

2015-16

Second Interim Financial Report

Glendale Unified School District
Board Of Education Meeting – March 15, 2016
Action Report No. 5

Robert McEntire, Chief Business & Financial Officer
Karineh Savarani, Director, Financial Services

Budget Report No. 5

Second Interim Report And Certification

- AB 1200 and AB 1708 require county offices to monitor and review district budget and financial reports
- Districts are required to submit two interim budget reports determining if they can meet their financial obligations in the current and the two subsequent years
- The County certifies each report as “positive”, “qualified”, or “negative” based on the ability of the district to meet its financial obligations
- The second interim report represents the actual and projected financial position of the General Fund as of January 31, 2016

2015-16 Budget Calendar

Budgeting for schools is a continuous, year-round process

- Adopted Budget by June 30, 2015
- First Interim by December 15, 2015
 - *Using data through October 31, 2015*
- Second Interim by March 15, 2016
 - *Using data through January 31, 2016*
- ~~Third Interim by June 1, 2016~~
 - ~~*If a Qualified or Negative certification for the Second Interim*~~
 - ~~*Using data through April 30, 2016*~~
- Public Hearing for the Local Control Accountability Plan (LCAP) & 2016-17 Budget on May 24, 2016
- Adopt LCAP & 2016-17 Budget on June 21, 2016
 - *Public Hearing and actual Adoption must be performed in two separate Board meetings*

CERTIFICATION DEFINITION

- ✓ **POSITIVE** = The district, based on current projections, **will be able** to meet its financial obligations for the current and subsequent two fiscal years
- **QUALIFIED** = The district, based on current projections, **may not be able** to meet its financial obligations for the current and subsequent two fiscal years
- **NEGATIVE** = The district, based on current projections, **will be unable** to meet its financial obligations for the current and subsequent two fiscal years

Current Projections based on Second Interim and Multi-Year Projection (MYP)

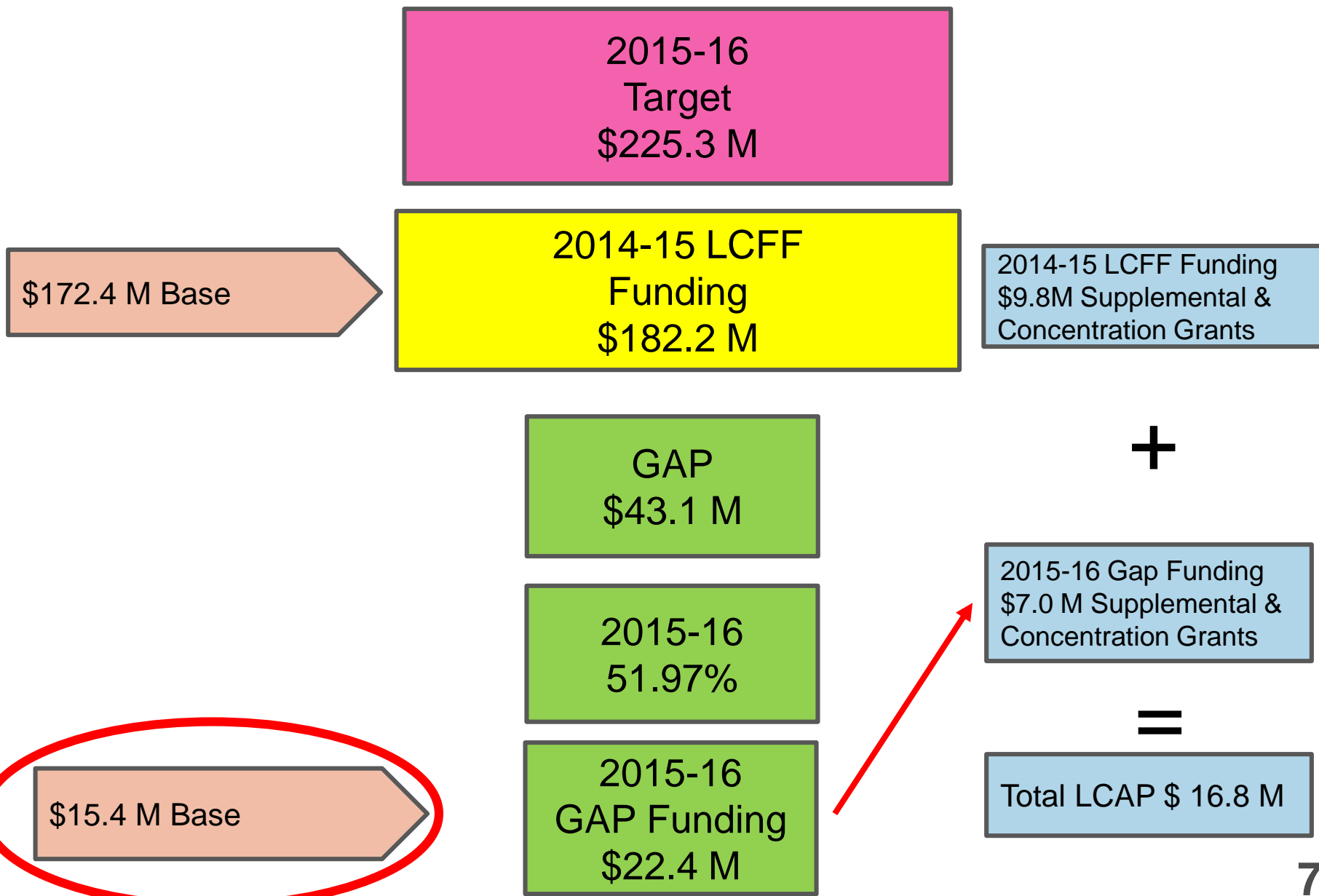
Major Changes Since First Interim Report

