



Cold Spring Elementary School District

First Interim Budget Report

Narrative and Summary of Revisions to the District's Original Budget December 16, 2019

Governing Board
Cold Spring Elementary School District
2243 Sycamore Canyon Road
Santa Barbara, CA 93108

I have attached the District's proposed First Interim Report for your review, consideration and adoption. I am pleased to report that, except for one-time investments in our facilities over last summer, the **First Interim Report is balanced**. We will end the year in a positive position relative to our ongoing, non-facility expenditures.

This report incorporates significant changes from the Original Budget adopted in June. It includes among other changes, the following:

1. Receipt and proposed expenditures for the Restart Grant, a total of \$242,453.00 (Restricted);
2. Receipt and proposed expenditures for the Project SERV Grant, a total of \$150,000.00 (Restricted);
3. Receipt by the County Education Office and proposed expenditure for a second Restart Grant through the SBCEO, a total of \$63,000.00 (Restricted);
4. The revised Tax Revenue projections from the County of Santa Barbara reflecting a total 4.1% increase in ad valorem taxes;
5. Expenditures on improvements to our facilities that were approved over the summer, following the adoption of the Original Budget;
6. A significant change and additional cost for special education services as a result of a leave of absence that was announced after our budget was approved;
7. Proposed transfers to Fund 14 and Fund 17 in the amount of \$300,000; and,
8. Based on recent communications from the Cold Spring Foundation, elimination of the revenue in our multiyear projections.

As part of the adoption of this First Interim Report, we are proposing a **\$50,000.00** contribution from our ending fund balance **to our Deferred Maintenance Account, Fund 14**. This will result in a balance of \$90,000.00 in Fund 14 and provide the necessary funding to take on major deferred maintenance projects in the future. We are also proposing a **\$250,000** contribution from our ending fund balance to our **Board Basic Aid Reserve, Fund 17**. This will result in a balance of

\$1,084,000.00 and will fully fund our target 20% Basic Aid Reserve set forth in Board Policy 1300.

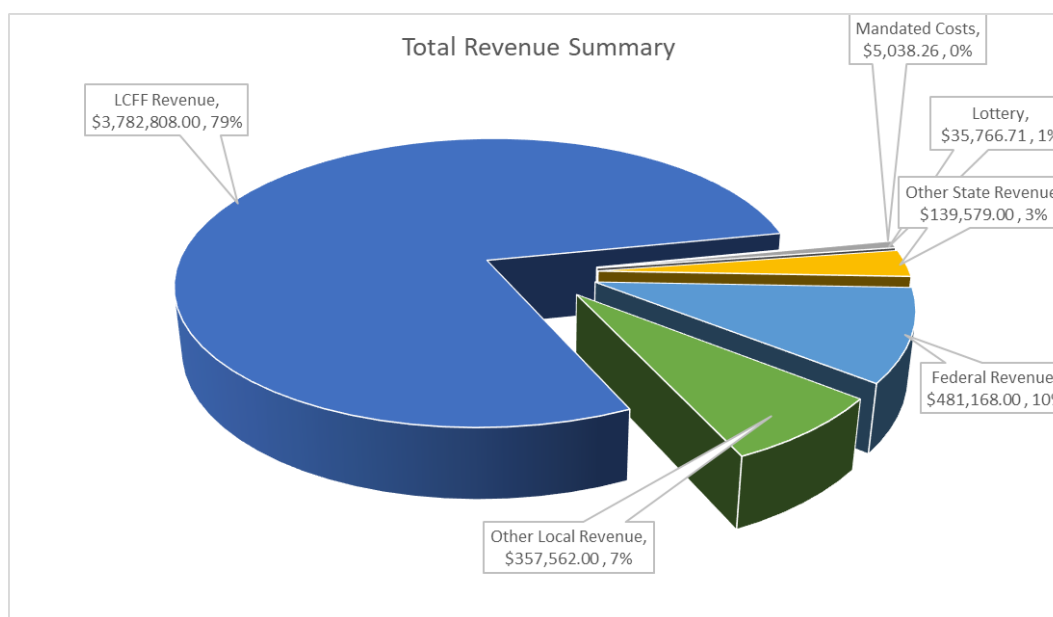
We continue to reflect conservative growth in our *ad valorem* tax base. The Legislative Analyst's Office is reporting that its State Fiscal Health Index has been in decline for four consecutive months. Each additional month of decline in the index increases the risk that an economic slowdown is on the horizon. Based on this year's growth in the tax base, our multi-year projection has been revised to reflect a 2.5% growth to our secured property tax base only.

