

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

November 7, 2017

TO: Wendy K. Sinnette, Superintendent

FROM: Mark Evans, Asst. Superintendent of Business and Administrative Services
Gretchen Bergstrom, Director of Fiscal Services

SUBJECT: Approval of First Interim Financial Report 2017-2018 – 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 2017-18 and Multi-Year Projection Scenarios

The Governing Board, at its meeting on June 20th, 2017, adopted the District's Budget for 2017-18 and reviewed multi-year budgetary projections through 2019-2020.

Current Considerations/Budgetary Overview

The First Interim Report for 2017-2018 and the multi-year has some changes from the updated budget of June 2017.

Revenues:

- The LCFF revenues anticipated per ADA increased by approximately \$192,000 due to an increase in ADA for 2017-18. Federal revenue decreased by \$32,000 due to a reduction in Title II funding. One time revenues for 2017-18 are budgeted at \$594,000.

Expenditures:

- Salaries: Negotiated settlements are fully reflected in the First Interim.
- 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.
- Services: There has been an increase in programmatic needs for specialized student services.
- Transfers Out: Transfers out for Deferred Maintenance reflect \$335,000 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 health and welfare and pension increases), and other factors.

Special Note: Per the budget recommendation, a cash transfer of \$71,000 from the Field Fund (40.4) to the Cafeteria Fund (13.0) is included in the 2017-18 budget to offset expenses beyond revenues in the Cafeteria Fund.

Recommendation

It is recommended that the Governing Board review the First Interim Financial Report 2017-2018 - First Reading. The First Interim Report meets a positive certification.

