

2017-18 Proposed Budget

**Glendale Unified School District
Board Of Education Meeting – June 6, 2017
Public Hearing No. 2**

**Stephen Dickinson, Chief Business & Financial Officer
Karineh Savarani, Director, Financial Services**

Budget Report No. 6

Themes for the 2017 May Revision

■ State General Fund Budget

- Revenue projections are up compared to the Governor's January Budget
- Concerns for the likelihood of a recession in the near future, although the forecast does not project a recession

■ Proposition 98

- The current year minimum guarantee is maintained, and an increase of \$1.1 billion in 2017-18 compared to the January budget proposal, bringing the guarantee to \$74.6 billion in the budget year
 - Of this increase, the May Revision also proposes to fully eliminate the current year, one-time deferral of \$859 million that was proposed in January

■ Cost of Living Adjustment (COLA)

- 1.56% COLA for 2017-18

Themes for the 2017 May Revision – Cont.

■ Local Control Funding Formula (LCFF)

- An increase of \$661 million for gap closure in 2017-18 for a total of \$1.4 billion
- Formula Implementation to 97.0%

■ Discretionary Funds

- One-Time Discretionary fund at \$170 per ADA. However, the Governor proposed to hold ALL of the funds until May 2019.
- No budget for 2017-18 and multiyear projection

January Budget vs. May Revision

Item	January Budget	May Revision
LCFF Gap Funding	23.67% or \$744 million	43.97% or \$1.4 billion
Proposition 98 Minimum Funding Guarantee		
2015-16	\$68.7 billion	\$69.1 billion
2016-17	\$71.4 billion	\$71.4 billion
2017-18	\$73.5 billion	\$74.6 billion
2017-18 COLA	1.48%	1.56%
One-Time Discretionary Funds for 2017-18	\$287 million \$48 per ADA	\$1.01 billion* \$170 per ADA

*Not received until May 2019



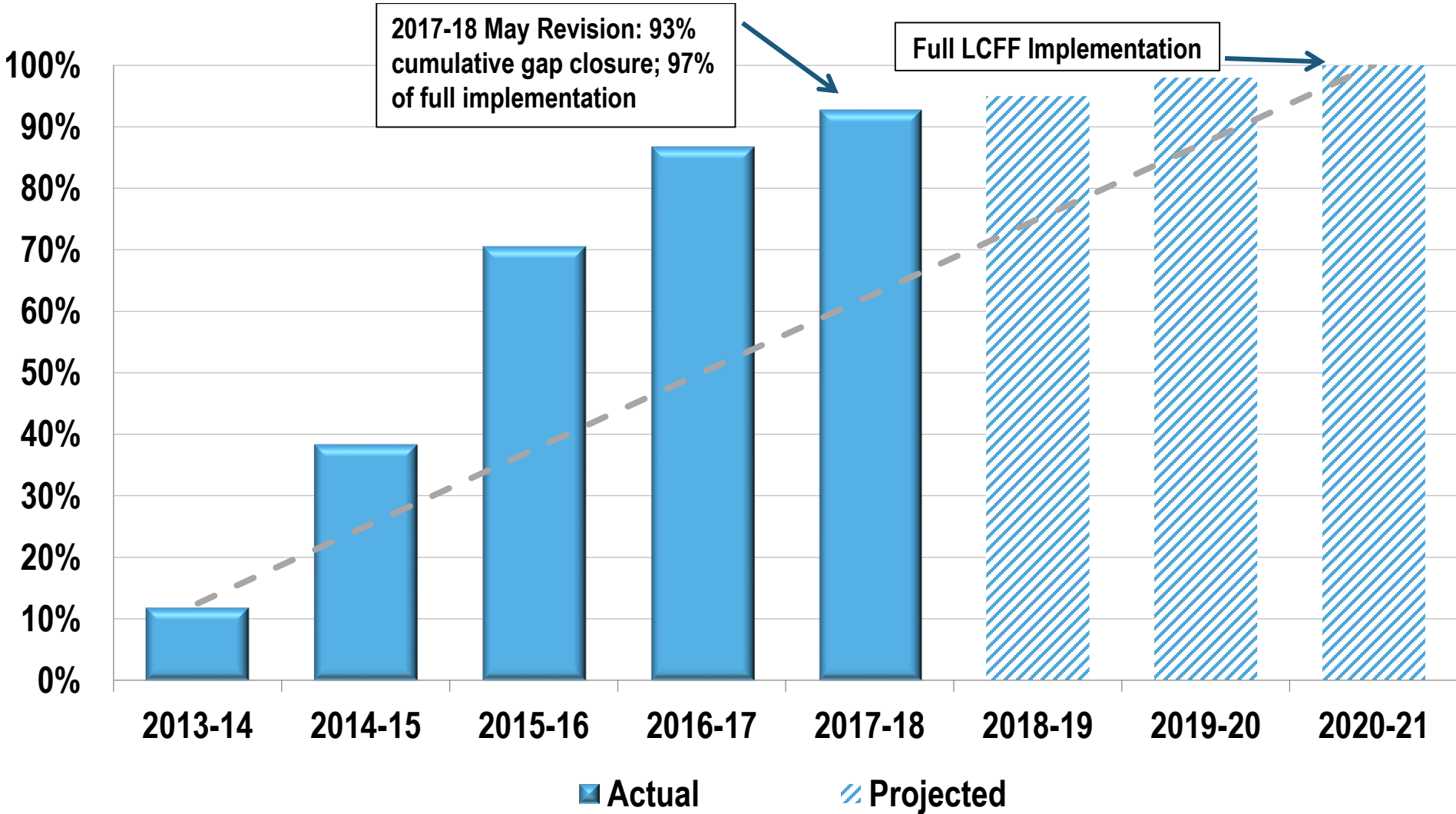
"I'll save this for another day."