	2015-16	2016-17	2017-18	2018-19	2019-20
Revenue					
LCFF Revenue	\$0.1 M ↑	\$1.9 M ↑	\$0.3 M ↓	\$3.1 M ↓	\$2.7 M ↑
GAP %	0.45% ↑	13.5% ↑	10.23% ↑	13.73% ↓	15.81% ↑
Unduplicated %	55.89%	55.93%	56.14%	56.22%	56.09%

Major Changes Since First Interim Report In Millions

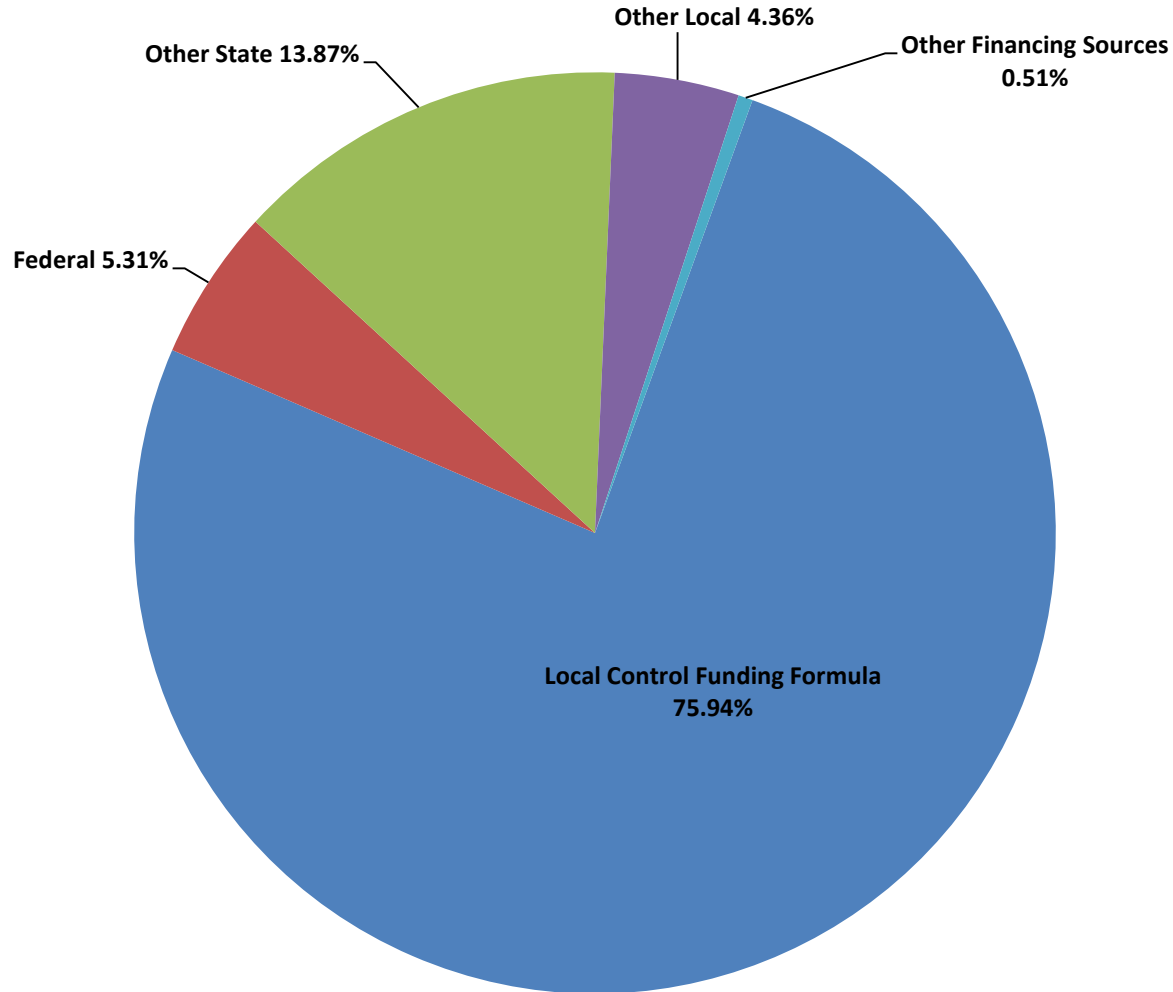
	2015-16	2016-17	2017-18	2018-19	2019-20	Cumulative
<u>Expense</u>						
2015-16 “Me Too” 4.25% CSEA		\$1.7	\$1.7	\$1.7	\$1.7	\$6.8
2014-15 “Me Too” 4.25% GSMA		\$0.9	\$0.9	\$0.9	\$0.9	\$3.6
STRS/PERS Impact of 2014-15 Settlement		\$0.3	\$0.5	\$0.7	\$0.9	\$2.4
RRM 3% Cont. Impact of 2014-15 Settlement		\$0.5	\$0.5	\$0.5	\$0.5	\$2.0
Total	\$0M	\$3.4M	\$3.6M	\$3.8M	\$4.0M	\$14.8M

