

**BUDGET DEVELOPMENT ASSUMPTIONS – GENERAL FUND  
FISCAL YEAR 2014-2015  
BOARD APPROVED MAY 1, 2014 REVISION**

**INTRODUCTION**

This document contains the budget assumptions which the District will use to develop its 2014-15 school year adopted budget. The assumptions fall into five categories: General Assumptions, Fund Balance, Revenues, and Expenditures. Expenditure assumptions are supplement to the LCAP and are categorized by State priorities and District operations.

**GENERAL ASSUMPTIONS**

1. The District activities and budget will continue to be guided by the Board approved Strategic Plan.
2. This budget assumption document is based on the Governor's January 2014-15 State Budget Proposal and recommendations from professional school business organizations such as California Schools Services (SSC), School Innovation & Achievement (SIA), Association of California School Administration (ACSA) , California Association of School Business Officials (CASBO) and the San Mateo County Office of Education. When the May State Budget Revise is announced, the assumptions will be adjusted accordingly.
3. The 2014-15 budget public hearing will be held at the June 5, 2014 Board meeting, and the budget will be adopted at the June 19, 2014 Board meeting.
4. The next official revision of the 2014-15 budget, after the budget adoption, is the First Interim Report to be adopted by December 15, 2014. The budget and assumptions will continue to be updated as new information is received.

**FUND BALANCE**

5. Due to uncertainties in State funding from year to year and risks inherent in the economy, the District has a precedent of reserving 10% for Economic Uncertainties.
6. Other Fund Balance Designations include prior year carryovers of unspent school allocations and State Tier III programs that are currently defunct. These site and district programs are still active in SMFC

7. The 2013-14 Unrestricted General Fund ending balances (2014-15 beginning balances) are projected as below.

| <b>Budget Summary - 2013-14 General Fund Unrestricted Fund Balance:</b> |                                    |                                     |
|---|------------------------------------|-------------------------------------|
|   | <b>First Interim<br/>15-Dec-14</b> | <b>Second Interim<br/>15-Mar-14</b> |
| Projected Unrestricted Ending Balance                                   | \$ 42,941,529                      | \$ 49,723,892                       |
| Economic Uncertainties (10%)  | 9,859,969                          | 10,186,875                          |
| Revolving Cash  | 35,000                             | 35,000                              |
| Other Designations  | 5,584,700                          | 7,811,117                           |
| <b>Projected Undesignated Ending Balance</b>                            | <b>\$ 27,461,860</b>               | <b>\$ 31,690,900</b>                |

8. Until 2013-14 actual expenditures are known, it is assumed there will be no ending balances in most of the restricted general fund programs as of June 30, 2014. Allowable carryovers will be included in subsequent budget revisions.

## REVENUES

9. 2014-15 will be the second year of LCFF implementation. Unrestricted General Fund revenue is per the LCFF Calculator from FCMAT (Fiscal Crisis and Management Assistance Team).
- COLA is estimated at 0.86%.
  - LCFF Gap is the difference between prior year funding and LCFF entitlement (100% implementation targeted for 2020-21). The 2014-15 funding rate to close the Gap is estimated at 28.05%.

| LCFF Calculator Universal Assumptions  |            |            |            |            |
|--|------------|------------|------------|------------|
| San Mateo-Foster City  |            |            |            |            |
|  | 2013-14    | 2014-15    | 2015-16    | 2016-17    |
| <b>Cost of Living Adjustment (COLA)</b>  | 1.57%      | 0.86%      | 2.12%      | 2.30%      |
| <b>LCFF Entitlement Gap Funding Rate</b>   | 11.78%     | 28.05%     | 33.95%     | 21.67%     |
| <b>Base Grants</b> <i>(calculated at 100% implementation)</i>                              |            |            |            |            |
| Grades K-3   | \$ 6,952   | \$ 7,012   | \$ 7,161   | \$ 7,326   |
| Grades 4-6   | \$ 7,056   | \$ 7,117   | \$ 7,268   | \$ 7,435   |
| Grades 7-8   | \$ 7,266   | \$ 7,328   | \$ 7,483   | \$ 7,655   |
| <b>Grade Span Adjustment</b> <i>(calculated)</i>   |            |            |            |            |
| Grades K-3   | \$ 723     | \$ 729     | \$ 745     | \$ 762     |
| <b>Add-Ons</b> <i>(no COLA)</i>  |            |            |            |            |
| Targeted Instructional Improvement   | \$ 224,147 | \$ 224,147 | \$ 224,147 | \$ 224,147 |
| Transportation   | \$ 231,328 | \$ 231,328 | \$ 231,328 | \$ 231,328 |
| <b>Supplemental Grant</b> <i>(percent of Base Grant amount)</i>                            | 20.00%     | 20.00%     | 20.00%     | 20.00%     |
| <b>San Mateo-Foster City School District's LCFF Entitlement per ADA</b> <i>(estimated)</i> | \$ 5,755   | \$ 6,677   | \$ 7,208   | \$ 7,481   |

