

# **Annual Budget Report 2014/15**

**Presented to the Board of Trustees  
June 16, 2014**

# 2014/15 Annual Budget Assumptions

## General Fund Revenue

- Local Control Funding Formula (LCFF)
  - \$6,593 per ADA
  - Gap funding of 28.06%
  - Supplemental funding per ADA \$208
  
- ADA: 3,125.56 (same as 2013/14)
  
- Mandated Costs – Block Grant @ \$28/ADA (same as 2013/14)
  
- Lease income and property sale proceeds are budgeted in the Special Reserve For Capital Outlay Fund

# 2014/15 Adopted Budget Revenues

	Estimated Actuals 2013/14	Adopted Budget 2014/15	Change
LCFF	\$ 18,785,335	\$ 20,607,915	\$ 1,822,580
Federal Income	\$ 1,099,449	\$ 1,161,420	\$ 61,971
Other State Income	\$ 1,376,438	\$ 724,331	\$ (652,107)
Other Local Income	\$ 1,840,823	\$ 1,729,172	\$ (111,651)
<b>Sub Total</b>	<b>\$ 23,102,045</b>	<b>\$ 24,222,838</b>	<b>\$ 1,120,793</b>
Interfund Transfer In	\$ 0	\$ 0	\$ 0
<b>Total</b>	<b>\$ 23,102,045</b>	<b>\$ 24,222,838</b>	<b>\$ 1,120,793</b>

# 2014/15 Adopted Budget Assumptions

## General Fund Revenue – Major Changes from Estimated Actuals 2013/14

### ➤ **Local Control Funding Formula**

+\$1,822,580 Gap funding of 28.05% and 0.86% COLA  
(\$420,000 of this increase is for Supplemental Grant)

### ➤ **Federal**

-\$88,000 Deferred revenue budgeted in 2013/14

+\$150,000 Program Improvement Staff Development Grant (one-time)

### ➤ **State**

-\$636,000 Common Core 2013/14 “one-time” grant not recurring

### ➤ **Local**

-\$111,000 School donations received in 2013/14, budget as received  
each year

# 2014/15 Adopted Budget Assumptions

## General Fund Expenditures

### ➤ Salary

#### **Certificated**

Salary estimates for additional positions

#### **Classified, Confidential, and Management**

Salary estimates for additional positions

### ➤ Step and Column

Certificated 1.7% increase

Classified 1.2% increase

Management, Supervisory, and Confidential 0.7% increase

# 2014/15 Adopted Budget Assumptions

## General Fund Expenditures

### ➤ Health and Welfare

Maximum medical cap estimate \$17,758 per employee. Total of 7% increase due to historical increase. Affordable Care Act increases not projected due to lack of realization last year. Actual increases will be incorporated at First Interim.

Dental, Vision, and Life Maximum actual \$1,917 per employee (3%)

### ➤ Pension Costs

➤ STRS Increase of 1.25% to 9.50% from 8.25%

➤ PERS Increase of 0.3% to 11.771% from 11.471%

# 2014/15 Adopted Budget Assumptions

## General Fund Expenditures

### ➤ **School Site Allocations**

\$66 per pupil at the elementary sites (20% increase above prior year)

\$106 per pupil at the intermediate site (20% increase above prior year)

### ➤ **Transportation**

Budgeted at actual bid results (17% increase)

### ➤ **Consumer Price Index**

Budgeted increases for operating expenses such as supplies, utilities, and repairs (2% - 7%)

# 2014/15 Adopted Budget Expenditures

	Estimated Actuals 2013/14	Adopted Budget 2014/15	Change
Certificated Salaries	\$ 12,068,401	\$ 12,549,900	\$ 481,499
Classified Salaries	\$ 3,373,805	\$ 3,553,667	\$ 179,862
Employee Benefits	\$ 4,918,295	\$ 5,597,420	\$ 679,125
Books & Supplies	\$ 1,757,165	\$ 858,456	\$ (898,709)
Services/Operating Exp.	\$ 2,152,299	\$ 2,190,242	\$ 37,943
Capital Outlay	\$ 0	\$ 0	\$ 0
Other Outgoing	\$ 369,803	\$ 448,295	\$ 78,492
<b>Sub Total</b>	<b>\$ 24,639,768</b>	<b>\$ 25,197,980</b>	<b>\$ 558,212</b>
Interfund Transfer Out		\$ 0	\$ 0
<b>Total</b>	<b>\$ 24,639,768</b>	<b>\$ 25,197,980</b>	<b>\$ 558,212</b>



