

2018-19 BUDGET

Presented to the Governing Board on June 14, 2018

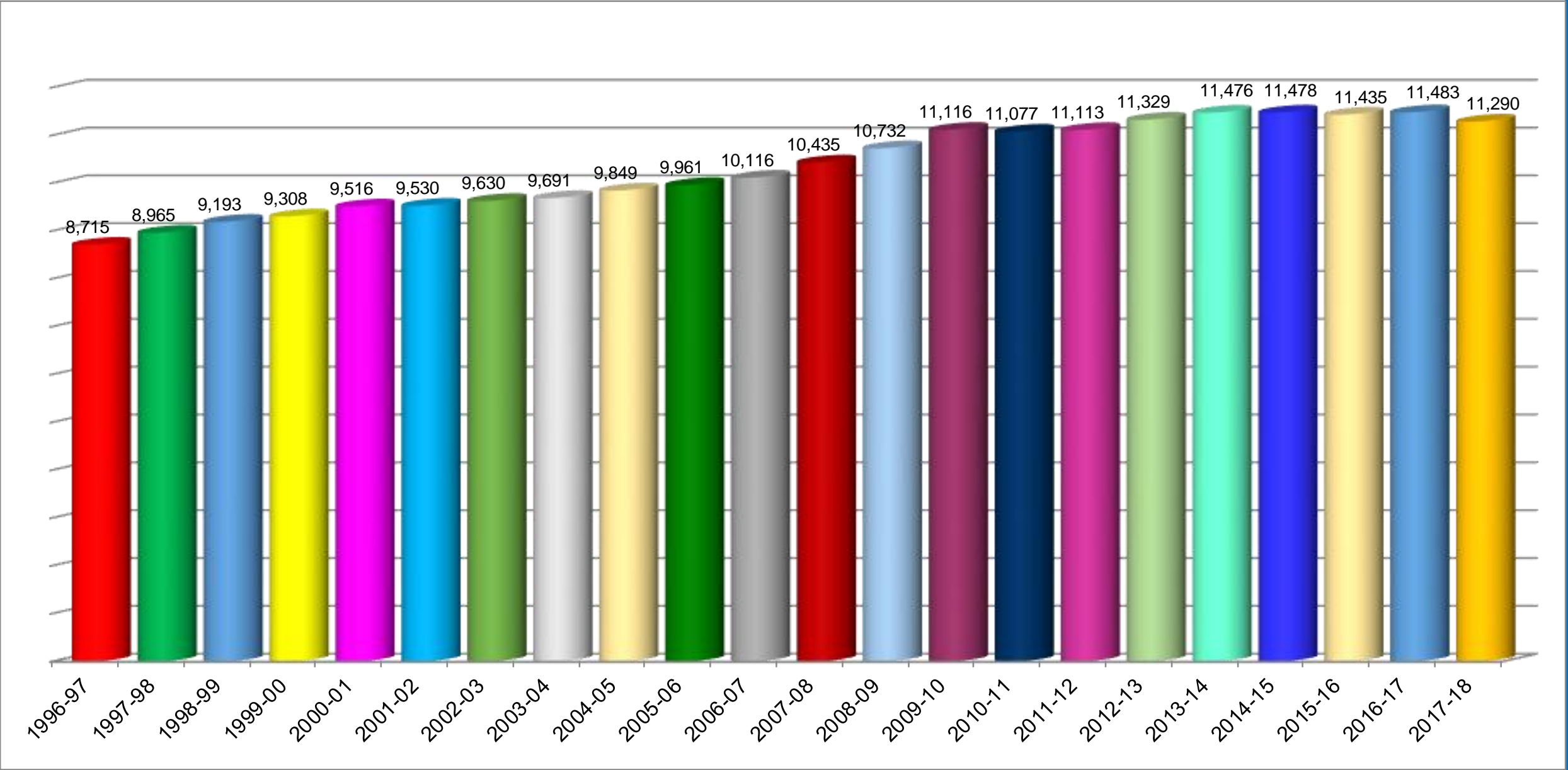


2018-19 Budget Highlights



- ✓ Public Hearing on LCAP and Budget held on May 31, 2018
- Projected funding is based on Governor's May Revision
- LCFF is fully funded!
 - What does this *really* mean?
- Budget is aligned to the Local Control Accountability Plan
 - Budget Summary in the LCAP is now much more comprehensive, and reflective of the evolving guidance and changes to the required template.
 - With "Full Funding" we demonstrate how we are serving the needs of targeted students

GUSD Enrollment History



Drop in Average Daily Attendance (our funding)



2017-18 ADA

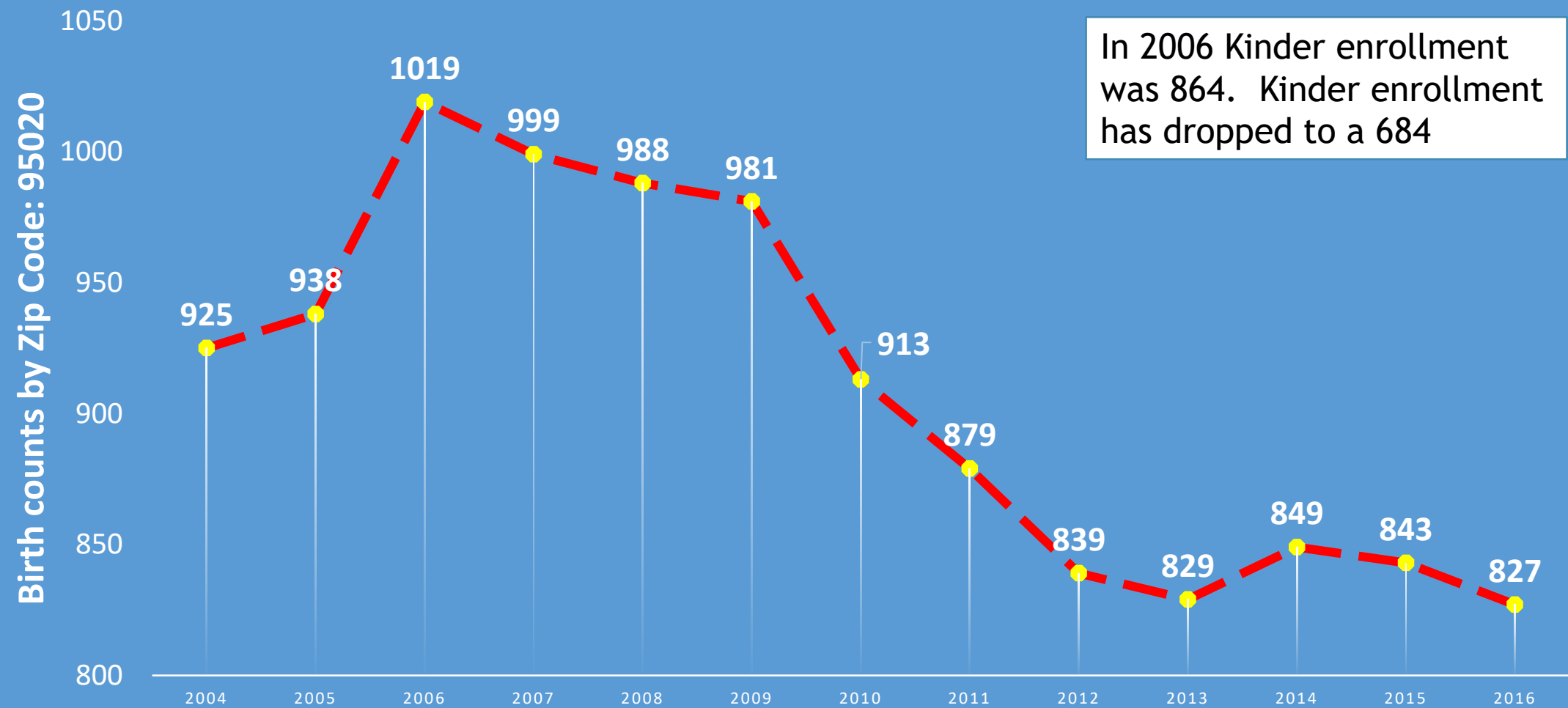
TK/K-3	Grades 4-6	Grades 7-8	Grades 9-12	Total
3,037.94	2,504.50	1,540.51	3,556.46	10,639.41

