



2017-2018 1st Interim Budget Board Report



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What is 1st Interim?

- It's a snapshot in time of the district's budgeted revenues and expenditures for current fiscal year and projection of the two subsequent fiscal years.
- It's an opportunity to update the budget based on the enacted State Budget and trailer bills, the closing of the prior fiscal year and other factors that impact revenues and expenditures.
- 1st Interim reporting period is from July 1 through October 31 of each fiscal year and must be submitted to Merced County Office of Education by December 15.

BASC-MCOE COMMON MESSAGE

- The Governor continues to emphasize that general fund revenue growth in the current and budget years, if it occurs, will be increasingly dependent upon volatile capital gains collections. Accordingly, additional caution is necessary in negotiating multiple year agreements.
- STRS and PERS employer costs are projected to absorb significant portions of Local Control Funding Formula (LCFF) revenue growth that LEAs may receive. Districts with flat or declining enrollment need to be especially mindful, as expense may grow more rapidly than revenues.

SCHOOL SERVICES OF CALIFORNIA (SSC) ADVISE

- The cause of most LEA insolvencies can be traced to a bad financial decision made during prosperous times that came back to bite the LEA during lean financial times, so caution is key.
 - Resisted using future projected dollars or one-time dollars to justify paying for ongoing expenditures in the current year.
 - A future recession is predicted-the timing is unknown
 - Low COLA environment on programs that require contributions
 - Increasing retirement/pension obligations
- The state minimum reserve is just that – a minimum
 - All Local agencies in California need more
 - Especially as we face COLA-only funding and an uncertain economy in our near future

Maintain your local reserves at the level that is appropriate for your agency.



What's Changed Since Budget Adoption?

- The Governor signed the adopted budget on June 27, 2017.
- The reserve cap was amended by SB 751, which was signed by the Governor on October 11, 2017
- LCFF Funding gap of 43.97% decreased to 43.19%.
- Mandated reimbursement allocated of \$147 per ADA in unrestricted **one-time** funding. This adds \$356,769 to our budget.
- Prop 39 (Energy Conservation) program was extended.



Budget Assumptions

LCFF Funding Assumptions

Annual COLA
 Funding Increase Using SSC GAP
 Gap Funding Dollars SSC
 Gap Funding Rate **(SSC Dartboard)**
 GAP DOF
 Unduplicated Percentage
 Projected Enrollment*
 Funded ADA*
 Change in Funded ADA over Prior Yr.*
 ADA Growth Funding* **(Loss of \$ Due to Decline)**

*Includes district referred Special Ed students to MCOE

	2017/18	2018/19	2019/20
	1.56%	2.15%	2.35%
	1.52%	2.07%	1.75%
\$	369,258	\$ 510,250	\$ 440,938.00
	43.19%	39.12%	41.60%
	43.19%	66.12%	64.92%
	89.06%	88.86%	88.86%
	2,536	2,518	2,516
	2,446.17	2,441.48	2,424.14
	(34.60)	(4.69)	(17.34)
\$	(349,010.20)	\$ (48,377.35)	(183,301.14)

Other Revenue Assumptions

Federal
 State
 Local

	2017/18	2018/19	2019/20
Current Yr. Award Letters		0%	0%
Current Yr. Award Letters		2.15%	2.35%
Current Yr. Received		2.15%	2.35%



Budget Assumptions

Expenditure Assumptions

	2017/18	2018/19	2019/20
Salary/Benefits Increase	0%	0%	0%
Certificated/Mgt. Step & Col.*		\$ 321,921	\$ 296,416
Classified/Mgt. Step*		\$ 97,105	\$ 51,924
Certificated/Mgt. FTE	137.5	137.5	137.5
Classified/Mgt. FTE	112.43	112.43	112.43
Certificated Health Cap	\$ 16,023	\$ 16,023	\$ 16,023
Classified/Mangt. HW Cap	\$ 14,185	\$ 14,185	\$ 14,185
ACA Insurance	\$ 6,576	Fixed cost rolled	Fixed cost rolled
Retiree Health Contribution	\$ 175,000	\$ 175,000	\$ 175,000
STRS Employer Rates	14.43%	16.28%	18.13%
Estimated Increase in STRS Costs	\$ 222,158	\$ 226,992	\$ 231,389
PERS Employer Rates	15.53%	18.10%	20.80%
Estimated Increase in PERS Costs	\$ 60,188	\$ 96,227	\$ 102,144
Consumer Price Index	3.42%	3.35%	3.02%
Routine Restricted Maint.	3%	3%	3%

*Calculation includes Statutory Benefits



Budget Assumptions Declining Enrollment

- Livingston Union School District has entered into year three of declining enrollment as reported on the October 2017 CALPAD.
- Funding is based on ADA reported in the P-2 report on April 15 and LUSD has historically reported an attendance rate at 96% of enrollment at October CALPAD.
- This October 2017 enrollment number is estimated to result in a 4.69 drop in ADA to be reported in April 2018.
- When added to the previous two years of reported decline, the estimated loss of on-going funding is \$830,512 for the three years together.
- During declining enrollment, school districts are given the higher of current or previous year ADA as outlined on the next slide.



