

GLENDALÉ UNIFIED SCHOOL DISTRICT
223 North Jackson Street
Glendale, California 91206
(818) 241-3111

BOARD OF EDUCATION
AGENDA

December 18, 2018
Meeting No. 16
Special Meeting

GLENDALE UNIFIED SCHOOL DISTRICT
223 North Jackson Street
Glendale, California 91206
(818) 241-3111

BOARD OF EDUCATION SPECIAL MEETING NO. 16
Administration Center

December 18, 2018
5:30 P.M.

In compliance with Education Code 35144, the presiding officer of the Board of Education is calling a Special Meeting on Tuesday, December 18, 2018 at 5:30 P.M. in room 402 at the Administration Center, 223 North Jackson Street, Glendale.

In accordance with the Americans with Disabilities Act (ADA) the District will provide accommodations, with reasonable advanced notice, for any individual with a disability needing to access the information herein. Please contact the Glendale Unified School District Public Information Office to request such accommodations.

AGENDA

ITEM

A. OPENING – 5:30 P.M.

- 1. Call to Order**
- 2. Pledge of Allegiance**
- 3. Certification of Compliance**

To accommodate the requirement of Government Code Section 54954.2 in accordance with the Brown Act revisions; the agenda for the meeting was posted on the bulletin board in the Administration Center and the Glendale Unified School District website 24 hours prior to this meeting.

- 4. Approval of Agenda Order**

B. COMMUNICATIONS FROM PUBLIC

- 1. Public Communications**

ADDRESSING THE BOARD OF EDUCATION—An individual or group representative may address the Board of Education on any agenda item or subject within its jurisdiction by completing a request card. Speakers are requested to state their name and address prior to speaking to the Board. Not more than five minutes may be allotted to each speaker and no more than twenty minutes to each subject, except by unanimous consent of the Board of Education. A Speaker's allotted time cannot be deferred to another speaker. Board Members may question the speaker but there will be no debate or decision. The Superintendent may refer the matter to the proper department for review.

C. INFORMATION

- 1. District Budget Update**

On December 11, 2018, the Board of Education approved the First Interim Budget Report with a "Qualified" certification. This report will provide an opportunity for the Board to review and discuss the budget analysis report provided by School Services of California, Inc. (SSC) and discuss 2019-20 Budget planning.

D. CLOSED SESSION

- 1. Instructing designated representative, Dr. Winfred B. Roberson, Jr., Superintendent of Schools, regarding collective bargaining matters pursuant to Government Code §54957.6.**

D. CLOSED SESSION - continued

- 2. Personnel matters relating to the appointment, employment or evaluation of school based and non-school based district management positions pursuant to Government Code §54957.**
- 3. Personnel matters relating to the discipline, dismissal and release of school-based employees pursuant to Government Code §54957.**
- 4. Conference with Legal Counsel - Anticipated Litigation – Initiation of litigation pursuant to section 54956.9(c): One potential case**

E. RETURN TO REGULAR MEETING

F. ADJOURNMENT

GLENDALE UNIFIED SCHOOL DISTRICT

December 18, 2018

INFORMATION REPORT NO. 1

TO: Board of Education
FROM: Dr. Winfred B. Roberson, Jr., Superintendent
SUBMITTED BY: Stephen Dickinson, Chief Business and Financial Officer
SUBJECT: **District Budget Update**

On December 11, 2018, the Board of Education approved the First Interim Budget Report with a “Qualified” certification. The Board also approved an agreement with School Services of California, Inc. (SSC) to perform a comprehensive review of the District’s budget.

This Special Board meeting provides an opportunity for the Board to review and discuss the budget analysis report provided by SSC (attached). It will also provide the Board and staff an opportunity to discuss 2019-20 Budget planning topics including communications plan, timeline, budget workshop, enrollment projections, and other budget assumptions.



December 14, 2018

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Ms. Karineh Savarani
Director of Financial Services
Glendale Unified School District
223 North Jackson Street
Glendale, CA 91206

Dear Ms. Savarani:

Thank you for allowing School Services of California, Inc., (SSC) to assist the Glendale Unified School District (District) in a comprehensive Budget Review.

Executive Summary

The District requested SSC to perform a Budget Review, which involved analyzing each major revenue and expenditure category in the General Fund and ancillary funds (to the extent those funds have a fiscal impact on the General Fund). The review was not an audit, but was designed to give the District a fair and independent assessment of the current District finances. In this report we include the Budget Review findings for each major revenue and expenditure category examined. If certain budget assumptions were found not to be reasonable and the amounts are significant, we have suggested budget revisions be made.

As part of this study, we also conducted a comparative analysis of revenues, expenditures, fund balance reserves, staffing ratios, and teacher salaries and benefits, as compared to school districts of like size and with comparable resources. The comparative data indicates that, even with relatively lower revenues and declining/flat enrollment, the District has prioritized its investment in personnel salaries and benefits. Further, there is greater longevity in certificated staff, and the total compensation offered to teachers is very competitive.

Given the many factors discussed in this report, overall the District appears to utilize industry standard practices and reasonable assumptions in its budget based on the most recently known information when the budgets were prepared. The District has a pattern of declining or flat enrollment that makes it difficult to balance the budget, and the current projections indicate significant deficit spending. We recommend that the District take action to stem the deficit spending trend and exercise caution at the bargaining table in order to maintain an appropriate level of reserves and ensure fiscal stability.

Scope and Methodology

The District requested SSC to perform a Budget Review, which involved analyzing each major revenue and expenditure category in the General Fund and ancillary funds (to the extent those funds have a fiscal impact on the General Fund). The review was not an audit, but was designed to give the District a fair and independent assessment of the current District finances.

The review of revenues and expenditures included:

- An examination of projected enrollment and average daily attendance (ADA)
- A review of assumptions for the Local Control Funding Formula (LCFF)
- Verification of State Budget assumptions for one-time sources and other state and categorical funds
- A review of budget assumptions for federal revenues, interest income, and other local sources
- Verification of budgeted salary and benefit amounts
- A review of budget assumptions for the expenditures of supplies, operational items, and capital outlay
- A review of fund balances and potential sources of funds
- Examination of cash flow projections and adequacy of cash balances
- Telephone interviews as needed with select District Office staff members

In this report we include the Budget Review findings for each major revenue and expenditure category examined. If certain budget assumptions were found not to be reasonable and the amounts are significant, we have suggested budget revisions be made.

As part of this study, we also conducted a comparative analysis of revenues, expenditures, fund balance reserves, staffing ratios, and teacher salaries and benefits using our statewide databases. The analysis measures the District's level of funding, expenditures, and staffing, as well as teacher compensation, as compared to school districts of like size and with comparable resources.

Budget Review

The Budget Review involved a detailed examination of the 2017-18 Unaudited Actuals report, the 2018-19 Adopted Budget, and the 2018-19 First Interim report as prepared and submitted for approval at the District’s meeting of the Board of Trustees on December 11, 2018. This included a review of the District’s multiyear projection (MYP) prepared with the 2018-19 First Interim report. We also performed a detailed analysis of the District’s calculations and budget line items related to the LCFF. For the purpose of reviewing the LCFF entitlement, our analysis was focused on the 2017-18 First Interim report version of the LCFF calculations.

We also analyzed the District’s budget reports in previous fiscal years (2016-17 and 2017-18), as compared to the Unaudited Actuals in each of those years, to determine and analyze historical budget trends.

Our main focus during this review was on the unrestricted General Fund as an indicator of fiscal solvency and the availability of discretionary resources that can be used by the Board of Education for any educational purpose.

Budget Monitoring

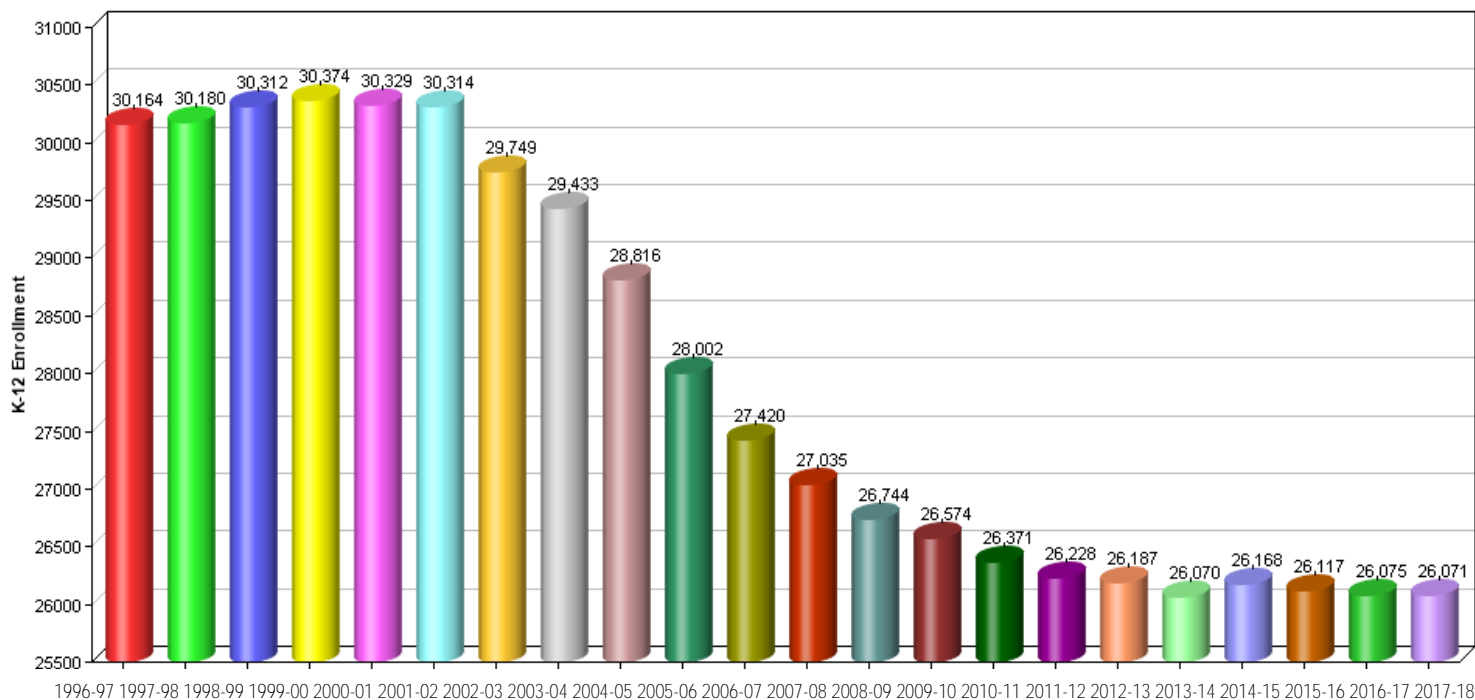
A budget is not a static document. Changes to revenues and expenditures occur throughout the budget cycle due to state-influenced factors—both positive and negative—and local factors based on Board priorities, staffing needs, program changes, unforeseen circumstances, and more. In addition to the state-required Adopted Budget each year, the District is required to update its budget at the state-determined intervals during the year: the First Interim report, the Second Interim report, and Estimated Actuals with the next year’s Adopted Budget.

