

**Second Interim Financial  
Report as of  
January 31, 2017**

**Presented to the Board of Trustees  
March 6, 2017**

# 16/17 Revenue Assumptions

- **Local Control Funding Formula (LCFF)**
  - **2016/17 amount per ADA = \$7,880 (average)**
  - **Includes COLA (0.0%)**
  - **Includes GAP funding (54.84%)**
  - **Includes Supplemental Grant for English Learner, Socio-Economically Disadvantaged, Foster and Homeless enrollment of approximately \$1,609,559**
- **Actual ADA: 3,069 (26 ADA decrease below 2015/16)**
- **Funded ADA: 3,092 (15/16 ADA due to declining enrollment)**
- **Mandated Costs – Annual Block Grant of \$88,000 budgeted and “one-time” mandate payment of \$660,000**

# 2016/17 Revenue

	First Interim Budget	Second Interim Budget	Change
L.C.F.F.	\$ 24,300,945	\$ 24,392,321	\$ 91,376
Federal Revenue	\$ 1,396,029	\$ 1,407,762	\$ 11,733
Other State Revenue	\$ 1,544,719	\$ 1,541,128	\$ (3,591)
Other Local Revenue	\$ 1,817,435	\$ 1,848,935	\$ 31,500
Interfund Transfer In	\$ 0	\$ 0	\$ 0
<b>Total</b>	<b>\$ 29,059,128</b>	<b>\$ 29,190,146</b>	<b>\$ 131,018</b>

# **MAJOR CHANGES**

## **Revenue – from First Interim**

- **LCFF +\$91,000 – GAP funding increase of 0.3%(\$25,000); 8 County Office of Education (COE) ADA increase (\$66,000)- offsetting expense for this increased revenue**
- **Federal Revenue – no significant change**
- **State Revenue – no significant change**
- **Local Revenue – no significant change**

# 16/17 Expenditure Assumptions

- **Salary**
  - **Budgeted per Board approved salary schedules**
- **Step and Column: Actuals for 2016/17**
- **Health and Welfare: Maximum cap \$19,437**
- **STRS pension rate increase 1.85% from 10.73% to 12.58%**
- **PERS pension rate increase 2.04% from 11.85% to 13.89%**

# 2016/17 Expenses

	First Interim Budget	Second Interim Budget	Change
Certificated Salaries	\$ 13,825,878	\$ 13,839,443	\$ 13,565
Classified Salaries	\$ 3,980,851	\$ 3,979,471	\$ (1,380)
Employee Benefits	\$ 6,497,551	\$ 6,497,590	\$ 39
Books & Supplies	\$ 2,242,836	\$ 2,257,116	\$ 14,280
Services/Operating Exp.	\$ 2,243,009	\$ 2,412,595	\$ 169,586
Capital Outlay	\$ 0	\$ 0	\$ 0
Other Outgoing	\$ 574,350	\$ 622,896	\$ 48,546
Interfund Transfer Out	\$ 0	\$ 0	\$ 0
<b>Total</b>	<b>\$ 29,364,475</b>	<b>\$ 29,609,111</b>	<b>\$ 244,636</b>

# **MAJOR CHANGES**

## **Expenditures –from First Interim**

- **Certificated Salaries – no significant change**
- **Classified Salaries – no significant change**
- **Benefits – no significant change**
- **Supplies – no significant change**

# **MAJOR CHANGES**

## **Expenditures –from First Interim (cont.)**

- **Services and Other Operations – (+\$170,000)**
  - **Utility Budget Correction (+\$216,850)**
    - **Submission error at First Interim**
    - **Low budget projection for phone/data**
  - **Special education contracted services changes (-\$47,000)**
- **Other Outgo – (+\$49,000)**
  - **Special education contract for student at area district (-\$17,000)**
  - **COE ADA bill back to district (+\$66,000)**



# General Fund Reserve

- **Reserve is projected to decrease \$419,215**
  - **This includes \$660,000 of one-time state funds**
  - **Contributing to the deficit spending is \$405,000 budgeted for ELA textbook adoption**
- **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 was achieved in 2015/16**
- **Pension increases have contributed to eroding operational surpluses in current and future years**