2016-17 ADA

TK/K-3	Grades 4-6	Grades 7-8	Grades 9-12	Total
3,127.39	2,505.12	1,652.42	3,604.03	10,888.96

Funding loss of \$2.2 million for 2018-19!

Gilroy's historical birth data (by zip code)



California's School Funding: Prop 13 & Prop 98



- Proposition 13 - passed June 1978

- Established base year values
- Restricted rate of increase on assessments of no greater than 2% annually

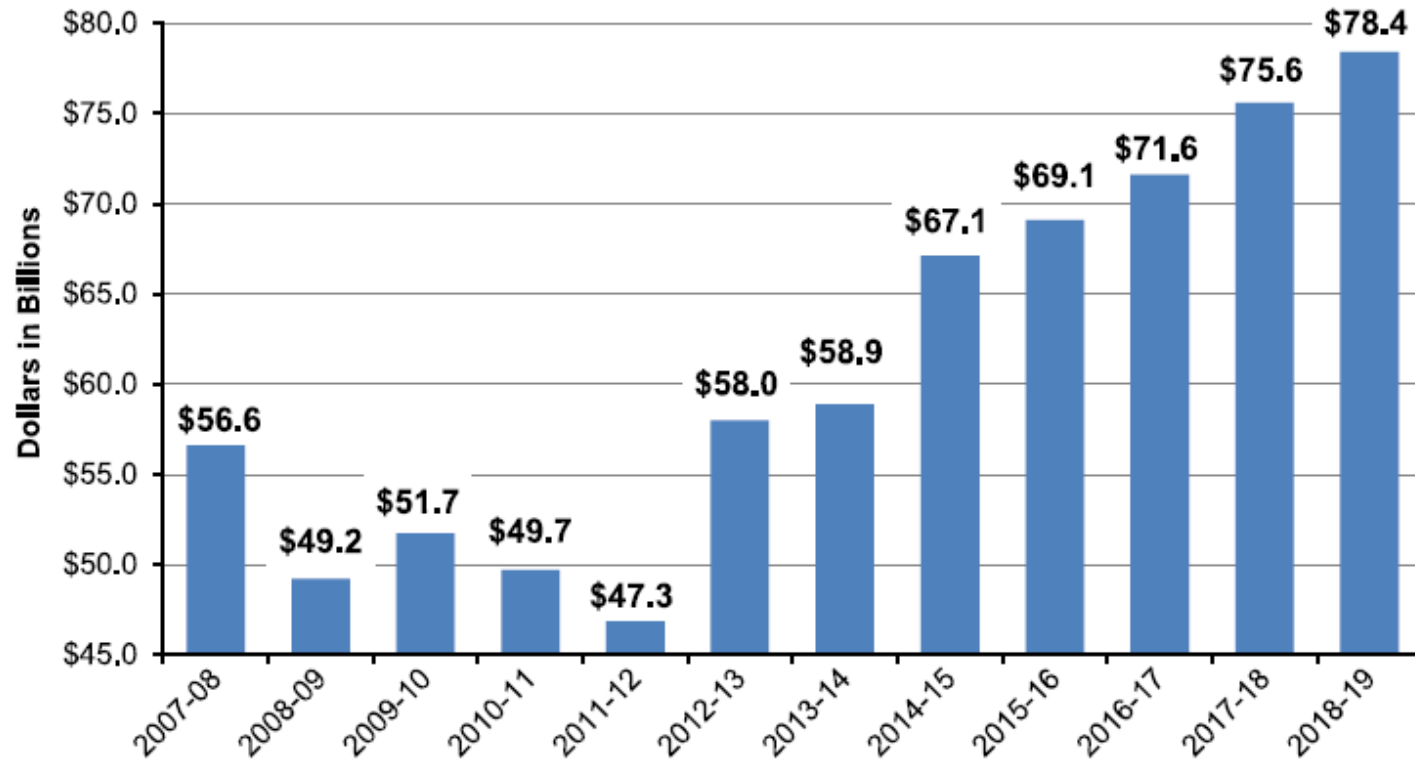
- Prop 98 - passed November 1988

- Was Intended to increase funding to education
- Established the “*Minimum Grantee*”

California is the 5th largest economy in the world
Rank 46th in the nation in per student spending
Schools are deeply underfunded!

Proposition 98 Funding

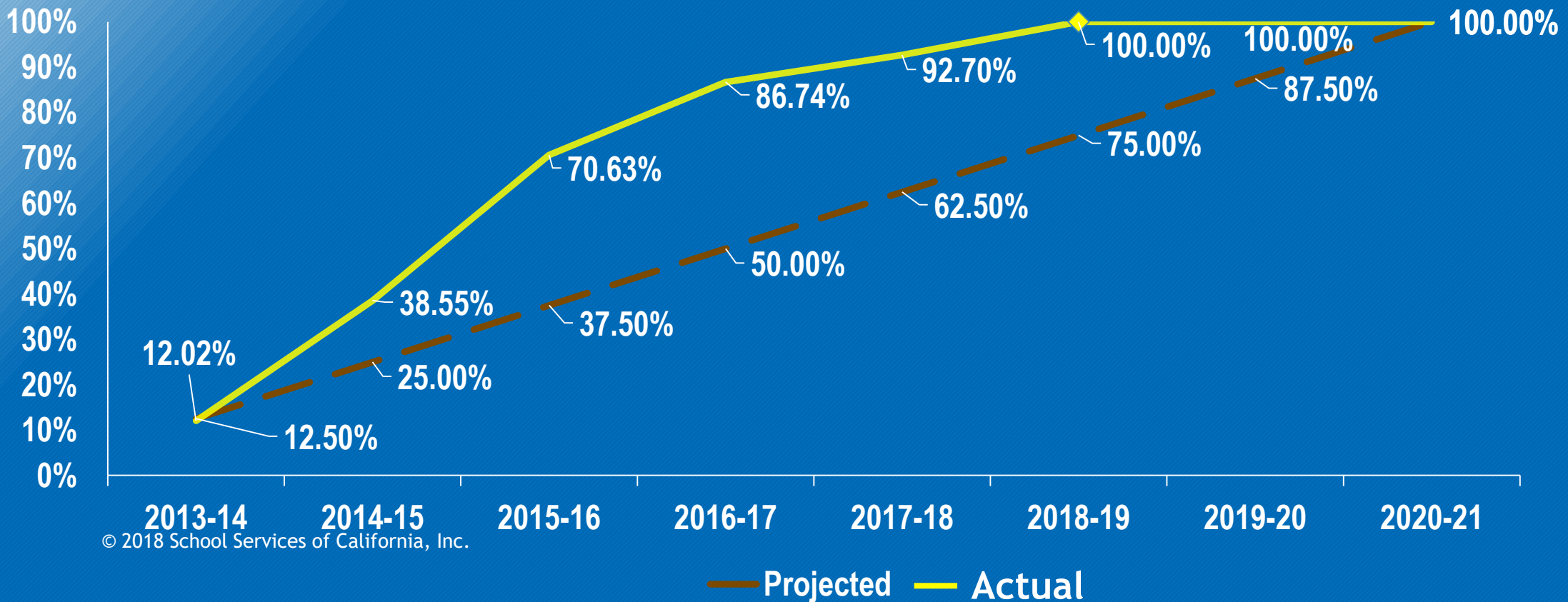
Figure INT-04
Proposition 98 Funding
2007-08 to 2018-19