Budget Assumptions Declining Enrollment

	Enrollment		ADA		LCFF Funding		Cumulative Funding Loss	
	CALPADS	Incr/(Decr)	P-2	Incr/(Decr)	\$ Per ADA	Incr/(Decr)	On-going Impact	Year of impact
2014-2015	2,602		2,506.20					
2015-2016	2,558	-44	2,461.99	(44.21)	9,797	\$ (433,125.37)	\$ (433,125.37)	2016-2017
2016-2017	2,520	-38	2,427.39	(34.60)	10,087	\$ (349,010.20)	\$ (782,135.57)	2017-2018
2017-2018	2,515	-5	2,422.70	(4.69)	10,315	\$ (48,377.35)	\$ (830,512.92)	2018-2019
2018-2019	2,497	-18	2,405.36	(17.34)	10,571	\$ (183,301.14)	\$ (1,013,814.06)	2019-2020
2019-2020	2,495	-2	2,403.63	(1.73)	10,847	\$ (18,765.31)	\$ (1,032,579.37)	2020-2021
Projected Enrollment Based on Grade Level Shift and ADA on 96.33% of Enrollment								

LUSD’s current level of enrollment of 2,515 is at the 2010-2011 reported level. Enrollment and ADA figures above are LUSD students only, excludes SELPA.



2017/2018 1st Interim

		A UNRESTRICTED	B RESTRICTED	(A+B) COMBINED
REVENUE				
LCFF Sources	1	\$ 24,674,426	\$ -	\$ 24,674,426
Federal Revenue	2	-	1,877,260	1,877,260
Other State Revenue	3	804,719	1,936,289	2,741,008
Other Local Revenue	4	255,528	29,442	284,971
Contributions	5	(1,871,622)	1,871,622	-
TOTAL INCOME	6	\$ 23,863,051	\$ 5,714,613	\$ 29,577,664
EXPENDITURES				
Certificated Salaries	7	\$ 10,494,446	\$ 1,514,091	\$ 12,008,537
Classified Salaries	8	2,951,370	718,656	3,670,026
Employee Benefits	9	5,637,414	1,832,562	7,469,976
Books and Supplies	10	1,501,671	520,509	2,022,180
Service, Operations Expenses	11	1,800,943	780,554	2,581,497
Capital Outlay	12	1,721	41,050	42,771
Other Outgo	13	163,027	89,866	252,893
Transfers of Indirect/Direct Support Costs	14	(500,329)	277,233	(223,096)
Transfers Out	15	1,990,551.00	-	1,990,551.00
TOTAL EXPENSES	16	\$ 24,040,814	\$ 5,774,521	\$ 29,815,335
Net Increase/(Decrease) In Fund	17	\$ (177,763)	\$ (59,908)	\$ (237,671)
Beginning Balance	18	\$ 10,232,119	\$ 373,141	\$ 10,605,261
Ending Fund Balance	19	\$ 10,054,356	\$ 313,234	\$ 10,367,590



2017-2018 1st Interim

2017-2018 1st Interim Budget

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Combined</u>
TOTAL GENERAL FUND ENDING BALANCE	\$ 10,054,356	\$ 313,234	\$10,367,590
<u>DESIGNATED COMPONENTS</u>			
<i>NonSpendable</i> Revolving Cash	\$ 10,000		
<i>Committed</i> Supplemental/Concentration	\$ 2,369,817		
<i>Assigned</i> Technology	\$ 250,000		
<i>Assigned</i> Retiree Unfunded Liability	\$ 552,642		
<i>Assigned</i> STRS/PERS Unfunded Liability	\$ 366,906		
<i>Assigned</i> New Bus	\$ 75,000		
<i>Assigned</i> Facilities	\$ 466,924		
Reserve After Set Asides	<u>\$ 5,963,067</u>		
<i>Unassigned/unappropriated</i>			
REU 20% Reserve Requirement	\$ 5,963,067		
Balance	<u>\$ -</u>		
<i>Restricted</i>			
5640 Medi-Cal Billing		\$ 63,760	
8150 Rountine Repair Maintenance		\$ 245,543	
9010 Other Restricted Local		\$ 3,931	
TOTAL CARRYOVER		<u>\$ 313,234</u>	



