

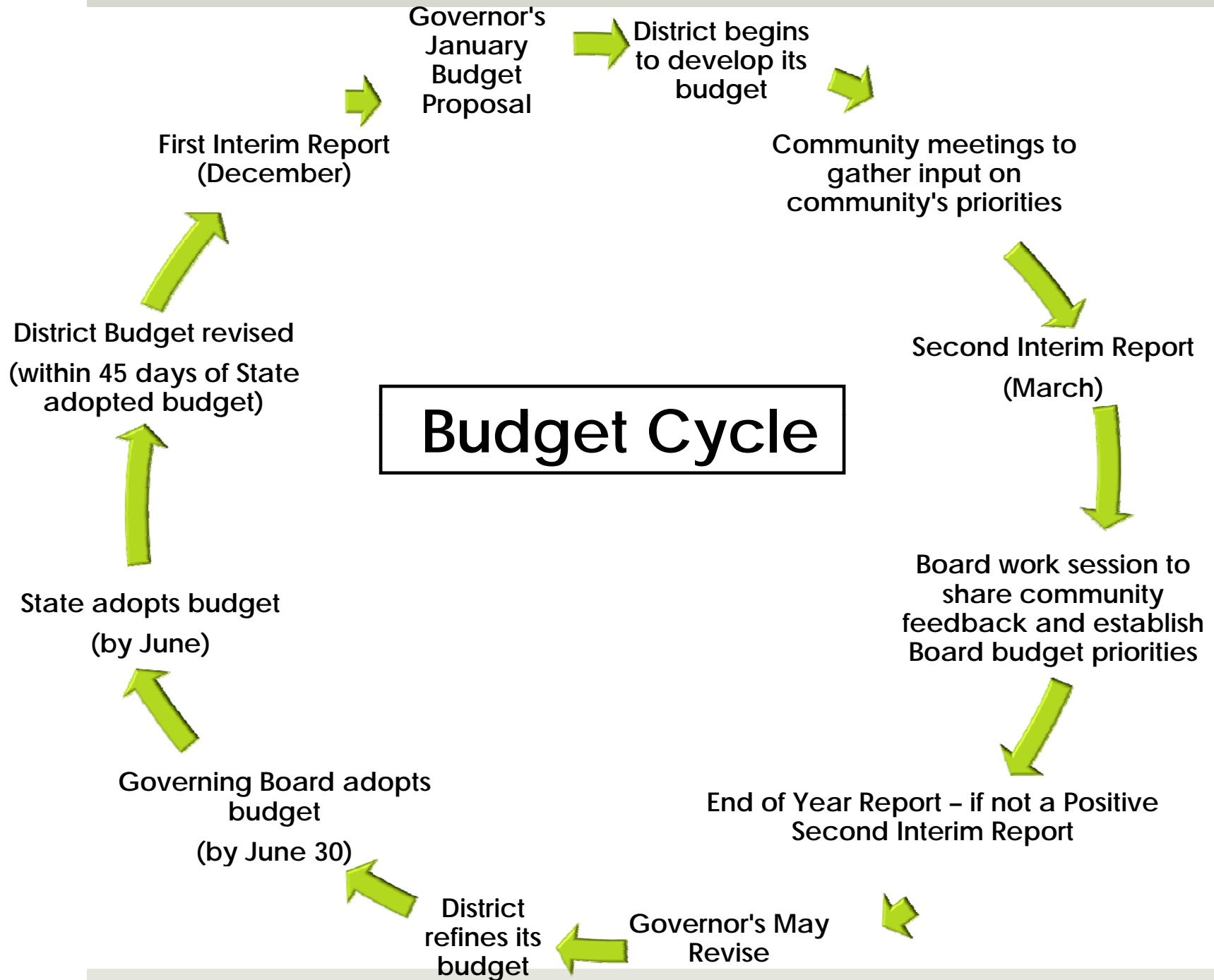


# Evergreen School District

Budget Work Session

March 14, 2013

# Budget Cycle



# District Cash Balance

State enacted budget for 2012-13 includes a 32.78% payment deferral. The District will not receive these funds until 2013-14

- Cash balance must be positive at all times and may require:
  - Cash borrowing between funds within the district
  - Tax and Revenue Anticipation Notes (TRANS)
  - Cash borrowing from COE or County Treasurer

## District Cash Balance (cont.)

- Loan from the state of California when the district unable to borrow locally
  - Board loses all its powers and becomes advisory only
  - State Administrator assigned to replace the district superintendent and also assumes the powers of the board
  - State Administrator report directly to the State not the community or the board

