

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

February 9, 2021

TO: Wendy K. Sinnette, Superintendent

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

SUBJECT: Approval of Second 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 Second Interim Report for 2020-21 and the multi-year has some changes from the updated budget of August 2020 and the First Interim Report in December.

Revenues:

- The Second Interim shows a decrease in Other State and Local revenues. This is due to a decrease in the Classified Summer Assistance Program and a decrease in rental income as a result of the pandemic.

Expenditures:

- **Salaries:** Salary costs were updated to reflect the most recent personnel for 2020-21.
- **Benefits:** Costs of benefits directly relate to salaries. The change here is a result of the updated salaries and adjustment in STRS and PERS rates.
- **Supplies, Services and Capital Expenditures:** Supplies have decreased as student consumables are available on-line. Utilities have been reduced to reflect the savings due to the school closures. Non-instructional services, such as student transportation, has also been reduced due to the circumstances. 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 slight decrease in ADA for 21-22 and returns to flat enrollment in 22-23. 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 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 \$75,000 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 Second 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) Difference	F (C/A) %Difference
	CBEDS	P1 ADA	P2 ADA			
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
2020-21	3988		3899	0.9776	(under review)	
seniors out	-310					
others in	130					
TK/K in	282					
2021-22	4090		3998	0.9776	(under review)	
seniors out	-324					
others in	90					
TK/K in	269					
2022-23	4125		4033	0.9776	(under review)	
seniors out	-320					
others in	68					
TK/K in	252					
2023-24	4125		4033	0.9776	(under review)	
seniors out	-349					
others in	86					
TK/K in	263					
	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	2023-24
ADA	4056	4043	4030	3899	3998	4033	4033
Increase/Decline from Prior Yr		-13	-13	-131	100	34	0
Funded ADA (greater of current or previous year)	4056	4056	4058	4032	3998	4033	4033

Attachment C

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
COLA	2.71%	3.26%	0.00%	3.84%	1.28%	1.61%
Enrollment	4134	4125	3988	4090	4125	4125
ADA to Enrollment factor est.*	97.99%	97.77%	97.76%	97.76%	97.76%	97.76%
Governing Board/Other Elections	\$60,000	\$60,000	\$60,000	\$0	\$60,000	\$0
Employee Salary Compensation						
Classified	1.25%	2.50%	TBD	TBD	TBD	TBD
Certificated	2.75%	2.50%	TBD	TBD	TBD	TBD
Increases in salary costs						
Step and Column Increase Estimated	1.75% Cert					
Salary Costs Only/Benefits not included	\$355,167	\$376,670	\$379,720	\$382,115	\$387,727	\$393,416
	1.25% Class					
	\$99,409	\$106,327	\$111,493	\$112,149	\$111,534	\$112,940
STRS Employer rate projection estimate*	16.28%	17.10%	16.15%	15.92%	18.00%	18.00%
increase over previous year	\$473,295	\$267,918	(\$147,346)	(\$49,906)	\$451,325	\$0
increase from 14-15 contribution	\$1,718,780	\$1,986,698	\$1,839,352	\$1,789,446	\$2,240,771	\$2,240,771
PERS Employer rate projection estimate*	18.06%	19.72%	20.70%	23.00%	26.30%	27.30%
increase over previous year	\$199,051	\$201,106	\$66,115	\$205,146	\$294,340	\$89,194
increase from 14-15 contribution	\$590,181	\$791,287	\$857,402	\$1,289,070	\$1,583,410	\$1,672,604
Cost of 1% increase (salary and benefits)*						
Certificated	\$ 244,585	\$258,286	\$256,325	TBD	TBD	TBD
Classified	\$ 102,099	\$112,281	\$117,844	TBD	TBD	TBD
H & W Increase	3.71%	3.26%	0.00%	3.84%	1.28%	1.61%
Supplemental Grant*	\$551,340	\$577,877	\$523,450	\$513,345	\$524,659	\$533,838
Technology infrastructure/equipment/support	\$450,000	\$450,000	\$450,000	\$450,000	\$450,000	\$450,000
Routine Restricted Maintenance Contribution	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Utility Increase (under review)	2.00%	3.00%	3.00%	3.00%	3.00%	3.00%
	\$0	\$0	\$0	\$38,055	\$39,197	\$40,373
Unrestricted Capital Outlay*	\$50,000	\$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	\$125,000
GASB 45 (Post employment benefits cont.- Fund 20.0)	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000
Reserve level	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Projected Lease Income (under review)*	\$2,041,482	\$1,741,649	\$1,500,000	\$2,175,000	\$2,175,000	\$2,175,000
Fund 17 Lease Interruption Contingency	\$1,825,000	\$1,825,000	\$1,825,000	\$1,825,000	\$1,825,000	\$1,825,000
Mandated Block Grant	\$165,000	\$170,207	\$168,305	\$170,830	\$173,016	\$175,802
One Time Prior Year Mandate*	\$747,408	\$0	\$0	\$0	\$0	\$0
Parcel Tax Revenue	\$2,590,000	\$2,555,470	\$2,421,000	\$2,450,052	\$2,479,453	\$2,509,206
Educational Foundation Revenue*	\$2.12 M	\$1.92 M	\$2.3 M	\$1.7 M est	\$2.0 M est	\$2.0 M est
Transfer to Fund 40 (planned capital projects)	\$0	\$0	\$0	\$0	\$0	\$0
Deferred Maintenance Contribution (includes LCFF)	\$335,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000
Lottery per ADA	\$149.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00
Lottery Proposition 20 per ADA	\$48.00	\$49.00	\$49.00	\$49.00	\$49.00	\$49.00