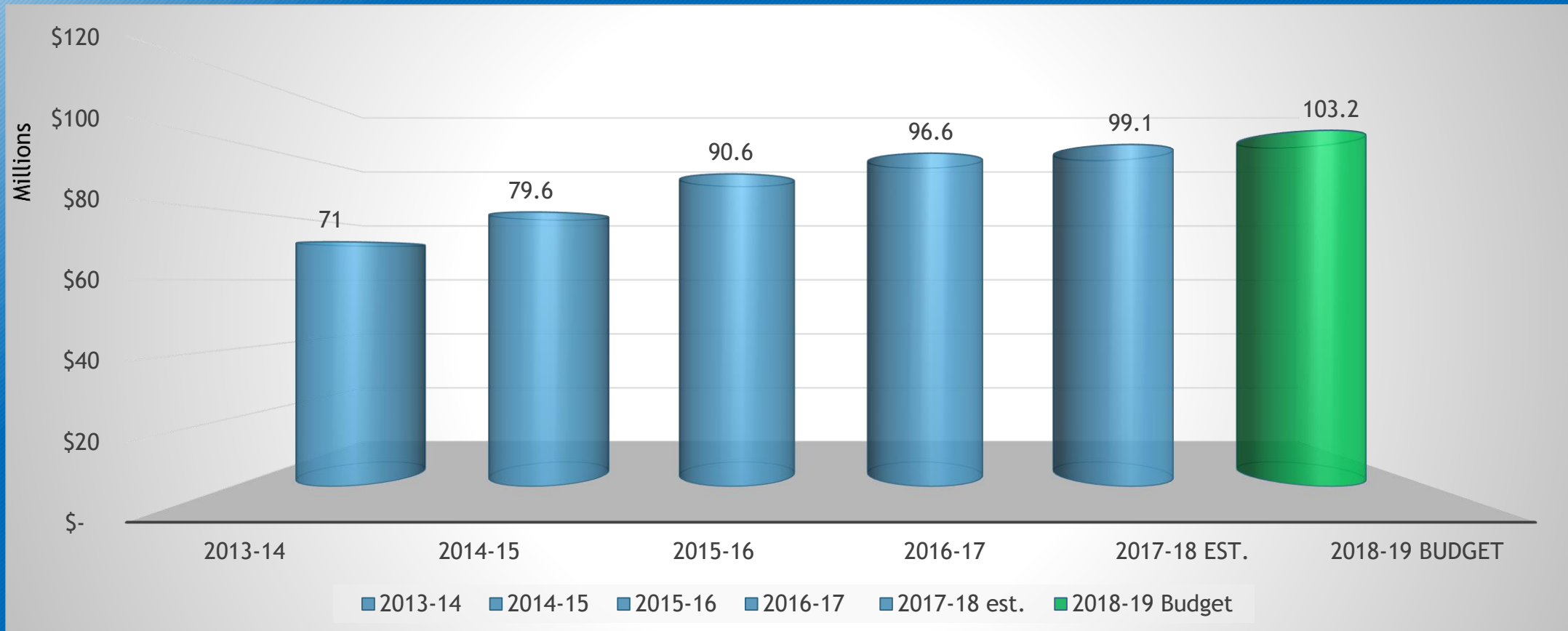
Proposed state budget, to reach
'Full Funding levels' restoring
2007-08 purchasing power

But...what does *full funding*
mean?

