

**LA CAÑADA UNIFIED SCHOOL DISTRICT
BUSINESS SERVICES MEMORANDUM**

June 14, 2016

TO: Wendy K. Sinnette, Superintendent

FROM: Mark Evans Chief Business and Operations Officer
Diane Clinton, Director of Fiscal Services

SUBJECT: Report of Estimated Revenue and Expenditures for 2015-16 and
Review of the District's Proposed Budget for 2016-17

Introduction

This report includes an estimate of revenues, expenditures and fund balances for 2015-16, and the District's Proposed Budget for 2016-17 (including budgetary estimates for 2017-18 and 2018-19). The information provided was developed based on State apportionment funding assumptions provided by the Los Angeles County Office of Education (LACOE), School Services of California, Inc. (SSC), and a list of other revenue, expenditure and enrollment projections and assumptions developed by staff.

Once the Legislature approves and the Governor signs the 2016-17 State Budget, it is likely that staff will need to present a subsequent budgetary update to the Governing Board in either July or August.

May Revise

The Governor's "May Revise" of his January Budget Proposal was released on May 13, 2016. In recent "Fiscal Reports" received from School Services of California, Inc. (SSC), the following summary of the May Revise, as it relates to Proposition 98 funding, is presented:

The Governor's May Revision acknowledges a slowing economy with weakened revenues in the 2015-16 and future years. However, the Prop 98 funding is not significantly impacted. The current year saw a decline in funding and the 2016-17 budget year is anticipated to have a small increase. There will be an increase to one-time revenues about the January Proposal. This increase amounts to \$237 per average daily attendance compared to \$214 in the January Proposal.

Compared with the January Proposal, the Cost of Living Allowance has been eliminated. It went from just under a ½% to a COLA of zero. This means the base grant will be the same in 2016-17 as it was in 2015-16.

Local Control Funding Formula

The May Revise increases the LCFF funding level proposed by the Governor in January. At that time the gap was to be closed by 49.08%. The May Revise increased the gap closure for 2016-17 to 54.84%. However, the cost-of-living adjustment (COLA) is now 0% (down from the January estimate of 0.47%). Most of the gap has been closed, and schools are within 5% of inflation adjusted funding as compared to 2007-08 levels. With the gap becoming smaller, the percentage funded becomes larger. This gives the appearance of large increases, however the reality of the dollars is that the actual amount is decreasing. The weaker revenue forecasts present challenges

for the state in keeping funding at pace with the annual COLA.

State Teachers Retirement System

The May Revision recognizes the \$74.4 billion unfunded liability in the State Teachers Retirement System (STRS) and proposed a long-term plan to address this liability. This plan would, over time, increase the States', the Employer and Employee Contributions to address this liability. Employer and employee contributions are proposed to increase as follows:

	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Employer	8.25%	8.88%	10.73%	12.58%	14.43%	16.28%	19.9%	20.4%
Employee (2% at 60 members)*	8.00%	8.15%	9.2%	10.25%	10.25%	10.25%	10.25%	10.25%

These increases along with the PERS increases for classified staff will increase the district's expenditures by an estimated \$1,325,000 over the multi-year outlook.

Budgetary Overview

This agenda item provides the following budgetary information:

Estimated Revenues, Expenditures and Fund Balances for 2015-16

Estimated revenues, expenditures and fund balances for 2015-16 (for all District funds) are included for reference (***Pages 4 and 5***)

Major Revenue, Expenditure and Enrollment Assumptions: 2016-17 and Future Years

The major revenue, expenditure and enrollment assumptions used in preparation of the District's Proposed Budget for 2016-17 and future years. (Pages 6 through 8)

Special Notes: (1) District multi-year projections are based on the LCFF funding simulator developed by the Los Angeles County Office of Education.

- (2) **"Caution"** ----- there is no statutory requirement for the state to increase funding for LCFF implementation from one year to the next by an amount that would fund growth toward the District's, state established, LCFF funding target. **This fact makes it difficult for districts to project their LCFF entitlements over time. The Legislature and Governor have broad latitude in establishing the LCFF funding increase from one year to the next.** *Based on this fact, the District's multi-year projections, as required by the County (LACOE), "assign", in a reserve account, estimated year-over-year LCFF increases.*

2018-19) is included for reference (Page 9)

Budget Development Calendar: The calendar of events associated with the development of the District's 2016-17 Budget is provided for reference. (Page 10)

Special Note: The budget recommendation for the Governing Board includes a cash transfer of \$50,000 from the General Fund (01.0) to the in the 2015-16 fiscal year and a cash transfer of \$66,000 from the Field Fund (40.4) to the Cafeteria Fund (13.0) in the 2015-16 fiscal year. In the 2016-17 budget year transfers to the Cafeteria Fund have been budgeted from the General Fund (01.0) and the Fund 40.0. This is to prepare for any impact from a second year of weak revenues.