SSC School District and Charter School Financial Projection Dashboard 2021–22 Governor’s Budget

This version of School Services of California Inc.’s (SSC) Financial Projection Dashboard is based on the 2021–22 Governor’s Budget proposal. 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	2020–21	2021–22	2022–23	2023–24	2024–25
Department of Finance (DOF) Estimated Statutory COLA	2.31%	1.50% ¹	2.98%	3.05%	N/A
DOF Estimated Funded COLA	0.00%	3.84% ²	2.98%	3.05%	N/A
SSC Estimated Statutory COLA ³	0.00%	3.84%	1.28%	1.61%	1.90%

LCFF GRADE SPAN FACTORS FOR 2021–22				
Entitlement Factors per ADA*	K–3	4–6	7–8	9–12
2020–21 Base Grants	\$7,702	\$7,818	\$8,050	\$9,329
Compounded COLA at 3.84%	\$296	\$300	\$309	\$358
2021–22 Base Grants	\$7,998	\$8,118	\$8,359	\$9,687
Grade Span Adjustment Factors	10.4%	–	–	2.6%
Grade Span Adjustment Amounts	\$832	–	–	\$252
2021–22 Adjusted Base Grants ⁴	\$8,830	\$8,118	\$8,359	\$9,939

*Average daily attendance (ADA)

OTHER PLANNING FACTORS					
Factors	2020–21	2021–22	2022–23	2023–24	2024–25
California CPI	1.44%	1.57%	1.82%	2.12%	2.40%
California Lottery	Unrestricted per ADA	\$150	\$150	\$150	\$150
	Restricted per ADA	\$49	\$49	\$49	\$49
Mandate Block Grant (District)	Grades K–8 per ADA	\$32.18	\$32.66	\$33.08	\$33.61
	Grades 9–12 per ADA	\$61.94	\$62.87	\$63.67	\$64.70
Mandate Block Grant (Charter)	Grades K–8 per ADA	\$16.86	\$17.11	\$17.33	\$17.61
	Grades 9–12 per ADA	\$46.87	\$47.57	\$48.18	\$48.96
Interest Rate for Ten-Year Treasuries	0.98%	1.48%	1.65%	1.90%	2.10%
CalSTRS Employer Rate ⁵	16.15%	15.92%	18.00%	18.00%	18.00%
CalPERS Employer Rate ⁵	20.70%	23.00%	26.30%	27.30%	27.80%

STATE MINIMUM RESERVE REQUIREMENTS	
Reserve Requirement	District ADA Range
The greater of 5% or \$71,000	0 to 300
The greater of 4% or \$71,000	301 to 1,000
3%	1,001 to 30,000
2%	30,001 to 400,000
1%	400,001 and higher

¹Applies to Special Education, Child Nutrition, Preschool, Foster Youth, American Indian Education Centers/American Indian Early Childhood Education, and Mandate Block Grant.