10. Property Tax revenue is to be budgeted with a 3% increase (will be updated when County Assessor projection is issued in August).
11. Enrollment Trends and Assumptions - enrollment figures are used to project staffing, average daily attendance (ADA), and LCFF entitlement. The following projections will be updated and incorporated into our budget as new data emerge.

|                                | 2013-14 | 2014-15<br>Projected | 2015-16<br>Projected | 2016-17<br>Projected |
|--------------------------------|---------|----------------------|----------------------|----------------------|
| Budgeted Enrollment            | 11,705  | 11,940               | 12,177               | 12,521               |
| Change from prior year         | 249     | 235                  | 237                  | 344                  |
| Percentage change              | 2.17%   | 2.01%                | 1.98%                | 2.82%                |
| Average Daily Attendance (ADA) | 11,310  | 11,247               | 11,471               | 11,795               |

12. Lottery revenues are projected as follows by California Lottery Commission :
  - Unrestricted at \$124.00 per ADA
  - Restricted Proposition 20 at \$30.00 per ADA
13. The District will continue to budget for the Mandate Block Grant. The 2014-15 rate remains at \$28.00 per ADA.

14. Special Education state revenue will be budgeted with 0.86% COLA. Federal revenue will be budgeted at same level as in 2013-14.
15. Other Federal categorical programs will be budgeted at the same level as in 2013-14.
16. Interest income is projected to be at 1.0%.
17. Local grants and donations (revenue & expenses) are not budgeted for the July 1 budget. When known, these revenues will be posted to the budget.
18. Board approved facility use fees will continue to be collected from the users of District facilities. The fees will be adjusted by the change in the Consumer Price Index (CPI).
19. Parcel Taxes authorized by the voters in 1991 and 2010 will continue to be adjusted by the change in the Consumer Price Index (CPI). Parcel tax Measure A ends in June 2017.
20. The Annex Program will contribute \$200,000 to the General Fund.

## **EXPENDITURES**

### State Priority - Basic Services

21. Classroom teacher allocations (FTEs) will be calculated based on the 2014-15 enrollment projections. Class size and staffing are as follows.
  - Grade K-3 = 24 to 1 staffing ratio
  - Grade 4-8 = 30 to 1 staffing ratio
22. Classified support staff will be determined based on established allocation formulas.
  - Student supervision
  - School office assistants
  - Custodians
  - Maintenance and Grounds Keeping
23. Salary projections include costs of step advancement for:
  - SMETA (average 4% annually from Step 1 to Step 22)
  - CSEA (average 5% annually from Step 1 to Step 6)
  - SMEAA (3% annually)

- 24. Cost of Living Adjustments are not included in the adopted budget assumptions.
  - It is the District’s priority to fairly compensate all employees and to retain the best employees with competitive salary schedules and benefits. COLA will be added as per Board approved collectively bargained agreements.
- 25. Savings for retired teachers will be based on actual notification of retirements.
- 26. Estimated payroll driven costs are listed below.

| <b>Employer Tax</b>                        | <b>2013-14</b>  | <b>2014-15</b>  | <b>2015-16</b>  | <b>2016-17</b>  |
|--|-----------------|-----------------|-----------------|-----------------|
| STRS (State retirement-Cert)               | 8.2500%         | 10.2500%        | 10.2500%        | 10.2500%        |
| PERS (State retirement-Classified)         | 11.4420%        | 11.7710%        | 12.6000%        | 15.0000%        |
| Employee PERS                              | 7.000%          | 7.000%          | 7.000%          | 7.000%          |
| OASDI (Federal retirement)                 | 6.2000%         | 6.2000%         | 6.2000%         | 6.2000%         |
| Medicare                                   | 1.4500%         | 1.4500%         | 1.4500%         | 1.4500%         |
| Unemployment Insurance                     | 0.0500%         | 0.0500%         | 0.0500%         | 0.0500%         |
| Workers Comp                               | 2.8059%         | 2.8059%         | 2.8059%         | 2.8059%         |
| Retiree Benefits (OPEB)                    | 4.5300%         | 4.6300%         | 4.7400%         | 4.8400%         |
| <b>Certificated P/R Tax &amp; Benefits</b> | <b>17.0859%</b> | <b>19.1859%</b> | <b>19.2959%</b> | <b>19.3959%</b> |
| <b>Classified P/R Tax &amp; Benefits</b>   | <b>33.4779%</b> | <b>33.9069%</b> | <b>34.8459%</b> | <b>37.3459%</b> |

- 27. Training and staff development for certificated and classified employees as needed to support district goals.
- 28. School allocations per enrolled student as of October CBEDS will be as follows.
  - a. Middle School: \$36.00
  - b. Elementary School: \$31.00
  - c. School office supply: \$10.00 (increased from \$5.00 allocated in 2012-13)
  - d. Custodial supply: \$10.00 (increased from \$8.00 allocated in 2013-14)
  - e. School Library books: \$1.00 (new allocation)
- 29. The District will expand the Transitional Kindergarten program for children with birth date between October 2 and December 1, adding four classrooms in 2014-15. There will be additional costs of \$125,000 to set up these classrooms.

