

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

March 14, 2017

TO: Wendy K. Sinnette, Superintendent

FROM: Mark Evans, Chief Business and Operations Officer
Gretchen Bergstrom, Director of Fiscal Services

SUBJECT: Approval of Second Interim Financial Report 2016-17 – Second 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 one of the following:

- 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

The budgetary assumptions and related information used in conjunction with the preparation of the District's Second Interim Financial Report are outlined within this agenda item.

The Governing Board, at its meeting on December 6, 2016, approved the District's First Interim Financial Report for 2016-17. That report referenced numerous revenue and expenditure assumptions for the current and two subsequent fiscal years.

Governor's Proposed Budget for 2017-18 and Revised District Multi-Year Financial Projections

The Governor's Proposed Budget for 2017-18 was presented on January 10, 2017.

The following is a summary of the Proposition 98 (K-12) portion of the Proposed Budget for 2017-18 that will have an impact on funding for the La Cañada Unified School District:

- Reduction of LCFF Gap Funding from 72% to 23%. This was a change from the Department

of Finance funding projections at the time the budget was adopted in June, 2016. The new rate of Gap Funding only reflects increases based on the Cost of Living Allowance (COLA). There are no additional dollars beyond this.

- Recommended one time dollars estimated at \$48/ADA
- Reduction of Prop 98 Funding obligations in 2015-2016 and 2016-2017. These will be realized by the State by adjusting dollars in the future, not reducing funding for the current year.

Ongoing revenues are distributed based on LCFF formula, and one-time revenues are traditionally dispersed evenly across all districts based on Average Daily attendance. See attachment on Funding Impacts.

Special Note: the centerpiece of the Governor's proposal for K-12 education continues to be based on full implementation of the "Local Control Funding Formula" (LCFF)....the basic premise being the distribution of combined resources to schools through a base grant with additional supplemental funding allocated based on the proportion of English Language Learners (ELL) and free and reduced price meal (F/RP) eligible students (currently, LCUSD has 324 students who meet criteria for supplemental funding).

The LCFF formula continues to provide a base grant per student (adjusted for grade span differentials, TK-3, 4-6, 7-8 and 9-12) multiplied by district ADA. When the base grant is combined with the supplemental funding for ELL and F/RP meal students, funding would essentially be distributed based upon a single weighted allocation formula. Complete phase in of LCFF is expected by 2020-21.

Funding Projections for LCUSD

The District's current 2016-2017 fiscal year and the out years LCFF funding projections are based on information provided by the Los Angeles County Office of Education (LACOE) and School Services of California (SSC). Until release of the Governor's May Revision (updating the Legislature on both 2016-2017 and 2017-2018 state revenues and expenditures), staff is currently recommending inclusion of the Governor's proposed LCFF funding level for 2017-2018. District projections for the out years follow both the School Services of California Dartboard and LACOE funding forms for LCFF. Per direction from the Los Angeles County Office of Education, any anticipated GAP funding beyond 2017-2018 remains assigned in case it is not funded.

Budgetary Overview

This agenda item provides the following budgetary information:

- An overview of the Second Interim Financial Report and multi-year projections through 2018-2019 (Page 4).
- District Budgetary Assumptions (Page 5)

- Revised Enrollment Projections (Page 6)
- 2016-2017 All Fund Summary (Page 7)
- School Services of California, Inc. Financial Projection Dartboard, 2016-17 through 2020-21, (Page 8)
- Budget Development Calendar: The calendar of events associated with the development of the District's 2016-17 (Page 9)

Recommendation

It is recommended that the Governing Board approve the Second Interim Financial Report for 2016-17, Second Reading. The Second Interim Report meets a positive certification.