Gap Funding and Proportionality Calculation



2015-16 Second Interim Report

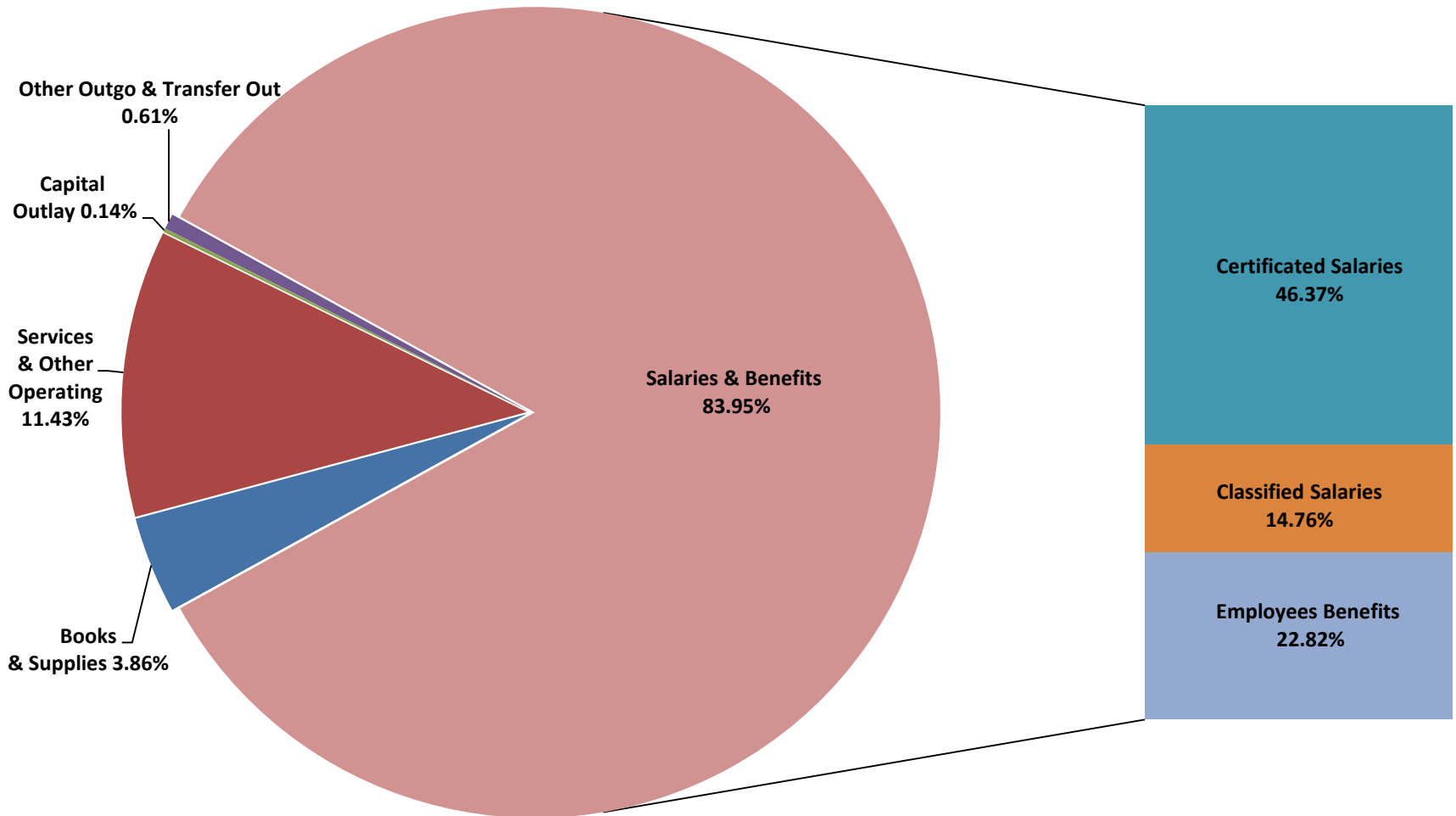
TOTAL REVENUE – GENERAL FUND



Total Revenues = \$269,387,729

2015-16 Second Interim Report

TOTAL EXPENDITURES – GENERAL FUND



Total Expenditures - \$265,773,039

Second Interim Report Unrestricted General Fund Ending Balance

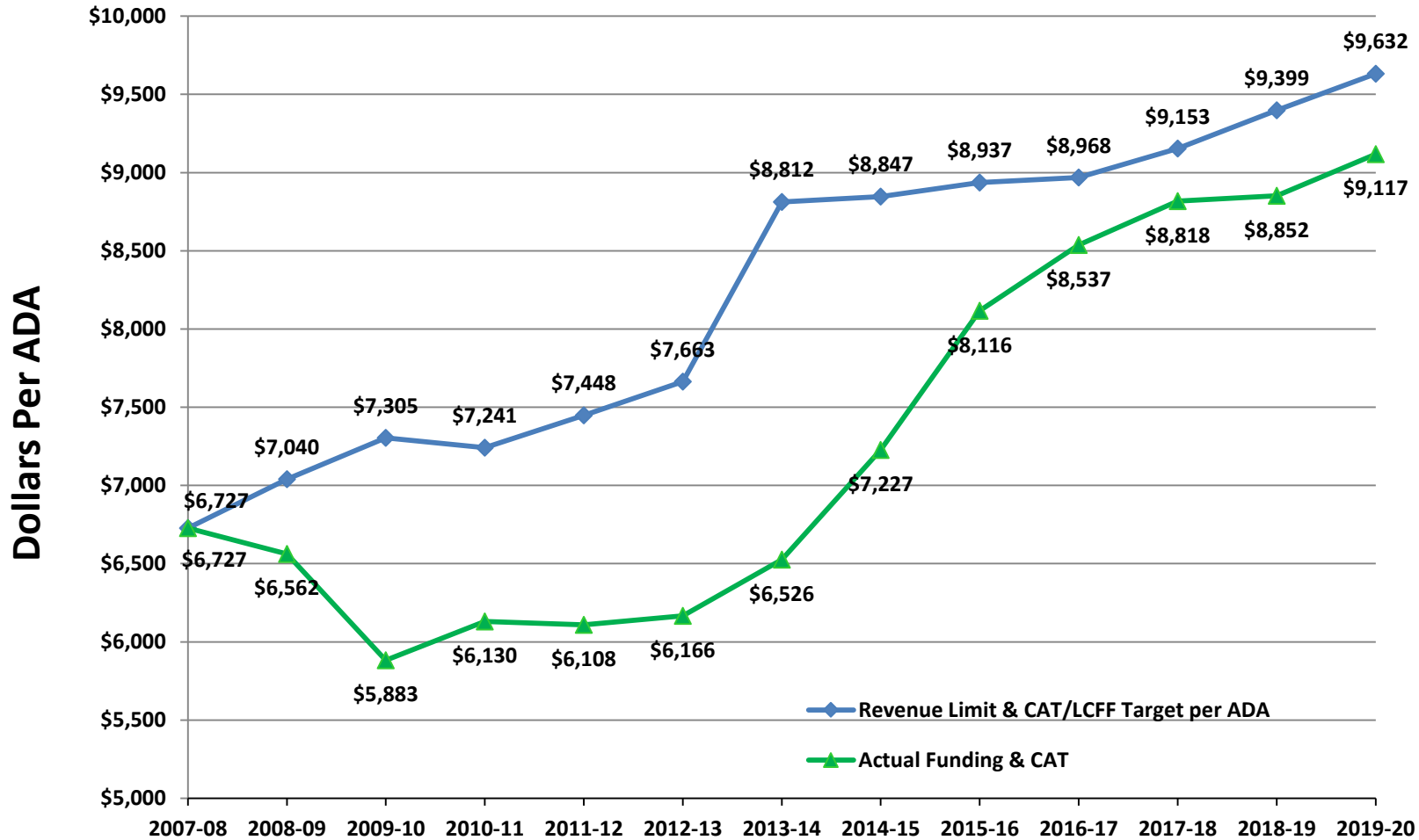
	In Millions					
	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Ending Balance	\$ 32.5	\$ 35.5	\$ 32.3	\$ 24.9	\$ 12.5	\$ 0.7
3% Mandated Reserve	(7.2)	(8.0)	(8.0)	(8.1)	(8.3)	(8.5)
Reserve Future LCFF Less STRS/PERS	-	-	(2.5)	(4.1)	(3.9)	(8.4)
Other Reserves	(15.5)	(6.8)	(12.4)	(12.6)	(11.9)	(11.9)
Balance in Excess 3%	<u>9.8</u>	<u>20.7</u>	<u>9.4</u>	<u>0.1</u>	<u>(11.6)</u>	<u>(28.1)</u>
Without Solvency Transfers (Retiree Def. Maint.)	\$ 7.4	\$ 17.0	\$ 4.2	\$ (5.1)	\$ (16.8)	\$ (33.3)