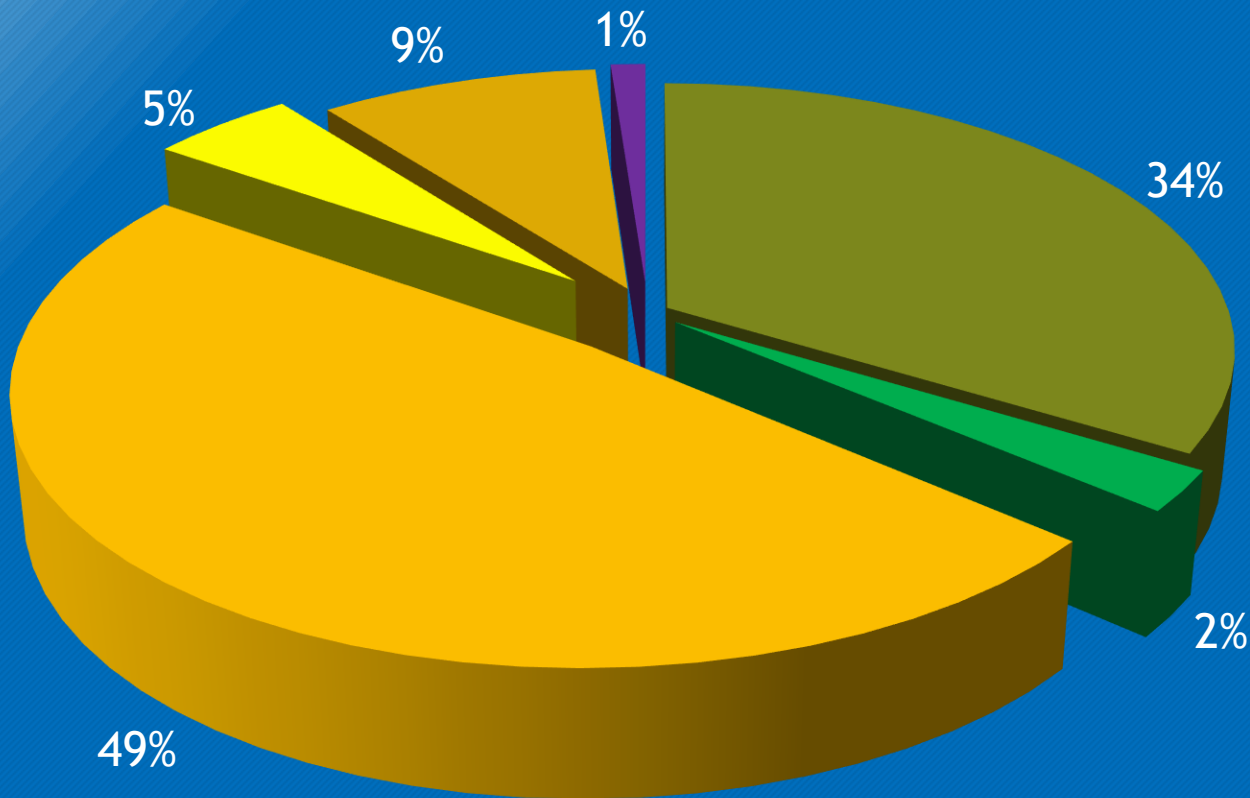
Progress Toward LCFF Implementation



GUSD LCFF Revenues



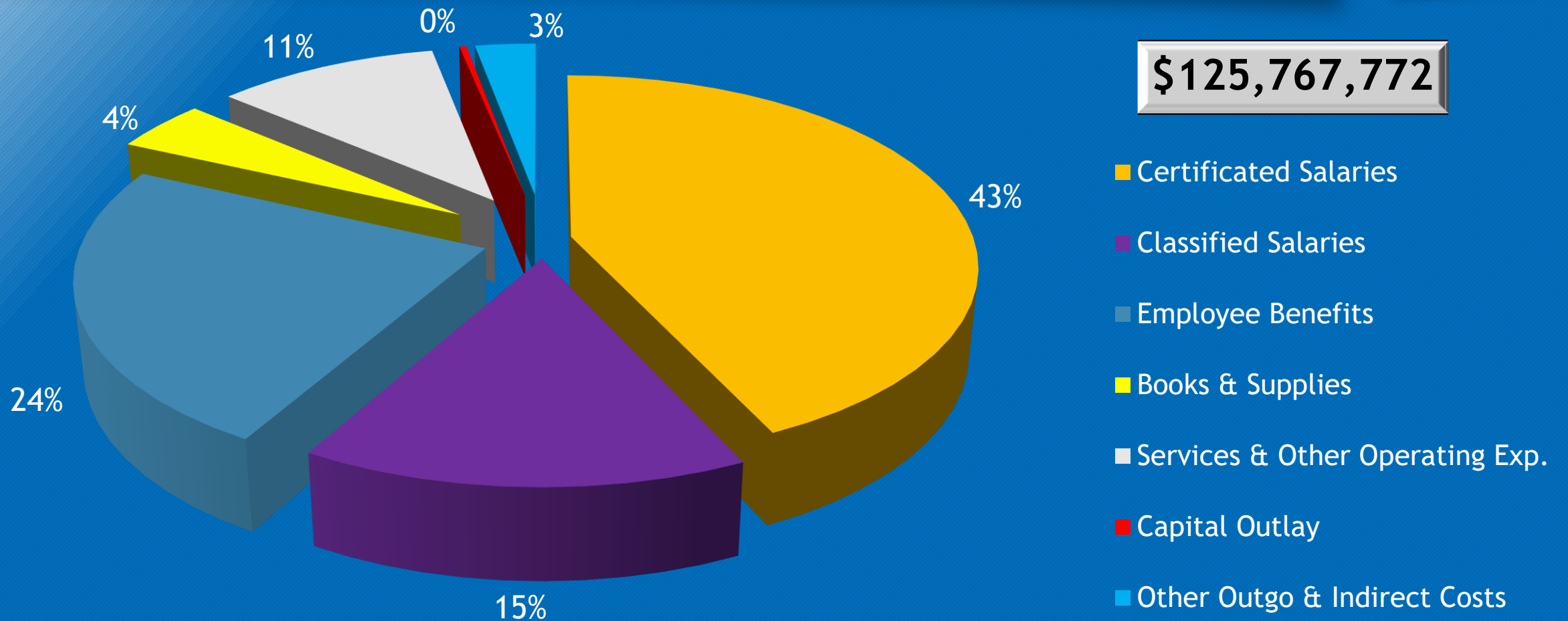
2018-19 Total General Fund Revenues



\$128,031,802

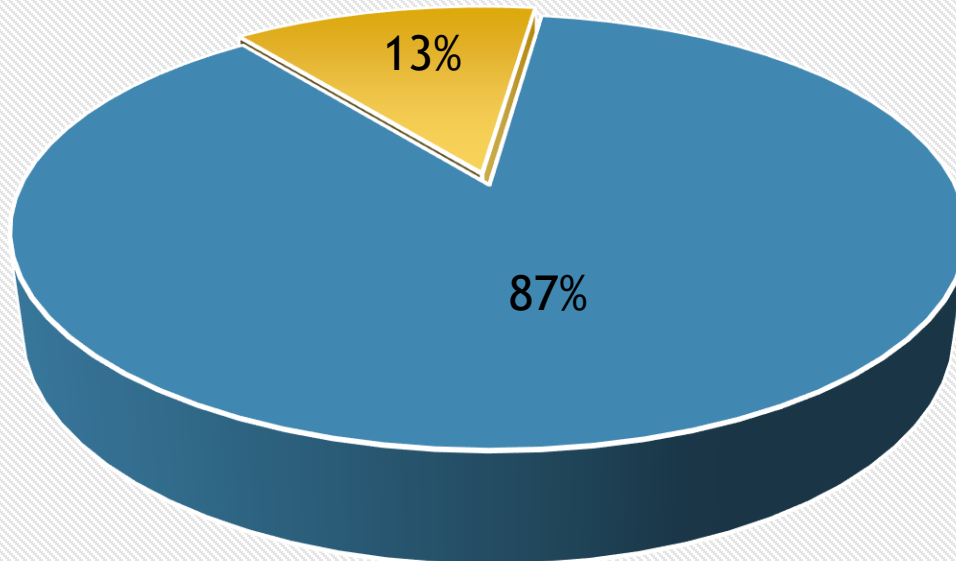
- State Aid (LCFF/RL)
- Prop 30
- Property Taxes
- Federal
- Other State Revenue
- Other Local Revenue

2018-19 Total General Fund Expenditures



What percentage do we spend on salary & benefits?