Changes to 2017-2018 1st Interim Budget

GENERAL FUND - Combined

		2017-2018 June Budget Adoption	2017-2018 1st Interim	(B-A) Difference	%
		A	B	C	D
REVENUE					
LCFF Sources	1	\$ 24,710,920	\$ 24,674,426	\$ (36,494)	-0.1%
Federal Revenue	2	1,401,180	1,877,260	476,080	34.0%
Other State Revenue	3	1,860,362	2,741,008	880,646	47.3%
Other Local Revenue	4	187,378	284,971	97,593	52.1%
Contributions		-	-	-	0.0%
TOTAL INCOME	5	\$ 28,159,840	\$ 29,577,664	\$ 1,417,825	5.0%
EXPENDITURES					
Certificated Salaries	6	\$ 12,164,034	12,008,537	\$ (155,497)	-1.3%
Classified Salaries	7	3,657,852	3,670,026	12,174	0.3%
Employee Benefits	8	7,290,468	7,469,976	179,508	2.5%
Books and Supplies	9	1,771,815	2,022,180	250,365	14.1%
Service, Operations Expenses	10	1,965,222	2,581,497	616,275	31.4%
Capital Outlay	11	44,768	42,771	(1,997)	-4.5%
Other Outgo	12	325,835	252,893	(72,942)	-22.4%
Transfers of Indirect/Direct Support	13	(208,798)	(223,096)	(14,298)	6.8%
Transfers Out		390,502	1,990,551	1,600,049	409.7%
TOTAL EXPENSES	14	\$ 27,401,698	\$ 29,815,335	\$ 2,413,637	8.8%
Net (Increase/-Decrease)	21	\$ 758,142	\$ (237,671)		
Beginning Balance	22	\$ 10,605,261	\$ 10,605,261		
Ending Balance	23	\$ 11,363,402	\$ 10,367,590		



Changes to 2017-2018 1st Interim Budget

(Page 12, Column C)

The following is a narrative to some of changes that have occurred since the budget was reported to the board in June.

REVENUE

- **LCFF** The adopted budget reduced the funding GAP from 43.97% in May to 43.19% resulting in a total .78% or \$36,494 reduction in funding. ADA remains at the guarantee level of prior year.
- **FEDERAL** 2016-17 unused revenue amounts were added as follows: \$125,873 title I, \$44,286 title II, \$5,097 for Title III Immigrant Ed, and \$55,602 Title III LEP. Current year award for title I was increase by \$235,827 and \$9,394 for medical reimbursement.
- **STATE** \$356,769 was added for the one time mandated cost funding, \$152,294 was added to the California Clean Energy grant programs, 2016-17 4th quarter lottery settle up resulted in additional lottery funding of \$32,957 (\$17,116 Lottery unrestricted and \$15,841 for prop 20) and \$328,398 was added for the STRS on behalf accounting entry. State Special Education was increased by \$4,820.
- **LOCAL** Education Tech Voucher grant of \$5,646.51 was added. Donations are recorded as received, along with safety credit and any reimbursable grants. Interest Income and RDA are adjusted to reflect prior year amounts or amounts received year to date.

Changes to 2017-2018 1st Interim Budget

(Page 12, Column C)

Expenditures

- **SALARIES** Savings of \$147,658 attributed to position turnovers and column movement adjustments of \$43,702. New substitute positions for professional development were added totaling \$19,320, and changes made to extra duty positions were made during this budget reporting period that impacts the cost saving listed above.
- **Benefits** Changes made to salary expenditures directly impact the statutory benefits. Open enrollment for health care has closed and the adjustments made for the impact of the changes to plans and new enrollees have been adjusted in the budget. \$328,398 was added for the STRS on behalf entry per the Guidance provided by MCOE in May.

Changes to 2017-2018 1st Interim Budget

(Page 12 Column C)

- **BOOKS AND SUPPLIES/SERVICES** Budget reclassification, additions related to carryover/unused revenue and new programs are the typical reasons for changes made to these budget categories. \$292,343 was added to spend down carryover and unused revenue in Title I, Title II, Title III, and Prop 20 Lottery. In addition to carryover, Title I 2017-18 award was increase by \$235,827 due to cuts anticipated by the state not being realized. \$152,294 was added for the extension of the CA Clean Energy Jobs Act program.
- **TRANSFERS OUT** The amount reported at budget adoption is the \$275,000 annual commitment the district makes to fund it's deferred maintenance needs and an additional \$100,000 for unforeseen capital facilities needs. These two amounts are transferred to Fund 40 "Reserve For Capital Outlay Projects." The additional \$1,600,000 is the one-time transfer of general dollars into fund 40 to be used for our facilities projects. Of this 1.6 million, the one time mandated cost funding totaling \$356,769 is being used for this purpose.