Based upon our review of the District’s budgets that were provided for 2016-17 and 2017-18, the major object code amounts for most of the reporting periods indicate that budget revisions were made during the year. There were significant variances in a few of the major object code categories as the District closed its books. These variances are discussed further in the following sections of this report.

Enrollment and ADA

Enrollment projections form the basis for most school district revenues and expenditures—enrollment drives ADA, unduplicated pupil counts, and staffing, primarily. Since the student enrollment peak of 30,374 in 2000-01, the District’s enrollment has declined by almost 15% by 2017-18, to 26,071.

Figure 1: Glendale Unified School District K-12 Enrollment



Source: DataQuest on the California Department of Education (CDE) website

Figure 2 displays the District’s enrollment, ADA, and ADA-to-enrollment ratio for the previous four years.

Figure 2: Prior-Year Enrollment and ADA*				
	2014-15	2015-16	2016-17	2017-18
Enrollment	26,182	26,115	26,075	26,071
Actual ADA	25,188	25,113	25,152	25,130
ADA Change From Prior Year		(75)	39	(22)
ADA-to-Enrollment Ratio	96.20%	96.16%	96.46%	96.39%

Source: District Standardized Account Code Structure (SACS) reports and additional financial data

*LCFF-funded ADA is the actual ADA for the prior year when declining

The District projected an increase in enrollment of 139 students and an increase in ADA of 276 students from 2017-18 in its 2018-19 Adopted Budget. The subsequent two years in the MYP at the time reflected slower growth in enrollment and ADA. Now that school has begun and enrollment is known, the District’s 2018-19 First Interim report reflects reduced projections for enrollment and ADA as illustrated in Figure 3.

Figure 3: Projected Enrollment and ADA*			
	2018-19	2019-20	2020-21
Enrollment	25,790	25,790	25,790
Actual ADA	25,017	25,017	25,017
ADA Change From Prior Year	(113)	-	-
ADA-to-Enrollment Ratio	97.00%	97.00%	97.00%

Source: District SACS reports

*LCFF funded ADA is the actual ADA for the prior year when declining

Figure 3 illustrates that the District’s enrollment declined from 2017-18 and that ADA is projected to decline as well, with enrollment and ADA projected to be flat in the subsequent years of the MYP.

Declining or even flat enrollment places pressure on school districts to reduce expenditures each year. Typically, a district with declining or flat enrollment is unable to reduce expenditures quickly enough to keep pace with the drop in revenues based on enrollment and ADA, and/or the automatic increases in costs. This is why most districts have the choice of using current-year or prior-year ADA for the bulk of their state funding, which in essence provides an additional year for a district declining in enrollment (and ADA) to adjust expenditures downward. Even with this one-year hold harmless for revenues, school districts in declining enrollment are required to eliminate other staff and programs that are not related to the enrollment decline in order to balance their budgets and stay solvent.

The District has been preparing enrollment projections using a detailed modeling process using primarily the cohort survival method. This is typically a reliable process for projecting enrollment. However, given the District’s current and recent enrollment patterns, the District is seeking external expertise to assist with its enrollment projections moving forward.

Revenues

The District’s LCFF revenue estimate, prepared using the template provided by the Los Angeles County Office of Education, appears to take into account the changes that influence the LCFF calculation for the District. We believe the LCFF revenue calculations are reasonable based on the assumptions at the time of preparing the 2018-19 First Interim report.

Figure 4 shows the actual LCFF revenue in the prior year and the projected revenues in the 2018-19 First Interim report.

Figure 4: Actual and Projected LCFF Revenues				
	2017-18 Unaudited Actuals	2018-19 Budget	2019-20 Projected	2020-21 Projected
LCFF Revenue	\$219,410,004	\$235,306,860	\$241,351,901	\$248,052,429
Change From Prior Year		\$15,896,856	\$6,045,041	\$6,700,528
% Increase/(Decrease) from Prior Year		7.2%	2.6%	2.8%

Source: District SACS reports

Note that the District’s overall LCFF revenues are projected to slow down significantly, as the LCFF is fully implemented in 2018-19 and the projected growth in future years reflects the low cost-of-living adjustments estimated by the state. Further, there are constraints related to LCFF revenues that must be considered in budgeting for the current and future fiscal years, as follows:

- There are requirements under the LCFF that the District must plan to meet when budgeting expenditures. The District is required to show that it is providing increased or improved services for its unduplicated pupils above what is provided to all students. Unduplicated pupils are classified as English learners, foster youth, or eligible for the free and reduced-price meals program. The calculation is the average of a three-year percentage for the District; the unduplicated pupil percentage (UPP) is estimated at 56.45% in 2018-19 for a three-year average of 55.46%. State statutes and regulations require that the proportion of funding a school district receives as a result of the percentage of unduplicated pupils enrolled is accounted for in the district’s Local Control and Accountability Plan (LCAP). Therefore, the District must recognize that a proportional share of the revenues received through the LCFF must be used to provide increased or improved services targeted to meet the needs of eligible students and should be taken into account during budget preparation and planning whenever the District is considering its future expenditure commitments. Based on the LCFF calculations, of the \$235.3 million in LCFF revenues anticipated for 2018-19, approximately 10%, or \$23.7 million, is the share of revenues that should be used to provide increased or improved services for the eligible students above that provided for all students.
- Grades K-3 class-size reduction funding is implicitly included in school district LCFF targets through a \$776 per ADA grade span adjustment. In order to retain these funds, all districts must maintain their transitional kindergarten (TK)-3 average class size by school site at a maximum of 24 starting with the full implementation of the LCFF in 2018-19 and beyond. The only exception is in the case of a local collective bargaining agreement that specifies otherwise. The District’s agreement with the Glendale Teachers Association (GTA) specifies a staffing ratio for the different grade levels; also, the parties have in place a memorandum of

understanding (MOU) that expires at the end of 2018-19 and provides for average class sizes of up to 26. The parties must agree to either extend or not extend this provision by February 28, 2019, for the 2019-20 school year. We discuss the impact of this further in the “Expenditures” section of this report.

The state provides Lottery funding in two distinct revenue streams. One revenue stream, which is estimated by the state at \$151 per ADA, is provided to local educational agencies (LEAs) as unrestricted funds that can be used for any educational purpose. The second revenue stream, which is estimated by the state at \$53 per ADA, is provided to LEAs as restricted funds and must be used for the purchase of instructional materials as defined by Education Code Section 60010. The District’s estimates for Lottery revenues in the budget and MYP appear reasonable.

The final State Budget for 2018-19 included \$184 per ADA in one-time discretionary funds that are applied to outstanding prior year state-mandated cost claims. However, at the time that the 2018-19 Adopted Budget was developed, the state projected that the District would receive \$344 per ADA. The District has appropriately reduced its revenue budget by approximately \$4.3 million for this one-time source at the First Interim reporting period. The District has appropriately removed the one-time revenues in the out years of the MYP. SSC believes that one-time discretionary funds should only be applied to one-time uses such as increasing reserves and/or purchasing instructional materials, textbooks, technology, etc.

Expenditures

In the review of unrestricted salary and benefit expenses as compared to unrestricted total expenditures estimated for 2018-19, the District is estimated to commit 89% of all expenditures on salary and benefits, as compared to 86%—the latest statewide average of all unified school districts in the state. The District’s commitment to personnel expenditures leaves only 11% for all other expenditures. Expenditures for salaries and benefits will continue to grow due to step and column movement, unfunded Special Education costs, and the increase in the employer contribution rates for the California State Teachers’ Retirement System (CalSTRS) and the California Public Employees’ Retirement System (CalPERS).

Figure 5 illustrates the District’s actual and projected expenditures for salaries and benefits.

Figure 5: Unrestricted General Fund Salaries and Benefits				
	2017-18 Unaudited Actuals	2018-19 Budget	2019-20 Projected	2020-21 Projected
Certificated Salaries	\$99,346,887	\$105,183,246	\$104,136,625	\$104,681,973
Classified Salaries	\$22,224,296	\$26,362,285	\$26,488,075	\$27,788,075
Employee Benefits	\$48,172,117	\$59,550,560	\$63,985,254	\$69,091,248
Total	\$169,743,300	\$191,096,091	\$194,609,954	\$201,561,296
% of Total Unrestricted General Fund Expenditures	90%	89%	90%	91%

Source: District SACS reports

The District is planning net increases for employee salaries from the 2017-18 Unaudited Actuals report in all three years of the projection. The District’s assumptions reflect increased costs due to step and column movement, but reduced by estimated retirement and attrition savings and planned staffing reductions. It is also assumed that the MOU with the GTA related to class sizes in grades TK-3 is renewed in each year of the MYP. If the agreement is not renewed the District will be required to increase staffing and costs significantly in order to retain the grade span adjustment in its revenues. We recommend that the District pursue permanent language in its collective bargaining agreement for this class size arrangement in order to stabilize the staffing levels relied upon in the MYP.