2015-16 Second Interim Report Unrestricted General Fund MULTI YEAR PROJECTION

Unrestricted General Fund	2015-16	2016-17	2017-18	2018-19	2019-20
Total Revenues	\$ 190,632,609	\$ 189,713,727	\$ 188,731,841	\$ 189,386,765	\$ 196,333,204
Total Expenditure	187,673,165	192,890,960	196,057,672	201,866,674	208,097,483
Net Increase/(Decrease)	2,959,444	(3,177,233)	(7,325,831)	(12,479,909)	(11,764,279)
Beginning Balance	32,492,820	35,452,264	32,275,031	24,949,200	12,469,291
Audit Adjustments	-	-	-	-	-
Ending Balance	35,452,264	32,275,031	24,949,200	12,469,291	705,012
Components of Ending Fund Balance:					
Revolving Cash	70,000	70,000	70,000	70,000	70,000
Stores	70,806	70,806	70,806	70,806	70,806
Prepaid Expenditures	1,324,233	888,655	453,078	453,078	453,078
3% Reserve for Economic Uncertainties	7,973,192	8,021,150	8,131,932	9,322,232	8,525,180
Reserve for One Furlough Day 2017-18	-	-	643,000	-	-
Reserve for Future LACOE System Charges	-	900,000	900,000	900,000	900,000
Reserve for One-Time 2016-17 Discretionary Funding	-	5,339,728	5,339,728	5,339,728	5,339,728
Reserve LCFF Net Income Growth less STRS/PERS Increases & Solvency	-	2,533,879	4,059,029	3,943,112	8,390,725
Reserve for Regular carry-over, MAA, ROP and Supplemental Program	3,234,382	3,234,382	3,234,382	3,234,382	3,234,382
Reserve for Operational Draw-Down	2,142,282	1,868,690	1,868,690	1,868,690	1,868,690
Adjusted Balance in Excess of Assigned and 3% Reserve	\$ 20,637,369	\$ 9,347,740	\$ 178,554	\$ (11,732,738)	\$ (28,147,577)
Salaries and Benefits % of Exp.	87.45%	89.18%	89.28%	89.46%	89.64%
Salaries and Benefits % of Rev.	86.09%	90.67%	92.75%	95.36%	95.01%

Local Control Funding Formula

Historical Funding – Per ADA



(In Million\$)	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Annual Loss	12.4	36.6	28.3	34.0	38.0	57.7	40.8	20.7	10.8	8.4	13.7	12.9
Cumulative Loss	12.4	49.0	77.3	111.3	149.3	207.0	247.8	268.5	279.3	287.7	301.4	314.3

