



Lakeside Joint School District
June 4, 2018

2018/2019 Adopted Budget Narrative:

The 2017/2018 District Second Interim Budget is a projection of revenues and expenses based on the most current available information from State and County agencies as of June 4, 2018 in consultation with District administration. This budget was built upon the Governors' May Revised State Budget. Any changes from the State May Revised Budget implemented when the State Budget was adopted will be reflected in the district's first interim budget.

➤ **Revenue Projections** are based on data gathered from State and County agencies as of October 31, 2017 and will be adjusted throughout the year as more information becomes available to the District.

PROPERTY TAXES

Property taxes are projected based on current data from Santa Clara and Santa Cruz Counties. The district is projecting a 4% increase in property taxes over last year based on current market trends. We will receive updated information from both counties in August and the Second Interim Budget may reflect a change in projected revenue based on those communications.

LCFF FUNDING

Under LCFF, basic aid districts receive minimum state funding of no less than the amount received in 2012-13. The Hold Harmless amount was calculated based on the categorical allocation net of 8.92% fair share reduction. The District receives funding from former categorical programs: Supplemental Instruction (STAR & Core), Pupil Transportation, GATE, EIA, Math & Reading Professional Development, Math & Reading Professional Development- English Learners, Deferred Maintenance, Instructional Materials, PEER Assistance, Professional Development Block Grant, School Library Improvement, Arts & Music Block Grant, Oral Health, and Class Size Reduction. The amount the District received from these programs in 2012-2013 totals \$181,386. The amount of our "Fair Share" reduction totals \$56,754. The net amount of funding Lakeside receives for the "Hold Harmless" principal apportionment is \$124,632. Current law states that Lakeside will continue to receive these funds annually without COLA. Lakeside receives these funds according to the state apportionment schedule, receiving 5% in July, 5% in August and 9% for the remaining months. The funds come into our unrestricted general fund and may be spent on any District approved expense. The District accounts for the funds collected from LCFF as well as the expenses associated with these funds in a separate fund (fund 018) within our general fund. Included is an additional amount of \$9,009 which used to go directly to our Transportation JPA for Special Education Transportation. A change in state procedures now sends these funds directly to the District with the option to then send the funds to our JPA. We elected to keep these funds to help offset the cost of our Special Education transportation costs. The total now received by the District for LCFF funding is \$133,641.

Under the LCFF calculation, Lakeside will remain a Basic Aid district for the budget year and into the future.

EDUCATION PROTECTION ACCOUNT

Consistent with the current provisions of the EPA, basic aid districts would receive \$200 per ADA in 2012-13 and each year thereafter through 2017-18. With the passage of Measure 55 in November 2016, the District can expect to see some continued funding. Prior to spending funds received from the EPA, the District must hold a public hearing and report on how the funds are to be expended. The law does not restrict the amount of EPA funds that may be carried over, however the CDE expects most EPA funds to be expended each year. The 2018/2019 Budget accounts for the expected funding with no carryover in addition to the expected funding. A separate expense report is included with this budget detailing the projected expenses. At the same public hearing for the adoption of the Budget, the District will present a report on EPA funds and the Board will consider a resolution approving the expensing of these funds.

CATEGORICALS

Most categorical program funding Lakeside has received in the past has been repealed, with the exception of a few programs funded outside the Tier III flexible categorical programs. These programs include federally funded programs, Special Education, Mandated Block Grant, and Lottery.

Lottery: Lottery funding will be calculated in the same manner as prior years. The estimates for 2017-18 are \$144 per annual ADA for unrestricted and \$45 per annual ADA for Proposition 20 (restricted).

Mandated Costs: The funding budgeted in 2018-19 for the MBG is \$28 per ADA for K-12 districts. Additionally, the one-time discretionary funds, which total \$12,183, come from the State into the Mandated Costs object code.

Routine Restricted Maintenance: We are currently projecting that we will meet our requirement to expend 3.2% on Routine Restricted Maintenance.

