

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

November 19, 2019

TO: Wendy K. Sinnette, Superintendent
FROM: Mark Evans, Assoc. Superintendent of Business and Administrative Services
SUBJECT: Approval of First Interim Financial Report 2019-2020 – 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 2019-20 and Multi-Year Projection Scenarios

The Governing Board, at its meeting on June 25, 2019, adopted the District's Budget for 2019-20, and they reviewed multi-year budgetary projections through 2021-2022.

Current Considerations/Budgetary Overview

The First Interim Report for 2019-2020 and the multi-year has some changes from the updated budget of June 2019.

Revenues:

- The First Interim shows a small increase in federal revenues and increases in local revenues reflect the increase in donations. These are largely balanced out on the expenditure side of the budget.

Expenditures:

- Salaries: Salary costs were updated to reflect 2019-20 personnel with updated salary schedules and step and column. The salaries also reflect the costs from the Unaudited Actuals. The Unaudited actuals were roughly 1.3%, or \$400,000 above the Estimated Actuals in June of 2019. Negotiated agreements were completed for the 19/20 budget, and all of these costs are now reflected in the First Interim.
- Benefits: Costs of benefits directly relate to salaries, so the change here is a result of the updated salaries and increases in STRS and PERS rates. Additionally health and welfare increases resulted from upticks in the COLA in future years.
- Supplies, Services and Capital Expenditures: Increases in spending on supplies, services, and capital outlay reflect costs that were not completed during 2018-2019 fiscal year and were carried forward into 2019-2020. Some additional services are also reflected in these updated numbers. Costs are carried forward into future budget years as applicable.
- 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 for LCFF are based on a flat enrollment. Federal and Other State funds are predicated on the revenue and expenditure assumptions in the original budget. Local Revenues show a sharp decline in the year 2021-2022 because the current Parcel Tax will expire in that fiscal year. The revenues and like expenditures of \$2.5 million have been removed from that budget year. The Dartboard provided by School Services of California is the basis for budgeting upcoming years. Expenditures are adjusted to account for increases in Step and Column, benefits (including health and welfare and pension increases), and other factors.

Special Note: Transfers are included in this presentation as noted above. Additionally, the transfer of \$60,000 from Fund 40.0 to the Cafeteria Fund (13.0) is also part of the Budget and First Interim.

Recommendation

It is recommended that the Governing Board approve the First Interim Financial Report 2018-2019 - First Reading. The First Interim Report meets a positive certification.

Attachment A

La Canada Unified School District
2019-20 First Interim 1st Read
General Fund - Fund #01.0

