



Rescue Union School District

2017-18 1st Interim Budget

December 12, 2017

Board of Trustees

Nancy Brownell, President Kim White, Vice-President Suzanna George, Clerk
Stephanie Kent, Member Tagg Neal, Member



Rescue USD Budget Information and Timelines

- This presentation is a user-friendly summary of the budget proposed for adoption at 1st interim.
 - ⊕ Documents in official “SACS” format included.
- The 1st interim budget reflects the adopted budget from June with updated revenues and expenses, which includes carry-over funds, updated revenue allocations, revised student enrollment numbers, and staffing changes.
- Remaining Financial Cycle for 2017-18
 - ⊕ 2nd Interim Budget - March 2018
 - ⊕ June Budget Update – June 2018
 - ⊕ Final Actual Financials – September 2018
 - ⊕ Audit Report – December 2018



Assumptions

- There are many unpredictable factors that affect revenue and expenditures. Because of that, the district bases its budget on assumptions. This is the best information available at the time the budget is adopted. The adopted budget, therefore, should be considered a “financial snapshot” on the date it is approved. As variables change, formal adjustments, approved by the board, are made throughout the course of the year.



RUSD Enrollment History

	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	Change over previous year
2017-18	3,605	3,624	3,623	3,641							(153)
2016-17	3,723	3,709	3,723	3,731	3,734	3,774	3,792	3,792	3,786	3,794	(54)
2015-16	3,666	3,658	3,673	3,673	3,676	3,686	3,707	3,717	3,734	3,740	(35)
2014-15	3,690	3,697	3,699	3,702	3,712	3,735	3,753	3,771	3,772	3,775	(50)
2013-14	3,797	3,775	3,770	3,776	3,774	3,797	3,804	3,821	3,823	3,825	(104)
2012-13	3,889	3,902	3,895	3,900	3,893	3,885	3,912	3,919	3,920	3,929	(109)
2011-12	3,984	3,984	3,989	3,995	3,995	4,002	4,019	4,024	4,032	4,038	(57)
2010-11	4,124	4,088	4,070	4,071	4,074	4,083	4,092	4,099	4,097	4,095	(20)
2009-10	4,173	4,123	4,115	4,116	4,113	4,119	4,122	4,121	4,112	4,115	16
2008-09	4,176	4,105	4,104	4,106	4,115	4,110	4,095	4,091	4,097	4,099	14
2007-08	4,093	4,079	4,090	4,094	4,091	4,097	4,110	4,096	4,101	4,085	113
2006-07	3,916	3,905	3,918	3,927	3,934	3,933	3,952	3,967	3,964	3,972	187
2005-06	3,777	3,771	3,788	3,776	3,768	3,784	3,780	3,783	3,786	3,785	78
2004-05	3,670	3,658	3,653	3,661	3,661	3,698	3,703	3,712	3,717	3,707	

Narrative – The district primarily earns income through enrollment converted to Average Daily Attendance (ADA). Enrollment is simply the total number of students enrolled in district schools; ADA is the Average Daily Attendance of those enrolled students.

This table shows the historical enrollment with a color spectrum of green for higher numbers down to red for lower numbers. It should be noted that 2017-18 enrollment is the lowest in the last 14 years.



Summary of Enrollment to ADA

Enrollment & Attendance	2004-05 ADA	2005-06 ADA	2006-07 ADA	2007-08 ADA	2008-09 ADA	2009-10 ADA	2010-11 ADA	2011-12 ADA
CBEDS Enrollment	3,695	3,811	3,936	4,089	4,108	4,116	4,065	3,993
ADA	3,543.79	3,635.33	3,784.71	3,946.89	4,000.99	3,878.54	3,953.78	3,897.40
ADA/CBEDS Ratio	95.91%	95.39%	96.16%	96.52%	97.40%	94.23%	97.26%	97.61%
Enrollment & Attendance	2012-13 ADA	2013-14 ADA	2014-15 ADA	2015-16 ADA	2016-17 ADA	2017-18 Est. ADA	2018-19 Est. ADA	2019-20 Est. ADA
CBEDS Enrollment	3,899	3,773	3,700	3,672	3,720	3,629	3,512	3,496
ADA	3,782.17	3,677.77	3,600.00	3,565.67	3,615.12	3,529.99	3,406.64	3,391.12
ADA/CBEDS Ratio	97.00%	97.48%	97.30%	97.10%	97.18%	97.27%	97.00%	97.00%

Narrative - Average Daily Attendance computations are important because they are used as the basis for most of the district's General Fund revenue. In Rescue USD, the ADA figure historically averages about 97% of the average enrollment.

