

**First Interim Financial  
Report as of  
October 31, 2013**

**Presented to the Board of Trustees  
December 9, 2013**

# 2013/14 First Interim Assumptions

## General Fund Revenue

- **Revenue Limit Converted to Local Control Funding Formula (LCFF)**
  - **2012/13 amount per ADA = \$5,733 (includes categoricals)**
  - **2013/14 amount per ADA = \$5,999 (categoricals eliminated and rolled into General Fund)**
  - **Increase of 4.6% (\$829,000)**
  - **Includes CSR add-on of approximately \$260,000 (will grow each year until 2021 to reach approximately \$1 million)**
    - **Experts differ on this calculation; SBE to clarify**
    - **Must reach 24:1 in K-3 at each site by 2021**
  - **Includes Supplemental Add-on for disadvantaged enrollment of approximately \$205,000 (also will grow to approximately \$1.7 million by 2021)**
    - **Experts differ on this calculation and guidelines; must show improvement for this subset of students**

# 2013/14 First Interim Assumptions

## General Fund Revenue (continued)

- **\$3,600,000 remaining revenue limit deficit “owed” is no longer tracked**
  - **Intention to fully restore districts by 2021 (at a minimum)**
  - **“Target” entitlement per ADA is \$8,060, or \$6 million by 2021**
- **ADA: 3,117.93 (20 ADA increase above 2012/13)**
- **Most state categoricals rolled into LCFF**
  - **Restricted Lottery, unrestricted lottery, and special education remain**
  - **Transportation M.O.E. for two years (must maintain expense)**
- **New One-Time Common Core Grant of \$636,851**
- **Mandated Costs – Block Grant of \$87,000 budgeted**
- **Lease income is budgeted in the Special Reserve For Capital Outlay Fund**

# 2013/14 Revenue

	Adopted Budget	First Interim Budget	Change
Revenue Limit	\$ 15,726,719	\$ 18,703,914	\$ 2,977,195
Federal Revenue	\$ 1,017,605	\$ 1,046,276	\$ 28,671
Other State Revenue	\$ 4,498,121	\$ 1,371,233	\$ (3,126,888)
Other Local Revenue	\$ 54,000	\$ 1,703,333	\$ 1,649,333
Interfund Transfer In	\$ 0	\$ 0	\$ 0
<b>Total</b>	<b>\$ 21,296,445</b>	<b>\$ 22,824,756</b>	<b>\$ 1,528,311</b>

# **2013/14 First Interim Assumptions**

## **General Fund Revenue – Major Changes from Adopted Budget**

- **LCFF**

  - + \$3.0 million**

    - \$2.2 million reclassified from categoricals to LCFF**

    - \$700,000 LCFF funding increase**

    - \$107,000 Additional ADA (20)**

- **Federal Revenue – no significant change**

# **2013/14 First Interim Assumptions**

## **General Fund Revenue – Major Changes from Adopted Budget (continued)**

### **➤ State Revenue**

**- \$3.1 million**

**-\$2.2 million reclassified from categoricals to LCFF**

**-\$1.6 million special education income reclassified from  
state revenue to local revenue**

**+\$0.6 million Common Core one-time grant**

**+\$37,000 Lottery increase**

### **➤ Local Revenue – no significant change**

# **2013/14 First Interim Assumptions**

## **General Fund Expenditures**

- **Salary**
  - **Certificated Teachers**
    - **Full work year budgeted**
  - **Classified and Non-unit (unrepresented employees)**
    - **Full work year budgeted**
- **Step and Column: Actuals for 2013/14**
- **Health and Welfare: Maximum medical cap \$16,596; Dental, Vision, and Life Maximum \$1,866**

# **2013/14 First Interim Assumptions**

## **General Fund Expenditures**

### **➤ Supplies**

- Elementary school site budgets increased to \$55 (from \$54) per student to cover increased printing costs of Common Core standards based report cards grades K-3**
- 2012/13 Restricted Carryover (\$181,926 – primarily EIA and LEA Medi-Cal funds) and unrestricted school site and school donations carryover (\$184,282) are appropriated in supply expenditure objects**



# **2013/14 First Interim Assumptions**

## **General Fund Expenditures**

- **Services and Other Outgo**
  - **Special education services for additional students in non-public schools and agencies (including transportation)**

