



Miller Creek School District

2020-21 Proposed Budget Report and Multiyear Projection

Public Hearing: June 9, 2020

Summary Report, pages 1-18

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Miller Creek School District
2020-21 Proposed Budget Report and Multiyear Fiscal Projection
Public Hearing – June 09, 2020
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Local Educational Agencies (LEAs) are required to adopt a budget prior to July 1 of each year in order to authorize the expenditure of funds. The proposed budget is only an initial blueprint for revenues and expenditures since the preparation of the adopted budget occurs before the State has enacted its budget, and before actual revenues and expenditures are known for the current year. In the event that material revisions are necessary, a revised budget will be presented to the Board no less than 45 days after the enacted State budget.

Illustrated below is a summary of the proposed State budget and budget guidelines as provided by California Association of School Business Officials, County Office of Education and School Services of California. The Proposed Budget Report also contains financial summaries, multi-year projections and detailed financial state reports relating to the projected financial activity for 2020-21 through 2022-23 specific to the Miller Creek School District.

Governor’s Revised State Budget Proposal “May Revision”

Governor Newsom released his proposed Revised State budget on May 14th for the upcoming 2020-2 fiscal year. Due to the impact of the coronavirus pandemic, State General Fund revenues are projected to decline over \$41 billion during the current and 2020-21 budget years and COVID-19 expenses are projected to reach \$13 billion for a total budget deficit of about \$54 billion.

As a result, the Administration is proposing a combination of actions to address the State deficit, including the following:

- Cancel \$6.1 billion in program expansions and spending increases, including redirecting \$2.4 billion in extraordinary payments to California Public Employees’ Retirement System (CalPERS) to temporarily offset the state’s obligations to CalPERS in 2020-21 and 2021-22.
- Spend down \$16.2 billion in the Budget Stabilization Account (Rainy Day Fund) over three fiscal years and allocate \$450 million from the Safety Net Reserve to offset increased health care costs in 2020-21.
- Borrow and transfer \$4.1 billion from special funds.
- Suspend net operating losses and temporarily limit to \$5 million the amount of credit a taxpayer can use in any given tax year, to generate new revenue of \$4.4 billion in 2020-21 to support schools and colleges, and maintain core state functions. The proposal could potentially generate \$3.3 billion in 2021-22 and \$1.5 billion in 2022-23.
- Utilize \$8.3 billion in federal CARES Act.

For 2020-21, the Proposition 98 guarantee declines by \$19 billion from the Governor’s January Budget. Recognizing that public education could not withstand such a reduction in funding, the Governor proposes to provide supplemental appropriations in order to avoid a drastic drop in the funding or a permanent drop in the Proposition 98 minimum guarantee.

LCFF Cost-of-Living-Adjustment (COLA): The Governor proposes a reduction in LCFF funding by 10% (\$6.5 billion), including the elimination of the 2.31% cost of living adjustment. However, the Governor also indicates that if federal funding is sufficient, the 10% reduction could be backfilled. The statutory cost of living adjustment is also suspended for all other programs.

LCFF COLA for Basic Aid/Community Funded Districts: In the recent past, if a district were community funded (basic aid), the annual COLA had a minimal effect with regard to funding. For 2020-21, the current trailer bill language also assesses reductions on community funded districts.

- Minimum State Aid (MSA) is reduced 10%
- Basic Aid Supplement funding is reduced 10%
- District of Choice funding is reduced 10%

The Difference Between LCFF State Funded and Basic Aid/Community Funded: The vast majority of a school district's revenues come from the LCFF calculation – whether the district is Community Funded (Basic Aid) or State Funded.

Simply stated, based on a few factors, a LCFF “entitlement” is calculated equaling the minimum amount of money a school district should receive to service its students. The factors that make up the LCFF calculation are:

- ✓ District enrollment
- ✓ Percent of enrollment from English Learners, low socio-economic, homeless, or foster students (Unduplicated Pupil Count, or UPC)
- ✓ Average daily attendance (ADA),
- ✓ Cost of living adjustment (COLA) applied to base funding, and
- ✓ Property taxes

The LCFF funding comes from two sources: property taxes and state aid. Usually, only a portion of the entitlement comes from taxes, with the remaining amount to balance to the entitlement coming from the State. However, when property taxes exceed the calculated entitlement, the district gets to keep the excess taxes and is classified as basic aid. *A district does not choose nor strive toward basic aid status; a district is funded as either basic aid or state funded based on whether its property taxes exceed the LCFF entitlement.*

Additionally, the LCFF formula provides a higher level of per-student funding for school districts that have a higher Unduplicated Pupil Count, which is the percent of students who are disadvantaged. For instance, a district with 20% disadvantaged students would be entitled to less funding than a district with 50% disadvantaged students. The District has a UPC of just over 20%.

When a district is classified as basic aid, Prop 30 Education Protection Act (EPA) dollars are provided on top of property taxes, and the State funding portion is a constant Minimum State Aid (MSA) level based on categorical programs funded in 2012-13, the year prior to the implementation of LCFF. Also, when a district is basic aid, they no longer receive Supplemental Tax dollars or ERAF taxes. Those dollars are allocated elsewhere within the county to state funded districts to offset required state aid backfill. (The only exception is the first year a district

becomes basic aid after being certified state funded the prior year, a district receives its Supplemental Taxes.)

Over the past several years, the District has been on the bubble between state funded and community funded. In any given year, the District's funding and classification could swing between the two based on the amount of the COLA, the increase in property taxes, and the change in enrollment. Given the significant drop in LCFF funding, and the estimated increase in property taxes, the District is likely to remain basic aid for the foreseeable future.