The District has in place a soft cap for the District’s contribution to employee health benefits. A soft cap minimizes the increase in employer costs because the increase is held to a fixed percentage growth from the previous year’s cap. A cap on the District’s contribution to health benefits is a way to incentivize employees to make more prudent health care decisions, as employees are sharing the cost of the premium increases. The sharing of cost-savings ideas through a mechanism such as a health benefits committee can result in reduced premium costs, or at least premium increase mitigation, which helps all parties in the long run. There is language regarding an employee benefits committee in the collective bargaining agreements between the District and its employee groups, the purpose of which is to look into options for reducing or containing the costs of health benefits as an advisory committee to the bargaining teams. This is a good strategy for addressing the rising cost of health care premiums being borne by both the District and its employees.

The District provides Other Postemployment Benefits (OPEB) for employees who retire and meet certain criteria. The District has budgeted approximately \$2.3 million in the 2018-19 fiscal year for OPEB, and is appropriately providing relief to the unrestricted General Fund by allocating the cost of OPEB to all programs and funds in which regular staff are employed. The District’s latest

actuarial study calculated the actuarial accrued OPEB liability as of June 30, 2018, to be approximately \$75 million. The District would need to make an annual contribution of approximately \$3.1 million more than the current pay-as-you go amount of \$2.3 million to address this liability over time. We recommend that the District, to the extent possible, begin setting aside funds to ameliorate this growing liability, preferably in an irrevocable trust. We also recommend that the District make changes in its OPEB offerings to reduce eligibility and/or reduce the required District contribution in order to reduce the rate of growth of the OPEB liability.

The District has included in its 2018-19 expenditure budget the increases in contribution rates for CalSTRS (1.85%) and CalPERS (2.53%), and has appropriately planned for continued increases in the MYP.

In comparing the prior-year Second Interim reports to the Unaudited Actuals reports, following are the variances in the major object codes of expenditures.

Figure 6: Comparison of Expenditures: Second Interim to Unaudited Actuals				
Major Object Code/Year	Second Interim	Unaudited Actuals	Increase/ (Decrease)	%
Certificated Salaries				
2016-17	\$102,386,164	\$99,346,887	(\$3,039,277)	-3.0%
2017-18	\$101,712,967	\$103,118,305	\$1,405,338	1.4%
Classified Salaries				
2016-17	\$23,435,569	\$22,224,296	(\$1,211,273)	-5.2%
2017-18	\$24,313,730	\$23,925,375	(\$388,355)	-1.6%
Employee Benefits				
2016-17	\$49,482,842	\$48,172,117	(\$1,310,725)	-2.6%
2017-18	\$53,540,262	\$52,572,197	(\$968,065)	-1.8%
Books and Supplies				
2016-17	\$7,225,081	\$4,449,102	(\$2,775,979)	-38.4%
2017-18	\$6,036,062	\$7,247,927	\$1,211,865	20.1%
Services and Other Operating Expenditures				
2016-17	\$17,072,565	\$15,988,382	(\$1,084,183)	-6.4%
2017-18	\$17,546,914	\$16,522,002	(\$1,024,912)	-5.8%
Capital Outlay				
2016-17	\$131,592	\$94,077	(\$37,515)	-28.5%
2017-18	\$138,489	\$189,347	\$50,858	36.7%
Other Outgo				

Figure 6: Comparison of Expenditures: Second Interim to Unaudited Actuals				
Major Object Code/Year	Second Interim	Unaudited Actuals	Increase/ (Decrease)	%
2016-17	\$390,570	\$360,572	(\$29,998)	-7.7%
2017-18	\$409,569	\$401,459	(\$8,110)	-2.0%
Indirect/Direct Support				
2016-17	(\$1,283,542)	(\$1,449,741)	(\$166,199)	12.9%
2017-18	(\$1,239,692)	(\$1,378,125)	(\$138,433)	11.2%

Source: District SACS reports

Variations between the Second Interim report and the Unaudited Actuals will always occur, as there are five months from the time frame of the Second Interim report (January 31) to the end of the fiscal year, and there are many moving parts in a school district budget.

As can be seen above, the expenditures for salaries and benefits reflect variations ranging from a decrease of 5.2% to an increase of 1.4%. Since these expenditures comprise 89% of the District’s unrestricted General Fund budget, even minor variations can have a significant impact. The District should ensure that its position control system is managed with fidelity, reflects the most current staffing costs, and is used to regularly update the budget.

Most districts begin each fiscal year with unfilled positions and employees come and go during the year. Despite best efforts, those positions remain unfilled while applicants are screened and interviewed. These unfilled positions result in vacancy savings, which create a savings to the district’s bottom line. The amount of vacancy savings can vary greatly from year to year as the factors that generate vacancies can significantly change. Currently, the District plans for the full cost of salaries and benefits in the Adopted Budget and adjusts its projections at each reporting period for the rest of the year. Given that the Adopted Budget includes the full cost of salaries and benefits, it’s conceivable that the District will recognize vacancy savings between this point and the end of the fiscal year. The District should review the vacancy savings based on historical trends and vacancies and consider including a factor in the Adopted Budget and amortizing the cost all the way through the Second Interim reporting period.

Variations are not unusual in the areas of Books and Supplies, Services and Other Operating Expenditures, Capital Outlay, Other Outgo, and Direct/Indirect Support, as department, program, and school site budgets across the District are not fully expended by the time the books are closed. To minimize these variations, we recommend that, when preparing the Second Interim report each year, the District conduct an analysis of these expenditure budgets and determine an amount for each major object code that is expected not to be spent. These amounts can be set up as negative

line items in the budget and will allow the District to more closely estimate its General Fund ending balance for the year.

Positive variances, reflecting unbudgeted costs, indicate that some department, program, or school site expenditure budgets are not updated or that expenditures are allowed to exceed budgets. We recommend that the District determine why this has occurred and put in place procedures to prevent this in the future.

Contributions

Contributions to restricted programs consist of support for some of the District’s special programs. School districts across the state make significant local contributions to their Special Education programs as needed to support services to those students. Also, most school districts are required to contribute a minimum amount each year to the Routine Restricted Maintenance Account (RRMA) for a certain number of years for maintaining facilities that were funded by the state’s School Facility Program.

Figure 7 illustrates the actual contributions in prior years as well as the projections for contributions included in the budget and MYP.

Figure 7: Contributions to Restricted Programs – Actuals and Projections						
	2015-16 Unaudited Actuals	2016-17 Unaudited Actuals	2017-18 Unaudited Actuals	2018-19 Budget	2019-20 Projected	2020-21 Projected
Special Education	\$28,690,632	\$30,365,834	\$30,498,641	\$30,839,869	\$30,774,888	\$30,743,874
RRMA	\$7,346,350	\$8,290,495	\$8,541,602	\$8,679,987	\$8,679,987	\$8,679,987
Home-to-School Transportation	\$900,566	\$939,481	\$932,261	\$870,000	\$870,000	\$870,000
Special Education Transportation	\$4,342,698	\$4,428,664	\$4,194,264	\$4,020,127	\$4,020,127	\$4,020,127
Other Programs	\$160,415	\$200,816	\$572,288	\$493,256	\$284,128	\$284,128
Total	\$41,440,661	\$44,225,290	\$44,739,056	\$44,903,239	\$44,629,130	\$44,598,116
% Increase/(Decrease) From Prior Year		7%	1%	0%	-1%	0%

Source: District SACS reports and additional financial data

The 2015-16 State Budget Act contained some flexibility in the RRMA contribution requirements. For 2017-18 through 2019-20, the minimum contribution is the greater of: (1) the lesser of 3% or the amount contributed for 2014-15, or (2) 2%. If a school district receives state funding for

facilities from Proposition 51 of 2016, the required contribution increases to 3% starting the following year. The District's 2018-19 Adopted Budget includes a contribution of 3%, as the District is a recipient of Proposition 51 funds, and this level of contribution is appropriately included in the subsequent years of the MYP.

As can be seen above, total contributions are projected to remain relatively flat in the current and subsequent years of the MYP. Normally one would expect contributions to continue to increase on the natural—staff members in these programs receive step and column increases, health benefit premiums increase each year, and CalPERS and CalSTRS contributions increase each year. We recommend that the District closely monitor staffing and expenditures in these programs throughout the year to ensure that there are savings in these programs to offset the automatically increasing costs.

Other Funds

The Child Development Fund (Fund 12) is self-supporting from revenues generated by the District's child development programs, including transfers from child development program resources in the restricted General Fund. This fund appears to bear the cost of all direct and indirect costs, including OPEB.

The Cafeteria Fund (Fund 13) reflects deficit spending in both 2017-18 and 2018-19, but has not yet required a contribution from the General Fund due to sufficient reserves. This fund could withstand continued deficit spending at the current level for a few more years before the reserves fall below a prudent level. This fund also appears to bear the cost of all direct and indirect costs, including OPEB. It is important to ensure this fund remains self-sufficient, including all direct and indirect costs, by ameliorating the deficit spending in time to ensure that sufficient reserves remain.

The District does not anticipate that any of its other funds will require a contribution from the General Fund in order to remain solvent.