# How Money Flows Into District

## Two Basic Types of General Fund Revenue

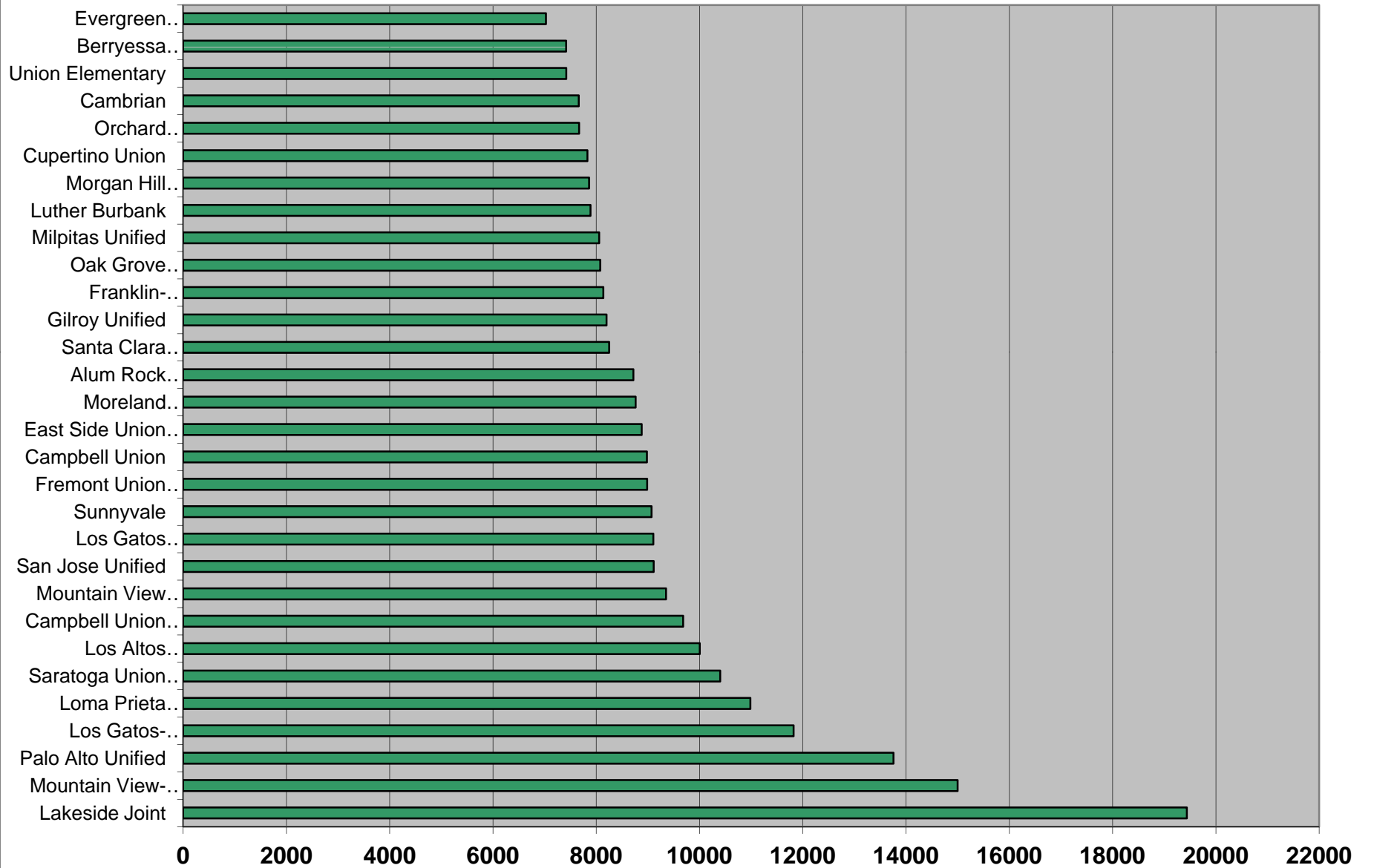
### Restricted – Can only be used for specific purposes

- ❑ Examples include: Economic Impact Aide, Title 1 and Special Education funds
- ❑ Restricted funds are sometimes called *Categorical* funds

### Unrestricted – General Operating Funds

- ❑ Classroom Teachers, Supplies, Administrators, Custodial Services, Utilities, Supplement Restricted Programs Shortage
- ❑ The majority of district's budget is unrestricted and is mostly composed of state **Revenue Limit Funding**
- ❑ Revenue Limit is the revenue the State provides districts per student based on average daily attendance (ADA)
- ❑ Lottery- Non-Proposition 20

## Total Revenue Per Student FY 2010-11



Data Sources: Ed-Data an Outside Sources

# Revenue Limits and Local Control Funding Formula

- The Governor proposes a sweeping reform of the state's school finance system with the Local Control Funding Formula (LCFF)
- Nevertheless, until state law is changed, revenue limits are the means by which state apportionment aid is distributed to districts statewide