# Revenue - Multi-year Projections

## Assumptions (Subsequent Years)

- **Local Control Funding Formula Sources:**
  - **COLA**
    - **1.48% in 2017/18**
    - **2.40% in 2018/19**
  - **Gap Funding (DOF Projection)**
    - **23.67% in 2017/18 (equivalent to COLA only – per Governor’s proposal)**
    - **34.42% in 2018/19 (equivalent to COLA only)**
  - **ADA**
    - **30 ADA decrease in 2017/18**
    - **0 ADA increase/decrease in 2018/19**
- **One-time PROPOSED state mandate grant added for 17/18 (\$147,000)**

# Expense - Multi-year Projection

Assumptions – 17/18

- **Salaries and Employee Benefits Annual Costs**
  - **1.7% Certificated step and column costs**
  - **1.8% Classified step and longevity costs**
  - **0.05% Non-unit step and longevity costs**
  - **6.0% Increase in employee health and welfare benefits**
  - **STRS pension increase 1.85% (from 14.43% to 16.28%)**
  - **PERS pension increase 1.90% (from 15.8% to 17.7%)**
- **Addition of 1.0 FTE to provide teacher release time**
- **Reduction of 4.0 FTE due to declining enrollment**
  - **3 Retirements have been confirmed**

# Expense - Multi-year Projection

Assumptions – 17/18

(Continued)

- Science textbook adoption of \$350,000 reserved in fund balance
- Erate telephone cost reimbursements eliminated due to federal program change
- One-time Educator Effectiveness grant removed
- Supplies and services expense base increased by Consumer Price Index of 2.72%
- Special education encroachment increase \$100,000
- Technology Chromebook Initiative continues to be funded from one-time funds in fund balance reserve (3<sup>rd</sup> and final cohort is in 2017/18)

# **Expense - Multi-year Projection**

**Assumptions - 18/19**

- **Salaries and Employee Benefits**
  - **1.7% Certificated step and column costs**
  - **1.8% Classified step and longevity costs**
  - **0.05% Non-unit step and longevity costs**
  - **6.0% Increase in employee health and welfare benefits**
  - **Savings from one teacher retirement**
  - **STRS pension increase of 1.85% from 16.28% to 18.13%**
  - **PERS pension increase of 2.9% from 18.7% to 21.6%**
  
- **Textbook adoption for Social Science - \$350,000 reserved in fund balance**

# Expense - Multi-year Projection

Assumptions - 18/19

- **Special education encroachment increase \$100,000**
- **Supplies and services expense base increased by Consumer Price Index of 2.92%**
- **Technology Chromebook Initiative funded from one-time money reserved in fund balance**
- **Third phase implemented in 2017/18; balance of reserve is to pay for one-time costs to replace each phase of chromebooks purchased every four years through 2023**

# Multi-year General Fund Summary

	2016/17 Second Interim	2017/18 Projected	2018/19 Projected
Total Revenue and Transfers In	\$ 29,190,146	\$ 28,810,146	\$ 29,003,146
Total Expenditures & Outgo	\$ 29,609,361	\$ 29,341,361	\$ 30,287,361
<b>Change in Fund Balance</b>	<b>\$ (419,215)</b>	<b>\$ (531,215)</b>	<b>\$ (1,284,215)</b>
	*\$660K in 1x \$	*\$147K in 1x \$	
Beginning Balance	\$ 5,114,257	\$ 4,695,042	\$ 4,163,827
<b>Ending Balance</b>	<b>\$ 4,695,042</b>	<b>\$ 4,163,827</b>	<b>\$ 2,879,612</b>
<b>Components of Fund Balance</b>			
Reserved Amounts	\$ 10,000	\$ 10,000	\$ 10,000
Economic Uncertainties	\$ 1,480,000	\$ 1,465,000	\$ 1,512,000
Designations	\$ 1,539,000	\$ 1,544,000	\$ 1,894,000
Undesignated Amount	\$ 1,666,042	\$ 1,144,827	\$ (536,388)