REVENUE ASSUMPTIONS

The First Interim Report includes the following sources of revenue:

District Revenue Sources		Δ	Notes	
LCFF Revenue	\$ 3,782,808.00	\$ 99,502.56		
Mandated Costs	\$ 5,038.26			
Lottery	\$ 35,766.71	\$ 1,086.71		
Other State Revenue	\$ 139,579.00			
Federal Revenue	\$ 481,168.00	\$ 456,057.00	Incl. Restart Grant	
Other Local Revenue	\$ 357,562.00	\$ 121,912.00	Incl. Backfill Taxes	
	\$ 4,801,921.97	\$ 678,558.27		

The Delta reflects the projected increases in revenue for each category as compared to the Governing Board's Original Budget. The total revenue and relative percentages are reflected in the following Pie Chart:



It should be noted that 2019-2020 has been an unusual year for revenue. The Federal Revenue includes the one-time Restart Grant, round two, and the Project SERV grant. The Other Local Revenue reflects the projected one-time property tax backfill that we are projected to receive in January 2020. These revenue sources are backed-out in the Multi-Year Projection.

The first interim includes the following revenue assumptions:

Unrestricted Resources

Ad Valorem Taxes. The First Interim Budget includes projections that were provided to us by the Santa Barbara County Tax Assessor's Office as of November 13, 2019 (the J-29 P-1). The Original Budget projected 1.5% increase in the secured *ad valorem* taxes. Based on the new projections from the County, we are expecting an increase of 4.1% overall from local tax revenue as compared to last year. This represents \$146,498.15 in additional revenue compared to last year's unaudited actual local revenue. Compared to our Original Budget, the new projection represents an additional \$106,699.56 (secured tax revenue) and a net additional LCFF revenue of \$99,502.56 (all LCFF Sources).

The multiyear projection includes a 2.5% projected increase in 2020-2021 and a 2.5% projected increase in 2021-2022 for the secured *Ad Valorem* taxes only.

Principal Apportionment. The California Constitution guarantees that each school district will receive a minimum amount of state aid, called "basic aid" equal to \$120 per ADA or \$2,400 per district, whichever is greater. We are expecting no change in our basic aid revenue (Fair Share Apportionment). For obvious reasons, this amount has been consistent for the last several years.

Proposition 30, The School and Local Public Safety Protection Act of 2012, created a State account called the Education Protection Account, comprised of tax revenue and vehicle license fees. Of the funds in the account, 89 percent is provided to K-12 education and 11 percent to community colleges. We are expecting a small increase in our Education Protection Account apportionment (\$1,210.00).

Overall this revenue is consistent from year to year.

Unrestricted Lottery Funds. There has been a slight increase in the projected revenue for Lottery based on our Average Daily Attendance. This slight increase is insignificant to our overall budget. Nevertheless, the budget reflects the new numbers. We receive \$153.00 per ADA of unrestricted lottery funding.

Property Tax Backfill. The District is expecting a one-time apportionment from the State to backfill the loss of taxes from the impact that Thomas Fire and subsequent Debris Flow had on our *Ad Valorem* taxes. The apportionment reflects a one-time grant of \$127,212.00 that is reflected in Other Local Revenue in the unrestricted General Fund. We have been working hard to secure this funding and are hopeful that we will receive the apportionment in early January 2020.

Other Local Revenue. In addition to the property tax backfill, the District is projecting an increase in other local revenue for the 2019-2020 school year. The Foundation has contributed \$151,000.00

to our specialist program and an additional \$23,000.00 to offset the lease-to-own program for 3rd Grade parents. The budget also reflects revenue received from parent donations to the various programs offered by the Cold Spring School, including Chorus, Musical Instruments, Camp PALI, CIMI Camp and Parent Club donations for the Residency Program and the buses for the Camp programs. Most of these revenue sources have already been realized.