# Major LCFF Elements

- The LCFF would replace revenue limits and most categorical program funding
  - Funding allocated through the formula would generally be flexible and could be used for any educational purpose
- Elements of the proposed formula
  - A base grant target equal to the undeficitated statewide average base revenue limit per ADA
  - Differential adjustments for grade spans; added funding for K-3 Class Size Reduction
  - Additional funding based on the demographics of the district's
    - English Learner population
    - Pupils eligible for free and reduced-price meals
- Timeline: Phased in over seven years – completed in 2020-21



# Governor's January Proposals

- Major Changes for K-12 education include:
  - \$1.8 billion to reduce deferrals
    - Not new revenue, cash flow only
  - \$1.6 billion to begin implementation of new school finance formula, LCFF, for school districts
    - FY 2013-14 EESD revenue may increase by \$1.5 million
  - \$400.5 million to support energy efficiency projects
  - \$100 million increase for K-12 Mandate Block Grant
    - Increase from \$28 per ADA to \$47 per ADA
  - \$62.8 million for a 1.65% COLA for selected categorical programs

# Major Revenue Assumptions

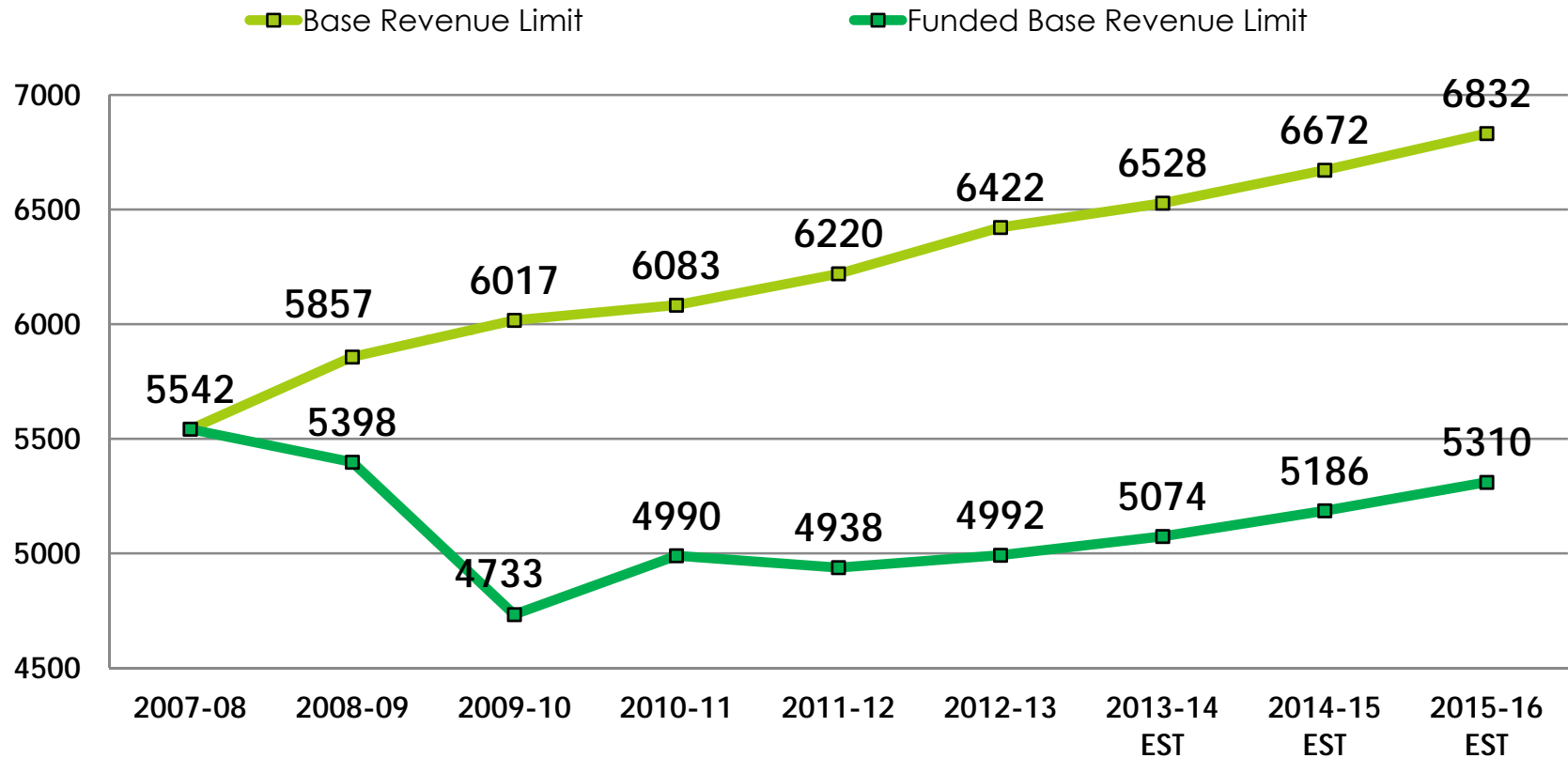
- Prop 30 has passed. \$5.5 million revenue from Education Protection Account (EPA) will be received in June
  - Not new revenue; Avoided further 21% reductions on revenue limit revenue
- COLA based on School Services Dartboard as of January 2013
  - FY 15-16 still below FY 07-08 funding level

