



June 12, 2018

Superintendent: Liz Schott

Board of Trustees: Juli Kauffman – Ashley Paff – Cynthia Roenisch – Heather McPhail Sridharan – Quoc Tran

Re: 2018-19 Adopted Budget Report – Common Message Update

### **Report Format**

This narrative contains a number of components including an analysis of Kentfield School District's financial condition for fiscal year 2018-19.

### **Budget Certification**

The state requires each district to submit its budget report with one of the following certifications:

**Positive** – the district will be able to meet its financial obligations for the current and subsequent two fiscal years

**Qualified** – the district may not be able to meet its financial obligations for the current and subsequent two fiscal years

**Negative** – the district will not meet its financial obligations in the current or following fiscal year

The Kentfield School District Budget Report will be submitting a positive certification to the Marin County of Education.

### **2018-19 May Revision Key Guidelines from Common Message**

The May Revision confirms that General Fund revenue assumptions have increased substantially since the release of the Governor's January budget. The administration attributes these gains primarily to short-term personal and corporate income gains stemming from the 2017 stock market rally and the federal tax cut enacted last December.

Because of the strong revenues from January to May, the May Revision maintains full funding of the local Control Funding Formula (LCFF) and the Rainy Day Budget Reserve (Proposition 2, 2014). As with the January proposed budget, the Governor warns that California will soon face an economic downturn, noting that California's economic recovery has lasted four years longer than average and that "now is a time to save; not a time to make pricey new promises we can't keep." Accordingly, the Governor stated that most of the revenue increases that have materialized since January will be invested in one-time expenditures and paying down debts and liabilities.

The May Revision proposes funding full implementation of the Local Control Funding Formula (LCFF) for 2018-19 with the combined statutory COLA of 2.71% and an additional .29% augmented COLA applied to the LCFF base grants, two years in advance of the eight-year implementation timeline.

### **One-Time Discretionary Funds**

The May Revision may include one-time discretionary funding of approximately \$344 per average daily attendance (ADA). These one-time funds offset outstanding local mandate claims and can be used for state standards implementation, teacher induction, technology, infrastructure, and deferred maintenance needs. Until the Governor's proposed budget is passed, Marin County Office of Education (MCOE) has advised Marin LEA's to not budget these funds.

## Special Education

The Governor's May Revision continues to propose modest one-time and ongoing funding for Special Education programs including a 2.71% cost-of-living adjustment, estimated at \$14.66 per ADA.

## Basic Aid Status/Local Control Funding Formula (LCFF)

At this time, it is expected the Kentfield School District will remain a Basic Aid funded school district in 2018-19 and in future years. Local unsecured property taxes increased by 4.85% over the prior year, and will be projecting property tax growth of 4.5% in 2019-20 and 2020-21 for the Multi-Year Projections (MYP). An updated report from the Marin County Department of Finance as of 5/31/2018 shows a projection of up to 5.29% increase in property taxes.

## 2018-19 Enrollment Projections

Bacich	638
Kent	<u>573</u>
<b>Total</b>	<b>1,211</b>

The calculations that determine the LCFF amount a district will receive in a given year are developed with the use of the "FCMAT LCFF Calculator". This has become the State's standard tool in projecting LCFF revenues, and this tool will be used to update our budget.

Important factors in determining LCFF revenue for a school district include the enrollment (and actual student attendance driven by student enrollment, or "ADA") and "unduplicated pupil counts" (students who are identified as English Learners, Low Income or Foster Youth). Kentfield School District's enrollment and unduplicated counts are projected as follows:

<u>Year</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>
District Enrollment	1,238	1,211	1,173	1,141
Unduplicated Students	155	155	155	155
Unduplicated %	10.13%	11.36%	12.86%	13.22%

The May Revision proposes funding full implementation of the Local Control Funding Formula (LCFF) in 2018-19. The LCFF calculation is using a total of 3.00% combined with the statutory COLA of 2.71% applied to the LCFF base grants. Full funding of the LCFF proposes to reach full implementation two years in advance of the eight-year implementation timeline.