Recommendation

It is recommended, subsequent to a Public Hearing, the Governing Board have an opportunity to discuss this report. The 2016-17 Budget will be presented to the Governing Board for formal consideration and approval on June 16, 2015.

La Canada Unified School District
Estimated Actuals 2015-16 Proposed Budget 2016-17

SSC GAP%

Inc 50 enrolled 16-17 17-18.

LCTA 4.25% 15-16, 5.54% 16-17 Appendix D, others 4.0% 15-16

June 14, 2016

GENERAL (Combined)												
Estimated Actuals 2015-16 COLA: 0.85%												
and Budget 2016-17												
0												
REVENUE	Audited		Original		Revised		First Interim		Second Interim		Estimated	
	Actuals	Budget	Actuals	Budget	Actuals	Budget	Actuals	Budget	Actuals	Budget	Actuals	Budget
2014-15												
2015-16												
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La Canada Unified School District
Business Office
Budgetary Assumptions 2014-15 through 2018-19
June 14, 2016

	2014-15	2015-16	2016-17	2017-18	2018-19
Enrollment*	4048	4092	4096 est	4096 est	4046 est
Enrollment increase/decline from prior year*	5	44	4	0	-50
FTE loss related to Enrollment Decline/Other*	0	-2.0 FTE	0	0	-2.0 FTE
Educational Foundation additional FTE					
Gr 4-6 CSR	+5.0 FTE	n/a	-5.0 FTE		
K Aides/Custodians Classified	+7.75 FTE	n/a	-7.75 FTE		
Counselors	+1.8 FTE	n/a	-2.0 FTE		
LCFF CSR (K-3) 20:1	+11.8 FTE	n/a	n/a	n/a	n/a
LCFF Gr 4-6 CSR		n/a	+5.0 FTE		
ROP funding from LACOE	\$354,560	\$136,429	\$0	\$0	0
ADA to Enrollment factor est.	97.91%	97.58%	97.58%	97.58%	97.58%
Governing Board/Other Elections	\$0	\$0	\$0	\$100,000	0
Employee Salary Compensation	4%	TBD	TBD	TBD	TBD
H & W Increase*	0.85%	1.02%	0.00%	1.10%	2.42%
Step and Column Increase Estimated*	1.5% Cert \$264,414 1.0% Class \$55,350	1.5% Cert \$252,640 1.0% Class \$44,507	1.75% Cert \$336,695 1.0% Class \$44,952	1.75% Cert \$339,588 1.0% Class \$45,402	1.75% Cert \$340,071 1.0% Class \$45,402
Program Expansion (supplemental grant)*	\$217,482	\$343,579	\$420,164	\$486,029	\$503,126
Technology infrastructure/equipment/support	\$500,000	\$450,000	\$450,000	\$450,000	\$450,000
Routine Restricted Maintenance Contribution	3.0%	3.0%	3.0%	3.0%	3.0%
Utility Increase (under review)*	6.0% \$76,469	-14.0% -\$178,201	8.00% \$96,050	8.00% \$103,734	8.00% \$112,033
Capital Outlay	\$207,208	\$75,000	\$75,000	\$75,000	\$75,000
Special Education Increase Contribution (under review)	n/a	\$125,000	\$125,000	\$125,000	\$125,000
GASB 45 (Post employment benefits contribution)	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000
STRS Employer rate projection	8.88%	10.73%	12.58%	14.43%	16.28%
increase over last year	\$ 153,425	\$ 355,935	\$ 348,741	TBD	TBD
increase from 13-14 contribution	\$ 153,425	\$ 509,360	\$ 858,101	TBD	TBD
PERS Employer rate projection	11.771%	11.85%	13.88%	15.50%	17.10%
increase over last year	\$ 77,742	\$ 39,010	\$ 62,366	TBD	TBD
increase from 13-14 contribution	\$ 77,742	\$ 116,752	\$ 179,118	TBD	TBD
Reserve level	3.50%	3.50%	3.50%	3.50%	3.50%
Projected Lease Income (under review)*	\$1,868,185	\$1,904,216	\$1,973,463	\$2,031,917	\$2,090,700
Fund 17 Lease Interruption Contingency	\$1,825,000	\$1,825,000	\$1,825,000	\$1,825,000	\$1,825,000
Mandated Block Grant	\$418,092	\$152,582	\$152,582	\$152,582	\$152,582
One Time Prior Year Mandate*	n/a	\$2,097,797	\$945,192	\$0	\$0
Parcel Tax Revenue	\$2,597,400	\$2,579,850	\$2,559,850	\$2,539,850	\$2,539,850
Educational Foundation Revenue*	\$2.1 M	\$2.1 M	\$2.0 M est	\$1.5 M est	\$1.5 M est
Transfer to Fund 40 (planned capital projects)*	\$350,000	\$830,000	\$0	\$0	\$0
Deferred Maintenance Contribution (includes LCFF)*	\$675,000	\$572,127	\$441,448	\$441,655	\$ 446,863
Educator Effectiveness Program	n/a	\$324,322	0	0	0
Lottery Non-Proposition 20	\$128.00	\$140.00	\$140.00	\$140.00	\$140.00
Lottery Proposition 20	\$34.00	\$41.00	\$41.00	\$41.00	\$41.00
Projected Annual Budgetary Savings in Unrestricted General Fund (under review)*	\$ 510,206	TBD	TBD	TBD	TBD

