

Newcastle Elementary School District

2018-19 Proposed Budget Report and Multiyear Fiscal Projection

Public Hearing – June 13, 2018

Adoption – June 27, 2018

Local Educational Agencies (LEAs) are required to adopt a budget prior to July 1 of each year in order to authorize the expenditure of funds. The proposed budget is only an initial blueprint for revenues and expenditures since the preparation of the adopted budget occurs before the state has enacted its budget, and before actual revenues and expenditures are known for the current year. In the event that material revisions are necessary, a revised budget will be presented to the Board no less than 45 days after the enacted state budget.

Illustrated below is a summary of the proposed state budget and budget guidelines as provided by the County Office of Education and School Services of California. The Proposed Budget Report also contains financial summaries, multi-year projections and detailed financial state reports relating to the estimated financial activity for 2018-19 through 2020-21 specific to the Newcastle Elementary School District.

Governor’s Revised State Budget Proposal “May Revision”

The Governor’s May Revision proposes to use a combination of increased one-time and ongoing resources to further advance the core priorities of the Administration—paying down debts owed to schools and fully funding the Local Control Funding Formula.

The May Revision reflects a nearly \$8 billion increase in State revenues over a three-year period compared to the Governor’s January proposal. The three major sources of State revenues--personal income tax, corporation tax and sales tax--are all up since January, by \$4.4 billion, \$2.5 billion and \$744 million, respectively. Overall, total State general fund revenues are projected to be \$132.8 billion in 2017-18 and \$138.3 billion in 2018-19. However, unlike previous years, this increase does not translate to a significant bump in education funding. While the May Revision doesn’t anticipate a recession, it does acknowledge and plan for economic risks. The U.S. real gross domestic product growth is projected at 3% in 2018 and 2019, falling to 1.9% starting in 2020. As expected, the Proposition 98 minimum guarantee remains relatively flat from the Governor’s Budget despite the significant infusion of state General Fund revenues due to Prop 98 Test 3 status. Therefore, the 2018-19 minimum guarantee is only increased to \$78.4 billion from \$78.3 billion proposed in the January Budget.

Illustrated below are the major components of the May Revision:

- Cost of Living Adjustment (COLA) is estimated to be 2.71%, which is up from 2.51% that was projected in January. Additionally, the Governor proposes a small augmentation above the statutory COLA, bringing the total to a 3.00% increase to the Local Control Funding Formula (LCFF) base grant target rates.
- As in his January budget proposal, the Governor plans to fully fund the LCFF.
- Over \$2 billion in one-time discretionary funds, equaling about \$344/ADA.
- Continues the proposed ongoing \$200 million increase to Career Technical Education that was discussed in the January budget proposal, while clarifying some of the grant requirements.

- In acknowledgement of the ongoing educator shortage, proposes \$100 million in one-time funds for special education teacher recruitment and retention.
- Includes a one-time \$11.8 million proposal to increase federal funds to support an Early Math Initiative to provide early math resources to teachers, and provide early math learning opportunities for preschool and kindergarten children.
- Includes a \$13.3 million one-time investment to create the Community Engagement Initiative to build the capacity of LEAs to effectively engage their communities with the goal of improving student success.
- Continues the Governor’s proposal from the January budget, to encourage fiscal transparency by requiring LEAs to show in their LCAP how supplemental dollars are spent to increase and improve services to high-need students.

LCFF Gap Funding and Cost-of-Living-Adjustment (COLA):

Funding for the Local Control Funding Formula (LCFF) increased by \$320 million over January, and is expected to bring the formula to 100% of full implementation in 2018-19.

Further, the Legislative Analyst Office estimates that the increase in the cost-of-living adjustment from 2.51% estimated in January to the statutory level of 2.71% established in the May Revise, along with the augmentation to the formula which results in a 3.0% increase, will cost an additional \$277 million. Illustrated below is a comparison of the gap funding percentages and COLA percentages from last year’s enacted budget through the current May Revise.

