

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

February 15, 2017

TO: Wendy K. Sinnette, Superintendent

FROM: Mark Evans, Chief Business and Operations Officer
Gretchen Bergstrom, Director of Fiscal Services

SUBJECT: Approval of Second Interim Financial Report 2016-17 – 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 LCUSD Governing Board has a long history of also planning for the third subsequent year.

The certification by the Governing Board must be classified one of the following:

- 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

The budgetary assumptions and related information used in conjunction with the preparation of the District's Second Interim Financial Report are outlined within this agenda item.

The Governing Board, at its meeting on December 6, 2016, approved the District's First Interim Financial Report for 2016-17. That report referenced numerous revenue and expenditure assumptions for the current and two subsequent fiscal years.

Governor's Proposed Budget for 2017-18 and Revised District Multi-Year Financial Projections

The Governor's Proposed Budget for 2017-18 was presented on January 10, 2017.

The following is a summary of the Proposition 98 (K-12) portion of the Proposed Budget for 2017-18 that will have an impact on funding for the La Cañada Unified School District:

- Reduction of LCFF Gap Funding from 72% to 23%. This was a change from the Department of Finance funding projections at the time the budget was adopted in June, 2016. The new rate of Gap Funding only reflects increases based on the Cost of Living Allowance (COLA). There are no additional dollars beyond this.
- Recommended one time dollars estimated at \$48/ADA
- Reduction of Prop 98 Funding obligations in 2015-2016 and 2016-2017. These will be realized by the State by adjusting dollars in the future, not reducing funding for the current year.

Ongoing revenues are distributed based on LCFF formula, and one-time revenues are traditionally dispersed evenly across all districts based on Average Daily attendance. See attachment on Funding Impacts.

Special Note: the centerpiece of the Governor's proposal for K-12 education continues to be based on full implementation of the "Local Control Funding Formula" (LCFF)...the basic premise being the distribution of combined resources to schools through a base grant with additional supplemental funding allocated based on the proportion of English Language Learners (ELL) and free and reduced price meal (F/RP) eligible students (currently, LCUSD has 324 students who meet criteria for supplemental funding).

The LCFF formula continues to provide a base grant per student (adjusted for grade span differentials, TK-3, 4-6, 7-8 and 9-12) multiplied by district ADA. When the base grant is combined with the supplemental funding for ELL and F/RP meal students, funding would essentially be distributed based upon a single weighted allocation formula. Complete phase in of LCFF is expected by 2020-21.

Funding Projections for LCUSD

The District's current 2016-2017 fiscal year and the out years LCFF funding projections are based on information provided by the Los Angeles County Office of Education (LACOE) and School Services of California (SSC). Until release of the Governor's May Revision (updating the Legislature on both 2016-2017 and 2017-2018 state revenues and expenditures), staff is currently recommending inclusion of the Governor's proposed LCFF funding level for 2017-2018. District projections for the out years follow both the School Services of California Dartboard and LACOE funding forms for LCFF. Per direction from the Los Angeles County Office of Education, any anticipated GAP funding beyond 2017-2018 remains assigned in case it is not funded.

Budgetary Overview

This agenda item provides the following budgetary information:

- An overview of the Second Interim Financial Report and multi-year projections through 2017-2018 (Page 4). At this time 2018-2019 are rough projections based on the SSC Dartboard. No data from LACOE is available at this time.

- District Budgetary Assumptions (Page 5)
- Revised Enrollment Projections (Page 6)
- 2016-2017 All Fund Summary (Page 7)
- School Services of California, Inc. Financial Projection Dartboard, 2016-17 through 2020-21, (Page 8)
- Budget Development Calendar: The calendar of events associated with the development of the District's 2016-17 (Page 9)

Recommendation

It is recommended that the Governing Board review the Second Interim Financial Report for 2016-17, First Reading, using the assumptions outlined on Pages 4 through 9.