Since ADA is such an important part of the district's income base, the projection of ADA for this fiscal year is an integral part in projecting the district's income. Even small fluctuations in the district's ADA can mean tens-of-thousands of dollars as a gain or loss of income

The district is funded on the greater of current or prior year ADA. For 2017-18, the district will be using 2016-17 ADA.

Note: ADA numbers include non-public school students.



Quick Calculation of Local Control Funding Formula (LCFF)

a	b	c	d
Grade Span	District Funded ADA	NPS/ COE ADA	Total ADA
			=b+c
TK - 3	1,467.32	14.88	1,482.20
4 - 6	1,219.20	5.97	1,225.17
7 - 8	926.21	2.18	928.39
Total	3,612.73	23.03	3,635.76

Note: District is using prior year ADA.

1st Step – Determine the Total District ADA – Under LCFF, base funding is segregated into grade spans and includes students that reside in the district but attend Non-Public School (NPS) programs and County Office of Education (COE) programs. Funding received for COE programs is transferred back to the COE.

e	f	g	h	i	j	k
Grade Span	Base Funding per ADA	CSR Add-on	Supplemental Add-On	Funding Per ADA	Total ADA	Targeted ADA Funding
		=f * 10.4%	=(f + g) * 20% * 16.79%	= f + g + h	= d	= i * j
TK - 3	\$ 7,193	\$ 749	\$ 267	\$ 8,209	1,482.20	\$ 12,166,923
4 - 6	\$ 7,301	\$ -	\$ 245	\$ 7,546	1,225.17	\$ 9,245,342
7 - 8	\$ 7,518	\$ -	\$ 252	\$ 7,770	928.39	\$ 7,214,008
						\$ 28,626,273

2nd Step – Calculate the ADA Targeted Funding – The district ADA is now multiplied by the Base Grant with add-ons for Class Size Reduction (CSR), and the Supplemental & Concentration Grants. The Supplemental Grant is a 20% add-on to the Base Grant multiplied by the percentage of the district population that are eligible for Free/Reduced Meals, are English Language Learners, or are Foster Youth (this figure is known as the Unduplicated Pupil Count). To qualify for the Concentration Grant the district must have an Unduplicated Pupil Count greater than 55%, and currently the district is at 16.79%.



Quick Calculation of LCFF (Part 2)

l	m	n	o
Targeted ADA Funding	Add-on Transportation	Add-on TIIG	Total Targeted Amount
= k			= l + m + n
\$ 28,626,273	\$ 434,285	\$ 149,072	\$ 29,209,630

3rd Step – Determine the Total Targeted Funding – There are two additional add-ons to the ADA funding that account for the total targeted funding amount - Transportation and Targeted Instructional Improvement Block Grant (TIIG). The sum of all three determines the total Targeted LCFF Funding amount. This is the amount the district would receive once LCFF is fully funded.