# 2013/14 Expenses

	Adopted Budget	First Interim Budget	Change
Certificated Salaries	\$ 11,259,000	\$ 11,449,485	\$ 190,485
Classified Salaries	\$ 3,245,076	\$ 3,188,174	\$ (56,902)
Employee Benefits	\$ 5,181,218	\$ 4,853,386	\$ (327,832)
Books & Supplies	\$ 712,907	\$ 1,632,696	\$ 919,789
Services/Operating Exp.	\$ 1,860,178	\$ 2,136,749	\$ 276,571
Capital Outlay	\$ 0	\$ 0	\$ 0
Other Outgoing	\$ 320,995	\$ 367,096	\$ 46,101
Interfund Transfer Out	\$ 0	\$ 0	\$ 0
<b>Total</b>	<b>\$ 22,579,374</b>	<b>\$ 23,627,586</b>	<b>\$ 1,048,212</b>

# **2013/14 First Interim Assumptions**

## **General Fund Expenditures – Major Changes from Adopted Budget**

### **➤ Certificated Salaries**

**+ 5.0 FTE for K-3 class size ratios**

**+ 1.0 FTE at Rancho Starbuck**

**- 1.0 FTE for unfilled speech & language position**

### **➤ Classified Salaries – no significant change**

### **➤ Benefits**

**-\$303,000 premium savings. Adopted budget projected 12% premium increase due to ACA, 7% realized.**

**-\$24,000 Elimination of PERS Reduction charge**

# **2013/14 First Interim Assumptions**

## **General Fund Expenditures – Major Changes from Adopted Budget**

### **➤ Supplies**

- + \$366,208 Legal and Board Restricted Carryover**
- + \$636,851 Common Core one-time grant**

### **➤ Services**

- + \$200,000 Increase of two special education students in non-public schools, and contracted speech services due to unfilled speech and language position**
- + \$32,000 Increased legal fees – due process filings, settlements**
- + \$17,000 Increased data charges from LACOE & Jive**

# **2013/14 First Interim Assumptions**

## **General Fund Expenditures – Major Changes from Adopted Budget**

### **➤ Other Outgoing**

**+ \$55,000 for one additional student to Fullerton School  
District**

# **2013/14 First Interim Assumptions**

## **General Fund Reserve**

- **District Policy recommends an additional 2% above the State minimum reserve level, when two years of stable state funding exists, to provide a buffer for cash-flow needs and if financial difficulties arise and commitments cannot be reduced**
- **The District is projecting slight enrollment growth in 2013/14 and stable enrollment in 2014/15 and 2015/16**
- **The Designation For Economic Uncertainties Reserve target remains at 3% through 2014/15. The Reserve target increases to the previous target of 5% in 2015/16 in the multi-year projection.**

# Multi-year Projections

## Revenue Assumptions

(Subsequent Years)

- **Local Control Funding Formula Sources:**

- **COLA**

- **1.87% in 2014/15**

- **1.99% in 2015/16**

- **Gap Funding (statewide)**

	CDE/LACOE	SSC
2014/15	16.49%	4.40%
2015/16	18.69%	5.50%

- **ADA**

- **0 ADA increase in 2014/15**

- **0 ADA increase in 2015/16**

- **Class size ratios continue to reach toward 24:1 goal by 2021**

- **Common Core one-time grant removed (\$636,000)**

- **All other revenues remain relatively constant (including Mandate Block Grant)**

# Multi-year Projections

## Expense Assumptions

(Subsequent Years)

- **2012/13 Legal and Board restricted carryover is fully spent in 2013/14**
- **2014/15 Salaries and Employee Benefits**
  - **1.3% Certificated step and column costs**
  - **1.2% Classified step and longevity costs**
  - **0.7% Non-unit step and longevity costs**
  - **7.0% Increase in employee health and welfare benefits**
  - **LJEA step/column costs assume 1 teacher retiree**
  - **Increase of 1.0 teacher due to CSR goal of 24:1**
  - **Increase of 1.0 teacher due to TK September 1<sup>st</sup> age requirement**
- **New math textbook adoption (K-6) - \$300,000**
- **Purchase ELA (K-2) workbooks annually - \$63,000**
- **Common Core one-time grant removed (\$636,000)**
- **Expense increased by Consumer Price Index of 2.3%**



# **Multi-year Projections**

## **Expense Assumptions**

**(Subsequent Years - Continued)**

- **2015/16 Salaries and Employee Benefits**
  - **1.3% Certificated step and column costs**
  - **1.2% Classified step and longevity costs**
  - **0.7% Non-unit step and longevity costs**
  - **7.0% Increase in employee health and welfare benefits**
  - **Increase of 1.0 teacher due to CSR goal of 24:1**
  - **No additional TK impact**
- **Purchase ELA (K-2) workbooks (annual) - \$63,000**
- **No new textbook adoption**
- **Expense increased by Consumer Price Index of 2.5%**