Reserves

Based upon the District's ADA, the state-established minimum reserve level is 3% of total expenditures and other financing uses. There are many reasons why school districts in California should maintain reserves much higher than the state-required minimum—volatility in state revenues, declining enrollment, carryover of unspent LCAP funds, and many other reasons. The purpose of adequate reserves is to ensure that, as the District's financial situation changes, the disruptions to programs and services are minimized. During lean times, such as the Great Recession, districts throughout the state relied on their fund balance to continue operating programs and minimize the impact on school sites. The Government Finance Officers'

Association, a national organization, recommends a minimum reserve level for school districts of two months' expenditures, or 17%. For unified school districts across the state in 2016-17, the latest statewide data available, the average level of reserves was 16.64%.

The beginning fund balance is the ending fund balance of the previous fiscal year. Figure 8 reflects the District's fund balance percentage in prior years as well as the projections for the current and subsequent two years.

Figure 8: Unrestricted General Fund					
	2016-17	2017-18	2018-19	2019-20	2020-21
Beginning Fund Balance	\$44,189,612	\$47,212,608	\$39,804,623	\$32,398,064	\$28,303,945
Revenues	\$233,502,151	\$237,860,523	\$249,516,632	\$251,113,792	\$257,820,241
Expenditures	(\$191,622,010)	(\$205,655,977)	(\$216,910,079)	(\$215,468,908)	(\$222,686,223)
Contributions to Restricted Programs	(\$38,857,145)	(\$39,612,531)	(\$40,013,112)	(\$39,739,003)	(\$39,707,989)
Surplus/(Deficit)	\$3,022,996	(\$7,407,985)	(\$7,406,559)	(\$4,094,119)	(\$4,573,971)
Ending Balance	\$47,212,608	\$39,804,623	\$32,398,064	\$28,303,945	\$23,729,974
Less: Nonspendable/Prepaid	(\$1,036,129)	(\$603,174)	(\$150,096)	(\$150,096)	(\$150,096)
Assigned/Unassigned Ending Fund Balance	\$46,176,479	\$39,201,449	\$32,247,968	\$28,153,849	\$23,579,878
% Assigned/Unassigned (of total General Fund Expenditures)	16.4%	13.0%	10.7%	9.6%	7.8%
Unassigned Fund Balance Only*	\$39,726,601	\$27,592,594	\$27,831,902	\$23,790,568	\$14,934,794
% Unassigned (of total General Fund Expenditures)	14.1%	9.1%	9.2%	8.1%	5.0%

Source: District SACS Reports

*Includes state-required Reserve for Economic Uncertainties

As can be seen above, the District is estimated to deficit spend each year in the projection, which reduces its unrestricted reserves significantly. These projections assume that certain reductions will be made in the "Other Adjustments" fields for certificated and classified salaries in the MYP in 2019-20 and 2020-21.

We have prepared an MYP without the reductions in 2019-20 and 2020-21, as the Board of Education has not yet taken formal action to implement them, in order to get a clearer picture of the District's financial picture on the natural. Figure 9 illustrates the District's financial scenario without the expenditure reductions for 2019-20 and 2020-21.

Figure 9: Unrestricted General Fund					
	2016-17	2017-18	2018-19	2019-20	2020-21
Beginning Fund Balance	\$44,189,612	\$47,212,608	\$39,804,623	\$32,398,064	\$26,103,114
Revenues	\$233,502,151	\$237,860,523	\$249,516,632	\$251,113,792	\$257,820,241
Expenditures	(\$191,622,010)	(\$205,655,977)	(\$216,910,079)	(\$217,669,739)	(\$225,441,706)
Contributions to Restricted Programs	(\$38,857,145)	(\$39,612,531)	(\$40,013,112)	(\$39,739,003)	(\$39,707,989)
Surplus/(Deficit)	\$3,022,996	(\$7,407,985)	(\$7,406,559)	(\$6,294,950)	(\$7,329,454)
Ending Balance	\$47,212,608	\$39,804,623	\$32,398,064	\$26,103,114	\$18,773,660
Less: Nonspendable/Prepaid	(\$1,036,129)	(\$603,174)	(\$150,096)	(\$150,096)	(\$150,096)
Assigned/Unassigned Ending Fund Balance	\$46,176,479	\$39,201,449	\$32,247,968	\$25,953,018	\$18,623,564
% Assigned/Unassigned (of total General Fund Expenditures)	16.4%	13.0%	10.7%	8.8%	6.2%
Unassigned Fund Balance Only*	\$39,726,601	\$27,592,594	\$27,831,902	\$21,589,737	\$9,978,480
% Unassigned (of total General Fund Expenditures)	14.1%	9.1%	9.2%	7.3%	3.3%

Source: District SACS Reports

*Includes state-required Reserve for Economic Uncertainties

The District is self-certifying its First Interim report as “qualified”, meaning that it may not meet its financial obligations in the current and subsequent two fiscal years. This is why the District has been preparing a fiscal solvency plan; the deficit spending must be ameliorated to maintain reserves and fiscal solvency in the long run.

Audit Report

School districts are required to have an independent external audit of their financial records on an annual basis. The most recent audit conducted was for the 2017-18 fiscal year, and there were no current-year or prior-year findings in the report. The audit firm’s opinion is that the District’s financial statements present fairly, in all material respects, the respective financial position of the District.

Comparative Analysis

We believe that one way to inform the District’s future fiscal decisions is to look at the District’s past fiscal practices as compared with that of other districts. We selected a group of unified school districts (USDs) in the geographical area and/or similar in demographics in order to prepare comparisons of financial, staffing, and teacher compensation information:

Figure 10: Comparative Districts – 2016-17			
Rank	District	UPP	Total ADA
1	Paramount USD	94.30%	14,945
2	Montebello USD	88.23%	26,940
3	Compton USD	87.51%	21,667
4	Pomona USD	85.44%	23,522
5	Los Angeles USD	84.06%	458,977
6	Hacienda La Puente USD	77.20%	18,648
7	Norwalk-La Mirada USD	72.40%	17,872
8	Alhambra USD	71.13%	16,860
9	Downey USD	70.45%	21,845
10	Pasadena USD	67.27%	16,352
11	Manteca USD	64.41%	22,422
12	ABC USD	55.18%	20,247
13	Glendale USD	54.67%	25,174
14	Chino Valley USD	49.75%	27,244
15	Orange USD	49.30%	25,954
16	San Jose USD	47.64%	29,698
17	Tustin USD	44.79%	23,550
18	Torrance USD	37.51%	23,170
19	Burbank USD	37.49%	14,661
20	South Pasadena USD	19.25%	4,672
21	La Canada USD	7.18%	4,043

Source: 2016-17 state-certified reports: CBEDS, SACS

The latest certified statewide data available for these comparisons is from the 2016-17 fiscal year from these sources:

- SACS financial reports
- California Basic Educational Data System (CBEDS) student and staffing data
- California Longitudinal Pupil Achievement Data System student and staffing data

The latest certified statewide data available from the J-90 Teacher Salaries and Benefits survey is from the 2017-18 fiscal year. Therefore, each of the comparative tables in this section specifies the fiscal year that applies to the data.

Financial Comparisons

The comparative tables in this section are focused on the unrestricted General Fund, as that is where the District’s Board of Education has discretion for spending.

Figure 11 illustrates that the District, on a per-ADA basis for 2016-17, ranks 15 out of 21 districts in the comparative group in unrestricted General Fund revenues.

Figure 11: Unrestricted General Fund Revenues for 2016-17		
Rank	District	Unrestricted Revenue Per ADA (Excluding Other Sources)
1	Los Angeles USD	\$11,833.28
2	Montebello USD	\$11,140.55
3	Paramount USD	\$11,097.82
	Comparative Group Average	\$11,034.76
4	Compton USD	\$10,870.28
5	Pomona USD	\$10,810.92
6	Hacienda La Puente USD	\$10,656.42
7	Alhambra USD	\$10,394.16
8	San Jose USD	\$10,335.63
9	La Canada USD	\$10,320.12
10	Pasadena USD	\$10,199.71
11	Norwalk-La Mirada USD	\$10,182.26
12	Downey USD	\$10,095.66
13	Manteca USD	\$9,656.70
14	ABC USD	\$9,298.69
15	Glendale USD	\$ 9,224.80
16	Orange USD	\$9,213.22
17	Chino Valley USD	\$9,208.87
18	Torrance USD	\$9,019.04

Figure 11: Unrestricted General Fund Revenues for 2016-17		
Rank	District	Unrestricted Revenue Per ADA (Excluding Other Sources)
19	Tustin USD	\$9,017.04
20	South Pasadena USD	\$8,988.00
21	Burbank USD	\$8,737.38

Source: 2016-17 state-certified reports: CBEDS, SACS

Figure 12 illustrates that, out of the 21 comparative districts, 17, including the District, declined in ADA during the five-year period from 2012-13 to 2016-17. A continuing decline in ADA will decrease the District’s ongoing revenues, as discussed earlier in this report.

