

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

December 6, 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 – Second 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 remain the same as in the original budge.

Multi-Year Considerations:

- The out year estimates of revenue remain predicated on the same revenue and expenditure assumptions used in the original budget. These include salary increases related to step and column changes as well as increases in district contributions for employee pensions. 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 approve the First Interim Financial Report 2016-2017 - Second 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
December 6, 2016

GENERAL (Combined)

First Interim Budget 2016-17	COLA = 1.02%				0.00%		0.00%		0.00%		1.11%		2.42%	
	Unaudited Actuals 2015-16	Original Budget 2016-17	Revised Budget 2016-17	First Interim 2016-17	Projected Budget 2017-18	Projected Budget 2018-19	Projected Budget 2019-20	Projected Budget 2020-21	Projected Budget 2021-22	Projected Budget 2022-23	Projected Budget 2023-24	Projected Budget 2024-25	Projected Budget 2025-26	Projected Budget 2026-27
REVENUE														
LCFF	29,522,148	31,224,229	31,224,229	31,365,708	31,539,194	32,848,686								
Federal	892,201	874,388	874,388	891,366	900,876	900,876								
Other State	5,631,837	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	8,136,054	7,687,854	7,689,411								
Total Revenue	44,614,533	44,287,519	44,524,782	44,773,504	43,540,080	44,721,129								

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	7,876,969	7,721,739	7,798,956								
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	2,227,858	2,371,454	2,390,732	2,540,008								
Services	5,468,813	5,727,991	5,727,991	6,054,978	6,051,451	5,991,917								
Capital Outlay	74,349	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	-29,642	-29,642								
Total Expense	42,663,334	43,630,907	43,840,719	44,428,591	44,543,474	44,906,207								

DIFFERENCE	1,951,199	656,612	684,063	344,913	-1,003,394	-185,078								
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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	(253,579)	(1,554,048)	(740,940)								
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Adjust	0	0	0	0	0	0								
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BEG. BAL. 7/1	5,356,300	5,074,464	5,674,760	5,674,760	5,421,180	3,867,132								
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END. BAL. 6/30	5,674,760	5,132,583	5,760,330	5,421,180	3,867,132	3,126,191								
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Revolving Cash	6,000	8,500	8,500	8,500	8,500	8,500								
Stores/Prepays	154,948	7,500	46,905	57,051	7,500	7,500								
Legally Restricted	463,012	497,777	451,400	333,190	66,378	51,671								
Committed Funds PERS/STI	490,000	490,000	490,000	490,000	490,000	490,000								
Assigned Funds/LCFF Gap	0	0	0	0	0	0								
Assigned Funds/Donations	198,949	0	0	0	0	0								
Assigned Funds/Textbooks	295,636	960,951	930,284	930,284	525,284	120,284								
Economic Uncertainty	4,066,215	3,167,865	3,833,241	3,602,155	2,465,037	1,680,022								
Undesignated	0	0	0	0	0	0								
Unappropriated	0	0	0	0	0	0								

Reserve at 3.5%:
3.50%
3.00%

OK	OK	OK	OK	OK	OK	OK								
1,550,363	1,548,029	1,555,372	1,575,948	1,575,295	1,591,172	1,591,172								
1,328,882	1,326,882	1,333,176	1,350,813	1,352,824	1,363,862	1,363,862								

La Canada Unified School District
Business Office
Budgetary Assumptions 2015-16 through 2018-19
December 6, 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 estimate*	10.73%	12.58%	14.43%	16.28%
increase over last year	\$ 355,935	\$ 348,741	\$ 339,112	\$ 340,510
increase from 14-15 contribution	\$ 509,360	\$ 858,101	\$ 1,197,213	\$ 1,537,723
PERS Employer rate projection estimate*	11.85%	13.88%	15.50%	17.10%
increase over last year	\$ 39,010	\$ 62,366	\$ 185,880	\$ 120,850
increase from 14-15 contribution	\$ 116,752	\$ 179,118	\$ 364,998	\$ 485,848
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 Aaverage Daily Attendance
December 6, 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 INTERUPTION [17.1]	GASB 45 [20]	DEV FEE [25.0]	FACILITIES [40.0]	STADIUM FIELD [40.1]	Sewer Connect [40.2]	Field Agreement Fund [40.3]	Field Replacement Fund [40.4]	SPECIAL RESERVE TOTAL [40]	SUMMARY (All Funds)
REVENUE	41,075,870	3,697,634	44,773,504	792,923	1,000	16,000	3,000	200,530	230,700	14,500	2,000	18,600	3,500	269,300	46,056,257
EXPENDITURES	34,382,154	10,046,437	44,428,591	908,412	337,251	0	0	21,000	392,316	500	0	2,500	556,731	952,047	46,647,301
DIFFERENCE	6,693,716	-6,348,803	344,913	-115,489	-336,251	16,000	3,000	179,530	-161,616	14,000	2,000	16,100	-553,231	-682,747	-591,044
Transfer Out Fund 14	-441,448	0	-441,448	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	-125,000
Transfer Out Fund 40	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	-48,045
Transfer In Fund 17	16,000	0	16,000	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	-65,000	-65,000	598,493
Cont to Rest Maint	-4,899,976	4,899,976	0	0	0	0	0	0	0	0	0	0	0	0	0
Cont to Restricted	-123,758	-129,822	-253,579	-2,444	105,197	0	128,000	179,530	-161,616	14,000	2,000	16,100	-618,231	-747,747	-591,043
FUND CHANGE	5,211,748	463,012	5,674,760	16,587	536,743	1,825,000	645,691	313,553	425,975	103,632	320,630	4,065	797,902	1,652,204	10,664,538
BEG. BAL. 7/1	5,087,990	333,190	5,421,180	14,143	641,940	1,825,000	773,691	493,083	264,359	117,632	322,630	20,165	179,671	904,457	10,073,494
Revolving Cash	8,500	0	8,500	400	0	0	0	0	0	0	0	0	0	0	8,900
Stores/Prepays	57,051	0	57,051	165	0	0	0	0	0	0	0	0	0	0	57,216
Legally Restricted	0	333,190	333,190	13,578	0	0	0	0	0	0	0	0	0	0	346,768
Committed Funds Capital Rese	0	0	0	0	0	1,500,000	0	0	0	0	0	0	0	0	1,500,000
Committed Funds PERS/STRS	490,000	0	490,000	0	641,940	325,000	773,691	493,083	264,359	117,632	322,630	20,165	179,671	904,457	490,000
Assigned Funds	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3,138,171
Assigned Funds/Donations	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	0	0	0	0	0	0	0	0	0	930,284
Economic Uncertainty	3,602,155	0	3,602,155	0	0	0	0	0	0	0	0	0	0	0	3,602,155
Undesignated	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

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

5-101

This version of SSC's Financial Projection Dartboard 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 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	52.56%	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 Plan ⁵
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.