**R103-14-15
Bd. Mtg: 2-10-15**

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

SSC GAP%

Fiat enrolled 17-18 18-19,
LCTA 4.25% 15-16, 5.54% 16-17 Appendix D, others 4.0% 15-16
February 15, 2017

GENERAL (Combined)

Second Interim

	Unaudited Actuals	Original Budget	Revised Budget	First Interim	Second Interim	Projected Budget	Projected Budget
REVENUE	2015-16	2016-17	2016-17	2016-17	2016-17	2017-18	2018-19
LCTF	29,522,148	31,224,229	31,224,229	31,365,708	31,365,708	31,780,729	32,534,169
Federal	892,201	874,388	874,388	891,366	900,002	900,002	900,002
Other State	5,631,837	4,105,085	4,342,348	4,380,376	4,588,734	3,704,892	3,320,874
Other Local	8,568,347	8,083,817	8,083,817	8,136,054	8,195,309	8,252,992	7,712,406
Total Revenue	44,614,533	44,287,519	44,524,782	44,773,504	45,049,753	44,638,615	44,467,451

EXPENDITURES

Certificated	20,014,493	20,001,045	20,001,045	19,867,733	19,922,597	19,593,857	18,738,610
Classified	7,414,549	7,578,627	7,578,627	7,876,969	7,876,969	7,789,089	7,701,340
Benefits	7,894,908	8,081,952	8,081,952	8,036,129	8,102,897	8,736,647	9,427,251
Supplies	1,821,465	2,227,858	2,371,454	2,390,732	2,466,261	2,676,261	2,576,261
Services	5,468,813	5,727,991	5,727,991	6,054,978	6,472,628	6,351,227	6,296,227
Capital Outlay	74,349	40,000	106,216	228,616	398,133	397,864	283,317
Other Outgo	15,000	15,000	15,000	15,000	0	0	0
Direct / Indirect	-40,240	-41,566	-41,566	-41,566	-41,566	-41,566	-41,566
Total Expense	42,663,334	43,630,907	43,840,719	44,428,591	45,197,919	45,503,379	44,981,440

DIFFERENCE	1,951,199	656,612	684,063	344,913	-148,166	-864,764	-513,989
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OTHER SOURCES/USES

Transfer Out Fund 14	-572,127	-441,448	-441,448	-441,448	-450,809	-335,000	-335,000
Transfer Out Fund 20	-125,000	-125,000	-125,000	-125,000	-125,000	-125,000	-125,000
Transfer Out Fund 40	-830,000	0	0	0	0	0	0
Transfer Out Fund 13	-120,000	-48,045	-48,045	-48,045	-48,045	0	0
Transfer In/(Out)	14,388	16,000	16,000	16,000	16,000	0	0
Cont to Rest Maint	0	0	0	0	0	0	0
Cont to Restricted	0	0	0	0	0	0	0
Total Other SIU	-1,632,739	-598,493	-598,493	-598,493	-607,854	-460,000	-460,000

FUND CHANGE	318,461	58,120	85,571	(253,579)	(756,019)	(1,324,763)	(973,988)
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Adjust	0	0	0	0	0	0	0
BEG. BAL. 7/1	5,356,300	5,074,464	5,674,760	5,674,760	5,674,760	4,918,740	3,593,976

END. BAL. 6/30	5,674,760	5,132,583	5,760,330	5,421,180	4,918,740	3,593,976	2,619,987
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Revolving Cash	6,000	8,500	8,500	8,500	8,500	8,500	8,500
Stores/Prepays	154,948	7,500	46,905	57,051	57,051	7,500	7,500
Legally Restricted	463,012	497,777	451,400	333,190	262,328	62,351	0
Committed Funds PERS/ST	490,000	490,000	490,000	490,000	490,000	490,000	490,000
Assigned Funds/LCFF Gap	0	0	0	0	0	0	753,440
Assigned Funds/Donations	198,949	0	0	0	0	0	0
Assigned Funds/Textbooks	295,636	960,951	930,284	930,284	918,628	529,754	140,880
Economic Uncertainty	4,066,215	3,167,855	3,833,241	3,602,155	3,182,233	2,495,871	1,219,667
Undesignated	0	0	0	0	0	0	0
Unappropriated	0	0	0	0	0	0	0

Reserve at 3.5%:

3.50%	1,550,363	1,548,029	1,555,372	1,575,948	1,603,202	1,608,718	1,590,450
3.00%	1,328,882	1,326,882	1,333,176	1,350,813	1,374,173	1,378,901	1,363,243

