

GLENDALE UNIFIED SCHOOL DISTRICT

July 18, 2017

ACTION REPORT NO. 1

TO: Board of Education

FROM: Winfred B. Roberson, Jr. Superintendent

SUBMITTED BY: Stephen Dickinson, Chief Business and Financial Officer

PREPARED BY: Karineh Savarani, Director, Financial Services
Craig Larimer, Financial Analyst

SUBJECT: Final State Budget and 2017-18 Initial Budget Adjustments

The Superintendent recommends that the Board of Education approve the District's initial budget adjustments to reflect changes in the State's Final Budget.

The Final State Budget contains a few changes covering LCFF and the One-Time Discretionary Fund. As a result, the District's Adopted Budget will be adjusted to reflect some of these changes with Board of Education approval.

Local Control Funding Formula (LCFF)

The final 2017-18 State Budget remains the same as what was proposed at the Governor's May Revise for the LCFF, bringing the total LCFF funding to \$74.6 billion. The "gap" toward the funding target changed to 43.19% from 43.79% at adoption. The projected "gap" for 2018-19 and 2019-20 changed from 71.53% to 66.12% and 73.51% to 64.92%, respectively. The funded Average Daily Attendance (ADA) for 2016-17 changed to 25,147 from 25,170 at adoption. The impact of GAP, COLA, and ADA changes to District Budget LCFF Total funding is as follows:

	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>
Adopted Budget Funding	\$214.9 M	\$221.7 M	\$230.5 M	\$237.6 M
Revised Funding	\$214.7 M	\$221.6 M	\$229.9 M	\$236.8 M
Change	\$ 0.2 M	\$ 0.1 M	\$ 0.6 M	\$ 0.8 M

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Page 2

One-Time Discretionary Fund

At the Budget Adoption, due to the uncertainty of receiving any One-Time Discretionary Funding, no revenue was budgeted in 2017-18 and the multi-year projection. However, the State Budget was signed with a budget of \$877 million in One-Time Discretionary Funding. This will generate a one-time additional revenue of approximately \$3.6 million for GUSD which is part of the budget revisions. Consistent with prior year proposals, the funds provided will offset outstanding mandate reimbursement claims. It is important to remember that the One-Time Discretionary funds should not be used for ongoing expenditures.

Budget Revisions

Attachment A contains a recap of the revised, Multi-Year Budget Assumptions, and Attachment B lists the budget adjustment impact on the Unrestricted General Fund resulting from the Final State Budget provisions. District administration recommends the Board of Education approve these adjustments to the District Budget.

**2017-18 Initial State Budget Adoption
Multi-Year Budget Assumptions**

Attachment A

Category	2015-16 Actual	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Local Control Funding Formula							
- Projected Net District LCFF Revenue Increase	\$22,143,405						
Adopted Budget 2017-18 (June 2017)		\$10,153,135	\$6,779,517	\$8,816,639	\$7,077,877	\$9,294,995	\$0
State Budget Adoption		\$9,959,236	\$6,868,268	\$8,309,799	\$6,933,394	\$10,051,466	\$0
- Revenue Net Percentage Increase	12.19%	5.09%	2.23%	3.34%	2.71%	3.79%	0.00%
- Projected Increase In Funding Per ADA	\$897	\$414	\$190	\$291	\$244	\$351	\$0
- Total LCFF Funding Per ADA	\$8,125	\$8,539	\$8,729	\$9,021	\$9,265	\$9,616	\$9,616
- Factors Utilized In Revenue Calculations							
Unduplicated Percentage	55.31%						
Adopted Budget 2017-18 (June 2017)		55.21%	54.78%	54.20%	54.14%	53.94%	53.94%
State Budget Adoption		55.21%	54.78%	54.20%	54.14%	53.94%	53.94%
Cost of Living Adjustment (COLA)	1.02%						
Adopted Budget 2017-18 (June 2017)		0.00%	1.56%	2.15%	2.35%	2.57%	0.00%
State Budget Adoption		0.00%	1.56%	2.15%	2.35%	2.57%	0.00%
Gap Funding	52.56%						
Adopted Budget 2017-18 (June 2017)		55.03%	43.97%	71.53%	73.51%	100.00%	100.00%
State Budget Adoption		55.03%	43.19%	66.12%	64.92%	100.00%	100.00%
Revenue ADA (Funded)	25,202						
Adopted Budget 2017-18 (June 2017)		25,170	25,386	25,487	25,563	25,676	25,676
State Budget Adoption		25,148	25,386	25,487	25,563	25,676	25,676
Enrollment	26,115						
Adopted Budget 2017-18 (June 2017)		26,075	26,163	26,268	26,346	26,462	26,462
State Budget Adoption		26,075	26,163	26,268	26,346	26,462	26,462
Unduplicated Count - Enrollment	14,161						
Adopted Budget 2017-18 (June 2017)		14,117	14,217	14,217	14,217	14,217	14,217
State Budget Adoption		14,117	14,217	14,217	14,217	14,217	14,217
EMPLOYEE BENEFITS							
- STRS Rates	10.730%	12.580%	14.430%	16.280%	18.130%	18.130%	18.130%
- PERS Rates	11.847%	13.888%	15.531%	18.100%	20.800%	20.800%	20.800%
- Workers Compensation	3.003%	2.743%	2.399%	2.399%	2.399%	2.399%	2.399%
- Retiree Benefits	1.344%	1.298%	1.298%	1.298%	1.298%	1.298%	1.298%
Utilizing Fund #67.1 Balance	---	---	---	---	---	---	---
- Health & Welfare Insurance Increase (District-wide)	\$1,161,310	\$1,788,668	\$1,548,460	\$3,376,068	\$3,376,068	\$3,376,068	\$3,376,068
"SOLVENCY" TRANSFERS							
- Early Retirement Benefit Fund #67.2	\$0	\$0	\$0	\$0	\$0	\$0	\$0
- Debt Service Fund #56.0 (for CCSS Program)	\$1,370,025	\$1,481,351	\$0	\$0	\$0	\$0	\$0