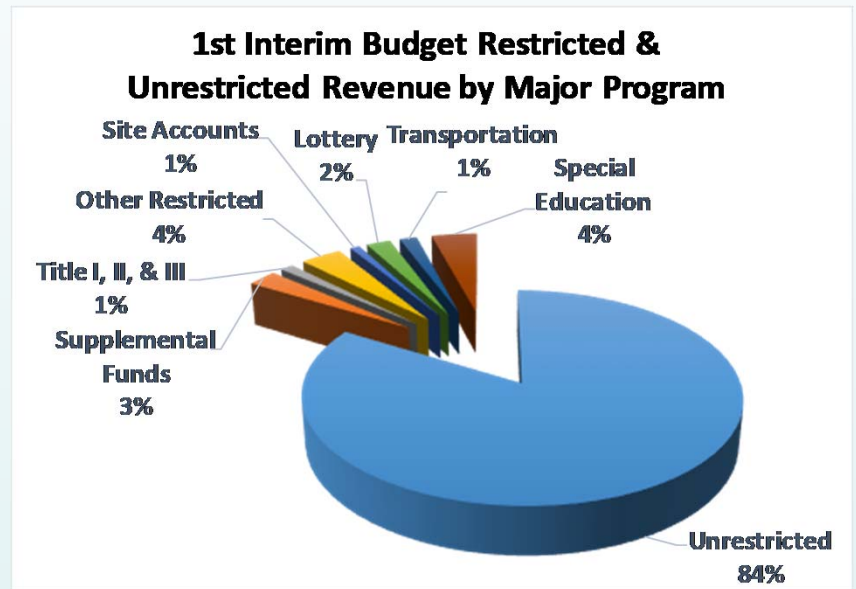
p	q	r	s	t	u	v
Total Targeted Amount	Floor Funding Amount	LCFF Gap	Gap Funding	LCFF Funding	EDCOE ADA Transfer Out	Adjusted LCFF Funding
= o		= p - q	= r * 43.19%	= q + s		= t + u
\$ 29,209,630	\$ 27,665,490	\$ 1,544,140	\$ 666,914	\$ 28,332,404	\$ (156,762)	\$ 28,175,642

4th Step – Calculate the Actual LCFF Funding – The previous year’s state funding is considered the “Floor”, and the difference between the Target and Floor is called the “Gap”. The state’s goal is to fully fund the Gap and this year the state is funding 43.19% of the Gap; this is called the Gap funding. The Gap funding is added to the Floor to determine the district’s actual LCFF funding. Finally, the district transfers to the COE an agreed amount for ADA that is in COE programs.



Income Summary

Income	2017-18 Adopted Budget	2017-18 1st Interim Budget	Change
LCFF Entitlement	28,318,331	28,332,404	14,073
Federal Income	600,780	705,864	105,084
Other State Income	2,430,375	2,750,199	319,824
Local Income	1,233,188	2,266,481	1,033,293
Total	32,582,674	34,054,948	1,472,274



- **LCFF increase of \$14k**
 - ⊕ Supplemental and GAP funding adjustments
- **Federal Income increase of \$105k**
 - ⊕ Revised Title I, Title II, & Title III allocations
- **Other State Income increase of \$320k**
 - ⊕ One-Time Mandated Cost Reimbursements - \$540k
 - ⊕ One-Time Prop 39 Clean Energy Grant - \$183k
 - ⊕ STRS On-Behalf (Offsetting expense adj. to benefits account) – (\$440k)
 - ⊕ Revised lottery projections/Other adjustments – \$37k
- **Local Income increase of \$1M**
 - ⊕ One-time adjustment for general ledger overpayment – \$193k
 - ⊕ Transportation fee collection - \$125k
 - ⊕ One-time bus grant - \$411k
 - ⊕ Site donation accounts - \$294k

Narrative - A portion of California school district income is restricted income and, as such, can only be expended for selected purposes as determined by the granting agency--usually higher levels of government. The balance of the district income is called unrestricted, since it can be expended as determined by the local agency for general educational priorities. Due to the LCFF Funding many categorical programs are now unrestricted including transportation. The largest restricted program is Special Education.



