

# 2017-18 First Interim Financial Report

December 12, 2017

Information Report No. 2

Presented by: Stephen Dickinson

Chief Business and Financial Officer

Budget Report No. 3





## First 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 first interim report represents the actual and projected financial position of the General Fund as of October 31, 2017



## 2017-18 Budget Calendar

### ***Budgeting for schools is a continuous, year-round process***

- Adopted Budget by June 30, 2017
- First Interim by December 15, 2017
  - *Using data through October 31, 2017*
- Second Interim by March 15, 2018
  - *Using data through January 31, 2018*
- Third Interim by June 1, 2018
  - *If a Qualified or Negative certification for the Second Interim*
  - *Using data through April 30, 2018*
- Public Hearing for the Local Control Accountability Plan (LCAP) & 2018-19 Budget by June 30, 2018
- Adopt LCAP & 2018-19 Budget
  - *Public Hearing and actual Adoption must be performed in two separate Board meetings*



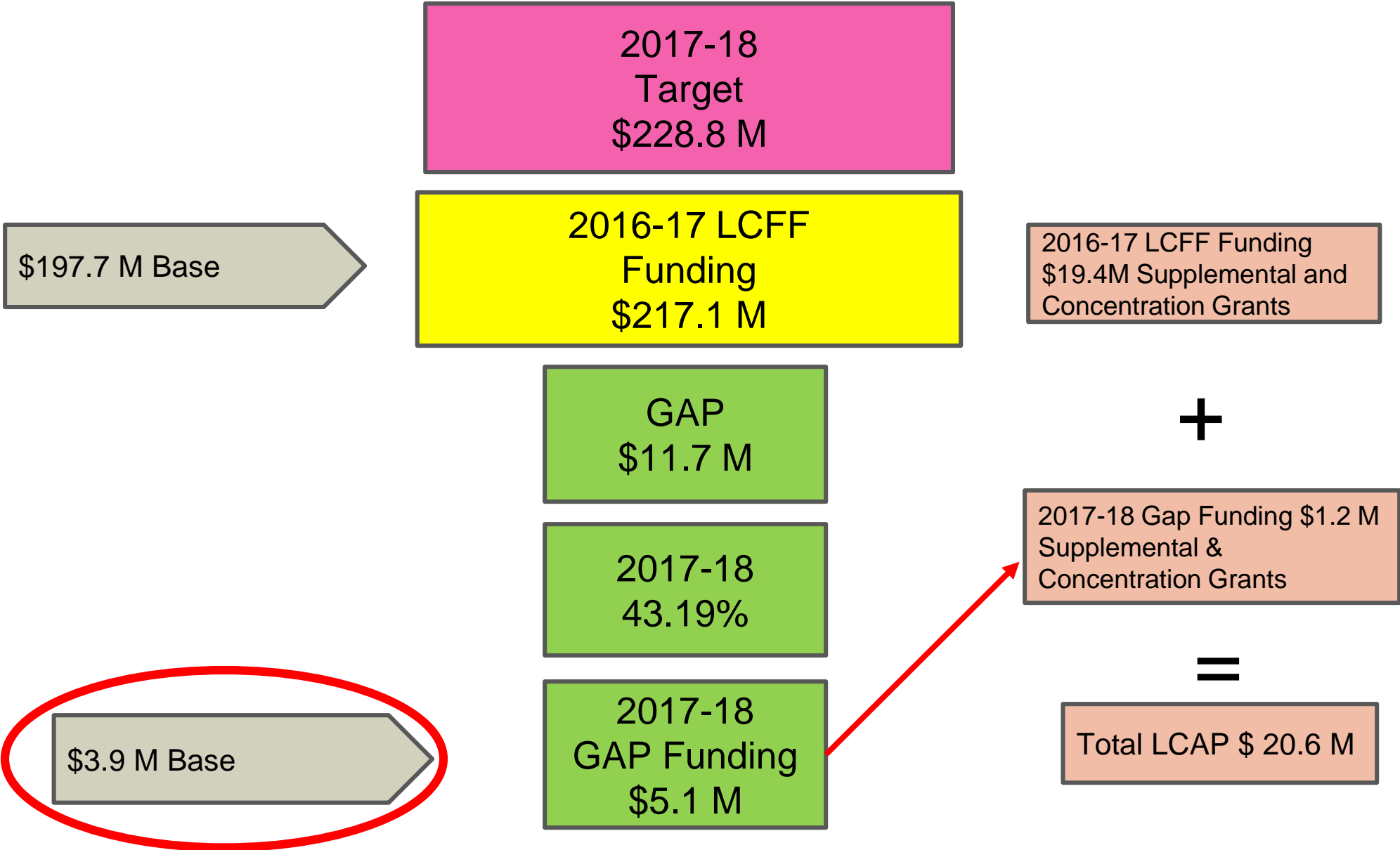
## Certification Definition

- ✓ **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 First Interim and Multi-Year Projection (MYP)



# Gap Funding and Proportionality Calculation





## Major Changes Since June Budget Adoption

	2017-18	2018-19	2019-20	2020-21	CUMULATIVE
<u>Revenue</u>					
LCFF Revenue	\$0.60 M ↑	\$1.0 M ↓	\$0.3 M ↓	\$1.0 M ↑	\$0.3 M ↑
GAP %	0.78% ↓	5.41% ↓	8.59% ↓	-	
Unduplicated %	54.26%	54.20%	54.14%	53.94%	

