K.2. ADOPT 2019/2020 Adopted Budget

Rationale:
Prior to July 1st of each fiscal year, the Board of Trustees must approve an operating budget.

The public hearing was held at the June 18, 2019 Board meeting.

Attached is the 2019/2020 Adopted Budget, utilizing the State required forms. The District's internal budget documents are also included. The following forms and documents are included for review:

1. Executive Summary
2. Internal Budget Documents for all Funds
3. 2019/2020 Budget Adoption Reserves
4. School District Certification
5. Workers' Compensation Certification
6. General Fund
7. Average Daily Attendance
8. Cash Flow Projection
9. Multiyear Projections - General Fund
10. Summary of Interfund Activities - 2019/2020 Budget
13. All "Other" funds
14. Criteria & Standards Review - General Fund

Contact person: Mrs. Kate Ingersoll, telephone number (916) 566-1600 ext. 31112.

Actions:

Motion: A motion was made to adopt the District's 2019/2020 Budget. Passed with a motion by Rebecca Sandoval and a second by Michelle Rivas.

Vote:
Yes Michael Baker.
Absent Bob Bastian.
Yes Basim Elkarrar.
Yes Linda Fowler.
Yes Ramona Landeros.
Yes Michelle Rivas.
Yes Rebecca Sandoval.

Quick Summary / Abstract:
Prior to July 1st of each fiscal year, the Board of Trustees must approve an operating budget. The public hearing was held at the June 18, 2019, Board meeting. Attached is the 2019/2020 Adopted Budget, utilizing the State required forms along with the District's internal budget documents. The Superintendent recommends that the Board of Trustees adopt the 2019/2020 Adopted Budget. Contact person: Bill McGuire, telephone number: 1-916-566-1600 ext. 31250 or Kate Ingersoll ext. 31112

Minutes:
Adopted - The District's 2019/2020 Budget.

This agenda item was provided by Bill McGuire and Kate Ingersoll, Executive Director of Fiscal Services.

A detailed overview was provided at the June 18, 2019, regular board meeting during a public hearing.

Attachments:
2019-2020 TRUSD Adopted Budget SACS Document - 6-25-19
2019/2020
ADOPTED BUDGET
EXECUTIVE SUMMARY

The District is required to adopt a budget prior to July 1 of each year in order to authorize the expenditure of funds. Since the preparation of this budget occurs before the Governor’s final action, and before actual expenditures are known for the current year, estimates of proposed revenues and expenditures are based on the most reasonable assumptions and recent information available at the time of the preparation. The budget is a dynamic document which will change as the assumptions and estimates used to develop it change.

Governor Newsome’s May Revision 2019/2020 budget proposal confirms that General Fund revenue assumptions have increased since the release of the Governor’s January budget proposal. The administration attributes these gains primarily to the short-term personal and corporate income gains stemming from a strong stock market and initial public offerings of stock of large California-based companies. The revenues are increased short-term from 2017/2018 through 2019/2020 in the budget forecast, but lower for years beyond.

The 2013 Budget Act established the Local Control Funding Formula (LCFF) which expands local control, reduces state bureaucracy, and ensures that students needs drive the allocation of resources. The funding also includes increased transparency and accountability by the use of the Local Control Accountability Plan (LCAP). School districts are required to develop, adopt, and annually update a three-year LCAP, using the California State Board of Education’s adopted template. The LCAP is required to identify goals and measure progress for student subgroups across multiple performance indicators. Additionally, the regulations require school districts “to increase and improve” services for targeted students (by way of supplemental and concentration grant funding within the LCFF). With our high percentage of targeted students, the regulations provide authority for school districts to spend funds “school-wide” when significant populations of those students attend a school. The budget is aligned with our LCAPs.

The General Fund revenues are greater than the expenditures by $1.5 million. However, once the on-going special education and CSEA salary increases are added to the budget (currently in the ending fund balance reserve), we will be deficit spending $1.4 million. The 2018/2019 Second Interim and Resolution #756 projected on-going deficit spending of $4.6 million in 2019/2020. The additional budget reductions of $3.2 million in 2019/2020 to bring down the on-going deficit spending are identified in the next section. We have enough of an ending fund balance for the required 3% State reserve for economic uncertainties, but fall short $800,000 to meet our Board Policy intent to maintain a minimum reserve of economic uncertainties equal to at least one month of the general fund payroll expenditures ($19 million) or 6% of the general fund expenditures and other financing sources ($21 million).