Restricted Resources

Project SERV Grant. The Project SERV Grant (School Emergency Response to Violence) represents a one-time revenue grant of \$150,000.00. These funds are restricted and must be spent on our Social and Emotional Learning Program designed to address the impacts of the Thomas Fire and subsequent Debris Flow disasters. These funds and their associated expenses are represented in the Fund 01 restricted budget. The revenue and expenses associated with this program have been eliminated in the multi-year projection for the next two fiscal years.

RESTART Grant (Reflected in Federal Revenue). The District received its second and final round of funding for the Federal RESTART Grant. This grant was designed to support the District in its recovery efforts with respect to the Thomas Fire and subsequent Debris Flow. The award includes two components, one funded through the Santa Barbara County Education Office for \$63,000.00 and the second one directly to the District for \$242,453.00. A portion of these funds (\$190,000.00) were earmarked for a \$5,000.00 retention stipend for those current employees that were employed during the disaster period and continue in the District's employ. The remainder is a reimbursement for utility expenses and legal fees incurred during the disaster period. These funds will be credited back to the District's unrestricted general operating funds.

Federal Funding. The District is projecting minor changes to its funding under Title I, Title II and Title IV programs. The District was awarded a new, small grant under Title III (English Learner Program) in the amount of \$421.00. The overall increase in these programs is \$604.00. These funds are restricted and must be spent on expenditures that are consistent with each of the four programs. These resources are used to partially fund our reading specialist and our teacher professional development.

Restricted Lottery Funding. The District receives \$54.00 per ADA of restricted Proposition 20 Lottery funding. These funds are used to support the District's adoption of textbooks. These funds may be carried forward from year to year.

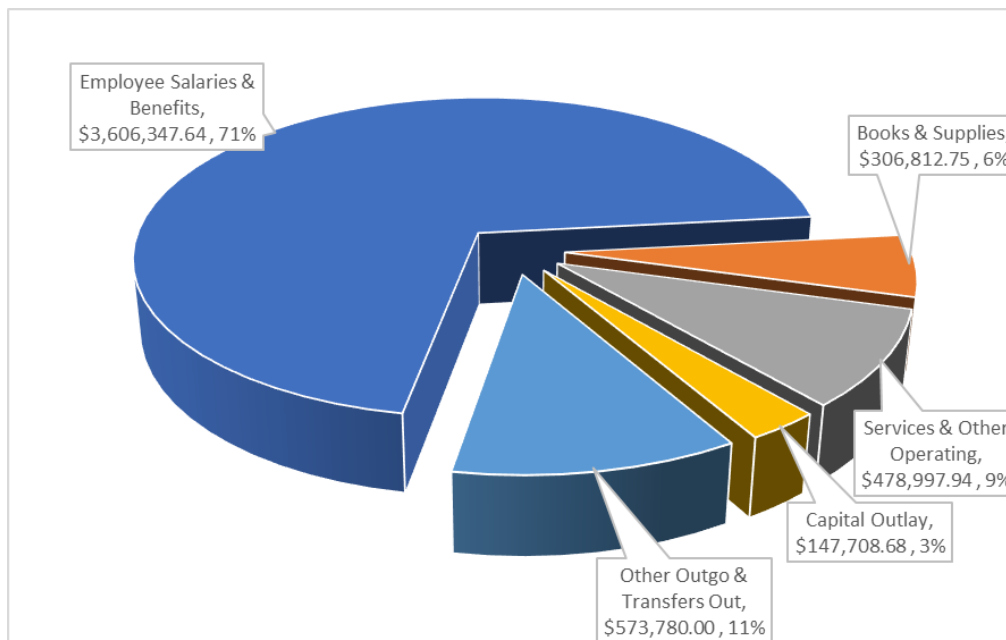
EXPENDITURE ASSUMPTIONS

The First Interim is comprised of the following major expenditure objects:

District Expenditures		Δ
Employee Salaries & Benefits	\$ 3,606,347.64	\$ 307,718.43
Books & Supplies	\$ 306,812.75	\$ 98,682.75
Services & Other Operating	\$ 478,997.94	\$ 138,073.59
Capital Outlay	\$ 147,708.68	\$ 147,708.68
Other Outgo & Transfers Out	\$ 573,780.00	\$ 298,780.00

The Delta reflects the increase in expenditure in each of the categories as compared to the Governing Board's Original Budget.

The following pie chart illustrates the relative percent spending for each of the categories noted above.



Note that the 2019-2020 fiscal year has considerable restricted expenditures that are one-time and are not representative of our annual on-going expenditure levels.