2018-19 Unrestricted Expenditures *

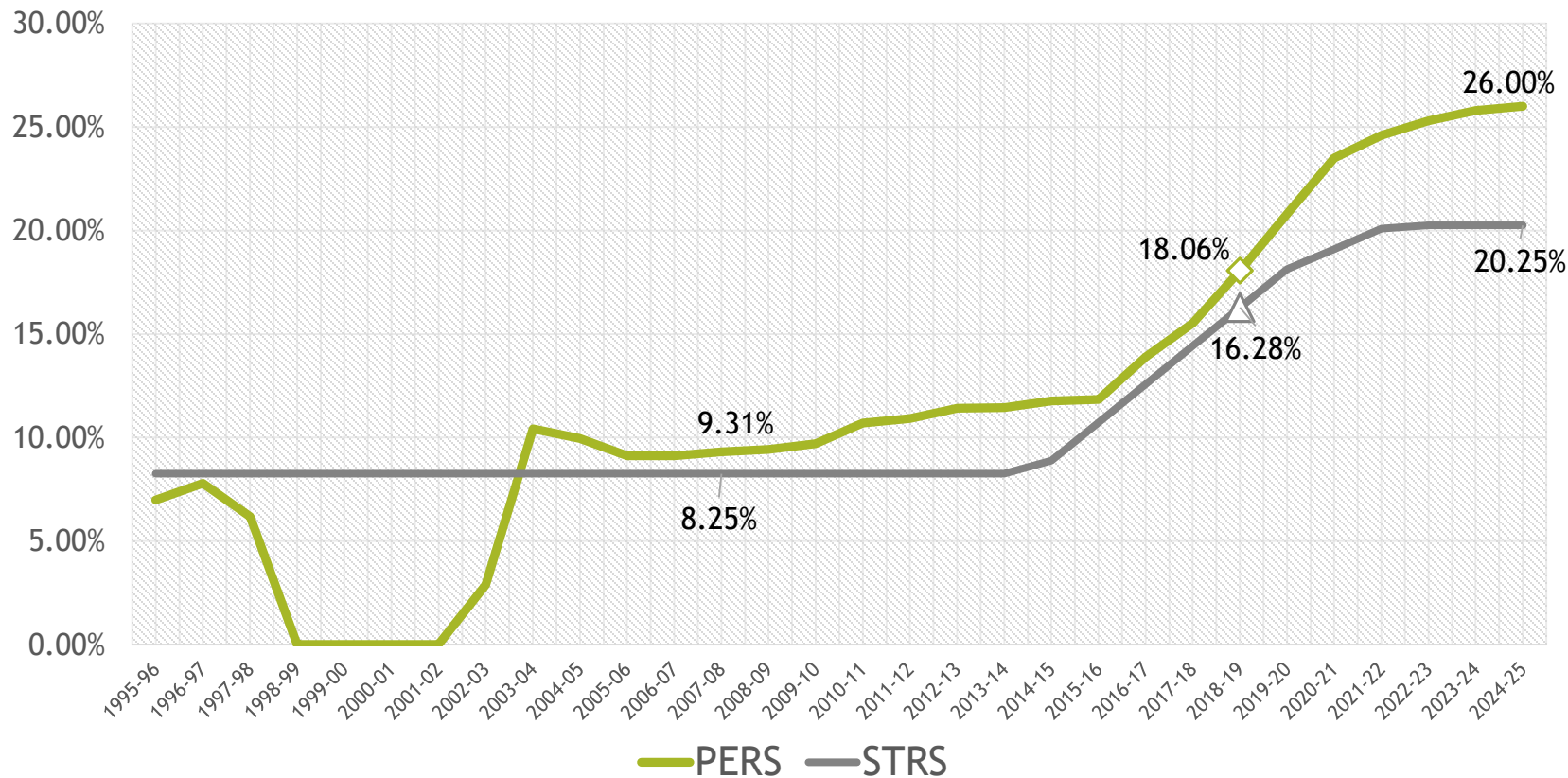


■ Salary & Benefits ■ All other expenditures *

- Salary & Benefits are 87% of the total budget

Mandatory Employer Paid Pension Rates

Employer Contribution Rates



Employer costs increase by
\$1.5 million annually!

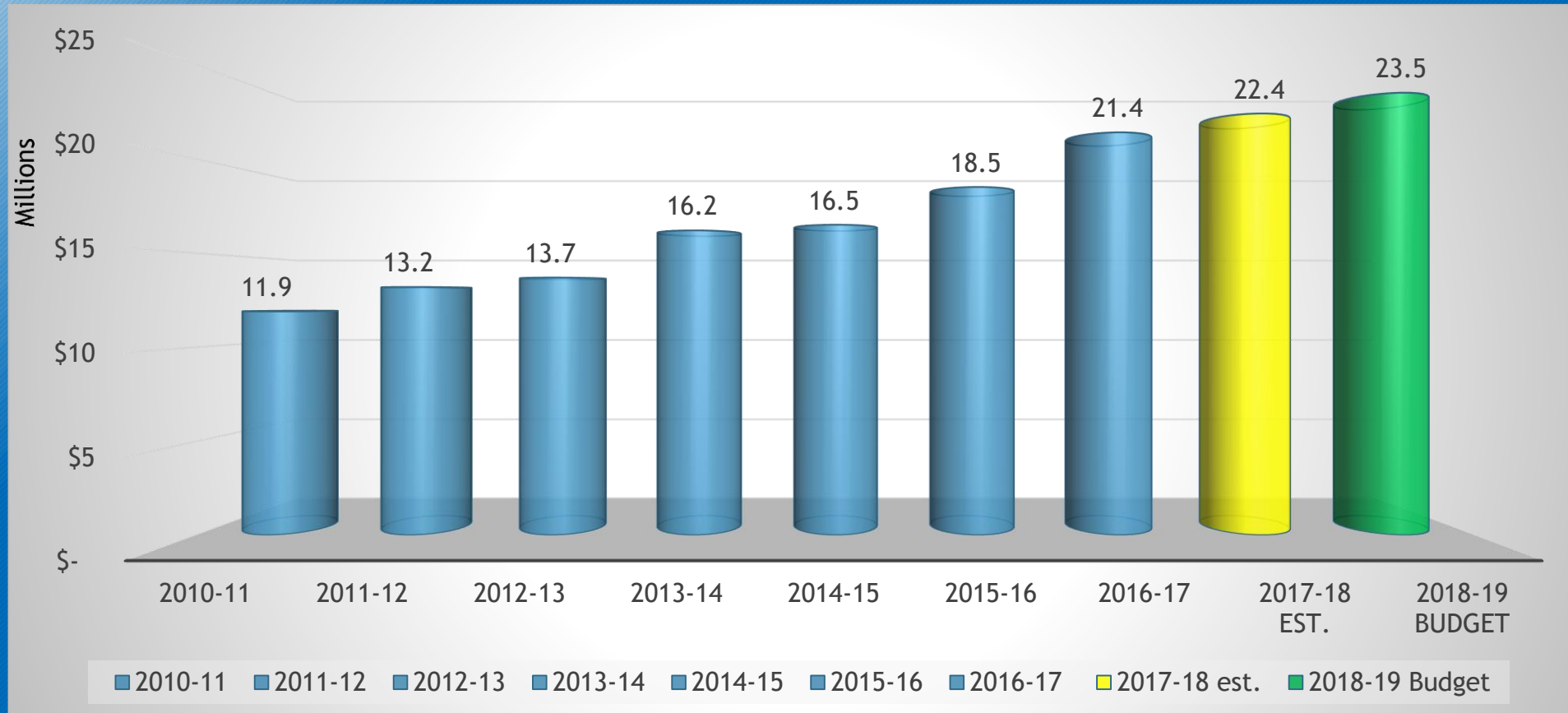
Erodes the purchasing power
of new revenues

Higher Employer pension costs are eroding purchasing power

CalSTRS rates	
Year	Employer
2015-16	10.73%
2016-17	12.58%
2017-18	14.43%
2018-19 p	16.28%
2019-20 p	18.13%
2020-21 p	19.10%