Miller Creek LCFF – State Funded or Community Funded: The District is in the unique position of being state funded in the 2019-20 year, but moving to community funded in the budget year, 2020-21. The District will escape the impact of the harsh LCFF funding cuts for the most part. However, as a result of the above trailer language as of May Revise, the District's MSA for the budget year when they switch to basic aid status would be reduced 10%, or \$68,000. This reduction is reflected in the LCFF funding calculation.

Deferrals: To address a current and anticipated cash shortage, the Governor proposes several deferrals. The first comes immediately, deferring \$1.9 billion of LCFF apportionment from 2019–20 to 2020–21. In 2020–21, the Administration proposes deferrals in April, May, and June totaling \$3.4 billion. Due to the District's swing from anticipated basic aid in the current year to state funded, as of P-2, the cash situation changed. Instead of receiving the final LCFF funding in the form of property taxes in April, the state aid backfill of the reduction in property taxes would be scheduled to be received in June. Due to the anticipated cash deferral at June 30, the final \$3.5 million of state aid for the year is anticipated being received in July. Temporary borrowing from the County of Marin has been arranged to assure a positive cash balance as of June 30.

Learning Loss Mitigation: The Governor proposes one-time funding of \$4.4 billion in federal funds (\$4 billion federal Coronavirus Relief Fund and \$355 million federal Governor's Emergency Education Relief Fund) for mitigation of students' learning loss during school closures. It is not anticipated that the District will qualify for these funds and they have not been included in the budget. The funds will be allocated to local educational agencies (LEAs) that offer instruction, and prioritizes students most heavily impacted by school closures, and may be used as follows:

- Summer programs
- Extending the instructional school year
- Providing additional academic services for students (e.g. materials and devices)
- Counseling or mental health services
- Professional development opportunities
- Access to school breakfast and lunch programs

California also received \$1.6 billion in federal Elementary and Secondary School Emergency Relief (ESSER) funds, of which 90 percent will be distributed to LEAs according to Title I-A funding for COVID-19 related costs. The district is anticipating receiving its portion of these dollars and will include as restricted Federal dollars once the amount is known. The May Revision proposes to use the remaining \$164.7 million (10%) in the following manner:

- \$100 million: Grants to county offices of education to support developing networks of community schools, mental health services, and addressing barriers to high-need students
- \$63.2 million for training and professional development
- \$1.5 million for the Dept of Education for operational costs due to COVID-19

Previously Proposed Budget Augmentations: The May Revise rescinds the Governor’s January budget proposals, including the following:

- Educator Workforce Investment Grants: \$350 million
- Opportunity Grants: \$300.3 million
- Community Schools Grants: \$300 million
- Special Education Preschool Grant: \$250 million
- Workforce Development Grants: \$193 million
- Teacher Residency Program: \$175 million
- Credential Award Program: \$100 million
- Child Nutrition Programs: \$70 million
- Classified Teacher Credential Program: \$64.1 million
- Local Services Coordination (CCEE): \$18 million
- Computer Science Supplementary Authorization Incentive: \$15 million
- Online Resource Subscriptions for Schools: \$2.5 million
- California College Guidance Initiative: \$2.5 million
- Computer Science Resource Lead: \$2.5 million
- School Climate Workgroup: \$150,000

Special Education: The Governor maintains the January budget commitment to improve funding for Special Education. Despite suspension of the COLA, the Governor proposes to increase base rates by 15% to \$645 per pupil based on a three-year rolling average of daily attendance. Funding outside AB 602 will be frozen at this time. The District is not eligible to receive these dollars as the Marin SELPA is already funded above this level.

In addition, the May Revise includes \$15 million in federal Individuals with Disabilities Education Act (IDEA) funds for the Golden State Teacher Scholarship Program to support increasing the teacher pipeline and \$7 million to assist LEAs with developing different dispute resolution services and mediation services for cases arising from COVID-19 distance learning service delivery models.

The May Revise also keeps the two work groups as provided in the January proposal but replaces the \$1.1 million that was originally proposed from Proposition 98 General Fund and uses federal IDEA funds instead. Two new workgroups are created to 1) study cost of out-of-home care and 2) develop an IEP addendum for distance learning. These two new workgroups will be funded by an additional \$600,000 received by federal IDEA funds.

K-12 Categorical Programs: The Governor proposes \$352.9 million in reductions to the following categorical programs:

- \$100 million: After School Education and Safety
- \$79.4 million: K-12 Strong Workforce Program

- \$77.4 million: Career Technical Education Incentive Grant Program
- \$66.7 million: Adult Education Block Grant
- \$9.4 million: California Partnership Academies
- \$7.7 million: Career Technical Education Initiative
- \$3.5 million: Exploratorium
- \$3 million: Online Resource Subscriptions for Schools
- \$2.4 million: Specialized Secondary Program
- \$2.1 million: Agricultural Career Technical Education Incentive Grant
- \$1.3 million: Clean Technology Partnership

Proposed Pension Relief. There is some good news, as the Governor proposes to reallocate \$2.3 billion from payment for long-term unfunded liabilities to reduction of employer contribution rates for 2020-21 and 2021-22. These reduced rates were reflected in the budget for 2020-21. This reallocation would result in the following rates.

	2019-20 Current	2020-21 Proposed	2021-22 Proposed
STRS	17.10%	16.15%	16.02%
PERS	19.721%	20.70%	22.84%

Note: Previously proposed STRS rates: 2020-21 at 18.4%; 2021-22 at 18.2%
Previously proposed PERS rates: 2020-21 at 22.67%; 2021-22 at 25.0%

Flexibility Proposals

To assist local educational agencies (LEAs) facing the potential 10% LCFF reduction, the Administration proposes to work with the Legislature and education stakeholders on options to minimize the impact of reduced funding. In addition, the May Revise offers the following flexibilities:

- Exemptions for LEAs if apportionment deferrals create a documented hardship.
- Authority for LEAs to exclude state pension payments on behalf of LEAs from the calculation of required contributions to routine restricted maintenance.
- Subject to public hearing, increases on LEA internal inter-fund borrowing limits to help mitigate the impacts of apportionment deferrals.
- Authority to use proceeds from the sale of surplus property for one-time general fund purposes.
- Options for specified special education staff to utilize technology-based options to serve students.
- Extension of the deadline for transitional kindergarten teachers to obtain 24 college units of early childhood education, from August 1, 2020 to August 1, 2021.