# 2014/15 Adopted Budget Assumptions

## General Fund Expenditure – Major Changes from Estimated Actuals 2013/14

- **Certificated Salaries**
  - +\$155,000 New positions (2.3 FTE) (LCAP-Supplemental and Base)
  - +\$175,000 Step and Column
  - \$5,000 Savings from 1 teacher retirement
  - +\$75,000 Summer School (LCAP-Supplemental)
  - +\$25,000 School Psychologist 0.4 FTE “overlap”
- **Classified Salaries**
  - +\$220,000 New positions/increases (6.2 FTE) (LCAP-Supplemental and Base)
  - 80,000 substitute savings
  - +\$67,000 Step and longevity
  - \$25,000 ESY cost savings (6 weeks in 2013/14 due to calendar change)
- **Benefits**
  - +\$205,000 Projected 7% premium medical increase
  - +\$110,000 Additional positions (LCAP-Supplemental and Base)
  - +\$100,000 Mandated benefits increase due to additional positions/increases
  - +\$240,000 STRS and PERS rate increases (1.25% and 0.3% respectively)

# 2014/15 Adopted Budget Assumptions

## General Fund Expenditure – Major Changes from Estimated Actuals 2013/14

### ➤ Books and Supplies, Services

-\$636,000 Common Core Grant 2013/14 removed

-\$111,000 School donations received/budgeted in 2013/14

-\$182,000 Categorical carryover not in Adopted Budget

+\$80,000 Purchase iPad for Rancho-Starbuck

### ➤ Services

+\$50,000 Transportation bid increase (Special Ed)

# 2014/15 Adopted Budget Assumptions

## General Fund Expenditure – Major Changes from Estimated Actuals 2013/14

### ➤ Services (continued)

+\$25,000 Utilities

+\$30,000 Election costs added (bi-annual)

-\$79,000 Two eighth grade special education non-public  
school students matriculated

### ➤ Other Outgoing

+\$80,000 Two additional special education non-public  
agency students

# **2014/15 Adopted Budget Assumptions**

## **General Fund Reserve**

The Designation For Economic Uncertainties Reserve target remains at 3%.

Per Board Policy 3105, stable funding from the state exists when COLA is funded two years in a row. At that time, the Reserve target should increase to the previous target of 5%. Therefore, 2015/16 and 2016/17 Reserve target is 5%.

# Multi-year Projections

## Revenue Assumptions – Future Years

- Local Control Funding Formula Sources
  - 2.19% COLA in 2015/16; Gap 30.39%
  - 2.14% COLA in 2016/17; Gap 19.5%
- ADA: “flat” in 2015/16 and 2016/17
- Gap funding above “COLA equivalent” restricted in 2015/16 and 2016/17 (per LACOE)
- Local Revenues remain constant

# Multi-year Projections

## Expenditure Assumptions - Future Years

### ➤ 2015/16 Salaries and Employee Benefits

1.0 FTE for Class Size Reduction

1.7% Certificated step and column costs

1.2% Classified step and longevity costs

0.7% Management and Confidential step and longevity costs

0.0% Salary increases/decreases

7.0% Health and welfare premium increases

1.6% STRS rate increase

0.8% PERS rate increase

### ➤ 2015/16 Other District Expenses

\$351,000 Supplemental Grant Increase (to total \$1,000,000)

\$80,000 iPad purchase for Rancho-Starbuck removed (one-time expense)

Election costs of \$30,000 removed (bi-annual)

2.5% Consumer Price Index (CPI) Cost increase for supplies, utilities, contracted services, insurance services, transportation, non-public schools