<b>Factor</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>
<b>Statutory COLA applies to K-12</b>	<b>3.24%</b>	<b>1.65%</b>	<b>2.20%</b>	<b>2.40%</b>
<b>K-12 Revenue Limit Deficit %</b>	<b>22.272%</b>	<b>22.272%</b>	<b>22.272%</b>	<b>22.272%</b>

# Major Revenue Assumptions

- Mandate Block Grant
  - FY 12-13 \$28 per ADA
  - FY 13-14 & FY 14-15 \$47 per ADA
- 5 year Parcel Tax expires on 06/30/2014
- Continue to utilize State Tier III Flexibility
- Federal, State and Local allowed carryover revenues (\$1.7 million) included

## Evergreen School District Base Revenue Limit History

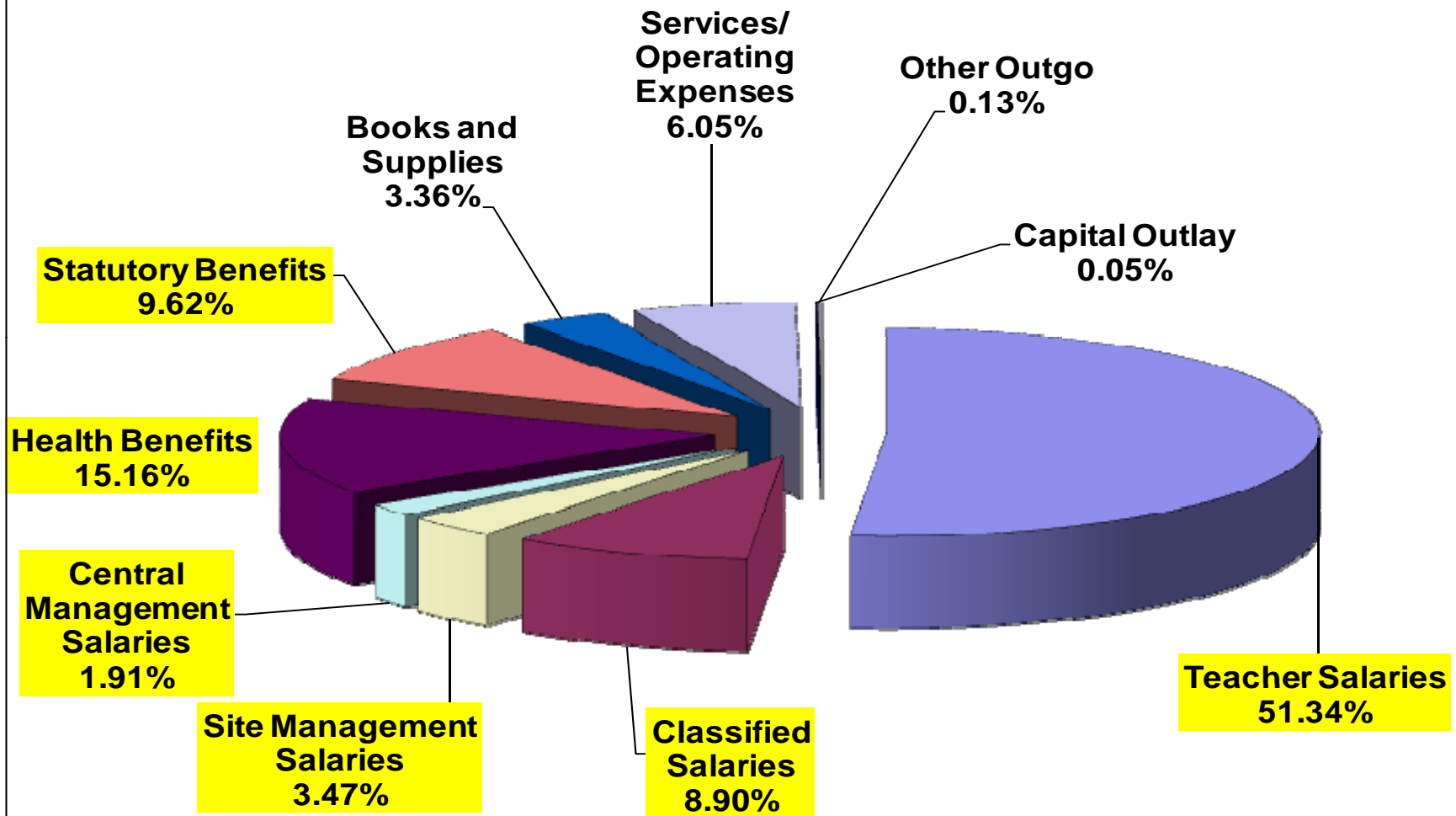


- FY 12-13 Base Revenue Limit \$6,422 per ADA
- FY 12-13 Funded Base Revenue Limit \$4,992 per ADA only
- Difference is \$1,430 per ADA, \$18.6 million in total revenue