La Canada Unified School District
Business Office
Budgetary Assumptions 2015-16 through 2018-19
February 15, 2017

	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	0	0
Educational Foundation additional FTE				
Gr 4-6 CSR	n/a	n/a	n/a	-5.0 FTE
K Aides/Custodians Classified	n/a	n/a	n/a	-7.75 FTE
Counselors	n/a	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	n/a	n/a	n/a
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 \$348,635 1.0% Class \$77,890	1.75% Cert \$319,260 1.0% Class \$77,120	1.75% Cert \$309,280 1.0% Class \$76,251
STRS Employer rate projection estimate*	10.73%	12.58%	14.43%	16.28%
increase over last year	\$ 355,935	\$ 348,741	\$ 362,486	\$ 346,664
increase from 14-15 contribution	\$ 509,360	\$ 355,935	\$ 1,220,587	\$ 1,567,251
PERS Employer rate projection estimate*	11.85%	13.88%	15.50%	17.10%
increase over last year	\$ 39,010	\$ 62,366	\$ 155,782	\$ 246,443
increase from 14-15 contribution	\$ 116,752	\$ 179,118	\$ 334,900	\$ 581,343
Cost of 1% increase (salary and benefits)*				
Certificated		\$ 226,697	TBD	TBD
Classified		\$ 59,415	TBD	TBD
H & W Increase	1.02%	0.00%	1.48%	2.40%
Supplemental Grant*	\$343,579	\$420,376	\$441,918	\$487,133
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	\$1,922,763	\$1,986,446	\$2,039,860
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	\$855,663	\$193,104	\$0
Parcel Tax Revenue	\$2,579,850	\$2,585,250	\$2,585,250	\$2,585,250
Educational Foundation Revenue*	\$2.0 M	\$2.0 M	\$2.0 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	\$450,809	\$335,000	\$ 335,000
Educator Effectiveness Program	\$324,322	\$0	\$0	\$0
Lottery Proposition 20	\$140.00 \$41.00	\$144.00 \$45.00	\$144.00 \$45.00	\$144.00 \$45.00
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
February 15, 2017

CBEDS to P1 ADA Projections

	A	B	C	D (C-B)	E (C-A)	F (C/A)
	CBEDS	P1 ADA	P2 ADA		Difference	%Difference
2016-17	4118	4060	4023 est.	-37	-95	0.9769 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	0.9769	(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

	2015-16	2016-17	2017-18	2018-19	2019-20
Projected ADA		*	*	*	*
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
Second Interim Budget 2016-17

All Funds

ALL FUNDS
Second Interim
Budget
2016-17

	GENERAL (Unrestricted)	GENERAL (Restricted)	GENERAL (Combined)	CAFETERIA 113	DEFERRED MAINTENANCE [14]	LEASE INTERRUPTION [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	41,137,324	3,912,429	45,049,753	792,923	1,250	16,000	3,000	234,611	307,273	14,500	2,000	18,400	3,500	345,673	46,443,210
EXPENDITURES	34,818,118	10,379,801	45,197,919	922,390	388,819	0	0	21,000	417,452	0	0	0	579,732	997,184	47,527,312
DIFFERENCE	6,319,206	-6,467,372	-148,166	-129,467	-387,569	16,000	3,000	213,611	-110,179	14,500	2,000	18,400	-576,232	-651,511	-1,084,102
Transfer Out Fund 14	-450,809	0	-450,809	0	0	0	0	0	0	0	0	0	0	0	-450,809
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	450,809	-16,000	125,000	0	0	0	0	0	-65,000	-65,000	607,854
Cont to Rest Maint	-4,937,683	4,937,683	0	0	0	0	0	0	0	0	0	0	0	0	0
Cont to Restricted	-555,336	-200,684	-756,019	-16,422	63,240	0	128,000	213,611	-110,179	14,500	2,000	18,400	-641,232	-716,511	-1,084,101
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	4,656,412	262,328	4,918,740	165	599,983	1,825,000	773,691	527,164	315,796	118,132	322,630	22,465	156,670	935,693	9,580,436
END. BAL. 6/30	8,500	0	8,500	400	0	0	0	0	0	0	0	0	0	0	8,900
Revolving Cash	57,051	0	57,051	165	0	0	0	0	0	0	0	0	0	0	57,216
Stores/Prepays	0	262,328	262,328	-400	0	1,500,000	0	0	0	0	0	0	0	0	261,928
Legally Restricted	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,500,000
Committed Funds Capital Reser	490,000	0	490,000	0	599,983	325,000	773,691	527,164	315,796	118,132	322,630	22,465	156,670	935,693	490,000
Assigned Funds	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3,161,531
Assigned Funds/Donations	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Assigned Funds/Textbooks	918,628	0	918,628	0	0	0	0	0	0	0	0	0	0	0	918,628
Economic Uncertainty	3,182,233	0	3,182,233	0	0	0	0	0	0	0	0	0	0	0	3,182,233
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 2017-18 Governor's Proposed State Budget