Expenditure Assumptions

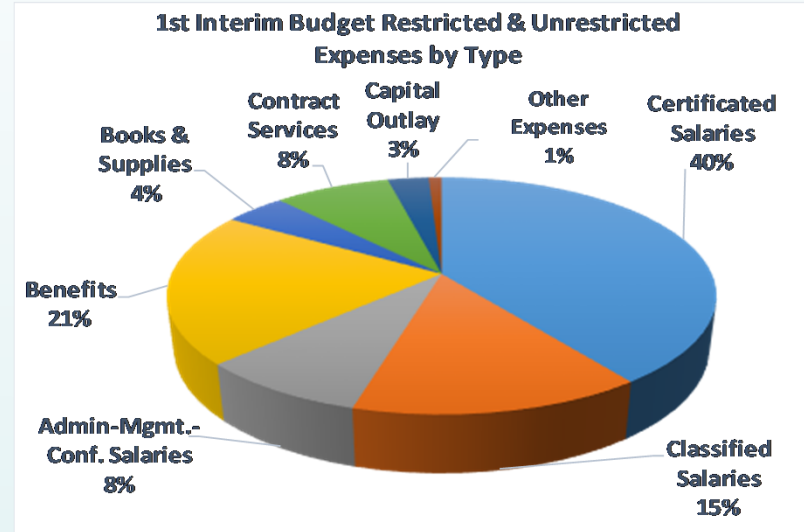
- Salaries and benefit costs are based on actual staffing with estimates for extra duty and substitutes.
- Where possible, actual expense figures were used for supply, contract, and other expenditures; otherwise estimates were used based on past usage with COLA increases.



Expenditure Summary

Expenditures	2017-18 Adopted Budget	2017-18 1st Interim Budget	Change
Salaries & Benefits	29,468,199	29,756,996	288,797
Books & Supplies	1,344,548	1,539,368	194,820
Contract Services	2,465,081	2,903,601	438,520
Capital Outlay	93,024	1,025,825	932,801
Other Expenses/Transfer Out	290,636	323,353	32,717
Total	33,661,488	35,549,143	1,887,655

- **Salary and Benefits increase of \$289k**
 - + Certificated staff position changes - \$442k
 - + Classified staff position changes - \$258k
 - + Yard Supervision changes (salary) - \$95k
 - + Benefit adjustments due to updated staffing - (\$66k)
 - + STRS on Behalf (Offsetting Entry) - (\$440k)
- **Book and Supplies increase of \$195k**
 - + Textbook/Instructional materials including Chromebooks - \$84k
 - + Site fundraiser account supplies - \$89k
- **Contract Services increase of \$439k**
 - + Nurse contracted services - \$92k
 - + Restricted categorical account activity - 102k
 - + Site fundraiser account contracted services - \$225k
- **Capital Outlay increase of \$933k**
 - + One-time use of reserves for maintenance projects - \$500k
 - + One-time electric bus purchase - \$452k
- **Other Activities increase of \$33k**
 - + Special Ed COE services



Narrative – For most school districts in the state, the largest portion of expenses is for staffing. Salaries and benefits of staff often account for 80 to 90 percent of the district’s budget. The majority of these expenses is paid from unrestricted funds, but some salaries are paid from restricted accounts, depending upon the program and duties of the employee. Special Education is usually the largest restricted program. Often, the expenses for these programs are greater than the governmental funding, and they must be supported by a contribution from the district’s unrestricted funds.



Budget Summary

	2017-18 Adopted Budget			2017-18 1st Interim Budget		
	<i>Unrestricted</i>	<i>Restricted</i>	<i>Total</i>	<i>Unrestricted</i>	<i>Restricted</i>	<i>Total</i>
Total Revenue	29,183,469	3,399,205	32,582,674	30,500,046	3,554,902	34,054,948
Total Expenditures	26,814,688	6,846,800	33,661,488	27,720,200	7,828,942	35,549,143
Excess/(Deficiency)	2,368,781	(3,447,595)	(1,078,814)	2,779,846	(4,274,040)	(1,494,195)
Other Financing Sources	(2,909,883)	2,909,883	-	(3,601,450)	3,601,450	-
Net Inc/Dec to Fund Bal	(541,102)	(537,712)	(1,078,814)	(821,604)	(672,590)	(1,494,195)
Beginning Balance	6,515,806	672,590	7,188,397	6,515,806	672,590	7,188,397
Ending Balance	5,974,704	134,879	6,109,583	5,694,202	-	5,694,202

Unrestricted 1st Interim Budget Adjusted for One-time Items

Narrative – The district is anticipating unrestricted deficit spending of \$822k in 2017-18 at 1st interim. When adjusted for one-time revenues and expenses the ongoing structural deficit decreases to \$608k.

This structural deficit of \$608k will continue into future years and grow unless steps occur to create additional revenue or decreases in expense.