Description	2017-18	2018-19	2019-20	2020-21
LCFF Gap Funding % – Enacted (June 2017)	43.19%	66.12%	64.92%	100%
LCFF Gap Funding % – Proposed (January 2018)	44.97%	100% (Target)	N/A (Target)	N/A (Target)
LCFF Gap Funding % – Revised (May 2018)	45.17%	100% (Target)	N/A (Target)	N/A (Target)
Annual COLA – Enacted (June 2017)	1.56%	2.15%	2.35%	2.57%
Annual COLA – Proposed (January 2018)	1.56%	2.51%	2.41%	2.80%
Annual COLA – Revised (May 2018)	1.56%	2.71%*	2.57%	2.67%

**Statutory COLA is 2.71%; however, LCFF base grants and grade span adjustments have increased 3.0% due to the Governor’s .29% proposed augmentation.*

Supplemental and Concentration Grants: Education Code Section 42238.02 increases the LCFF base grant by a supplemental grant and a concentration grant. These are determined by LEA’s unduplicated count of pupils who are eligible for free and reduced price meals, and/or who are classified as English Learners, or as Foster Youth.

The Superintendent of Public Instruction will annually compute the percentage of unduplicated count using the criteria above, utilizing data reported through the California Longitudinal Pupil Achievement Data System (CALPADS). A pupil who is identified in more than one category will only be counted once in determining the unduplicated pupil count. This data is subject to annual review and validation by the county office of education and is subject to audit under the state audit guidelines.

Local Control Accountability Plans: Effective 2013-14, the LCFF relies on the use of accountability plans in shifting control of LEA budgets from the state to the local level. Therefore, school districts and county offices of education (COEs) are required to adopt a Local Control and Accountability Plan (LCAP) using a template adopted by the State Board of Education (SBE).

It is required that the LCAP be effective for three years (updated annually), and include annual goals for pupils (including each subgroup of pupils) to be achieved for state and local priorities, as well as identify the specific actions the school district, or COE, will take during each year of the plan to achieve specified goals. Beginning with fiscal year 2018-19, the LCAP will be a three-year static plan, which will result in the current year adoption and two subsequent adoptions encompassing the same three-year cycle (2018-19 through 2020-21).

Prior to adopting or updating the LCAP, a district must provide the public and parent advisory committees (includes EL parent advisory committees) an opportunity to review and comment on the proposed LCAP. In addition, a district must hold at least one public hearing to solicit public comments regarding the LCAP, and must adopt the LCAP at a subsequent public meeting. Further, the LCAP must be adopted before the budget is adopted.

As noted on page two, the Governor proposes improving transparency by requiring districts to illustrate that their supplemental expenditures enable them to meet specific LCAP goals by showing how supplemental dollars are spent to increase and improve services to high-need students.

K-12 One-Time and Block Grant Mandate Funding: The Governor's May Revise includes over \$2 billion in one-time discretionary funds for districts, which results in approximately \$344 per ADA. This is a \$50 increase per ADA from January's proposal. Again, the Governor plans to use these funds to directly offset any unreimbursed state mandate claims. Whether or not these dollars end up being included as additional LCFF funds or even in special education augmentation, they should be available for funding in 2018-19.

Reserves

County offices continue to reinforce the need for reserves in excess of the minimum reserve for economic uncertainty. The required reserve for economic uncertainty represents only a few weeks of payroll for most districts. The Government Finance Officers Association recommends reserves, at minimum, equal to two months of average general fund operating expenditures, or about 17%. In determining an appropriate level of reserves, districts should consider multiple external and local factors including but not limited to:

- State and federal economic forecasts and volatility
- Unknown impacts of federal tax reform on state revenue
- Forecasted revenue changes versus projected expenditure increases in budget and multiyear projection years
- Ending balance impact of various district enrollment scenarios
- Cash flow requirements and the relationship between budgeted reserves and actual cash on hand
- Savings for future one-time planned expenditures

- Protection against unanticipated/unbudgeted expenditures
- Credit ratings and long-term borrowing costs

A prudent reserve affords districts and their governing boards' time to thoughtfully identify and implement budget adjustments over time. Inadequate reserves force districts to react quickly, often causing significant disruption, sometimes unnecessarily, to student programs and employees.

The Governor's May Revise assumes continued economic expansion, yet the Governor continues to stress that fiscal restraint has never been more important. By the end of 2018-19, the expansion will have matched the longest since World War II. To buffer the state against uncertainty and future budget cuts, the Governor proposes to fund the State's Rainy Day Fund in 2018-19 at 100% of its constitutional target (10% of expenditures), bringing total state reserves to approximately \$18.2 billion. It's important for districts to recognize the Rainy Day Fund is designed to protect the non-Proposition 98 side of the state budget and, when fully funded, will delay possible cuts for districts that might otherwise be necessary during an economic downturn. According to the Governor, even a mild recession could result in lost revenue of \$20 billion annually, and recovery takes years.