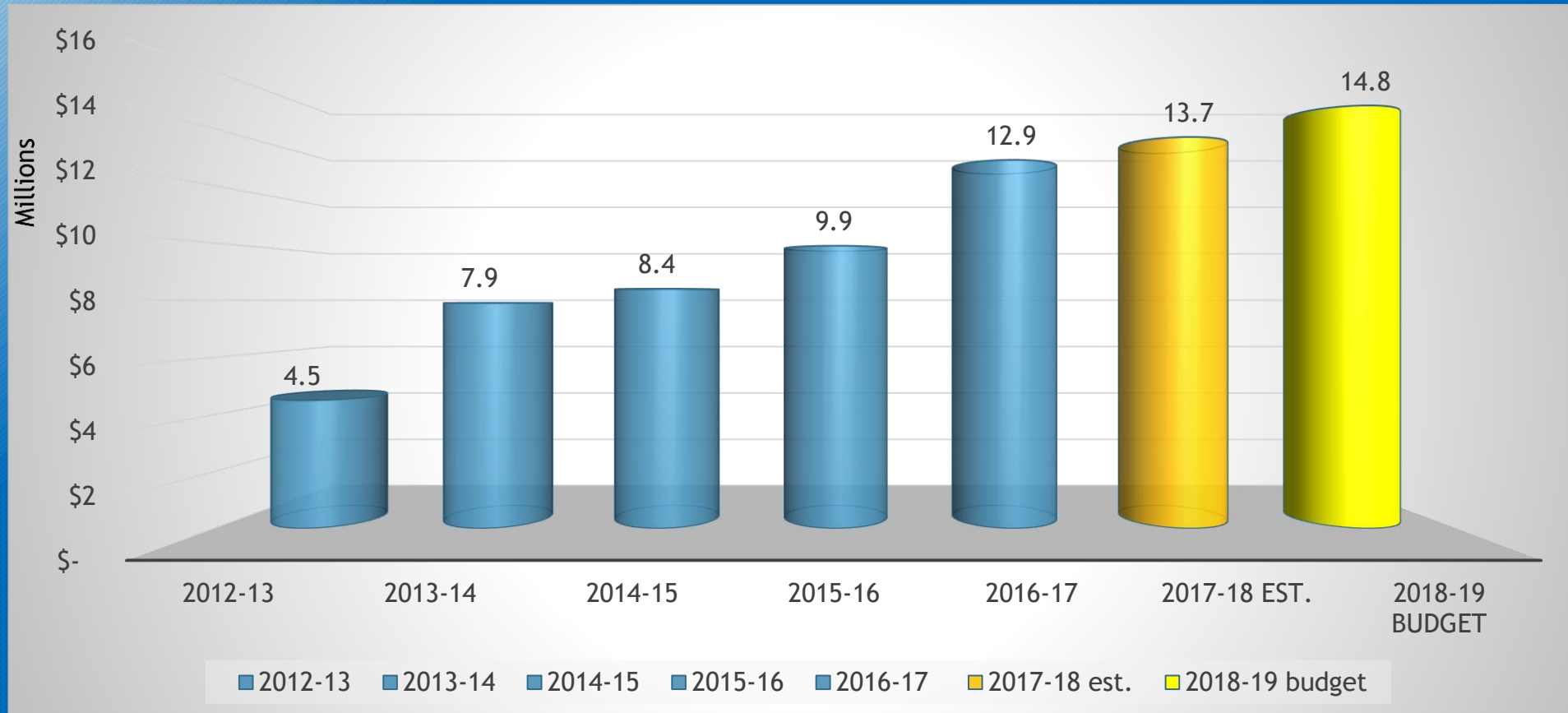
CalPERS rates	
Year	Employer
2015-16	11.847%
2016-17	13.89%
2017-18	15.531%
2018-19 p	17.70% 18.062%
2019-20 p	20% 20.8%
2020-21 p	22.7% 23.5%

Special Education Expenditures (all sources)



- Special Ed is an underfunded mandate.
- Costs have nearly doubled (49%) since 2010

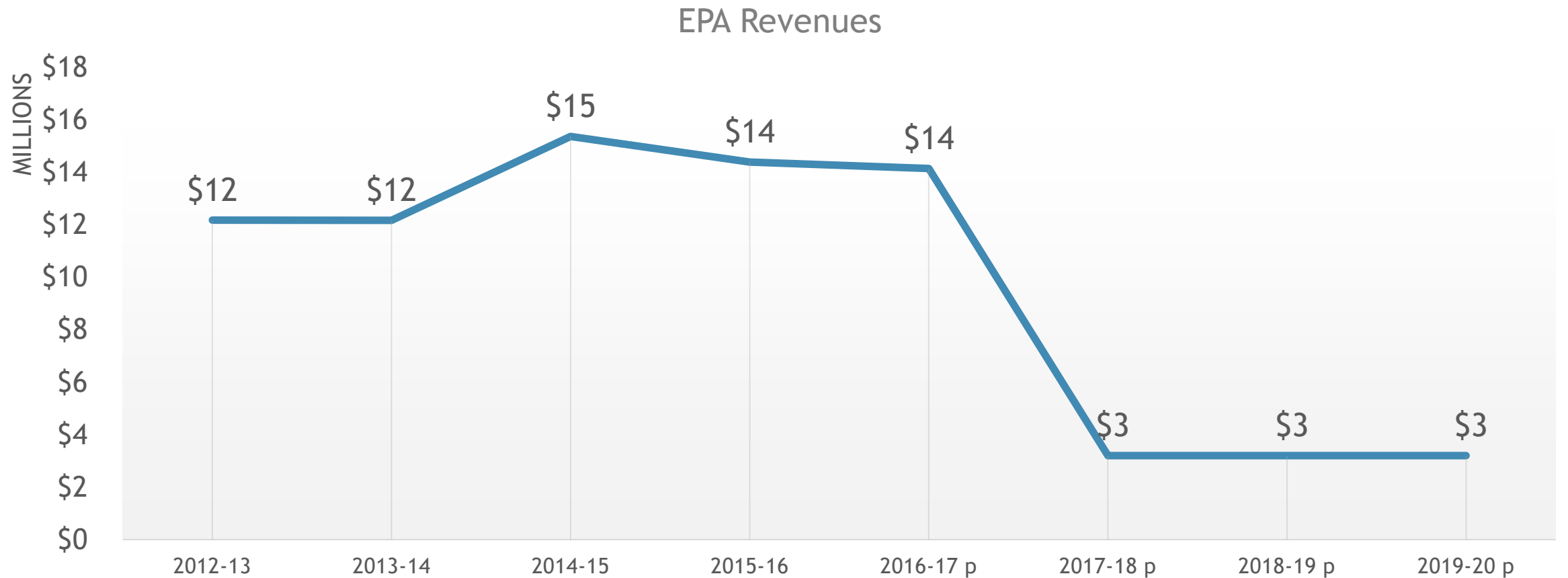
Special Ed Underfunding - Contributions



- *Special Ed is an underfunded mandate.*

- *So...still think we are "fully funded"?*

Education Projection Account (Prop 30 & 55)



MULTI-YEAR PROJECTION



Highlight of Revenue Assumptions



Description of Estimated Variables	2018-19	2019-20	2020-21
Full Implementation of LCFF	100% \$4 mill	100% \$2.1 mill	100% \$2.1 mill
Total Supplemental & Concentration Funds (at Target!)	\$12.3	\$12.3	\$12.3
“One-Time Discretionary Funds”	\$3 million	-	-
Cost of Living Adjustment (COLA)	2.71% (3% overall)	2.57%	2.67%
GUSD Average Daily Attendance (ADA)	10,639	10,639	10,639
Percentage of English Language Learners & Low Income Students District wide	59%	58.57%	57%
California Lottery - Unrestricted	\$1.6 mill	\$1.6 mill	\$1.6 mill
California Lottery - Restricted	\$511k	\$511k	\$511k
State Programs part of LCFF kept at 2012-13 levels	\$9.8 mill	\$9.8 mill	\$9.8 mill
Education Protection Account - Prop 55 Revenues	\$3.2	\$3.2	\$3.2