**Budget Adjustment Impact on Unrestricted General Fund Ending Balance
2017-18 State Budget Act - Initial Adjustments**

Major Changes	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Adopted Budget 2017-18 Ending Balance	\$ 44,287,391	\$ 37,427,333	\$ 31,163,960	\$ 23,414,341	\$ 16,604,943	\$ 3,355,110
Adjustment For Actual 2016-17 Ending Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Revised 2017-18 Ending Balance Reflecting Actuals Adjustment	\$ 44,287,391	\$ 37,427,333	\$ 31,163,960	\$ 23,414,341	\$ 16,604,943	\$ 3,355,110
 Initial July Adjustments (After Governor Signed State Budget)						
Revised LCFF Funding Variables	\$ (193,899)	\$ (105,148)	\$ (611,988)	\$ (756,471)	\$ -	\$ -
One-Time State Funding At \$146 per ADA		\$ 3,668,688				
Current Year Impact	\$ (193,899)	\$ 3,563,540	\$ (611,988)	\$ (756,471)	\$ -	\$ -
Cumulative Impact to Ending Balance	\$ (193,899)	\$ 3,369,641	\$ 2,757,653	\$ 2,001,182	\$ 2,001,182	\$ 2,001,182
Adjusted Ending Balance Projection	\$ 44,093,492	\$ 40,796,974	\$ 33,921,613	\$ 25,415,523	\$ 18,606,125	\$ 5,356,292
 Designated and Restricted Portion:						
Revolving Cash	\$ 70,000	\$ 70,000	\$ 70,000	\$ 70,000	\$ 70,000	\$ 70,000
Stores	\$ 61,631	\$ 61,631	\$ 61,631	\$ 61,631	\$ 61,631	\$ 61,631
Prepaid Expenditures	\$ 888,655	\$ 453,078	\$ -	\$ -	\$ -	\$ -
3% Mandated Reserve for Economic Uncertainties	\$ 8,398,250	\$ 8,272,667	\$ 8,522,373	\$ 8,781,327	\$ 9,034,682	\$ 9,228,383
Reserve For Future LACOE System Charges	\$ 1,400,000	\$ 1,400,000	\$ 1,400,000	\$ 1,400,000	\$ 1,400,000	\$ 1,400,000
Reserve LCFF Net Income Growth less STRS/PERS/Special Education Increases	\$ -	\$ -	\$ 3,890,847	\$ 10,143,358	\$ 22,721,598	\$ 33,292,938
Reserve for Carry-Overs, MAA, Board Elections	\$ 2,269,566	\$ 2,269,566	\$ 2,269,566	\$ 2,269,566	\$ 2,269,566	\$ 2,269,566
Reserve for Planned Operational Draw-Down	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Adjusted Balance in Excess of Assigned And 3% Reserve	\$ 31,005,390	\$ 28,270,032	\$ 17,707,196	\$ 2,689,641	\$ (16,951,352)	\$ (40,966,226)