Cash Deferrals

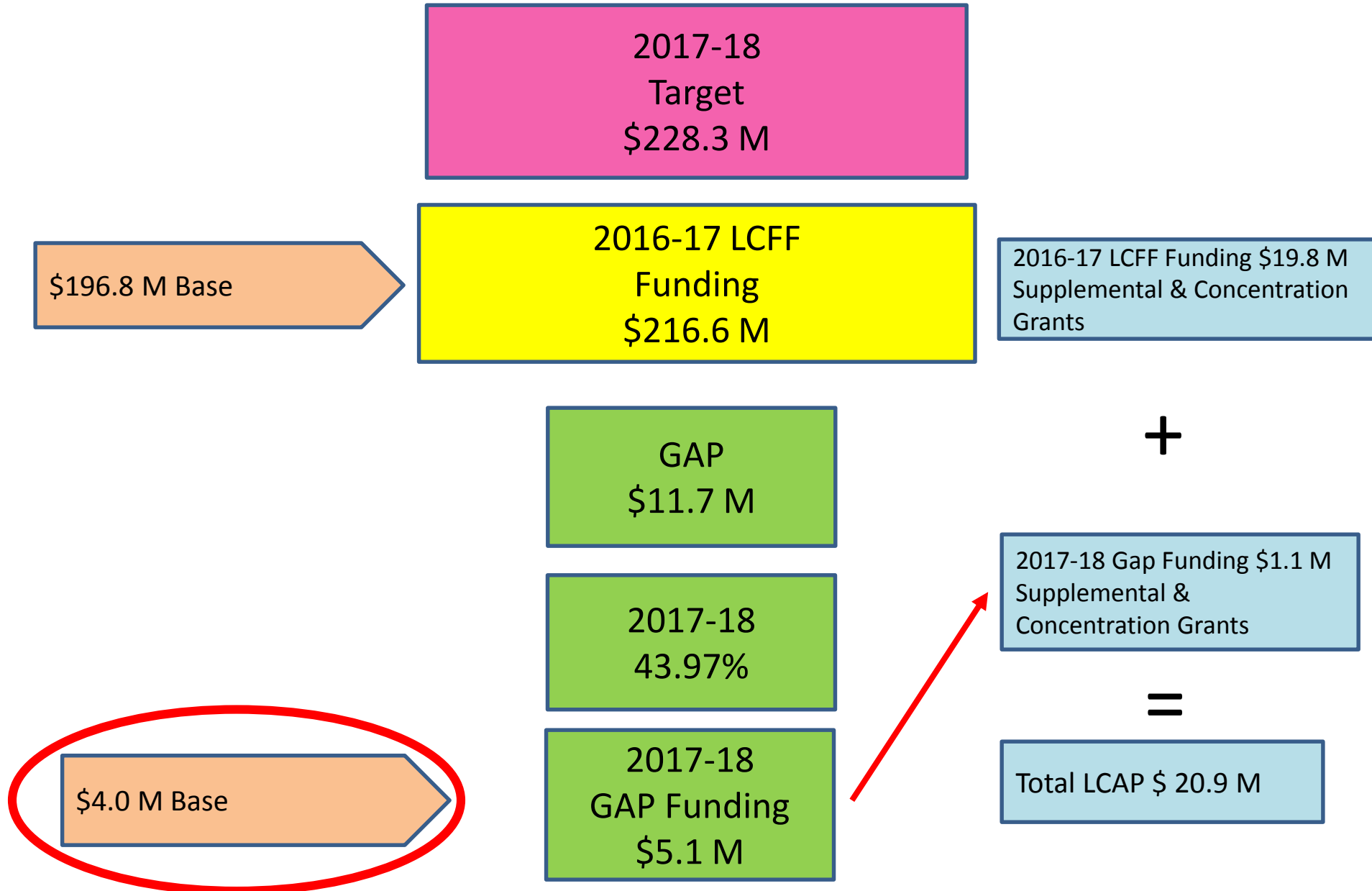
BUDGET BALANCING TRICKS

Rick Falido

Progress Toward LCFF Implementation



Gap Funding and Proportionality Calculation



2016-17 Projected Year-End Balance

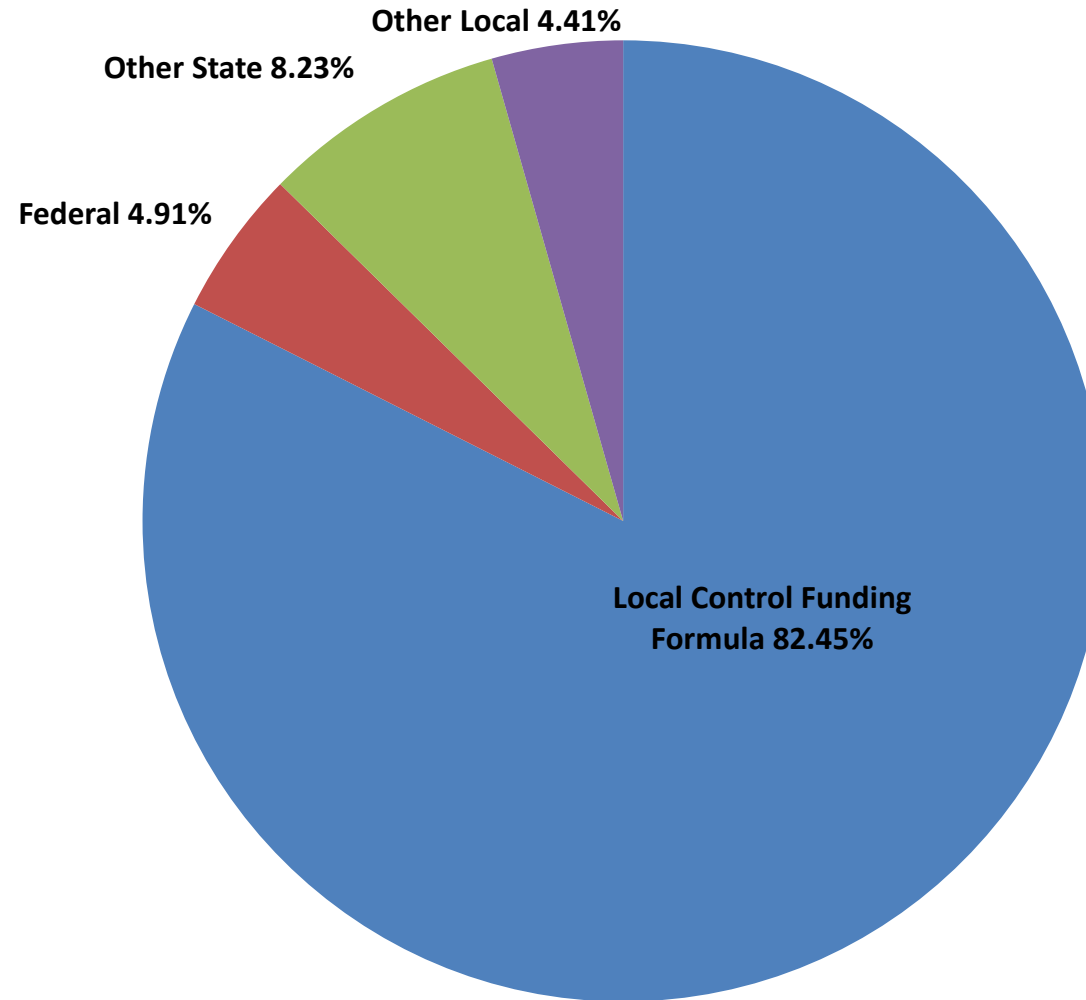
2016-17 Unrestricted General Fund Balance

Unrestricted General Fund	Projected June 6, 2017
Designated for Economic Uncertainty	\$ 8,398,250
Revolving Cash, Warehouse & Prepaid Expend.	1,020,286
Regular Carry Over and MAA	2,269,566
Reserve for Future LACOE System Changes	1,400,000
Unassigned Reserve	31,199,289
Total Unrestricted General Fund Balance	\$ 44,287,391