Routine Restricted Maintenance Account:

Per Education Code Section 17070.75, school districts are required to deposit into the account a minimum amount equal to or greater than three percent (3%) of the total General Fund expenditures and other financing uses for that fiscal year. While school districts had taken advantage of multiple flexibility provisions over the past decade, beginning in 2019-20 school

districts must comply with the 3% contribution provision. Illustrated below are the primary compliance components:

- The 3% contribution is calculated on total General Fund expenditures, including other financing uses (i.e. transfers out, debt issuances relating to the General Fund)
- The 3% contribution incorporates RRMA and CalSTRS on-behalf expenditures
- The final 3% contribution is based on year-end actual data; therefore, while it is developed based on budget, it must be trued up using actual expenditures
- The actual contribution will be audited as part of the School Facility Program Bond Audit
- Important: As noted above the May Revision Flexibility Proposal offers to allow LEAs to exclude state pension payments on behalf of LEAs from the calculation of required contributions to routine restricted maintenance

Other Budget Issues

- **Local Property Tax Adjustments**—An increase of \$84.5 million Proposition 98 General Fund in 2019-20 and \$727 million Proposition 98 General Fund in 2020-21 for school districts, special education local plan areas, and county offices of education as a result of lower offsetting property tax revenues in both years.
- **Full-Day Kindergarten Facilities**—A decrease of \$300 million one-time non-Proposition 98 General Fund for construction of new, or retrofit of existing, facilities for full-day kindergarten programs. This is roughly the amount that is unexpended from \$400 million provided for this purpose in the 2018 and 2019 Budget Acts. The May Revision proposes sweeping these unexpended program funds to facilitate.
- **AB 1840 Adjustments**—An increase of \$5.8 million one-time Proposition 98 General Fund for Inglewood Unified School District and \$16 million one-time Proposition 98 General Fund for Oakland Unified School District, amounting to 50 percent of the operating deficit of these districts, pursuant to Chapter 426, Statutes of 2018 (AB 1840).
- **Categorical Program Growth**—A decrease of \$10.9 million Proposition 98 General Fund for selected categorical programs, based on updated estimates of average daily attendance.

Early Education Programs

The May Revision proposes to utilize \$350.3 million of federal CARES Act for COVID-19 related child care expenses as follows:

- \$144.3 million for state costs associated with SB 89 expenses, family fee waivers, and provider payment protection.
- \$125 million for one-time stipends for state-subsidized child care providers offering care during the pandemic.
- \$73 million for increased access to child care services for at-risk children and children of essential workers.
- \$8 million to extend family fee waivers until June 30, 2020.

The May Revision continues to propose to consolidate the state's early learning and child care programs under the Department of Social Services, which maintains \$2 million General Fund in 2020-21 to support this proposal.

State Preschool

Absent additional federal funds to mitigate these fiscal decisions, the state will reduce the following programs:

- \$159.4 million General Fund to eliminate 10,000 slots scheduled to begin April 1, 2020 and 10,000 additional slots scheduled to begin April 1, 2021.
- \$130 million Proposition 98 General Fund and \$67.3 million General Fund to reflect a 10 percent decrease in State Preschool daily reimbursement rate.
- \$20.5 million Proposition 98 General Fund and \$11.6 million General Fund to reflect suspension of a 2.31 percent cost of living adjustment.
- \$3.3 million Proposition 98 General Fund and \$3 million General Fund to eliminate a 1 percent add-on to the full-day State Preschool reimbursement rate.

Child Care

The May Revise proposes to reduce the following programs, which would be mitigated if the federal government provides sufficient funds to restore them:

- \$363 million one-time General Fund and \$45 million one-time federal Child Care and Development Block Grant funds from the 2019 Budget Act for child care workforce and infrastructure.
- \$223.8 million General Fund to reflect a 10 percent decrease in the Standard Reimbursement Rate and the Regional Market Rate.
- \$35.9 million General Fund to reflect lower caseload estimates in CalWORKs Stage 2 and 3 child care.
- \$25.3 million General Fund to reflect suspension of the 2.31% cost of living adjustment.
- \$10 million one-time General Fund from the 2019 Budget Act for child care data systems.
- \$4.4 million one-time General Fund to reduce resources available for the Early Childhood Policy Council, leaving \$2.2 million available for 2020-21 and 2021-22.
- \$13.4 million in federal funds is appropriated through the Health and Human Services Agency to reflect the state's 2020 Preschool Development Grant award.

Broadband Expansion

The COVID-19 pandemic requires significant numbers of Californians to telework, learn via distance education, and receive healthcare through telehealth. The drive toward these technology platforms highlights the state's inequities in access to computers, technology tools, and connectivity. In response, the California Public Utilities Commission (Commission) acted in April to help bridge this digital divide by making \$25 million available from the California Teleconnect Fund for hotspots and Internet service for student households, prioritizing rural, small, and medium-sized school districts. The Commission also made \$5 million available from the California Advanced Services Fund Adoption Account to help cover the cost of computing and hotspot devices. The Commission coordinated with the California Department of Education and this funding will be prioritized toward low-income communities and communities with high percentages of residents with limited English proficiency.