ONE TIME DISCRETIONARY DOLLARS

The 2018/2019 State Budget included 2 .04 billion dollars for what may be one-time discretionary funds. There is proposed State Legislation to include this discretionary funding into the LCFF based grant. If that legislation is approved, Basic Aid districts will not receive this funding. It may be that only a portion of the funding will be included in the Base Grant, leaving some to be distributed to all districts. Should the full amount be granted that would equal approximately \$344 per ADA. For the purpose of this budget, the district has included approximately half of what could be received. Further adjustments will be made at first interim to either reduce or increase this amount depending on the State Final Budget.

FEDERAL FUNDING

The District has submitted the Consolidated Application for federal funding, apply for funding for Title I, Title II and Title IV funds in addition to REAP funds (Title VI) which requires a separate application. The budget projects stable federal funding year over year, but the First Interim Budget may see changes depending on the outcome of the consolidated Application and the application for REAP funds.

MTSS GRANT

The District has been awarded a one time MTSS (Multi-Tier System of Supports and Response to Intervention) Grant of \$25,000. These funds will be used for additional programs support and Professional Training.

➤ **Expense Projections** are based on historical trends and adjusted for current projects in consultation with district leadership.

CONTRACT NEGOTIATIONS NOT SETTLED

The district and the LTA are still in negotiations for 2017/2018. Although salary was settled in the fall of 2017 for the 2017/2018 year, the LTA and the District are negotiating the agreement between the LTA and the District. Should negotiations be concluded in the fall, any potential fiscal impact to the district budget will be fully disclosed and included in the First interim budget.

PERSONNEL

The budget includes increases for Certificated step and Column as well as for contracted increases in administrator salaries. Also reflected in the loss of one Certificated Teacher to retirement. The District will not be filling this position this year, nor do the MYP projections show this position being funded in the next three years. The District is planning to hire more support for ELA and Math in addition as Maintenance support. The amount for these positions and the associated benefit costs are included in the budget.

CONTRACTED SERVICES

Included in the budget the is amount for planned Professional Development for Benchmark Assessments, Classroom Technology, New Generation Science Standards, Project Based Learning and Intervention. The District will also contract out for ELPAC Testing next year to help meet the needs of our EL Students. We are project to spend less on Legal services. The District has a new 5 year SERP commitment beginning this year and the budget reflects the cost of this commitment.

The District continues to closely monitor costs associated with contracted services. Special Education contracted services along with facilities repairs and general maintenance projects and make up the majority of the costs for contracted services. The budget for Special Education contracted support services is based on requirements from student IEP's as well as anticipated additional services which may be required. As IEP's are settled, the budgeted costs for services may need adjusting. Facilities repairs and general maintenance projects are budgeted in alignment with the District Maintenance Plan.

SPECIAL EDUCATION COSTS

The Budget reflects adjustments based on services mandated by IEP's. The 2018/2019 budget reflects the costs for projected increased services. Additionally, as IEP's are settled, there may be a need for further budget adjustments.

MIDDLE SCHOOL CONTRACTS

The Budget reflects an increase in the projected Middle School Costs, due to the MOU With Loma Prieta Joint Union Middle School. The new MOU With Loma Prieta allows for the cost of the Loma Prieta Parcel Tax per parcel to be added to the cost per Student Lakeside pays Loma. The MOU is for one year and will need to be renewed prior to next June. Lakeside continues to work with Campbell Union School District as Well to offer our families a choice of Middle School Programs.

OTHER CONTRACTED SERVICES OUTSIDE OF THE GENERAL FUND

The District is continuing to work on developing our New Well System as well as developing a Lead Abatement plan. Funds for these two programs are expected to come from the State Resources Water Control Board. Both projects have been consolidated into one and the district is expecting to complete these projects prior to December. Though this is a large budget project, it will not impact the general fund.

➤ **Cash Flow** The District is projecting a positive Cash Flow at the end of the fiscal year 2018/2019. As always the district staff will monitor cash flow closely, especially in November and December when our ending balance is at its lowest.



Multi-Year Projections are based on the latest information available from CDE, DOF, Lottery Commission, SSC and the proposed State Budget for 2018/2019 as of June 4, 2018.