District's 2017-18 Primary Budget Components

- **Net Impact of COLA, GAP, and other factors – \$6.8 million for 2017-18 & \$8.8 million for 2018-19**
- **2017-18 CalSTRS employer rate at 14.43%**
- **The District's net increase of LCFF in 2017-18 is \$194 per ADA**
- **2017-18 unduplicated pupil percentage is 54.78% from a high of 55.21% in 2017 (Statewide average is approx. 62%)**
- **Lottery revenue is estimated at \$140 per ADA for unrestricted purposes and \$41 per ADA for restricted purposes**

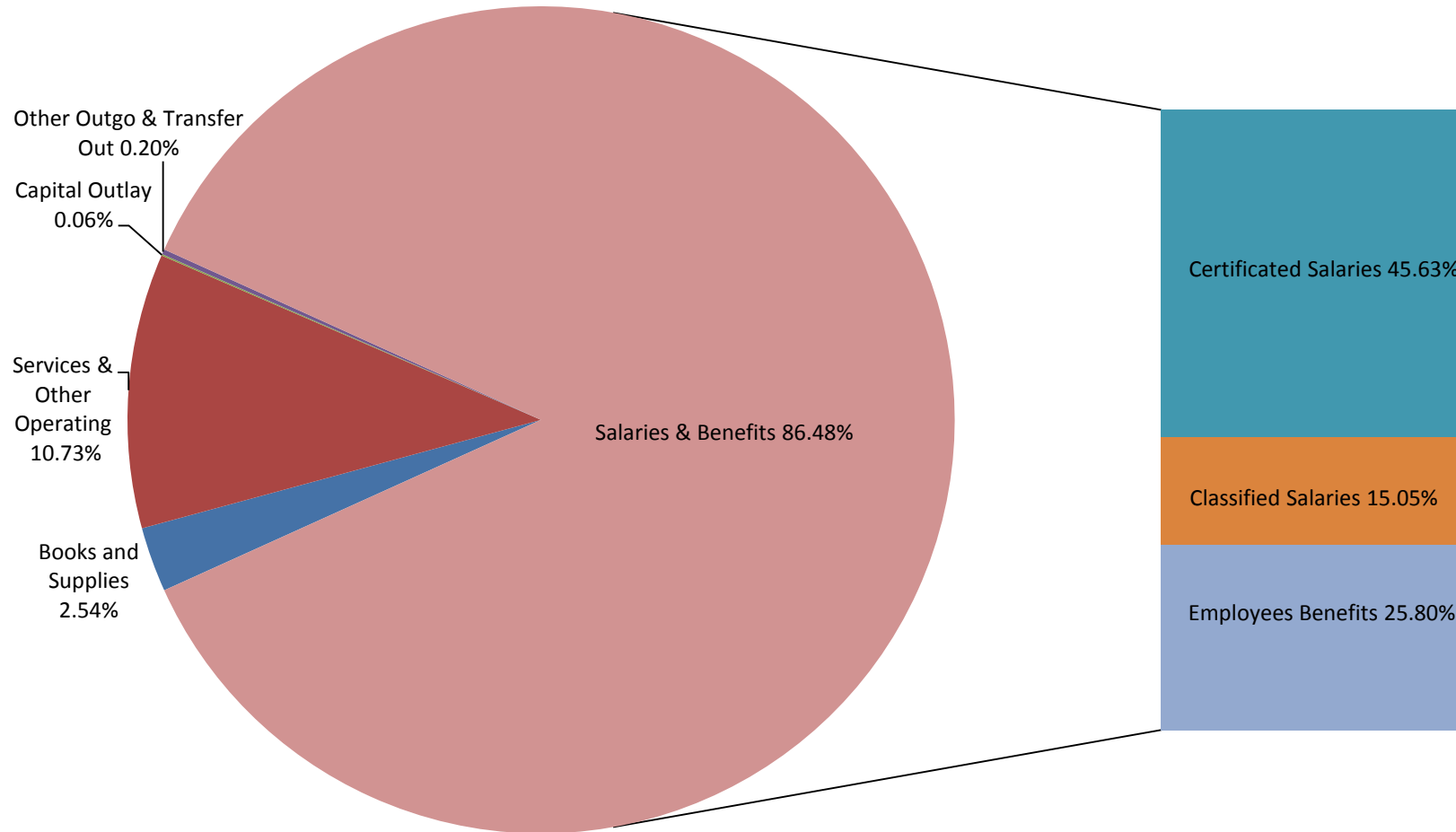
2017-18 Proposed Budget TOTAL REVENUE – GENERAL FUND



