

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

November 17, 2020

TO: Wendy K. Sinnette, Superintendent

FROM: Mark Evans, Assoc. Superintendent of Business and Administrative Services

SUBJECT: Approval of First Interim Financial Report 2020-21 – 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 2020-21 and Multi-Year Projection Scenarios

The Governing Board, at its meeting on June 30, 2020, adopted the District's Budget for 2020-21, and they reviewed multi-year budgetary projections through 2022-23.

In addition, at its meeting on August 11, 2020, the Governing Board approved the District's 45-Day Budget Revise for 2020-21.

Current Considerations/Budgetary Overview

The First Interim Report for 2020-21 and the multi-year has some changes from the updated budget of August 2020.

Revenues:

- The First Interim shows a decrease in federal revenues and an increase in other state revenues. This is due to part of the Learning Loss Mitigation Funds being reflected in the State category instead of Federal. Decreases in local revenues reflect the decrease in

donations. These are largely balanced out on the expenditure side of the budget.

Expenditures:

- **Salaries:** Salary costs were updated to reflect 2020-21 personnel with updated salary schedules and step and column.
- **Benefits:** Costs of benefits directly relate to salaries, so the change here is a result of the updated salaries and adjustment in STRS and PERS rates.
- **Supplies, Services and Capital Expenditures:** Increases in services, and capital outlay reflect costs that were not completed during 2019-2020 fiscal year and were carried forward into 2020-21. 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 \$250,000 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. The Learning Loss Mitigation Funds corresponding to revenues and like expenditures of \$1.5 million have been removed from the multi-year projections. 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 \$100,000 from Fund 40.0 to the Cafeteria Fund (13.0) is also part of First Interim.

Recommendation

It is recommended that the Governing Board review and discuss the First Interim Financial Report 2020-21 – First Reading and give any direction toward final read.

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
2019-20	4125	4044	4030	-14	-95	0.9770
2018-19	4126	4041	4043	2	-83	0.9799
2017-18	4163	4086	4056	-30	-107	0.9743
2016-17	4130	4060	4042	-18	-88	0.9787
2015-16	4092	4007	3989	-18	-103	0.9748
2014-15	4048	3991	3963	-28	-85	0.9791
2013-14	4043	3960	3957	-3	-86	0.9787
			Average:	-15.74	-92	0.9776

2019-20	4125		4033	0.9776	(under review)
seniors out	-358				
others in	61				
TK/K in	175				
2020-21	4003		3913	0.9776	(under review)
seniors out	-303				
others in	120				
TK/K in	272				
2021-22	4092		4000	0.9776	(under review)
seniors out	-324				
others in	89				
TK/K in	268				
2022-23	4125		4033	0.9776	(under review)
seniors out	-320				
others in	68				
TK/K in	252				
	4125				

* includes NPS

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

Projections	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
ADA	4056	4043	4033	3913	4000	4033
Increase/Decline from Prior Yr		-13	-10	-119	87	32
Funded ADA (greater of current or previous year)	4056	4056	4058	4032	3996	4033

Attachment C

	2018-19	2019-20	2020-21	2021-22	2022-23
COLA	2.71%	3.26%	0.00%	0.00%	0.00%
Enrollment	4134	4125	4003	4090	4125
ADA to Enrollment factor est.*	97.99%	97.77%	97.76%	97.76%	97.76%
Governing Board/Other Elections	\$60,000	\$60,000	\$60,000	\$0	\$60,000
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	\$385,448	\$378,072	\$383,568
	1.25% Class	1.25% Class	1.25% Class	1.25% Class	1.25% Class
	\$99,409	\$106,327	\$109,243	\$113,169	\$113,521
STRS Employer rate projection estimate*	16.28%	17.10%	16.15%	16.00%	18.10%
increase over previous year	\$473,295	\$267,918	(\$147,346)	(\$32,617)	\$190,861
increase from 14-15 contribution	\$1,718,780	\$1,986,698	\$1,839,352	\$1,806,735	\$1,997,596
PERS Employer rate projection estimate*	18.06%	19.72%	20.70%	23.00%	26.30%
increase over previous year	\$199,051	\$201,106	\$66,115	\$206,427	\$299,924
increase from 14-15 contribution	\$590,181	\$791,287	\$857,402	\$1,290,351	\$1,590,275
Cost of 1% increase (salary and benefits)*					
Certificated	\$ 244,585	\$258,286	\$275,026 est.	TBD	TBD
Classified	\$ 102,099	\$112,281	\$119,503 est.	TBD	TBD
H & W Increase	3.71%	3.26%	0.00%	0.00%	0.00%
Supplemental Grant*	\$551,340	\$577,877	\$525,879	\$501,003	\$505,479
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	\$0	\$36,594	\$37,692
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)*	\$2,041,482	\$1,741,649	\$2,000,000	\$2,060,000	\$2,120,000
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	\$170,207	\$168,305	\$168,305	\$168,305
One Time Prior Year Mandate*	\$747,408	\$0	\$0	\$0	\$0
Parcel Tax Revenue	\$2,590,000	\$2,555,470	\$2,433,000	\$2,493,684	\$2,513,495
Educational Foundation Revenue*	\$2.12 M	\$1.92 M	\$2.3 M	\$1.7 M est	\$1.7 M est
Transfer to Fund 40 (planned capital projects)	\$0	\$0	\$0	\$0	\$0
Deferred Maintenance Contribution (includes LCFF)	\$335,000	\$250,000	\$250,000	\$250,000	\$250,000
Lottery per ADA	\$149.00	\$150.00	\$150.00	\$150.00	\$150.00
Lottery Proposition 20 per ADA	\$48.00	\$49.00	\$49.00	\$49.00	\$49.00