State Priority - Student Achievement

30. Measure A Parcel Tax revenue will be used to protect local schools by providing stable local funding that cannot be taken away by the State.
- a. Preserve quality education by attracting and retaining qualified teachers and staff
  - b. Maintain school libraries
  - c. Provide middle school art programs
  - d. Provide music programs
  - e. Support programs which will enhance student achievement
  - f. Provide funding for P.E. program, student counseling programs, magnet schools
  - g. Support small class sizes

State Priority - Student Engagement

31. The Federal Magnet Grant funding ended in 2010-11. The District will provide magnet schools with adequate funds to sustain the on-going magnet themes in 2014-15 as per the LCAP pending Board review of the magnet programs.

State Priority - Other Student Outcomes

32. The District will continue to budget for these mandated services:
- a. Special Education funding shortfall
  - b. Transportation – General and Special Ed
  - c. Matches for Homework Tutorial Program

State Priority - Implementation of Common Core State Standards (CCSS)

33. Purchase of instructional materials and staff development as necessary to implement Common Core Standards and meet Williams Settlement requirements.
34. Technology for staff and students budgeted at 1% of unrestricted general fund revenues for replacements of obsolescent or broken devices and new purchases due to enrollment growth.

State Priority - School Climate

35. Routine Restricted Maintenance (RRM) set aside of 3% of total general fund expenditures is required by Education Code Section 17070.75 for ongoing maintenance of the grounds and buildings.

36. Deferred Maintenance set aside of 3% of unrestricted general fund revenues to ensure safe, clean, and functional school facilities in compliance with the requirements of the Williams Act settlement and Education Code Section 17582(a). Deferred maintenance includes major repair or replacement of plumbing, heating, air conditioning, electrical, roofing, floor systems, interior/exterior painting of school buildings, and the inspection, sampling, and analysis of building materials for carcinogenic materials.
37. Utility costs will be projected based on three years average of actual annual spending and discussion and recommendations from utility companies (if any)

#### District Priority - Equity

38. San Mateo-Foster City School District considers Equity to be a high priority. In order to distribute resources equitably among all district schools, the following programs and basic support services will be allocated according to a formula driven by school enrollment.

#### Education Programs

- Physical education for elementary schools
- Music for elementary and middle schools

#### Basic Support

- Student supervision
- Library assistants
- School office assistants
- School custodians

#### District Operations

39. The Medical Insurance rate for 2014 will be released by CALPERS in July 2013. The District will use 7% for all medical benefits until we receive the actual rate in July 2013.
40. Per the Government Accounting Standard Board (GASB) Statement 45, the District must recognize and record Annual Required Contribution (ARC) expense relating to Other Post-Employment Benefits (OPEB). As of July 1, 2013, the District provides medical insurance for 626 retirees and 1,112 active employees. The District will budget the 2014-15 GASB 45 contribution as per the most current board approved Actuarial Analysis of Retiree Health Benefits Study.

41. San Mateo County Schools Insurance Group (SMCSIG) will approve the following rate changes in May 2014. The 2014-15 Tentative Budget will use the prior year revisions.
- Dental Premium (Joint Power Agency): 5%
  - Vision Premium(Joint Power Agency): 5%
  - Property Liability Insurance, including flood insurance (Joint Power Agency): 5%
  - Worker Compensation Insurance Premium: 20%
42. Transfer into the Special Reserve for Insurance, Fund 17 an amount equal to the difference in property and liability and flood insurance cost at a higher level of deductible per occurrence as listed below. The intent is to maintain a fund to pay for the district's insurance deductibles as needed.
- Property and liability insurance will be purchased at the \$10,000 deductible level instead of \$5,000 deductible level. Insurance premium paid was \$32,316 less in 2013-14.
  - Flood insurance will be purchased at the \$500,000 deductible level instead of the \$250,000 deductible level. Insurance premium paid was \$53,375 less in 2013-14.

#### One-Time Expenditures

43. Replacement and/or upgrade of technology infrastructures projected to cost \$4,554,400 in 2014-15 for:
- New district-wide switching equipment and wireless to replace current equipment at end of life;
  - Additional wireless and networking equipment at all schools to handle increased traffic; and
  - Firewall upgrade needed to allow for increased internet bandwidth above 1Gb.
44. Replacements are needed for district owned buses and vehicles in 2014-15:
- Trucks and vans – two are more than forty-five years old and two are more than thirty years old. Estimated replacement cost is approximately \$200,000.
  - Buses – four buses are no longer operable due to constant breakdowns. Estimated replacement cost is approximately \$400,000.
45. Student desks and chairs are in very bad shape and need to be replaced for student safety. The cost of new student furniture is approximately \$3,500,000 for projected district-wide enrollment of 10,121 students excluding Foster City Elementary, Fiesta Gardens and College Park. These three schools already have new student furniture as part of the schools' modernization.