, as approved by the Board, is the responsibility of the Assistant Superintendent of Educational Services.



Employer Contribution Rates CalPERS & CalSTRS



Year	Previous Employer Contribution Rates	Revised Employer Contribution Rates*
2018-19	18.062%	18.062%
2019-20	20.70%	20.733%
2020-21	23.40%	23.60%
2021-22	24.50%	24.90%
2022-23	25.00%	25.70%
2023-24	25.50%	26.40%
2024-25	25.70%	26.60%
2025-26	25.50%	26.50%

May Revision
Discussed Rates

⇒ The California Public Employees' Retirement System (CalPERS) Board adopted an employer contribution rate of 20.733% for 2019-20...

⇒ 2.671% higher than the current-year rate of 18.062



⇒ In January, Governor Newsom proposed a \$3 billion one-time non-Proposition 98 General Fund payment to CalSTRS to reduce long-term liabilities for employers...

⇒ At the May Revision, Governor Newsome increased this proposal by \$150 million, again non-Proposition 98, to reduce the 2019-20 employer contribution rate from 18.13% to 16.70% 2019-20.

⇒ The proposal retains the 2020-21 decrease of 19.10% to 18.10%.

CalSTRS Rates			
Year	Employer	Pre-PEPRA* Employees	Post-PEPRA Employees
2017-18	14.43%	10.25%	9.205%
2018-19	16.28%	10.25%	10.205%
2019-20	16.70%**	10.25%	10.205%
2020-21	18.10%**	10.25%	10.205%
2021-22	17.80%**	10.25%	10.205%
2022-23	17.80%**	10.25%	10.205%

Estimated Actuals 2018-19 Revenues Vs Expenditures

Description	2018-19 Estimated Actuals		
	Unrestricted	Restricted	Total Fund
Revenues			
1. LCFF	\$ 103,259,408.00	\$ -	\$ 103,259,408.00
2. Federal	\$ -	\$ 10,424,254.00	\$ 10,424,254.00
3. Other State	\$ 3,342,021.00	\$ 6,866,363.00	\$ 10,208,384.00
4. Other Local	\$ 1,324,870.00	\$ 1,776,242.00	\$ 3,101,112.00
5. Total Revenues	\$ 107,926,299.00	\$ 19,066,859.00	\$ 126,993,158.00
Expenditures			
1. Certificared	\$ 38,098,463.00	\$ 7,975,009.00	\$ 46,073,472.00
2. Classified	\$ 12,926,722.00	\$ 4,328,405.00	\$ 17,255,127.00
3. Benefits	\$ 27,961,695.00	\$ 8,823,376.00	\$ 36,785,071.00
4. Books and Supplies	\$ 5,584,267.00	\$ 2,876,715.00	\$ 8,460,982.00
5. Services and Other Operating Expenditures	\$ 8,248,937.00	\$ 2,828,206.00	\$ 11,077,143.00
6. Capital Outlay	\$ 1,213,060.00	\$ 1,504,308.00	\$ 2,717,368.00
7. Other Outgo (excluding indirect cost transfers)	\$ 811,641.00	\$ 1,479,253.00	\$ 2,290,894.00
8. Other Outgo (including indirect cost transfers)	\$ (1,099,122.00)	\$ 707,680.00	\$ (391,442.00)
9. Total Expenditures	\$ 93,745,663.00	\$ 30,522,952.00	\$ 124,268,615.00
Excess (Deficiency) of Revenues over expenditures before other financing sources and uses	\$ 14,180,636.00	\$ (11,456,093.00)	\$ 2,724,543.00

Total estimated
revenues for 18/19

Total estimated
Expenditures for
18/19

Total estimated
Excess Revenues
18/19

The 2018-19 budget was rather unique because it offered a local control funding formula that was, for the first time, fully implemented and ahead of schedule by two full fiscal years. That was greatly due to a strong federal and state economy that saw big tax collections and above average influxes of revenues that provided then Governor Brown the opportunity to fully fund school districts back to where they were prior to the Great Recession. In fact, prior to 2018-19, the district was facing a structural deficit that required a quick action from the district office and develop a budget stabilization plan to avoid further deficits.