Figure 12: Total ADA by Fiscal Year With Percentage Change							
Rank	District	% Change in ADA – 2012-13 to 2016-17	Total ADA				
			2012	2013	2014	2015	2016
1	South Pasadena USD	3.23%	4,504	4,600	4,609	4,593	4,649
2	Tustin USD	1.08%	23,139	23,258	23,268	23,346	23,388
3	La Canada USD	0.41%	4,025	3,957	3,962	3,988	4,041
4	Manteca USD	0.24%	22,120	21,961	21,967	22,024	22,174
5	Glendale USD	-0.37%	25,246	25,182	25,175	25,150	25,152
6	ABC USD	-0.60%	20,202	20,230	20,415	20,198	20,080
7	Burbank USD	-1.28%	14,845	14,696	14,755	14,650	14,654
8	Torrance USD	-2.01%	23,416	23,392	23,100	22,974	22,945
9	Downey USD	-2.56%	22,049	22,130	21,892	21,735	21,485
10	Paramount USD	-3.50%	15,314	15,315	15,118	14,863	14,779
11	Orange USD	-4.90%	26,593	26,509	26,286	25,830	25,290
12	Pasadena USD	-5.08%	17,150	16,769	16,509	16,337	16,279
13	Alhambra USD	-5.27%	17,512	17,332	17,050	16,822	16,590
14	San Jose USD	-5.27%	31,229	31,267	30,911	30,332	29,584
15	Norwalk-La Mirada USD	-6.69%	18,870	18,549	18,193	17,827	17,608
16	Hacienda La Puente USD	-6.87%	19,453	19,266	18,857	18,572	18,116
17	Chino Valley USD	-7.01%	28,708	28,232	27,831	27,087	26,696
	COMPARATIVE GROUP AVERAGE	-7.06%	923,766	912,644	897,254	876,068	858,556
18	Los Angeles USD	-8.59%	536,464	528,577	518,327	502,953	490,401
19	Compton USD	-8.78%	23,080	23,137	22,561	21,663	21,054
20	Montebello USD	-11.44%	29,230	28,625	27,679	26,873	25,885
21	Pomona USD	-11.62%	25,865	24,840	23,961	23,402	22,859

Source: 2016-17 state-certified reports: CBEDS, SACS

Figure 13 illustrates that the District ranks 17 out of 21 districts in the comparative group in per-ADA expenditures on unrestricted certificated nonmanagement salaries for 2016-17. The level of expenditures in this category can be due to the number of certificated staff members, the salary paid for each staff member, or a combination of both.

Figure 13: Unrestricted Certificated Nonmanagement Salary Expense for 2016-17		
Rank	District	Certificated Nonmanagement Per ADA
1	San Jose USD	\$4,295.40
2	Downey USD	\$4,257.21
3	Compton USD	\$4,178.54
4	Paramount USD	\$4,140.06
5	Norwalk-La Mirada USD	\$3,991.00
6	Hacienda La Puente USD	\$3,940.36
7	Pomona USD	\$3,936.84
8	La Canada USD	\$3,901.19
9	Alhambra USD	\$3,871.50
10	South Pasadena USD	\$3,855.87
11	Chino Valley USD	\$3,845.81
12	Burbank USD	\$3,842.37
	COMPARATIVE GROUP AVERAGE	\$3,816.45
13	Los Angeles USD	\$3,796.77
14	Montebello USD	\$3,771.49
15	Torrance USD	\$3,713.87
16	Orange USD	\$3,611.91
17	Glendale USD	\$3,590.66
18	Tustin USD	\$3,549.05
19	ABC USD	\$3,537.59
20	Pasadena USD	\$3,395.61
21	Manteca USD	\$3,380.25

Source: 2016-17 state-certified reports: CBEDS, SACS

Contributing to the nonmanagement certificated salary expenditures per ADA is the percentage of full-time equivalent (FTE) employees earning more than \$92,000 annually in the District’s pool of certificated non-management employees. The District ranks 10 of 21 in the comparative group at 40.25% of FTEs earning more than \$92,000 in 2017-18.

Figure 14: Percentage of FTEs at Various Salary Ranges Ranked by Average Salary

Rank	District	Average Salary	<\$52,000	\$52,000 - \$60,000	\$60,000 - \$68,000	\$68,000 - \$76,000	\$76,000 - \$84,000	\$84,000 - \$92,000	>\$92,000
1	Downey USD	\$94,444	0.00%	0.38%	3.76%	7.32%	7.01%	10.08%	71.45%
2	Montebello USD	\$92,156	0.18%	2.88%	4.86%	4.95%	5.14%	19.73%	62.25%
3	Alhambra USD	\$85,364	0.25%	14.70%	8.67%	8.12%	10.03%	9.45%	48.78%
4	Norwalk-La Mirada USD	\$88,239	0.00%	4.52%	6.73%	6.20%	11.51%	22.39%	48.65%
5	Paramount USD	\$86,611	0.00%	7.20%	13.41%	6.13%	8.46%	16.87%	47.93%
6	Tustin USD	\$86,495	0.51%	5.58%	8.68%	11.79%	11.46%	14.28%	47.70%
7	Chino USD	\$83,150	3.31%	9.37%	11.00%	7.61%	10.57%	11.87%	46.28%
8	Hacienda La Puente USD	\$85,985	0.00%	2.75%	9.13%	7.37%	9.68%	28.27%	42.79%
9	South Pasadena USD	\$84,070	1.39%	4.06%	8.31%	13.21%	15.58%	16.29%	41.16%
10	Glendale USD	\$84,419	0.97%	11.21%	7.44%	8.73%	8.69%	22.72%	40.25%
11	La Canada USD	\$85,538	2.06%	3.70%	10.23%	9.12%	19.25%	16.63%	39.02%
12	Orange USD	\$83,902	0.09%	8.76%	8.12%	18.52%	5.84%	19.89%	38.78%
13	Pomona USD	\$81,287	2.30%	10.75%	8.90%	9.76%	18.50%	11.32%	38.48%
14	Manteca USD	\$80,285	0.00%	20.81%	7.13%	5.80%	14.34%	15.51%	36.41%
15	ABC USD	\$82,836	0.00%	8.09%	11.93%	9.76%	14.47%	20.36%	35.39%
16	Torrance USD	\$79,863	3.79%	13.25%	8.16%	8.07%	10.35%	31.94%	24.45%
17	Compton USD	\$82,586	2.06%	6.27%	5.15%	9.64%	22.19%	30.71%	23.97%
18	Burbank USD	\$78,896	2.74%	9.19%	12.22%	11.90%	18.62%	27.95%	17.38%
	Comparative Group Average	\$78,483	5.24%	7.21%	10.05%	11.56%	37.51%	12.65%	15.79%
19	San Jose USD	\$76,253	0.00%	15.76%	10.48%	17.03%	25.26%	24.09%	7.39%
20	Los Angeles USD	\$74,789	8.09%	5.72%	10.88%	13.05%	54.93%	7.34%	0.00%
21	Pasadena USD	\$73,519	9.52%	14.64%	17.11%	5.13%	21.40%	32.20%	0.00%

Source: 2017-18 state-certified J-90 reports

Figure 15 illustrates that the District ranks 19 of 21 in the comparative group in per-ADA expenditures on unrestricted classified nonmanagement salaries for 2016-17.

Figure 15: Unrestricted Classified Nonmanagement Salary Expense for 2016-17		
Rank	District	Classified Nonmanagement Per ADA
1	Norwalk-La Mirada USD	\$1,348.80
2	Hacienda La Puente USD	\$1,193.59
3	Montebello USD	\$1,172.57
4	Los Angeles USD	\$1,119.38
5	Manteca USD	\$1,102.86
6	Alhambra USD	\$1,092.57
7	Pomona USD	\$1,082.35
	Comparative Group Average	\$1,073.99
8	La Canada USD	\$1,072.69
9	San Jose USD	\$1,064.08
10	ABC USD	\$1,028.44
11	Orange USD	\$1,009.34
12	Burbank USD	\$991.11
13	Compton USD	\$973.80
14	Pasadena USD	\$970.00
15	Paramount USD	\$953.41
16	Chino Valley USD	\$940.64
17	South Pasadena USD	\$851.76
18	Tustin USD	\$850.89
19	Glendale USD	\$801.40
20	Downey USD	\$772.39
21	Torrance USD	\$768.10

Source: 2016-17 state-certified reports: CBEDS, SACS

Figure 16 illustrates that the District ranks 19 of 21 in the comparative group in per-ADA expenditures on unrestricted site and district administrator salaries for 2016-17.

Figure 16: Unrestricted Site and District Administrator Salary Expense for 2016-17		
Rank	District	Admin Salary Per ADA
1	Compton USD	\$705.17
2	Hacienda La Puente USD	\$652.98
3	Norwalk-La Mirada USD	\$614.72
4	La Canada USD	\$613.39
5	Montebello USD	\$606.71
6	Manteca USD	\$595.97
7	Pasadena USD	\$585.02
8	Pomona USD	\$566.37
9	Orange USD	\$560.23
10	San Jose USD	\$559.58
11	Los Angeles USD	\$548.86
	Comparative Group Average	\$546.15
12	Burbank USD	\$525.02
13	South Pasadena USD	\$509.13
14	Alhambra USD	\$500.63
15	Tustin USD	\$483.08
16	Paramount USD	\$473.75
17	Chino Valley USD	\$470.02
18	Torrance USD	\$455.83
19	Glendale USD	\$441.44
20	ABC USD	\$440.88
21	Downey USD	\$424.68

Source: 2016-17 state-certified reports: CBEDS, SACS

Figure 17 illustrates that the District ranks second in the comparative group in per-ADA expenditures on unrestricted health and welfare benefit expense for 2016-17.

Figure 17: Unrestricted Health and Welfare Benefit Expense for 2016-17		
Rank	District	Health & Welfare Benefits Per ADA
1	San Jose USD	\$1,214.48
2	Glendale USD	\$992.26
3	Pasadena USD	\$979.53
4	Montebello USD	\$977.90
5	Downey USD	\$938.22
6	Los Angeles USD	\$901.88
7	Paramount USD	\$899.28
8	Alhambra USD	\$872.56
9	ABC USD	\$861.19
	Comparative Group Average	\$848.27
10	Norwalk-La Mirada USD	\$842.87
11	South Pasadena USD	\$815.61
12	Hacienda La Puente USD	\$814.71
13	Tustin USD	\$749.72
14	Orange USD	\$745.97
15	Burbank USD	\$689.41
16	La Canada USD	\$661.11
17	Pomona USD	\$647.24
18	Torrance USD	\$609.12
19	Compton USD	\$511.72
20	Chino Valley USD	\$443.57
21	Manteca USD	\$435.05

Source: 2016-17 state-certified reports: CBEDS, SACS

Figure 18 illustrates that the District ranks 3 of 21 in the comparative group in percentage of total expenditures dedicated to all unrestricted personnel salaries and benefits for 2016-17. This comparison reflects expenditures for certificated employee salaries, classified employee salaries, and employee and retiree benefits.

