

# **La Canada Unified School District**

## **Fiscal Update and**

# **2018-2019 Budget with 2017-2018 Estimated**

## **Unaudited Actuals Report**

### **June 5, 2018**

Presented by:

- Mark E. Evans,  
Asst. Sup. Of Business and Admin. Services
- Gretchen Bergstrom,  
Director of Fiscal Services



# Objective

- ▶ Present the 2018-19 June Budget, 1<sup>st</sup> Reading
  - ▶ State Budget not finalized
- ▶ 2017-18 Estimated Unaudited Actuals
  - ▶ Projected Actuals
- ▶ MYP General Fund Ending Balance/Reserve



# Full Implementation of the LCFF

- Governor Brown's top priority has been full implementation of this funding model
- How did the Governor define full implementation?
  - Restoration of K-12 funding levels that prevailed in 2007-08, the year before the Great Recession
    - Prior to deep cuts that were imposed on revenue limits and most categorical programs
    - Restoration would include cost-of-living adjustments (COLA) since 2007-08
- The Governor's goal was to reach full funding by 2020-21, an eight-year implementation period
  - The May Revision proposes funding to reach full implementation in 2018-19, two years earlier than planned



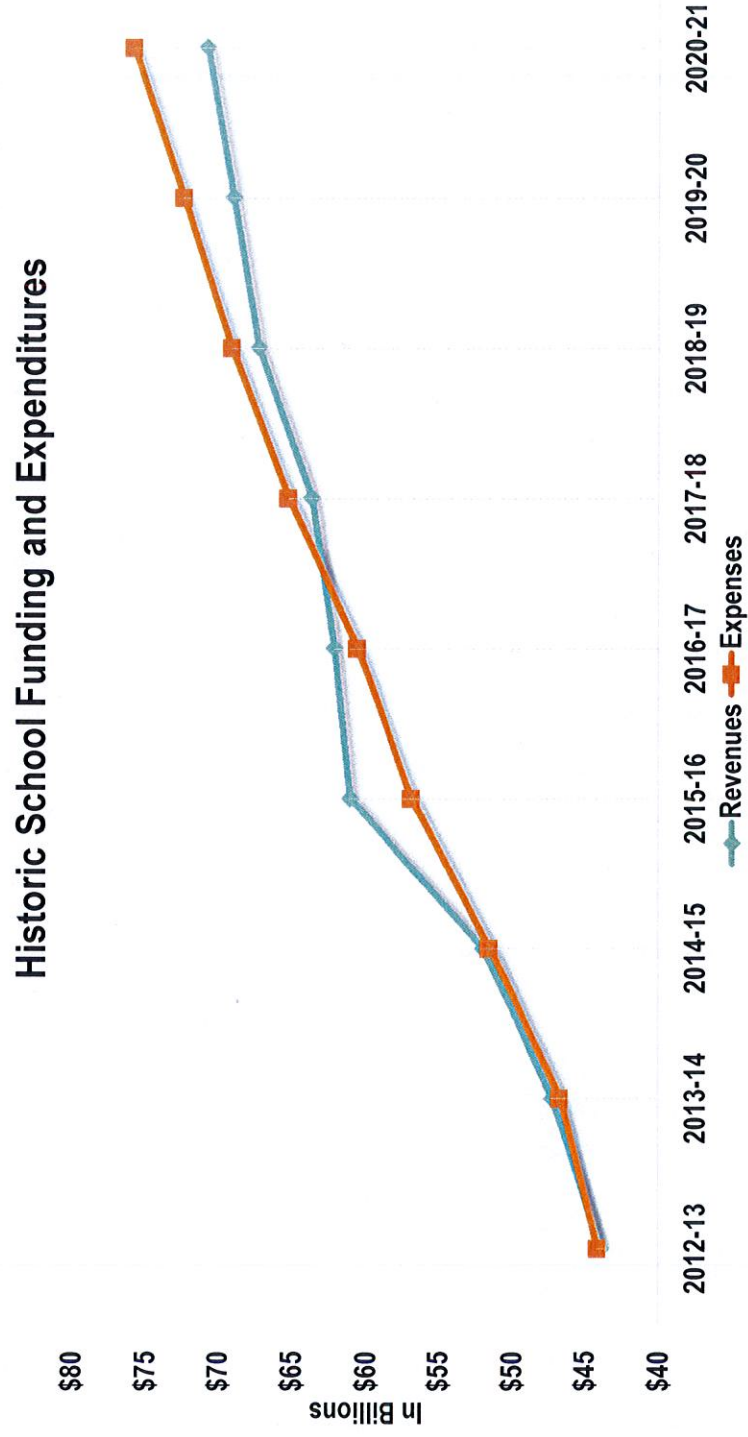


# Does the LCFF Restore Lost Purchasing Power?

- The LCFF addresses an LEA's revenues – what about its costs over the same period?