²Amount represents the 2020–21 unfunded statutory COLA of 2.31% compounded with the 2021–22 estimated statutory COLA of 1.50%.

³Estimated Statutory COLAs in 2022-23 and beyond are estimated using an independent economist and represent an alternative more closely aligned with the changes in consumer price index.

⁴Additional 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.

⁵California State Teachers’ Retirement System (CalSTRS) and California Public Employees’ Retirement System (CalPERS) rates in 2020–21 and 2021–22 were bought down by a \$2.3 billion payment from state of California. Rates in the following years are subject to change based on determination by the respective governing boards.

Attachment E

OTHER FUNDS – Balances as of 1/31/2021

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 January 31, 2021.

13.0 Cafeteria Fund – This fund is for federal, state, and local resources that operate the food service program. Cash balance – (\$3,139). Estimated ending fund balance of \$23,896 anticipated after pending transfer.

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 – (\$46,165). Estimated ending fund balance of \$68,886 anticipated after pending transfer.

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 - \$1,828,028.

20.0 Special Reserve for Postemployment Benefits – This fund is used to account for future cost of postemployment benefits, GASB 45 Cash balance \$1,204,222.

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 \$14,980,104.

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 \$29,783,668.

25.0 Capital Facilities Fund – Developer Fees. Cash balance \$1,366,737.

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 \$484,279.

40.1 Stadium Field – Cash balance \$139,027.

40.2 Sewer Connect – Cash balance \$8,903.

40.3 Field Agreement – Cash balance \$163,639.

40.4 Field Replacement – Cash balance \$104,752.

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

Attachment F

OTHER FUNDS
SI 2020-21

	CAFETERIA (13)	DEFERRED MAINTENANCE (14)	LEASE INTERRUPTION (17.1)	GASB 45 (20)	BOND (21.1)	BOND (21.2)	DEVELOPER FEES (25.0)	FACILITIES (40.0)	STADIUM FIELD (40.1)	SEWER CONNECTION (40.2)	Field Agreement Fund (40.3)	Field Reclamation Fund (40.4)	SPECIAL RESERVE TOTAL (60)	SUMMARY (All Funds)
REVENUE	440,670	80	20,000	8,000	120,000	100,000	233,000	180,500	6,800	60	38,000	800	226,160	47,538,202
EXPENDITURES	540,028	189,500	0	0	18,868,953	0	2,430	272,713	0	0	0	0	272,713	67,003,225
DIFFERENCE	-99,358	-189,420	20,000	8,000	-18,748,953	100,000	230,570	-92,213	6,800	60	38,000	800	-46,553	-19,465,023
Transfer Out Fund 14	0	0	0	0	0	0	0	0	0	0	0	0	0	-395,000
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	75,000	250,000	-20,000	125,000	0	0	0	-75,000	0	0	0	0	-75,000	365,000
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	-24,358	60,580	0	133,000	-18,748,953	100,000	230,570	-167,213	6,800	60	38,000	800	-121,553	-19,560,022
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	23,896	68,886	1,825,000	1,335,226	-1,205,217 *	29,834,283	1,537,920	405,543	144,342	8,948	180,397	105,378	844,608	10,352,304
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	0	0	1,500,000	0	0	0	0	0	0	0	0	0	0	1,500,000
Committed Funds PERS/STRS	0	0	0	0	0	0	0	0	0	0	0	0	0	490,000
Assigned Funds	23,496	68,886	325,000	1,335,226	-1,205,217	29,834,283	1,537,920	405,543	144,342	8,948	180,397	105,378	844,608	2,929,919
Assigned Funds/Donations	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Assigned Funds/Textbooks	0	0	0	0	0	0	0	0	0	0	0	0	0	527,208
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

* Expenditures include all encumbrances; not all are anticipated to be spent in 2020-21. If ending balance becomes negative, expenditures will be transferred to Fund 21.2.