**R103-14-15
Bd. Mtg: 2-10-15**

La Canada Unified School District
Second Interim Budget 2016-17 - Second Reading

SSC GAP%
Flat enrolled 17-18 18-19,
March 14, 2017

GENERAL (Combined)

Second Interim Budget 2016-17		COLA = 1.02%		0.00%		0.00%		0.00%		0.00%		1.48%		2.42%	
		Unaudited Actuals 2015-16	Original Budget 2016-17	Revised Budget 2016-17	First Interim 2016-17	Second Interim 2016-17	Projected Budget 2017-18	Projected Budget 2018-19							
REVENUE															
LFFF		29,522,148	31,224,229	31,224,229	31,365,708	31,393,964	31,802,130	32,548,215							
Federal		892,201	874,388	874,388	891,366	900,002	913,322	928,839							
Other State		5,631,837	4,105,085	4,342,348	4,380,376	4,588,734	3,704,892	3,320,874							
Other Local		8,568,347	8,083,817	8,083,817	8,136,054	8,195,309	8,252,992	7,712,406							
Total Revenue		44,614,533	44,287,519	44,524,782	44,773,504	45,078,009	44,673,336	44,508,334							
EXPENDITURES															
Certificated		20,014,493	20,001,045	20,001,045	19,867,733	19,890,718	19,561,995	18,706,767							
Classified		7,414,549	7,578,627	7,578,627	7,876,969	7,862,200	7,774,172	7,686,274							
Benefits		7,894,906	8,081,952	8,081,952	8,036,129	8,169,060	8,809,909	9,526,197							
Supplies		1,821,465	2,227,858	2,371,454	2,390,732	2,308,508	2,513,508	2,408,508							
Services		5,468,813	5,727,991	5,727,991	6,054,978	6,372,813	6,318,865	6,198,865							
Capital Outlay		74,349	40,000	106,216	228,616	398,933	398,664	284,117							
Other Outgo		15,000	15,000	15,000	15,000	15,200	0	0							
Direct / Indirect		-40,240	-41,566	-41,566	-41,566	-41,566	-41,566	-41,566							
Total Expense		42,663,334	43,630,907	43,840,719	44,428,591	44,975,866	45,335,547	44,769,162							
DIFFERENCE		1,951,199	656,612	684,063	344,913	102,143	-662,211	-260,828							

OTHER SOURCES/USES

Transfer Out Fund 14	-572,127	-441,448	-441,448	-441,448	-450,809	-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							
Transfer Out Fund 40	-830,000	0	0	0	0	0	0	0							
Transfer Out Fund 13	-120,000	-48,045	-48,045	-48,045	-48,045	-48,045	0	0							
Transfer In/(Out)	14,388	16,000	16,000	16,000	16,000	16,000	0	0							
Cont to Rest Maint	0	0	0	0	0	0	0	0							
Cont to Restricted	0	0	0	0	0	0	0	0							
Total Other S/U	-1,632,739	-598,493	-598,493	-598,493	-607,854	-607,854	-460,000	-460,000							

FUND CHANGE	318,461	58,120	85,571	(253,579)	(505,710)	(1,122,210)	(720,827)								
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Adjust	0	0	0	0	0	0	0	0							
BEG. BAL. 7/1	5,356,300	5,074,464	5,074,464	5,074,464	5,674,760	5,674,760	5,169,049	4,046,838							
END. BAL. 6/30	5,674,760	5,132,583	5,760,330	5,421,180	5,169,049	4,046,838	3,326,010								
Revolving Cash	6,000	8,500	8,500	8,500	8,500	8,500	8,500	8,500							
Stores/Prepays	154,948	7,500	46,905	57,051	57,051	57,051	7,500	7,500							
Legally Restricted	463,012	497,777	451,400	333,190	306,003	245,477	321,565	321,565							
Committed Funds PERS/ST	490,000	490,000	490,000	490,000	490,000	490,000	490,000	490,000							
Assigned Funds/LCFF Gap	0	0	0	0	0	0	0	746,068							
Assigned Funds/Donations	198,949	0	0	0	0	0	0	0							
Assigned Funds/Textbooks	295,636	960,951	930,284	930,284	918,628	529,754	140,880								
Economic Uncertainty	4,066,215	3,167,855	3,833,241	3,602,155	3,388,867	2,765,607	1,611,497								
Undesignated	0	0	0	0	0	0	0	0							
Unappropriated	0	0	0	0	0	0	0	0							

Reserve at 3.5%:
3.50%
3.00%

OK	OK	OK	OK	OK	OK	OK	OK	OK							
1,550,363	1,548,029	1,555,372	1,575,948	1,595,430	1,602,844	1,583,021									
1,328,882	1,326,882	1,333,176	1,350,813	1,367,512	1,373,866	1,356,875									