The district reserve cap is not operable in the current year or in 2018-19 and is not expected to be operable in 2019-20. SB 751 modified Education Code 42127.01 (the district reserve cap), and these changes became effective January 1, 2018. The Public School System Stabilization Account (PSSSA) must now contain a balance of 3% or greater of the Proposition 98 amount in that year to trigger the reserve cap in the following year. Reserves would be capped at 10% (including designated and undesignated reserves in the General Fund (Fund 01) and Special Reserve Fund (Fund 17)) as long as the amount in the PSSSA remained at 3% or greater of the Prop. 98 amount in each preceding year. Basic aid and small school districts (those with fewer than 2,501 ADA) are exempt from the reserve cap. The four conditions that must be met to enable a transfer to the PSSSA are:

1. Proposition 98 is funded based on Test 1
2. Proposition maintenance factor is fully repaid
3. Proposition is sufficient for enrollment growth and statutory COLA
4. At least 8% of state general fund revenues must come from capital gains.

The likelihood of the reserve cap becoming operable in future years remains low but if this does come to pass, districts have the option to request a waiver from the county superintendent of schools for up to two consecutive years in a three-year period. Districts are advised to manage and maintain prudent reserves without consideration of the reserve cap language included in Education Code 42127.01.

2018-19 Newcastle Elementary School District Primary Budget Components

- ❖ Average Daily Attendance (ADA) is estimated at 448
 - Newcastle Elementary 151
 - Newcastle Charter 308
- ❖ The District's unduplicated pupil percentage for supplemental/ concentration funding is
 - Newcastle Elementary 42%
 - Newcastle Charter 16%

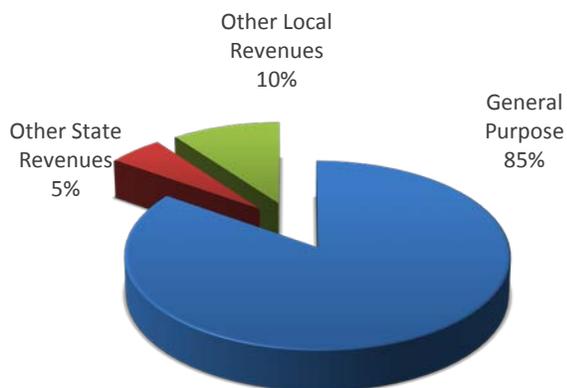
- ❖ Lottery revenue is estimated to be \$146 per ADA for unrestricted purposes and \$48 per ADA for restricted purposes.
- ❖ Mandated Cost Block Grant is.
 - Newcastle Elementary \$31.16 for K-8 ADA
 - Newcastle Charter \$16.33 for K-8 ADA
- ❖ One-Time Mandate Funds are estimated at \$344 for K-12 ADA.
- ❖ Except as illustrated under Contributions to Restricted Programs, all federal and state restricted categorical programs are self-funded.

General Fund Revenue Components~ Newcastle Elementary and Charter Schools

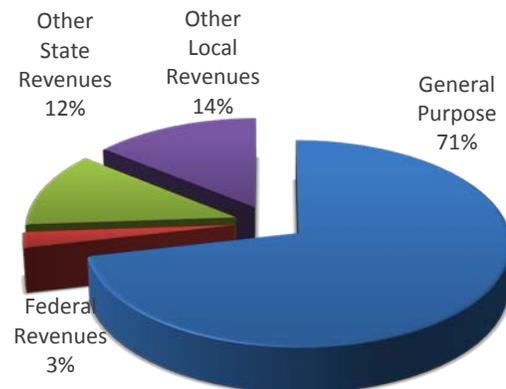
The District receives funding for its general operations from various sources. A summary of the major funding sources is illustrated below:

Description	Unrestricted	Combined
General Purpose Revenue (LCFF)	\$3,868,123	\$3,938,368
Federal Revenues	\$0	\$135,659
Other State Revenues	\$233,787	\$661,971
Other Local Revenues	\$460,957	\$777,759
TOTAL	\$4,562,867	\$5,513,757

Unrestricted



■ General Purpose ■ Other State Revenues
■ Other Local Revenues



■ General Purpose ■ Federal Revenues
■ Other State Revenues ■ Other Local Revenues

Combined

Education Protection Account

As approved by the voters on November 6, 2012, The Schools and Local Public Safety Protection Act of 2012 (Proposition 30) temporarily increased the State's sales tax rate and the personal income tax rates for taxpayers in high tax brackets.