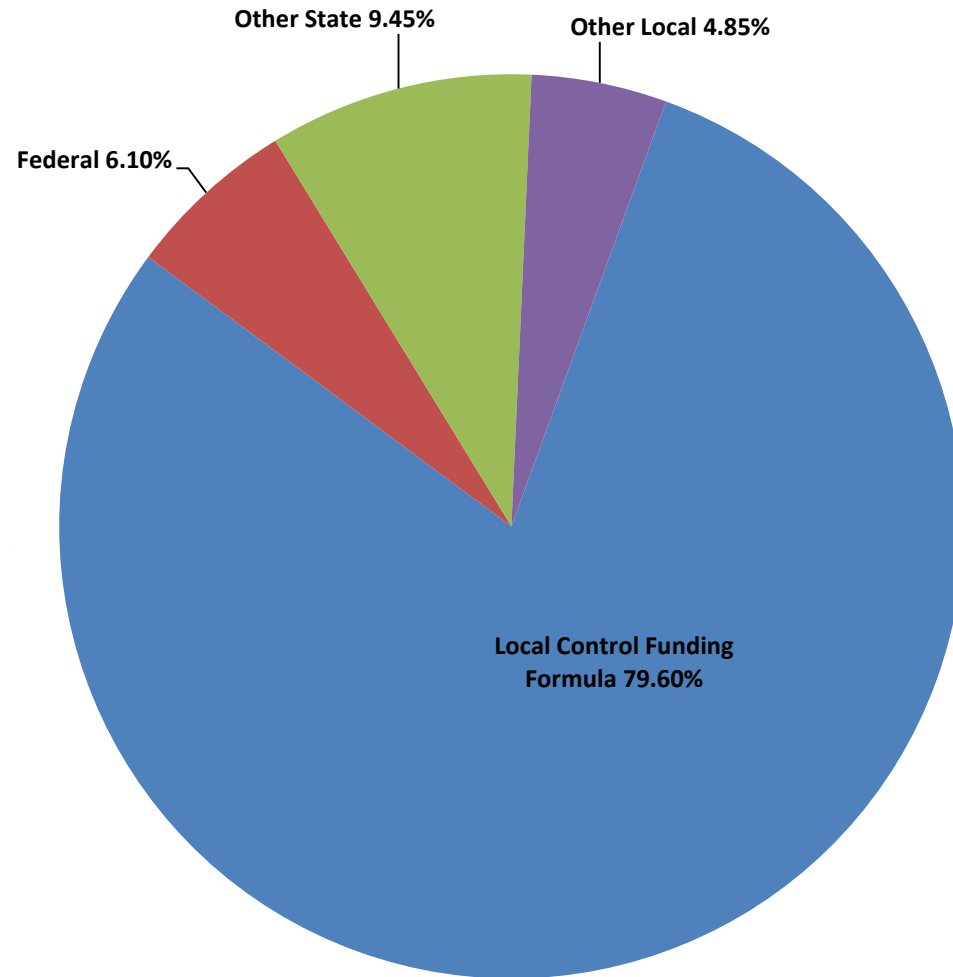


## Major Changes Since June Budget Adoption In Millions

	2017-18	2018-19	2019-20	CUMULATIVE
<u>Expense</u>				
Computer Laptop Purchases	\$1.2	\$1.2	\$1.2	\$3.6
Carry Over	\$3.2	\$ 0	\$ 0	\$3.2
<b>Total</b>	<b>\$4.4M</b>	<b>\$1.2M</b>	<b>\$1.2M</b>	<b>\$6.8 M</b>