BUDGET REDUCTIONS AND TIMELINE

School districts up and down the State are making budget reductions to decrease/eliminate their deficit spending. There are at least three specific factors that districts say are making it harder to balance their budget:

- Rising pension costs (STRS & PERS)
- Rising special education costs
- Declining enrollment
Twin Rivers is a part of this norm and has expenditures rising higher than revenue increases. Budget reductions made to help alleviate deficit spending:
- $7.2 million in 2018/2019
- $6.5 million in 2019/2020 (Resolution #756)
- $3.2 million additional reductions in 2019/2020
  - $200,000 – computer capital lease less than expected
  - $600,000 – two capital leases expired
  - $300,000 – increase in interest income
  - $150,000 – additional kindergarten teacher for 20:1 CSR average using S/C
  - $700,000 – additional (at maximum) for portion of teachers’ salaries for full day kindergarten using S/C
  - $100,000 – increase to S/C teacher salaries for instructional minutes
  - $600,000 – four FTE certificated positions less due to declining enrollment
  - $500,000 – additional savings from the early retirement incentive over the conservative amount in the 2019/2020 projections from the 2018/2019 Second Interim


With the additional budget reductions in 2019/2020, the 2020/2021 on-going deficit spending is projected at $3.8 million. The 2020/2021 year does not include any salary or other type of negotiation increase in costs. Resolution #756 requires $5.4 million in reductions for 2020/2021. We will continue with the plan of $5.4 million in reductions for 2020/2021 with a minimum of $3.8 million required.

The May 17, 2019 letter from Sacramento County Office of Education (SCOE) in response to the district’s CSEA AB 1200 Disclosure, SCOE requests the district submit to their office with the district’s Adopted Budget the timeline process for the housing committee and other budget reduction processes for identifying and implementing $5.4 million in reduction for 2020/2021.

Student Housing Committee (SHC) Timeline (June and moving forward):
- May 22 through June 2 - Thought Exchange opened
- June 3 through 7 - Analyze results
- June 11 - Present results at Board meeting
- June 25 - Board of Trustees provide input on a Board Policy for the optimal school configuration and size
- July 16, July 30, August 13, August 27, September 3 & September 17 - SHC meetings
- October 8 - Present school closure plan to Board of Trustees
- October 29th - Take action on school closures at Board meeting

Budget Reduction Timeline:
- August - Board budget workshop; review, analyze, suggestions
- January - Board budget workshop; review, analyze, suggestions
- March 10 - Take action on budget reductions

**LONG TERM FINANCIAL COMMITMENTS**

In November 2016, the District refunded bonds and issued new bonds that allowed for a prepayment of $48.3 million of the 2007 Certificate of Participation (COP) debt. The use of bond funds and the one-time District funds ($15 million) towards prepayment of debt liability reduces the amount and time from which the General Fund will burden the remainder of the unfunded 2007 COP debt liability. The District has reserves in the Building Fund to cover the debt interest payments through 2021/2022. Thereafter, debt interest payments of $1.5 million will start in 2022/2023 from the General Fund; interest and principal of $8.8 million in 2036/2037 and an average of $10.8 million each of the last 4 years of the COP debt unless
current Measure G bonds are sold. We may be able to sell Measure G bonds sooner than expected (October 2019 and August 2023), which would alleviate any COP 2007 payments coming from the General Fund.

**GENERAL FUND – BUDGET ASSUMPTIONS**

**BEGINNING FUND BALANCE**

The beginning fund balance is estimated to be $37,952,742; all unrestricted with $20,582,904 assigned to program carryover, special education program increases and CSEA approved salary increases. We have estimated the unrestricted funds that will not be spent in 2018/2019 and carryover to be spent in 2019/2020. However, with the close of the 2018/2019 fiscal year the actual ending fund balance will increase from additional unrestricted program carryover funds and unspent restricted categorical programs. The actual 2019/2020 beginning fund balance will be updated at First Interim (after the 2018/2019 financial records are closed).

**REVENUE ASSUMPTIONS**

The Local Control Funding Formula (LCFF) consists of base, supplemental, concentration and add-on funds that primarily focus resources based on a district’s student demographics. Each school district receives the same per pupil base amount by grade span: K-3, 4-6, 7-8, and 9-12. Supplemental and concentration funds are based on the unduplicated number of English Learners, students eligible for free and reduced meals, and foster youth students.

