

**First Interim Financial
Report as of
October 31, 2015**

**Presented to the Board of Trustees
December 14, 2015**

2015/16 First Interim Assumptions

General Fund Revenue

- **State intention to fully restore districts to “pre-recession” levels (plus COLA) by 2021**
- **“Target” entitlement per ADA is \$8,209 (average), or an additional \$2.3 million by 2021**
- **District is 91% funded as of 2015/16**

2015/16 First Interim Assumptions

General Fund Revenue

- **Local Control Funding Formula (LCFF)**
 - **2014/15 amount per ADA = \$6,649 (average)**
 - **2015/16 amount per ADA = \$7,456 (average)**
 - **Increase of 12.14%, or \$2,200,000 (\$715,000 are “Supplemental” Funds)**
 - **“Supplemental” Funds for targeted students of approximately \$1,300,000 will grow to approximately \$1,900,000 by 2021 (estimated full funding year)**
 - **ADA: 3,099.80 (4 ADA less than 2014/15 ADA)**

2015/16 Revenue

	Adopted Budget	First Interim Budget	Change
L.C.F.F.	\$ 23,189,041	\$ 23,129,917	\$ (59,124)
Federal Revenue	\$ 1,119,181	\$ 1,467,235	\$ 348,054
Other State Revenue	\$ 2,759,289	\$ 2,768,994	\$ 9,705
Other Local Revenue	\$ 1,739,155	\$ 1,709,124	\$ (30,031)
Interfund Transfer In	\$ 0	\$ 0	\$ 0
Total	\$ 28,806,666	\$ 29,075,270	\$ 268,604

2015/16 First Interim Assumptions

General Fund Revenue – Major Changes from Adopted Budget

- **LCFF** **-\$59,000**
 - **LCFF GAP funding decrease of 1.56%**

- **Federal Revenue** **+\$340,000**
 - **Title I unused 2014/15 award**
 - **Title I program improvement residual**
 - **Title II unused 2014/15 award**
 - **Title III unused 2014/15 award**
 - **MAA reimbursement**

2015/16 First Interim Assumptions

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

- **State Revenue** **\$0**
 - **-\$215,000 “One-time” Mandate Reimbursement**
 - **+\$207,000 Educator Effectiveness Grant**
- **Local Revenue** **-\$30,000**
 - **SELPA Reimbursement for Foster Student NPS Costs
(offsets with expense reduction-student moved)**

2015/16 First Interim Assumptions

General Fund Expenditures

- **Salary**
 - **Budgeted per Board approved salary schedules**
- **Step and Column: Actuals for 2015/16**
- **Health and Welfare: Maximum medical cap \$16,791; Dental, Vision, and Life Maximum \$1,891**
- **STRS pension rate increase 1.85% (10.73% from 8.88%)**
- **PERS pension rate increase to 11.847% from 11.77%**

2015/16 First Interim Assumptions

General Fund Expenditures

- **Supplies**
 - **Elementary school site budgets remain at \$66 per student and \$106 at Rancho Intermediate per student**
 - **2014/15 Restricted Carryover (\$11,188 –LEA MediCal) and unrestricted school site and school donations carryover (\$212,743) are appropriated in supply expenditure object codes**

2015/16 Expenses

	Adopted Budget	First Interim Budget	Change
Certificated Salaries	\$ 13,367,211	\$ 13,671,577	\$ 304,366
Classified Salaries	\$ 3,906,338	\$ 4,109,028	\$ 202,690
Employee Benefits	\$ 6,047,618	\$ 5,963,941	\$ (83,677)
Books & Supplies	\$ 950,314	\$ 1,640,480	\$ 690,166
Services/Operating Exp.	\$ 2,258,251	\$ 2,158,423	\$ (99,828)
Capital Outlay	\$ 0	\$ 0	\$ 0
Other Outgoing	\$ 663,176	\$ 727,952	\$ 64,776
Interfund Transfer Out	\$ (29,400)	\$ (28,950)	\$ 450
Total	\$ 27,163,508	\$ 28,242,451	\$ 1,078,943

2015/16 First Interim Assumptions

General Fund Expenditures – Major Changes from Adopted Budget

- **Certificated Salaries +\$304,000:**
 - **Director of Curriculum**
 - **New Educator Effectiveness Grant (substitutes for release time)**

- **Classified Salaries +\$203,000**
 - **2014/15 Retroactive 3% raise for CSEA**
 - **Director of Human Resources (5 months)**
 - **Additional temporary special ed aide support**
 - **Additional fiscal clerk temporary support**

2015/16 First Interim Assumptions

General Fund Expenditures – Major Changes from Adopted Budget

- **Statutory and Health Benefits -\$84,000**
 - **Primarily premium savings. Actual budget increases were 4.2% instead of the projected 7%.**
- **Supplies +690,000**
 - **Legal restricted prior year carryover**
 - **School site carryover**
 - **Technology Plan (from one-time reserves restricted for this purpose)**
 - **Restricted Categorical Increases (not prior year carryover)**