*Changes reflected after March 1, 2016

La Canada Unified School District
Projected Average Daily Attendance
June 14, 2016

**add 50 to 2016-17
CBEDS to P2 ADA Projections**

	A	B	C	D (C-B)	E (C-A)	F (C/A)
	CBEDS	P1 ADA	P2 ADA		Difference	%Difference
2015-16	4092	4006.91	3988.15	-18.76	-104	-0.9746
2014-15	4048	3991	3963	-28	-85	-0.9791
2013-14	4043	3960	3957	-3	-86	-0.9787
2012-13	4123	4037	4025	-12	-98	-0.9761
2011-12	4070	3980	3966	-14	-104	-0.9744
2010-11	4022	3930	3903	-27	-119	-0.9704
			Average:	-14	-82	-0.9758
2014-15	**	4048	3963	0.9791		
seniors out		-363				
others in		148				
NPS 15		4				
K in		255				
2015-16	***	4092	3988	0.9746		
seniors out		-342				
others in		103				
NPS 13		-2				
K in		245				
2016-17		4096	3997	0.9758	(under review)	Increase 50 from 4046
seniors out		-338				
others in		103				
NPS 13		0				
K in		235				
2017-18		4096	3997	0.9758	(under review)	
seniors out		-361				
others in		76				
NPS 13		0				
K in		235				
2018-19		4046	3948	0.9758	(under review)	

* includes NPS
** Includes 11 NPS
*** includes 15 NPS

seniors out per Enrollment report 10/27/2015
NPS per Sp Ed report 10/27/15

Projected ADA	2014-15	2015-16	2016-17	2017-18	2018-19
ADA	3963	3988	3997	3997	3948
Increase/Dcline from Prior Yr		25	9	0	-49
Funded ADA		3993	3997	3997	3997

SSC School District and Charter School Financial Projection Dartboard 2016-17 May Revision

6-52

This version of SSC's Financial Projection Dartboard is based on the 2016-17 May Revision. We have updated the cost-of-living adjustment (COLA), Consumer Price Index (CPI), and ten-year T-bill planning factors per the latest economic forecasts. We have also updated the Local Control Funding Formula (LCFF) factors. We rely on various state agencies and outside sources in developing these factors, but we assume responsibility for them with the understanding that they are general guidelines.

LCFF ENTITLEMENT FACTORS				
Entitlement Factors per ADA	K-3	4-6	7-8	9-12
2015-16 Base Grants	\$7,083	\$7,189	\$7,403	\$8,578
COLA at 0.00%	\$0	\$0	\$0	\$0
2016-17 Base Grants	\$7,083	\$7,189	\$7,403	\$8,578
Entitlement Factors per ADA	K-3	4-6	7-8	9-12
2016-17 Base Grants	\$7,083	\$7,189	\$7,403	\$8,578
Grade Span Adjustment Factors	10.4%	—	—	2.6%
Grade Span Adjustment Amounts	\$737	—	—	\$223
2016-17 Adjusted Base Grants	\$7,820	\$7,189	\$7,403	\$8,801
Supplemental Grants (% Adj. Base)	20%	20%	20%	20%
Concentration Grants	50%	50%	50%	50%
Concentration Grant Threshold	55%	55%	55%	55%

