

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

November 8, 2016

TO: Wendy K. Sinnette, Superintendent
FROM: Mark Evans, Chief Business and Operations Officer and
Diane Clinton, Director of Fiscal Services
SUBJECT: Approval of First Interim Financial Report 2016-2017 – First Reading

Background

Education Code Sections 35053(g), 42130, and 42131 require the Governing Board of each school district to certify at least twice a year (as of October 31st and January 31st) to the district's ability to meet its financial obligations for the remainder of that fiscal year and for the subsequent two fiscal years.

The certification by the Governing Board must be classified as follows:

- Positive: A school district that, based on current projections, **will meet its financial obligations for the current fiscal year and two subsequent fiscal years.**
- Qualified: A school district that, based on current projections, **may not meet its financial obligations for the current fiscal year or subsequent two fiscal years.**
- Negative: A school district that, based on current projections, **will be unable to meet its financial obligations for the current fiscal year or subsequent fiscal year.**

Introduction

District Budget for 2016-17 and Multi-Year Projection Scenarios

The Governing Board, at its meeting on June 28th, 2016, adopted the District's Budget for 2016-17.

At its meeting on August 16, 2016, the Governing Board approved a summary of Revenue and Expenditures for 2015-16 (Unaudited), needed revisions to the Adopted Budget, and reviewed multi-year budgetary projections through 2018-2019.

Current Considerations/Budgetary Overview

The First Interim Report for 2016-2017 and the multi-year has some changes from the updated budget of September 2016.

Revenues:

- The LCFF revenues anticipated per ADA remain approximately the same for 2016-2017. The out years show an improvement due to the updated enrollment projection. One time revenues for 2016-17 are budgeted \$853,464. Revenues of \$75,000 for the College Readiness Grant are included in this budget.

Expenditures:

- **Certificated Salaries:** The First Interim reflects the costs of squaring the salary schedule as well as the savings resulting from retirees and the new teachers hired to replace them.
- **Classified Salaries:** The increase in classified salaries reflects the 4% raise and the addition of staff members to address pupil services.
- **Benefits:** Costs of benefits are directly related to salaries, so the increase here is a result of the additional classified salaries and increases in STRS and PERS rates. Additionally Health and Welfare increases resulted from upticks in the COLA in future years.
- **Transfers Out:** Transfers out for Deferred Maintenance reflect 1% of expenditures, and the ongoing transfer of \$125,000 to retirement benefits remains the same as in the original budget.

Multi-Year Considerations:

- The out year estimates of revenue remain predicated on the same revenue and expenditure assumptions used in the original budget. The School Services of California Dartboard is used to guide multi-year projections for revenue. Expenditures are adjusted to account for increases in Step and Column, benefits (including STRS and PERS increases), and other factors.

Recommendation

It is recommended that the Governing Board review the First Interim Financial Report 2016-2017 - First Reading. The First Interim Report meets a positive certification.

**La Canada Unified School District
Unaudited Actuals 2015-16 First Interim Budget 2016-17**

SSC GAP%

Flat enrolled 17-18 18-19,
LCTA 4.25% 15-16, 5.54% 16-17 Appendix D, others 4.0% 15-16
November 8, 2016