- The LCFF Sources (major assumptions):
  - Average Daily Attendance (ADA) is 21,908 (2019/2020 estimated P2 ADA of 21,803 + 105 for SCOE special day classes). The projected ADA decrease is 285 ADA, but the funded ADA decrease is 487 ADA due to the partial use of the declining enrollment factor during the prior year. We are not eligible to use the declining enrollment factor is the current year.
  - District Charter ADA is estimated at 2,161 (includes 57 ADA for 7th grade WPCS @ Regency Park).
  - Estimated Unduplicated Pupil Percentage (3 year rolling average):
    - Twin Rivers – 87.16%  
    - Creative Connections Arts Academy – 67.86%  
    - Smythe Academy of Arts & Science – 88.25%, 87.16%  
    - Westside Preparatory – 73.17%  
  - Add-ons for transportation and TIIBG 2012/2013 awards = $9,932,217  
  - Cost of Living Adjustment (COLA) of 3.26%  
  - Property taxes are estimated at 2018/2019 P2 levels.
  - Education Protection Account (EPA) is estimated at $36.7 million (the LCFF revenue is reduced by this amount). The EPA funds will be used on salaries and benefits for instruction.

- Federal Revenue includes the reduction of prior year carryover funds ($10.3 million). The elimination of one-time grants and change in grant funding is a reduction of $1.8 million. The significant changes are Title I decrease of $1.6 million reduction, Title II Teacher Quality decrease of $160,000 and Title III (LEP) increase $90,000. The remaining grants are at or close to their 2018/2019 grant award level. There are no prior year unearned revenue budgeted at this time. We anticipate $4 million in unearned revenue to carryover; expenditures will be budgeted in the First Interim after the 2018/2019 financial records are closed and the actual amounts are known.

- Other State Revenue includes the reduction of $500,000 of prior year carryover funds and $7.3 million for one-time grants. The significant one-time grant reductions are Discretionary funds of $4.4 million and Career Tech Ed Incentive Grant of $2.8 million. There are no one-time Mandated Cost/Discretionary funds projected. The on-behalf CalSTRS contribution is in the budget for
$13.5 million; an increase of $2.4 million. As our own Special Education Local Plan Area (SELP A), the revenue now comes through as State revenue instead of Local revenue and is an increase of $15.5 million along with a reduction of $10 million within the Local revenue. The $5.5 million revenue increase is offset by almost $5 million in SCOE special day class costs which were previously paid for by the county SELPA. All other grants are at or close to their 2018/2019 grant award levels.

Effective with the close of the books for 2014/2015, the state’s contribution to CalSTRS on-behalf of district employees must be recorded in the district’s SACS financial records. The entry to recognize the State’s on-behalf pension contribution accounts for both the revenue and expenditure of the financial assistance represented by the state’s contribution; thus there is no impact to the bottom line. The on-behalf STRS contribution is projected to be $13.5 million.

- Other Local revenue includes the reduction of one-time donations and grant; the largest being a $1.1 million for an insurance claim, $1 million in academies and $330,000 for Charter fees due to two charter’s changing to a different SELPA. The State Special Education funding is now received in State revenue (shift of $10 million). Interest income projection increased $300,000.

- Transfers In include rent from Adult Education now in the general fund as part of the budget reductions/revenue increase.

- Contributions from unrestricted to restricted programs is $43.1 million ($3.1 million increase to support programs) and are for the Special Education and Routine Restricted Maintenance programs.

**EXPENDITURE ASSUMPTIONS**

- Certificated salaries and benefits reflect current position control. Position control includes a 1.40% increase for step/column. Negotiated 2% salary increases are included on all certificated salaries. The unrestricted certificated salaries net decrease of $1.2 million compared to the 2018/2019 Estimated Actuals is due to:
  - 2% salary increase
  - Step/column increases
  - 34 FTE less certificated positions (mostly from the early retirement incentive)

- Classified salaries and benefits reflect current position control. Position control includes a 2.2% increase for step. Due to timing, the negotiated 2% salary increase for CSEA is not included, but is reserved in the ending fund balance and will be reflective in position control at First Interim. The 2% salary increase for classified management and confidential is included in the budget. The unrestricted classified salaries net decrease of $1.5 million compared to 2018/2019 Estimated Actuals is due to:
  - 2% salary increase for management and confidential (CSEA reserved in ending fund balance)
  - Step/column increases
  - 42 FTE less classified positions (two-thirds from the early retirement incentive)

- Payroll driven benefit expenditures are budgeted at the following rates:
  - STRS - 17.13% (+0.85%)  OASDI - 6.20%
  - PERS - 20.73% (+2.671%)  MC - 1.45%
  - UI - 0.05%  WC - 1.662% (-0.055%)

- District health benefit caps are increased by a 1% equivalent of salaries.