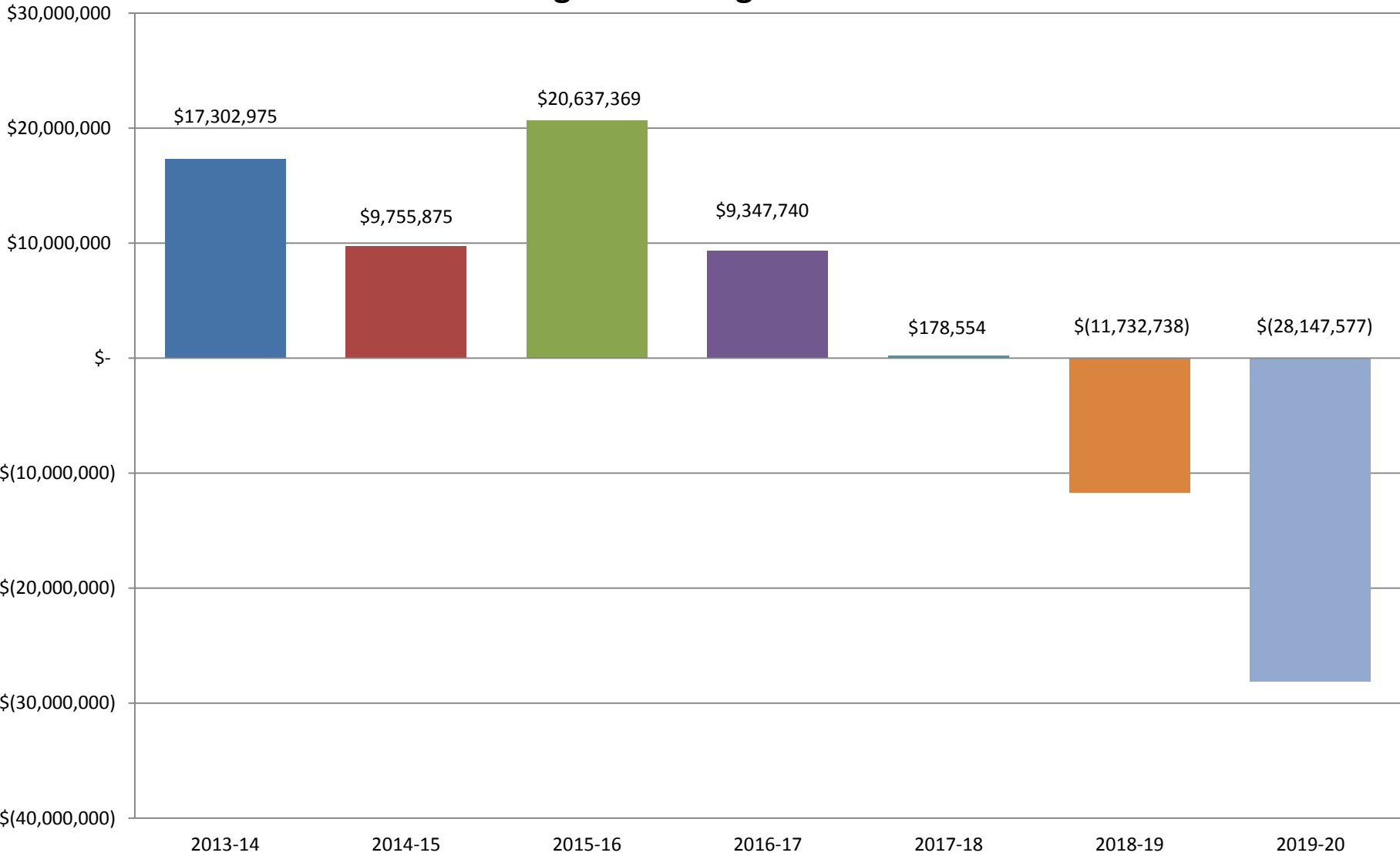
As of 2/19/2016

Note: 2013-14 to 2016-17 – LCFF Funding

NOTE TO CERTIFICATION

- “Positive” Second Interim was only achieved by using 80% of the future year GAP funding and fairly liberal budget techniques.
- Unrestricted General Fund Unassigned Balance will be Negative in 2018-19 and 2019-20 for \$11.7 million and \$28 million, respectively.
- The District will be unable to meet its financial obligations, if NOT rectified.
- Unsustainable demand for growth in programs and salaries has forced the District to release almost all of the future year GAP funding.

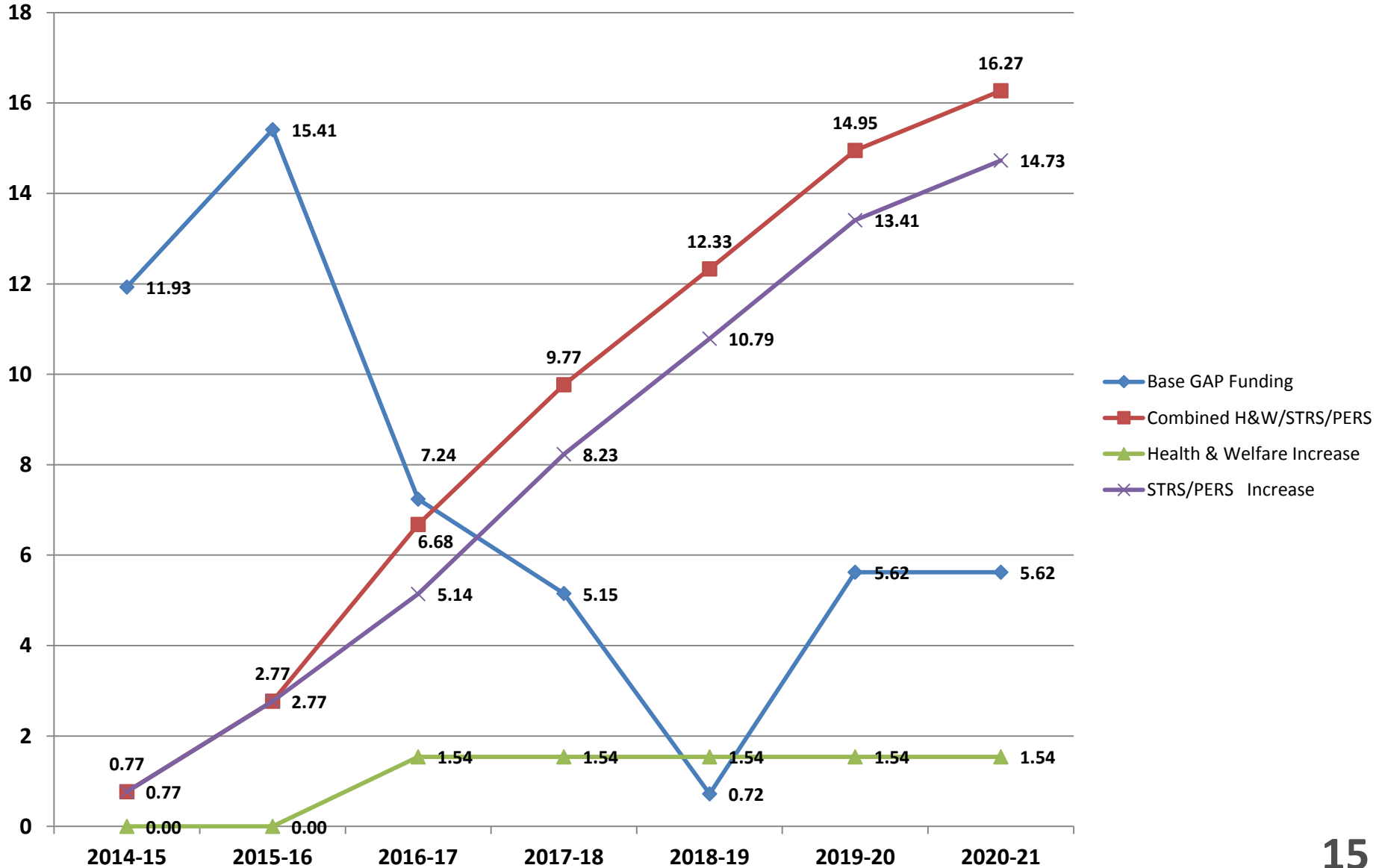
2015-16 Second Interim Report Unrestricted General Fund Change in Unassigned Balance