- Employer contribution rates to the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) have increased each year to address the unfunded liability of these pension systems
- Our analysis finds that, of the \$20 billion in new funding provided through the LCFF, approximately \$2.8 billion, or 14%, has been used to fund these costs
  - Employer rate increases will continue beyond full implementation of the LCFF
- Since full funding of the LCFF has not been adjusted for these local costs, purchasing power will not be fully restored



# School Agency State Revenues vs. Expenditure Trends



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## Dart Board Factors

Factor	2017-18	2018-19	2019-20	2020-21
GAP %	45.17%	100%	100%	100%
Statutory COLA	1.56%	2.71%	2.57%	2.67%
STRS Rates	14.43%	16.28%	18.13%	19.10%
PERS Rates	15.531%	18.062%	20.8%	23.5%





## Budget Assumptions

- ▶ Enrollment remains flat in multi-year
- ▶ ADA remains at 97.72%
- ▶ GAP Funding calculated as fully funded per May Revision
- ▶ One-time dollars in 18-19
- ▶ Future years have only COLA increases

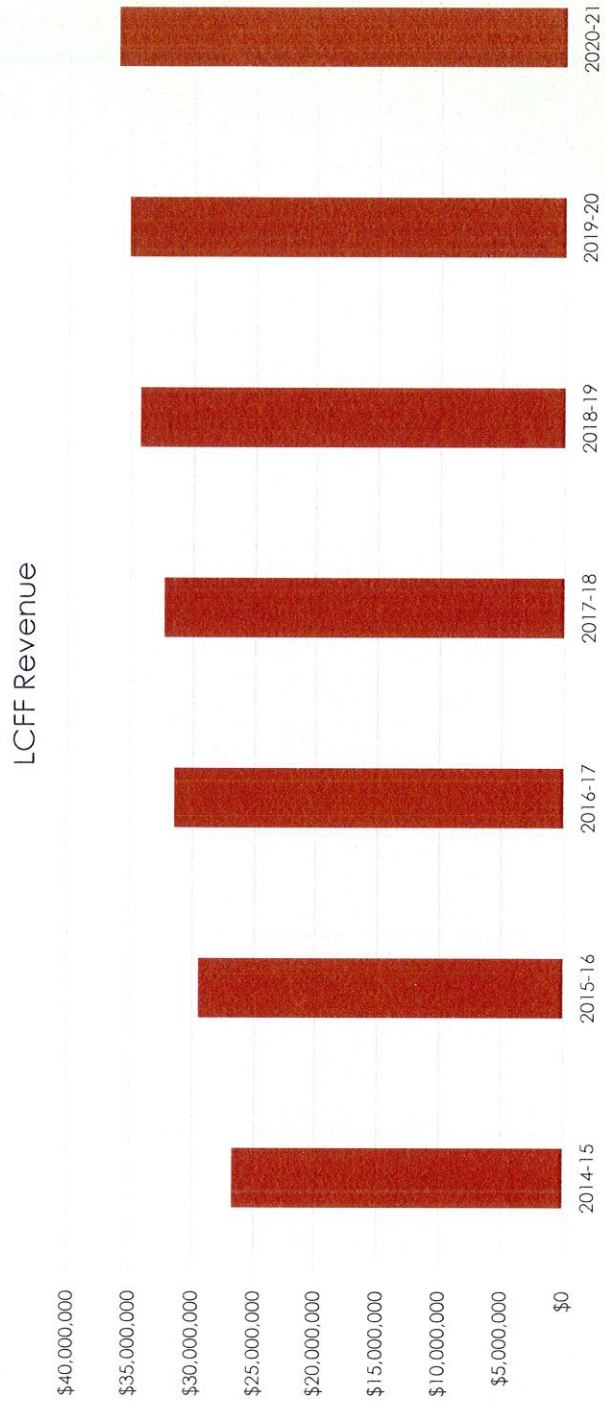


## Budget Assumptions (Cont.)

- Step and Column Salary increases each year:
  - Certified **\$347,224 – 1.75%**
  - Classified **\$102,298 – 1.25%**
- Pension average increase each year
  - Certified **\$315,000**
  - Classified **\$220,000**
- Health and Welfare increased District Contribution:
  - **2.71%** in 2018-19
  - **2.57%** in 2019-20