Figure 18: Unrestricted Personnel Salary and Benefit Expenses for 2016-17		
Rank	District	Personnel Salary and Benefits Per ADA
1	South Pasadena USD	\$7,001.93
2	Burbank USD	\$7,142.79
3	Glendale USD	\$6,748.74
4	Montebello USD	\$7,757.79
5	ABC USD	\$6,779.29
6	Alhambra USD	\$7,852.26
7	Los Angeles USD	\$7,789.59
8	Pomona USD	\$7,213.50
9	Norwalk-La Mirada USD	\$7,858.11
10	Downey USD	\$7,361.75
11	San Jose USD	\$8,033.28
	Comparative Group Average	\$7,537.43
12	Chino Valley USD	\$6,695.51
13	La Canada USD	\$7,196.93
14	Torrance USD	\$6,365.32
15	Tustin USD	\$6,419.64
16	Orange USD	\$6,890.98
17	Manteca USD	\$6,521.41
18	Hacienda La Puente USD	\$7,849.60
19	Paramount USD	\$7,549.24
20	Pasadena USD	\$6,990.05
21	Compton USD	\$7,471.90

Source: 2016-17 state-certified reports: CBEDS, SACS

Figure 19 illustrates that the District ranks 20 of 21 in the comparative group in per-ADA expenditures on unrestricted books and supplies for 2016-17.

Figure 19: Unrestricted Books and Supplies Expenses for 2016-17		
Rank	District	Books and Supplies Per ADA
1	Compton USD	\$565.52
2	Orange USD	\$560.05
3	Manteca USD	\$456.75
4	Paramount USD	\$440.56
5	Downey USD	\$436.85
6	Hacienda La Puente USD	\$377.57
7	La Canada USD	\$370.00
8	Tustin USD	\$358.15
9	Torrance USD	\$339.58
10	Montebello USD	\$338.03
11	Pomona USD	\$327.30
	Comparative Group Average	\$321.47
12	Chino Valley USD	\$302.95
13	Los Angeles USD	\$298.55
14	ABC USD	\$290.90
15	Alhambra USD	\$276.11
16	Norwalk-La Mirada USD	\$247.98
17	San Jose USD	\$238.98
18	Pasadena USD	\$210.29
19	Burbank USD	\$196.33
20	Glendale USD	\$176.89
21	South Pasadena USD	\$109.76

Source: 2016-17 state-certified reports: CBEDS, SACS

Figure 20 illustrates that the District ranks 12 of 21 in the comparative group in per-ADA expenditures on unrestricted services and other operating expense for 2016-17.

Figure 20: Unrestricted Services and Operating Expense for 2016-17		
Rank	District	Services and Operations Per ADA
1	Pasadena USD	\$1,379.84
2	Compton USD	\$1,287.91
3	Hacienda La Puente USD	\$973.83
4	La Canada USD	\$952.58
5	Paramount USD	\$950.63
6	Los Angeles USD	\$785.93
	Comparative Group Average	\$751.80
7	San Jose USD	\$723.02
8	Pomona USD	\$721.40
9	Alhambra USD	\$699.20
10	Tustin USD	\$672.17
11	Norwalk-La Mirada USD	\$669.52
12	Glendale USD	\$635.67
13	Chino Valley USD	\$580.84
14	Burbank USD	\$569.05
15	Manteca USD	\$563.42
16	Orange USD	\$547.89
17	South Pasadena USD	\$528.48
18	Downey USD	\$528.33
19	ABC USD	\$516.14
20	Montebello USD	\$513.23
21	Torrance USD	\$448.41

Source: 2016-17 state-certified reports: CBEDS, SACS

Figure 21 illustrates that the District ranks last in per-ADA expenditures on unrestricted capital outlay expense for 2016-17.

Figure 21: Unrestricted Capital Outlay Expense for 2016-17		
Rank	District	Capital Outlay Per ADA
1	Hacienda La Puente USD	\$298.04
2	Paramount USD	\$224.65
3	San Jose USD	\$169.26
4	Torrance USD	\$157.19
5	Alhambra USD	\$124.88
6	Tustin USD	\$123.69
7	Montebello USD	\$81.44
8	Downey USD	\$57.54
	Comparative Group Average	\$50.09
9	Manteca USD	\$44.25
10	Compton USD	\$39.30
11	Orange USD	\$37.06
12	Los Angeles USD	\$25.50
13	La Canada USD	\$24.35
14	South Pasadena USD	\$23.14
15	Pasadena USD	\$22.43
16	ABC USD	\$21.61
17	Chino Valley USD	\$20.40
18	Pomona USD	\$13.57
19	Norwalk-La Mirada USD	\$7.94
20	Burbank USD	\$7.73
21	Glendale USD	\$3.74

Source: 2016-17 state-certified reports: CBEDS, SACS

Figure 22 illustrates that the District ranks 13 of 21 in the comparative group in per-ADA expenditures on unrestricted other outgo for 2016-17. Other outgo includes tuition and excess cost payments and transfers to other LEAs, debt service, and transfers of indirect costs.

Figure 22: Unrestricted Other Outgo for 2016-17		
Rank	District	All Other Per ADA
1	Manteca USD	\$162.17
2	Chino Valley USD	\$151.05
3	Orange USD	\$119.93
4	Torrance USD	\$104.09
5	Compton USD	\$71.63
6	Norwalk-La Mirada USD	\$52.61
7	Burbank USD	\$26.66
8	South Pasadena USD	\$21.17
9	Tustin USD	-\$1.53
10	ABC USD	-\$10.64
11	Montebello USD	-\$32.48
12	Paramount USD	-\$34.14
13	Glendale USD	-\$43.30
14	Downey USD	-\$51.75
15	Hacienda La Puente USD	-\$62.14
16	San Jose USD	-\$68.21
	Comparative Group Average	-\$85.17
17	Pasadena USD	-\$110.45
18	Alhambra USD	-\$139.36
19	Los Angeles USD	-\$151.80
20	La Canada USD	-\$171.64
21	Pomona USD	-\$174.85

Source: 2016-17 state-certified reports: CBEDS, SACS

A key indicator of fiscal solvency is the size of the unrestricted ending fund balance. Figure 23 illustrates that the District ranks 14 of 21 in the comparative group in unrestricted net ending fund balance based on the percentage of total expenditures, transfers, and other uses for 2016-17; and it is below the comparative group average of 21.50%.

Figure 23: Unrestricted Net Ending Balance as a Percent of Total Expenditures, Transfers, and Other Uses for 2016-17					
Rank	District	Fund 01 Net Ending Balance Per ADA	Fund 17 Net Ending Balance Per ADA	Combined Net Ending Balance Per ADA	Percent of Total Expenditures, Transfers, and Other Uses
1	Tustin USD	\$2,821.05	\$291.24	\$3,112.29	29.49%
2	Chino Valley USD	\$2,705.62	\$0.00	\$2,705.62	26.30%
3	Paramount USD	\$3,067.58	\$0.00	\$3,067.58	25.68%
4	Manteca USD	\$2,645.13	\$0.00	\$2,645.13	25.16%
5	Alhambra USD	\$3,043.32	\$0.00	\$3,043.32	23.93%
6	Los Angeles USD	\$3,266.90	\$0.00	\$3,266.90	23.47%
	Comparative Group Average	\$2,699.55	\$90.92	\$2,790.47	21.50%
7	San Jose USD	\$528.04	\$2,144.42	\$2,672.45	21.21%
8	Orange USD	\$2,433.31	\$0.00	\$2,433.31	20.87%
9	La Canada USD	\$1,623.22	\$451.60	\$2,074.82	18.89%
10	Compton USD	\$2,318.29	\$0.00	\$2,318.29	18.17%
11	Norwalk-La Mirada USD	\$2,078.87	\$0.00	\$2,078.87	17.47%
12	Torrance USD	\$1,832.28	\$0.00	\$1,832.28	17.37%
13	Hacienda La Puente USD	\$2,247.39	\$0.00	\$2,247.39	17.35%
14	Glendale USD	\$1,877.10	\$0.00	\$1,877.10	16.78%
15	Pomona USD	\$2,023.33	\$0.00	\$2,023.33	16.43%
16	Montebello USD	\$1,878.49	\$0.00	\$1,878.49	14.99%
17	Downey USD	\$1,347.61	\$0.00	\$1,347.61	11.17%
18	ABC USD	\$801.43	\$297.89	\$1,099.32	10.11%
19	Burbank USD	\$970.98	\$0.00	\$970.98	8.95%
20	South Pasadena USD	\$845.91	\$0.00	\$845.91	8.11%
21	Pasadena USD	\$796.62	\$0.00	\$796.62	5.96%

Source: 2016-17 state-certified reports: CBEDS, SACS

Staffing Comparisons

The tables in this section reflect the staffing levels of each district in the comparative group for the 2016-17 fiscal year.

Figure 24 illustrates that the District’s ratio of students enrolled per classroom teacher ranks 13 out of 21 in the comparative group in 2016-17.

Figure 24: Student Enrollment Per Classroom Teacher		
Rank	District	2016-17
1	Pomona USD	13.40
2	Los Angeles USD	18.75
	Comparative Group Average	19.77
3	San Jose USD	19.91
4	Paramount USD	20.27
5	Orange USD	20.30
6	Pasadena USD	21.26
7	Torrance USD	21.62
8	Hacienda La Puente USD	21.96
9	Burbank USD	22.10
10	La Canada USD	22.10
11	Chino Valley USD	22.15
12	Compton USD	22.22
13	Glendale USD	22.45
14	Norwalk-La Mirada USD	22.58
15	Downey USD	22.60
16	Alhambra USD	22.90
17	Manteca USD	23.03
18	South Pasadena USD	23.36
19	ABC USD	24.04
20	Montebello USD	24.47
21	Tustin USD	26.09

Source: 2016-17 state-certified reports: CBEDS, SACS

Figure 25 illustrates that, for 2016-17, the District’s ratio of students enrolled per pupil services and Special Education employee ranks 20 out of 21 in the comparative group.