2015/16 First Interim Assumptions

General Fund Expenditures – Major Changes from Adopted Budget

➤ **Services -\$100,000**

- **Two non-public school placements no longer necessary (savings partially offset by loss of SELPA reimbursement revenue for one student)**

➤ **Other Outgoing +\$65,000**

- **One non-public agency placement necessary**

2015/16 First Interim Assumptions

General Fund Reserve

- **Board Policy 3105 requires 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 is at 5% in 2015/16 and future years.**

Multi-year Projections

Revenue Assumptions

(Subsequent Years)

- **Local Control Funding Formula Sources:**
 - **COLA**
 - 1.60% in 2016/17**
 - 2.48% in 2017/18**
 - **Gap Funding using Department of Finance projections**
 - 35.55% in 2016/17**
 - 35.11% in 2017/18**
 - **ADA**
 - 10 ADA increase in 2016/17 due to Cameo housing project**
 - 0 ADA increase in 2017/18**

Multi-year Projections

Revenue Assumptions

(Subsequent Years)

- **Educator Effectiveness Grant removed (\$207,000)**
- **Mandated Costs one-time reimbursement removed (\$1,632,000)**
- **All other revenues remain relatively constant (including Mandate Block Grant of \$87,000)**

Multi-year Projections

Expense Assumptions

(Subsequent Years)

- **2014/15 Legal and Board restricted carryover is fully spent in 2015/16**
- **2016/17 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**
 - **6.0% Increase in employee health and welfare benefits**
 - **LJEA step/column costs assume 1 teacher retiree savings**
 - **STRS pension increase 1.85% (from 10.73% to 12.58%)**
 - **PERS pension increase 1.20% (from 11.847% to 13.05%)**
- **Educator Effectiveness Grant removed (\$207,000)**
- **Expense increased by Consumer Price Index of 2.7%**
- **Special education encroachment increase \$100,000**
- **Removal of 3 graduating non-public school students (\$75,000)**

Multi-year Projections

Expense Assumptions

(Subsequent Years)

- **Special education encroachment increase \$100,000**
- **Removal of 3 graduating non-public school students (\$75,000)**
- **Elimination of one classified position (\$75,000 savings)**
- **Technology Plan funded from reserve of \$1,015,000**

Multi-year Projections

Expense Assumptions

(Subsequent Years - Continued)

- **2017/18 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**
 - **6.0% Increase in employee health and welfare benefits**
 - **LJEA step/column costs assume 1 teacher retiree savings**
 - **STRS pension increase 1.85% (from 12.58% to 14.43%)**
 - **PERS pension increase 3.55% (from 13.05% to 16.60%)**
- **Purchase ELA (K-2) workbooks annually - \$67,000**
- **Expense increased by Consumer Price Index of 2.8%**
- **Special education encroachment increase \$100,000**
- **Technology Plan funded from reserve of \$1,015,000**

Multi-year General Fund Summary

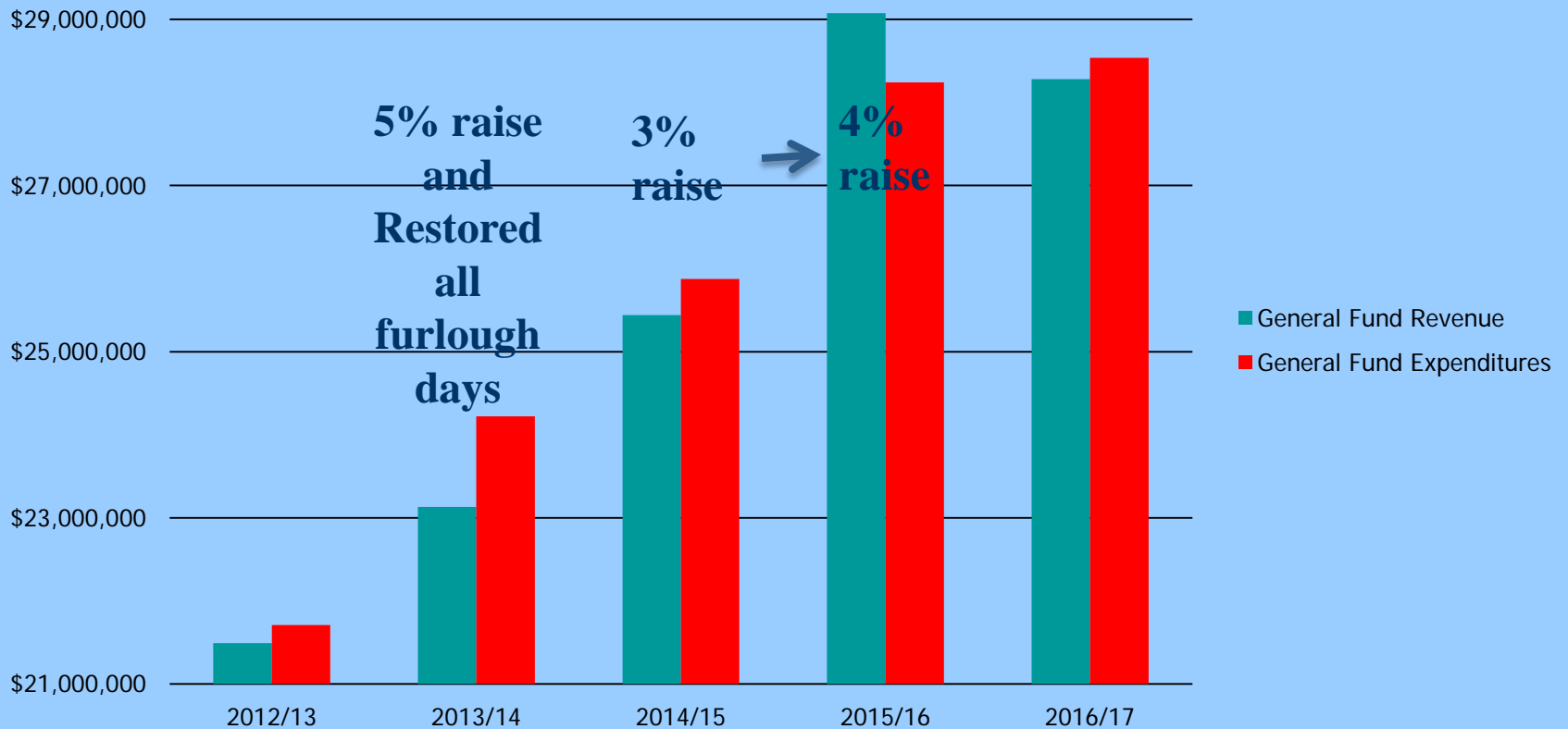
(5% Reserve Level)