Total Revenues = \$268,895,508

2017-18 Proposed Budget

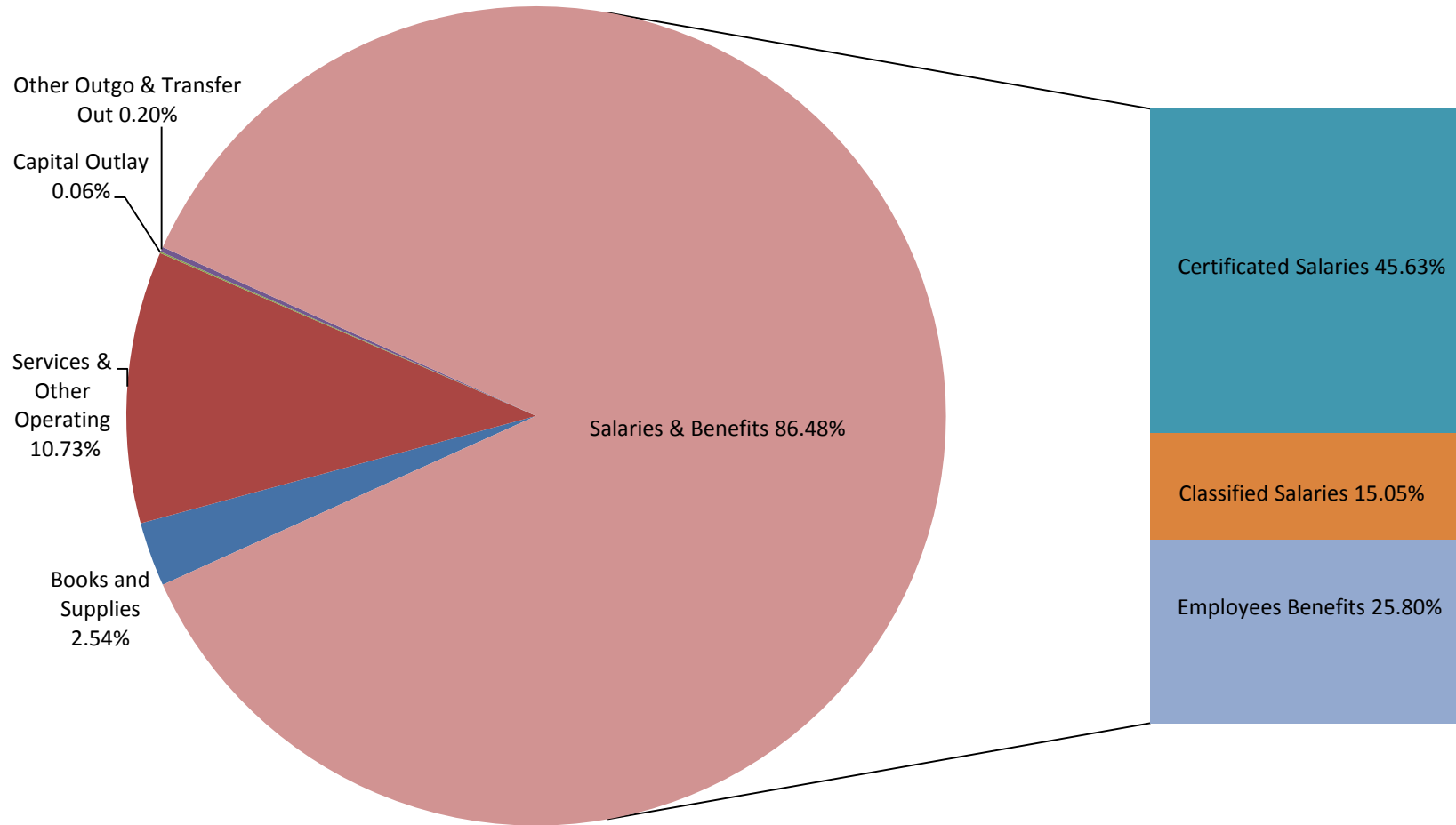
TOTAL EXPENDITURES – GENERAL FUND



Total Expenditures = \$273,881,793

2017-18 Proposed Budget

TOTAL EXPENDITURES – GENERAL FUND



Total Expenditures = \$273,881,793

65.34% Unrestricted Salaries & Benefits

Multiyear Projections

- **Multiyear projections (MYPs) are required by AB 1200 (Chapter 1213/1991) and AB 2756 (Chapter 52/2004)**
- **Recognize that MYPs are projections, not forecasts**
 - **Projections are expected to change as various factors change – they are not predictions**
 - **Projections are the mathematical result of today's decisions based on a given set of assumptions**
 - **Forecasts are predictions of the future – there is a higher implied reliability factor than for projections**
- **Projections will change any time the underlying factors change – therefore, plan to adjust as conditions change**

Multiyear Projections

- **The cause of most LEA insolvencies can be traced to a bad financial decision made during prosperous times that came back to bite the LEA during lean financial times, so caution is key**
 - **Resist using future projected dollars or one-time dollars to justify paying for ongoing expenditures in the current year**
 - **A future recession is predicted – the timing is unknown**
 - **Low COLA environment on programs that require contributions**
 - **Increased retirement obligations**

Multi-Year Budget Assumptions

■ GUSD Budget Assumptions (Gov. May Budget Proposal)

	2016-17	2017-18	2018-19	2019-20	
Total Projected LCFF Revenue Increase (Incremental)	\$10.1 M	\$6.8 M	\$8.8 M	\$7.0 M	
Breakdown					Target
Supplemental/ Concentration* (Cumulative)	\$19.8 M	\$20.9 M	\$22.2 M	\$22.9 M	\$23.3 M

■ 2017-18 Statutory Benefits

- **STRS – 14.43%**
- **Workers’ Compensation – 2.399%**
- **PERS – 15.531%**

■ Health & Welfare Districtwide Increase Estimates

- **2017-18 – \$1,548,460**
- **2018-19 – \$3,376,068**
- **2019-20 – \$3,376,068**