<u>Year</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>
Gap Funding	41.86%	100.0 %	100%
COLA	1.56%	2.71%	2.67%

## Projected Expenditures

### Health & Welfare and Statutory Employee Benefits

- SISC (Self-Insured Schools of California)
  - .93% (single) 1.03% (single + 1) premium rate increase for employee health insurance for the Kaiser Traditional Plan
- Delta Dental 18.06% premium rate increase
- Vision Service Plan (vision) 10% premium rate increase
- Workers Compensation 1.059% of gross salary (decrease from 1.104% in 2017-18)
- MYP projections include an industry-standard 1.5% cost for salary schedule movement for both certificated and classified employees, and a 10% cap for employee health insurance for future years.

## 2018-19 Staffing

### Certificated 87.10 FTE (-.30 FTE)

- Moved one certificated teacher from Kindergarten to Assistant Principal (0.00 FTE)
- Did not replace one Bacich certificated teacher (resignation) (-1.00 FTE)
- Increased one Bacich certificated teacher from .50 FTE to 1.00 FTE
- Increased certificated psychologist position from .60 FTE to .80 FTE

### Classified 36.80 FTE (-1.60 FTE)

- Elimination of one classified management position (resignation) (- 1.00 FTE)
- Attrition of one Kent Learning Center paraprofessional (temporary position) (-.94 FTE)
- Increase TK paraprofessional from .30 FTE TO .64 FTE

## CalSTRS and CalPERS Employer Contribution Rates

The table below indicates the CalSTRS and the CalPERS employer contribution rates for current and future years. These increased retirement contributions have been incorporated into the multi-year projections (MYP).

<u>Fiscal Year</u>	<u>CalSTRS</u>	<u>CalPERS</u>
2014-15	8.88%	11.771%
2015-16	10.73%	11.847%
2016-17	12.58%	13.888%
2017-18	14.43%	15.531%
2018-19	16.28%	18.062% New Rate
2019-20	18.13%	20.80%
2020-21	19.10%	23.50%

### **Proposition 39**

The Clean Energy Jobs Act program (Proposition 39) was approved by voters in 2012 for a five-year funding appropriation. The District applied for the energy expenditure plan and was approved for a total of \$478,000. The District has completed several of the energy identified projects, including the LED lighting retrofit project. Kent received new Energy Management System (EMS) replacements of thermostats in 2018-19. New HVAC, high efficiency heaters have been installed at Kent Middle School and the District Office. Bacich will also receive the new EMS system thermostats as part of the modernization project this summer.

### **Special Reserve Fund 17**

A Special Reserve Fund 17 was establishment for the parcel tax reserve in anticipation of the parcel tax renewal. Measure A passed on March 6, 2018. The funds will be transferred from the Special Reserve Fund to the General Fund in 2018-19.

### **Measure D Fund 22**

On November 4, 2014, voters passed a \$30,000,000 Measure D General Obligation Bond. Fund 22 was opened in January 2015 for the master plan and construction projects. The Bond Oversight Committee meets approximately three times a year for oversight responsibilities. The second issuance of \$18,000,000 General Obligation Bonds, series B, was certified and received in the Marin County Treasurer's office on May 17, 2018. The Bacich new classroom and modernization will begin this summer.

### **Ending Fund Balance Reserves**

The 2018-19 Budget Adoption Reserves establishes the substantiation for the need of reserves greater than the state required minimum reserve for economic uncertainty. The District's ending fund balance has been allocated to provide for the following:

- 3% State Mandated Reserve
- 2% District Designated Reserve
- Special Education Reserve for Program Costs
- Revolving Cash
- Undesignated Unassigned Reserve for unanticipated costs

### **Common Message on Reserves**

County offices continue to reinforce the need for reserves in excess of the minimum reserve for economic uncertainty. The state-required reserve for economic uncertainty represents only a few weeks of payroll for most districts. Inadequate reserves force districts to react quickly, often causing significant disruption, sometimes unnecessarily, to student programs and employees.