	2015-16	2016-17	2017-18	2018-19
Enrollment*	4092	4118	4118 est	4118 est
Enrollment increase/decline from prior year*	44	26	0	0
FTE loss related to Enrollment Decline/Other*	-2.0 FTE	0	0	0
Educational Foundation additional FTE				
Gr 4-6 CSR	n/a	n/a	n/a	-5.0 FTE
K Aides/Custodians Classified	n/a	n/a	n/a	-7.75 FTE
Counselors	n/a	n/a	n/a	-2.0 FTE
LCFF CSR (K-3) 20:1	n/a	n/a	n/a	n/a
LCFF Gr 4-6 CSR	n/a	n/a	n/a	n/a
ROP funding from LACOE	\$136,429	\$0	\$0	\$0
ADA to Enrollment factor est.*	97.58%	97.68%	97.68%	97.68%
Governing Board/Other Elections	\$0	\$0	\$100,000	\$0
Employee Salary Compensation				
Classified	4.00%	TBD	TBD	TBD
Certificated (schedule squared and 4.25% one time)	4.25%	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 \$319,260 1.0% Class \$77,120	1.75% Cert \$309,280 1.0% Class \$76,251
STRS Employer rate projection estimate*	10.73%	12.58%	14.43%	16.28%
increase over last year	\$ 355,935	\$ 348,741	\$ 362,486	\$ 346,664
increase from 14-15 contribution	\$ 509,360	\$ 858,101	\$ 1,220,587	\$ 1,567,251
PERS Employer rate projection estimate*	11.85%	13.88%	15.50%	17.10%
increase over last year	\$ 39,010	\$ 62,366	\$ 155,782	\$ 246,443
increase from 14-15 contribution	\$ 116,752	\$ 179,118	\$ 334,900	\$ 581,343
Cost of 1% increase (salary and benefits)*				
Certificated		\$ 226,697	TBD	TBD
Classified		\$ 59,415	TBD	TBD
H & W Increase	1.02%	0.00%	1.48%	2.40%
Supplemental Grant*	\$343,579	\$420,376	\$441,918	\$487,133
Technology infrastructure/equipment/support	\$450,000	\$450,000	\$450,000	\$450,000
Routine Restricted Maintenance Contribution	3.0%	3.0%	3.0%	3.0%
Utility Increase (under review)	-14.0% -\$178,201	8.00% \$96,050	8.00% \$103,734	8.00% \$112,033
Unrestricted Capital Outlay*	\$75,000	\$50,000	\$50,000	\$50,000
Special Education Increase Contribution (under review)	\$125,000	\$125,000	\$125,000	\$125,000
GASB 45 (Post employment benefits contribution)	\$125,000	\$125,000	\$125,000	\$125,000
Reserve level	3.50%	3.50%	3.50%	3.50%
Projected Lease Income (under review)*	\$1,897,992	\$1,922,763	\$1,986,446	\$2,039,860
Fund 17 Lease Interruption Contingency	\$1,825,000	\$1,825,000	\$1,825,000	\$1,825,000
Mandated Block Grant	\$152,582	\$152,582	\$152,582	\$152,582
One Time Prior Year Mandate*	\$2,097,797	\$855,663	\$193,104	\$0
Parcel Tax Revenue	\$2,579,850	\$2,585,250	\$2,585,250	\$2,585,250
Educational Foundation Revenue*	\$2.0 M	\$2.0 M	\$2.0 M est	\$1.5 M est
Transfer to Fund 40 (planned capital projects)	\$830,000	\$0	\$0	\$0
Deferred Maintenance Contribution (includes LCFF)	\$572,127	\$450,809	\$335,000	\$ 335,000
Educator Effectiveness Program	\$324,322	\$0	\$0	\$0
Lottery	\$140.00	\$144.00	\$144.00	\$144.00
Lottery Proposition 20	\$41.00	\$45.00	\$45.00	\$45.00
Annual Budgetary Savings in Unrestricted General Fund (under review)*	\$ 333,443	TBD	TBD	TBD

*Changes reflected after August 16, 2016

La Canada Unified School District
Projected Average Daily Attendance
March 14, 2017