# Multi-year General Fund Summary - LACOE

(Restricted and Unrestricted)

	2013/14 First Interim	2014/15 Projected	2015/16 Projected
Total Revenue and Transfers In	\$ 22,824,756	\$ 23,293,950	\$ 24,410,859
Total Expenditures & Outgo	\$ 23,627,586	\$ 23,535,313	\$ 23,820,430
<b>Change in Fund Balance</b>	<b>\$ (802,830)</b>	<b>\$ (241,363)</b>	<b>\$ 590,429</b>
Beginning Balance	\$ 4,656,745	\$ 3,853,915	\$ 3,612,552
<b>Ending Balance</b>	<b>\$ 3,853,915</b>	<b>\$ 3,612,552</b>	<b>\$ 4,202,981</b>
<b>Components of Fund Balance</b>			
Reserved Amounts	\$ 10,000	\$ 10,000	\$ 10,000
Legally Restricted	\$ 0	\$ 0	\$ 0
Economic Uncertainties	\$ 709,000	\$ 714,000	\$ 1,213,000
Designations-Gap Funding Uncertain	\$ 0	\$ 752,000	\$ 2,174,000
Undesignated Amount	\$ 3,134,915	\$ 2,136,552	\$ 805,981

# Multi-year General Fund Summary - SSC

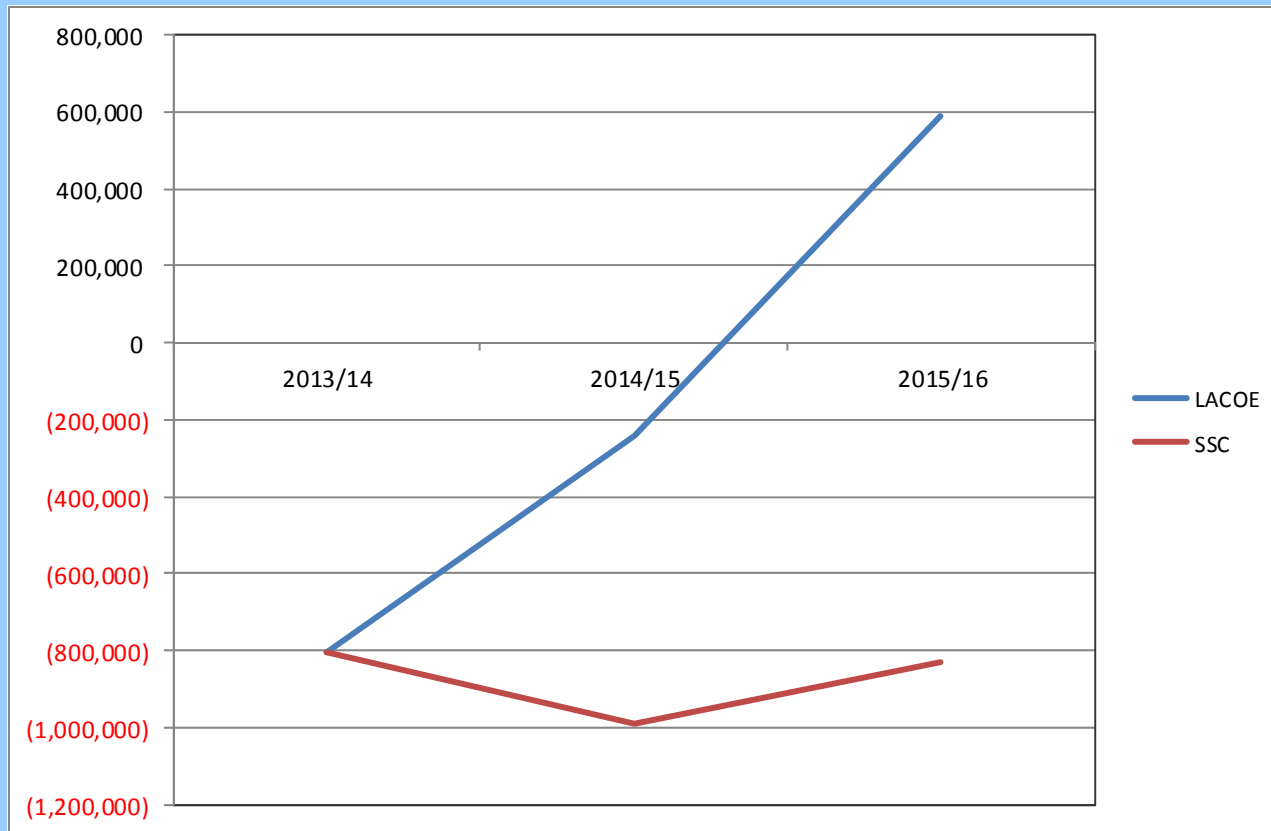
(Restricted and Unrestricted)

