

**Second Interim Financial
Report as of
January 31, 2016**

**Presented to the Board of Trustees
March 8, 2016**

15/16 Revenue Assumptions

- **Local Control Funding Formula (LCFF)**
 - **2015/16 amount per ADA = \$7,461 (average)**
 - **Includes COLA (1.02%)**
 - **Includes GAP funding (51.52%)**
 - **Includes Supplemental Grant for English Learner, Socio-Economically Disadvantaged, Foster and Homeless enrollment of approximately \$1,275,000**
- **Actual ADA: 3,099 (4 ADA decrease below 2014/15; Adopted Budget projected 20 decline)**
- **Funded ADA: 3,103 (14/15 ADA due to small decline in 2015/16 enrollment)**
- **Mandated Costs – Annual Block Grant of \$88,000 budgeted and “one-time” mandate payment of \$1,638,000**

2015/16 Revenue

	First Interim Budget	Second Interim Budget	Change
L.C.F.F.	\$ 23,129,917	\$ 23,152,769	\$ 22,852
Federal Revenue	\$ 1,467,235	\$ 1,472,647	\$ 5,412
Other State Revenue	\$ 2,768,994	\$ 2,761,422	\$ (7,572)
Other Local Revenue	\$ 1,709,124	\$ 1,780,897	\$ 71,773
Interfund Transfer In	\$ 0	\$ 0	\$ 0
Total	\$ 29,075,270	\$ 29,167,735	\$ 92,465

MAJOR CHANGES

Revenue – from First Interim

- **LCFF +\$23,000 – GAP funding increase of 0.45%**
- **Federal Revenue – no significant change**
- **State Revenue – no significant change**
- **Local Revenue**
 - +\$28,000 – School site donations received since First Interim**
 - +\$44,000 – One time funds (Microsoft and ASCIP Safety Credits)**

15/16 Expenditure Assumptions

- **Salary**
 - **Budgeted per Board approved salary schedules**
- **Step and Column: Actuals for 2015/16**
- **Health and Welfare: Maximum cap \$18,682**
- **STRS pension rate increase 1.85% from 8.88% to 10.73%**
- **PERS pension rate increase from 11.77% to 11.847%**

2015/16 Expenses

	First Interim Budget	Second Interim Budget	Change
Certificated Salaries	\$ 13,671,577	\$ 13,611,501	\$ (60,076)
Classified Salaries	\$ 4,109,028	\$ 3,922,183	\$ (186,845)
Employee Benefits	\$ 5,963,941	\$ 5,952,108	\$ (11,833)
Books & Supplies	\$ 1,640,480	\$ 1,638,810	\$ (1,670)
Services/Operating Exp.	\$ 2,158,423	\$ 2,223,902	\$ 65,479
Capital Outlay	\$ 0	\$ 0	\$ 0
Other Outgoing	\$ 699,002	\$ 704,189	\$ 5,187
Interfund Transfer Out	\$ 0	\$ 0	\$ 0
Total	\$ 28,242,451	\$ 28,052,693	\$ (189,758)

MAJOR CHANGES

Expenditures –from First Interim

- **Certificated Salaries – (-\$60,000)**
 - **Removed California Content Standards professional development budget due to Educator Effectiveness Grant**
- **Classified Salaries – (-\$187,000)**
 - **M&O Director savings (vacancy and new salary)**
 - **Reduced special education aide cost**
 - **Reduced custodial cost**
 - **Fiscal services clerk savings (vacancy)**
- **Benefits – no significant change**

MAJOR CHANGES

Expenditures –from First Interim (cont.)

- **Supplies – no significant change**
- **Services and Other Outgo – (+\$65,000)**
 - **Transportation Cost \$23,000**
 - **School Site Consultants for art, music \$25,000**

General Fund Reserve

- **Reserve is projected to increase \$1,115,042**
 - **This includes \$1,254,000 of one-time funds**
 - **When one-time funds are removed, we are actually deficit spending**
- **The Board's goal of using reserves to fund 3 years of raises while waiting for future LCFF revenue increases to catch up with expenses has been achieved in 2015/16**

Revenue - Multi-year Projections

Assumptions (Subsequent Years)

- **Local Control Funding Formula Sources:**
 - **COLA**
 - **0.47% in 2016/17**
 - **2.13% in 2017/18**
 - **Gap Funding (CDE Projection)**
 - **49.08% in 2016/17**
 - **45.34% in 2017/18 (Revenue increase above COLA restricted in fund balance per LACOE recommendation)**
 - **ADA**
 - **10 ADA increase in 2016/17 (due to Cameo development)**
 - **0 ADA increase/decrease in 2017/18**
- **Class size ratios continue to reach toward 24:1 goal**
- **One-time PROPOSED state mandate grant added (\$642,000)**

Expense - Multi-year Projection

Assumptions – 16/17

- **Salaries and Employee Benefits Annual Costs**
 - **1.7% Certificated step and column costs**
 - **1.2% Classified step and longevity costs**
 - **0.7% Non-unit step and longevity costs**
 - **6.0% Increase in employee health and welfare benefits**
 - **LJEA step/column costs assume 1 teacher retiree**
 - **STRS pension increase 1.85% (from 10.73% to 12.58%)**
 - **PERS pension increase 1.20% (from 11.847% to 13.05%)**
- **Addition of 1.0 FTE to reduce class size TK-3**
- **Technology department staffing addition of .44 FTE**
- **Director of HR remaining 8 months total compensation**