GENERAL (Combined) First Interim Budget 2016-17	1.02%		0.00%		0.00%		0.00%		1.11%		2.42%	
	Unaudited Actuals 2015-16	Original Budget 2016-17	Revised Budget 2016-17	Interim Budget 2016-17	First Interim Budget 2016-17	Projected Budget 2017-18	Projected Budget 2018-19					
REVENUE												
LCFF	29,522,148	31,224,229	31,224,229	31,350,860	31,539,194	32,848,686						
Federal	892,201	874,388	874,388	891,366	900,876	900,876						
Other State	5,631,637	4,105,085	4,342,348	4,380,376	3,412,156	3,282,156						
Other Local	8,568,347	8,083,817	8,083,817	8,054,003	7,605,803	7,607,360						
Total Revenue	44,614,533	44,287,519	44,524,762	44,876,605	43,468,029	44,639,078						
EXPENDITURES												
Certificated	20,014,493	20,001,045	20,001,045	19,867,733	19,145,416	19,124,438						
Classified	7,414,549	7,578,627	7,578,627	7,846,301	7,690,764	7,767,672						
Benefits	7,894,906	8,081,952	8,081,952	8,036,129	8,679,870	9,334,515						
Supplies	1,821,465	2,227,858	2,371,454	2,390,732	2,828,624	2,640,008						
Services	5,468,913	5,727,991	5,727,991	5,904,326	5,949,676	6,061,242						
Capital Outlay	74,348	40,000	106,216	228,616	146,016	146,016						
Other Outgo	15,000	15,000	15,000	15,000	0	0						
Direct / Indirect	-40,240	-41,566	-41,566	-41,566	-42,604	-42,604						
Total Expense	42,663,334	43,630,907	43,840,719	44,247,271	44,397,762	44,931,286						
DIFFERENCE	1,951,199	656,612	684,063	429,334	-939,733	-292,208						
OTHER SOURCES/USES												
Transfer Out Fund 14	-572,127	-441,448	-441,448	-441,448	-441,655	-446,863						
Transfer Out Fund 20	-125,000	-125,000	-125,000	-125,000	-125,000	-125,000						
Transfer Out Fund 40	-830,000	0	0	0	0	0						
Transfer Out Fund 13	-120,000	-48,045	-48,045	-48,045	0	0						
Transfer In/(Out)	14,388	16,000	16,000	16,000	16,000	16,000						
Cont to Rest Maint	0	0	0	0	0	0						
Cont to Restricted	0	0	0	0	0	0						
Total Other SU	-1,632,739	-598,493	-598,493	-598,493	-550,655	-555,863						
FUND CHANGE	318,461	58,120	85,571	(169,136)	(1,490,387)	(646,070)						
Adjust	0	0	0	0	0	0						
BEG. BAL. 7/1	5,356,300	5,074,464	5,674,760	5,674,760	5,505,601	4,015,213						
END. BAL. 6/30	5,674,760	5,132,563	5,760,330	5,505,601	4,015,213	3,167,143						
Revolving Cash	6,000	8,500	8,500	8,500	8,500	8,500						
Stores/Prepays	154,948	7,500	46,905	46,905	7,500	7,500						
Legally Restricted	463,012	497,777	451,400	348,983	246,561	241,770						
Committed Funds PERS/STI	490,000	490,000	490,000	490,000	490,000	490,000						
Assigned Funds/LCFF Gap	0	0	0	0	314,037	757,487						
Assigned Funds/Donations	198,949	0	0	0	0	0						
Assigned Funds/Textbooks	295,636	96,095	93,024	93,024	52,524	120,284						
Economic Uncertainty	4,066,215	3,167,855	3,833,241	3,660,929	2,423,331	1,541,602						
Undesignated	0	0	0	0	0	0						
Unappropriated	0	0	0	0	0	0						
Reserve at 3.5%:	OK	OK	OK	OK	OK	OK						
3.50%	1,550,363	1,548,029	1,555,372	1,569,602	1,573,195	1,592,050						
3.00%	1,328,882	1,326,882	1,333,176	1,345,373	1,348,453	1,364,614						

La Canada Unified School District
Business Office
Budgetary Assumptions 2014-15 through 2018-19
November 8, 2016

