




Evergreen School District

From strong roots grow bright futures

DATE: March 8, 2018

TO: Katherine Gomez, Superintendent and
The Board of Trustees

FROM: Nelly Yang – Chief Business Officer 

SUBJECT: Approval of Second Interim Report – Fiscal Year 2017-18

The Second Interim Report reflects a “Positive Certification.” Based on current projections, Evergreen School District will be able to meet its financial obligations for the current fiscal year and subsequent two fiscal years.

The District started the 2017-18 school year with an available unrestricted unassigned reserve of \$13.1 million. Based on the current projections, which updated with Governor’s January budget proposal for the 2018-19 school year and included October Board approved Fiscal Stabilization Options, the District will use \$3.05 million in current year, \$1.14 million in 2018-19 and \$12.22 million in 2019-20. The District end the 2019-20 school year with an available unrestricted unassigned reserve of \$172,391; a 3.14% reserve percentage.

The major assumptions of this report are:

Revenue Assumptions

- Declining enrollment projection: 2017-18 reduce 410 students, 2018-19 reduce 429 students, 2019-20 reduce 431 students
- LCFE revenue projection based on Department of Finance January 2018 updated revenue projected funding GAP and COLA:
 - 2017-18 at 44.97%; COLA at 1.56%
 - 2018-19 at 100%; COLA at 2.51%
 - 2019-20 at 100%; COLA at 2.41%
- One time discretionary funds:
 - 2017-18 at \$147 per ADA; \$1.68 million
 - 2018-19 at \$295 per ADA; \$3.3 million.

- Parcel Tax ends on 6-30-2019
- Revenue contribution to Routine Restricted Maintenance Account (RRMA) at 2014-15 contribution level (\$2.66M), 2018-19 & 2019-20 at 2.45% of general fund expenditures
- Federal, State and Local carryovers are included

Expenditure Assumptions

- Reduction of students
 - 2017-18 reduce 410 students; reduce 10 FTE teachers
 - 2018-19 reduce 429 students; reduce 10 FTE teachers
 - 2019-20 reduce 431 students; reduce 10 FTE teachers
- \$678,230 step/column salary increases for all groups
- \$139,121 saving from retirement in each future year
- Noon duty salary comply with San Jose \$15 per hour as of January 2019
- Salary increase status quo (subject to negotiation)
- Health benefits 5% increase in each future year
- Proportionality requirement met, spend supplemental grant for students in need
- Special education excess cost: 2017-18 actual rate as 11-15-17; 2018-19 increase by additional 767,478 (SELPA 1-29-18 calculation); 2019-20 projected increase by additional \$800,000
- Increase retirement contributions for STRS and PERS
 - 2017-18 STRS @ 14.43%; PERS @ 15.531%
 - 2018-19 STRS @ 16.28%; PERS @ 17.70%
 - 2019-20 STRS @ 18.13%; PERS @ 20%

The District is continuing deficit spending and utilizing Board approved all available one time resources in 2018-19, the District will not be able to meet the minimum reserve requirement of 3% in near future. We will need to address the deficit spending in a timely manner.

RECOMMENDATION:

It is recommended that the Board of Trustees approve the Second Interim Report.

Attachment

**February 2018 Budget Development Compare with
January 2018 Budget Development**

1/31/2018

17-18 18-19 19-20 20-21

Expenditures (Feb 2018, Budget Update)				
Excess Cost Special Education				
Based SELPA January 29, 2018's projection 2018-19 excess cost increase will be \$767,478. January 25,2018 projected at \$1.3M. Update future years annual increase at \$0.8M				
18-19		(532,522)	(532,522)	(532,522)
19-20			(500,000)	(500,000)
20-21				(500,000)
2016-17 COE Excess Cost One-Time Refund in 2017-18		(314,774)		
PERS Rate Changed (School Services Fiscal Report on 1-29-2018)				
18-19		(43,617)		
19-20			(84,551)	
20-21				(116,249)
Routine Restricted Maintenance Contribution Adjustments				
18-19		(14,115)		
19-20			(27,368)	
20-21				(49,464)
Total Expenditure Adjustments Since 1-25-2018 Report				(3,747,704)
2020-21 Projected Reserve Shortage As January 2018				(20,682,702)
3% Reserve Adjustment In 2020-21				(49,464)
2020-21 Projected Reserve Shortage As February 2018				(16,885,534)