To identify which areas of the state lack sufficient access to broadband, the May Revision includes \$2.8 million and 3 positions in additional resources from the Public Utilities Commission Utilities Reimbursement Account for the Commission to enhance its broadband mapping activities.

Reserves

District Reserve Requirements (Senate Bill 858): The 2014 State Budget Act and the passage of Proposition 2 in November 2014 established a hard cap on district reserves, if all of the following conditions are met:

1. Proposition 98 must be funded based on Test 1
2. Full repayment of the maintenance factor prior to 2014-15
3. Proposition 98 provides sufficient funds to support enrollment growth and the statutory COLA
4. Capital gains exceed 8% of General Fund revenues

Prior law specified that in any fiscal year immediately following a year in which a transfer of any amount is made to the Public School System Stabilization Account, a district's assigned or unassigned fund balance (including Fund 01 and Fund 17) may not exceed two times the reserve for economic uncertainty (three times the reserve for economic uncertainty for districts with more than 400,000 ADA).

However, Senate Bill (SB) 751 which became effective January 1, 2018 made changes to the school district reserve cap law in the following manner:

- It requires that the reserve cap is triggered in a fiscal year immediately after a fiscal year in which the amount of moneys in the Public School System Stabilization Account is equal to or exceeds three percent of the combined total of General Fund revenues appropriated for school districts and allocated local proceeds of taxes (Proposition 98 funding), as specified, for that fiscal year
- Adjusts the reserve cap from a combined assigned and unassigned ending fund balance based on the size of the district to a combined assigned or unassigned ending balance, in the General Fund (01) and the Special Reserve Fund for Other Than Capital Outlay (17), of 10% of those Funds for all districts
- Reserves would be capped at 10% as long as the amount in the Public School System Stabilization Account remained at 3% or greater of the Proposition 98 amount in each preceding year
 - The State must notify local educational agencies when the conditions are and are no longer applicable
- Basic aid school districts and districts with fewer than 2,501 average daily attendance are exempt from the reserve cap requirement

The district reserve cap is not activated for 2019-20 since all four above provisions were not met in 2018-19. While all four provisions illustrated above are expected to be met in 2019-20, a cap on district reserves will not be triggered for 2020-21 since the Proposition 98 reserve will be well below the required 3% of the Proposition 98 funding level to activate the cap.

2020-21 Miller Creek School District Primary Budget Components

- ❖ Average Daily Attendance (ADA) is estimated at 1916.41 (excludes COE ADA of 29.07).
 - While enrollment and ADA are stable, due to the District's budgeted basic aid status, ADA is not the driving factor in calculating LCFF funding.
- ❖ The District's estimated unduplicated pupil percentage for supplemental and concentration funding is estimated to be 20.5%. The percentage will be revised based on actual data.
- ❖ Secured property taxes are estimated to increase by approximately 4.97%. The District is also projecting to receive \$440,000 of supplemental taxes, which is 80% of the average amount allocated over the last three years. The remaining taxes are estimated to remain fairly constant, consistent with the projections from the County of Marin Department of Finance.
- ❖ Because the District is budgeted to be basic aid, it will receive \$200 per ADA for an estimated \$389,000 relating to the Education Protection Account (EPA) Proposition 30.
- ❖ Lottery revenue is estimated by School Services of CA to be \$153 per ADA for unrestricted purposes and \$54 per ADA for restricted purposes. The budget was developed assuming a temporary slow down in lottery revenue, and the current year and budget year lottery amounts have been reduced by 20%.
- ❖ Mandated Cost Block Grant is \$32.18 for K-8 ADA.
- ❖ Parcel taxes are budgeted for \$2.66 million.
- ❖ Except as illustrated under Contributions to Restricted Programs, all federal and state restricted categorical programs are self-funded.

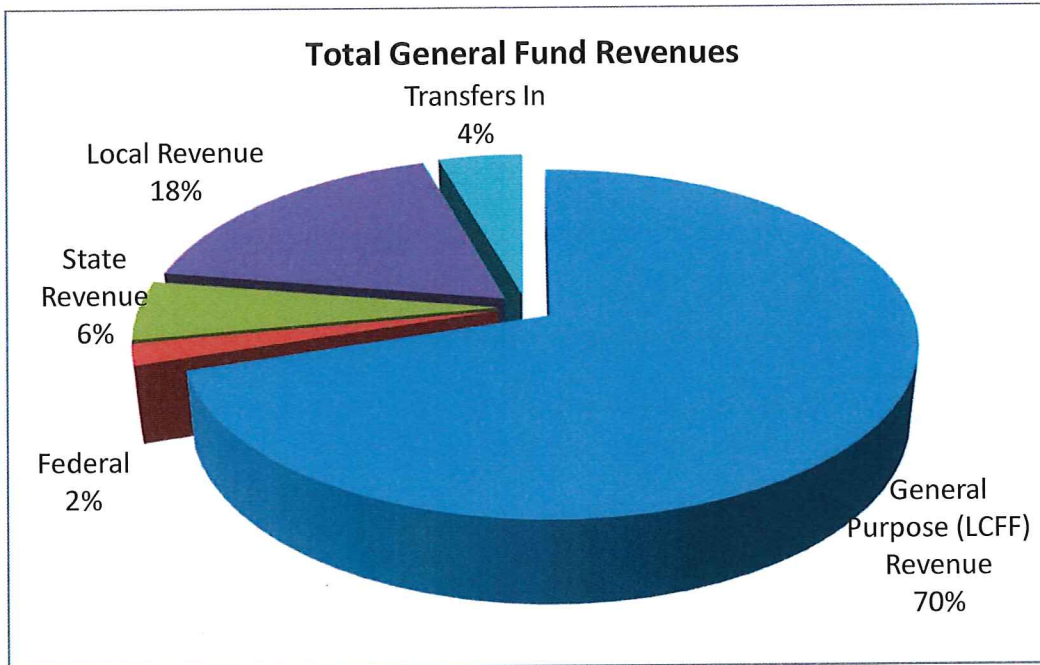
General Fund Revenue Components

The District receives funding for its general operations from various sources. For Miller Creek:

- | | |
|------------------------|---|
| • LCFF General Purpose | Property Taxes, Minimum State Aid, EPA |
| • Federal | Title I, II, III, ESSA, IDEA (Special Ed) |
| • State | One-time and various grants, Lottery, Mandated Cost Block Grant |
| • Local | Parcel Tax, Donations, Fees, Transfers from MCOE |

A summary of the major funding sources is illustrated below:

DESCRIPTION	UNRESTRICTED	RESTRICTED	COMBINED AMOUNT
General Purpose (LCFF) Revenue	\$17,756,043	\$0	\$17,756,043
Federal	\$0	\$506,564	\$506,564
State Revenue	\$295,366	\$1,107,125	\$1,402,491
Local Revenue	\$203,800	\$4,296,330	\$4,500,130
Transfers In	\$1,121,000		\$1,121,000
TOTAL	\$19,376,209	\$5,910,019	\$25,286,228



Education Protection Account

As approved by the voters on November 6, 2012, The Schools and Local Public Safety Protection Act of 2012 (Proposition 30) temporarily increased the State’s sales tax rate and the personal income tax rates for taxpayers in high tax brackets.

Proposition 30 provides that a portion of K-14 general purpose funds must be utilized for instructional purposes. Revenues generated from Proposition 30 are deposited into an account called the Education Protection Account (EPA). For the majority of districts, EPA dollars are part of and not in addition to state aid; thus, a corresponding reduction is made to the general purpose funds. However, the EPA funding is additional state aid for the Miller Creek School District and other basic aid districts.

Subsequently, on November 8, 2016, the voters approved the California Children’s Education and Health Care Protection Act (Proposition 55) that maintains increased personal income tax rates for taxpayers in high tax brackets through 2030. Proposition 55 did not extend the sales tax increase; therefore, the temporary sales tax increase expired at the end of calendar year 2016.

K-14 local agencies have the sole authority to determine how the funds received from the EPA are spent, but with these provisions:

- The spending plan must be approved by the governing board during a public meeting
- EPA funds cannot be used for the salaries or benefits of administrators or any other administrative costs (as determined through the account code structure)
- Each year, the local agency must publish on its website an accounting of how much money was received from the EPA and how the funds were expended

Further, the annual financial audit includes verification that the EPA funds were used as specified by Proposition 30. If EPA funds are not expended in accordance with the requirements of Proposition 30, civil or criminal penalties could be incurred.

Illustrated below is how the District’s EPA funds are appropriated for 2020-21. The amounts will be revised throughout the year based on information received from the State.

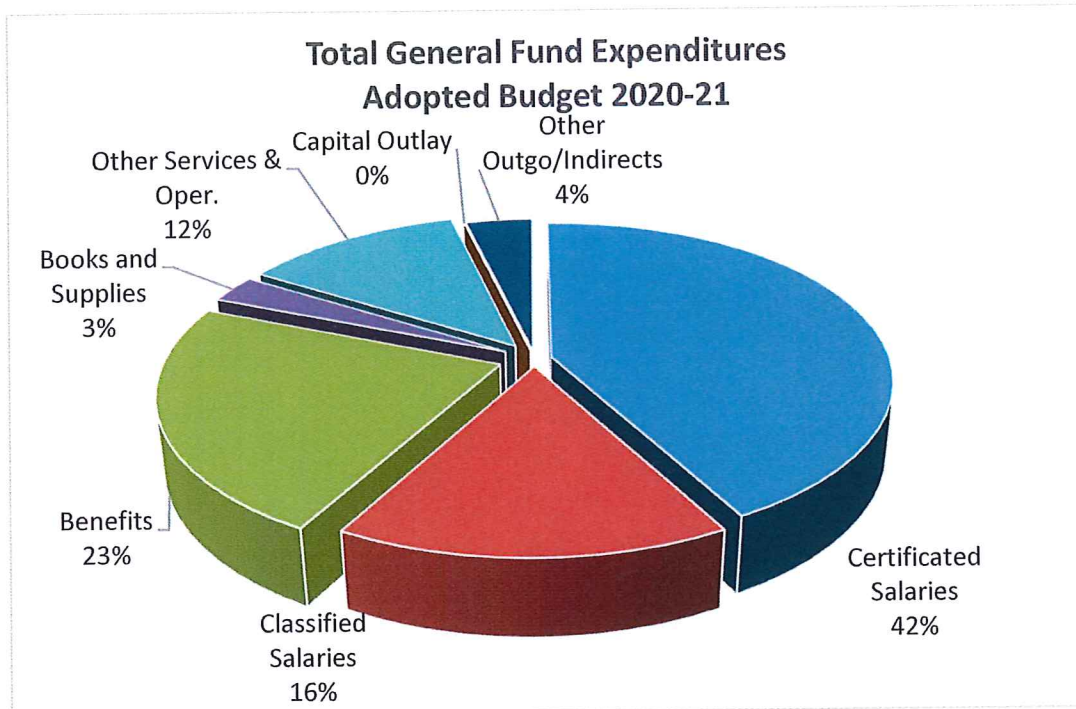
Education Protection Account (EPA)	
Fiscal Year Ending June 30, 2021	
Actual EPA Revenues:	
Estimated EPA Funds	\$ 389,376
Actual EPA Expenditures:	
Certificated Instructional Salaries	\$ 389,376
Balance	\$ -

Operating Expenditure Components

The General Fund is used for the majority of the functions within the District. As illustrated below, salaries and benefits comprise approximately 83% of the District’s unrestricted budget, and approximately 81% of the total General Fund budget.