*Unduplicated Count Approximately 54.78%

Multi-Year Budget Projection

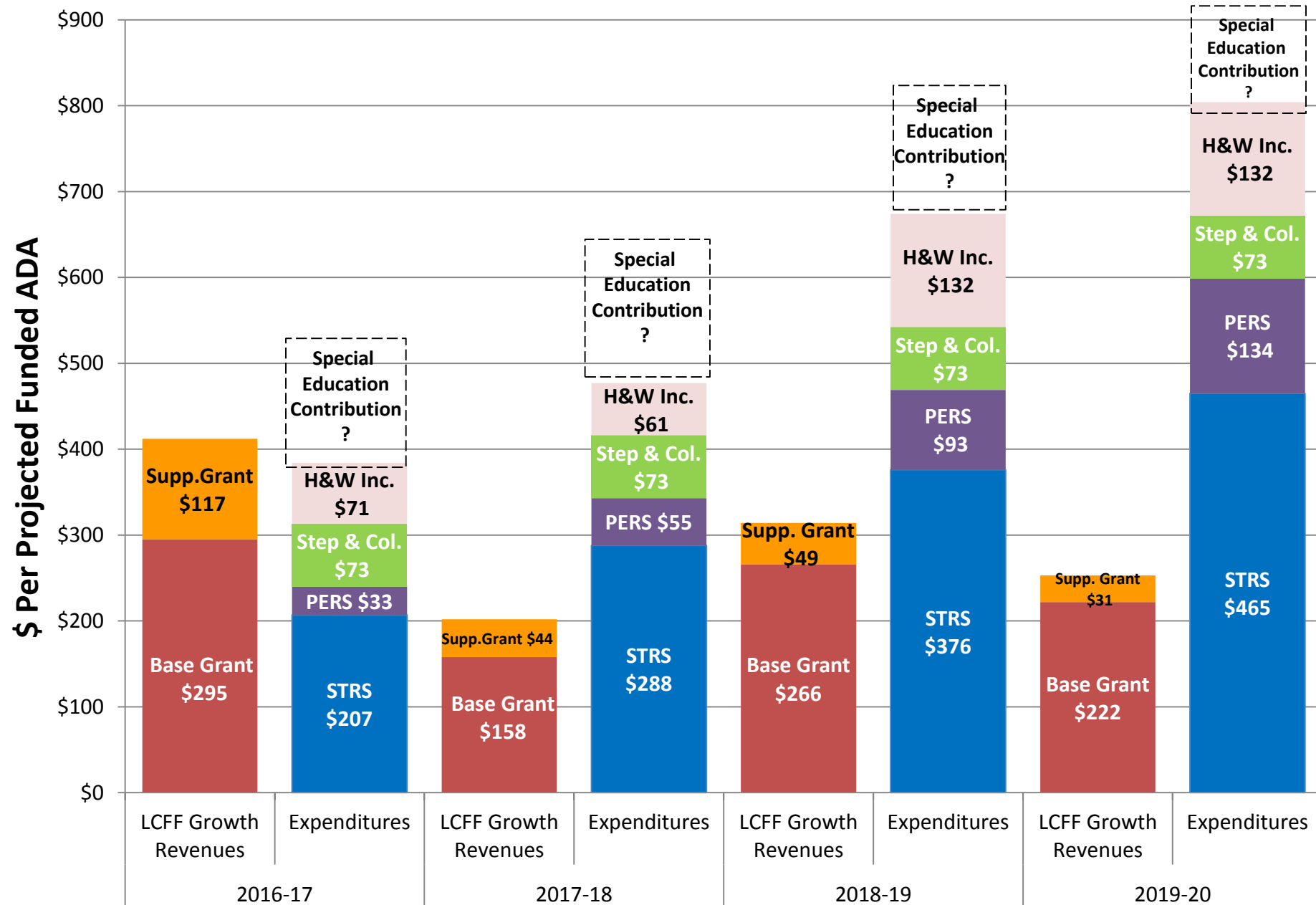
Unrestricted General Fund

	2016-17	2017-18	2018-19	2019-20
Total Unrestricted General Fund Balance	\$44,287,391	\$37,427,333	\$31,163,960	\$23,414,341
Revolving Cash, Warehouse & Prepaid Expenditures	\$1,020,286	\$584,709	\$131,631	\$131,631
Designated for Economic Uncertainty	\$8,398,250	\$8,272,667	\$8,522,373	\$8,781,327
MAA, Regular Carry-Over, Board Elections	\$2,269,566	\$2,269,566	\$2,269,566	\$2,269,566
LACOE System Charges	\$1,400,000	\$1,400,000	\$1,400,000	\$1,400,000
Reserve LCFF Net Income Growth less STRS/PERS Increases and Solvency	\$0	\$0	\$4,397,687	\$9,301,521