	2015-16	2016-17	2017-18	2018-19
Enrollment*	4092	4118	4118 est	4118 est
Enrollment increase/decline from prior year*	44	26	0	0
FTE loss related to Enrollment Decline/Other*	-2.0 FTE	0	-2.0 FTE	-2.0 FTE
Educational Foundation additional FTE				
Gr 4-6 CSR	n/a	n/a	-5.0 FTE	
K Aides/Custodians Classified	n/a	n/a	-7.75 FTE	
Counselors	n/a	n/a	-2.0 FTE	
LCFF CSR (K-3) 20:1	n/a	n/a	n/a	n/a
LCFF Gr 4-6 CSR	n/a		+5.0 FTE	
ROP funding from LACOE	\$136,429	\$0	\$0	0
ADA to Enrollment factor est.*	97.58%	97.68%	97.68%	97.68%
Governing Board/Other Elections	\$0	\$0	\$100,000	0
Employee Salary Compensation				
Classified	4.00%	TBD	TBD	TBD
Certificated (schedule squared and 4.25% one time)	4.25% TBD		TBD	TBD
Increases in salary costs				
Step and Column Increase Estimated	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
STRS Employer rate projection	10.73%	12.58%	14.43%	16.28%
increase over last year	\$ 355,935	\$ 348,741	TBD	TBD
increase from 14-15 contribution	\$ 509,360	\$ 858,101	TBD	TBD
PERS Employer rate projection	11.85%	13.88%	15.50%	17.10%
increase over last year	\$ 39,010	\$ 62,366	TBD	TBD
increase from 14-15 contribution	\$ 116,752	\$ 179,118	TBD	TBD
Cost of 1% increase (salary and benefits)*				
Certificated		\$ 221,703	TBD	TBD
Classified		\$ 87,497	TBD	TBD
H & W Increase	1.02%	0.00%	1.10%	2.42%
Supplemental Grant*	\$343,579	\$420,241	\$485,209	\$500,776
Technology infrastructure/equipment/support	\$450,000	\$450,000	\$450,000	\$450,000
Routine Restricted Maintenance Contribution	3.0%	3.0%	3.0%	3.0%
Utility Increase (under review)	-14.0% -\$178,201	8.00% \$96,050	8.00% \$103,734	8.00% \$112,033
Unrestricted Capital Outlay*	\$75,000	\$50,000	\$50,000	\$50,000
Special Education Increase Contribution (under review)	\$125,000	\$125,000	\$125,000	\$125,000
GASB 45 (Post employment benefits contribution)	\$125,000	\$125,000	\$125,000	\$125,000
Reserve level	3.50%	3.50%	3.50%	3.50%
Projected Lease Income (under review)*	\$1,897,992	\$1,948,861	\$2,000,661	\$2,058,218
Fund 17 Lease Interruption Contingency	\$1,825,000	\$1,825,000	\$1,825,000	\$1,825,000
Mandated Block Grant	\$152,582	\$152,582	\$152,582	\$152,582
One Time Prior Year Mandate*	\$2,097,797	\$853,464	\$0	\$0
Parcel Tax Revenue	\$2,579,850	\$2,559,850	\$2,539,850	\$2,539,850
Educational Foundation Revenue*	\$2.0 M	\$2.0 M	\$1.5 M est	\$1.5 M est
Transfer to Fund 40 (planned capital projects)	\$830,000	\$0	\$0	\$0
Deferred Maintenance Contribution (includes LCFF)	\$572,127	\$441,448	\$441,655	\$ 446,863
Educator Effectiveness Program	\$324,322	0	0	0
Lottery Non-Proposition 20	\$140.00	\$140.00	\$140.00	\$140.00
Lottery Proposition 20	\$41.00	\$41.00	\$41.00	\$41.00
Annual Budgetary Savings in Unrestricted General Fund (under review)*	\$ 333,443	TBD	TBD	TBD

*Changes reflected after August 16, 2016

La Canada Unified School District
 Projected Average Daily Attendance
 November 8, 2016

CBEDS to P2 ADA Projections

	A	B	C	D (C-B)	E (C-A)	F (C/A)
	CBEDS	P1 ADA	P2 ADA		Difference	%Difference
2016-17	4118	4103 est.	4023 est.	-15	-95	-0.9768 est.
2015-16	4092	4007	3988	-19	-104	-0.9758
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
			Average:	-15	-95	-0.9768

2016-17	4118		4023	0.9768	(under review)
seniors out	-338				
others in	75				
NPS 11	-2				
TK/K in	265				
2017-18	4118		4023	0.9768	(under review)
seniors out	-369				
others in	102				
NPS 13	2				
TK/K in	265				
2018-19	4118		4023	0.9768	(under review)
seniors out	-367				
others in	102				
NPS 13	0				
TK/K in	265				
2019-20	4118		4023	0.9768	(under review)

* includes NPS

seniors out per Enrollment report 10/4/2016
 NPS per Sp Ed report 10/4-2016

Projected ADA	*	*	*	*	*
	2015-16	2016-17	2017-18	2018-19	2019-20
ADA	3988	4023	4023	4023	4023
Increase/Decline from Prior Yr		35	0	0	0
Funded ADA		4023	4023	4023	4023