- We did not include 2018/2019 categorical carryover expenditures. We balanced the categorical entitlements so that the current year revenues equal the expenditures.
• Department and District support budgets were individually analyzed with department administrators and include $1 million in reductions.

• The Routine Restricted Maintenance Account (RRMA) is at $10.2 million. The amendment to Education Code Section 17070.75 replaced the phrase “3 percent of general fund budgeted expenditures” with “3% of total general fund expenditures”. Our estimate of final year end expenditures @ 3% is $10.2 million. We reserved the difference between our estimated year end expenditures and the budget of $260,157.

• Encumbrance carryovers and one-time budgets are eliminated.

• Books and Supplies significantly decrease due to the elimination of one-time carryover budgets within the restricted programs.

• Services and Other Operating Expenditures significantly decrease in both unrestricted and restricted programs due to the elimination of one-time carryover budgets.

• Capital Outlay overall decrease is a net of unrestricted increase for bus purchases and a decrease in restricted programs due to the elimination of one-time carryover budgets.

• Other Outgo increases significantly due to almost $5 million in additional SCOE special day class costs which were previously paid for by the county SELPA before the SELPA revenue was allocated out to the participating school districts.

• Other Outgo Indirect Costs are similar to the prior year estimated actuals.

• Interfund Transfers Out are budgeted at $10 million from Supplemental/Concentration to Fund 14 for high needs facility projects.

• The budget includes the expenditures necessary to implement the 2019/2020 LCAP.

• We have estimated and reserved in the ending fund balance a majority of the unrestricted funds that will not be spent in 2018/2019 and carryover to be spent in 2019/2020. However, with the close of the 2018/2019 fiscal year the actual ending fund balance will increase from additional program carryover funds and unspent departmental budgets. We will budget the actual carryover and restricted ending fund balance amounts toward expenditures on the First Interim budget after the actual amounts are known.

**ENDING FUND BALANCE**

The ending fund balance of $39,432,717 is reported within the following classifications:

• Nonspendable - revolving cash and stores inventory is estimated at $425,357.

• Restricted – legally restricted categorical programs is $0.

• Assigned – $20,831,118
  o $12,873,252 – Instructional Materials carryover
  o $2,627,745 – CSEA negotiated salary increases (two years)
  o $1,195,074 – Additional Special Education costs
  o $715,258 – Supplemental/Concentration - CTE carryover
  o $705,380 – Supplemental/Concentration - Charter carryover
  o $573,998 – Various program carryovers
  o $515,673 – Dark Fiber carryover
  o $480,900 – Supplemental/Concentration – summer programs carryover
$394,941 – ROP carryover  
$345,222 – Supplemental/Concentration – Student Engagement carryover  
$260,157 – To meet RRMA 3%  
$143,518 – Site Base Allocation carryover

- Unassigned –  
  - $18,176,242 Reserve for Economic Uncertainty ($19 million is one month of the District’s payroll)  
  - $0 Unappropriated

**Other Funds — Budget Assumptions**

**Adult Education Fund**

The beginning fund balance is estimated at $1,080,387.

Revenue from Federal categorical programs are budgeted at approximately 70% of the prior years’ awards. Actual award and carryover amounts will be known and reflected at First Interim.

Other State Revenue represents the Adult Education Block Grant (AEBG) in the amount of $2.9 million to run the Adult Education programs for English as a Second Language (ESL), high school completion, pre-apprenticeship and Career Technical Education (CTE) classes.

There is no Other Local Revenue for student fees; fees for adult education classes have not been charged since January 1, 2016.

Certificated and classified salaries and benefits reflect current position control which includes step/column increases, 2% salary schedule increase, health benefit increases and STRS/PERS increases. Salaries and benefits have been budgeted for staff needed to teach fee based courses not budgeted through position control. A decrease in Refugee grant funding reflects a decrease to the variable pay for classified salaries. We anticipate to be notified in September of increased Refugee funding which would then allow for additional variable time/pay towards the program.

Books and Supplies and Services and Other Operating expenditures include all amounts needed to operate the program as well as IT technology fees, rent for facilities and indirect costs.

The ending fund balance is projected at $1,080,387.

**Child Development Fund**

The beginning fund balance is estimated at $804,251.

Federal Revenue is projected as follows: Head Start Basic is budgeted at $1.4 million, Early Head Start at $673,000, Head Start Training & Technical Assistance is budgeted at $17,552 and General Child Care and Development program (CCTR) is budgeted at $22,544.