Unassigned Ending Balance	\$31,199,289	\$24,900,391	\$14,442,703	\$1,530,296

Cautions & Challenges

- **A false perception that districts could restore educational programs and give pay raises, while giving increases at the same time that the STRS/PERS costs increased**
- **This perception is illustrated in slide #20 in the area between the red and blue lines**
- **As we project these revenue-expenses into the future, retirement costs alone completely consume the restored funding**
- **Increases in compensation and programs all increase the District's structural deficit**

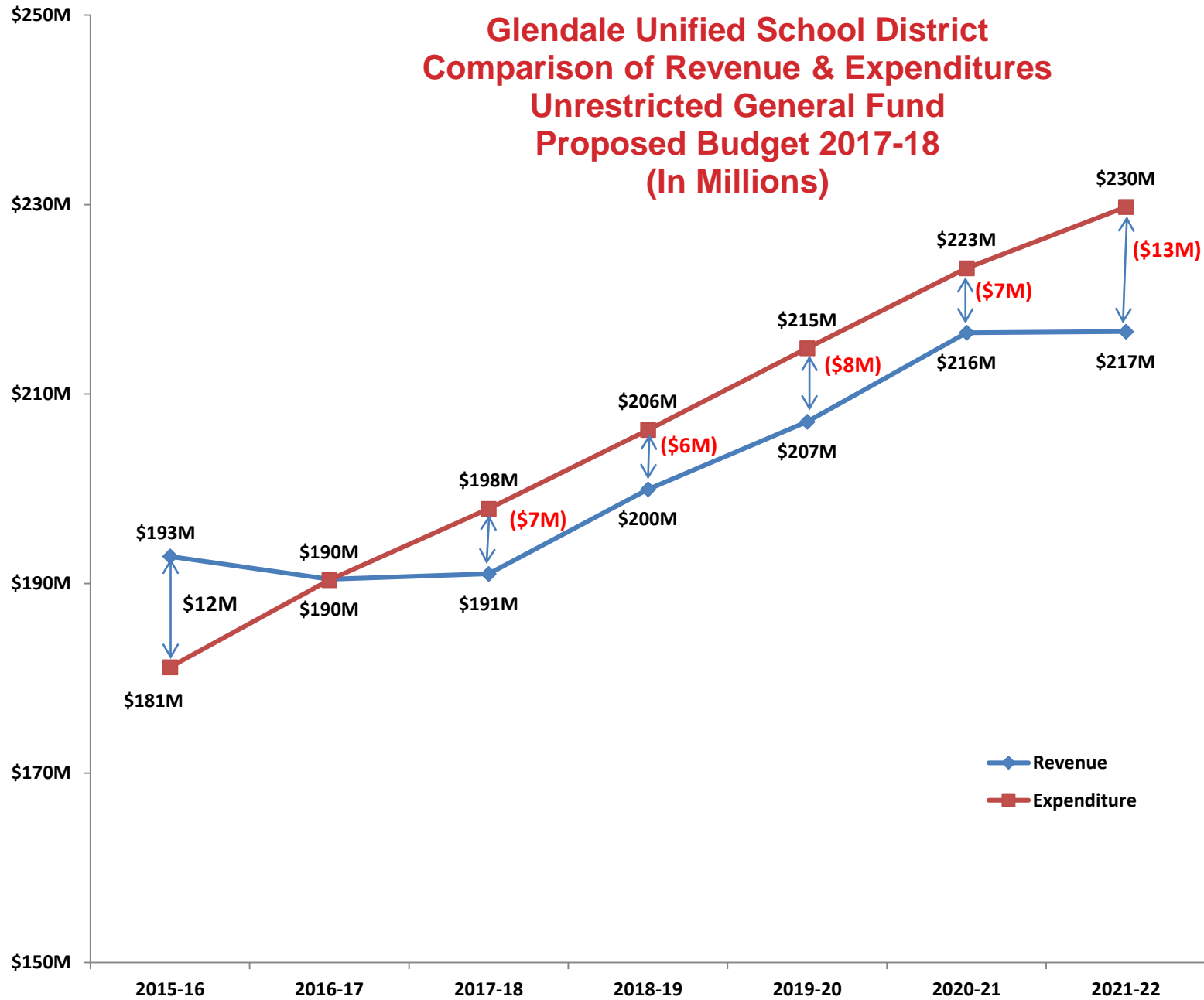
GUSD LCFF Increased Revenues Have Automatic Increased Obligations Unrestricted General Fund (Estimated)