	<i>Unrestricted</i>	<i>Adjustment for one-time</i>	<i>On-going Unrestricted</i>
Total Revenue	30,500,046	(1,149,561)	29,350,486
Total Expenditures	27,720,200	(842,117)	26,878,083
Excess/(Deficiency)	2,779,846	(307,444)	2,472,402
Other Financing Sources	(3,601,450)	520,551	(3,080,899)
Net Increase /Decrease	(821,604)	213,107	(608,497)



Ending Fund Balance

Distribution of Ending Fund Balance and Reserves 1st Interim Budget 2017-18

Revolving Cash		\$	5,500
Restricted Accounts		\$	-
Commitments		\$	-
Assigned		\$	4,622,228
<i>Board Reserve - 7% Economic Uncertainty Reserve</i>	\$2,488,440		
<i>Liability - Early Retirement Incentive (2019)</i>	\$ 78,870		
<i>Liability - Compensated Absences</i>	\$ 39,695		
<i>Lottery Carryover - Textbook Adoption (Social Studies 2018)</i>	\$ 463,647		
<i>Board Reserve - Future Facility Needs and Modernization</i>	\$ 500,000		
<i>Board Reserve - Marina Village Furniture & Equipment</i>	\$ 250,000		
<i>Board Reserve - Two Additional Electric Buses</i>	\$ 100,000		
<i>Board Reserve - Textbook Adoption (Science 2019)</i>	\$ 701,576		
Reserve for Economic Uncertainty		\$	1,066,474
% of Expense	3.00%		
Undesignated Fund Balance			-
Total Distribution of Ending Fund Balance		\$	5,694,202

Narrative – The “Ending Fund Balance” is made up of the resources that are required or remain after expenditures are deducted from the total budget amount.

Rescue is required to have a minimum reserve of 3% of budgeted expenses for economic uncertainty. The board has taken action to create an additional economic uncertainty reserve of 7%.

Board reserves have been recommended for approval for large one-time expenses including: textbook adoptions (social studies & science), furniture & equipment for the MV project, and purchase of two electric buses as part of a grant.

Additionally, the board had previously approved \$1M for facility needs and \$500k has been budgeted in 2017-18.



Multi-Year Projection

	2017-18	2018-19	2019-20
Revenues & Other Financing Sources	34,054,948	32,915,743	32,707,330
Expenditures & Other Financing Uses	35,549,143	34,011,265	34,883,577
Net Increase (Decrease) to Fund Balance	(1,494,195)	(1,095,522)	(2,176,247)
Beginning Fund Balance	7,188,397	5,694,202	4,598,680
Ending Fund Balance	5,694,202	4,598,680	2,422,433
Required Economic Reserve of 3%	1,066,474	1,020,338	1,046,507

	2017-18		2018-19		2019-20	
	Unrestricted	Restricted	Unrestricted	Restricted	Unrestricted	Restricted
Revenues & Other Financing Sources	26,898,596	7,156,352	26,283,581	6,632,162	25,949,562	6,757,768
Expenditures & Other Financing Uses	27,720,200	7,828,942	27,379,103	6,632,162	28,125,809	6,757,768
Net Increase (Decrease) to Fund Balance	(821,604)	(672,590)	(1,095,522)	-	(2,176,247)	-
Beginning Fund Balance	6,515,806	672,590	5,694,202	-	4,598,680	-
Ending Fund Balance	5,694,202	-	4,598,680	-	2,422,433	-

Assumption Highlights – Going from 2017-18 budget into 2018-19 all prior one-time items are removed. Revenues are held constant except for LCFF funding based upon COLA/Gap funding assumptions from SSC/EDCOE and district projected attendance. Expenditures for salaries and benefits include step/column, and STRS/PERS rate increases. There are no salary increases due to labor negotiations included in this projection. District anticipates six retirees in 2017-18 and assumes filling only two of those positions based upon loss of 120 ADA (30 student per position = four positions not filled). All other permanent positions are budgeted in 18-19 and 19-20. Accounts for supplies, services, and all other expenses are held constant.

Detail of all assumptions are on the MYP Form in the SACS documents.