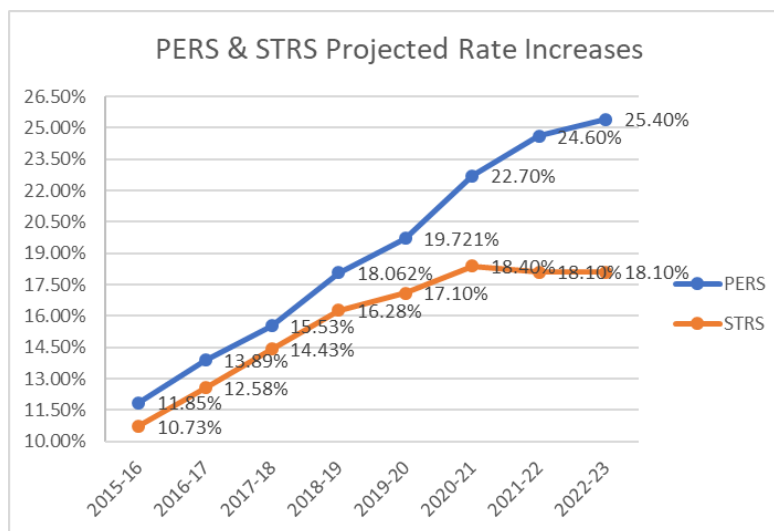
The expenditures in the First Interim Report include the following assumptions:

Salaries & Compensation

As with all districts across the State of California, we struggle to keep up with the annual increases associated with the costs of employing personnel. Salary schedule step and column increases for both Certificated and Classified employees account for an annual increase ranging from 0.75% to 1.27%. In addition to step and column, districts have experienced significant increases in their contributions to CalPERS and CalSTRS. The table on the following page illustrates the anticipated District funded increases to each program:

STRS and PERS Contribution Rates			
	2019-20	2020-21	2021-22
STRS Employer Rate	17.10%	18.40%	18.10%
Incremental Cost (STRS)		\$ 8,244.43	\$ (1,915.90)
PERS Employer Rate	19.72%	22.70%	24.60%
Incremental Cost (PERS)		\$14,704.04	\$ 9,378.21
Total Increase for Retirement		\$ 22,948.47	\$ 7,462.31

Historical rates continue to climb. The STRS rate has leveled-off as a result of the State's one-time contribution to STRS on behalf of school districts. The chart on the following page reflects the most recent projections for each program:



In February of 2019, the District settled negotiations with the Cold Spring Educators Association (CSEA) with a closed two-year agreement. The settlement included a collapse of the salary schedule and a 2.5% increase to compensation in each the 2018-2019 and 2019-2020 fiscal years. Classified employees received the same salary increases. The increase and the changes to the salary schedule were included in the Original Budget. The only significant change to the budget is a shift of approximately \$80,000.00 in expenditures from the restricted general fund accounting to the unrestricted general fund. This expenditure was previously reflected as a general fund contribution to Federal restricted funding for our Reading Specialist position. This change also has an impact on the benefits reflected on the District's unrestricted spending.

The certificated line also reflects the funding for our 50% Special Education teacher hired for the year to cover the leave of absence of our Special Education teacher, and the Board approved adjustments to compensation over the Summer.

On the restricted side of the budget, the First Interim reflects Retention bonuses of \$5,000.00 paid to those individuals that were employees of the District during the Thomas Fire and Debris Flow

and are currently employed by the District. Stipends totaled \$178,918.00, including associated benefits. These stipends were paid from Federal Restart Grant proceeds.

Books & Supplies

The Original Budget adopted by the Governing Board included a completely restructured and recreated budget. When the budget was reconstructed, we anticipated that changes were going to be required during the year to accommodate items that were missed or budgets that were overestimated/underestimated. The beginning of the year represents some of the highest expenditures for the year because it includes textbook, book and supply purchases for the year. We have gone through each budget line item to determine what budgets need to be adjusted upward or downward. We have also received invoices for expenditures that were not projected. These have been included in our First Interim Report.