STRS/PERS Costs

Year	STRS EST. Sal.	Change in Rate %	STRS Cum Impact to Balance	PERS Est. Sal.	Change in Rate %	PERS Cum Impact to Balance	Total Cum Impact
14-15	\$ 102,873,595	0.63%	\$ 648,104	\$ 28,283,432	0.329%	\$ 93,052	\$ 741,156
15-16	116,995,863	2.48%	3,549,601	33,566,367	0.405%	228,996	\$ 3,778,597
16-17	120,233,048	4.33%	8,755,692	33,601,412	2.446%	1,050,887	\$ 9,806,579
17-18	118,375,699	6.18%	16,071,310	34,132,359	4.089%	2,446,559	\$ 18,517,869
18-19	119,388,923	8.03%	25,658,241	35,432,359	6.658%	4,805,645	\$ 30,463,886
19-20	120,412,280	9.88%	37,554,974	36,732,359	9.358%	8,243,060	\$ 45,798,034
20-21	121,445,870	10.85%	50,731,851	38,032,359	12.358%	12,943,099	\$ 63,674,950
21-22	122,489,796	10.85%	64,021,994	39,332,359	13.758%	18,354,444	\$ 82,376,438
Note: The "Change in Rate" is increases from 2014-15 rate.							

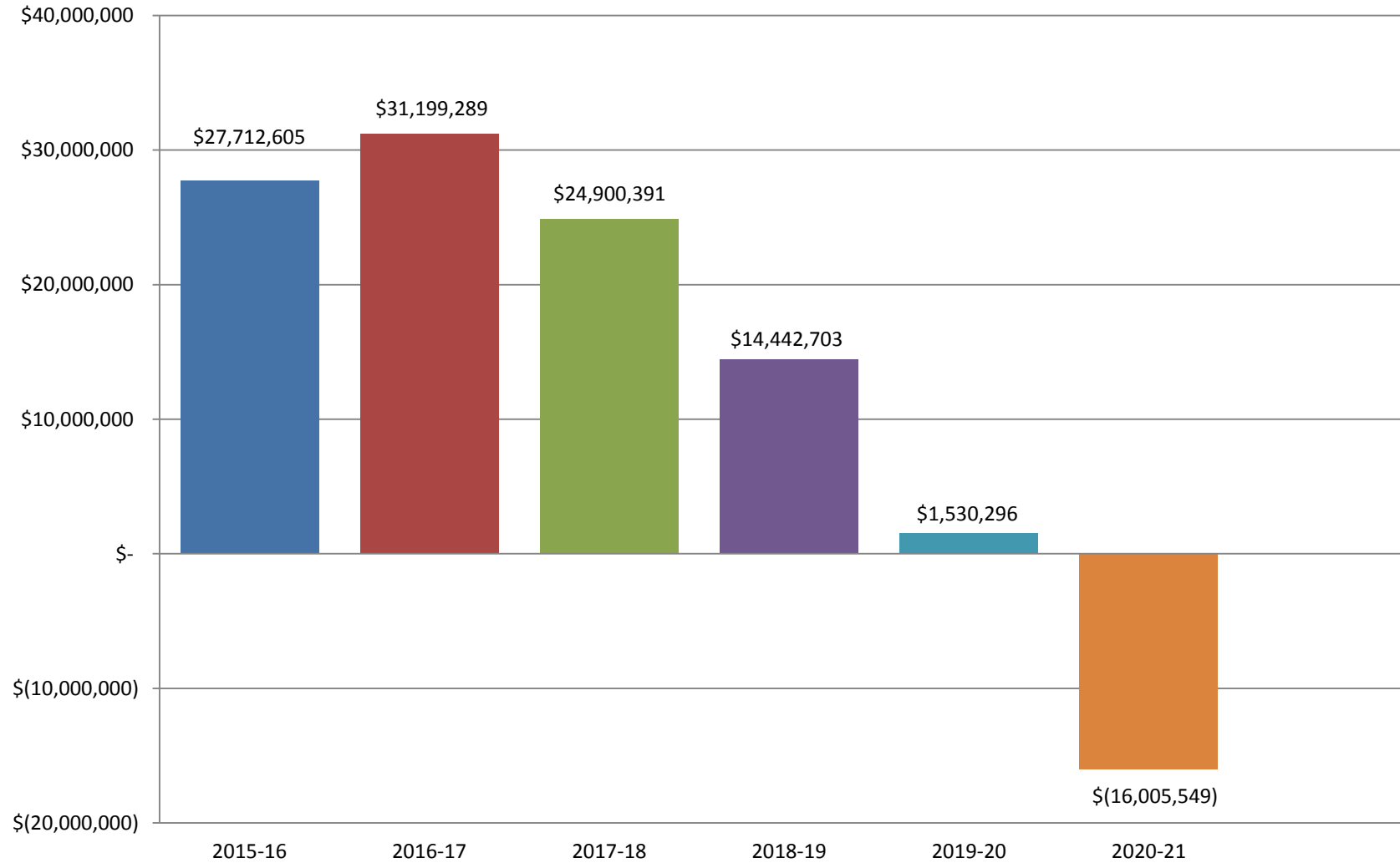
Glendale Unified School District Comparison of Revenue & Expenditures Unrestricted General Fund Proposed Budget 2017-18 (In Millions)



Cautions & Challenges Cont.