For 2018-19, the district is expecting to finish the year with excess revenues totaling approximately \$2.7 million dollars that will further augment our projected ending fund balance to an estimated total of \$19,839,860, this is in spite of major settlements with bargaining units, and non-represented personnel.

Description	2018-19 Estimated Actuals		
	Unrestricted	Restricted	Total Fund
Net Increase (Decrease) in Fund Balance	\$ 2,837,396.00	\$ (112,853.00)	\$ 2,724,543.00
Fund Balance, Reserves			
1. Beginning Fund Balance			
a) As of July 1 - Unaudited	\$ 15,792,304.00	\$ 1,323,013.00	\$ 17,115,317.00
b) Audit Adjustments	\$ -		
c) As of July 1 Audited	\$ 15,792,304.00	\$ 1,323,013.00	\$ 17,115,317.00
d) Other Restatements	\$ -		
e) Adjusted Beginning	\$ 15,792,304.00	\$ 1,323,013.00	\$ 17,115,317.00
2. Ending Balance, June 30	\$ 18,629,700.00	\$ 1,210,160.00	\$ 19,839,860.00

According to School Services of California, "We are in the throes of the longest economic expansion in history; it won't last forever," so we have to be conservatives and use our money wisely. At the global stage, California is considered to be the fifth largest economy in the world, but it is also a very fragile economy and any microeconomic change abroad can put us back into a recession for a number of years. Also, new Governor Gavin Newsom who is considered another champion for k-12 education is significantly more conservative in his budgeting approach. He believes in increasing reserves (Rainy Day Fund) and investing more in ongoing liabilities like the increasing costs in CalPERS and CalSTRS. Furthermore, for fiscal year 2019-20, we will no longer enjoy the traditional one-time funds that for years we got used to receive from Governor Brown. Moving forward, unless something drastic happens in Sacramento, we are back to a world of only cost of living adjustment, or COLA.

Revenues Vs Expenditures Projections 2019-20

PLANNING FACTORS					
Factors	2018-19	2019-20	2020-21	2021-22	2022-23
Statutory COLA ²	2.71%	3.26%	3.00%	2.80%	3.16%
California CPI	3.64%	3.38%	3.16%	3.05%	3.13%
California Lottery ³	Unrestricted per ADA	\$151	\$151	\$151	\$151
	Restricted per ADA	\$53	\$53	\$53	\$53
Mandate Block Grant (District)	Grades K-8 per ADA	\$31.16	\$32.18	\$33.15	\$34.08
	Grades 9-12 per ADA	\$59.83	\$61.94	\$63.80	\$65.59
Mandate Block Grant (Charter)	Grades K-8 per ADA	\$16.33	\$16.86	\$17.37	\$17.86
	Grades 9-12 per ADA	\$45.23	\$46.87	\$48.28	\$49.63
One-Time Discretionary Funds per ADA	\$184	—	—	—	—
Interest Rate for Ten-Year Treasuries	2.70%	2.85%	2.70%	2.80%	2.90%
CalPERS Employer Rate ⁴	18.062%	20.733%	23.60%	24.90%	25.70%
CalSTRS Employer Rate ⁵	16.28%	16.70%	18.10%	17.80%	17.80%

The revenues and expenditures below are projected based on School Services of California dashboard released after the May Revision and also by using the list of key assumptions provided by our Imperial Valley County Office of Education. The development of the 2019-20 proposed budget was carefully calculated by using prior year Period 2 CALPADS attendance reports, and based on historical enrollment trends.