The District completed its adoption of the Amplify Science textbook. These expenditures are reflected in the Original Budget and in the First Interim Report. The First Interim also includes some additional adjustments to books and supplies that were required to accommodate the split in First, Third and Fourth grades. The District is also working on stocking each classroom with a set of classroom library books to support the Language Arts program. These are one-time expenditures that should decrease slightly in subsequent years. Our First Interim Report also reflects one-time purchases of classroom equipment (projectors) and replacement of classroom furniture for the upper grades. A portion of the classroom furniture and equipment replacement is reflected in the General Fund and a portion in the Capital Facilities Fund, Fund 25. The Capital Facilities Fund expenses are for those classrooms that represent growth in enrollment in certain grades.

When the Original Budget was compiled, we underestimated the expenditures related to the District's material and supply needs. The increase also reflects routine maintenance and repairs that were unanticipated and necessary. Among those is the cleaning, repair, and termite treatment of our emergency shed and the replacement of our emergency supplies. This was successfully completed during the month of October 2019.

The following summarizes the changes in Books and Supplies (Object 4000):

Changes in Books and Supplies (Object 4000)			
	Unrestricted	Restricted	Combined
Textbooks and Core Curricula Material	\$ 2,864.05	\$ 2,094.47	\$ 4,958.52
Books and Other Reference Material	\$ (9,470.00)	\$ 6,000.00	\$ (3,470.00)
Materials and Supplies	\$ 56,915.22	\$ 5,465.02	\$ 62,380.24
NonCapitalized Equipment	\$ 26,313.99	\$ 8,500.00	\$ 34,813.99
Total Change in Object 4000	\$ 76,623.26	\$ 22,059.49	\$ 98,682.75

Note that the increase in restricted expenditures is associated with the Project SERV grant and fund our Social Emotional Learning curriculum and supplies. The grant also funded computers for our Psychologist and Psychology Interns.

Services and Operating Expenditures.

Object 5000 or the Services and Operating Expenditures reflect minor adjustments with respect to unrestricted expenditures. These are primarily expenditures that are new, one-time expenditures. For instance the new Destiny Software for the library. In the case of our insurance, a significant rate increase that was unanticipated at the time we were developing our Original Budget.

We have increased the budgets for dues and subscriptions to accommodate Dr. Alzina's participation in the Small School Districts Association (SSDA) in her new role serving on the statewide Board of Directors, and additional memberships in the Association of California School Administrators. The Dues also include a subscription in the CSBA policy service that was not included in the Original Budget.

The increase in restricted expenditures, particularly in professional consulting (\$102,298) is associated with the Project SERV grant and includes Social Emotional Learning planning and our Psychologist and Psychology Interns. The restricted travel and conferences is associated with professional development for teachers in Social Emotional Learning, funded through the Restart Grant. The following is a summary of the changes in each of the major Services and Operating expenditure objects:

Changes in Services and Operating Expenditures (Object 5000)			
	Unrestricted	Restricted	Combined
Travel and Conferences	\$ (1,509.00)	\$ 12,491.00	\$ 10,982.00
Dues and Subscriptions	\$ 6,637.40	\$ -	\$ 6,637.40
Insurance	\$ 7,369.46	\$ -	\$ 7,369.46
Operations and Housekeeping Services	\$ (5,096.83)	\$ -	\$ (5,096.83)
Rentals/Leases/Repairs and Noncap Improv.	\$ (3,625.42)	\$ -	\$ (3,625.42)
Professional Consulting Services	\$ 17,894.98	\$ 102,298.00	\$ 120,192.98
Communications	\$ 1,614.00	\$ -	\$ 1,614.00
Total Change in Object 4000	\$ 23,284.59	\$ 114,789.00	\$ 138,073.59

Interfund Transfers

District staff is recommending two interfund transfers as follows:

\$250,000.00 General Fund to Special Board Reserve Fund 17

\$50,000.00 General Fund 01 to Deferred Maintenance Fund 14

These two transfers will continue to support the District's efforts with respect to the deferred maintenance needs of its aging facilities and provide a healthy Basic Aid Reserve of 20% specified in Board Policy 1300. The transfer would fully fund the 20% reserve requirement.

Restart Grant and Project SERV Grant

The District is showing some balances in both the Restart Grant and Project SERV grant, both restricted accounts. The portion of the Restart Grant funds that remain following the distribution of the Retention Stipends has been set aside to reimburse legal expenditure and utility expenditures

from the 2017-2018 fiscal year. The District is consulting with the auditor on the appropriate reimbursement methodology and restatement of these funds. The Project SERV funds that remain are associated with programing that is in the process of being planned and is associated with counseling programs and services. Any portion of funds not spent at the conclusion of the year must be returned.