Figure 25: Student Enrollment Per Pupil Services and Special Education Employee		
Rank	District	2016-17
1	Alhambra USD	168.01
2	Los Angeles USD	174.98
3	Tustin USD	179.74
	Comparative Group Average	193.68
4	San Jose USD	195.34
5	Norwalk-La Mirada USD	202.71
6	South Pasadena USD	205.99
7	La Canada USD	212.55
8	Hacienda La Puente USD	212.89
9	Manteca USD	214.04
10	ABC USD	216.78
11	Torrance USD	220.74
12	Downey USD	231.00
13	Paramount USD	235.19
14	Montebello USD	235.34
15	Pasadena USD	250.77
16	Pomona USD	251.33
17	Compton USD	256.31
18	Burbank USD	268.03
19	Orange USD	283.60
20	Glendale USD	317.60
21	Chino Valley USD	330.07

Source: 2016-17 state-certified reports: CBEDS, SACS

Figure 26 illustrates that, for 2016-17, the District’s ratio of students enrolled per nonadministrative certificated employee ranks 17 of 21 in the comparative group.

Figure 26: Student Enrollment Per Nonadministrative Certificated Employee		
Rank	District	2016-17
1	Pomona USD	12.72
2	Los Angeles USD	16.93
	Comparative Group Average	17.94
3	San Jose USD	18.07
4	Paramount USD	18.67
5	Orange USD	18.95
6	Pasadena USD	19.59
7	Torrance USD	19.69
8	Hacienda La Puente USD	19.91
9	La Canada USD	20.02
10	Alhambra USD	20.15
11	Norwalk-La Mirada USD	20.31
12	Burbank USD	20.41
13	Compton USD	20.45
14	Downey USD	20.59
15	Chino Valley USD	20.76
16	Manteca USD	20.79
17	Glendale USD	20.97
18	South Pasadena USD	20.98
19	ABC USD	21.64
20	Montebello USD	22.17
21	Tustin USD	22.79

Source: 2016-17 state-certified reports: CBEDS, SACS

Figure 27 illustrates that, for 2016-17, the District’s ratio of students enrolled per classified employee ranks 20 of 21 in the comparative group.

Figure 27: Student Enrollment Per All Classified Employees		
Rank	District	2016-17
1	Los Angeles USD	19.78
2	Compton USD	21.60
3	Pasadena USD	21.87
4	Montebello USD	22.04
	Comparative Group Average	22.19
5	Torrance USD	22.65
6	Hacienda La Puente USD	22.67
7	Orange USD	23.62
8	Pomona USD	23.90
9	Norwalk-La Mirada USD	24.84
10	La Canada USD	25.63
11	Alhambra USD	27.52
12	Manteca USD	28.60
13	San Jose USD	30.61
14	Paramount USD	30.81
15	Tustin USD	31.04
16	Downey USD	31.52
17	ABC USD	32.35
18	Burbank USD	33.39
19	Chino Valley USD	35.35
20	Glendale USD	35.90
21	South Pasadena USD	39.39

Source: 2016-17 state-certified reports: CBEDS, SACS

Figure 28 illustrates that for 2016-17, the District’s ratio of students enrolled per school-level administrator ranks 15 of 21 in the comparative group.

Figure 28: Student Enrollment Per School-Level Administrator		
Rank	District	2016-17
1	Compton USD	329.15
2	San Jose USD	332.81
3	Los Angeles USD	338.84
4	Hacienda La Puente USD	343.33
5	Pasadena USD	361.55
6	Pomona USD	362.99
7	ABC USD	364.35
	Comparative Group Average	364.58
8	Manteca USD	369.51
9	Chino Valley USD	372.20
10	Alhambra USD	392.44
11	Paramount USD	395.00
12	South Pasadena USD	398.25
13	Torrance USD	433.60
14	Norwalk-La Mirada USD	438.52
15	Glendale USD	441.95
16	Burbank USD	455.81
17	Downey USD	495.62
18	Montebello USD	507.37
19	Tustin USD	537.42
20	La Canada USD	550.93
21	Orange USD	617.32

Source: 2016-17 state-certified reports: CBEDS, SACS

Figure 29 illustrates that, for 2016-17, the District’s ratio of students enrolled per district-level administrator ranks 19 of 21 in the comparative group.

Figure 29: Student Enrollment Per District-Level Administrator		
Rank	District	2016-17
1	Compton USD	451.87
2	Pomona USD	495.33
3	Montebello USD	559.37
4	La Canada USD	590.29
5	Los Angeles USD	612.29
6	Burbank USD	646.45
	Comparative Group Average	701.31
7	Pasadena USD	836.52
8	San Jose USD	972.44
9	Hacienda La Puente USD	993.84
10	Torrance USD	1,004.07
11	Alhambra USD	1,004.18
12	Norwalk-La Mirada USD	1,020.78
13	Manteca USD	1,058.14
14	South Pasadena USD	1,194.75
15	Tustin USD	1,206.50
16	ABC USD	1,221.65
17	Chino Valley USD	1,224.47
18	Downey USD	1,311.94
19	Glendale USD	1,372.37
20	Orange USD	1,461.00
21	Paramount USD	1,711.67

Source: 2016-17 state-certified reports: CBEDS, SACS

Figure 30 illustrates that, for 2016-17, the District’s average years of service for certificated personnel ranks the second highest of the 21 comparative districts.

Figure 30: Average Years of District Service for Certificated Personnel					
Rank	District	Teachers	Non-Administrators	Administrators	All Certificated
1	Montebello USD	17.41	17.26	20.10	17.47
2	Glendale USD	15.11	15.13	17.08	15.25
3	Downey USD	14.91	14.55	16.19	14.64
4	Los Angeles USD	14.52	14.31	18.43	14.61
5	Pomona USD	14.32	14.28	17.83	14.49
6	Norwalk-La Mirada USD	14.62	14.40	10.74	14.17
7	Alhambra USD	14.39	13.99	16.35	14.14
8	ABC USD	14.33	14.15	13.72	14.12
9	Manteca USD	12.99	13.17	17.73	13.46
10	Pasadena USD	13.26	13.46	13.10	13.44
11	Compton USD	13.20	13.25	14.83	13.40
	Comparative Group Average	13.01	12.91	13.68	12.96
12	Torrance USD	12.89	12.70	14.42	12.79
13	Chino Valley USD	12.70	12.87	9.69	12.64
14	Hacienda La Puente USD	12.74	12.54	12.83	12.56
15	Paramount USD	12.38	12.30	15.77	12.48
16	Burbank USD	11.74	11.86	11.61	11.84
17	Orange USD	11.74	11.69	13.16	11.75
18	Tustin USD	11.17	11.02	9.64	10.94
19	La Canada USD	11.35	11.13	8.23	10.94
20	South Pasadena USD	10.35	10.22	8.75	10.12
21	San Jose USD	9.24	9.09	10.46	9.18

Source: 2016-17 state-certified reports: CBEDS, SACS

Teacher Compensation Comparisons

The following comparative tables reflect the teacher salary schedules and health and welfare benefits offered by each district in the comparative group that submitted J-90 data for the 2017-18 fiscal year.

In Figure 31, the District’s average contribution to health and welfare benefits per FTE ranks 3 of 21 in the comparative group for 2017-18. The District’s maximum contribution also ranks 3 of 21 in the group.

Figure 31: District Contribution to Health and Welfare Benefits			
Rank	District	Average District Contribution Per FTE	Maximum District Contribution Per FTE
1	Downey Unified	\$18,543	\$28,197
2	San Jose Unified	\$16,967	\$31,271
3	Glendale Unified	\$16,525	\$27,176
4	Norwalk-La Mirada Unified	\$16,435	\$26,701
5	Alhambra Unified	\$16,102	\$20,030
6	Montebello Unified	\$15,575	\$24,060
7	ABC Unified	\$15,513	\$19,873
8	Los Angeles Unified	\$14,562	\$19,443
9	Orange Unified	\$14,502	\$19,362
10	Pasadena Unified	\$14,134	\$22,891
	Comparative Group Average	\$13,937	\$19,665
11	Paramount Unified	\$13,632	\$19,955
12	Tustin Unified	\$12,500	\$12,500
13	South Pasadena Unified	\$12,212	\$14,291
14	La Canada Unified	\$12,119	\$15,128
15	Hacienda La Puente Unified	\$11,824	\$11,900
16	Burbank Unified	\$10,539	\$12,917
17	Torrance Unified	\$10,500	\$10,500
18	Manteca Unified	\$10,137	\$11,808
19	Compton Unified	\$9,504	\$14,075
20	Chino Unified	\$8,763	\$9,553

Source: 2017-18 state-certified J-90 reports

The following comparative tables reflect total compensation at different points of the teacher salary schedule by adding the average district contribution to health and welfare benefits to the salary for 2017-18. In Figure 32, the District’s total compensation for the lowest salary offered ranks 7 of 21 in the comparative group.