The proposed budget for 2019-20 project new expenditure increases adopted the prior year (2018-19) but are making an impact until the following year. For instance, 1) Retro payments and salary increases for confidential, classified and certificated management officials are impacting the new budget at an approximate cost of \$1,207,719. Then, 2) Medical insurance went up by \$976,671 from the current year (2018-19). Also, 3) Now that LCFF is at full implementation, the contribution to the ongoing maintenance budget increased from 2% in the current year to 3% for 2019-20 which represents an increase of \$1,342,243 to next years budget. 4) One of the most expensive programs in our district, and one of the less funded; our Special Education program is scheduled to increase by \$742,734 which represents further encroachment to the district's general fund. 5) Although it is just \$14,047, our Medical Billing Option has slightly increased.

The district also has borrowed money in the past to finance energy efficient projects which, under Prop. 39, would qualify as an authorized expenditure, nevertheless, the new energy and light efficient program at the district required a private loan to complete. The annual payment is \$442,947 which, although a recurring expense from current year, it is however required to be budgeted each year until repaid in full. Overall, taking into account all these new added and ongoing expenditures for 2019-20, the expenditure side of the ledger increased by \$4,726,361.

As a result of the new added expenses to 2019-20, the district is facing a slight deficit of just under a million dollars for the upcoming year. Fortunately, our ending fund balance is large enough to absorb this amount, however, deficit spending is one of the first predictors that can lead to fiscal distress and one that should not be taken lightly. The Assistant Superintendent of Business Services will be working with the Board and Superintendent on a budget stabilization plan that will eliminate our deficit.

Description	Unrestricted	Restricted	Total Fund
Revenues			
1. LCFF	\$ 106,582,269.00	\$ -	\$ 106,582,269.00
2. Federal	\$ -	\$ 9,941,475.00	\$ 9,941,475.00
3. Other State	\$ 1,746,382.00	\$ 5,393,867.00	\$ 7,140,249.00
4. Other Local	\$ 384,973.00	\$ 1,869,392.00	\$ 2,254,365.00
5. Total Revenues	\$ 108,713,624.00	\$ 17,204,734.00	\$ 125,918,358.00
Expenditures			
1. Certificated	\$ 39,407,445.00	\$ 7,830,585.00	\$ 47,238,030.00
2. Classified	\$ 12,592,889.00	\$ 4,173,979.00	\$ 16,766,868.00
3. Benefits	\$ 29,121,327.00	\$ 9,110,227.00	\$ 38,231,554.00
4. Books and Supplies	\$ 5,268,400.00	\$ 2,918,083.00	\$ 8,186,483.00
5 Services and Other Operating Expenditures	\$ 7,494,052.00	\$ 2,681,338.00	\$ 10,175,390.00
6. Capital Outlay	\$ 2,508,213.00	\$ 1,844,497.00	\$ 4,352,710.00
7. Other Outgo (excluding indirect cost transfers)	\$ 811,641.00	\$ 1,479,253.00	\$ 2,290,894.00
8. Other Outgo (including indirect cost transfers)	\$ (895,494.00)	\$ 510,896.00	\$ (384,598.00)
9. Total Expenditures	\$ 96,308,473.00	\$ 30,548,858.00	\$ 126,857,331.00