Proposition 39 Funding

There is a residual amount of money left in Resource 6230, California Clean Energy Jobs Act. The District is working with Julie Avnit, our Proposition 39 consultant to file an amendment to the original application to associate these funds with projects that were undertaken that may qualify for the funds. This resource is also being used to pay for Mrs. Avnit's services.

MULTI-YEAR PROJECTION ASSUMPTIONS

General Fund 01

The District is presenting multi-year projections for each of its various funds (01, 14, 17, 20, 21, 25, 40, 51, and 63). These projections reflect adjustments to eliminate several one-time expenditures that are planned for the current year, including revenue and expenditures associated with the Restart Grant, and Project SERV, and expenditures related to facility improvements. The projections also include modest increases associated with inflation and higher cost for goods and services. The District is also anticipating the return of its Special Education Teacher from her leave of absence and will eliminate the position or release the temporary teacher hired to provide special education services.

The Multi-Year Projection also includes the elimination of the Cold Spring Education Foundation contribution. This departure from past practice is the result of recent changes being considered by the Foundation in the manner it contributes to the District. The District will seek a multi-year memorandum of understanding with the Foundation to detail the contribution and any associated restrictions placed on the contribution so that it may be included in future revisions to the Budget. Without the contribution, the District is projecting a shortfall in funding, deficit spending and the need to make contributions from Fund 17 to maintain the statutorily required minimum reserve for economic uncertainties. In order to avoid lay-off notices, the District will need to reach an agreement with the Foundation prior to the end of February 2020.

It should be noted that early projections of kindergarten enrollment suggest that the District may need to split its kindergarten class next year. A split will require a new teacher and a new instructional aide, furniture and curriculum and instructional supplies estimated at approximately \$175,000.00. **This cost is not reflected in the First Interim Report.** The District is carefully monitoring this projection and will include it in the Second Interim Multi-Year Projection if it appears it will be needed.

If the District does not receive the contribution from the Foundation and requires a split in the Kindergarten class, the District will need to make significant budget reductions and/or a realignment of resources to balance the budget in future years.

The tables on the following page summarize the Multi-Year Projections for the current and subsequent two years for the Unrestricted, Restricted and Combined funds in the District's General Fund 01:

Unrestricted General Funds			
	2019-2020	2020-2021	2021-2022
Total Revenue	\$ 4,169,955.39	\$ 3,989,598.83	\$ 4,083,496.44
Transfers In	\$ -	\$ 37,000.00	\$ 136,000.00
Total Expenses	\$ 4,564,620.83	\$ 4,145,470.84	\$ 4,217,332.39
Net	\$ (394,665.44)	\$ (118,872.01)	\$ 2,164.05
Beginning Fund Balance	\$ 730,987.95	\$ 336,322.51	\$ 217,450.50
Ending Fund Balance	\$ 336,322.51	\$ 217,450.50	\$ 219,614.55

Restricted General Funds			
	2019-2020	2020-2021	2021-2022
Total Revenue	\$ 631,966.58	\$ 176,058.51	\$ 176,058.51
Transfers In	\$ -	\$ -	\$ -
Total Expenses	\$ 549,026.18	\$ 169,834.03	\$ 169,834.03
Net	\$ 82,940.40	\$ 6,224.48	\$ 6,224.48
Beginning Fund Balance	\$ 51,967.10	\$ 134,907.50	\$ 141,131.98
Ending Fund Balance	\$ 134,907.50	\$ 141,131.98	\$ 147,356.46

Combined Restricted/Unrestricted			
	2019-2020	2020-2021	2021-2022
Total Revenue	\$ 4,801,921.97	\$ 4,165,657.34	\$ 4,259,554.95
Transfers In	\$ -	\$ 37,000.00	\$ 136,000.00
Total Expenses	\$ 5,113,647.01	\$ 4,315,304.87	\$ 4,387,166.42
Net	\$ (311,725.04)	\$ (112,647.53)	\$ 8,388.53
Beginning Fund Balance	\$ 782,955.05	\$ 471,230.01	\$ 358,582.48
Ending Fund Balance	\$ 471,230.01	\$ 358,582.48	\$ 366,971.01

Deferred Maintenance Fund 14

District staff recommend funding the Deferred Maintenance account at approximately \$100,000.00. It also plans to undertake various larger deferred maintenance activities over the next several years. The District anticipates a larger roofing project may be required in the next three to five years.