## 2017-18 First Interim TOTAL REVENUE – GENERAL FUND

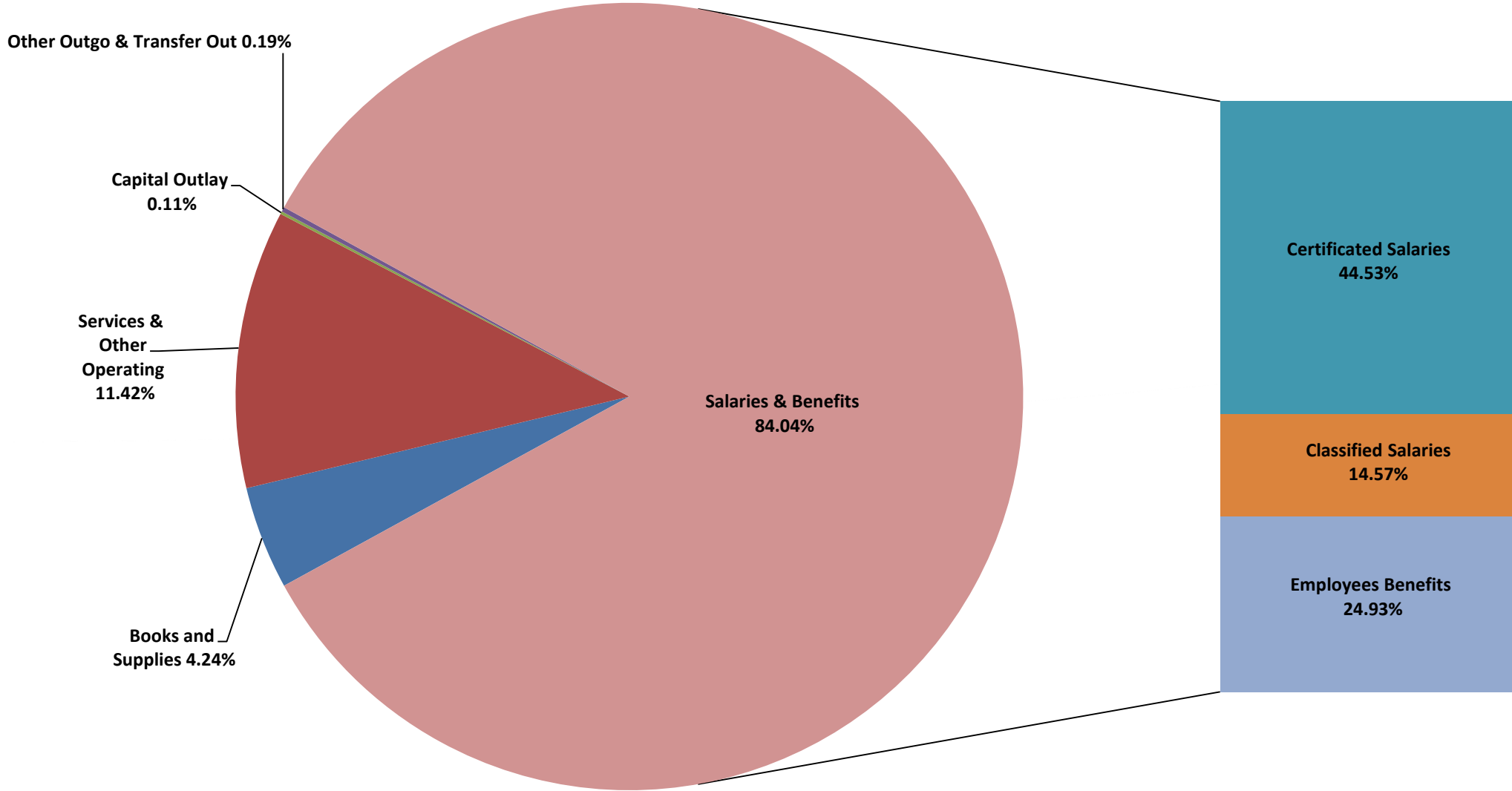


Total Revenues = \$279,067,136





# 2017-18 First Interim TOTAL EXPENDITURES – GENERAL FUND



Total Expenditures = \$ 284,419,533



## NOTE TO CERTIFICATION

- Unrestricted General Fund Unassigned Balance will be Negative in 2020-21 for \$18.0 million.
- The District will be unable to meet its financial obligations, if NOT rectified.