DESCRIPTION	UNRESTRICTED	RESTRICTED	COMBINED
Certificated Salaries	7,194,592	3,399,424	\$10,594,016
Classified Salaries	2,401,651	1,593,835	\$3,995,486
Benefits	3,246,689	2,540,424	\$5,787,113
Books and Supplies	414,600	279,324	\$693,924
Other Services & Oper.	2,095,520	986,850	\$3,082,370
Capital Outlay	0	0	\$0
Other Outgo/Indirects	90,398	847,191	\$937,589
TOTAL	15,443,450	9,647,048	\$25,090,498

Following is a graphical representation of expenditures by percentage:



General Fund Contributions to Restricted Programs

The following contributions of unrestricted resources to restricted programs are necessary to cover restricted program expenditures in excess of revenue:

Resource		2018-19 Actuals	2019-20 Estimated Actual	2020-21 Adopted Budget	Change
65xx	Special Education	1,930,476	2,199,938	2,340,210	6%
8150	Routine Restricted Maintenance Account	540,751	746,110	815,510	9%
9001	Special Education Excess Cost	328,936	595,326	772,309	30%
		2,800,163	3,541,374	3,928,029	

Transfers Between Funds

Transfers to and from various funds are frequently used to repurpose funding or support activities in other funds. Transfers between funds include:

Resource		2018-19 Actuals	2019-20 Estimated Actual	2020-21 Adopted Budget	Change
	Fund 01	1,144,854	318,234	930,000	192%
	Fund 13 (Cafeteria)		620	-	-100%
	Fund 21 (GO Bond Fund)		446	-	-100%
	Fund 23 (GO Bond Fund)		525,554	49,592	-91%
	Fund 40 (Special Reserve Capital Outlay)	(1,144,854)	(1,044,854)	(1,170,592)	12%
	Fund 56 (Energy Bonds)		200,000	191,000	-5%
		-	-	-	

General Fund Summary

The District's 2020-21 General Fund projects a total operating surplus of \$4,730 resulting in an estimated ending fund balance of \$2,547,070. The components of the District's fund balance are as follows: revolving cash & other nonspendables - \$3,000; restricted programs - \$113,318; economic uncertainty - \$724,815; unassigned - \$1,705,937. In accordance with SB 858 a detail description of assigned & unassigned balances is illustrated below.

Cash Flow

Per the enclosed cash flow schedule, the District is anticipating the need to borrow up to \$4 million from its other funds and/or Tax Anticipation Notes through the County Treasury until the District receives its property taxes in January. This is needed to maintain positive monthly cash balances during the fiscal year. Cash will be closely monitored to ensure the District is liquid in order to satisfy its obligations.

Fund Summaries

Illustrated below is a summary of each Fund's fund balance and corresponding change.

Fund		2019-20 Estimated Fund Balance	Budgeted Net Change	2020-21 Adopted Ending Fund Balance
01	General (Unrestricted and Restricted)	\$2,542,340	\$4,730	\$2,547,070
13	Cafeteria	\$0	\$0	\$0
21	Building Fund (GO Bonds)	\$555	(\$555)	\$0
25	Capital Facilities (Developer Fees)	\$93,556	(\$4,250)	\$89,306
40	Special Reserve for Capital Outlay (Lease Property)	\$809,235	\$75,840	\$885,075
51	Bond Interest and Redemption (GO Bond Repayment)	\$1,744,856	\$39,181	\$1,784,037
56	Debt Service Fund (Energy Bonds)	\$89,278	\$1,755	\$91,033
67	Self-Insurance Fund	\$265,841	\$0	\$265,841

Multiyear Projection

General Planning Factors:

Illustrated below are the latest factors released by School Services of CA and the County Department of Finance (DOF) that are utilized as planning factors:

Planning Factor	2019-20	2020-21	2021-22	2022-23
Dept of Finance Statutory COLA (Limited Impact)	3.26%	2.31%	2.48%	3.26%
Effective Deficit Factor	-	-7.92%	-7.92%	-7.92%
SSC Recommended Funded COLA	-	0.00%	0.00%	0.00%
Estimated Secured Property Tax Increase	3.28%	4.97%	3.5%	3.5%
STRS Employer Rates (Governor's Proposed Rates)	17.10%	16.15%	16.02%	18.10%
PERS Employer Rates (Governor's Proposed Rates)	19.72%	20.70%	22.84%	25.50%
Lottery – Unrestricted per ADA	\$153	\$153	\$153	\$153

Lottery – Prop. 20 per ADA	\$54	\$54	\$54	\$54
Mandated Cost per ADA / One Time Allocation	\$0.00	\$0.00	\$0.00	\$0.00
Mandate Block Grant for Districts: K-8 per ADA	\$32.18	\$32.18	\$32.18	\$32.18
Mandate Block Grant for Districts: 9-12 per ADA	\$61.94	\$61.94	\$61.94	\$61.94
Mandate Block Grant for Charters: K-8 per ADA	\$16.86	\$16.86	\$16.86	\$16.86
Mandate Block Grant for Charters: 9-12 per ADA	\$46.87	\$46.87	\$46.87	\$46.87

Various aspects of the planning factors illustrated above will be further discussed below with the District’s specific revenue and expenditure assumptions.

Revenue Assumptions:

Per enrollment trends, the District continues to anticipate fairly flat enrollment. The Local Control Funding Formula is based on the Department of Finance's estimates of COLA but for 2020-21 is adjusted for a 10% deficit factor. That deficit factor applies to the District’s Minimum State Aid as a basic aid district, a funding reduction of \$68,000. Local revenue is primarily parcel tax revenue which is adjusted by a 3% escalator each year, and donations which have been reduced for the budget year based on the current economic situation. Lottery revenue is expected to decrease slightly in the current and budget years due to the economic climate and potential reduction in lottery proceeds.