The creation of Proposition 30 provides that a portion of K-14 general purpose funds must be utilized for instructional purposes. Revenues generated from Proposition 30 are deposited into an account called the Education Protection Account (EPA). The District will receive funds from the EPA based on its proportionate share of statewide general purpose funds. A corresponding reduction is made to its state aid funds.

K-14 local agencies have the sole authority to determine how the funds received from the EPA are spent, but with these provisions:

- The spending plan must be approved by the governing board during a public meeting
- EPA funds cannot be used for the salaries or benefits of administrators or any other administrative costs (as determined through the account code structure)
- Each year, the local agency must publish on its website an accounting of how much money was received from the EPA and how the funds were expended

Further, the annual financial audit includes verification that the EPA funds were used as specified by Proposition 30. If EPA funds are not expended in accordance with the requirements of Proposition 30, civil or criminal penalties could be incurred.

Illustrated below is how the District's EPA funds are appropriated for 2018-19. The amounts will be revised throughout the year based on information received from the State.

Description	Newcastle Elementary	Newcastle Charter
BEGINNING BALANCE	\$0	\$0
BUDGETED EPA REVENUES: <i>Estimated EPA Funds</i>	\$183,596	\$384,392
BUDGETED EPA EXPENDITURES: <i>Certificated Instructional Salaries and Benefits</i>	\$183,596	\$384,392
	\$0	\$0
TOTAL	\$183,596	\$384,392
ENDING BALANCE	\$0	\$0

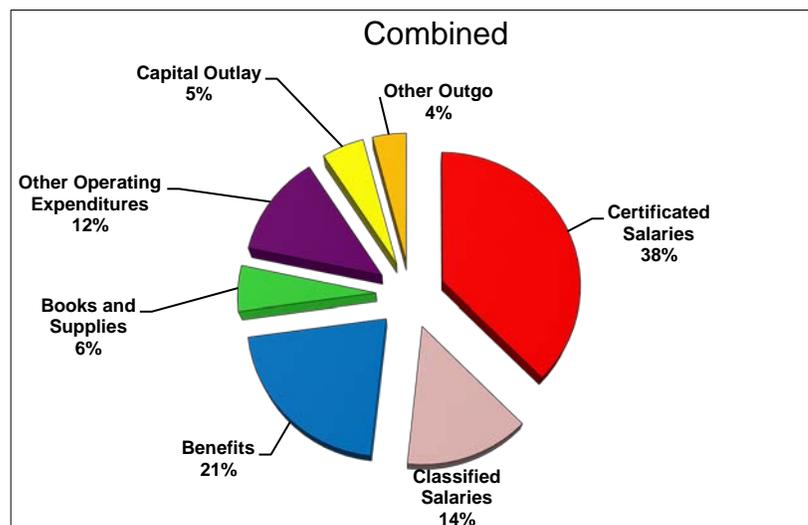
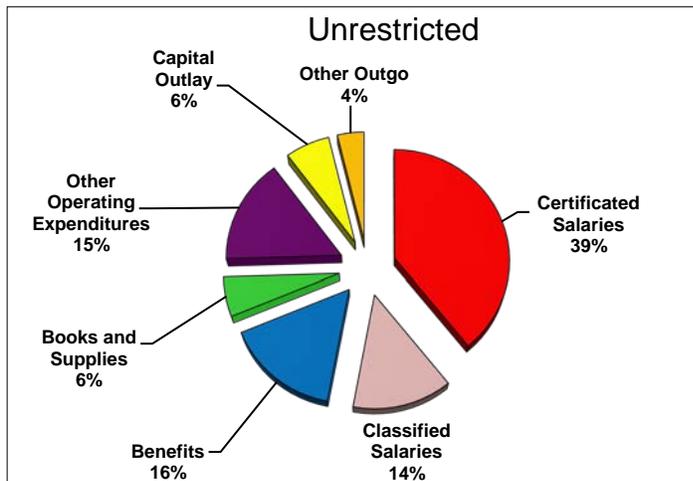
Subsequently, on November 8, 2016, the voters approved the California Children's Education and Health Care Protection Act (Proposition 55) that maintains increased personal income tax rates for taxpayers in high tax brackets through 2030. Proposition 55 did not extend the sales tax increase; therefore, the temporary sales tax increase expired at the end of calendar year 2016.