Highlight of Expenditure Assumptions



Description of Estimated Variables	2018-19	2019-20	2020-21
Certificated & Classified Step & Column Adjustments	1.5%	1.5%	1.5%
Health & Welfare	Based on current negotiated caps	Based on current negotiated caps	Based on current negotiated caps
Serving the needs of the Targeted Students (Supplemental & Concentration funds)	\$12.4 mill	\$12.4 mill	\$12.4 mill
Deferred Maintenance (LCAP) - on-going	\$712K	\$712K	\$712K
General Fund Contributions	(\$18.7 mill)	(\$18.7 mill)	(\$18.7 mill)
STRS Employer Contribution	16.28%	18.13%	19.10%
PERS Employer Contribution	18.062%	20.8%	23.5%
Services adjusted by the Consumer Price Index	3.36%	3.23%	2.94%
Routine Restricted Maintenance	3% of total GF expend.	3% of total GF expend.	3% of total GF expend.

Summary of Multi-Year Projection



	2017-18	2018-19	2019-20	2020-21
Revenues	125,895,381	128,031,802	127,212,828	129,397,492
Expenditures	137,349,951	125,767,772	128,104,413	130,021,532
Transfers Out	103,217	103,217	103,217	103,217
Net increase (decrease)	(11,557,787)	2,160,813	(715,483)	(447,938)
Fund Balance	13,090,029	15,250,842	14,535,359	14,087,420
Reserves (7% min)	9,621,722	8,810,969	8,974,534	9,108,733
Preliminary Reserve	9.41%	12.01%	11.26%	10.75%
Projected Reserve	8.47%	10.01%	8.35%	6.94%