# LCFF Revenue – Combined General Fund



## Revenue – General Fund

	Budget 2017-18	2nd Interim 2017-18	Estimated Actuals 2017-18	Variance
LCFF	\$32,142,036	\$32,364,938	\$32,294,787	-0.2%
Federal	\$882,845	\$859,966	\$874,428	1.7%
Other State	\$4,003,810	\$4,616,313	\$4,483,831	-2.9%
Other Local	\$8,446,615	\$8,763,774	\$8,837,246	0.8%
	<b>\$45,475,306</b>	<b>\$46,604,991</b>	<b>\$46,490,292</b>	<b>-0.25%</b>



## Revenue – Multi-year General Fund

	Estimated Actuals 2017-18	Projected Budget 2018-19	Projected Budget 2019-20	Projected Budget 2020-21
LCFF	\$32,294,787	\$34,265,874	\$35,147,084	\$36,075,801
Federal	\$874,428	\$886,541	\$886,541	\$886,541
Other State	\$4,483,831	\$4,619,371	\$3,284,423	\$3,346,385
Other Local	\$8,837,246	\$8,575,978	\$7,970,728	\$8,035,746
	<b>\$46,490,292</b>	<b>\$48,347,764</b>	<b>\$47,288,776</b>	<b>\$48,344,473</b>



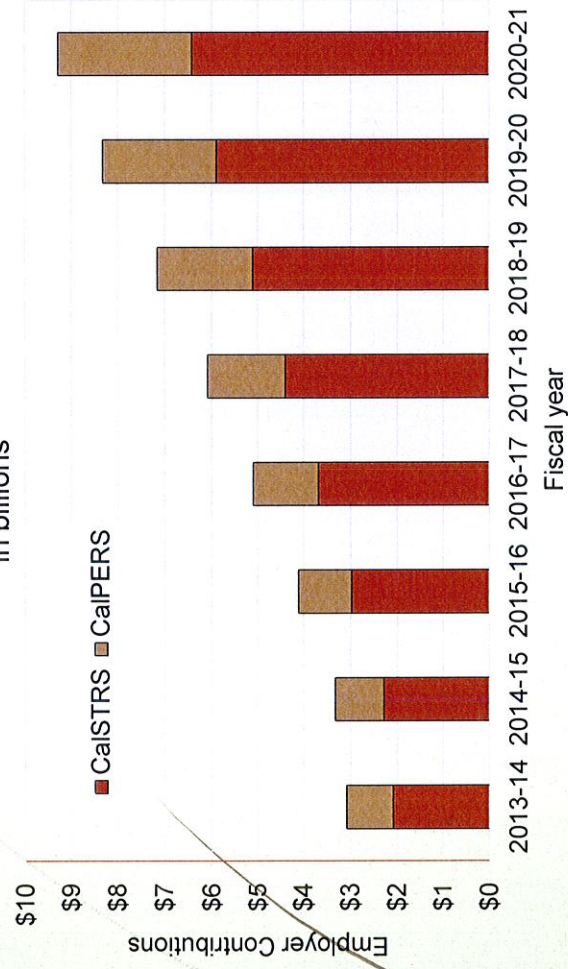
## Expenditures – General Fund

	Budget 2017-18	2nd Interim 2017-18	Estimated Actuals 2017-18	Variance
Certificated	\$19,839,223	\$20,172,543	\$20,415,352	1.2%
Classified	\$8,007,619	\$8,120,828	\$7,859,956	-3.2%
Benefits	\$8,759,624	\$8,610,917	\$8,677,439	0.78%
Supplies	\$2,336,244	\$2,684,698	\$2,809,401	4.7%
Services	\$6,484,683	\$6,965,709	\$6,515,534	-6.5%
Capital Outlay	\$611,960	\$713,558	\$870,538	22.0%
Other Outgo	\$16,963	\$17,127	\$19,234	12.31%
Direct/Indirect	-\$42,115	-\$39,344	-\$37,854	3.8%
	<b>\$46,014,202</b>	<b>\$47,246,036</b>	<b>\$47,129,600</b>	<b>-0.25%</b>



# CalSTRS & CalPERS: Employer Contribution Rates

Projected Annual K-12 Employer Contributions  
in billions



\* 2014-15 first year of PEPRA

La Canada USD  
LCFF increases compared to pension  
increases

LCFF	
2018-19	\$34,265,874
2014-15	<u>\$26,744,529</u>
Difference	\$7,521,345
	22%
Pension	
2018-19	\$4,460,690
2014-15	<u>\$2,118,068</u>
Difference	\$2,342,622
	53%