This version of SSC's Financial Projection Dartboard is based on the 2017-18 Governor's Proposed 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
2016-17 Initial Grants	\$7,083	\$7,189	\$7,403	\$8,578
COLA at 1.48%	\$105	\$106	\$110	\$127
2017-18 Base Grants	\$7,188	\$7,295	\$7,513	\$8,705

Entitlement Factors per ADA	K-3	4-6	7-8	9-12
2017-18 Base Grants	\$7,188	\$7,295	\$7,513	\$8,705
Adjustment Factors	10.4% CSR	-	-	2.6% CTE
CSR and CTE amounts	\$748	-	-	\$226
2017-18 Adjusted Base Grants	\$7,936	\$7,295	\$7,513	\$8,931
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	2016-17	2017-18	2018-19	2019-20	2020-21
LCFF Planning Factors	SSC Simulator	SSC Simulator	SSC Simulator ¹	SSC Simulator ¹	SSC Simulator ¹
SSC Gap Funding Percentage	55.28%	23.67%	34.42%	35.88%	37.32%
Department of Finance Gap Funding Percentage	55.28%	23.67%	53.85%	68.94%	100.00%
Gap Funding Percentage (May Revise)	54.84%	-	-	-	-

PLANNING FACTORS					
Factor	2016-17	2017-18	2018-19	2019-20	2020-21
Statutory COLA	0.00%	1.48%	2.40%	2.53%	2.66%
COLA on state and local share only of Special Education, Child Nutrition, Foster Youth, Preschool, American Indian Education Centers/American Indian Early Childhood Education	0.00%	1.48%	2.40%	2.53%	2.66%
California CPI	2.37%	2.72%	2.92%	2.60%	2.73%
California Lottery	Base per ADA	\$144	\$144	\$144	\$144
	Proposition 20 per ADA	\$45	\$45	\$45	\$45
One-Time Discretionary Funds per ADA	\$214	\$48	-	-	-
Interest Rate for Ten-Year Treasuries	2.20%	2.50%	2.70%	2.90%	2.80%
CalPERS Employer Rate (projected)	13.888%	15.8%	18.7%	21.6%	24.9%
CalSTRS Employer Rate (statutory)	12.58%	14.43%	16.28%	18.13%	19.10%

RESERVES		
State Reserve Requirement	District ADA Range	Reserve Plan ¹
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 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 2016-17**

Dec. 6, 2016	The 2015-16 District Audit is presented to the Governing Board
February 15, 2017	Second Interim Financial Report (2016-17), for the period ending January 31, 2017, presented to the Governing Board- First Reading
March 14, 2017	Second Interim Financial Report (2016-17), for the period ending January 31, 2017 presented to the Governing Board- Second Reading
April 15, 2017	Budget Development activities for 2017-18 continue, and a budgetary update is presented to the Governing Board
May 2017	Budget Development activities for 2017-18 continue
June 6, 2017	Proposed District Budget (2017-18) presented to the Governing Board
June 14 to June 20, 2017	Proposed District Budget (2017-18) placed on display for public review
June 20, 2017	The Governing Board conducts a public hearing and approves the District Budget for 2017-18
June 30, 2017	Business Services files the District Budget (2017-18) with the Los Angeles County Office of Education