# Major Expenditure Assumptions

- ❑ Reduce Students
    - FY 13-14 reduce 42 students; reduce 2 teachers
    - FY 14-15 reduce 254 students; reduce 10 teachers \*
    - FY 15-16 reduce 249 students; reduce 10 teachers \*
  - ❑ No salary increase for all groups
  - ❑ Savings from five teacher retirements
  - ❑ Health benefits 5.47% increase
  - ❑ K-3 class size maintained at 1:24
  - ❑ Home to school transportation, Middle school assistant principals, and Libraries at FY 12-13 level
- \* November 20, 2012, Enrollment Projection Consultants Report

# General Fund Expenditures



Salaries and benefits comprise 90.4% of expenditures

# Revenue Limit Funding

1/31/2013	Financial Report							
REVENUE LIMIT	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	
	ACTUAL	ACTUAL	ACTUAL	BUDGET	BUDGET	BUDGET	BUDGET	
<b>SUMMARY</b>								
TOTAL REVENUES	\$96,569,161	\$92,889,665	\$94,303,833	\$91,891,830	\$92,050,590	\$91,032,111	\$90,812,141	
TOTAL EXPENDITURES	97,849,292	91,671,064	94,223,585	97,610,590	97,480,471	98,609,177	99,719,022	
SURPLUS/(DEFICIT)	(\$1,280,131)	\$1,218,601	\$80,248	(\$5,718,760)	(\$5,429,881)	(\$7,577,066)	(\$8,906,881)	
<b>BEGINNING BALANCE</b>								
UNRESTRICTED	\$15,863,894	\$19,057,113	\$21,966,145	\$21,000,374	\$15,542,125	\$9,593,485	\$1,504,065	
RESTRICTED	\$7,409,895	\$2,936,546	\$1,246,115	\$2,292,134	\$2,031,623	\$2,550,382	\$3,062,736	
ENDING BALANCE	\$21,993,659	\$23,212,260	\$23,292,508	\$17,573,748	\$12,143,867	\$4,566,801	(\$4,340,080)	
<b>COMPONENTS OF ENDING BALANCE</b>								
<b>A) NONSPENDABLE</b>								
1 REVOLVING CASH	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	15,000	15,000	
2 STORES	29,231	54,696	70,160	70,160	70,160	\$70,160	\$70,160	
3 PREPAID EXPENDITURES	677,686	1,099,413	1,110,290	1,110,290	1,110,290	1,110,290	1,110,290	
<b>B) RESTRICTED</b>								
MAIN. RESERVES	437,982	507,715	303,546	186,470	229,769	270,502	303,597	
RESTRICTED	2,498,564	738,399	1,988,587	1,845,152	2,320,612	2,792,234	3,259,826	
<b>C) COMMITTED</b>								
STABILIZATION ARRANGEMENTS	0	0	0	0	0	0	0	
OTHER COMMITMENTS	0	0	0	0	0	0	0	
<b>D) ASSIGNED</b>								
OTHER ASSIGNMENTS	726,222	1,143,448	668,573	0	0	0	0	
<b>E) UNASSIGNED/UNAPPROPRIATED</b>								
RESERVE FOR ECO. UNCERTAINTIES	2,935,479	2,750,132	2,826,708	2,928,318	2,924,414	2,958,275	2,991,571	
UNASSIGNED/UNAPPROPRIATED	14,673,496	16,903,457	16,309,644	11,418,358	5,473,621	(2,649,660)	(12,090,525)	
	\$21,993,659	\$23,212,260	\$23,292,508	\$17,573,748	\$12,143,867	\$4,566,801	(\$4,340,081)	
UNRESTRICTED (DEFICIT)/SURPLUS	\$3,193,219	\$2,909,032	(\$965,771)	(\$5,458,249)	(\$5,948,640)	(\$8,089,420)	(\$9,407,569)	
% of AVAILABLE RESERVE	18.00%	21.44%	20.31%	14.70%	8.62%	0.31%	-9.12%	