Operating Expenditure Components~ Newcastle Elementary and Charter Schools

The General Fund is used for the majority of the functions within the District. As illustrated below, salaries and benefits comprise of approximately 68% of the District's unrestricted budget, and approximately 73% of the total General Fund expenses.

Description	Unrestricted	Combined
Certificated Salaries	\$2,036,978	\$2,431,310
Classified Salaries	\$714,044	\$915,017
Benefits (Payroll Taxes and Health & Welfare Contributions)	\$822,164	\$1,368,168
Books and Supplies	\$298,332	\$356,735
Other Operating Expenditures	\$795,548	\$808,982
Capital Outlay	\$331,200	\$331,200
Other Outgo	\$198,099	\$263,449
TOTAL	\$5,196,365	\$6,474,861

Following is a graphical representation of expenditures by percentage:



General Fund Contributions to Restricted Programs ~ Newcastle Elementary

The following contributions and transfers of unrestricted resources to restricted programs are necessary to cover restricted program expenditures in excess of revenue:

Description	Amount
Special Education - Instruction	\$193,948
Restricted Maintenance Account	\$99,692
TOTAL CONTRIBUTIONS	\$293,640

General Fund Summary

The District's 2018-19 General Fund projects a total operating deficit of \$ 961,104 resulting in an estimated ending fund balance of 2.4 million. The components of the District's fund balance are as follows: revolving cash & other nonspendables-\$700; restricted programs - \$279,696; economic uncertainty – 971,000; committed \$706,176 assigned - \$492,000. In accordance with SB 858 a detail description of assigned & unassigned balances is illustrated below.

Cash Flow

The majority of Newcastle Elementary School District's property tax revenue is funded by the Educational Revenue Augmentation Fund (ERAF). This category of revenue is typically paid in the 13th month of the fiscal year which is July and then is back dated to June 30th. The District, is required, by education code to disburse in lieu property tax revenue to its charter schools by the 15th of each month throughout the school year. Occasionally this requires the District to utilize Placer County Treasurer's dry period financing which allows NESD's general fund to have positive cash flow. The District anticipates having a positive monthly cash balance during 2018-19.

Fund Summaries

Illustrated below is a summary of each Fund's fund balance and corresponding change.

FUND	2017-18	Est. Net Change	2018-19
NEWCASTLE ELEMENTARY	\$3,161,234	(\$1,222,505)	\$1,938,729
NEWCASTLE CHARTER SCHOOL	\$349,697	\$161,401	\$511,098
FOOD SERVICE	\$17,706	(\$2,475)	\$15,231
DEFERRED MAINTENANCE	\$143,407	(\$60,400)	\$83,007
CAPITAL FACILITIES	\$16,835	(\$1,402)	\$15,433
CAPITAL OUTLAY	\$154,970	(\$150,345)	\$4,625

Multiyear Projection

General Planning Factors:

Illustrated below are the latest factors released by the Department of Finance (DOF) that districts are expected to utilize as planning factors:

<i>Planning Factor</i>	<i>Fiscal Year</i>			
	2017-18	2018-19	2019-20	2020-21
COLA (DOF)	1.56%	2.71%*	2.57%	2.67%
LCFF Gap Funding Percentage (DOF)	45.17%	100%	100%	100%
STRS Employer Rates	14.43%	16.28%	18.13%	19.10%
PERS Employer Rates (PERS Board / Actuary)	15.531%	18.062%	20.80%	23.50%
Lottery – unrestricted per ADA	\$146	\$146	\$146	\$146
Lottery – Prop. 20 per ADA	\$48	\$48	\$48	\$48
Mandated Cost per ADA / One Time Allocations (DOF)	\$147	\$344	\$0	\$0
Mandate Block Grant for Districts: K-8 per ADA	\$30.34	\$31.16	\$31.16	\$31.16
Mandate Block Grant for Districts: 9-12 per ADA	\$58.25	\$59.83	\$59.83	\$59.83
Mandate Block Grant for Charters: K-8 per ADA	\$15.90	\$16.33	\$16.33	\$16.33
Mandate Block Grant for Charters: 9-12 per ADA	\$44.04	\$45.23	\$45.23	\$45.23
Routine Restricted Maintenance Account <i>GF = Percentage of total general fund expenditures & financing uses</i> <i>(Note: LEAs receiving School Facility Program (SFP) Prop. 51 funding, the RRMA requirement reverts to 3% of total General Fund expenditures and financing uses after the receipt of the SFP funds.)</i>	Lesser of: 3%GF or 2014-15 Amount	Greater of: Lesser of: 3%GF, 2014-15 Amount or 2%GF	Greater of: Lesser of: 3%GF, 2014-15 Amount or 2%GF	3% of Total General Fund Expenditures & Uses
<i>*Statutory COLA is 2.71%; however, LCFF base grants and grade span adjustments have increased 3.0% due to the Governor's .29% proposed augmentation.</i>				

Various aspects of the planning factors illustrated above will be further discussed below with the District's specific revenue and expenditure assumptions.