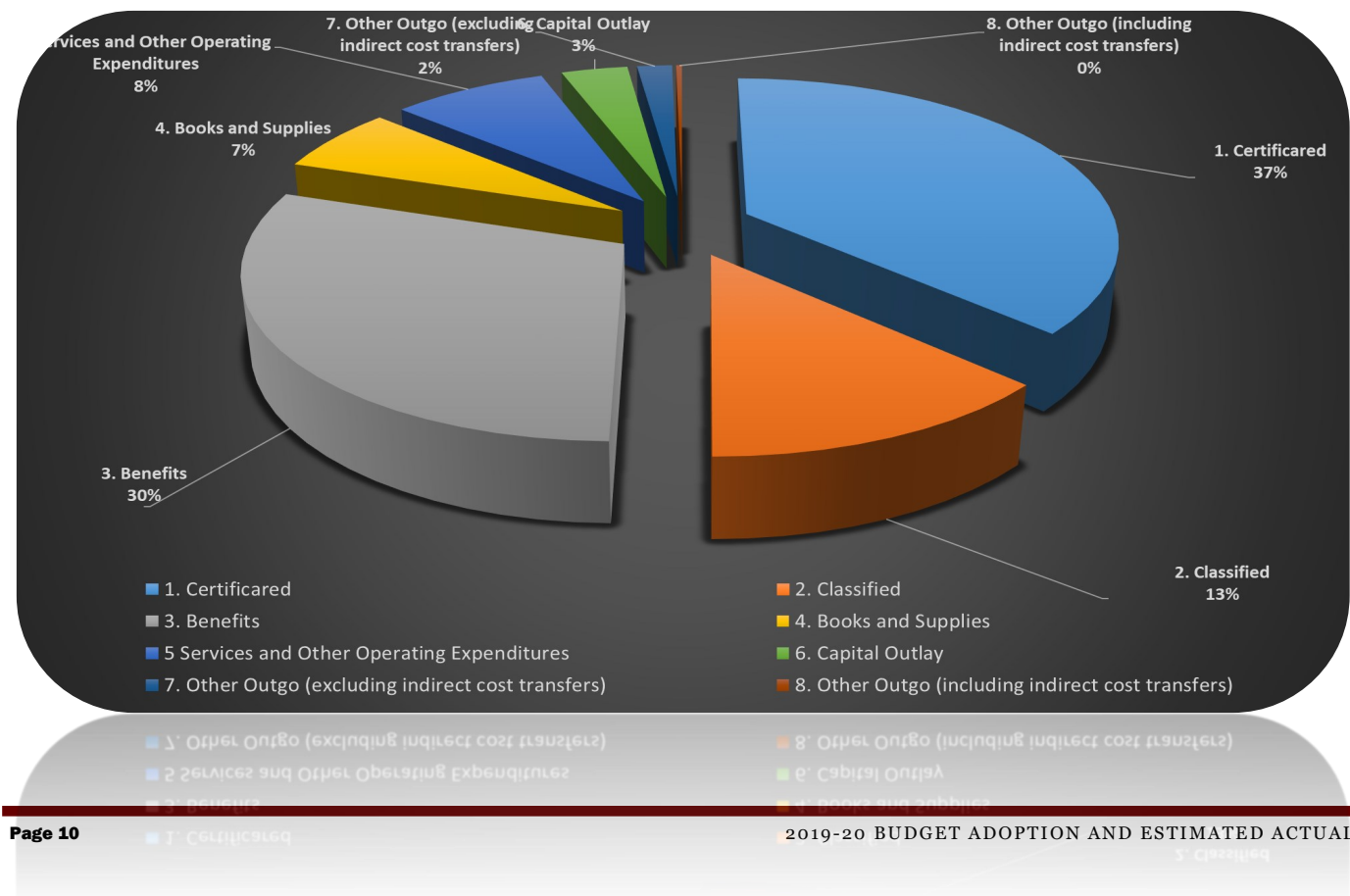
Components of Ending Fund Balance 2019-20

Description	Unrestricted	Restricted	Total Fund
Net Increase (Decrease) in Fund Balance	\$ (912,113.00)	\$ (26,860.00)	\$ (938,973.00)
Fund Balance, Reserves			
1. Beginning Fund Balance			
a) As of July 1 - Unaudited	\$ 18,629,700.00	\$ 1,210,160.00	\$ 19,839,860.00
b) Audit Adjustments	\$ -		
c) As of July 1 Audited	\$ 18,629,700.00	\$ 1,210,160.00	\$ 19,839,860.00
d) Other Restatements	\$ -		
e) Adjusted Beginning	\$ 18,629,700.00	\$ 1,210,160.00	\$ 19,839,860.00
2. Ending Balance, June 30	\$ 17,717,587.00	\$ 1,183,300.00	\$ 18,900,887.00