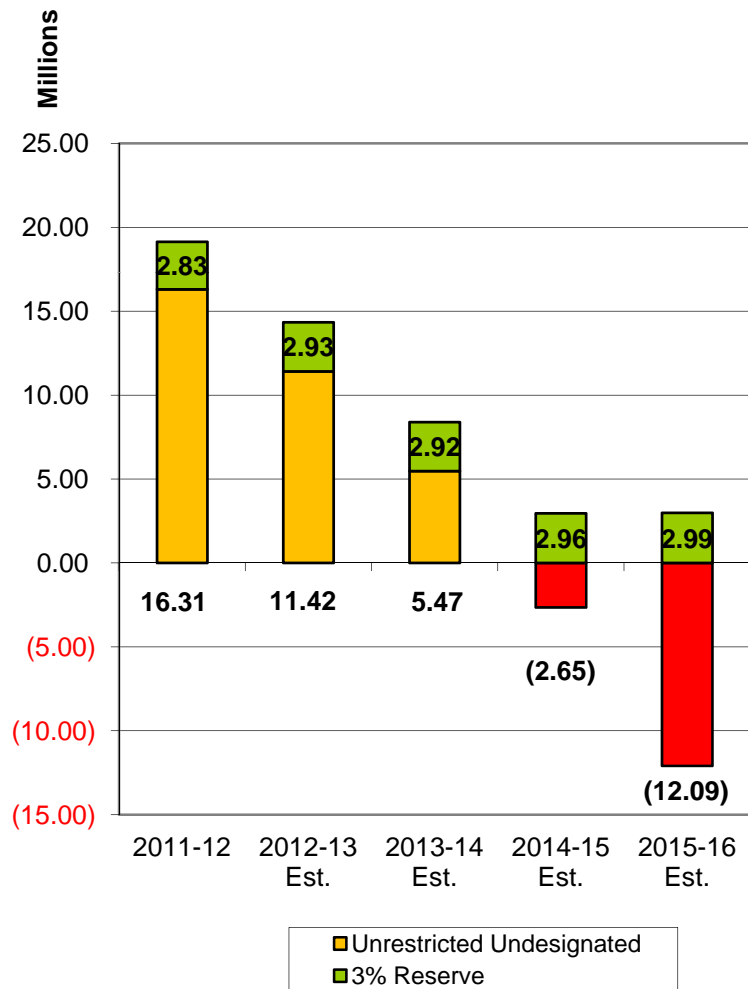
# Local Control Funding Formula

3/11/2013	Financial Report						
LCFF Starts FY13-14	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
	<u>ACTUAL</u>	<u>ACTUAL</u>	2011-13	<u>BUDGET</u>	<u>BUDGET</u>	<u>BUDGET</u>	<u>BUDGET</u>
<b>SUMMARY</b>							
TOTAL REVENUES	\$96,569,161	\$92,889,665	\$94,303,833	\$91,891,830	\$93,594,431	\$92,575,952	\$92,355,982
TOTAL EXPENDITURES	97,849,292	91,671,064	94,223,585	97,610,590	97,480,471	98,609,177	99,719,022
SURPLUS/(DEFICIT)	(\$1,280,131)	\$1,218,601	\$80,248	(\$5,718,760)	(\$3,886,040)	(\$6,033,225)	(\$7,363,040)
<b>BEGINNING BALANCE</b>							
UNRESTRICTED	\$15,863,894	\$19,057,113	\$21,966,145	\$21,000,374	\$15,542,125	\$11,137,326	\$4,591,747
RESTRICTED	\$7,409,895	\$2,936,546	\$1,246,115	\$2,292,134	\$2,031,623	\$2,550,382	\$3,062,736
ENDING BALANCE	<b>\$21,993,659</b>	<b>\$23,212,260</b>	<b>\$23,292,508</b>	<b>\$17,573,748</b>	<b>\$13,687,708</b>	<b>\$7,654,483</b>	<b>\$291,443</b>
<b>COMPONENTS OF ENDING BALANCE</b>							
<b>A) NONSPENDABLE</b>							
1 REVOLVING CASH	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	15,000	15,000
2 STORES	29,231	54,696	70,160	70,160	70,160	\$70,160	\$70,160
3 PREPAID EXPENDITURES	677,686	1,099,413	1,110,290	1,110,290	1,110,290	1,110,290	1,110,290
<b>B) RESTRICTED</b>							
MAIN. RESERVES	437,982	507,715	303,546	186,470	229,769	270,502	303,597
RESTRICTED	2,498,564	738,399	1,988,587	1,845,152	2,320,612	2,792,234	3,259,826
<b>C) COMMITTED</b>							
STABILIZATION ARRANGEMENTS	0	0	0	0	0	0	0
OTHER COMMITMENTS	0	0	0	0	0	0	0
<b>D) ASSIGNED</b>							
OTHER ASSIGNMENTS	726,222	1,143,448	668,573	0	0	0	0
<b>E) UNASSIGNED/UNAPPROPRIATED</b>							
RESERVE FOR ECO. UNCERTAINTIES	2,935,479	2,750,132	2,826,708	2,928,318	2,924,414	2,958,275	2,991,571
UNASSIGNED/UNAPPROPRIATED	14,673,496	16,903,457	16,309,644	11,418,358	7,017,462	438,022	(\$7,459,002)
	<b>\$21,993,659</b>	<b>\$23,212,260</b>	<b>\$23,292,508</b>	<b>\$17,573,748</b>	<b>\$13,687,708</b>	<b>\$7,654,483</b>	<b>\$291,442</b>
UNRESTRICTED (DEFICIT)/SURPLUS	<b>\$3,193,219</b>	<b>\$2,909,032</b>	<b>(\$965,771)</b>	<b>(\$5,458,249)</b>	<b>(\$4,404,799)</b>	<b>(\$6,545,579)</b>	<b>(\$7,863,728)</b>
% of AVAILABLE RESERVE	18.00%	21.44%	20.31%	14.70%	10.20%	3.44%	-4.48%