# Expenditures – Multi-year General Fund

	Estimated Actuals 2017-18	Projected Budget 2018-19	Projected Budget 2019-20	Projected Budget 2020-21
Certificated	\$20,415,352	\$20,822,011	\$20,625,997	\$20,980,360
Classified	\$7,859,956	\$8,183,830	\$8,286,128	\$8,389,704
Benefits	\$8,677,439	\$9,476,029	\$10,100,447	\$10,684,387
Supplies	\$2,809,401	\$2,264,053	\$2,164,053	\$2,164,053
Services	\$6,515,534	\$6,347,852	\$6,430,502	\$6,533,852
Capital Outlay	\$870,538	\$272,056	\$90,000	\$90,000
Other Outgo	\$19,234	\$0	\$0	\$0
Direct/Indirect	-\$37,854	-\$43,000	-\$43,000	-\$43,000
	<b>\$47,129,600</b>	<b>\$47,322,831</b>	<b>\$47,654,127</b>	<b>\$48,799,356</b>



# General Fund Change Balance

	2nd Interim 2017-18	Estimated Actuals 2017-18	Projected Budget 2018-19	Projected Budget 2019-20	Projected Budget 2020-21
Revenue	\$46,604,991	\$46,490,292	\$48,347,764	\$47,288,776	\$48,344,473
Expenditures	\$47,246,036	\$47,129,600	\$47,322,831	\$47,654,127	\$48,799,356
Difference	-\$641,045	-\$639,308	\$1,024,933	-\$365,351	-\$454,883
Transfers	-\$440,000	-\$440,000	-\$440,000	-\$440,000	-\$444,000
Fund Change	-\$1,081,045	-\$1,079,308	\$584,933	-\$805,351	-\$894,883



# Economic Uncertainty

	2nd Interim 2017-18	Estimated Actuals 2017-18	Projected Budget 2018-19	Projected Budget 2019-20	Projected Budget 2020-21
Beg Balance	\$7,001,294	\$7,001,294	\$5,921,986	\$6,506,919	\$5,701,568
Fund Change	-\$1,081,045	-\$1,079,308	\$584,933	-\$805,351	-\$894,883
Ending Balance	\$5,920,249	\$5,921,986	\$6,506,919	\$5,701,568	\$4,806,685
Revolving Cash/Prepays	-\$16,000	-\$16,000	-\$16,000	-\$16,000	-\$16,000
Legally Restricted	-\$385,865	-\$298,013	-\$116,325	\$0	\$0
Committed Funds (PERS/STRS)	-\$490,000	-\$490,000	-\$490,000	-\$490,000	-\$490,000
Assigned Funds/One-time \$	\$0	\$0	-\$797,328	-\$797,328	-\$797,328
Assigned Funds/Textbooks	-\$574,266	-\$527,206	-\$687,806	-\$514,890	-\$636,662
<b>Economic Uncertainty</b>	<b>\$4,454,119</b>	<b>\$4,590,767</b>	<b>\$4,399,460</b>	<b>\$3,833,350</b>	<b>\$2,866,695</b>
3.5 %	<b>\$1,669,011</b>	<b>\$1,664,936</b>	<b>\$1,671,699</b>	<b>\$1,683,294</b>	<b>\$1,723,377</b>





## Economic Status: Local Pressures

- ▶ Items pressuring local budgets
  - ▶ CalSTRS and CalPERS
  - ▶ Contributions to programs
  - ▶ Unknown – Federal Government reform
  - ▶ Inflation

