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| <p style="text-align: center;">FIRST INTERIM REPORT 2018-19 NARRATIVE FOR GENERAL FUND</p> |
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The following is a brief overview of the various budget adjustments made to the original adopted budget for the General Fund:

First Interim Adjustments

Revenues Have Increased by Approximately \$2,570,064:

- LCFF sources have a net increase of \$382,857. Assembly Bill 1808, which was released on June 12, 2018, set the cost-of-living adjustment (COLA) for the 2018-19 Local Control Funding Formula (LCFF) base rate at 3.7% (2.71% statutory + 0.99% augmentation), which is slightly higher than the 3.0% that was originally estimated at Adopted Budget. On the flip side of the calculation, the LCFF rolling percentage of unduplicated students for the district decreased from 43.7% to 43.0% since the Adopted Budget. But overall, the two factors resulted in an overall increase to the LCFF source revenue.
- Federal income has a net increase of \$1,404,811. This increase is due to income from restricted resources increasing as a result of unspent categorical revenue from the prior year and any new Federal grants awarded to the district since Adopted Budget. In November 2018, the district received news that we were one of the recipients of the competitive Title IV Student Support & Academic Enrichment Grant, which would bring \$1M revenue into the district. The one-time funds from this grant will be spent towards enhancing the district's Visual and Performing Arts program through the purchases of equipment and materials, and additional professional development for our staff.
The largest sources of carryover funds include \$119,880 in Title I, \$39,054 in Title II, and \$41,563 in Title III. Funding for Medi-Cal, Special Education, Workability, and other Federal programs have also increased since Adopted Budget by an additional \$204,314.
- State income has a net decrease of \$314,659. The decrease is due to several fluctuations in State income - some programs were increased while others decreased. And new programs were also introduced to us this year. The State's payment of outstanding mandated costs claims decreased by \$1,189, Career Technical Education carryover was \$13,458, Special Education funding increased by \$37,368, and State lottery funding increased by \$141,581. After the Board had adopted the District's budget in July, the State's Enacted Budget provided for another year of one-time discretionary funding but significantly decreasing the funding from \$344 per ADA to \$184 per ADA, resulting in a \$1,309,957 decrease to estimated State revenues since Adopted Budget. However, the decrease from the One Time Discretionary Block Grant allowed for two new one-time revenue sources that were introduced this year; the Classified School Employee Professional Development Block Grant for \$49,238, and the Low-Performing Students Block Grant for \$754,841.

- Local income has a net increase of \$1,097,056. This increase includes new and carryover funds from donations or local grants totaling \$1,193,534. The most current estimated residual amount the District would receive from the State Department of Finance and the State Controller from Redevelopment Property Tax Trust Fund increased by \$149,791. Based on the SELPA's latest projections, the District's allocation of special education funding is projected to decrease by \$246,269.

Expenses Have Increased by \$7,604,973:

- Salaries and benefits have a net increase of \$1,754,828. Budget changes are due to step/column changes, actual salaries of new hires, additional hours and stipend payroll for various support programs, and the settlement of salaries and benefits for all employee groups across the district.
- Books and supplies increased by \$3,475,662. A combination of Unrestricted and Restricted carryover is budgeted for instructional materials, technology, books and supplies, and routine maintenance supplies. A significant portion contributing to this increase is that \$814,195 is budgeted for materials towards the new Title IV Student Support & Academic Enrichment Grant and the Low-Performing Students Block Grant. \$841,654 is budgeted for new textbooks and materials for the History adoption and carryover of Restricted Lottery funds (for textbooks and print instructional materials). As part of the Extended Pay Programs, \$43,746 is designated for the purchase of supplies and materials, which is a supplemental program funded through the LCFF funds. And \$430,211 is budgeted from carryover towards Routine Repair and Maintenance. The remaining amount reflects prior year unspent carryover in Restricted Funds and a reallocation of funds from other expense lines.
- Services and Other Operating Expenditures increased by \$2,026,335. Expenditures in this area of the budget are mainly used for professional services delivered by independent contractors. Since Adopted Budget, the District incurred an additional \$173,067 in contracts for special education contracted employees and services. \$316,583 is budgeted for contracts and services towards the new Title IV Student Support & Academic Enrichment Grant, the Low-Performing Students Block Grant, and the Classified School Employee Professional Development Block Grant. \$254,612 is budgeted for textbook and material licenses for the History adoption and carryover of Restricted Lottery funds (for textbooks and print instructional materials). And \$587,891 is budgeted from carryover towards Routine Repair and Maintenance. The remaining amount reflects prior year unspent carryover in Restricted Funds and a reallocation of funds from other expense lines.
- Capital Outlay increased by \$407,468. The District is planning on replacing aged buses for the Transportation Department in the amount of \$257,899. Carryover one-time discretionary dollars will be used for site improvements at El Toro and Machado schools in the amount of \$86,481. Carryover from other funds will be used for the purchase and replacement of instruments at Jackson School of Math and Music in the amount of \$63,087.

- Other Outgo increased by \$38,888. This reflects an increase in special education costs paid to the County Office of Education.
- Transfers and indirect costs increased \$2,357. This increase reflects changes made to the indirect cost amounts in other funds that are credited back to the general fund.

Interfund Transfers have decreased by \$1,339,480.

- The District continues to transfer funds to facilities as payment for the solar Certificate of Participation. But the amount has decreased by \$3,206 (from \$416,000 to \$412,794). \$20,000 will continue to be transferred to the Adult Education fund annually for the Concurrently Enrollment Student program.
- Since Adopted Budget, the following significant changes have occurred: The transfer to the Cafeteria Fund has decreased by \$22,734, we increased the transfer of \$149,791 to Routine Maintenance account from the Redevelopment Property Tax Trust Fund revenues also increasing, and the transfer of the One-Time Discretionary grant to pay off a portion of the district's Certificates of Participation has been reduced by \$1,211,098 due to the decrease of the One-Time Discretionary grant revenue also being reduced. The remaining amount of \$97,442 is for funds set aside to assist the Special Education department in completion of compensatory hours due to students.

Fund Balance/Undesignated/Unappropriated Amount Decreased by \$2,906,930:

- The ending unappropriated amount is \$15,047,237.
- The District continues to maintain a 3% reserve of \$3,087,805.
- Included in the set-asides are resources for IMF carryover, CAHSEE carryover, TIGG carryover, LCFF Supplemental funds carryover, the Science and History Adoption for 2019-20, and the unbudgeted amount from the one-time discretionary grant.

The District will continue to monitor all revenue and expenditure changes and inform the Board of Education when more information becomes available.