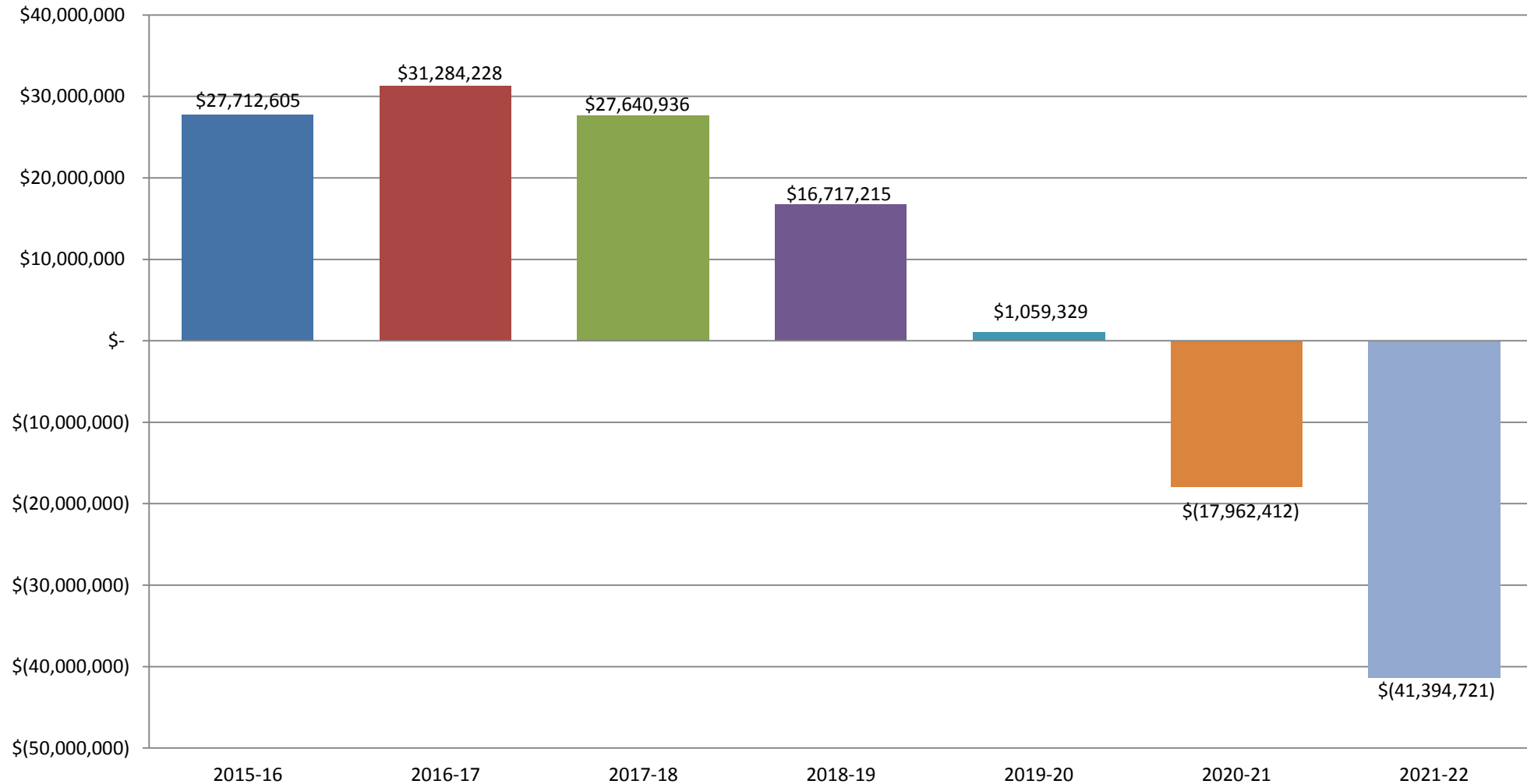


## First Interim Report Unrestricted General Fund Ending Balance

		In Millions				
		2016-17	2017-18	2018-19	2019-20	2020-21
<b>Ending Balance</b>		\$ 47.2	\$ 40.1	\$ 32.0	\$ 22.1	\$ 15.3
<b>3% Mandated Reserve</b>		(8.4)	(8.6)	(8.6)	(8.8)	(9.0)
<b>Reserve Future LCFF Less STRS/PERS/SPED Incr.</b>		-	-	(3.3)	(8.8)	(20.8)
<b>Other Reserves</b>		(7.5)	(3.5)	(3.4)	(3.4)	(3.4)
<b>Balance in Excess of 3%</b>		31.3	28.0	16.7	1.1	(17.9)
<b>Without All Prior Solvency Transfers</b>		\$ 26.1	\$ 22.8	\$ 11.5	\$ (4.1)	\$ (23.1)



## Unrestricted General Fund Change in Unassigned Balance





### Other Funds- Projected Totals

	Fund 12.0 Child Development Fund	Fund 13.0 Cafeteria Special Revenue Fund	Fund 21 Building Fund	Fund 25.0 Capital Facilities Fund	Fund 40 Special Reserve Fund for Capital Outlay Projects
Revenues	\$ 4,456,888	\$ 9,036,074	\$ 1,000,000	\$ 1,110,000	\$ 4,458,917
Expenditure	4,449,888	9,501,422	59,424,758	510,344	10,024,971
Net Incr./ (Decr.) To Fund Balance	7,000	(465,348)	(58,424,758)	599,656	(5,566,054)
Beginning Fund Balance	190,634	4,350,555	80,859,460	10,185,256	22,711,564
<b>Ending Fund Balance</b>	<b>\$ 197,634</b>	<b>\$ 3,885,207</b>	<b>\$ 22,434,702</b>	<b>\$ 10,784,912</b>	<b>\$ 17,145,510</b>