Expenditure Assumptions:

Certificated step and column costs are expected to increase by 1.5 % each year. Unrestricted certificated salaries include a reduction of one certificated position in the budget and following year due to expected changes in enrollment. Classified step costs are expected to increase by 1.5% each year. In 2021-22, it is projected that the interim superintendent position will be filled by a permanent superintendent, reducing contract costs and increasing salary costs as a result.

Adjustments to benefits reflect the effects of salary changes noted above, health benefits adjustments, and expected increases to employer pension costs, as reduced in the May Revise.

At the April board meeting, the Board acted to reduce expenditures in the budget year due to uncertainties about the economy and the structure of opening school in the fall. The Board made reductions in the following areas:

- Eliminated the Transitional Kindergarten program based on basic aid status in the budget year
- Reduced outside transportation contracts, working to restructure a more streamlined program with District staff
- Reduced inter-district transfers, resulting in the saving of one certificated position based on class sizes

Estimated Ending Fund Balances:

During 2021-22, the District estimates that the General Fund is projected to deficit spend \$239 thousand resulting in an unrestricted ending General Fund balance of approximately \$2.19 million.

During 2022-23, the District estimates that the General Fund is projected to deficit spend by \$257 thousand resulting in an unrestricted ending General Fund balance of \$1.94 million.

In accordance with the disclosure requirements of Senate Bill 858, amounts over the State mandated reserve of three percent of total General Fund outgo are reserved for the following activities:

Description	2020-21 Budget Combined	2021-22 Projected Budget Combined	2022-23 Projected Budget Combined
NONSPENDABLE			
Revolving Cash/Prepays	3,000	3,000	3,000
Other	-	-	-
TOTAL - NONSPENDABLE	3,000	3,000	3,000
RESTRICTED			
Restricted Categorical Balances	113,318	0	0
TOTAL - RESTRICTED	113,318	0	0
ASSIGNED			
TOTAL - ASSIGNED	-	-	-
UNASSIGNED			
Economic Uncertainty (REU-3%)	724,815	741,084	757,937
Amount Above REU	1,705,937	1,450,648	1,177,231
TOTAL - UNASSIGNED	2,430,752	2,191,732	1,935,168
TOTAL - FUND BALANCE	2,547,070	2,194,732	1,938,168

Statement of Reasons

The District's Fund Balance includes assigned, unassigned and unappropriated components, that in total are greater than the Minimum Recommended Reserve for Economic Uncertainties because: the District wants to demonstrate fiscal stability and be prepared for a continued downturn in the economy, in funding, or unanticipated property tax trends. The Government Financial Officers Association (GFOA) recommends a prudent reserve of 17%, representing two months' average payroll. The district has approximately 5% additional reserves not specifically assigned, committed, or above the statutory reserve for economic uncertainty which is well below the recommendations of outside authorities.

Conclusion:

Despite current year deficit spending, and a precarious state budget for the foreseeable future, the projected budget and multi-year projections support that the District is projecting to be able to meet its financial obligations for the current and subsequent two years.

Administration is confident that the District will be able to maintain prudent operating reserves and have the necessary cash in order to ensure that the District remains fiscally solvent.

Miller Creek School District
 2020-21 Adopted Budget
 General Fund

Description	General Fund		
	Unrestricted	Restricted	Total
REVENUES			
General Purpose (LCFF) Revenues:			
State Aid & EPA	17,756,043	-	17,756,043
Property Taxes & Misc. Local	-	-	-
Total General Purpose	17,756,043	-	17,756,043
Federal Revenues	-	506,564	506,564
Other State Revenues	295,366	1,107,125	1,402,491
Other Local Revenues	203,800	4,296,330	4,500,130
TOTAL - REVENUES	18,255,209	5,910,019	24,165,228
EXPENDITURES			
Certificated Salaries	7,194,592	3,399,424	10,594,016
Classified Salaries	2,401,651	1,593,835	3,995,486
Employee Benefits (All)	3,246,689	2,540,424	5,787,113
Books & Supplies	414,600	279,324	693,924
Other Operating Expenses (Services)	2,095,520	986,850	3,082,370
Capital Outlay	-	-	-
Other Outgo	165,280	772,309	937,589
Direct Support/Indirect Costs	(74,882)	74,882	-
TOTAL - EXPENDITURES	15,443,450	9,647,048	25,090,498
EXCESS (DEFICIENCY)	2,811,759	(3,737,029)	(925,270)
OTHER SOURCES/USES			
Transfers In	-	-	-
Transfers (Out)	-	-	-
Net Other Sources (Uses)	1,121,000	(191,000)	930,000
Contributions (to Restricted Programs)	(3,928,029)	3,928,029	-
TOTAL - OTHER SOURCES/USES	(2,807,029)	3,737,029	930,000
FUND BALANCE INCREASE (DECREASE)	4,730	-	4,730
FUND BALANCE			
Beginning Fund Balance	2,429,022	113,318	2,542,340
Ending Balance, June 30	2,433,752	113,318	2,547,070