SSC School District and Charter School Financial Projection Dashboard Adopted State Budget for 2020–21 (Revised CalPERS Rates 10-30-20)

This version of the School Services of California Inc. (SSC) Financial Projection Dashboard is based on the 2020–21 Adopted State Budget, then later revised for new California Public Employees' Retirement System (CalPERS) employer contribution rate estimates as of October 30, 2020⁴. 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 PLANNING FACTORS					
Factor	2019–20	2020–21	2021–22	2022–23	2023–24
Statutory COLA and DOF Latest Estimates	3.26%	2.31%	2.48%	3.26%	N/A
Funded COLA	3.26%	0.00%	N/A	N/A	N/A
SSC Estimated Statutory COLA	3.26%	2.31%	0.60%	0.70%	1.60%
SSC Recommended Planning COLA ^{1,2}	3.26%	0.00%	0.00%	0.00%	0.00%

*Department of Finance (DOF)

LCFF GRADE SPAN FACTORS FOR 2020–21				
Entitlement Factors Per ADA*	K–3	4–6	7–8	9–12
2019–20 Base Grants	\$7,702	\$7,818	\$8,050	\$9,329
Statutory COLA at 2.31%	\$178	\$181	\$186	\$215
2020–21 Base Grants Before Deficit Factor	\$7,880	\$7,999	\$8,236	\$9,544
Deficit Factor Impact	(\$178)	(\$181)	(\$186)	(\$215)
2020–21 Base Grants After Deficit Factor	\$7,702	\$7,818	\$8,050	\$9,329
Grade Span Adjustment Factors	10.4%	–	–	2.6%
Grade Span Adjustment Amounts	\$801	–	–	\$243
2020–21 Adjusted Base Grants ³	\$8,503	\$7,818	\$8,050	\$9,572

*Average daily attendance (ADA)

OTHER PLANNING FACTORS						
Factors		2019–20	2020–21	2021–22	2022–23	2023–24
California CPI		2.34%	0.98%	1.59%	1.87%	2.33%
California Lottery	Unrestricted per ADA	\$149	\$150	\$150	\$150	\$150
	Restricted per ADA	\$48	\$49	\$49	\$49	\$49
Mandate Block Grant (District)	Grades K–8 per ADA	\$32.18	\$32.18	\$32.18	\$32.18	\$32.18
	Grades 9–12 per ADA	\$61.94	\$61.94	\$61.94	\$61.94	\$61.94
Mandate Block Grant (Charter)	Grades K–8 per ADA	\$16.86	\$16.86	\$16.86	\$16.86	\$16.86
	Grades 9–12 per ADA	\$46.87	\$46.87	\$46.87	\$46.87	\$46.87
Interest Rate for Ten-Year Treasuries		1.25%	0.89%	1.24%	1.70%	2.10%
CalSTRS Employer Rate ⁴		17.10%	16.15%	16.00%	18.10%	18.10%
CalPERS Employer Rate ⁴		19.721%	20.70%	23.00%	26.30%	27.30%

STATE MINIMUM RESERVE REQUIREMENTS	
Reserve Requirement	District ADA Range
The greater of 5% or \$69,000 ⁵	0 to 300
The greater of 4% or \$69,000 ⁵	301 to 1,000
3%	1,001 to 30,000
2%	30,001 to 400,000
1%	400,001 and higher

¹Recommended planning COLA is based on the projection that the Proposition 98 guarantee is not expected to recover to 2019–20 levels during the forecast period, and more than \$11 billion in budget deferrals are in place beginning 2020–21.