As indicated on page 8, the estimated actuals ending fund balance for the current year (2018-19) is projected at \$19,839,860 which, as the new budget is developed, it becomes the beginning fund balance for 2019-20. Since we are project a slight deficit of \$938,973, we have to use our beginning fund balance to offset this projected cost increase that will leave us with a new beginning fund balance of \$18,900,887 to start the new fiscal year. It is very important to understand that the year is not closed until we close the books, and in closing the books for 2018-19, the beginning fund balance can change but we won't know until the books are closed and we present our unaudited actuals in September of 2019.

The pay chart below illustrates how our projected expenses for fiscal year 2019-20 are concentrated by percentages. It can easily be seeing that approximately 80% of our budget goes towards salaries and benefits while the remaining 20% goes for operational costs.

The next report in which the proposed 2019-20 budget is evaluated and revised by the business department is at 1st interim due on or before December 15, 2019. First interim is a snapshot of the first four months of service (October 31st).



Multi-Year Projections

	2019-20 July 1st Budget		
Description	COMBINED		
	2019-20	2020-21	2021-22
REVENUES			
LCFF Sources	\$106,582,269	\$109,956,376	\$113,027,172
Federal Revenues	\$9,941,475	\$9,596,591	\$9,596,591
Other State Revenues	\$7,140,249	\$6,956,454	\$6,967,889
Other Local Revenues	\$2,254,365	\$2,267,977	\$2,319,954
Other Financing Sources			
Total Revenues	\$125,918,358	\$128,777,398	\$131,911,606
EXPENDITURES			
Certificated Salaries			
Base Salaries		\$47,238,030	\$48,182,791
Step & Column Adjustment		\$944,761	\$963,656
Cost-of-Living Adjustment		\$0	\$0
Other Adjustment		\$0	\$0
Total Certificated Salaries	\$47,238,030	\$48,182,791	\$49,146,446
Classified Salaries			
Base Salaries		\$16,766,868	\$17,102,325
Step & Column Adjustment		\$335,457	\$342,167
Cost-of-Living Adjustment			
Other Adjustment			
Total Classified Salaries	\$16,766,868	\$17,102,325	\$17,444,492
Employee Benefits	\$38,231,554	\$40,569,371	\$42,095,955
Books & Supplies	\$8,186,483	\$8,268,348	\$8,351,031
Services, Other Operating	\$10,175,390	\$10,277,144	\$10,379,915
Capital Outlay	\$4,352,710	\$4,077,792	\$3,803,125
Other Outgo	\$2,290,894	\$2,290,894	\$2,287,894
Direct Support/Indirect Costs	(\$384,598)	(\$384,598)	(\$384,598)
Other Financing Uses			
Other Adjustments			
Total Expenditures	\$126,857,331	\$130,384,067	\$133,124,261
NET INCREASE/DECREASE	(\$938,973)	(\$1,606,669)	(\$1,212,655)
Fund Balance			
Beginning Fund Balance	\$19,839,860	\$18,900,887	\$17,294,218
Ending Fund Balance	\$18,900,887	\$17,294,218	\$16,081,563
Ending Fund Balance Percent	14.90%	13.26%	12.08%

Understanding our Multi-Year Projection is very important because it illustrates our fiscal position in the coming year, and also over the course of two years out, in this case 2019-20, 2020-21, and 2021-22. It is also imperative to understand that MYPs, as we call them, are constructed by using known factors. For example, we use School Services of California best assumptions and projections in cost of living adjustments, consumer price index, current lottery revenues, etc. Obviously, it is our best guess scenario assuming these list of assumptions, but more than likely, these numbers are going to change as economical conditions change each year. For example, right now we are in the middle of one of the longest economic expansion in history, so the numbers are projected assuming a healthy state/federal economy. But things can change from one year to the next, so it is important to revise our MYPs periodically.