GENERAL (Combined)
First Interim 17-18

REVENUE	0.00%		0.00%		0.00%		1.56%		2.15%		2.35%	
	Unaudited Actuals 2015-16	Revised Budget 2016-17	First Interim 2016-17	Second Interim 2016-17	Unaudited Actuals 2016-17	Projected Budget 2017-18	First Interim 2017-18	Projected Budget 2018-19	Projected Budget 2019-20			
LCFF	29,522,148	31,224,229	31,365,708	31,393,964	31,471,218	32,142,036	32,334,613	32,960,728	33,932,611			
Federal	892,201	874,388	891,366	900,002	901,419	882,845	854,782	854,782	854,782			
Other State	5,631,837	4,342,348	4,380,376	4,588,734	4,715,681	4,003,810	4,624,149	3,375,682	3,282,066			
Other Local	8,568,347	8,083,817	8,136,054	8,195,309	8,593,795	8,446,615	8,624,917	8,064,680	8,127,804			
Total Revenue	44,614,533	44,524,782	44,773,504	45,075,009	45,862,113	45,475,306	46,438,461	45,258,872	46,197,263			
EXPENDITURES												
Certificated	20,014,493	20,001,045	19,867,733	19,890,718	19,963,732	19,839,224	20,186,039	19,494,457	19,811,876			
Classified	7,414,549	7,578,627	7,876,969	7,862,200	7,737,536	8,007,619	8,143,645	8,199,832	8,281,830			
Benefits	7,894,906	8,081,952	8,096,129	8,169,060	7,980,592	8,759,624	8,646,368	9,497,294	10,156,075			
Supplies	1,821,465	2,371,454	2,390,732	2,308,508	2,143,249	2,336,244	2,713,894	2,118,894	2,118,894			
Services	5,468,813	5,727,991	6,054,978	6,372,813	5,666,937	6,494,683	6,974,306	6,449,351	6,449,351			
Capital Outlay	74,349	106,216	228,616	398,933	288,126	611,960	600,291	198,291	198,291			
Other Outgo	15,000	15,000	15,000	15,200	17,127	16,963	17,127	0	0			
Direct / Indirect	-40,240	-41,566	-41,566	-41,566	-37,128	-42,115	-39,344	-39,344	-39,344			
Total Expense	42,663,334	43,840,719	44,428,591	44,975,868	43,761,161	46,014,202	47,242,326	45,918,775	46,976,973			
DIFFERENCE	1,951,199	684,063	344,913	102,143	1,920,952	-538,896	-803,865	-659,903	-779,710			
OTHER SOURCES/USES												
Transfer Out Fund 14	-572,127	-441,448	-441,448	-450,809	-441,448	-335,000	-335,000	-335,000	-335,000			
Transfer Out Fund 20	-125,000	-125,000	-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	0	0			
Transfer Out Fund 13	-120,000	-48,045	-48,045	-48,045	-48,045	0	0	0	0			
Transfer In/(Out)	14,388	16,000	16,000	16,000	20,076	16,000	20,000	20,000	20,000			
Cont to Rest Maint	0	0	0	0	0	0	0	0	0			
Cont to Restricted	0	0	0	0	0	0	0	0	0			
Total Other S/U	-1,632,739	-598,493	-598,493	-607,854	-594,417	-444,000	-440,000	-440,000	-440,000			
FUND CHANGE	318,461	85,571	(253,579)	(505,710)	1,326,536	(882,895)	(1,243,864)	(1,099,902)	(1,219,709)			
Adjust	0	0	0	0	0	0	0	0	0			
BEG. BAL. 7/1	5,356,300	5,674,760	5,674,760	5,674,760	5,674,760	7,001,296	7,001,296	5,757,432	4,657,530			
END. BAL. 6/30	5,674,760	5,760,330	5,421,180	5,169,049	7,001,296	6,016,402	5,757,432	4,657,530	3,437,821			
Revolving Cash	6,000	8,500	8,500	8,500	6,030	8,500	8,500	8,500	8,500			
Stores/Prepays	154,948	46,905	57,051	57,051	60,175	7,500	7,500	7,500	7,500			
Legally Restricted	463,012	451,400	333,190	306,003	431,410	358,029	322,621	354,458	119,856			
Committed Funds PERS/STRS	490,000	490,000	490,000	490,000	490,000	490,000	490,000	490,000	0			
Assigned Funds/LCFF Gap	0	0	0	0	0	0	0	657,956	1,219,636			
Assigned Funds/Donations	198,949	0	0	0	716,268	0	0	0	0			
Assigned Funds/Textbooks	295,636	930,284	930,284	918,628	1,011,519	530,805	574,231	103,267	140,689			
Economic Uncertainty	4,066,215	3,833,241	3,802,155	3,388,867	4,285,894	4,623,588	4,354,580	3,035,849	1,941,640			
Undesignated	0	0	0	0	0	0	0	0	0			
Unappropriated	0	0	0	0	0	0	0	0	0			
Reserve at 3.5%:	OK	OK	OK	OK	OK	OK	OK	OK	OK			
3.50%	1,550,363	1,555,372	1,575,948	1,595,430	1,552,445	1,622,037	1,575,948	1,622,557	1,659,594			
3.00%	1,328,862	1,333,176	1,350,813	1,367,512	1,330,667	1,393,746	1,350,813	1,390,763	1,422,509			

La Canada Unified School District
Business Office
Budgetary Assumptions 2015-16 through 2019-20
November 7, 2017