²The unfunded SSC estimated statutory COLA projections result in a compounded deficit factor of 5.30%, and an aggregate loss of funding of 13.52%, through the 2023–24 fiscal year.

³Additional funding is provided for students who are designated as eligible for free or reduced price meals, foster youth, and English language learners. A 20% augmentation is provided for each eligible student with an additional 50% for each eligible student beyond the 55% identification rate threshold.

⁴California State Teachers' Retirement System (CalSTRS) and CalPERS rates in 2020–21 and 2021–22 are bought down by a \$2.3 billion payment from state of California. Rates in the following years are estimates and subject to change based on determination by the respective governing boards.

⁵Rate adjusts upward to \$71,000 beginning in 2020–21.

Attachment E

OTHER FUNDS – Balances as of 10/31/2020

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 October 31, 2020.

13.0 Cafeteria Fund – This fund is for federal, state, and local resources that operate the food service program. Cash balance - \$100,287.

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 will do an inter fund transfer of \$250,000 each year. Cash balance - \$46,184.

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 - \$1,820,206.

20.0 Special Reserve for Postemployment Benefits – This fund is used to account for future cost of postemployment benefits, GASB 45 Cash balance \$1,199,439.

21.1 Building Fund – First Issuance These funds are primarily for the expenditure of local bond funds. All previous bond funds have been expended. Cash balance \$15,829,194.

21.2 Building Fund – Second Issuance These funds are primarily for the expenditure of local bond funds. All previous bond funds have been expended. Cash balance \$29,680,048.

25.0 Capital Facilities Fund – Developer Fees. Cash balance \$1,339,729.

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 \$539,234.

40.1 Stadium Field – Cash balance \$138,478.

40.2 Sewer Connect – Cash balance \$8,865.

40.3 Field Agreement – Cash balance \$154,053.

40.4 Field Replacement – Cash balance \$104,308.

La Canada Unified School District
2020-2021 First Interim - Other Funds

Attachment F

OTHER FUNDS
FI 2020-21

	CAFETERIA (13)	DEFERRED MAINTENANCE (14)	LEASE INTERRUPTION (17.1)	GASB 45 (20)	BOND (21.1)	BOND (21.2)	DEV FEE (25.0)	FACILITIES (40.0)	STADIUM FIELD (40.1)	SEWER CONNECTION (40.2)	Field Agreement Fund (40.3)	Field Replacement Fund (40.4)	SPECIAL RESERVE TOTAL (40)	SUMMARY (All Funds)
REVENUE	405,392	500	0	19,000	375,000	54,000	243,000	363,935	8,000	0	32,000	1,750	405,685	47,998,869
EXPENDITURES	552,242	203,500	0	0	18,232,214	0	3,000	192,677	0	0	0	0	192,677	66,313,234
	-146,850	-203,000	0	19,000	-17,857,214	54,000	240,000	171,258	8,000	0	32,000	1,750	213,008	-18,374,365
Transfer Out Fund 14	0	0	0	0	0	0	0	0	0	0	0	0	0	-335,000
Transfer Out Fund 20	0	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
Transfer Out Fund 13	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfer in Fund 17	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfer in/Out	100,000	250,000	0	125,000	0	0	0	-100,000	0	0	0	0	-100,000	375,000
Cont to Rest Maint	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cont to Restricted	0	0	0	0	0	0	0	0	0	0	0	0	0	0
FUND CHANGE	-46,850	47,000	0	144,000	-17,857,214	54,000	240,000	71,258	8,000	0	32,000	1,750	113,008	-18,439,364
BEG. BAL. 7/1	48,254	8,306	1,825,000	1,202,226	17,543,736	29,734,283	1,307,350	572,756	137,542	8,888	142,397	104,578	966,161	29,902,327
END. BAL. 6/30	1,404	55,306	1,825,000	1,346,226	-313,478	29,788,283	1,547,350	644,014	145,542	8,888	174,397	106,328	1,079,169	11,462,962
Revolving Cash	400	0	0	0	0	0	0	0	0	0	0	0	0	8,900
Stores/Prepays	0	0	0	0	0	0	0	0	0	0	0	0	0	7,500
Legally Restricted	0	0	0	0	0	0	0	0	0	0	0	0	0	298,013
Committed Funds Capital Reserve			1,500,000											1,500,000
Committed Funds PERS/STRS			325,000		-313,478	29,788,283	1,547,350	644,014	145,542	8,888	174,397	106,328	1,079,169	480,000
Assigned Funds	1,004	55,306		1,346,226										4,040,577
Assigned Funds/Donations														0
Assigned Funds/Textbooks														527,206
Economic Uncertainty	0	0	0	0	0	0	0	0	0	0	0	0	0	4,590,766
Undesignated	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