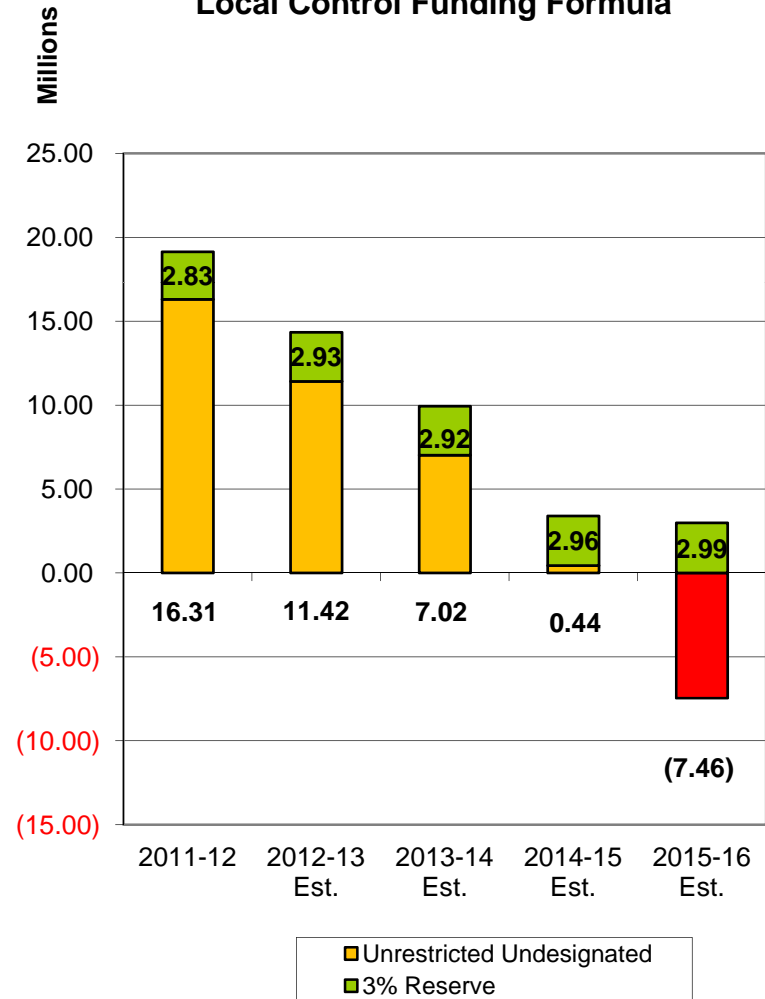


# What is the unrestricted reserve?

**Evergreen School District  
Unrestricted General Fund Reserve  
Revenue Limit Funding**



**Evergreen School District  
Unrestricted General Fund Reserve  
Local Control Funding Formula**



# Challenges Ahead

- ❑ General Fund Deficit Spending
- ❑ General Fund Cash Flow
- ❑ Local Control Funding Formula
- ❑ Federal Sequestration Cut
- ❑ Parcel Tax Expired 06/30/2014
- ❑ Common Core State Standards Requirements
- ❑ Construction Projects Cash Flow & Funding Resources
- ❑ Health Care Reform Requirements
- ❑ Union Contracts