Revenues	2015-16 Audited Actuals	2016-17 Audited Actuals	2017-18 Unaudited Actuals	2018-19 Unaudited Actuals	2019-20 Budget	2019-20 First Interim	2020-21 Projected Budget	2021-22 Projected Budget
LCFF Revenue	29,522,148	31,471,218	32,259,340	34,848,263	35,658,762	35,649,099	36,674,942	37,698,524
Federal Revenue	892,201	901,419	882,420	905,833	932,400	921,360	920,360	920,360
Other State Revenue	5,631,837	4,715,681	4,524,944	4,823,705	3,367,966	3,439,480	3,439,480	3,439,480
Local Revenue	8,568,347	8,593,795	8,752,530	8,971,696	8,355,999	8,823,426	8,429,556	5,797,456
Total Revenues	44,614,533	45,682,113	46,419,234	49,549,497	48,315,127	48,833,365	49,464,338	47,855,820
Expenditures								
Certificated Salaries	20,014,493	19,963,732	20,295,301	21,102,901	21,523,989	21,980,718	21,956,381	20,348,618
Classified Salaries	7,414,549	7,737,536	7,952,732	8,186,739	8,506,192	8,821,494	8,866,763	8,395,498
Employee Benefits	7,894,906	7,980,582	8,534,513	9,310,161	9,592,813	9,869,014	10,602,548	10,817,005
Books & Supplies	1,821,465	2,143,249	2,335,555	1,886,851	2,662,272	2,633,798	2,573,305	2,111,905
Contracted Services	5,468,813	5,666,337	5,787,263	6,472,321	6,742,837	7,013,172	7,179,647	7,198,542
Capital Outlay	74,349	289,126	256,906	641,285	70,000	167,589	50,000	50,000
Other Outgo	15,000	17,127	18,209	0	0	0	0	0
Direct Support / Indirect Support	(40,240)	(37,128)	(40,862)	(44,557)	(43,000)	(47,417)	(47,417)	(47,417)
Total Expenditures	42,663,334	43,761,161	45,139,617	47,555,701	49,055,103	50,438,368	51,180,627	48,874,151
Difference	1,951,199	1,920,952	1,279,617	1,993,796	(739,976)	(1,605,003)	(1,716,289)	(1,018,331)
Other Financing Sources/Uses								
Interfund Transfers In	14,388	20,076	0	0	20,000	20,000	20,000	20,000
Interfund Transfers Out Fund 14	(1,647,127)	(614,493)	(335,000)	(335,000)	(335,000)	(335,000)	(335,000)	(335,000)
Interfund Transfers Out Fund 20	0	0	(125,000)	(125,000)	(125,000)	(125,000)	(125,000)	(125,000)
Contributions From Unrestricted Funds	0	0	0	0	0	0	0	0
Total Other Financing Sources/Uses	(1,632,739)	(594,417)	(460,000)	(460,000)	(440,000)	(440,000)	(440,000)	(440,000)
Net Increase (Decrease) in Fund Balance	318,460	1,326,535	819,617	1,533,796	(1,179,976)	(2,045,003)	(2,156,289)	(1,458,331)
Beginning Balance	5,356,299	5,674,760	7,001,294	7,820,914	9,354,710	9,354,710	7,309,707	5,153,418
Net Increase/Decrease in Fund Balance	318,460	1,326,535	819,617	1,533,796	(1,179,976)	(2,045,003)	(2,156,289)	(1,458,331)
Ending Fund Balance	5,674,760	7,001,294	7,820,911	9,354,710	8,174,734	7,309,707	5,153,418	3,695,087
Components of Ending Fund Balance								
Revolving Cash	6,000	6,030	6,030	8,500	8,500	8,500	8,500	8,500
Stores/Prepays	154,948	60,175	11,231	7,500	7,500	7,500	7,500	7,500
Committed Funds - PERS/STRS	490,000	490,000	490,000	490,000	490,000	490,000	490,000	490,000
Legally Restricted	463,013	431,410	761,639	296,097	158,669	339,540	413,482	478,728
Assigned Funds - LCFF Gap	0	0	0	0	0	0	0	0
Assigned Funds - Donations	0	324,788	274,047	0	0	0	0	0
Assigned Funds - Textbooks	494,585	1,011,519	784,027	687,806	514,890	944,608	581,320	666,320
Assigned Funds - CTE Grant	0	391,480	0	0	0	0	0	0
Assigned Funds -18/19 one-time \$	0	0	0	158,804	158,804	158,804	158,804	158,804
Economic Uncertainties	4,066,214	4,285,892	5,493,937	7,706,003	6,836,351	5,360,755	3,493,812	1,885,235
Undesignated	0	0	0	0	0	0	0	0
Total Components of Ending Fund Balance	5,674,760	7,001,295	7,820,911	9,354,710	8,174,734	7,309,707	5,153,418	3,695,087
Reserve at 3.5%	OK	OK	OK	OK	OK	OK	OK	OK
3.50%	1,550,363	1,552,445	1,585,987	1,680,550	1,732,329	1,780,743	1,806,722	1,725,995
3.00%	1,328,882	1,330,667	1,367,989	1,440,471	1,484,853	1,526,351	1,548,619	1,479,425

Attachment B

CBEDS to P2 ADA Projections

	A	B	C	D (C-B)	E (C-A)	F (C/A)
	CBEDS	P1 ADA	P2 ADA		Difference	%Difference
2018-19	4135	4041	4042	1	-93	0.9775
2017-18	4157	4085	4056	-29	-101	0.9757
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
			Average:	-14	-73	0.9773
2018-19	4135		4042	0.9775		
seniors out	-346					
others in	139					
NPS 9	0					
TK/K in	229					
2019-20	4157		4062	0.9773	(under review)	
seniors out	-347					
others in	102					
NPS 9	0					
TK/K in	245					
2020-21	4157		4062	0.9773	(under review)	
seniors out	-341					
others in	89					
NPS 9	0					
TK/K in	252					
2021-2022	4157		4062	0.9773	(under review)	

* includes NPS

seniors out per (Reda) Enrollment report Sept 2018
 NPS per CDE Report Oct.2018

Projected ADA	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
ADA	4041	4056	4042	4062	4062	4062
Increase/Decline from Prior Yr		22	0	21	0	0
Funded ADA		4063	4062	4062	4062	4062