2017-2018 1st Interim Budget Multi-Year Projections

What are Multi-Year Projections and why do we prepare them?

- Reports the current year budget and projects the next two years.
- Reasonable assumptions are applied to the current year budget to project the next two years.
- Sources of these assumptions are, SSC Dartboard, MCOE's Common Message, and local projections in enrollment.
- School districts are required to prepare a MYP in three parts, unrestricted, restricted, and combined.



2017-2018 1st Interim Budget Multi-Year Projections

What are Multi-Year Projections and why do we prepare them?

- MYPs show the consequences of today's actions in light of a reasonable set of assumptions for the future.
- MYP are projections, not forecasts and are subject to change when assumptions or local decisions change.
- After MCOE has reviewed our budget, they will indicate in a letter addressed to the board on whether our assumptions used in the MYPs are reasonable.
- MCOE uses the MYPs to determine whether or not they agree with our certification of financial condition, positive, qualified, or negative.

2017-2018 1st Interim Budget Multi-Year Projections

Why do Multi-Year Projections Change?

- This year's budget will look vastly different when looking back at prior years MYPs due to the changes in the assumptions.
- Some of the State and National elements that impact MYP assumptions are:
 - Legislatures approval to fund the LCFF
 - Changes in the economy which ultimately impact COLA and CPI assumptions
- Some of the local elements that impact MYP assumptions are:
 - Changes in enrollment
 - Negotiations settlements and other local spending decisions
 - Litigation



2017-2018 1st Interim Budget Multi-Year Projections

COMBINED						
		2017/2018	2018/2019 PROJECTED	%	2019/2020 PROJECTED	%
		A	B		C	
REVENUE						
LCFF	1	\$ 24,674,426	25,184,676	2.07%	25,625,614	1.75%
Federal Revenue	2	1,877,260	1,646,402	-12.30%	1,646,402	0.00%
Other State Revenue	3	2,741,008	2,435,500	-11.15%	2,492,734	2.35%
Other Local Revenue	4	284,971	291,097	2.15%	297,938	2.35%
Contributions	5	-	-	0.00%	-	0.00%
Total Revenue	6	\$ 29,577,664	\$ 29,557,675	-0.07%	\$ 30,062,688	1.71%
EXPENSES						
Certificated Salaries	7	\$ 12,008,537	\$ 12,269,817	2.18%	\$ 12,507,539	1.94%
Classified Salaries	8	3,670,026	3,744,232	2.02%	3,783,109	1.04%
Employee Benefits	9	7,469,976	7,847,488	5.05%	8,248,755	5.11%
Books & Supplies	10	2,022,180	1,715,707	-15.16%	1,767,522	3.02%
Services & Other Operating Expenditures	11	2,581,497	2,349,645	-8.98%	2,420,605	3.02%
Capital Outlay	12	42,771	44,204	3.35%	45,539	3.02%
Other Outgo	13	252,893	263,617	4.24%	273,855	3.88%
Direct Support/Indirect Costs	14	(223,096)	(230,549)	3.34%	(237,533)	3.03%
Transfers Out		1,990,551	416,369	-79.08%	428,944	3.02%
Total Expenses	15	\$ 29,815,335	\$ 28,420,530	-4.68%	\$ 29,238,334	2.88%
NET INCREASE/(DECREASE) IN FUND BAL	22	\$ (237,671)	\$ 1,137,146		\$ 824,354	
BEGINNING FUND BALANCE	23	\$ 10,605,261	\$ 10,367,590		\$ 11,504,735	
ENDING FUND BALANCE	24	\$ 10,367,590	\$ 11,504,735		\$ 12,329,090	