Ongoing Unrestricted Multi-Year Projection Details

Unrestricted Balance Changes	2018-19		2019-20	
<i>Ongoing (Deficit) Balance from Previous Year</i>		(\$608,497)		(\$1,095,522)
Additional LCFF Revenue (COLA & Gap Funding Increases)	\$942,447		\$695,890	
Loss of Revenue for ADA Decrease	(\$608,097)		(\$908,803)	
<i>Total Revenue Changes</i>		\$334,350		(\$212,913)
Salary Schedule Step & Column Increases (Includes contributions to restricted accounts for step/column)	(\$540,431)		(\$522,635)	
Other Adjustments (Temp Positions/Staff Adj, Retiree Pmts etc.)	\$133,261		\$83,369	
STRs & PERs Increased Rates	(\$414,205)		(\$428,546)	
<i>Total Expense Changes</i>		(\$821,375)		(\$867,812)
<i>Updated On-Going Surplus (Deficit)</i>		(\$1,095,522)		(\$2,176,247)

Narrative – The district has a growing deficit due to continued declining enrollment and an ongoing increase in pension costs. Revenues related to LCFF Gap funding will be fully allocated in the near future, which will further increase the deficit. Additionally, the ongoing budget does not reflect future needs including refresh/replacement of instructional technology, modernization of facilities, replacement of buses, etc.

District reserves are currently sufficient to cover the ongoing deficit through 2019-20; however, the district should be conservative when making financial decisions. When opportunities arise for cost savings, the district should evaluate priorities of need versus savings.



Summary of Other Funds

2017-18 1st Interim Budget - Other Funds							
Other Funds	Cafeteria (13)	Building Fund (21) Measure K	Developer Fees (25)	State School Construction (35)	CFD #1 Fund (49)	Bond Interest & Redemption (51)	Debt Service COP (52)
Total Revenue	1,031,044	100	410,000	5,000,000	3,508,000	2,336,979	-
Total Expenditures	1,106,300	428,216	428,825	8,617,000	55,501	1,830,347	195,268
Excess/(Deficiency)	(75,256)	(428,116)	(18,825)	(3,617,000)	3,452,499	506,631	(195,268)
Other Financing Sources	-	-	-	3,400,000	(3,595,268)	-	195,268
Net Inc/Dec to Fund Bal	(75,256)	(428,116)	(18,825)	(217,000)	(142,769)	506,631	-
Beginning Balance	236,520	428,116	1,625,449	301,182	1,074,582	1,556,127	-
Ending Balance	161,264	-	1,606,623	84,182	931,813	2,062,759	-

Notes on Other Funds

- **Fund 13** – Budgeted deficit spending is due to continued decline in student population, which reduces overall sales.
- **Fund 21** - Remaining Measure K funds will be fully expended in 2017-18.
- **Fund 25** – Developer Fee collections are budgeted at \$400k for 2017-18.
- **Fund 35** – Marina Village two-story building project will be substantially completed by end of 2017-18.
- **Fund 49** – CFD funds of \$3.5M will be transferred from Finance Authority into fund 49 and then transferred on to Fund 35 for MV 2-Story Project.
- **Fund 51** – Debt service payments for GO Bonds.
- **Fund 52** – Debt service payments for COPs from fund 49.



Is the district fiscally solvent in the current budget year and next two years?

YES, But...

Potential Challenges

- Unknown impact of federal tax legislation
 - ✦ California is personal income tax dependent.
 - ✦ Tax deduction changes may impact state revenues and real estate development.
- Enrollment trends calculated by staff show continued decline of student population in near future.
- Increases in STRS and PERS with no additional funding from state.
- Continued lack of support to fully fund special education, transportation, and facility costs for school districts by the government.
- Ongoing structural deficit that is increasing significantly with no clear process for resolution.

Positives to Monitor

- Enrollment for current year is up 36 students since August.
- District will be opening an additional TK class in January.
- Enrollment trends in demographic report show increase of student population in out years.
- Rescue students performed exceptionally on the Smarter Balance Assessment.
- We are respectful, responsible, ready to learn, and...we are Rescue.