Attachment C

	2018-19	2019-20	2020-21	2021-22	2022-23
Enrollment	4135	4150	4150	4150	4150
ADA to Enrollment factor est.*	97.73%	97.72%	97.72%	97.72%	97.72%
Governing Board/Other Elections	\$0	\$0	\$100,000	\$0	\$100,000
Employee Salary Compensation					
Classified	1.25%	2.50%	TBD	TBD	TBD
Certificated	2.75%	2.50%	TBD	TBD	TBD
Increases in salary costs					
Step and Column Increase Estimated	1.75% Cert	1.75% Cert	1.75% Cert	1.75% Cert	1.75% Cert
Salary Costs Only/Benefits not included	\$355,167	\$376,670	\$384,663	\$381,944	\$381,944
	1.25% Class	1.25% Class	1.25% Class	1.25% Class	1.25% Class
	\$99,409	\$106,327	\$109,831	\$110,392	\$110,392
STRS Employer rate projection estimate*	16.28%	17.10%	18.40%	18.10%	18.10%
increase over previous year	\$360,647	\$87,520	\$283,730	(\$60,646)	\$0
increase from 14-15 contribution	\$1,718,780	\$1,806,300	\$2,090,030	\$2,029,384	\$2,029,384
PERS Employer rate projection estimate*	18.06%	19.72%	22.70%	24.60%	25.40%
increase over previous year	\$205,002	\$136,679	\$263,085	\$158,333	\$80,000
increase from 14-15 contribution	\$590,181	\$726,860	\$989,945	\$1,374,800	\$1,454,800
Cost of 1% increase (salary and benefits)*					
Certificated	\$ 244,585	\$258,286	\$264,890 est.	TBD	TBD
Classified	\$ 102,099	\$112,281	\$119,503 est.	TBD	TBD
H & W Increase	3.71%	3.26%	3.00%	2.80%	3.16%
Supplemental Grant*	\$551,340	\$602,239	\$592,967	\$608,065	\$608,065
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)	2.00%	3.00%	3.00%	3.00%	3.00%
	\$0	\$0	\$37,727	\$38,858	\$40,025
Unrestricted Capital Outlay*	\$50,000	\$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 cont. - Fund 20.0)	\$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)*	\$2,104,143	\$2,102,726	\$2,165,808	\$2,230,782	\$2,297,705
Fund 17 Lease Interruption Contingency	\$1,825,000	\$1,825,000	\$1,825,000	\$1,825,000	\$1,825,000
Mandated Block Grant	\$165,000	\$170,891	\$176,032	\$180,971	\$186,695
One Time Prior Year Mandate*	\$747,408	\$0	\$0	\$0	\$0
Parcel Tax Revenue	\$2,582,100	\$2,582,100	\$2,582,100	\$2,582,100	\$2,582,100
Educational Foundation Revenue*	\$2.23 M	\$1.95 M	\$1.75 M est	\$1.75 M est	\$1.75 M est
Transfer to Fund 40 (planned capital projects)	\$0	\$0	\$0	\$0	\$0
Deferred Maintenance Contribution (includes LCFF)	\$335,000	\$335,000	\$335,000	\$335,000	\$335,000
Educator Effectiveness Program	\$0	\$0.00	\$0.00	\$0.00	\$0.00
Lottery per ADA	\$151.00	\$153.00	\$153.00	\$153.00	\$153.00
Lottery Proposition 20 per ADA	\$53.00	\$54.00	\$54.00	\$54.00	\$54.00

SSC School District and Charter School Financial Projection Dashboard 2019-20 Adopted State Budget

This version of School Services of California, Inc. (SSC) Financial Projection Dashboard is based on the 2019-20 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 GRADESPAN FACTORS				
Entitlement Factors Per ADA*	K-3	4-6	7-8	9-12
2018-19 Base Grants	\$7,459	\$7,571	\$7,796	\$9,034
COLA at 3.26%	\$243	\$247	\$254	\$295
2019-20 Base Grants	\$7,702	\$7,818	\$8,050	\$9,329
Grade Span Adjustment Factors	10.4%	–	–	2.6%
Grade Span Adjustment Amounts	\$801	–	–	\$243
2019-20 Adjusted Base Grants	\$8,503	\$7,818	\$8,050	\$9,572
Supplemental Grants (% Adj. Base)	20%	20%	20%	20%
Concentration Grants	50%	50%	50%	50%
Concentration Grant Threshold	55%	55%	55%	55%