Multi-Year Revenues Projections

	Multi-Year Projections 2019-20 July 1st Budget		
Description	COMBINED		
	2019-20	2020-21	2021-22
REVENUES			
LCFF Sources	\$106,582,269	\$109,956,376	\$113,027,172
Federal Revenues	\$9,941,475	\$9,596,591	\$9,596,591
Other State Revenues	\$7,140,249	\$6,956,454	\$6,967,889
Other Local Revenues	\$2,254,365	\$2,267,977	\$2,319,954
Other Financing Sources			
Total Revenues	\$125,918,358	\$128,777,398	\$131,911,606

The common denominator here is that now that the LCFF has been fully implemented, we are now living in a world of COLA increases only. Our COLA increases are nowhere near enough to offset the cost of CalPERS and CalSTRS alone. At some point, our reserves will shrink due to the cost increases of doing business.

Planning Factors used:

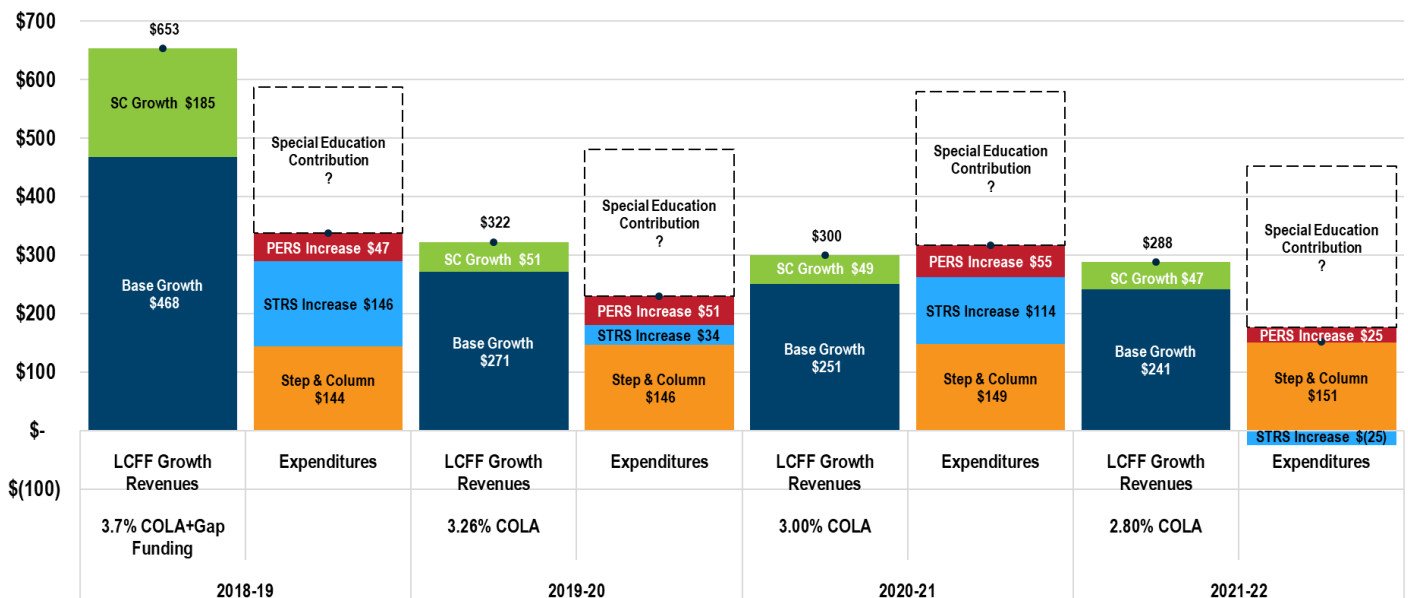
- COLA = 3.26%
- CPI = 3.38%
- Lottery (Un) = \$151
- Lottery (R) = \$53
- MBG (K-8) = \$32.18
- MBG (9-12) = \$61.94
- PERS Rate = 20.733%
- STRS Rate = 16.70%