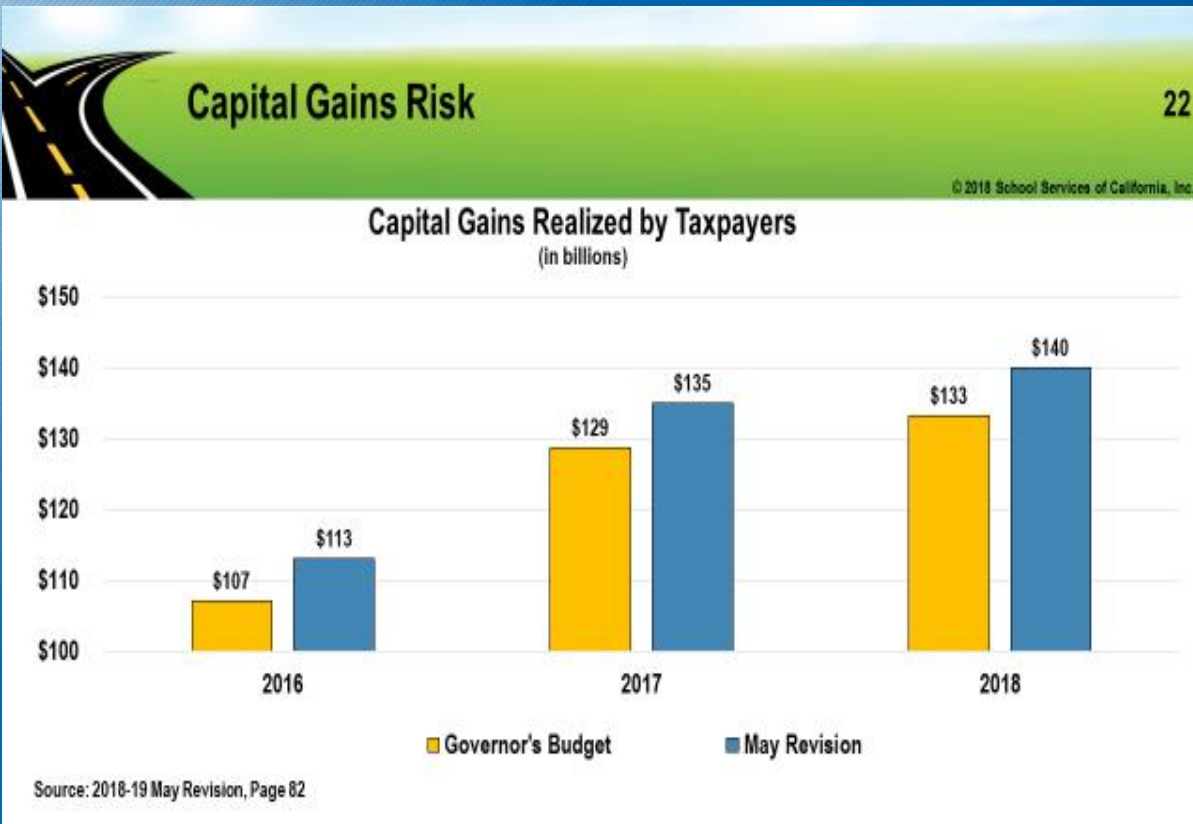
▪ Full MYP Version is posted agenda

Risks to the GUSD Multi-Year Projection

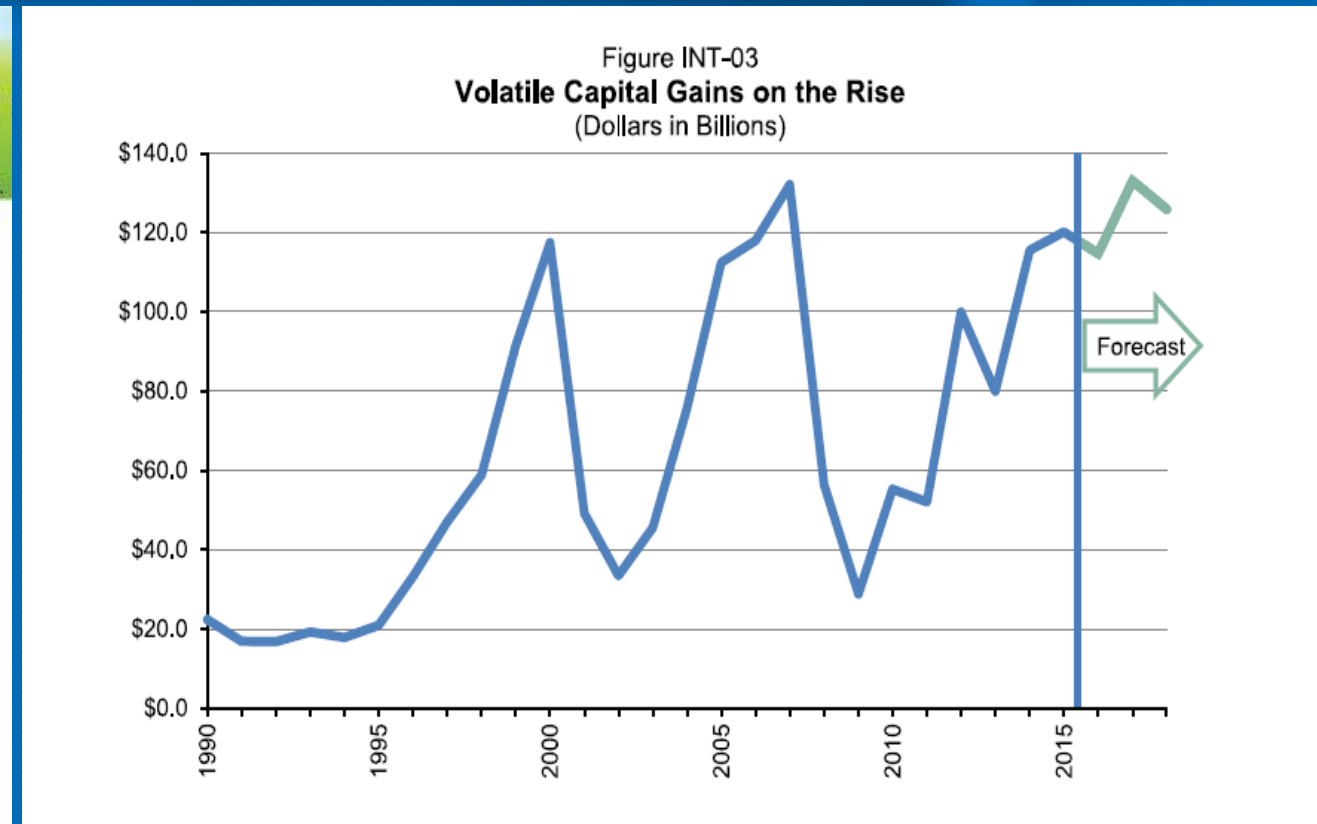


Statewide	GUSD
<ul style="list-style-type: none">▪ May Revision vs. Enacted Budget	<ul style="list-style-type: none">▪ Declining Enrollment
<ul style="list-style-type: none">▪ Economic risks impacting state revenues<ul style="list-style-type: none">- volatility of capital gains taxes- impact of rising interest rates	<ul style="list-style-type: none">▪ Contribution increases to underfunded program(s):<ul style="list-style-type: none">- Special Ed- Transportation
<ul style="list-style-type: none">▪ Increase to CalSTRS pension rates?	

Risks to the Budget - Volatility



Source: School Services of California, May Revise, slide 22



Source: Governor's May Revise, Summary Docs, pg. 5

Statement of Reasons for Excess Reserves



2018-19 BUDGET

Balances in Excess of Minimum Reserve Requirements

Reasons for Assigned and Unassigned Ending Fund Balances in Excess of Minimum Recommended Reserves

Education Code Section 42127(a)(2)(B) requires a statement of the reasons that substantiates the need for assigned and unassigned ending fund balances in excess of the minimum reserve standard for economic uncertainties for each fiscal year identified in the budget.

Combined Assigned and Unassigned/unappropriated Fund Balances			
Form	Fund	2018-19 Budget	Objects 9780/9789/9790
01	General Fund/County School Service Fund	\$15,250,842	Form 01
17	Special Reserve Fund for Other Than Capital Outlay Projects	\$0	Form 17 - Not Applicable to GUSD
Total Assigned and Unassigned Ending Fund Balances		\$15,250,842	
District Standard Reserve Level		\$3,776,130	Form 01CS Line 10B-4
Less District Minimum Reserve for Economic Uncertainties		\$8,810,969	Form 01CS Line 10B-7
Remaining Balance to Substantiate Need		\$6,439,873	

Statement of Reasons for Excess Reserves (pg. 2/2)



The 2018-19 budget includes \$3 million in one time funds!

Reasons for Fund Balances in Excess of Minimum Reserve for Economic Uncertainties

Form	Fund	2018-19	Statement of Reason(s)
01	General Fund	\$ 50,000	This is the component of ending fund balance belonging to the Revolving Cash.
01	General Fund	\$ 80,000	This is the projected component of ending balance for the Stores inventory (warehouse)
01	General Fund	\$ 2,481,364	District has not reached a TA with all bargaining units. The District's offer of 2% needs to be accounted for retro back to July 1, 2017.
01	General Fund	\$ 3,828,509	The multi-year projection can meet the minimum reserves threshold by not having this level of expenditure built into the budget to ensure fiscal solvency. One time funds are part of the fund balance to stabilize reserves.
Total of Substantiated Needs		\$ 6,439,873	

Remaining Unsubstantiated Balance \$0.00

Education Code Section 42127 (d)(1) requires a county superintendent to either conditionally approve or disapprove a school district budget if the district does not provide for EC 42127 (a)(2)(B) public review and discussion at its public budget hearing.

Appendix 1

Cabinet Recommended 2018-19 LCAP and Budget Reductions

Description	2018-19 est. savings	Programmatic Impact
Business Services		
Restructure Bond Accountant/Fiscal Services Controller	\$ 65,943	Fiscal Controller was established to support the bond accounting functions of the facilities department. The Construction Accountant vacancy can be collapsed as we work on fewer, but larger projects.
District Office Reductions		
PBIS Coach	\$ 109,647	The PBIS Coach was established to support sites in year 1 and 2 implementation. The reduction of the position will require site PBIS personnel to run professional development.
Reduce Outside Consultants	\$ 10,000	This reduction is specifically for administrative trainings which we will be doing in-house for next year and through pre-established trainings with teachers.
EL Coach	\$ 60,000	The EL Coach position is multi-funded currently to support the secondary sites. This position can be eliminated by contracting the services to the SCCOE to train our EL Instructional Specialists.
Academic Coach	\$ 100,000	There are currently four Academic Coaches at the Elementary level. We will be making a reduction to three Academic Coaches by filling one open SEAL position with a current Academic Coach. The impact will be in the area of professional development and in the reduction of services to sites.
Ed Services		
Teacher Release time	\$ 10,000	There will be a reduction in the amount allotted for release time for teachers to work with their peers on academic related topics such as curriculum mapping, grade level planning or planning.
Eliminate Goal 3 Site Funds	\$ 65,386	This is money allocated to the sites. There will be a reduction of approximately \$4,360 per site which will impact the ability to support Goal 3 which is school culture and engagement.
Instructional Specialist HS/MS	\$ 110,000	The Technology Instructional Specialist Positions will be restructured as a stipend position for those participating on the tech lead team. Any teacher wanting to assist in training other staff will be paid at the rate established in the CBA.
Human Resources		
Restructure Director of HR	\$ 50,000	Expected savings from restructuring the HR Dept.
Eliminate 0.375 Enrollment Secretary Vacancy	\$ 21,000	Eliminate and absorb duties internally
Student Services/Sp Ed		
Reduce discretionary Sp Ed	\$ 27,500	Reduction to discretionary spending.
Reduce overall encroachment	\$ 100,000	Serving NPS in the least restrictive environment, case management, etc.
Total estimated savings:		
	\$ 729,476	<i>Represent On-going savings from total comp (where applicable)</i>

Next steps



- Review impact of Enacted State Budget on GUSD
- Outcome of Negotiations - TBD
- Revised GUSD Budget in late August/September 2018
 - *Or...Within 45 days if Enacted Budget varies significantly from our assumptions.*

Recommended Board Action



- Approve 2018-19 Budget as presented, with the *Cabinet Recommended reductions (Appendix 1)* to be included in the 2018-19 Revised Budget.