Other State Revenue includes CCTR, the California State Preschool program (CSPP) and the Pre-Kindergarten Family Literacy program (CPKS). Projected revenues total $5.7 million. Actual award amounts will be known and reflected at First Interim.

Other Local Revenue includes the First Five program (funded at $824,000) and parent paid fees.

Certificated and classified salaries and benefits reflect current position control which includes step/column increases, 2% salary schedule increase, health benefit increases and STRS/PERS increases.
Books and Supplies and Services and Other Operating Expenditures include all amounts needed to operate the program and have been adjusted to reflect the changes in appropriations of Federal and State funded programs.

The ending fund balance of $804,251 is Restricted and can only be used with State approval.

**CAFETERIA FUND**

The beginning fund balance is estimated at $2,326,642.

Federal, State, and Non-Program (Child Nutrition School Program) meal sales are estimated at $20.2 million, representing a 1% increase over 2018/2019 Second Interim. The projected increase is based on the implementation of the Community Eligibility Provisions program. CEP is a federally funded program that allows low income schools and districts to serve breakfast and lunch at no cost to all students.

Salaries and benefits reflect current position control which includes step/column increases, 2% salary schedule increase, health benefit increases and STRS/PERS increases. Open positions, hiring restrictions, lack of substitutes, and shift in positions to fill open site needs are evaluated and charged accordingly within variable salaries.

The food, supply and other operating budgets reflect minimal overall adjustments and include all amounts needed to operate the programs. Cost adjustments identified through competitive bid pricing, improved menu development, increase in training of kitchen staff, better accurate food production estimates and increase in students served.

The total ending fund balance of $2,606,983 is Restricted for the use of nutritional services. None of the programs are deficit spending.

**DEFERRED MAINTENANCE FUND**

The beginning fund balance is estimated at $400,000.

LCFF Sources represent a transfer from the General Fund in the amount of $1,896,380 to be used for facility maintenance projects.

Other Local Revenue represents interest income.

Interfund Transfers In are budgeted at $10,000,000 from Supplemental/Concentration funds (in the General Fund) for high needs facility projects.

Expenditures are budgeted based on the District’s Facility Master plan. All funds are budgeted to be spent and thus there is no ending fund balance.

The ending fund balance is projected at zero.

**SPECIAL RESERVE FUND FOR POSTEMPLOYMENT BENEFITS**

The beginning fund balance is estimated at $1,510,065.

Interest income is budgeted under Other Local Revenue.

The ending fund balance of $1,540,065 is Assigned for future postemployment benefits.
BUILDING FUND

The beginning fund balance is estimated at $5,426,060.

Other Local Revenue includes rental income for leases of our cell towers and interest income.

Expenditures reflect projects from cell tower revenue and debt service interest expense for the 2007 COP liability.

The ending fund balance of $3,987,355 is made up of $3.9 million Restricted funds to be used towards 2007 COP debt repayments through 2021/2022 (after such time the General Fund will have the burden of a $1.5 million annual debt payment through 2035/2036 and then about a $10 million annual payment for the next 5 years unless current Measure G bonds are sold. We may be able to sell Measure G bonds sooner than expected (October 2019 and August 2023)), and $17,000 Assigned for future GO Bond and QZAB outside administrative fees.

CAPITAL FACILITIES - DEVELOPER FEE FUND

The beginning fund balance is estimated at $4,557,645.

Other Local Revenue includes estimated calculations for redevelopment and developer fees.

Expenditures are budgeted to utilize the beginning fund balance and all new revenue.

The ending fund balance is projected at zero.

COUNTY SCHOOL FACILITIES FUND

The beginning fund balance is estimated at $5,000,000.

Other Local Revenue is for interest income.

Expenditures are budgeted based on the Modernization projects which are included in the District’s Facility Master Plan. All funds are budgeted to be spent and thus there is no ending fund balance.

The ending fund balance is projected at zero.

SPECIAL RESERVE FUND FOR CAPITAL OUTLAY PROJECTS

The beginning fund balance is estimated at $13,809,644.

State Revenue is for the DROPS grant and Ca. Clean Energy funding.

Other Local Revenue includes interest income from QZAB funds and MOU with Gateway Community Charter (GCC) for maintenance of Ben Ali site location.

Expenditures are budgeted for facility projects utilizing a portion of the beginning fund balance.

The ending fund balance of $9,341,113 is made up of $6 million restricted for repayment of the two remaining QZABs in December 2020 and $3.4 million Assigned to future facility projects.