

GLENDALE UNIFIED SCHOOL DISTRICT

August 4, 2015

ACTION REPORT NO. 1

TO: Board of Education

FROM: Dr. Donald W. Empey, Interim Superintendent

SUBMITTED BY: Robert McEntire, Chief Business and Financial Officer

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

**SUBJECT: Final State Budget and 2015-16 Initial Budget Adjustments**

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The Interim 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 significant changes covering LCFF and One-Time Mandated Costs. 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 2015-16 State Budget contains a decrease of \$182 million to the Governor’s May Revise for the LCFF, bringing the total LCFF funding down to \$5.994 billion. This decrease in LCFF funding results in closing the “gap” toward the funding target by 51.52% compared to 53.08% at adoption. The projected “gap” for 2016-17 and 2017-18 changed from 37.40% to 35.55% and 36.70% to 35.11%, respectively. The impact of GAP, COLA, and ADA changes to District Budget LCFF Total funding is as follows:

	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
Adopted Budget Funding	\$205.1 M	\$212.7 M	\$212.7 M
<u>Revised Funding</u>	<u>\$204.5 M</u>	<u>\$211.9 M</u>	<u>\$211.9 M</u>
Change	\$ -0.6 M	\$ -0.8 M	\$ -0.8 M

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### **Mandates**

The One-Time Discretionary Funds for 2015-16 of \$3.2 billion is down from the May Revision amount of \$3.5 billion to pay down the outstanding Mandate debt. The funding is unrestricted and may be used by LEAs to meet local needs as determined by the governing board. Legislative intent is to prioritize funding for investments necessary to support implementation of Common Core, English Language Development, and Next Generation Science Standards. The impact of this decrease to Glendale USD is \$1.8 million.

### **Additional Budget Revisions**

The additional budget revisions include:

- Worker's compensation rate decrease from 3.338% to 3.003% in 2015-16, or a one-time savings of \$475,000.
- Additional ongoing Common Core supply expenses of \$300,000.
- Additional 18 FTEs to be in compliance with the TK-3 CSR rules for an ongoing amount of \$1.8 million.
- Loss of TK-3 CSR revenue for 2014-15 for not being compliant for a one-time loss of \$1.7 million.

### **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.

***To Support 2015-16 Board Priority No. 2 - "Use Board adopted budgetary principles to maintain District fiscal integrity and stability of instruction and programs."***

2015-16 Proposed Budget  
Multi-Year Budget Assumptions

Category	2013-14 Actual	2014-15	2015-16	2016-17	2017-18
<u>Local Control Funding Formula</u>					
- Projected Net District LCFF Revenue Increase	\$7,281,008				
Adopted Budget		\$17,214,351	\$22,927,212	\$7,621,177	\$0
State Budget Adoption		\$17,275,960	\$22,231,824	\$7,397,695	\$0
- Revenue Net Percentage Increase	5.10%	10.69%	12.20%	4.48%	0.00%
- Projected Increase In Funding Per ADA	\$317	\$702	\$882	\$345	\$0
- Total LCFF Funding Per ADA	\$6,526	\$7,228	\$8,110	\$8,455	\$8,455
- Factors Utilized In Revenue Calculations					
Unduplicated Percentage	56.14%				
Adopted Budget		55.88%	55.94%	55.99%	55.99%
State Budget Adoption		55.88%	55.94%	55.99%	55.99%
Cost of Living Adjustment (COLA)	1.570%				
Adopted Budget		0.85%	1.02%	1.60%	0.00%
State Budget Adoption		0.85%	1.02%	1.60%	0.00%
Gap Funding	12.002%				
Adopted Budget		29.97%	53.08%	37.40%	0.00%
State Budget Adoption		30.16%	51.52%	35.55%	0.00%
Revenue ADA (Funded)	25,278				
Adopted Budget		25,209	25,208	25,057	24,981
State Budget Adoption		25,212	25,212	25,057	24,981
Enrollment	26,070				
Adopted Budget		26,182	25,988	25,904	25,909
State Budget Adoption		26,168	25,988	25,904	25,909
Unduplicated Count - Enrollment	14,637				
Adopted Budget		14,568	14,568	14,568	14,568
State Budget Adoption		14,568	14,568	14,568	14,568
<u>EMPLOYEE BENEFITS</u>					
- Proposed Budget STRS Rates	8.250%	8.880%	10.730%	12.580%	14.430%
- PERS	11.442%	11.771%	11.847%	15.000%	16.600%
- Workers Compensation - Adopted & State Adoption	3.210%	3.338%	3.003%	3.338%	3.338%
- Retiree Benefits	0.909%	0.094%	1.611%	1.611%	1.611%
Utilizing Fund #67.1 Balance	See Below	See Below	---	---	---
- Health Insurance Increase (District-wide)	\$694,000	\$0	\$2,430,000	\$2,430,000	\$2,430,000
<u>"SOLVENCY" TRANSFERS</u>					
- Restricted Major Maintenance Reserve	\$700,000	\$0	\$0	\$0	\$0
- Early Retirement Benefit Fund #67.2	\$1,600,000	\$2,400,000	\$0	\$0	\$0
- Deferred Maintenance Fund #14.0	\$0	\$0	\$0	\$0	\$0
- Debt Service Fund #56.0	\$0	\$0	\$1,370,025	\$1,481,351	\$0