CBEDS to P1 ADA Projections

	A	B	C	D (C-B)	E (C-A)	F (C/A)
	CBEDS	P1 ADA	P2 ADA		Difference	%Difference
2016-17	4118	4060	4023 est.	-37	-95	0.9769 est.
2015-16	4092	4007	3988	-19	-104	-0.9758
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
2011-12	4070	3980	3966	-14	-104	-0.9744
			Average:	-15	-95	-0.9768

2016-17	4118	4023	0.9769	(under review)
seniors out	-338			
others in	75			
NPS 11	-2			
TK/K in	265			
2017-18	4118	4023	0.9768	(under review)
seniors out	-369			
others in	102			
NPS 13	2			
TK/K in	265			
2018-19	4118	4023	0.9768	(under review)
seniors out	-367			
others in	102			
NPS 13	0			
TK/K in	265			
2019-20	4118	4023	0.9768	(under review)

* includes NPS

seniors out per Enrollment report 10/4/2016
NPS per Sp Ed report 10/4-2016

Projected ADA	2015-16	2016-17	2017-18	2018-19	2019-20
ADA	3988	4023	4023	4023	4023
Increase/Decline from Prior Yr		35	0	0	0
Funded ADA		4023	4023	4023	4023

La Canada Unified School District
Second Interim Budget 2016-17
All Funds

ALL FUNDS
Second Interim
Budget
2016-17

	GENERAL (Unrestricted)	GENERAL (Restricted)	GENERAL (Combined)	CAFETERIA 1131	DEFERRED MAINTENANCE (14)	LEASE INTERUPTION (17.1)	GAS 45 120	DEV FEE 125.0	FACILITIES (40.0)	STADIUM FIELD (40.1)	Sewer Connect (40.2)	Field Agreement Fund (40.3)	Field Replacement Fund (40.4)	SPECIAL RESERVE TOTAL (40)	SUMMARY (All Funds)
REVENUE	41,165,580	3,912,429	45,078,009	792,698	1,250	16,000	3,000	234,611	307,273	14,500	2,000	18,400	3,500	345,673	46,471,241
EXPENDITURES	34,641,840	10,339,126	44,980,966	897,306	392,219	0	0	21,320	414,513	0	0	0	584,732	999,245	47,291,056
DIFFERENCE	6,523,740	-6,426,697	97,043	-104,608	-390,969	16,000	3,000	213,291	-107,240	14,500	2,000	18,400	-581,232	-653,572	-819,815
Transfer Out Fund 14	-450,809	0	-450,809	0	0	0	0	0	0	0	0	0	0	0	-450,809
Transfer Out Fund 20	-125,000	0	-125,000	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
Transfer Out Fund 13	-48,045	0	-48,045	0	0	0	0	0	0	0	0	0	0	0	-48,045
Transfer In/Out	16,000	0	16,000	0	0	0	0	0	0	0	0	0	0	0	16,000
Cont to Rest Maint	-1,329,005	1,329,005	0	113,045	450,809	-16,000	125,000	0	0	0	0	0	-65,000	-65,000	607,854
Cont to Restricted	-4,937,683	4,937,683	0	0	0	0	0	0	0	0	0	0	0	0	0
FUND CHANGE	-350,802	-160,009	-510,810	8,437	59,840	0	128,000	213,291	-107,240	14,500	2,000	18,400	-646,232	-718,572	-819,814
BEG. BAL. 7/1	5,211,748	463,012	5,674,760	16,587	536,743	1,825,000	645,691	313,553	425,975	103,632	320,630	4,065	797,902	1,652,204	10,664,538
END. BAL. 6/30	4,860,946	303,003	5,163,949	25,024	596,583	1,825,000	773,691	526,844	318,735	118,132	322,630	22,465	151,670	933,632	9,844,723
Revolving Cash	8,500	0	8,500	400	0	0	0	0	0	0	0	0	0	0	8,900
Stores/Prepays	57,051	0	57,051	165	0	0	0	0	0	0	0	0	0	0	57,216
Legally Restricted	0	306,003	306,003	24,459	0	0	0	0	0	0	0	0	0	0	330,462
Committed Funds Capital Reser	0	0	0	0	0	1,500,000	0	0	0	0	0	0	0	0	1,500,000
Committed Funds PERS/STRS	490,000	0	490,000	0	596,583	325,000	773,691	526,844	318,735	118,132	322,630	22,465	151,670	933,632	490,000
Assigned Funds	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3,155,750
Assigned Funds/Donations	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Assigned Funds/Textbooks	918,628	0	918,628	0	0	0	0	0	0	0	0	0	0	0	918,628
Economic Uncertainty	3,386,767	-3,000	3,383,767	0	0	0	0	0	0	0	0	0	0	0	3,383,767
Undesignated	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