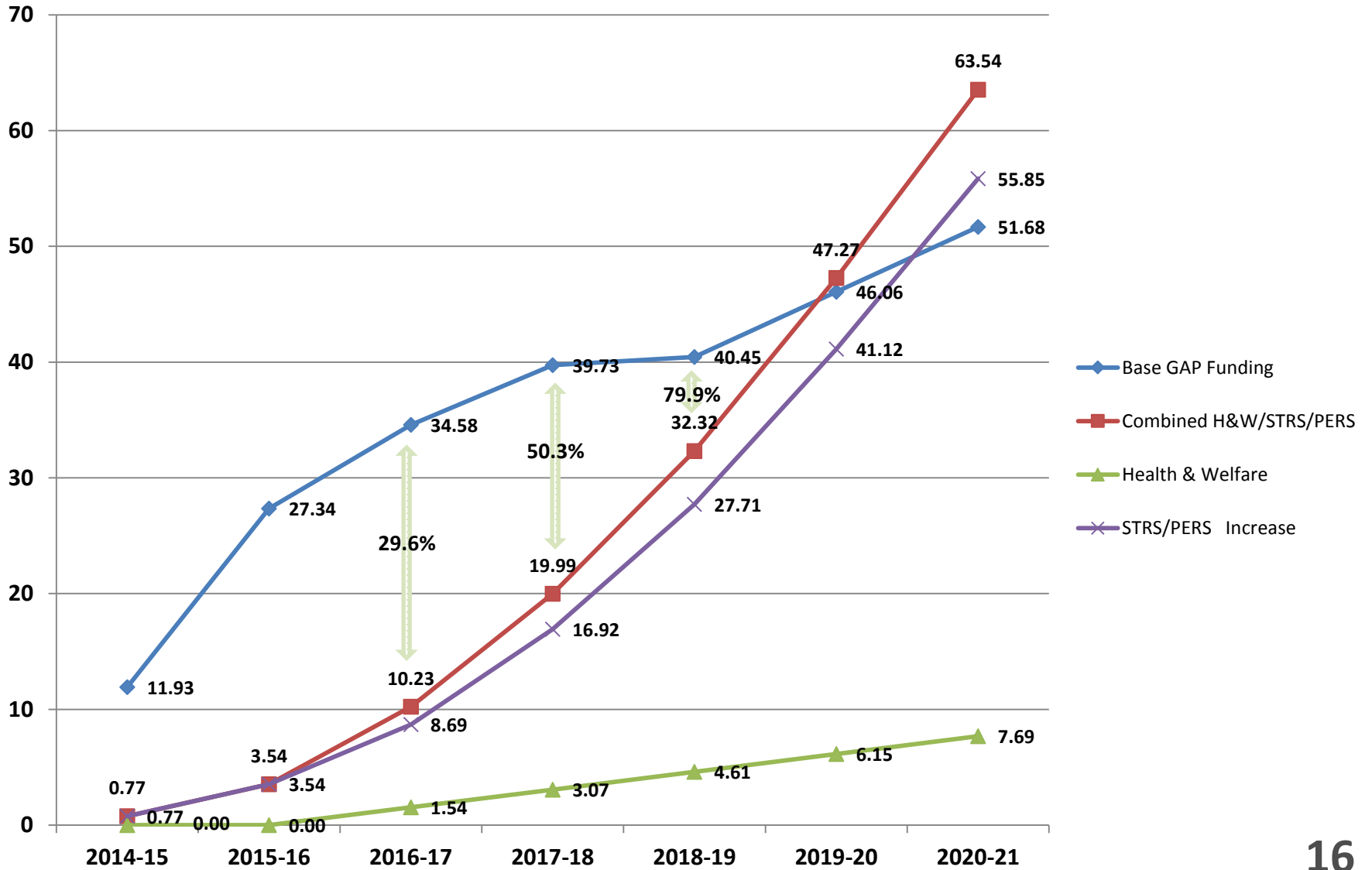
2015-16 Second Interim Report

BASE GAP FUNDING vs. HEALTH/WELFARE & STRS/PERS INCREASES

(Non – Cumulative In Million Dollars)