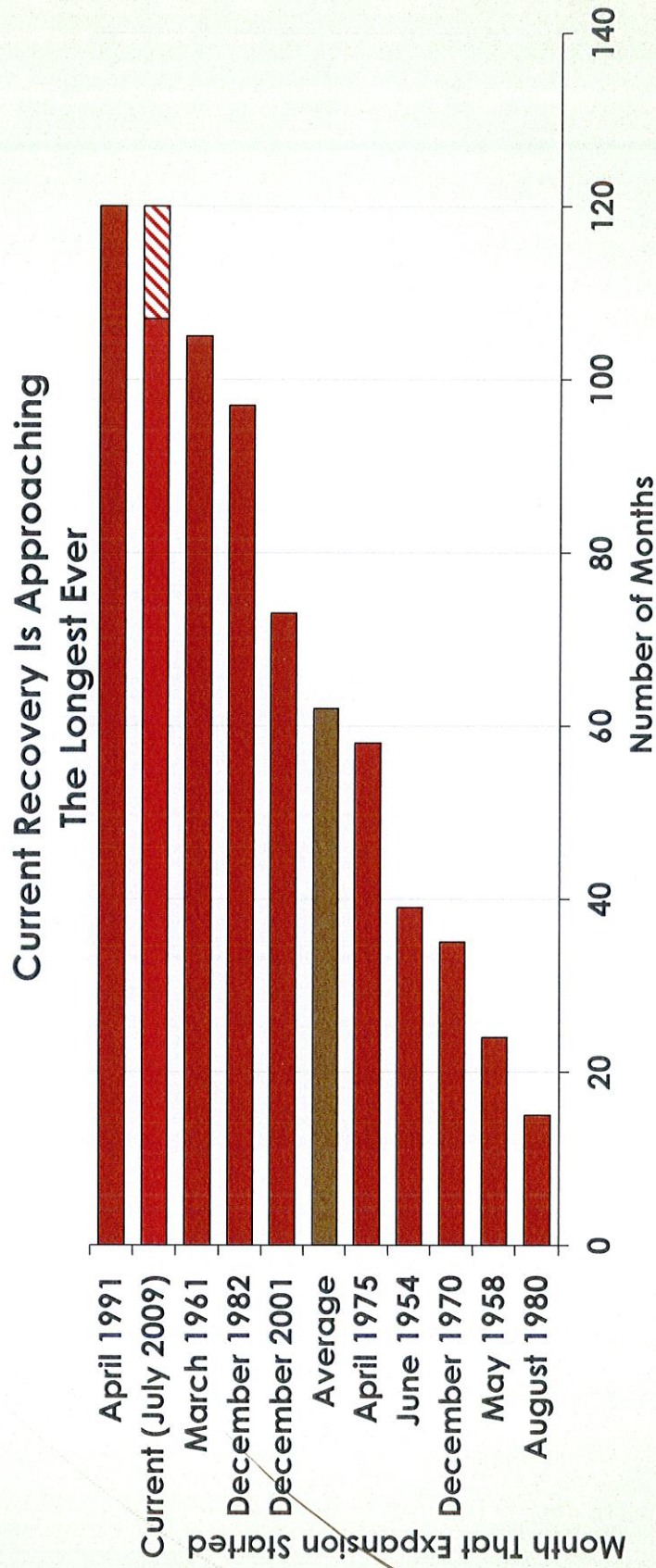


## Multi-year Projections

- Caution is key. The cause of most school district insolvencies can be traced back to financial decisions made during prosperous times that came back to bite the district during lean financial times.
- Resist using future revenue projection dollars to justify paying for ongoing expenditures in the current year
- There will be an economic downturn – the timing and severity are unknown
- Gap funding is gone. COLA only to fund Step and Column, Health and Welfare, general inflation, and any other annual increases.

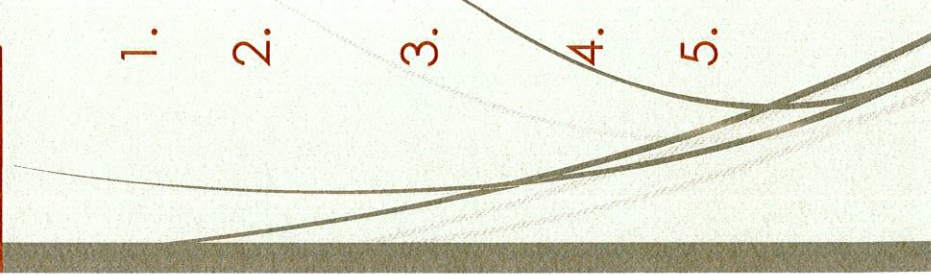


# Approaching the Longest Economic Recovery in Modern History





# Planning Forward

1. Strategically use one-time dollars
  2. Budget for intermittent large expenditures – adoptions, tech refresh, deferred maintenance
  3. Anticipate operational costs outpacing revenue increases
  4. Keep LCAP in mind
  5. Build sustainability into programs
- 





# Next Steps/Questions

## Next Steps in Budget Process

### State Level

- Budget Committee Hearings
- Compromise Budget and trailer language approved by Legislature
- Governor signs Budget

### Local Level

- Adopt the LCAP and Adopted Budget at Second Reading
- 45-Day Budget Revision if material changes are made to Governor's May Revision
- Audited Actuals