

**Second Interim Financial
Report as of
January 31, 2015**

**Presented to the Board of Trustees
March 9, 2015**

2014/15 Second Interim Assumptions

General Fund Revenue

- **Local Control Funding Formula (LCFF)**
 - **2013/14 amount per ADA = \$6,013 (average)**
 - **2014/15 amount per ADA = \$6,625 (average)**
 - **Includes COLA and GAP funding**
 - **Includes CSR add-on of \$551,000 (will grow each year until 2020/21 to reach approximately \$1 million)**
 - **Must reach 24:1 in K-3 at each site by 2020/21 AND**
 - **Could lose these funds in any year if district violates class size maximums at any site**
 - *unless alternatively bargained language exists*
 - **Includes Supplemental Grant for English Learner and socio-economically disadvantaged enrollment of approximately \$680,000 (also will grow to approximately \$1.8 million by 2020/21)**

2014/15 Second Interim Assumptions

General Fund Revenue

- **ADA: 3,105 (20 ADA decrease below 2013/14)**
- **Funded ADA: 3,125 (13/14 ADA due to declining enrollment)**
 - **Restricted lottery, unrestricted lottery, TIIG, and special education remain funded outside of LCFF model**
- **Mandated Costs – Block Grant of \$87,000 budgeted and “one-time” mandate payment of \$207,000**
- **Lease income is budgeted in the Special Reserve For Capital Outlay Fund**

2014/15 Revenue

	First Interim Budget	Second Interim Budget	Change
L.C.F.F.	\$ 20,791,261	\$ 20,705,952	\$ (85,309)
Federal Revenue	\$ 1,214,975	\$ 1,373,578	\$ 158,603
Other State Revenue	\$ 992,790	\$ 1,230,070	\$ 237,280
Other Local Revenue	\$ 1,776,521	\$ 1,843,431	\$ 66,910
Interfund Transfer In	\$ 0	\$ 0	\$ 0
Total	\$ 24,775,547	\$ 25,153,031	\$ 377,484

2014/15 Second Interim

General Fund Revenue – Major Changes from First Interim

- **LCFF – (- \$85,000) – District funded ADA unchanged, county educated ADA removed – will be sent directly to COE's**
- **Federal Revenue – (+ \$159,000)**
 - **Title I increase of \$47,000**
 - **Title III increase of \$19,000**
 - **MAA funds from 2011/12 of \$63,000**
 - **Medi-Cal income of \$19,000**

2014/15 Second Interim

General Fund Revenue – Major Changes from First Interim

- **State Revenue – (+237,000) – additional SELPA funds for mental health and foster student reimbursements**
- **Local Revenue**
 - +\$67,000 – School site donations received since First Interim**

2014/15 Second Interim Assumptions

General Fund Expenditures

- **Salary**
 - **Budgeted per Board approved salary schedules**
- **Step and Column: Actuals for 2014/15**
- **Health and Welfare: Maximum medical cap \$16,422; Dental, Vision, and Life Maximum \$1,917**
- **STRS pension rate increase from 8.25% to 8.88%**
- **PERS pension rate increase from 11.44% to 11.77%**

2014/15 Second Interim Assumptions

General Fund Expenditures

➤ Supplies

- Elementary school site budgets increased 20% to \$66 (from \$55) and Intermediate increased 20% to \$106 (from \$85) per student per Adopted Budget LCAP**
- Math textbook adoption \$280,000 (\$200,000 from restricted lottery carryover, \$80,000 unrestricted funds**
- 2013/14 Restricted Carryover (\$251,143 – primarily Lottery and Common Core funds), and unrestricted school site and school donations carryover (\$200,891) are appropriated primarily in supply expenditure objects**

2014/15 Second Interim Assumptions

General Fund Expenditures

- **Services and Other Outgo**
 - **Special education services for additional students in non-public schools and agencies (including transportation) budgeted as needs identified**
 - **Legal fees and due process settlements**
 - **Utilities**

2014/15 Expenses

	First Interim Budget	Second Interim Budget	Change
Certificated Salaries	\$ 12,710,369	\$ 12,757,757	\$ 47,388
Classified Salaries	\$ 3,593,234	\$ 3,539,974	\$ (53,260)
Employee Benefits	\$ 5,401,265	\$ 5,403,067	\$ 1,802
Books & Supplies	\$ 1,393,420	\$ 1,367,068	\$ (26,352)
Services/Operating Exp.	\$ 2,528,768	\$ 2,386,813	\$ (141,955)
Capital Outlay	\$ 0	\$ 0	\$ 0
Other Outgoing	\$ 579,224	\$ 583,376	\$ 4,152
Interfund Transfer Out	\$ 0	\$ 0	\$ 0
Total	\$ 26,206,280	\$ 26,038,055	\$ (168,225)

2014/15 Second Interim

General Fund Expenditures – Major Changes from First Interim

- **Certificated Salaries – no significant change**
- **Classified Salaries – no significant change**
- **Benefits – no significant change**
- **Books and Supplies - no significant change**
- **Services – (-\$142,000)**
 - **\$97,000 NPS student left the district, contracts reduced**

2014/15 Second Interim

General Fund Expenditures – Major Changes from First Interim

- **Services – (continued)**

- **\$24,000** **Utility projections decreased**

- **\$19,000** **Federal categorical decreases**

2014/15 Second 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 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.**
- **A 5% reserve is less than one month's payroll**

Multi-year Projections

Revenue Assumptions

(Subsequent Years)