# Multi-year Projections

## Expenditure Assumptions - Future Years

### ➤ 2016/17 Salaries and Employee Benefits

1.7% Certificated step and column costs

1.2% Classified step and longevity costs

0.7% Management and Confidential step and longevity costs

0% Salary increases/decreases

7.0% Increase in employee health and welfare benefits

1.6% STRS rate increase

2.4% PERS rate increase

### ➤ 2016/17 Other District Expenses

\$164,000 Supplemental Grant Increase (to total \$1,164,000)

Election costs of \$30,000 (bi-annual)

2.5% Consumer Price Index (CPI) Cost increase for supplies, utilities, contracted services, insurance services, transportation, non-public schools

# Multi-year Combined General Fund Summary

	14/15 Adopted Budget	15/16 Projected Budget	16/17 Projected Budget
Total Revenue and Transfers In	\$ 24,222,838	\$ 25,795,596	\$ 26,610,596
Total Expenditures & Outgoing	\$ 25,197,980	\$ 26,263,980	\$ 27,314,980
<b>Change in Fund Balance</b>	<b>\$ (975,142)</b>	<b>\$ (468,384)</b>	<b>\$ (704,384)</b>
Beginning Balance	\$ 3,034,309	\$ 2,059,167	\$ 1,590,783
<b>Ending Balance</b>	<b>\$ 2,059,167</b>	<b>\$ 1,590,783</b>	<b>\$ 886,399</b>
<b>Components of Fund Balance</b>			
Reserved Amounts	\$ 20,000	\$ 20,000	\$ 20,000
Legally Restricted	\$ 0	\$ 0	\$ 0
Economic Uncertainties	\$ 756,000	\$ 1,314,000	\$ 1,366,000
Assigned	\$ 300,000	\$ 1,449,000	\$ 664,000
Undesignated Amount	<b>\$ 983,167</b>	<b>\$ (1,192,217)</b>	<b>\$ (1,163,601)</b>



# 2014/15 Adopted Budget Report

- New LCAP accountability and “local control” in infancy – can legislators refrain from old ways?
- Adopted state budget may have more revenue – Will it be one-time, or ongoing? Restricted, unrestricted, or a little of both?
- Cash flow concerns for school districts continue to decrease with the Governor’s proposal to eliminate deferrals in 2014/15 (might not happen)
- STRS employer cost increases a surprise (timing and amount), resulting in increased expenses beginning 2014/15

# 2014/15 Multi-Year Projection

## Budget Report

- The Board was clear in its action to reward employees with a raise that was affordable using LACOE criteria.
- Controlled deficit spending is the plan, bolstered with future LCFF funding increases.
- This plan is to spend down reserves accumulated during the recession years to the Board policy of 5%.
- Pension rate increases have absorbed significant dollars in all three budget years that were not in the plan.
- Much will change in the District's financial picture as the state budget is approved, LCAP expenditures and criteria evolve, as well as when new positions are filled and actual costs are known.

# 2014/15 Multi-Year Projection Budget Report

- The District General Fund is projected to end the year with available reserves of \$1.7 million, or 7%. Down from 19.5% in 2012/13. The subsequent fiscal year is projected to end at -4.0%, and the third fiscal year ends at -4%, -\$1.1 million short of meeting the state required 3% minimum fund balance.
- Per LACOE requirement, reserve calculations exclude LCFF increases beginning in 2015/16, due to the uncertainty of components of future state budgets. “COLA equivalent” only is recognized in 2015/16 and 2016/17 as a reasonable funding estimate.
- If LCFF increases are included in future years, reserves are projected to be 5% in year two and 3% in year three, with ongoing annual deficit spending of \$700,000.
- The Board will receive an update when adopted state budget details are made available.

# **2014/15 Multi-Year Projection Budget Report**

- **First Reading, Public Hearing of the District's Proposed 2014/15 Budget  
June 16, 2014**
- **Second Reading, Adoption of the District's Proposed 2014/15 Budget  
June 25, 2014**

# **2014/15 Adopted Budget Report**

**Questions?**