- **The Adjusted Ending Balance in the Unrestricted General Fund is estimated to be a negative \$16M for 2020-21. This takes into account the budget reduction of \$8.2 M in 2017-18 and 2018-19.**
- **Even if the future funds materialize, the District needs to have a plan to reduce expenses to end the deficit spending pattern.**

2017-18 Proposed Budget Unrestricted General Fund Change in Unassigned Balance



Final Thoughts

- **The May Revision is certainly better than we expected**
 - **Even with our concerns, we still appreciate the focus in priorities toward education**
- **But with higher spending the State Budget carries more risk**
- **So, on one hand we need and are pleased to have the extra funding**
 - **On the other hand we are nervous about sustainability**
- **When the \$1 billion May 2019 payment is due, we will have a different governor and half of the legislators will be new**
 - **We hope Governor Brown will leave a note on the refrigerator for the next governor to remind him or her to pay us!**

Preparing for the Slowdown

- **The Governor is preparing for slower economic growth by:**
 - **Building a substantial reserve**
 - **Avoiding new ongoing commitments**
 - **Paying down debt**
 - **Downsizing some governmental operations**
 - **Seeking new revenue sources**
- **All of these strategies are conceptually also possible for educational agencies**
- **We would suggest control of expenditures to include:**
 - **Accurate position control and staffing formulas**
 - **Avoidance of excessive settlements at the bargaining table**
 - **Commitments to maintain existing programs before adding new ones**
 - **Use of capital expenditures to make facilities more efficient and reduce operating costs**

Solvency Savings Plan

- Will be Board approved and submitted to LACOE with the 2017-18 Adopted Budget
- 2017-18 Total of \$8.2 Million
- 2018-19 Total of \$8.2 Million

Possible Revenue Increases

Proposed Action	Target Rev. Incr.	Estimated Actual Rev. Incr.
Independent Study for all students out for 5 days or more	\$10,000	\$10,000
Increase ADA to 96.7%	\$1,000,000	\$1,423,563
Raise fees for facility usage by community groups	\$15,000	\$15,000
Increase E-waste rebates by including community E-waste	\$5,000	\$5,000
May Revise Improvement	0	\$2,000,000
Commodity recycling-Cardboard	\$5,000	\$5,000
Increase enrollment	\$900,000	\$838,418
Subtotals	\$1,935,000	\$4,296,981

Revised 5/20/2017

Possible Budget Reductions 2017-18

Expenditures – Salaries and Benefits

Proposed Action	Target Savings	Estimated Actual Savings
Salaries & Benefits		
Reduce overtime for classified management position	\$15,000	\$15,000
Review classified staffing level	\$1,200,000	\$200,000
Identify areas for Special Education reductions	\$500,000	\$120,000
Reduce sub days for Professional Development	\$100,000	\$100,000
Professional Development (Secondary Ed. Serv.) - 5 Teacher Specialist/Learning Leaders/6th period Savings (most savings already in the Multi-Year-Plan)	0	\$100,000
Teachers/Attrition/Reallocation/etc.. (retirement savings already included in budget)		0
Elementary PE Program - Certificated and Classified reduction (maybe)	0	0
FLAG in 17-18 reduction (maybe)	0	\$175,000
Various Principal Additional Assignment Savings	0	\$15,500
H&W rates lower than budgeted (reflects unrestricted general fund only)	0	\$1,595,502
Subtotals	\$1,815,000	\$2,321,002

Possible Budget Reductions 2017-18

Expenditures – Supplies

Proposed Action	Target Savings	Estimated Actual Savings
Supplies		
Increase communication with parents by means other than paper	\$10,000	\$10,000
Reduction of costs for Meal/snacks at meetings	\$20,000	\$20,000
Cost of copies	\$50,000	\$50,000
Accelerated Reader Subscription	0	\$64,213
District office supplies	\$70,000	\$70,000
Subtotals	\$150,000	\$214,213

Possible Budget Reductions 2017-18

Expenditures – Services

Proposed Action	Target Savings	Estimated Actual Savings
Services		
Review use of retired certificated staff	\$25,000	\$25,000
Review use of outside services	\$25,000	\$25,000
Approve conferences based on purpose and alignment to LCAP	\$50,000	\$50,000
Examine cost of 3rd party contracts	\$250,000	\$250,000
Reduce cost of Transportation (SPED and Clark)	\$500,000	\$200,000
Close Elementary and Middle school total for one week in the summer	\$44,431	\$44,431
Have summer school at less sites	\$130,000	\$130,000
Subtotals	\$1,024,431	\$724,431

Next Steps

- **Implementing and maintaining the Solvency Savings Plan**
- **Board Adoption of 2017-18 District LCAP and Budget on June 20, 2017**
- **Finalize Ending Fund Balance (Aug. 2017)**



"Enjoy the ride while it lasts because the drop is coming sooner than you expect."

Rick Falido

QUESTIONS?