➤ **Concerns**

Lakeside has been very conservative with regards to expenses and historically has maintained a significant reserve level. It is important for basic aid districts in general to carry higher than minimum reserves because dependence on property taxes means dependence on assessed property values. Maintaining reserves greater than minimum provides a buffer should assessed values fall short of projections. Moreover, basic aid districts do not receive additional funding if their enrollment grows. The Santa Clara County Office of Education, the County CBO is suggesting a 17% reserve. For Lakeside specifically, maintaining our current reserve level is vital due to our MOU's with neighboring districts for middle school services. Unfortunately, this budget does not allow any reinstatement of funds to our reserve funds.

The district is projecting to deficit spend in the 2018/2019 year as well as the following two years. If the assumptions remain unchanged, the district will need to make significant cuts in spending in order to be able to meet our financial obligations.

Other Concerns:

- Our IT Support has been provided by a parent volunteer. While the district is extremely grateful for this service, it is not sustainable. Again, there are no funds currently available for this position. Both positions align with the District LCAP goals and the 5-year strategic plan objectives.
- Our facilities are aging and need repair. Significant financial investment will be required to restore and maintain our facilities.

➤ **Ending Balance**

Lakeside projects a positive ending fund balance in the General Fund as of June 30, 2019 as well as for June 30, 2020 and June 2021. In addition, Lakeside is projected to meet the required 5% minimum standard reserve for the budget year and for both the second and third year. However, if the deficit spending remains unchecked, long term projections are showing the District will be in financial distress and unable to make our financial commitments as early as the 2021/2022 school year.

All other funds are projected to have a positive ending balance as of June 30, 2019.

General Assumptions:

Lakeside Joint School District 2018/2019 Adopted Budget

New programs and Multi-year Assumptions

	2018/2019	2019/2020	2020/2021
Revenue	Current Year	Next Year	Third Year
Property tax increase	4%	4%	4%
Parcel tax decrease due to new exceptions	-1000		
Discretionary Funds: 2018/2019 Budgeted for approx half of the amount in the Governors May Revised budget, due to potential reclassification into LCFF Base Calculation. No one time discretionary funds for 2019/2020	\$ 12,384	\$ -	\$ -
MTSS Grant	\$ 25,000	\$ -	\$ -
Salary and Benefits			
Certificated Step & Column plus New Teacher Differential	\$ 25,132	\$ 12,767	\$ 12,979
Administrative Contract	\$ 4,050	\$ 4,172	\$ 4,297
ELA Para plus benefits	\$ 7,537	ongoing	
Math Para plus benefits	\$ 7,537	ongoing	
Maintenance Support plus benefits	\$21,796	ongoing	
Classified Column		\$ 1,003	\$ 538
CBO contract	\$ 2,381	\$ 2,452	\$ 2,526
Increased Benefits for STRS	16.30%	18.13%	19.10%
Increased Benefits for PERS	18.10%	20.80%	23.50%
Materials			
Additional Curriculum		\$ 27,000	
COLA	2.71%	2.57%	2.67%
Conferences, Contracted Services and Operations			
Additional PD over current 17/18 budget	\$ 15,000	\$ (21,000)	
ELPAC Testing Administrator	\$ 1,500	\$ 1,500	1500
MTSS expenditures (program support and PD)	\$ 25,000	\$ -	\$ -
Reduction in cost for one Teacher Induction		\$ (5,200)	
SERP	\$ 16,000	\$ 16,000	\$ 16,000
Reduction in Assessment Costs		\$ (10,000)	
Reduction in Legal Costs	\$ (25,000)		
Reduction in PROP 39 Costs & Revenue	\$ (15,000)		
Facilities & Maintenance Projects	\$ 27,900	\$ 24,770	\$ 31,000
Potential Offsite placement This year	\$ 40,000	ongoing	
Potential Offsite placement Next year		\$ 50,000	
Increase cost for loss of MOU with County for Speech and Psy service	\$ 60,000	ongoing	
Increase cost for loss of MOU with County for DBAS Services	\$ 10,000	ongoing	
Increase cost for MOU with Loma	\$ 12,246	\$ 10,676	\$ 11,932
Increase cost for county Placements and Middle School SPED	\$ 28,000	\$ 8,000	
COLA	2.71%	2.57%	2.67%