Planning Factors used:

- COLA = 3.00%
- CPI = 3.16%
- Lottery (Un) = \$151
- Lottery (R) = \$53
- MBG (K-8) = \$33.15
- MBG (9-12) = \$63.18
- PERS Rate = 23.60%
- STRS Rate = 18.10%

Planning Factors used:

- COLA = 2.80%
- CPI = 3.05
- Lottery (Un) = \$151
- Lottery (R) = \$53
- MBG (K-8) = \$34.08
- MBG (9-12) = \$65.59
- PERS Rate = 24.90%
- STRS Rate = 17.80%



Multi-Year Expenditures Projections

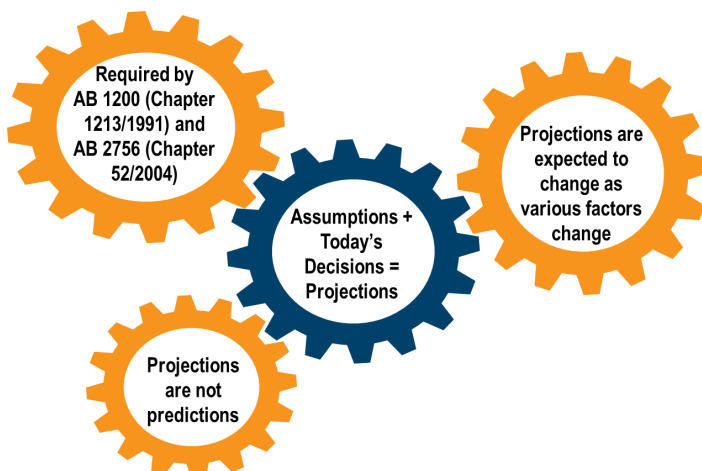
	Multi-Year Projections 2019-20 July 1st Budget		
Description	COMBINED		
	2019-20	2020-21	2021-22
EXPENDITURES			
Certificated Salaries			
Base Salaries		\$47,238,030	\$48,182,791
Step & Column Adjustment		\$944,761	\$963,656
Cost-of-Living Adjustment		\$0	\$0
Other Adjustment		\$0	\$0
Total Certificated Salaries	\$47,238,030	\$48,182,791	\$49,146,446
Classified Salaries			
Base Salaries		\$16,766,868	\$17,102,325
Step & Column Adjustment		\$335,457	\$342,167
Cost-of-Living Adjustment			
Other Adjustment			
Total Classified Salaries	\$16,766,868	\$17,102,325	\$17,444,492
Employee Benefits	\$38,231,554	\$40,569,371	\$42,095,955
Books & Supplies	\$8,186,483	\$8,268,348	\$8,351,031
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Other Outgo	\$2,290,894	\$2,290,894	\$2,287,894
Direct Support/Indirect Costs	(\$384,598)	(\$384,598)	(\$384,598)
Other Financing Uses			
Other Adjustments			
Total Expenditures	\$126,857,331	\$130,384,067	\$133,124,261
NET INCREASE/DECREASE	(\$938,973)	(\$1,606,669)	(\$1,212,655)

Our new MYP includes a 2% step & Column adjustment from year to year. In a COLA environment, it is barely enough to cover the annual increase for certificated/classified salaries

Employee benefits represent about 30% of our entire budget, and every year their cost in premiums go up. From current year to 2019-20, the benefit cost increase totaled \$976,671. Pension plans also continue to increase at historical rates.

When you compare our revenues Vs our expenditures, we noticed that we are no longer living within our means. Every year starting with 2019-20, we are deficit spending so the district has to create a budget stabilization plan.