Miller Creek School District
 Adopted Budget and Multi-Year Projection

	Estimated Actuals 2019-20			Adopted Budget 2020-21			Projection 2021-22			Projection 2022-23		
	Unrestricted	Restricted	Combined	Unrestricted	Restricted	Combined	Unrestricted	Restricted	Combined	Unrestricted	Restricted	Combined
Revenue												
General Purpose	16,875,965	0	16,875,965	17,756,043	0	17,756,043	17,861,781	0	17,861,781	18,438,244	0	18,438,244
Federal Revenue	0	562,059	562,059	0	506,564	506,564	0	506,564	506,564	0	506,564	506,564
State Revenue	569,581	1,170,467	1,740,048	295,366	1,107,125	1,402,491	295,366	1,107,125	1,402,491	295,366	1,107,125	1,402,491
Local Revenue	863,513	4,673,120	5,536,633	203,800	4,296,330	4,500,130	203,800	4,375,830	4,579,630	203,800	4,456,904	4,660,704
Total Revenue	18,309,059	6,405,646	24,714,705	18,255,209	5,910,019	24,165,228	18,360,947	5,989,519	24,350,466	18,937,410	6,070,593	25,008,003
Expenditures												
Certificated Salaries	7,413,184	3,394,147	10,807,331	7,194,592	3,399,424	10,594,016	7,472,492	3,450,424	10,922,916	7,584,592	3,501,424	11,086,016
Classified Salaries	2,537,666	1,212,917	3,750,583	2,401,651	1,593,835	3,995,486	2,437,651	1,617,735	4,055,386	2,474,251	1,641,635	4,115,886
Benefits	3,633,230	2,268,153	5,901,383	3,246,689	2,540,424	5,787,113	3,420,689	2,614,985	6,035,674	3,737,689	2,749,466	6,487,155
Books and Supplies	415,873	595,632	1,011,505	414,600	279,324	693,924	335,100	358,824	693,924	253,215	440,709	693,924
Other Services & Oper. Expenses	2,103,730	1,488,221	3,591,951	2,095,520	986,850	3,082,370	1,887,147	1,100,168	2,987,315	1,887,147	986,850	2,873,997
Capital Outlay	0	0	0	0	0	0	0	0	0	0	0	0
Other Outgo 7-xxx	163,155	595,326	758,481	165,280	772,309	937,589	165,280	772,309	937,589	165,280	772,309	937,589
Transfer of Indirect 73xx	(58,836)	58,836	0	(74,882)	74,882	0	(74,882)	74,882	0	(74,882)	74,882	0
Budget Reductions												
Total Expenditures	16,208,002	9,613,232	25,821,234	15,443,450	9,647,048	25,090,498	15,643,477	9,989,327	25,632,804	16,027,292	10,167,275	26,194,567
Deficit/Surplus	2,101,057	#####	(1,106,529)	2,811,759	(3,737,029)	(925,270)	2,717,470	(3,999,808)	(1,282,339)	2,910,118	(4,096,682)	(1,186,564)
Other Sources/(uses)	0	0	0	0	0	0	0	0	0	0	0	0
Transfers in/(out)	1,044,234	(726,000)	318,234	1,121,000	(191,000)	930,000	1,121,000	(191,000)	930,000	1,121,000	(191,000)	930,000
Contributions to Restricted	(3,541,374)	3,541,374	0	(3,928,029)	3,928,029	0	(4,077,490)	4,077,490	0	(4,287,682)	4,287,682	0
Net increase (decrease) in Fund Balance	(396,083)	(392,212)	(788,295)	4,730	0	4,730	(239,020)	(113,318)	(352,339)	(256,564)	0	(256,564)
Beginning Balance	2,825,105	505,530	3,330,635	2,429,022	113,318	2,542,340	2,433,752	113,318	2,547,070	2,194,732	0	2,194,732
Ending Balance	2,429,022	113,318	2,542,340	2,433,752	113,318	2,547,070	2,194,732	0	2,194,732	1,938,168	0	1,938,168
<i>Total Fund Balance</i>			<i>9.8%</i>			<i>10.2%</i>			<i>8.6%</i>			<i>7.4%</i>
Revolving/Stores/Prepays	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Reserve for Econ Uncertainty (3%)	774,637	774,637	774,637	724,815	724,815	741,084	741,084	741,084	741,084	757,937	757,937	757,937
Restricted Programs	113,318	113,318	113,318	113,318	113,318	113,318	0	0	0	0	0	0
Assigned	0	0	0	0	0	0	0	0	0	0	0	0
Unappropriated Fund Balance	1,651,385	0	1,651,385	1,705,937	0	1,705,937	1,450,648	0	1,450,648	1,177,231	0	1,177,231
<i>Unappropriated Fund Balance</i>			<i>6.4%</i>			<i>6.8%</i>			<i>5.7%</i>			<i>4.5%</i>

Miller Creek School District
Adopted Budget and Multi-Year Projection

Notes:

- ¹ District is expected to become community funded in 2020-21 and beyond. Enrollment and ADA are projected to be flat. Property taxes are projected to increase 3.5% in 2021-22 and 2022-23.
- ² In FY19-20 the District received one-time Pre-School funds of \$207,000. These dollars were removed for the out-years.
- ³ Projections include step movement for eligible employees, and reduction of 1.0 classroom teachers in 2021-22. In 2021-22, superintendent position is added back along with related benefits. Salary settlement for all groups is included in the current budget. Removed balance of retirement incentives paid in current year.
- ⁴ Projections include step movement for eligible employees.
- ⁵ Projections include estimated increases in state pension percentages for both STRS & PERS, estimated 6% and 4% increase in health benefits, plus statutory benefits related to salary changes.
- ⁶ Revised special education budget to reflect actual students and costs with Non-Public services in current year. In 2021-22, removed MCOE Interim Superintendent; added cost of permanent superintendent to salary and benefit budgets. Removed costs of transportation contractor due to restructure of program.
- ⁷ Increased contribution to restricted programs (primarily special education) to cover compensation increases such as benefits, step and pensions.
- ⁸ Parcel Tax annual 3% increase reflected in restricted revenues and expenditures, with an offsetting reduction in unrestricted costs.