Bond Fund 21

The District will spend the ending fund balance in Fund 21 in conjunction with a proposed new bond that is being considered by the Governing Board. The new proposed project includes a replacement of portable building with a permanent structure and upgrading the fire life safety infrastructure of existing buildings.

Capital Facilities Fund 25

The District anticipates a drop in developer fees from previous years based on the latest projections provided by the Santa Barbara Unified School District. The District is planning on spending these funds in the next two to five years to house students as a result of growth in enrollment in Kindergarten and First Grade. The District is also expecting to have to split the incoming Kindergarten class in 2020-2021.

Board Special Capital Facilities Reserve Fund 40

The District has no current intention to spend this capital facilities reserve. This may be reconsidered if the proposed general obligation bond were to fail.

Enterprise/Dolphin Center Fund 63

The District is running a surplus in the operations of the Dolphin Center. Based on recent direction from the Board, the fees were reduced for families with multiple children. This has caused a very small decrease in revenue. The District will continue to adjust the program structure to balance revenue with expenditures and provide an affordable service to the community. The Program requires a fund balance to provide for expenditures during the first two months of the program year because revenue is collected in arrears.

Dolphin Center Afterschool Care			
	Original Budget	First Interim Report	Δ
	30-Jun-19	31-Oct-19	
Total Program Revenue	\$ 64,100.00	\$ 64,100.00	\$ -
Total Program Expenses	\$ 46,817.57	\$ 44,079.68	\$ (2,737.89)
Net	\$ 17,282.43	\$ 20,020.32	\$ 2,737.89
Beginning Fund Balance	\$ 9,587.93	\$ 9,587.93	\$ -
Transfers In/Out	\$ -	\$ -	\$ -
Ending Fund Balance	\$ 26,870.36	\$ 29,608.25	\$ 2,737.89

MINIMUM RESERVE FOR ECONOMIC UNCERTAINTIES & BASIC AID RESERVE

The estimated minimum required reserve for economic uncertainties is calculated at each budgeting period. The reserve is based on five percent of total expenditures and other financing uses. In addition to the minimum State mandated reserve, the District has adopted a policy (Board Policy 1300) targeting an additional Basic Aid Reserve in the amount of 20% of total expenditures. The District's targeted reserves are as follows:

District Target Reserves				
	Percent	2019-2020	2020-2021	2021-2022
State Reserve for Economic Uncertainties	5%	\$ 255,682.35	\$ 215,765.24	\$ 219,358.32
Board Policy 1300	20%	\$ 1,022,729.40	\$ 863,060.96	\$ 877,433.28
Total Combined Reserve	25%	\$ 1,278,411.75	\$ 1,078,826.20	\$ 1,096,791.60

The District is meeting both of its reserves, the Reserve for Economic Uncertainty and its Basic Aid Reserve. The following table reflects the projected ending fund balances for the District's various funds:

District Ending Fund Balance & Other Reserve Balances			
	Beginning Fund Balance	Ending Fund Balance	Δ
Fund 01 General Fund	\$ 782,955.05	\$ 471,230.01	\$ (311,725.04)
Fund 17 Special Reserve (Non Capital)	\$ 827,347.28	\$ 1,084,847.28	\$ 257,500.00
Total Non Capital Reserves	\$ 1,610,302.33	\$ 1,556,077.29	\$ (54,225.04)
Fund 14 Deferred Maintenance Fund	\$ 50,002.73	\$ 90,502.73	\$ 40,500.00
Fund 21 Building Fund (Bonds)	\$ 135,105.29	\$ 136,345.29	\$ 1,240.00
Fund 25 Capital Facilities Fund (Developer Fees)	\$ 384,098.26	\$ 434,598.26	\$ 50,500.00
Fund 40 Special Reserve (Capital)	\$ 533,278.79	\$ 542,053.79	\$ 8,775.00
Total Capital Reserves	\$ 1,102,485.07	\$ 1,203,500.07	\$ 101,015.00
Total Fund Balance & Reserve Balances	\$ 2,712,787.40	\$ 2,759,577.36	\$ 46,789.96