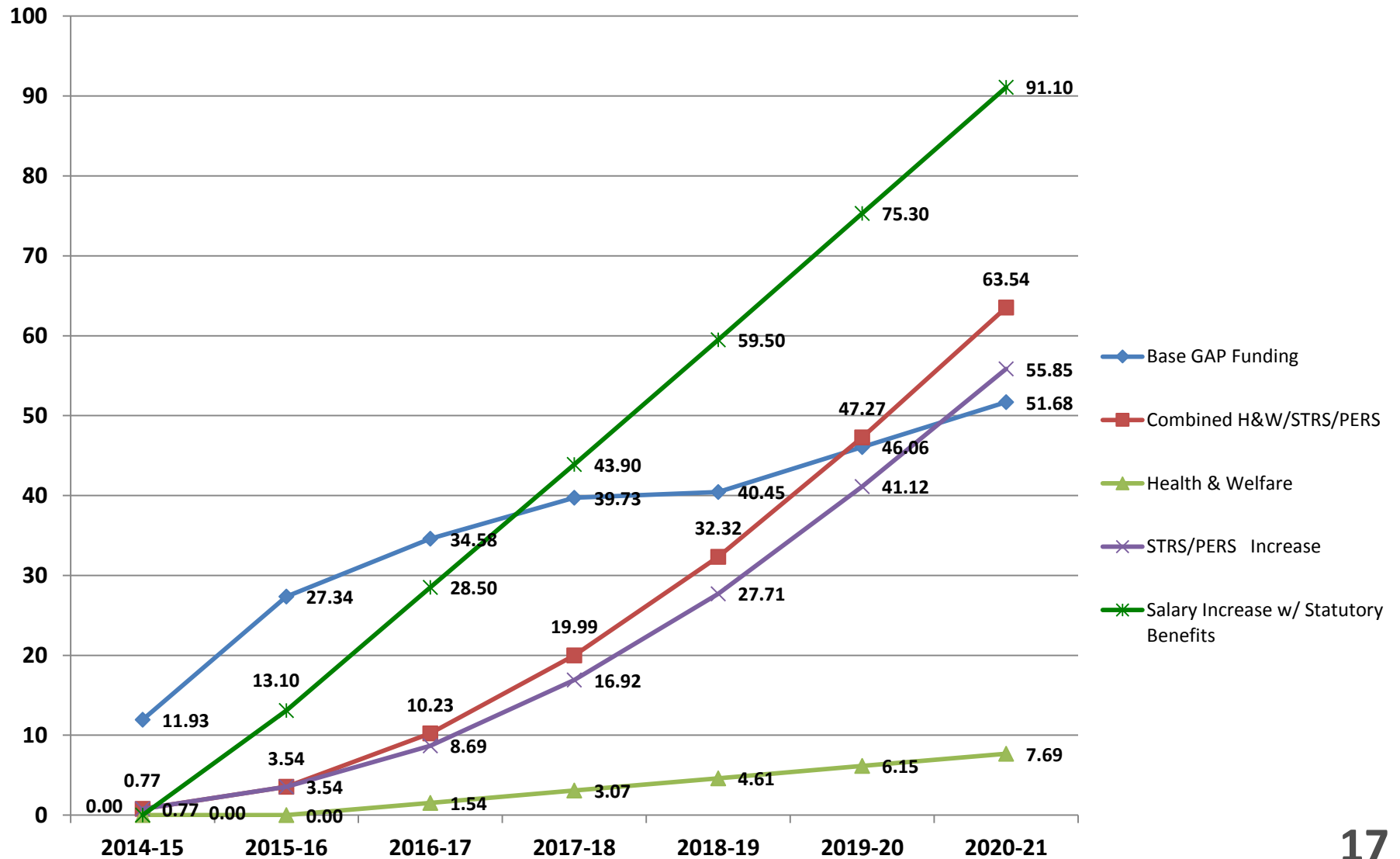


BASE GAP FUNDING vs. HEALTH/WELFARE & STRS/PERS INCREASES (Cumulative -In Million Dollars)






As of 7/1/2015

BASE GAP FUNDING vs. HEALTH/WELFARE & STRS/PERS AND SALARY INCREASES (Cumulative -In Million Dollars)



As of 7/1/15

Cautions and Challenges

- **Future Funding - Unstable GAP%**  
- **Unduplicated Count – May** 
- **Structural Deficit - Must Be Addressed**
- **Special Education - Program Needs Increasing**
- **No Additional Funding to Cover CalPERS and CalSTRS Increases**
- **Projected Negative Unrestricted General Fund Adjusted Balances in 2018-19 and 2019-20**
- **Possible Qualified Certification in 2018-19 and 2019-20**
- **One-Time Discretionary Revenues are Volatile**
- **Unsustainable Demand for Growth in Programs and Salaries**

Second Interim Summary

- **The Co-Interim Superintendents are recommending a Positive Certification for Second Interim.**

QUESTIONS?