Total Expenditures	\$126,857,331	\$130,384,067	\$133,124,261
NET INCREASE/DECREASE	(\$938,973)	(\$1,606,669)	(\$1,212,655)
Fund Balance			
Beginning Fund Balance	\$19,839,860	\$18,900,887	\$17,294,218
Ending Fund Balance	\$18,900,887	\$17,294,218	\$16,081,563
Ending Fund Balance Percent	14.90%	13.26%	12.08%



One of the strengths of our district is our ending fund balance, projected at 14.90% reserve for 2019-20, that's in spite of the \$938,973 deficit.

What's important to understand here is that, as the arrows point out, every year we are in a deficit, and if things remain the same, assuming that our assumptions remain as predicted, using the same enrollment, attendance, number of people, etc.; we have enough reserves to carry us for about six or seven years before we run out of money. That is why it is important to create saving opportunities, and live within our projected revenues. **These figures DO NOT include any more potential salary increases.**

2018-19 Estimated Actuals for Other Funds

2018-19 Estimated Actuals	Adult Ed (11)	Child Dev (12)	Cafeteria (13)
Total Revenues	\$359,723	\$436,689	\$6,034,155
Source Revenue	\$322,071	\$436,689	\$6,034,155
General Fund Contribution	\$37,652		
Total Expenditures	\$471,828	\$450,941	\$6,200,754
NET INCREASE/DECREASE	(\$112,105)	(\$14,252)	(\$166,599)
Beginning Fund Balance	\$164,642	\$18,046	\$1,030,209
Ending Fund Balance	\$52,537	\$3,794	\$863,610

While most of the attention is on the district's general fund, there are other funds that are equally important and can have an impact on the general fund if they are not managed properly.

For example, one of our main operating fund is 13 - a Cafeteria Special Revenue Fund. This fund is used to account separately for federal, state, and local resources to operate the food service program. If this program experience a deficit, the General Fund is re-

quired to come to its aid and offset any deficits by making necessary financial contributions. There is also Fund 12—Child Development and Fund 11—Adult Education. These budgets, although relatively small, need to be monitored closely, especially Fund 11 that only receives local funds. If those funds every go away, Fund 11 programs need to be either cancelled or supported by the General Fund. For estimated actuals, the business department predicts deficits in all three funds, mostly due to salary and benefits increases

2019-20 Projected Budgets for Other Funds

Even though, our estimated actuals for 2018-19 predict a deficit for all Fund 11, 12, and 13; our projections for next year's budget for these three funds reduction in expenditures and an increase to their ending fund balance, primarily in Fund 13.

Nevertheless, the business department continues to monitor these funds to ensure they are self

	Adult Ed (11)	Child Dev (12)	Cafeteria (13)
Total Revenues	\$426,947	\$436,789	\$6,034,155
Source Revenue	\$322,071	\$436,789	\$6,034,155
General Fund Contribution	\$104,876		
Total Expenditures	\$426,947	\$436,789	\$5,888,324
NET INCREASE/DECREASE	\$0	\$0	\$145,831
Beginning Fund Balance	\$52,537	\$3,794	\$863,610
Ending Fund Balance	\$52,537	\$3,794	\$1,009,441

Final Outlook

The fact is that known cost increases far exceed the new revenues, and with the ongoing challenges that the district faces it is imperative that we are fiscally responsible. Even though we are not in declining enrollment, we are deficit spending and there are programs like special education that continue to encroach the general fund. This, combined, with the pension plan challenges in which employer contribution rates increase every year, and the cost of health and welfare benefits, and the private loans payments each and every year for the next decade or so, and the minimum wage laws that we need to adhere to and comply with, we have to look for saving opportunities to make ends meet. As stated before, this new budget plan and multi-year projections does not include any new salary increases. Any new settlements without a saving cost plan, or a budget stabilization plan, will further reduce the amount of time before we run out of cash.