	2015-16	2016-17	2017-18	2018-19	2019-20
Enrollment*	4092	4132	4157	4157 est	4157 est
Enrollment increase/decline from prior year*	44	40	25	0	0
FTE loss related to Enrollment Decline/Other*	-2.0 FTE	0	0	0	0
Educational Foundation adjustments FTE Reductions	n/a	n/a	n/a	-6.0 FTE	n/a
LCFF CSR (K-3) 20:1	n/a	n/a	n/a	n/a	n/a
LCFF Gr 4-6 CSR	n/a	n/a	n/a	+6.0 FTE	n/a
ROP funding from LACOE	\$136,429	\$0	\$0	\$0	\$0
ADA to Enrollment factor est.*	97.46%	97.80%	97.73%	97.73%	97.73%
Governing Board/Other Elections	\$0	\$0	\$100,000	\$0	\$0
Employee Salary Compensation					
Classified	4.00%	1.55%	TBD	TBD	TBD
Certificated (schedule squared and 4.25% one time)	4.25%	1.00%	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 \$342,666 1.0% Class \$77,120	1.75% Cert \$317,419 1.0% Class \$81,186	1.75% Cert \$322,974 1.0% Class \$81,998
STRS Employer rate projection estimate* increase over last year increase from 14-15 contribution	10.73% \$ 355,935 \$ 529,496	12.58% \$ 379,619 \$ 909,115	14.43% \$ 449,018 \$ 1,358,133	16.28% \$ 360,647 \$ 1,718,780	18.13% \$ 366,520 \$ 2,085,300
PERS Employer rate projection estimate* increase over last year increase from 14-15 contribution	11.85% \$ 59,051 \$ 116,752	13.88% \$ 133,896 \$ 250,648	15.53% \$ 134,531 \$ 385,179	18.10% \$ 205,002 \$ 590,181	20.80% \$ 217,525 \$ 807,706
Cost of 1% increase (salary and benefits)*					
Certificated		\$ 227,068	\$ 233,575	TBD	TBD
Classified		\$ 92,764	\$ 99,182	TBD	TBD
H & W Increase	1.02%	0.00%	1.56%	2.15%	2.35%
Supplemental Grant*	\$343,579	\$420,376	\$464,318	\$488,179	\$484,901
Technology infrastructure/equipment/support	\$450,000	\$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)	-9.0% -\$82,727	-6.00% -\$54,547	2.00% \$14,850	5.00% \$39,213	5.00% \$41,174
Unrestricted Capital Outlay*	\$75,000	\$50,000	\$50,000	\$50,000	\$50,000
Special Education Increase Contribution (under review)	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000
GASB 45 (Post employment benefits contribution)	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000
Reserve level	3.50%	3.50%	3.50%	3.50%	3.50%
Projected Lease Income (under review)*	\$1,897,992	\$1,922,763	\$2,042,857	\$2,104,143	\$2,167,267
Fund 17 Lease Interruption Contingency	\$1,825,000	\$1,825,000	\$1,825,000	\$1,825,000	\$1,825,000
Mandated Block Grant	\$152,582	\$150,648	\$169,498	\$161,641	\$161,641
One Time Prior Year Mandate*	\$2,097,797	\$855,663	\$594,027	\$0	\$0
Parcel Tax Revenue	\$2,579,850	\$2,585,250	\$2,582,100	\$2,582,100	\$2,582,100
Educational Foundation Revenue*	\$2.0 M	\$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	\$0
Deferred Maintenance Contribution (includes LCFF)	\$572,127	\$450,809	\$335,000	\$335,000	\$335,000
Educator Effectiveness Program	\$324,322	\$0	\$0	\$0	\$0.00
Lottery	\$140.00	\$144.00	\$146.00	\$146.00	\$146.00
Lottery Proposition 20	\$41.00	\$45.00	\$48.00	\$48.00	\$48.00

*Changes reflected after October 1, 2017

CBEDS to P2 ADA Projections

	A	B	C	D (C-B)	E (C-A)	F (C/A)
	CBEDS	P1 ADA	P2 ADA		Difference	%Difference
2017-18	4157	4060	4041 est	-19	-116	0.9773 est.
2016-17	4132	4060	4041	-19	-91	0.9780
2015-16	4092	4007	3988	-19	-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
			Average:	-16	-93	0.9773

2017-18	4157	4063	0.9773	(under review)
seniors out	-362			
others in	110			
NPS 9	0			
TK/K in	252			
2018-19	4157	4063	0.9773	(under review)
seniors out	-354			
others in	102			
NPS 9	0			
TK/K in	252			
2019-20	4157	4063	0.9773	(under review)
seniors out	-347			
others in	95			
NPS 9	0			
TK/K in	252			
2020-21	4157	4063	0.9773	(under review)
seniors out	-341			
others in	89			
NPS 9	0			
TK/K in	252			
2021-2022	4157	4063	0.9773	(under review)