Revenue Assumptions:

Per enrollment trends, the District continues to anticipate a decline in enrollment at Newcastle Elementary School but an increase in Newcastle Charter School's enrollment. The Local Control Funding Formula is estimated to be adjusted per Department of Finance's estimates of COLA and funding percentages towards the District's LCFF Target. Federal revenue is expected to remain relatively constant for subsequent years. State revenue is expected to remain constant for subsequent years. Local revenue, for Newcastle Elementary, is expected to decrease in 2018-19 due to an anticipated restructure of Harvest Ridge Cooperative Charter School which will reduce the oversight revenue and business office bill back.

Expenditure Assumptions:

Certificated step and column costs are expected to increase by 2.3% each year. Classified step and column costs are expected to increase by 2.5% each year.

On December 21, 2016, the California Public Employees’ Retirement System (CalPERS) Board took action to approve lowering what is known as the “discount rate” from 7.5% to 7.0% over three years beginning in 2019-20. This action effectively lowers what CalPERS projects will be the annual rate of return on its entire investment portfolio (i.e. investment return percentage). Illustrated below are the actual rates through 2018-19 and projected rates through 2023-24.

Description	2017-18 Actual	2018-19 Projected	2019-20 Projected	2020-21 Projected	2021-22 Projected	2022-23 Projected	2023-24 Projected	2024-25 Projected
Rates @ 17-18 2nd Interim	15.531%	17.700%	20.00%	22.70%	23.70%	24.30%	24.80%	25.10%
Rates @ 18-19 Proposed	15.531%	18.062% (Actual)	20.80%	23.50%	24.60%	25.30%	25.80%	26.00%

Assembly Bill 1469(CalSTRS full-funding plan) increased the contribution rates that employers, employees and the State pay to support the California State Teachers’ Retirement System (CalSTRS). Similar to CalPERS, the CalSTRS Board lowered its assumed rate of return on its investment portfolio from 7.5% to 7.0% and adopted new demographic assumptions. Under Assembly Bill (AB) 1469 both state and employer contribution rates may be increased by the CalSTRS Board in order to maintain the goal of reaching full funding of the retirement system by 2046.

Current law increases contribution rates to a maximum of 19.1% beginning July 1, 2020. Further, under Education Code Section 22950.5, CalSTRS will have the authority to increase or decrease the employer and state contribution rates. However, the rates may not be increased by more than one percent in a year and cannot exceed 12% overall until the remaining unfunded actuarial obligation is eliminated. In addition, new CalSTRS members (hired after January 1, 2013) are required to pay at least half of the normal cost of the DB program; thus, these members’ contributions increased by 0.5% effective July 1, 2017.

Illustrated below are the statutory rates through 2020-21 and maximum rates from 2021-22 through 2023-24:

Description	2017-18 Actual	2018-19 Actual	2019-20 Projected	2020-21 Projected	2021-22 Projected	2022-23 Projected	2023-24 Projected	2024-25 Projected
Statutory Rates	14.43%	16.28%	18.13%	19.10%	20.10% (Max.)	20.25% (Max.)	20.25% (Max.)	20.25% (Max.)

Therefore, adjustments to benefits reflect the effects of salary changes noted above, program adjustments, and expected increases to employer pension costs.

Unrestricted and restricted supplies and operating expenditures are estimated to remain constant. Capital outlay for 2018-19 includes new furniture for 1st through 5th grade and other outgo is estimated to remain relatively constant. In 2018-19 the transfer budgeted is to the deferred maintenance fund. If the basic aid supplemental charter school funding is confirmed a budget revision will be made to include a transfer to the Capital Outlay fund in preparation of Phase III.

Contributions to restricted programs are expected to increase due to the increase of special education needs and additional pension costs for restricted programs that receive support from the unrestricted general fund.