**2015-16 Budget Adjustment Impact on Unrestricted General Fund Ending Balance  
As Of 8/4/2015**

Major Changes	2014-15	2015-16	2016-17	2017-18
<b>Adopted Budget 2015-16 Ending Balance</b>	\$ 23,916,447	\$ 43,817,608	\$ 49,438,464	\$ 49,807,900
<b>Adjustment For Actual 2014-15 Ending Balance</b>	\$ -	\$ -	\$ -	\$ -
<b>Revised 2014-15 Ending Balance Reflecting Actuals Adjustment</b>	\$ 23,916,447	\$ 43,817,608	\$ 49,438,464	\$ 49,807,900
<b>Initial August Adjustments</b>				
Revised LCFF Funding Variables	\$ 51,636	\$ (633,779)	\$ (857,261)	\$ (857,261)
Adjust Workers Comp Rate From 3.340% to 3.003%	\$ -	\$ 475,000	\$ -	\$ -
CCSS Program - Supply Allocation	\$ -	\$ (300,000)	\$ (300,000)	\$ (300,000)
CCSS Math Program - Additional 1 FTE Allocation	\$ -	\$ (100,000)	\$ (100,000)	\$ (100,000)
Solvency Transfer - Debt Service Fund 56	\$ -	\$ 100,000	\$ 100,000	\$ 100,000
One Time Mandated Cost Revenue Adjustment	\$ -	\$ (1,750,360)	\$ -	\$ -
Educator Support Fundiing - To Be Determined	\$ -	\$ TBD	\$ TBD	\$ TBD
Chromebook Order - PO Carried Forward From 2014-15	\$ -	\$ (630,000)	\$ -	\$ -
Additional CSR Teachers To Be Compliant With LCFF Rules - 18 FTE	\$ -	\$ (1,800,000)	\$ (1,800,000)	\$ (1,800,000)
Loss of CSR Funds for 2014-15 - Not Compliant w/ LCFF Rules	\$ -	\$ (1,671,310)	\$ -	\$ -
<b>Current Year Impact</b>	\$ 51,636	\$ (6,310,449)	\$ (2,957,261)	\$ (2,957,261)
<b>Cumulative Impact to Ending Balance</b>	\$ 51,636	\$ (6,258,813)	\$ (9,216,074)	\$ (12,173,335)
<b>Adjusted Ending Balance Projection</b>	\$ 23,968,083	\$ 37,558,795	\$ 40,222,390	\$ 37,634,565
<b>Designated and Restricted Portion:</b>				
Revolving Cash	\$ 70,000	\$ 70,000	\$ 70,000	\$ 70,000
Stores & Prepaid Expense	\$ 99,928	\$ 99,928	\$ 99,928	\$ 99,928
3% Mandated Reserve for Economic Uncertainties	\$ 7,502,474	\$ 7,336,211	\$ 7,526,126	\$ 7,642,042
Reserve for City of Glendale Loan	\$ 355,000	\$ 355,000	\$ 355,000	\$ 355,000
Reserve for One Furlough Day 2017-18	\$ -	\$ -	\$ -	\$ 643,000
Reserve LCFF Net Income Growth (Cumulative) less STRS/PERS Increases	\$ -	\$ -	\$ 1,684,723	\$ 848,503
Reserve for Regular c/o, MAA, ROP, Supplemental c/o *	\$ 1,737,179	\$ 1,737,179	\$ 1,737,179	\$ 1,737,179
Reserve for Planned Operational Draw-Down	\$ 547,184	\$ 273,592	\$ -	\$ -
<b>Adjusted Balance in Excess of Assigned And 3% Reserve</b>	\$ 13,656,318	\$ 27,686,885	\$ 28,749,434	\$ 26,238,913