# Multi-year General Fund Summary-2019/20

	2016/17 Second Interim	2017/18 Projected	2018/19 Projected	2019/20 Projected
Total Revenue	\$ 29,190,146	\$ 28,810,146	\$ 29,003,146	\$29,626,146
Total Expenditures	\$ 29,609,361	\$ 29,341,361	\$ 30,287,361	\$31,472,361
<b>Change in Fund Balance</b>	<b>\$ (419,215)</b>	<b>\$ (531,215)</b>	<b>\$ (1,284,215)</b>	<b>\$ (1,846,215)</b>
	*\$660K in 1x \$	*\$147K in 1x \$		
Beginning Balance	\$ 5,114,257	\$ 4,695,042	\$ 4,163,827	\$ 2,879,612
<b>Ending Balance</b>	<b>\$ 4,695,042</b>	<b>\$ 4,163,827</b>	<b>\$ 2,879,612</b>	<b>\$ 1,033,397</b>
<b>Components of Fund Balance</b>				
Reserved Amounts	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Economic Uncertainties	\$ 1,480,000	\$ 1,465,000	\$ 1,512,000	\$ 1,571,000
Designations	\$ 1,539,000	\$ 1,544,000	\$ 1,894,000	\$ 1,894,000
Undesignated Amount	\$ 1,666,042	\$ 1,144,827	\$ (536,388)	\$ (2,441,603)



# Deficit/Surplus Spending

- **2017/18 LCFF funding is projected for “COLA” amount only by the Governor. D.O.F. estimates more than COLA.**
- **Future years are also projected at “COLA” to match Governor’s conservative projections**
- **District is budgeted to deficit spend in 2016/17 based upon appropriations. However, school site carryover of \$250,000 is usually experienced, supplemental grant funds will likely not spend \$100,000, so deficit spending will be less than appears.**
- **District projected to have an operating deficit of \$482,000 in 2017/18 including one-time revenue of \$147,000 - and the district increases its operating deficit to \$1,200,000 in 2018/19**

## **Special Reserve Fund Capital Projects Expenditures**

- **Planned deficit spending of just less than \$2 million is projected through June 30, 2017**
- **Olita Major Maintenance Project for re-roofing and new roof-mounted Heating and Air Conditioning – project budget \$3 million**
- **Project schedule June through September (contingent upon DSA approval by mid-April)**
- **Spending \$40,000 to approve two previously unapproved DSA lunch shelters**

# Special Reserve Fund Capital Projects Expenditures

State Revenue	\$175,285
Leases	\$866,505
L.H.H. Loan	\$121,978
Interest	\$60,000
<b>Total Revenue</b>	<b>\$1,223,768</b>
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Supplies	\$31,767
Services	\$440,892
Capital Outlay	\$2,549,836
Transfer to DM	\$100,000
<b>Total Expense</b>	<b>\$3,122,495</b>
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Surplus/(Deficit)	<b>(\$1,898,727)</b>
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Beginning Balance	\$8,046,790

# **Looking Forward**

## **Future Considerations....**

- **All of the above assumes state funding as proposed in the Governor's January Budget**
- **Waiting for May Revise**
  - **Will additional ongoing or one-time funds be proposed?**
  - **Will the Governor provide funding for STRS and/or PERS increases imposed on districts?**

# Looking Forward

## The “COLA Only” GAP Years

- In January, the Governor projected GAP funding at 23.67%, which is the equivalent of 1.48% COLA (\$137,000 for LJSD)
- Prior to January, the Department of Finance projected GAP at 72.99% (\$755,000)
- **Reduction of \$618,000 projected LCFF revenue**
- Step/Column, Health/Welfare, Special Education, STRS/PERS pension increases = approx. \$960,000 annually
- Deficit spending = \$137 new revenue vs \$960 new expense

# Looking Forward

## Fully Funded LCFF

- **If LCFF was fully funded in 2017/18, the district would receive \$25,590,000**
- **Current LCFF projection for 2017/18 is \$24,530,000**
- **Difference between proposed and full funding is just over \$1,000,000**
- **Full funding is projected for 2020/21**
- **Increases above COLA will be received between now and then – unknown how much and when**

# Looking Forward

## Unknowns

- **Future small development projects should help enrollment by 10-15 ADA (Cameo development has added 9 students)**
- **Affordable Care Act cost impacts are uncertain**
- **Expenditure reductions will be necessary in 2018/19 if future revenue is not higher than currently projected and expenditures increase as projected**
- **Expenditure reductions could be warranted sooner if ADA decline is greater than the 30 currently projected in 2017/18 and expenditures increase as projected**
- **First month enrollment in 2017/18 will provide indication of likely ADA for the year**
- **Title 1 reductions – 12% - 20%??**

# 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.’



# Next Budget Projection

- **Adopted Budget, incorporating May Revise, (along with LCAP) will be presented to the Board of Trustees on June 12 for a public hearing**
- **Adopted Budget (along with LCAP) will be presented to the Board of Trustees on June 26 for final Board approval**