# Fiscal Stabilization Options

Savings needed over three years to maintain 3% minimum required reserve in FY 15-16 with Revenue Limit Funding						(12,090,525)
Savings needed over three years to maintain 3% minimum required reserve in FY 15-16 with LCFF						(7,459,002)
Section A			Section B			
Options:			Savings			
	FTE	FY 13-14	FY 14-15	FY 15-16	TOTAL	
1	Management Position:					
2	Reduce 1 Position	1.00	120,000	120,000	120,000	360,000
3	Reduce 2 Positions	2.00	240,000	240,000	240,000	720,000
4	Reduce 3 Positions	3.00	360,000	360,000	360,000	1,080,000
5	Reduce SIP site allocation:					
6	Sweep 100% SIP site allocation (additional 75% \$517,500)		517,500	517,500	517,500	1,552,500
7	Reduce 50% SIP site allocation (additional 25% \$172,500)		172,500	172,500	172,500	517,500
8	No Prep Teacher 4-6	6.40	764,322	770,247	776,495	2,311,064
9	No Prep Time for Middle School 7-8	17.00	1,356,957	1,356,957	1,356,957	4,070,871
10	Furlough Days: Expires 6/30/2015					
11	1 furlough days (all Groups)		361,022	361,022	NA	722,044
12	2 furlough days (all Groups)		722,043	722,043	NA	1,444,086
13	3 furlough days (all Groups)		1,083,065	1,083,065	NA	2,166,130
14	4 furlough days (all Groups)		1,444,086	1,444,086	NA	2,888,172
15	5 furlough days (all Groups)		1,805,108	1,805,108	NA	3,610,216
16	6 furlough days (all Groups)		2,166,130	2,166,130	NA	4,332,260
17	7 furlough days (all Groups)		2,527,151	2,527,151	NA	5,054,302
18	8 furlough days (all Groups)		2,888,173	2,888,173	NA	5,776,346
19	9 furlough days (all Groups)		3,249,194	3,249,194	NA	6,498,388
20	Employee Benefits:					
21	Health Benefits cost maintain at FY2011-12 level (5.47% future increases)		1,457,040	2,317,912	3,225,874	7,000,826
22	Employee contribution at 12 month based \$50 per month \$600 annual		508,338	508,338	508,338	1,525,014
23	Employee contribution at 12 month based \$100 per month \$1200 annual		1,016,676	1,016,676	1,016,676	3,050,028
24	Employee contribution at 12 month based \$150 per month \$1800 annual		1,525,014	1,525,014	1,525,014	4,575,042
25	Employee contribution at 12 month based \$200 per month \$2400 annual		2,033,352	2,033,352	2,033,352	6,100,056
26	Employee contribution at 12 month based \$300 per month \$3600 annual		3,050,028	3,050,028	3,050,028	9,150,084
27	Contribution of \$50 single, \$100 for two, \$150 for family at 12 month base		1,156,478	1,156,478	1,156,478	3,469,434
28	Contribution of \$100 single, \$150 for two, \$200 for family at 12 month base		1,664,816	1,664,816	1,664,816	4,994,448
29	Contribution of \$100 single, \$200 for two, \$300 for family at 12 month base		2,312,956	2,312,956	2,312,956	6,938,867
30	Trust Contribution By Employee		828,726	828,726	828,726	2,486,178
31	Class Size Reductions: Flexibility available through FY13-14 only					
32	CSR Flex 24 to 30 for K & 3rd with 70% Revenue without IA in Kinder	22	1,006,337	NA	NA	1,006,337
33	CSR Flex 24 to 30 for 1st & 2nd with 70% Revenue	23	1,079,255	NA	NA	1,079,255
34	CSR Flex 24 to 30 with 70% Revenue without IA in Kinder	45	2,085,592	NA	NA	2,085,592
35	CSR Flex 24 to 30 with 70% Revenue with 3.5 hr IA in Kinder	45/17	1,514,534	NA	NA	1,514,534
36	CSR Flex 24 to 30 with 70% Revenue with 3 hr IA in Kinder	45/15	1,596,114	NA	NA	1,596,114
37	CSR Flex 24 to 30 for 3rd grade only	12	563,345	NA	NA	563,345

# Priorities?

- Don't restore a program just because it was there yesterday
- Recovery gives us the opportunity to design a better education plan
- Need to look at District's goals...

# Three Year Strategic Plan Goals

**Promote achievement for all students in a rigorous, 21<sup>st</sup> century learning environment of collaboration, communication, critical thinking and creativity**

- *How can we fund technology for students?*
- *Restore library hours to five days?*
- *Expansion of Project-Based Learning? New Tech option at all middle schools?*
- *STEM labs at all elementary schools?*
- *Enrichment opportunities for all students (new GATE)*

**Improve fiscal health**

- *How do we curb deficit spending?*
- *What is a reasonable reserve?*
- *What are implications of LCFF?*
- *New parcel tax?*
- *Need to be able to sell bonds*

**Promote collaboration, transparency and communication with students, parents, staff and the broader community**

- *Dedicated outreach/communications personnel?*
- *Need for enhanced technology capabilities*

**Attract, develop and retain quality staff at all levels**

- *Need to retain competitive salary and benefits*
- *Can we lengthen the work year for teacher leaders?*
- *Need to add staff*

**Enhance the climate of safety and wellness throughout the District**

- *Middle school counselors?*
- *Assistant Principals at elementary schools?*