	2013/14 First Interim	2014/15 Projected	2015/16 Projected
Total Revenue and Transfers In	\$ 22,824,756	\$ 22,542,950	\$ 22,987,859
Total Expenditures & Outgo	\$ 23,627,586	\$ 23,535,313	\$ 23,820,430
<b>Change in Fund Balance</b>	<b>\$ (802,830)</b>	<b>\$ (992,363)</b>	<b>\$ (832,571)</b>
Beginning Balance	\$ 4,656,745	\$ 3,853,915	\$ 2,861,552
<b>Ending Balance</b>	<b>\$ 3,853,915</b>	<b>\$ 2,861,552</b>	<b>\$ 2,028,981</b>
<b>Components of Fund Balance</b>			
Reserved Amounts	\$ 10,000	\$ 10,000	\$ 10,000
Legally Restricted	\$ 0	\$ 0	\$ 0
Economic Uncertainties	\$ 709,000	\$ 714,000	\$ 1,213,000
Designations	\$ 0	\$ 0	\$ 0
Undesignated Amount	\$ 3,134,915	\$ 2,137,552	\$ 805,981

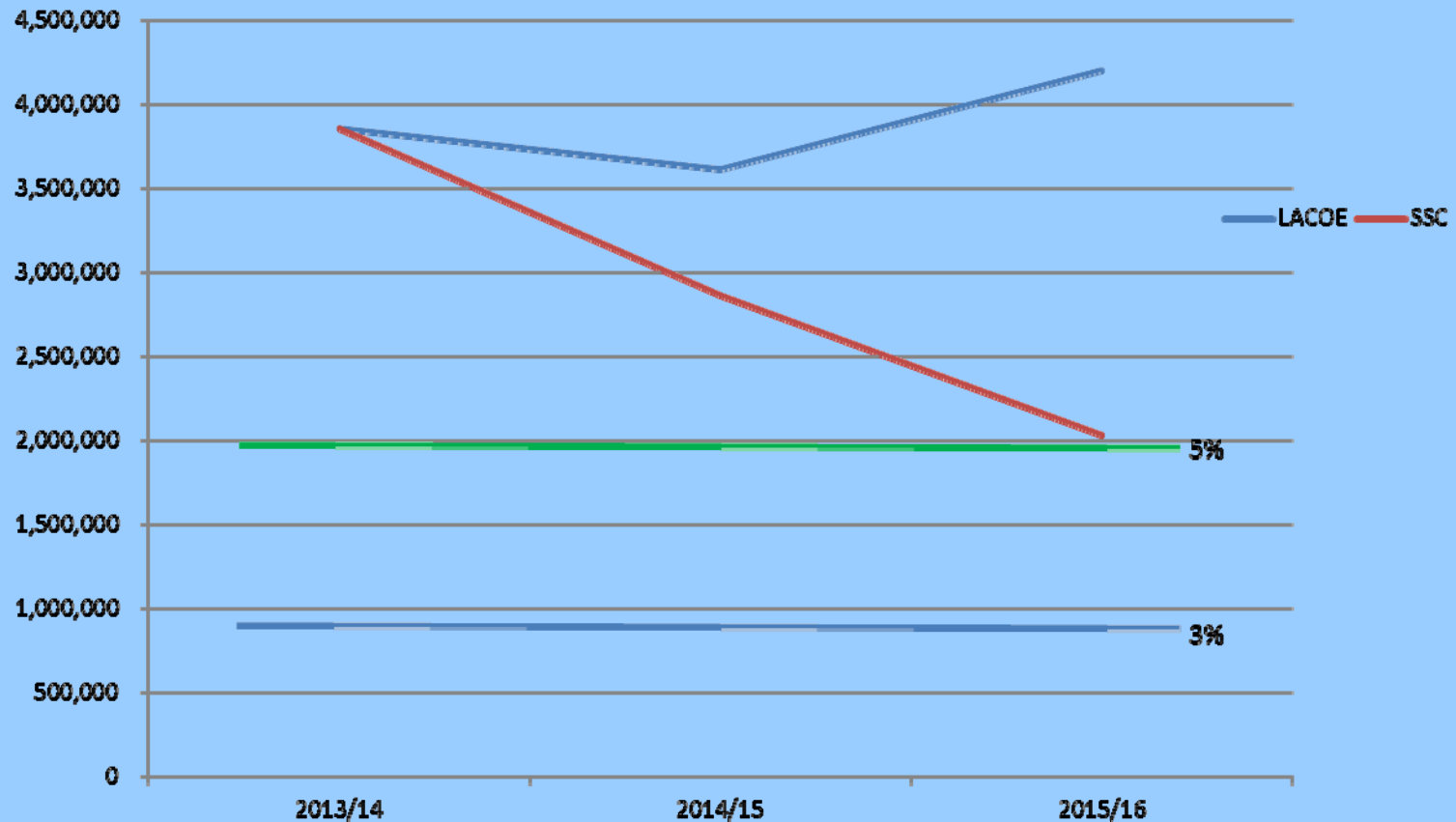
# Deficit Spending

- **Only 2013/14 funding is reliable**
- **District is deficit spending 3.4% unrestricted reserves in 2013/14**
- **If LACOE projections (COLA plus GAP) are accurate for future years, District will deficit spend 1% in 2014/15 and have a surplus of 2.5% in 2015/16**
- **If SSC projections (COLA only) are more accurate for future years, District will increase deficit spending to 4.2% and 3.5% respectively**
- **Educated guess is reality will be somewhere in between for ongoing funding**

# Multi-year General Fund Summary – Deficit Spending



# Multi-year General Fund Summary – Ending Balance and Reserves



# **Future Considerations....**

**We will see state budget projections for 2014/15 in January 2014. How much COLA and GAP will be funded? Will more deferrals be funded? Will more one-time grants become available?**

**Will federal healthcare program cause cost increases?**

# Facilities Funds

- **Facilities maintenance expenses are increasing while revenue sources to fund them are decreasing:**
  - **Capital Facilities (developer fees) are dwindling due to limited development within District attendance boundaries**
  - **Carryover of \$76,000 remains**



# Facilities Funds (continued)

- **Deferred Maintenance funds were “flexed” in 2008/09 and have been rolled into the LCFF base along with other categoricals**
- **Deferred Maintenance reserves are exhausted; Special Reserve Fund is supporting these projects**
- **Special Reserve for Capital Outlay Fund remains a funding source for capital projects**