SSC School District and Charter School Financial Projection Dashboard 2017-18 Governor's Proposed State Budget

This version of SSC's Financial Projection Dashboard is based on the 2017-18 Governor's Proposed 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 Initial Grants	\$7,083	\$7,189	\$7,403	\$8,578
COLA at 1.48%	\$105	\$106	\$110	\$127
2017-18 Base Grants	\$7,188	\$7,295	\$7,513	\$8,705

Entitlement Factors per ADA	K-3	4-6	7-8	9-12
2017-18 Base Grants	\$7,188	\$7,295	\$7,513	\$8,705
Adjustment Factors	10.4% CSR	-	-	2.6% CTE
CSR and CTE amounts	\$748	-	-	\$226
2017-18 Adjusted Base Grants	\$7,936	\$7,295	\$7,513	\$8,931
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 ¹	SSC Simulator ¹	SSC Simulator ¹
SSC Gap Funding Percentage	55.28%	23.67%	34.42%	35.88%	37.32%
Department of Finance Gap Funding Percentage	55.28%	23.67%	53.85%	68.94%	100.00%
Gap Funding Percentage (May Revise)	54.84%	-	-	-	-

PLANNING FACTORS					
Factor	2016-17	2017-18	2018-19	2019-20	2020-21
Statutory COLA	0.00%	1.48%	2.40%	2.53%	2.66%
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%	1.48%	2.40%	2.53%	2.66%
California CPI	2.37%	2.72%	2.92%	2.60%	2.73%
California Lottery	Base per ADA	\$144	\$144	\$144	\$144
	Proposition 20 per ADA	\$45	\$45	\$45	\$45
One-Time Discretionary Funds per ADA	\$214	\$48	-	-	-
Interest Rate for Ten-Year Treasuries	2.20%	2.50%	2.70%	2.90%	2.80%
CalPERS Employer Rate (projected)	13.888%	15.8%	18.7%	21.6%	24.9%
CalSTRS Employer Rate (statutory)	12.58%	14.43%	16.28%	18.13%	19.10%

RESERVES		
State Reserve Requirement	District ADA Range	Reserve Plan ¹
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 District reserve requirements as stated in the State Board of Education (SBE) adopted criteria and standards based solely on district size is not as relevant when financial volatility and exposure is disparate under the LCFF. We recommend that every district first observe the current SBE-required reserve for the traditional economic uncertainties. We also recommend the establishment of a separate reserve based on the annual LCFF revenue increase projected for the district in Year 2 and Year 3 of the multiyear projection. We recommend that the district develop a plan to, over time, set aside one year's growth in LCFF funding as a reserve due to the potential volatility inherent in state revenues. Within that set aside, we also recommend assigning the supplemental and concentration grant dollars.

Dec. 6, 2016	The 2015-16 District Audit is presented to the Governing Board
February 15, 2017	Second Interim Financial Report (2016-17), for the period ending January 31, 2017, presented to the Governing Board- First Reading
March 14, 2017	Second Interim Financial Report (2016-17), for the period ending January 31, 2017 presented to the Governing Board- Second Reading
April 15, 2017	Budget Development activities for 2017-18 continue, and a budgetary update is presented to the Governing Board
May 2017	Budget Development activities for 2017-18 continue
June 6, 2017	Proposed District Budget (2017-18) presented to the Governing Board
June 14 to June 20, 2017	Proposed District Budget (2017-18) placed on display for public review
June 20, 2017	The Governing Board conducts a public hearing and approves the District Budget for 2017-18
June 30, 2017	Business Services files the District Budget (2017-18) with the Los Angeles County Office of Education