2017-2018 1st Interim Budget Multi-Year Projections

	UNRESTRICTED			RESTRICTED		
	2017/2018	2018/2019 PROJECTED	2019/2020 PROJECTED	2017/2018	2018/2019 PROJECTED	2019/2020 PROJECTED
	A	B	C	A	B	C
REVENUE						
LCFF	1 \$ 24,674,426	\$ 25,184,676	\$ 25,625,614	\$ -	\$ -	\$ -
Federal Revenue	2 -	-	-	1,877,260	1,646,402	1,646,402
Other State Revenue	3 804,719	457,580	468,334	1,936,289	1,977,919	2,024,400
Other Local Revenue	4 255,528	261,022	267,156	29,442	30,075	30,782
Contributions	5 (1,871,622)	(1,937,332)	(1,998,644)	1,871,622	1,937,332	1,998,644
Total Revenue	6 \$ 23,863,051	\$ 23,965,947	\$ 24,362,460	5,714,613	5,591,728	5,700,229
EXPENSES						
Certificated Salaries	7 \$ 10,494,446	\$ 10,746,714	\$ 10,975,590	\$ 1,514,091	\$ 1,523,103	\$ 1,531,949
Classified Salaries	8 2,951,370	3,022,331	3,059,449	718,656	721,900	723,660
Employee Benefits	9 5,637,414	5,965,129	6,315,741	1,832,562	1,882,359	1,933,014
Books & Supplies	10 1,501,671	1,386,617	1,428,493	520,509	329,090	339,029
Services & Other Operating Expenditures	11 1,800,943	1,861,275	1,917,485	780,554	488,371	503,120
Capital Outlay	12 1,721	1,779	1,832	41,050	42,425	43,706
Other Outgo	13 163,027	170,740	178,174	89,866	92,877	95,681
Direct Support/Indirect Costs	14 (500,329)	(504,335)	(519,587)	277,233	273,786	282,054
Transfers Out	15 1,990,551	416,369	428,944	-	-	-
Total Expenses	16 \$ 24,040,814	\$ 23,066,619	\$ 23,786,121	\$ 5,774,521	\$ 5,353,910	\$ 5,452,213
NET INCREASE/(DECREASE) (6-16)	17 \$ (177,763)	\$ 899,328	\$ 576,339	\$ (59,908)	\$ 237,818	\$ 248,016
BEGINNING FUND BALANCE	18 \$ 10,232,119	\$ 10,054,356	\$ 10,953,684	\$ 373,141	\$ 313,234	\$ 551,052
ENDING FUND BALANCE	19 \$ 10,054,356	\$ 10,953,684	\$ 11,530,022	\$ 313,234	\$ 551,052	\$ 799,067

Livingston Union School District
2017-2018 1st Interim For Other Funds

	Child Development - Fund 12	Cafeteria - Fund 13	Building - Fund 21	Capital Facilities Developer Fees - Fund 25	Special Reserve Capital Outlay - Fund 40	Bond Interest and Redemption - Fund 51
Beginning Balance	\$ 112,325	\$ 1,073,340	\$ 2,680,273	\$ 3,610,307	\$ 3,190,516	\$ 289,698
Income						
Revenue Limit		\$ -	\$ -	\$ -	\$ -	\$ -
Federal Revenue		2,157,316	-			
Other State Revenue	1,648,499	137,875	-			
Other Local Revenue	8,335	26,298	18,000	253,485	39,293	
Total Income	1,656,834	\$ 2,321,489	\$ 18,000	253,485	\$ 39,293	\$ -
Expenditure						
Certificated Salaries	\$ 366,187	\$ -	\$ -	\$ -	\$ -	\$ -
Classified Salaries	462,799	804,254				
Employee Benefits	361,088	421,586				
Books and Supplies	257,584	944,771			391,678	
Services and Other Op	110,541	72,198	\$ 6,240	5,425	501,759	
Capital Outlay	-	-	\$ 7,656,625		2,620,772	
Other Outgo	-			365,129	-	
Transfers of Indirect/Direct	106,082	117,014				
Total Expenditures	\$ 1,664,281	\$ 2,359,823	\$ 7,662,865	\$ 370,554	\$ 3,514,209	\$ -
Other Financing Sources/Uses						
Transfers In	\$ 7,923	7,628	5,000,000	-	1,975,000	-
Net Incr/(Decr)	\$ 476	\$ (30,706)	\$ (2,644,865)	\$ (117,069)	\$ (1,499,916)	\$ -
Ending Balance	\$ 112,801	\$ 1,042,634	\$ 35,408	\$ 3,493,238	\$ 1,690,600	\$ 289,698
QZAB 2005					\$ (838,843)	
Net Balance					<u>\$ 851,757</u>	

Classroom Facilities Project

Transfer in from General Fund for Deferred Maint and Facility Project Needs

COPs Payment

SACS STATE REPORTS

- FUNDS 1-51
- AVERAGE DAILY ATTENDANCE
- CASH FLOW ANALYSIS
- MULTI-YEAR PROJECTIONS
- CRITERIA & STANDARDS