Expense - Multi-year Projection

Assumptions – 16/17

(Continued)

- No additional textbook adoptions
- Begin to purchase ELA workbooks annually
- **Erate reimbursements decline due to federal program change**
- One-time Educator Effectiveness grant removed
- Supplies and services expense base increased by Consumer Price Index of 2.2%
- **Remove three 8th grade Non-Public Agency students from existing student population**
- Special education encroachment increase \$100,000
- **Technology Chromebook Initiative will be funded from one-time money**

Expense - Multi-year Projection

Assumptions - 17/18

- **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**
 - **6.0% Increase in employee health and welfare benefits**
 - **STRS pension increase of 1.85% from 12.58% to 14.43%**
 - **PERS pension increase of 3.55% from 13.05% to 16.6%**
- **Technology department staffing addition of .44 FTE**
- **No new textbook adoption**

Expense - Multi-year Projection

Assumptions - 17/18

- **Special education encroachment increase \$100,000**
- **Supplies and services expense base increased by Consumer Price Index of 2.52%**
- **Technology Chromebook Initiative will be funded from one-time money**

Multi-year General Fund Summary (With One-Time Funds)

	2015/16 Second Interim	2016/17 Projected	2017/18 Projected
Total Revenue and Transfers In	\$ 29,167,735	\$ 29,177,735	\$ 29,360,735
Total Expenditures & Outgo	\$ 28,052,693	\$ 28,588,205	\$ 29,618,205
Change in Fund Balance	\$ 1,115,042	\$ 589,530	\$ (257,470)
	*\$1,638K in 1x \$	*\$642K in 1x \$	
Beginning Balance	\$ 3,133,159	\$ 4,248,201	\$ 4,837,731
Ending Balance	\$ 4,248,201	\$ 4,837,731	\$ 4,580,261
Components of Fund Balance			
Reserved Amounts	\$ 10,000	\$ 10,000	\$ 10,000
Legally Restricted/Supp. Grant	\$ 0	\$ 0	\$ 324,000
Economic Uncertainties	\$ 1,403,000	\$ 1,429,000	\$ 1,481,000
Designations/(LACOE restriction)	\$ 943,000	\$ 1,585,000	\$ 1,585,000
Undesignated Amount	\$ 1,892,201	\$ 1,813,731	\$ 1,180,261

Multi-year General Fund Summary (One-Time Funds Removed)

	2015/16 Second Interim	2016/17 Projected	2017/18 Projected
Total Revenue and Transfers In	\$ 27,529,735	\$ 28,535,735	\$ 29,360,735
Total Expenditures & Outgo	\$ 27,668,693	\$ 28,588,205	\$ 29,618,205
Change in Fund Balance	\$ (138,958)	\$ (52,470)	\$ (257,470)
Beginning Balance	\$ 3,133,159	\$ 2,994,201	\$ 2,941,731
Ending Balance	\$ 2,994,201	\$ 2,941,731	\$ 2,684,261
Components of Fund Balance			
Reserved Amounts	\$ 10,000	\$ 10,000	\$ 10,000
Legally Restricted/Supp. Grant	\$ 0	\$ 0	\$ 0
Economic Uncertainties	\$ 1,403,000	\$ 1,429,000	\$ 1,481,000
Designations/(LACOE restriction)	\$ 0	\$ 0	\$ 324,000
Undesignated Amount	\$ 1,581,201	\$ 1,502,731	\$ 869,261

Deficit/Surplus Spending

- **Only 2016/17 state funding is reliable for budget projections at this time**
- **District is operationally balanced in 2015/16 (when one-time funds are excluded)**
- **District projected to have an operating surplus of \$590,000 in 2016/17 (mainly due to one-time funds of \$642,000) and have a slight operating deficit in 2017/18**
- **All of the above assumes state funding as proposed in the Governor's January Budget**

Looking Forward

Future Considerations....

- **Waiting for May Revise**
 - **Will additional ongoing or one-time funds be proposed?**
 - **Will the Governor provide funding for STRS and PERS increases passed onto districts?**

Looking Forward

The Small GAP Year - 18/19

- **In 18/19, the Department of Finance projects GAP funding at 6% (only \$103,000 for LJSD)**
- **Step/Column, Health/Welfare, SPED, Consumer Price Index, STRS/PERS = approx. \$935,000 annually**
- **This matters now because the District must certify that it can afford its expenses over a 3 year period**
- **When the Board approves the 16/17 Budget, 18/19 is the third year (dilemma = \$103 vs \$935)**

Looking Forward

When fully funded – 2020/2021

Certificated	
COLA Only	2.65%*
Step and Column	-1.50%
CalSTRS	-1.85%
Health and Welfare Benefit Increases**	-1.1%
C.P.I.	<u>-0.6%</u>
	-2.4%

Classified	
COLA Only	2.65%*
Step and Column	-1.50%
CalPERS	-1.60%
Health and Welfare Benefit Increases**	-1.1%
C.P.I.	<u>-0.6%</u>
	-2.15

*DOF Projected 2018-19

**All Employees

Looking Forward

Unknowns

- **Future small development projects should help enrollment**
- **Affordable Care Act cost impacts are not yet quantified**
- **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?**

Certification of Financial Condition

Second Interim Financial Report

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.’

Looking Forward

- **Adopted Budget will be presented to the Board of Trustees on June 13 for a public hearing**
- **Adopted Budget will be presented to the Board of Trustees on June 27 for final Board approval**