- **Local Control Funding Formula Sources:**
 - **COLA**
 - **1.58% in 2015/16**
 - **2.17% in 2016/17**
 - **Gap Funding (CDE Projection)**
 - **32.19% in 2015/16**
 - **23.71% in 2016/17 (Revenue increase restricted in fund balance per LACOE)**
 - **ADA**
 - **20 ADA decrease in 2015/16**
 - **0 ADA increase/decrease in 2016/17**
- **Class size ratios continue to reach toward 24:1 goal by 2020/21**
- **One-time state mandate grant removed (\$207,000)**
- **One-time PROPOSED state mandate grant added (\$533,000)**
- **One-time federal program improvement grant removed (\$150,000)**
- **Mental health reimbursements adjusted for eligible students and available funds**

Multi-year Projections

Expense Assumptions

(Subsequent Years)

- **2013/14 Legal and Board restricted carryover is fully spent in 2014/15**
- **2015/16 Salaries and Employee Benefits**
 - **1.7% 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 2 teacher retirees**
 - **STRS pension increase 1.85% from 8.8% to 10.73%**
 - **PERS pension increase 0.83% from 11.77% to 12.6%**
- **Reduction of 3.0 FTE due to decline and increase 1.0 FTE at Rancho Starbuck due large 6th grade class matriculating**
- **Technology department staffing upgrades**
- **Restoration of night custodians and p.m. receptionist**
- **Speech staffing increase 0.4 FTE; RSP class aide 3.0 hours**

Multi-year Projections

Expense Assumptions

(Subsequent Years - Continued)

- **LCAP operational program base redefined**
- **No additional textbook adoptions**
- **Erate reimbursements decline due to federal program change**
- **One-time federal professional development grant removed**
- **Supplies and services expense base increased by Consumer Price Index of 2.3%**
- **Remove four 8th grade NPS students and ADD 3 new anticipated NPS students from existing student population**
- **Special education encroachment increase \$100,000**

Multi-year Projections

Expense Assumptions

(Subsequent Years - Continued)

- **2016/17 Salaries and Employee Benefits**
 - **1.7%** 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
 - **STRS pension increase of 1.85% from 10.73% to 12.58%**
 - **PERS pension increase of 2.4% from 12.6% to 15%**
 - **Increase of 1.0 teacher due to CSR goal of 24:1**
- **Supplemental Grant Increase - \$207,000 – reserved in fund balance until Governor’s 2016 Budget proposed**
- **No new textbook adoption**
- **Begin to purchase ELA workbooks annually**

Multi-year Projections

Expense Assumptions

(Subsequent Years - Continued)

- **Remove four 8th grade NPS students**
- **Special education encroachment increases globally**
- **ERate reimbursements decline due to federal program change**
- **Supplies and services expense base increased by Consumer Price Index of 2.5%**
- **Technology replacement program will be funded annually from unspent Supplemental funds beginning this year**

Multi-year General Fund Summary

(Restricted and Unrestricted)

	2014/15 Second Interim	2015/16 Projected	2016/17 Projected
Total Revenue and Transfers In	\$ 25,153,031	\$ 26,683,853	\$ 26,783,853
Total Expenditures & Outgo	\$ 26,038,415	\$ 25,940,415	\$ 26,889,415
Change in Fund Balance	\$ (885,384)	\$ 743,438	\$ (105,562)
		*\$533K in 1x \$	
Beginning Balance	\$ 3,568,274	\$ 2,682,890	\$ 3,426,328
Ending Balance	\$ 2,682,890	\$ 3,426,328	\$ 3,320,766
Components of Fund Balance			
Reserved Amounts	\$ 10,000	\$ 10,000	\$ 10,000
Legally Restricted/Supp. Grant	\$ 0	\$ 0	\$ 209,000
Economic Uncertainties	\$ 626,000	\$ 1,050,000	\$ 1,097,000
Designations (LACOE restriction)			\$ 284,000
Undesignated Amount	\$ 2,046,890	\$ 2,366,328	\$ 1,720,766

Deficit/Surplus Spending

- **Only 2015/16 state funding is reliable for budget projections**
- **District is deficit spending unrestricted reserves in 2014/15**
- **District will have an operating surplus of 2.5% in 2015/16 (mainly due to one-time mandate income) and have a slight operating deficit in 2016/17**
- **All of the above assumes state funding as projected in the Governor's January Budget**

Future Considerations....

- **May Revise is next state budget projection for 2015/16**
- **How will 2014/15 “one-time” \$2 billion state budget excess be distributed?**
- **Common Core technology impacts – staffing, data access, computer reliability, computer replacement program**
- **Local Control Accountability Plan (LCAP) will be presented to Board for a public hearing on May 4 and June 15 for final Board approval**
- **Adopted Budget for LCFF will be presented June 15 alongside LCAP and June 29 for final Board approval**

Future Unknowns....

- **Will declining enrollment continue?**
- **Affordable Care Act cost impact**
- **Will state sales tax increase extend beyond 2016?**
- **Will income tax increase extend beyond 2018?**
- **Will future LCFF increases cover annual operational increases for step and column, health and welfare, and pension increases? This annual cost is 4% to 4.2% in 2015/16 and 2016/17. LCFF increases in 2015/16 is 7.9% and 2016/17 is 4.3%. These increases include Supplemental Grant funds.**
- **Future year LCFF increases will be less as the gap narrows....**

Second 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.’