*Average daily attendance (ADA)

LCFF FUNDING FACTORS					
Factors	2018-19	2019-20	2020-21	2021-22	2022-23
Department of Finance Gap Funding Percentage	100.00%	–	–	–	–
COLA ¹	3.70%	3.26%	3.00%	2.80%	3.16%

OTHER PLANNING FACTORS						
Factors		2018-19	2019-20	2020-21	2021-22	2022-23
Statutory COLA ²		2.71%	3.26%	3.00%	2.80%	3.16%
California CPI		3.62%	3.33%	3.14%	3.02%	3.13%
California Lottery	Unrestricted per ADA	\$164	\$153	\$153	\$153	\$153
	Restricted per ADA	\$66	\$54	\$54	\$54	\$54
Mandate Block Grant (District)	Grades K-8 per ADA	\$31.16	\$32.18	\$33.15	\$34.08	\$35.16
	Grades 9-12 per ADA	\$59.83	\$61.94	\$63.80	\$65.59	\$67.66
Mandate Block Grant (Charter)	Grades K-8 per ADA	\$16.33	\$16.86	\$17.37	\$17.86	\$18.42
	Grades 9-12 per ADA	\$45.23	\$46.87	\$48.28	\$49.63	\$51.20
One-Time Discretionary Funds per ADA		\$184	–	–	–	–
Interest Rate for Ten-Year Treasuries		2.58%	2.35%	2.58%	2.60%	2.70%
CalPERS Employer Rate ³		18.062%	19.721%	22.70%	24.60%	25.40%
CalSTRS Employer Rate ⁴		16.28%	17.10%	18.40%	18.10%	18.10%

STATE MINIMUM RESERVE REQUIREMENTS	
Reserve Requirement	District ADA Range
The greater of 5% or \$67,000 ⁵	0 to 300
The greater of 4% or \$67,000 ⁵	301 to 1,000
3%	1,001 to 30,000
2%	30,001 to 400,000
1%	400,001 and higher

¹2018-19 rate includes statutory COLA of 2.71% plus an augmentation of 0.99% for school districts and charter schools. County offices of education receive only the statutory COLA.

²Applies to Special Education, Child Nutrition, Preschool, Foster Youth, American Indian Education Centers/American Indian Early Childhood Education and Mandate Block Grant.

³California Public Employees' Retirement System (CalPERS) rate in 2019-20 is final; that rate as well as the rates in the following years are subsidized based on the adopted State Budget.

⁴California State Teachers' Retirement System (CalSTRS) rates for 2019-20 and beyond are subsidized based on the adopted State Budget.

⁵Rate adjusts upward to \$69,000 beginning in 2019-20.

Attachment E

OTHER FUNDS – Balances as of 10/31/19

Each fund is budgeted separately in the State's SACS Financial Report. The following is a very brief statement on each fund and the estimated cash balance as of June 30, 2019.

13.0 Cafeteria Fund – This fund is for federal, state, and local resources that operate the food service program. Cash balance - \$94,983.36

14.0 Deferred Maintenance Fund – This fund is used to account for revenues that are restricted or committed for deferred maintenance purposes. The fund no longer receives State revenue however the district does an inter fund transfer of \$335,000 each year. End of year balance will be determined after projects for the year.

17.1 Special Reserve Fund Lease Interruption – This fund is primarily to provide for the accumulation of general fund moneys for general operating purposes other than capital outlay. The district uses this fund in the event a long-term lease is interrupted. Cash balance \$1,824,997.76.

20.0 Special Reserve for Postemployment Benefits – This fund is used to account for future cost of postemployment benefits, GASB 45 Cash balance \$1,059,173.55.

21.1 Building Fund – These funds are primarily for the expenditure of local bond funds. All previous bond funds have been expended. Cash balance \$22,028,094.77.

25.0 Capital Facilities Fund – Developer Fees. Cash balance \$1,056,657.90.

40.0 through 40.4 Special Reserve Fund for Capital Outlay Projects – These funds are used for the accumulation of general fund moneys for capital outlay purposes.

40.0 Facilities - Cash balance \$465,265.72.

40.1 Stadium Field – Cash balance \$122,079.18.

40.2 Sewer Connect – Cash balance \$36,838.97.

40.3 Field Agreement – Cash balance \$113,418.49.

40.4 Field Replacement – Cash balance \$102,826.27.