Estimated Ending Fund Balances:

During 2019-20, the District estimates that the General Fund is projected to deficit spend by \$777,556 resulting in an ending General Fund balance of approximately \$1.6 million.

During 2020-21, the District estimates that the General Fund is projected to deficit spend by \$658,405 resulting in an ending General Fund balance of \$1.0 million.

In accordance with the disclosure requirements of Senate Bill 858, amounts over the State mandated reserve of three percent of total general fund outgo are reserved for the following activities:

*** This table reflects the ending fund balance for Newcastle Elementary School's General Fund*

Description	2017-18	2018-19	2019-20
18-19 Projected Deficit	\$454,383		
20-21 Projected Deficit			\$14,839
Reserve Transition Year - No Basic Aid Sup Fund	\$500,000	\$0	
Awning Fund	\$7,913	\$7,913	\$7,913
Wellness Fund	\$146	\$146	\$146
STEM Donation Account	\$603	\$603	\$603
Music Donation Account	\$1,300	\$1,300	\$1,300
Library Author Fund	\$800	\$800	\$800
Library Book Fair	\$5,813	\$5,813	\$5,813
Committed Funds	\$715,260	\$706,176	\$197,052
PrePaid Expenses	\$72,460	\$0	\$0
Add: Additional 10% Reserve - BP3100.2	\$727,232	\$611,839	\$634,081
Amount Disclosed per SB 858 Requirements	\$2,485,910	\$1,334,590	\$862,547
Add: Nonspendable Reserves	\$700	\$700	\$700
Add: State Reserve for Economic Uncertainty (REU) - 5%	\$363,616	\$323,743	\$317,041
Add: Restricted Fund Balance	\$311,008	\$279,696	\$189,719
Add: Unallocated	\$0	\$0	\$0
<i>Estimated Ending Fund Balance</i>	<i>\$3,161,234</i>	<i>\$1,938,729</i>	<i>\$1,370,007</i>

Conclusion:

Newcastle Elementary School District (NESD) has experienced exciting improvements and changes over the last school year. This summer we will be modernizing our upper campus classrooms, school office and restrooms. The 600 building will have two additional classrooms where 6th grade will be starting the 2018/2019 school year. With the input of our staff and community we have been able to accomplish many long needed projects and upgrades to our Newcastle Elementary/Charter School campus.

NESD continues business partnerships with our 4 independent charter schools. NESD provides back office, special education services and oversight to Harvest Ridge. Starting in 18/19 Placer Academy will be sponsored by Rocklin Unified but NESD is in negotiations to provide their special education services. We will continue to provide oversight to Rocklin Academy-Gateway, Creekside Charter School and Golden Valley, our newest independent charter school. NESD also continues to partner with PCOE for our landscaping services in exchange for housing their maintenance and operations department. PCOE will also continue to rent back the Onorato School to run their severe special education program.

Deficit spending is expected due to expansion of various education programs and increased expenses with PERS and STRS contributions. The Local Control Funding model will be fully funded in 2018/2019 and this will bring districts to the funding level we were at in 2007/2008. Increases to education funding will be cost of living adjustments going forward. NESD administration and school board has maintained sufficient reserves anticipating upcoming changes. Prudent reserve affords the district and the governing board time to thoughtfully identify and implement budget adjustments over time. Inadequate reserves force districts to react quickly, often causing significant disruption, sometimes unnecessarily, to student programs and employees. We will closely monitor our budget and work proactively to support the wonderful programs NESD offers.

Over the past two fiscal years NESD has received additional State Aid from the School District Basic Aid Supplement Charter School Adjustment. Due to the unpredictable nature of this revenue it is considered one time funding and has not been included in the 2018/2019 budget. Once confirmation from the State is made that NESD will qualify for this funding the budget will be adjusted accordingly. These funds are being used on one-time expenses to expand and upgrade our school site. It is important that NESD remain diligent on using these funds on one-time expenses.

The 2018/2019 budget report supports that the District will be able to meet its financial obligations for the current and two subsequent years, while maintaining reserves in excess of the minimum state requirement. Therefore, administration is confident that the District will be able to continue to effectively operate, and have the necessary cash in order to ensure that the District remains fiscally solvent.

Thank you to our Board of Trustees and all of our staff who work so hard, directly and indirectly, for our students. Each one of you are an integral part of educating the children of our district.

Please contact me with any questions.

In your service,
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