**Unrestricted General Fund  
MULTI YEAR PROJECTION**

	2017-18	2018-19	2019-20	2020-21
Total Revenues	\$ 196,357,557	\$ 200,345,688	\$ 207,164,160	\$ 217,536,877
Total Expenditure	203,442,967	208,451,750	217,083,906	224,306,275
Net Increase/(Decrease)	<b>(7,085,410)</b>	<b>(8,106,062)</b>	<b>(9,919,746)</b>	<b>(6,769,398)</b>
Beginning Balance	47,212,609	40,127,199	32,021,137	22,101,391
Audit Adjustments	-	-	-	-
Ending Balance	<b>40,127,199</b>	<b>32,021,137</b>	<b>22,101,391</b>	<b>15,331,993</b>
<b>Components of Ending Fund Balance:</b>				
Revolving Cash	70,000	70,000	70,000	70,000
Stores	77,474	77,474	77,474	77,474
Prepaid Expenditures	453,078	-	-	-
3% Reserve for Economic Uncertainties	8,588,800	8,559,060	8,818,014	9,034,682
Reserve LCFF Net Income Growth less STRS/PERS Increases & SPED Increases	-	3,300,477	8,779,663	20,815,338
Reserve for Carry Over, MAA, Board Election, LACOE Charges	3,296,911	3,296,911	3,296,911	3,296,911
<b>Adjusted Balance in Excess of Assigned and 3% Reserve</b>	<b>\$ 27,640,936</b>	<b>\$ 16,717,215</b>	<b>\$ 1,059,329</b>	<b>\$ (17,962,412)</b>
Salaries and Benefits % of Exp.	88.25%	89.70%	90.18%	90.92%
Salaries and Benefits % of Rev.	91.44%	93.34%	94.51%	93.75%