LCFF DARTBOARD FACTORS					
Factor	2015-16	2016-17	2017-18	2018-19	2019-20
LCFF Planning Factors	SSC Simulator ¹	SSC Simulator ¹	SSC Simulator ²	SSC Simulator ²	SSC Simulator ²
SSC Gap Funding Percentage	52.20%	54.84%	19.30%	34.25%	36.74%
Department of Finance Gap Funding Percentage	52.20%	54.84%	73.96%	41.22%	75.16%
Gap Funding Percentage ³ (May Revise)	53.08%	54.84%	—	—	—

PLANNING FACTORS					
Factor	2015-16	2016-17	2017-18	2018-19	2019-20
Statutory COLA	1.02%	0.00%	1.11%	2.42%	2.67%
COLA on state and local share only of Special Education, Child Nutrition, Foster Youth, Preschool, American Indian Education Centers/American Indian Early Childhood Education	1.02%	0.00%	1.11%	2.42%	2.67%
California CPI	2.02%	2.15%	2.26%	2.49%	2.36%
California Lottery	Base	\$140	\$140	\$140	\$140
	Proposition 20	\$41	\$41	\$41	\$41
Interest Rate for Ten-Year Treasuries	1.98%	2.05%	2.43%	2.58%	2.70%
CalPERS Employer Rate (projected)	11.847%	13.888%	15.50%	17.10%	18.60%
CalSTRS Employer Rate (statutory)	10.73%	12.58%	14.43%	16.28%	18.13%
CalSTRS On-Behalf Rate	7.125890%	8.578248% ⁴	8.578248% ⁴	8.578248% ⁴	8.578248% ⁴

RESERVES		
State Reserve Requirement	District ADA Range	Reserve Plan ⁵
The greater of 5% or \$65,000	0 to 300	SSC recommends one year's increment of planned revenue growth
The greater of 4% or \$65,000	301 to 1,000	
3%	1,001 to 30,000	
2%	30,001 to 400,000	
1%	400,001 and higher	

¹ Go to the SSC LCFF Simulator at www.sscal.com. Your LCFF amounts for multiyear planning purposes will be provided based on your district-specific data.

² For the forecast years, the total dollar amount needed to fund the statutory COLA is applied to the SSC LCFF Simulator.

³ Either this percentage or the final State Budget gap percentage can be used for calculating movement toward class sizes of 24:1 at grades transitional kindergarten-3.

⁴ 2016-17 rate is preliminary until February 2017

⁵ District reserve requirements as stated in the State Board of Education (SBE) adopted criteria and standards based solely on district size is not as relevant when financial volatility and exposure is disparate under the LCFF. We recommend that every district first observe the current SBE-required reserve for the traditional economic uncertainties. We also recommend the establishment of a separate reserve based on the annual LCFF revenue increase projected for the district in Year 2 and Year 3 of the multiyear projection. We recommend that the district develop a plan to, over time, set aside one year's growth in LCFF funding as a reserve due to the potential volatility inherent in state revenues. Within that set aside, we also recommend assigning the supplemental and concentration grant dollars.

**LA CAÑADA UNIFIED SCHOOL DISTRICT
BUDGET DEVELOPMENT CALENDAR 2015-16**

January 2016	The 2014-15 District Audit is presented to the Governing Board. Governor's January Budget Proposal is released.
February 10, 2015	Second Interim Financial Report (2015-16), for the period ending January 31, 2015, presented to the Governing Board-First Reading
March 1, 2016	Second Interim Financial Report (2015-16), for the period ending January 31, 2015, presented to the Governing Board-Second Reading
April 15, 2016	Budget Development activities for 2016-17 continue, and a budgetary update is presented to the Governing Board.
May 2016	Budget Development activities for 2016-17 continue. The Governor released the "May Revise" on May 13, 2016 providing the Legislature an update of current year 2015-16 and Budget year 2016-17 projected State revenues and expenditures.
<i>June 8, 2015 – June 10, 2015</i>	The Proposed Local Control Accountability Plan and the District's Proposed 2016-17 Budget available for Public Review
June 14, 2016	The Governing Board conducts a Public Hearing of the District's proposed Local Control Accountability Plan (LCAP) and the Proposed 2016-17 Budget.
June 28, 2016	The Governing Board considers final approval of the District's Local Control Accountability Plan and 2016-17 Budget.
June 30, 2016	Business Services files the District Budget (2016-17) with the Los Angeles County Office of Education