	2015/16 First Interim	2016/17 Projected	2017/18 Projected
Total Revenue and Transfers In	\$ 29,075,270	\$ 28,280,270	\$ 29,096,270
Total Expenditures & Outgo	\$ 28,242,451	\$ 28,384,555	\$ 29,454,555
Change in Fund Balance	\$ 832,819	\$ (104,285)	\$ (358,285)
Beginning Balance	\$ 3,133,159	\$ 3,965,978	\$ 3,861,693
Ending Balance	\$ 3,965,978	\$ 3,861,693	\$ 3,503,408
Components of Fund Balance			
Reserved Amounts	\$ 10,000	\$ 10,000	\$ 10,000
Board Restricted (Technology)	\$ 0	\$ 1,015,000	\$ 1,015,000
Economic Uncertainties	\$ 1,412,123	\$ 1,419,000	\$ 1,473,000
Designations-Gap Funding Uncertain	\$ 0	\$ 640,000	\$ 1,580,000
Undesignated Amount	\$ 2,543,855	\$ 777,693	\$ (574,592)

Deficit Spending

- **2015/16 deficit spending is “masked” by one-time mandate income of \$1,632,000 – deficit spending \$500,000 without this income**
- **If Department of Finance projections (COLA plus GAP) are accurate for future years, District will deficit spend in 2016/17 and 2017/18 due to the increased supplemental grant spending that must happen (currently reserved in fund balance)**
- **District is heavily reliant on 2016/17 and 2017/18 revenues to maintain minimum reserves and minimize deficit spending**

Deficit Spending



Future Considerations....

- **We will see state budget projections for 2016/17 in January 2016. How much COLA and GAP will be funded? Will more one-time dollars become available?**
- **Will the Governor provide funding for STRS and PERS increases passed onto districts?**
- **Will federal healthcare program (“Obamacare”) cause cost increases? (Cadillac Tax, etc. not yet seen in premiums and not in multiyear projections)**

Facilities

- **District facilities are over 50 years old with no major modernization performed**
- **Facilities maintenance expenses continue to increase as facilities age**
- **Capital Facilities Fund (developer fees) will see an increase from two small residential developments during the next three to four years (Olita and Meadow Green attendance areas)**
- **State Deferred Maintenance funds were “flexed” in 2008/09 and have been rolled into the LCFF base along with other categoricals**

Facilities (continued)

- **Deferred Maintenance Fund reserves are exhausted; Special Reserve Fund is supporting these projects**
- **Special Reserve Fund remains a funding source for capital projects**
- **Special Reserve Fund receives ongoing lease income and contains sale of property funds**
- **The routine repairs for plumbing, windows, doors, roof leaks, phones, computer cabling, clocks and bells, grounds, concrete repair are reliant on the General Fund**

Special Reserve Fund

- **Renegotiated leases will generate 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 issuance**
- **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 (VOIP phone system districtwide and wireless system at Rancho Starbuck are examples)**

Nutrition Funds

- **Planned deficit spending remains this year to reduce reserves to the federal requirement of three months operating expenses**
- **Some kitchens have received new equipment and/or counter tops**
- **A new delivery truck experienced manufacturer delays and will be re-ordered**

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.’