Figure 32: Total Compensations: Lowest Scheduled Salary Plus Average District Contribution for Health and Welfare Benefits				
Rank	District	Total Compensation	Lowest Scheduled Salary	Average Health and Welfare Benefit Contribution
1	Downey Unified	\$74,669	\$56,126	\$18,543
2	San Jose Unified	\$71,925	\$54,958	\$16,967
3	Norwalk-La Mirada Unified	\$69,168	\$52,733	\$16,435
4	ABC Unified	\$68,823	\$53,310	\$15,513
5	Paramount Unified	\$67,670	\$54,038	\$13,632
6	Hacienda La Puente Unified	\$65,484	\$53,660	\$11,824
7	Glendale Unified	\$65,243	\$48,718	\$16,525
8	Tustin Unified	\$64,136	\$51,636	\$12,500
9	Manteca Unified	\$63,524	\$53,387	\$10,137
10	Montebello Unified	\$62,779	\$47,204	\$15,575
11	La Canada Unified	\$62,566	\$50,447	\$12,119
12	Orange Unified	\$60,403	\$45,901	\$14,502
	Comparative Group Average	\$60,283	\$46,346	\$13,937
13	Alhambra Unified	\$59,699	\$43,597	\$16,102
14	Torrance Unified	\$58,734	\$48,234	\$10,500
15	Los Angeles Unified	\$58,475	\$43,913	\$14,562
16	Pasadena Unified	\$58,035	\$43,901	\$14,134
17	South Pasadena Unified	\$56,995	\$44,783	\$12,212
18	Chino Unified	\$56,979	\$48,216	\$8,763
19	Burbank Unified	\$55,996	\$45,457	\$10,539
20	Pomona Unified	\$54,732	\$46,287	\$8,445
21	Compton Unified	\$52,525	\$43,021	\$9,504

Source: 2017-18 state-certified J-90 reports

In Figure 33, the District’s total compensation for the salary offered at BA+30, Step, 1 for 2017-18 ranks 7 of 21 in the comparative group.

Figure 33: Total Compensations: Salary Paid for BA+30, Step 1 Plus Average District Contribution for Health and Welfare Benefits				
Rank	District	Total Compensation	Salary at BA+30, Step 1	Average Health and Welfare Benefit Contribution
1	Downey Unified	\$78,835	\$60,292	\$18,543
2	Alhambra Unified	\$72,007	\$55,905	\$16,102
3	San Jose Unified	\$71,925	\$54,958	\$16,967
4	Norwalk-La Mirada Unified	\$71,805	\$55,370	\$16,435
5	Paramount Unified	\$70,373	\$56,741	\$13,632
6	ABC Unified	\$70,155	\$54,642	\$15,513
7	Glendale Unified	\$68,747	\$52,222	\$16,525
8	Hacienda La Puente Unified	\$68,198	\$56,374	\$11,824
9	Tustin Unified	\$67,014	\$54,514	\$12,500
10	Montebello Unified	\$66,141	\$50,566	\$15,575
	Comparative Group Average	\$65,923	\$51,986	\$13,937
11	Los Angeles Unified	\$65,527	\$50,965	\$14,562
12	La Canada Unified	\$65,341	\$53,222	\$12,119
13	Pasadena Unified	\$64,008	\$49,874	\$14,134
14	South Pasadena Unified	\$63,709	\$51,497	\$12,212
15	Manteca Unified	\$63,524	\$53,387	\$10,137
16	Pomona Unified	\$62,887	\$54,442	\$8,445
17	Burbank Unified	\$62,772	\$52,233	\$10,539
18	Compton Unified	\$62,667	\$53,163	\$9,504
19	Torrance Unified	\$60,919	\$50,419	\$10,500
20	Orange Unified	\$60,403	\$45,901	\$14,502
21	Chino Unified	\$58,933	\$50,170	\$8,763

Source: 2017-18 state-certified J-90 reports

In Figure 34, the District’s total compensation at the salary offered at BA+60, Step 10, for 2017-18 ranks 13 of 21 in the comparative group.

Figure 34: Total Compensations: Salary Paid for BA+60, Step 10 Plus Average District Contribution for Health and Welfare Benefits				
Rank	District	Total Compensation	Salary at BA+60, Step 10	Average Health and Welfare Benefit Contribution
1	Downey Unified	\$106,796	\$88,253	\$18,543
2	Montebello Unified	\$98,831	\$83,256	\$15,575
3	Norwalk-La Mirada Unified	\$98,197	\$81,762	\$16,435
4	Alhambra Unified	\$97,927	\$81,825	\$16,102
5	San Jose Unified	\$96,099	\$79,132	\$16,967
6	Tustin Unified	\$95,797	\$83,297	\$12,500
7	Paramount Unified	\$95,256	\$81,624	\$13,632
8	Hacienda La Puente Unified	\$94,661	\$82,837	\$11,824
9	Orange Unified	\$93,572	\$79,070	\$14,502
10	Torrance Unified	\$93,019	\$82,519	\$10,500
11	South Pasadena Unified	\$92,832	\$80,620	\$12,212
12	ABC Unified	\$91,866	\$76,353	\$15,513
13	Glendale Unified	\$91,315	\$74,790	\$16,525
14	La Canada Unified	\$90,144	\$78,025	\$12,119
15	Chino Unified	\$88,885	\$80,122	\$8,763
	Comparative Group Average	\$88,046	\$74,109	\$13,937
16	Manteca Unified	\$86,368	\$76,231	\$10,137
17	Pomona Unified	\$85,682	\$77,237	\$8,445
18	Burbank Unified	\$84,883	\$74,344	\$10,539
19	Los Angeles Unified	\$84,703	\$70,141	\$14,562
20	Compton Unified	\$83,622	\$74,118	\$9,504
21	Pasadena Unified	\$81,993	\$67,859	\$14,134

Source: 2017-18 state-certified J-90 reports

In Figure 35, the District’s total compensation at the maximum scheduled salary for 2017-18 offered ranks 8 of 21 in the comparative group.

Figure 35: Total Compensations: Maximum Scheduled Salary Plus Average District Contribution for Health and Welfare Benefits				
Rank	District	Total Compensation	Maximum Scheduled Salary	Average Health and Welfare Benefit Contribution
1	Alhambra Unified	\$135,793	\$119,691	\$16,102
2	Downey Unified	\$133,433	\$114,890	\$18,543
3	South Pasadena Unified	\$124,782	\$112,570	\$12,212
4	Norwalk-La Mirada Unified	\$123,694	\$107,259	\$16,435
5	Tustin Unified	\$123,372	\$110,872	\$12,500
6	Montebello Unified	\$122,258	\$106,683	\$15,575
7	Orange Unified	\$120,923	\$106,421	\$14,502
8	Glendale Unified	\$120,399	\$103,874	\$16,525
9	ABC Unified	\$119,194	\$103,681	\$15,513
10	Paramount Unified	\$117,595	\$103,963	\$13,632
11	Hacienda La Puente Unified	\$114,741	\$102,917	\$11,824
12	La Canada Unified	\$114,385	\$102,266	\$12,119
13	San Jose Unified	\$113,999	\$97,032	\$16,967
14	Manteca Unified	\$112,339	\$102,202	\$10,137
15	Pomona Unified	\$110,825	\$102,380	\$8,445
16	Chino Unified	\$109,722	\$100,959	\$8,763
	Comparative Group Average	\$107,881	\$93,944	\$13,937
17	Compton Unified	\$106,447	\$96,943	\$9,504
18	Torrance Unified	\$106,402	\$95,902	\$10,500
19	Burbank Unified	\$105,511	\$94,972	\$10,539
20	Pasadena Unified	\$104,719	\$90,585	\$14,134
21	Los Angeles Unified	\$101,647	\$87,085	\$14,562

Source: 2017-18 state-certified J-90 reports

In Figure 36, the District’s total compensation at the computed average salary for 2017-18 ranks 5 of 21 in the comparative group.

Figure 36: Total Compensations: Maximum Scheduled Salary Plus Average District Contribution for Health and Welfare Benefits				
Rank	District	Total Compensation	Computed Average Salary	Average Health and Welfare Benefit Contribution
1	Downey Unified	\$112,987	\$94,444	\$18,543
2	Montebello Unified	\$107,731	\$92,156	\$15,575
3	Norwalk-La Mirada Unified	\$104,674	\$88,239	\$16,435
4	Alhambra Unified	\$101,466	\$85,364	\$16,102
5	Glendale Unified	\$100,944	\$84,419	\$16,525
6	Paramount Unified	\$100,243	\$86,611	\$13,632
7	Tustin Unified	\$98,995	\$86,495	\$12,500
8	Orange Unified	\$98,404	\$83,902	\$14,502
9	ABC Unified	\$98,349	\$82,836	\$15,513
10	Hacienda La Puente Unified	\$97,809	\$85,985	\$11,824
11	La Canada Unified	\$97,657	\$85,538	\$12,119
12	South Pasadena Unified	\$96,282	\$84,070	\$12,212
13	San Jose Unified	\$93,220	\$76,253	\$16,967
	Comparative Group Average	\$92,420	\$78,483	\$13,937
14	Compton Unified	\$92,090	\$82,586	\$9,504
15	Chino Unified	\$91,913	\$83,150	\$8,763
16	Manteca Unified	\$90,422	\$80,285	\$10,137
17	Torrance Unified	\$90,363	\$79,863	\$10,500
18	Pomona Unified	\$89,732	\$81,287	\$8,445
19	Burbank Unified	\$89,435	\$78,896	\$10,539
20	Los Angeles Unified	\$89,351	\$74,789	\$14,562
21	Pasadena Unified	\$87,653	\$73,519	\$14,134

Source: 2017-18 state-certified J-90 reports

Conclusion

The comparative data provided in this Budget Review indicates that, even with relatively lower revenues and declining/flat enrollment, the District has prioritized its investment in personnel salaries and benefits. For example, the District ranks 2 out of the 21 districts in the comparison for the amount spent on health and welfare benefits per ADA and ranks 3 out of 21 for the percentage of budget committed to personnel salaries and benefits overall. Further, there is greater longevity in certificated staff, and the total compensation offered to teachers is very competitive.

Given the many factors discussed in this report, the District appears to utilize industry standard practices in its budget based on the most recently known information when the budgets were prepared. We recommend that the District take action to stem the deficit spending trend and exercise caution at the bargaining table in order to maintain an appropriate level of reserves and ensure fiscal stability.

Thank you for allowing us to provide you with this Budget Review. We welcome any questions you may have about this report. If we can be of further service to the District, please do not hesitate to contact us.

Sincerely,



SHEILA G. VICKERS

Vice President