* includes NPS

seniors out per Enrollment report Sept 2017
 NPS per CDE Report Oct.2017

Projected ADA	2016-17	2017-18	2018-19	2019-20	2020-2021	2021-2022
ADA	4041	4063	4063	4063	4063	4063
Increase/Decline from Prior Yr		22	0	0	0	0
Funded ADA		4063	4063	4063	4063	4063

La Canada Unified School District
First Interim Budget 2017-18
All Funds

First Interim
Budget
2017-18

	GENERAL Unrestricted	GENERAL (Restricted)	GENERAL (Combined)	CATERIA (13.0)	DEFERRED MAINT. (14.0)	LEASE INTERRUPT (17.1)	GASB-45 (20.0)	BUILDING 2004 (24.2)	DEV.FEE (25.0)	FACILITIES (40.0)	Stadium Field (46.1)	Sewer Connect. (46.2)	Field Acquisition Fund (49.3)	Field Replacement Fund (49.4)	SPECIAL RESERVE TOTAL (49)	SUMMARY (All Funds)
REVENUE	42,321,696	4,116,785	46,438,461	759,407	3,500	20,000	6,000	0	314,500	247,900	9,802	3,000	22,500	6,000	289,202	47,831,070
EXPENDITURES	36,299,088	10,943,236	47,242,324	834,597	450,152	0	0	0	122,402	293,621	0	0	0	548,650	842,271	49,491,746
DIFFERENCE	6,022,608	-6,626,471	-803,863	-75,190	-446,652	20,000	6,000	0	192,098	-45,721	9,802	3,000	22,500	-542,650	-553,069	-1,660,676
Transfer Out Fund 14	-335,000	0	-335,000	0	0	0	0	0	0	0	0	0	0	0	0	-335,000
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	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfer In Fund 17	20,000	0	20,000	0	0	0	0	0	0	0	0	0	0	0	0	20,000
Cont to Rest Maint	-1,350,000	1,350,000	0	71,000	335,000	-20,000	125,000	0	0	0	0	0	0	-71,000	-71,000	440,000
Cont to Restricted	-5,357,537	5,357,537	0	0	0	0	0	0	0	0	0	0	0	0	0	0
FUND CHANGE	-1,124,929	-118,934	-1,243,862	-4,190	-111,652	0	131,000	0	192,098	-45,721	9,802	3,000	22,500	-613,650	-624,069	-1,660,675
BEG. BAL. 7/1	6,559,739	441,555	7,001,294	25,068	652,665	1,825,000	777,798	0	669,536	470,596	113,520	324,157	32,912	196,134	1,137,319	12,088,680
END. BAL. 6/30	5,434,810	322,621	5,757,431	20,878	541,013	1,825,000	908,798	0	861,634	424,875	123,322	327,157	55,412	-417,516	513,250	10,428,004
Revolving Cash	8,500	0	8,500	400	0	0	0	0	0	0	0	0	0	0	0	8,900
Stores/Prepays	7,500	0	7,500	0	0	0	0	0	0	0	0	0	0	0	0	7,500
Legally Restricted	0	322,621	322,621	20,478	0	0	0	0	0	0	0	0	0	0	0	343,099
Committed Funds Capital Res	0	0	0	0	0	1,500,000	0	0	0	0	0	0	0	0	0	1,500,000
Assigned Funds	490,000	0	490,000	0	0	325,000	908,798	0	861,634	424,875	123,322	327,157	55,412	-417,516	513,250	490,000
Assigned Funds/Donations	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Assigned Funds/Textbooks	574,231	0	574,231	0	0	0	0	0	0	0	0	0	0	0	0	574,231
Economic Uncertainty	4,354,579	0	4,354,579	0	0	0	0	0	0	0	0	0	0	0	0	4,354,579
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 2017-18 Adopted State Budget