## Cautions and Challenges

- **Future Funding - Unstable GAP% and UPP** ↑↓
- **Structural Deficit - Must Be Addressed**
- **Special Education - Program Needs Increasing**
- **Projected Negative Unrestricted General Fund Adjusted Balances in 2020-21**
- **No Additional Funding to Cover CalPERS and Cal STRS Increases**
- **Solvency Plan for 2017-18 of \$7.6 million, for 2018-19 up to \$6.1 million, and for 2019-20 up to an additional \$8.2 million**
- **Impact of 2016-17 and 2017-18 Negotiations**
- **Sagebrush Transfer**

## Potential Positives

- **State Revenue Up – Keep Close Eye on Governor’s Budget – January**
- **Fiscal Position for GUSD: Guarded Optimism**



# First Interim Summary

- **The Superintendent is recommending a Positive Certification for First Interim.**





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## Possible Revenue Increases 2018-19

<b>Proposed Action</b>	<b>Target Rev. Increase</b>	<b>Estimated Actual Rev. Increase</b>
Maintain ADA percent at 96.9% – started 2017-18	Maintain	\$0
Increase enrollment of net +50 students – over 2017-18	\$435,000	\$0
Increase lease revenue – through possible building exchange transaction?	\$200,000	\$0
LCFF on-going funding improvement – January and May 2018 Gov. Budget info	\$0	\$0
Use of one-time revenue/current reserves	\$1,000,000	\$0
<b>Subtotals</b>	<b>\$1,635,000</b>	<b>\$0</b>



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## Possible Budget Reductions 2018-19 Expenditures – Supplies

<b>Proposed Action</b>	<b>Target Savings</b>	<b>Estimated Actual Savings</b>
Copier/printer equipment and service	\$125,000	\$0
Software subscriptions	\$50,000	\$0
District office supplies	\$25,000	\$0
<b>Subtotals</b>	<b>\$200,000</b>	<b>\$0</b>



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## Possible Budget Reductions 2018-19 Expenditures – Services

<b>Proposed Action</b>	<b>Target Savings</b>	<b>Estimated Actual Savings</b>
Review use of outside services	\$50,000	\$0
Examine cost of 3 <sup>rd</sup> party contracts	\$50,000	\$0
Reduce cost of Clark Magnet transportation (and/or increase fee)	\$200,000	\$0
Reduce cost of SpEd transportation	\$250,000	\$0
Reduce cost of FASO vehicle fleet	\$20,000	\$0
<b>Subtotals</b>	<b>\$570,000</b>	<b>\$0</b>



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## Possible Budget Reductions 2018-19 Expenditures – Salaries and Benefits

<b>Proposed Action</b>	<b>Target Savings</b>	<b>Estimated Actual Savings</b>
Reduce overtime for classified management position	\$10,000	\$0
Review administrative staffing level	\$400,000	\$0
Review classified staffing level	\$600,000	\$0
Identify areas for Special Education reductions	\$240,000	\$0
Reduce sub days for Professional Development	\$20,000	\$0
Teachers/Attrition/Reallocation/etc. (retirement savings already included in budget)	\$1,000,000	\$0
Various Principal Additional Assignment Savings	\$10,000	\$0
H&W rates higher/lower than budgeted – information in May 2018	\$0	\$0
<b>Subtotals</b>	<b>\$2,280,000</b>	<b>\$0</b>
<b>Totals</b>	<b>\$4.68 m</b>	<b>\$</b>

# QUESTIONS?