La Canada Unified School District
 First Interim Budget 2016-17
 All Funds

ALL FUNDS
 First Interim
 Budget
 2016-17

	GENERAL (Unrestricted)	GENERAL (Restricted)	GENERAL (Combined)	CAFETERIA [13]	DEFERRED MAINTENANCE [14]	LEASE INTERESTION [15.1]	GAS & OIL [16]	BUILDING 2004 [17.2]	DEV FEES [28.0]	FACILITIES [30.0]	STADIUM FIELD [30.1]	SEWER CONTRAST [30.2]	Field Account Fund [40.1]	Field Account Fund [40.2]	SPECIAL RESERVE TOTAL [40]	SUMMARY (All Funds)
REVENUE	40,978,971	3,697,634	44,676,605	795,367	1,000	16,000	3,000	0	200,530	246,000	14,500	2,000	18,600	3,500	284,600	45,977,102
EXPENDITURES	34,331,849	9,915,422	44,247,271	908,412	337,251	0	0	0	21,000	230,700	500	0	2,500	556,731	790,431	46,304,365
DIFFERENCE	6,647,122	-6,217,788	429,334	-113,045	-336,251	16,000	3,000	0	179,530	15,300	14,000	2,000	16,100	-553,231	-505,831	-327,263
Transfer Out Fund 14	-441,448	0	-441,448	0	0	0	0	0	0	0	0	0	0	0	0	-441,448
Transfer Out Fund 20	-125,000	0	-125,000	0	0	0	0	0	0	0	0	0	0	0	0	-125,000
Transfer Out Fund 40	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfer Out Fund 13	-48,045	0	-48,045	0	0	0	0	0	0	0	0	0	0	0	0	-48,045
Transfer In Fund 17	16,000	0	16,000	0	0	0	0	0	0	0	0	0	0	0	0	16,000
Transfer In/Out	-1,329,005	1,329,005	0	113,045	441,448	-16,000	125,000	0	0	0	0	0	0	65,000	65,000	728,493
Cont to Rest Maint	-4,774,754	4,774,754	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cont to Restricted	-55,130	-114,029	-169,159	0	105,197	0	128,000	0	179,530	15,300	14,000	2,000	16,100	-488,231	-440,831	-197,262
FUND CHANGE	5,211,748	463,012	5,674,760	16,587	536,743	1,825,000	645,691	0	313,563	425,975	103,632	320,630	4,065	797,902	1,652,204	10,664,538
BEG. BAL. 7/1	5,156,618	348,983	5,505,601	16,587	641,940	1,825,000	773,691	0	493,083	441,275	117,632	322,630	20,165	309,671	1,211,373	10,467,275
Revolving Cash	8,500	0	8,500	400	0	0	0	0	0	0	0	0	0	0	0	8,900
Stores/Prepays	46,905	0	46,905	0	0	0	0	0	0	0	0	0	0	0	0	46,905
Legally Restricted	0	348,983	348,983	16,187	0	0	0	0	0	0	0	0	0	0	0	365,170
Committed Funds PERS/STRS	480,000	0	480,000	0	641,940	0	773,691	0	493,083	441,275	117,632	322,630	20,165	309,671	1,211,373	490,000
Assigned Funds/LOFF Gap	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3,120,087
Assigned Funds/Donations	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Assigned Funds/Textbooks	930,284	0	930,284	0	0	1,825,000	0	0	0	0	0	0	0	0	0	930,284
Economic Uncertainty	3,680,929	0	3,680,929	0	0	0	0	0	0	0	0	0	0	0	0	5,505,929
Undesignated	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Unappropriated	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

**SSC School District and Charter School Financial Projection Dashboard
2016-17 Adopted State Budget**

5-101

This version of SSC's Financial Projection Dashboard is based on the 2016-17 adopted State Budget. 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 DASHBOARD 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	52.56%	54.18%	19.30%	34.25%	36.74%
Department of Finance Gap Funding Percentage	52.56%	54.18%	72.99%	40.36%	73.98%
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	2.07%	2.26%	2.39%	2.46%	2.63%
California Lottery	Base	\$140	\$140	\$140	\$140
	Proposition 20	\$41	\$41	\$41	\$41
Interest Rate for Ten-Year Treasuries	1.95%	1.76%	2.22%	2.37%	2.50%
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 Plan⁵
The greater of 5% or \$66,000	0 to 300	SSC recommends one year's increment of planned revenue growth
The greater of 4% or \$66,000	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.