- **Special Reserve receives ongoing lease income**
- **The routine repairs for plumbing, windows, doors, roof leaks, phones, computer cabling, clocks and bells, grounds, concrete repair are reliant on the General Fund**

# 2013/14 Special Reserve Fund

Revenue	Adopted Budget	First Interim Budget	Change
Lease Income	\$ 472,250	\$ 524,000	\$ 51,750
Interest Income	\$ 35,000	\$ 55,000	\$ 20,000
<b>Total</b>	<b>\$ 507,250</b>	<b>\$ 579,000</b>	<b>\$ 71,750</b>
Expenses			
Supplies	\$ 50,000	\$ 1,000	\$ (49,000)
Services	\$ 181,500	\$ 95,000	\$ (86,500)
Capital Outlay	\$ 20,000	\$ 615,920	\$ 595,920
<b>Total</b>	<b>\$ 251,500</b>	<b>\$ 711,920</b>	<b>\$ 460,420</b>
<b>Transfers Out</b>	<b>\$ 85,000</b>	<b>\$ 168,000</b>	<b>\$ 83,000</b>
<b>Beginning Balance</b>	<b>\$ 7,403,161</b>	<b>\$ 7,403,161</b>	<b>\$ 0</b>
<b>Ending Balance</b>	<b>\$ 7,573,911</b>	<b>\$ 7,102,241</b>	<b>\$ (471,670)</b>

# Special Reserve Fund

- **Renegotiated leases will generate increased revenues each year for many years**
- **High cash reserves allows payroll loans to the General Fund (\$2 million this year and last year due to state deferrals), avoiding costly TRANS issue**
- **Supports Deferred Maintenance Fund expenses for maintaining our buildings**
- **Funds facility related projects such as facility needs analysis, property related legal expenses, small and large capital projects**
- **Funded major construction project for new phone cabling and phone system**

# First Interim Financial Report

## Certification of Financial Condition

### ☒ Positive Certification

‘As president of the governing board of this school district, I certify that this district will be able to meet its financial obligations for the current fiscal year and subsequent two fiscal years.’

### Qualified Certification

‘As president of the governing board of this school district, I certify that this district may not meet its financial obligations for the current fiscal year and subsequent two fiscal years.’

### Negative Certification

‘As president of the governing board of this school district, I certify that based upon current projections this district will be unable to meet its financial obligations for the remainder of the fiscal year or for the subsequent fiscal year.’