This version of SSC's Financial Projection Dashboard is based on the 2017-18 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
2016-17 Base Grants	\$7,083	\$7,189	\$7,403	\$8,578
COLA at 1.56%	\$110	\$112	\$115	\$134
2017-18 Base Grants	\$7,193	\$7,301	\$7,518	\$8,712

Entitlement Factors per ADA	K-3	4-6	7-8	9-12
2017-18 Base Grants	\$7,193	\$7,301	\$7,518	\$8,712
Grade Span Adjustment Factors	10.4%	-	-	2.6%
Grade Span Adjustment Amounts	\$748	-	-	\$227
2017-18 Adjusted Base Grants	\$7,941	\$7,301	\$7,518	\$8,939
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	2016-17	2017-18	2018-19	2019-20	2020-21
LCFF Planning Factors	SSC Simulator	SSC Simulator	SSC Simulator ²	SSC Simulator ²	SSC Simulator ²
SSC Gap Funding Percentage	56.08%	43.19%	39.12%	41.60%	44.16%
Department of Finance Gap Funding Percentage	56.08%	43.19%	66.12%	64.92%	100.00%
Gap Funding Percentage ¹ (May Revise)	54.84%	43.97%	-	-	-

PLANNING FACTORS						
Factor		2016-17	2017-18	2018-19	2019-20	2020-21
Statutory COLA		0.00%	1.56%	2.15%	2.35%	2.57%
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%	1.56%	2.15%	2.35%	2.57%
California CPI		2.63%	3.42%	3.35%	3.02%	3.16%
Interest Rate for Ten-Year Treasuries		2.18%	2.47%	2.66%	2.78%	2.85%
California Lottery	Unrestricted per ADA	\$144	\$146	\$146	\$146	\$146
	Restricted per ADA	\$45	\$48	\$48	\$48	\$48
Mandate Block Grant (District)	Grades K-8 per ADA	\$28.42	\$30.34	\$30.34	\$30.34	\$30.34
	Grades 9-12 per ADA	\$56	\$58.25	\$58.25	\$58.25	\$58.25
Mandate Block Grant (Charter)	Grades K-8 per ADA	\$14.21	\$15.90	\$15.90	\$15.90	\$15.90
	Grades 9-12 per ADA	\$42	\$44.04	\$44.04	\$44.04	\$44.04
One-Time Discretionary Funds per ADA		\$214	\$147	-	-	-
CalPERS Employer Rate (projected)		13.888%	15.531%	18.1%	20.8%	23.8%
CalSTRS Employer Rate (statutory)		12.58%	14.43%	16.28%	18.13%	19.10%

RESERVES		
State Reserve Requirement	District ADA Range	Reserve Plan
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 Either this percentage or the adopted State Budget gap percentage can be used for calculating movement toward class sizes of 24:1 at grades transitional kindergarten-3.

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

**LA CAÑADA UNIFIED SCHOOL DISTRICT
BUDGET DEVELOPMENT CALENDAR 2017-18**

Dec. 5, 2017	The 2016-17 District Audit is presented to the Governing Board; First Interim Financial Report (2017-18), for the period ending October 31, 2017, presented to the Governing Board- Second Reading
February 2018	Second Interim Financial Report (2017-18), for the period ending January 31, 2018, presented to the Governing Board- First Reading
March 2018	Second Interim Financial Report (2017-18), for the period ending January 31, 2018 presented to the Governing Board- Second Reading
May 2018	Budget Development activities for 2017-18 continue
June 2018	Proposed District Budget (2018-19) presented to the Governing Board
June 2018	Proposed District Budget (2018-19) placed on display for public review
June 2018	The Governing Board conducts a public hearing and approves the District Budget for 2018-19
June 2018	Business Services files the District Budget (2018-19) with the Los Angeles County Office of Education