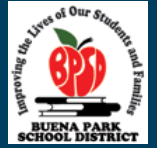


Buena Park School District

2016-17 First Interim Report



Tonight's Presentation



- Background
- First Interim
- MYP Considerations
- Next Steps

Background



- District Boards required to review & approve, at minimum, three financial reports each year
- The First Interim Report represents financials as of October 31st with updated budget projections for remainder of the fiscal year
- Board approval of First Interim Report required no later than December 15th
- Three possible certifications
 - **Positive:** Local Education Agency (LEA), i.e., district, able to meet its financial obligations for the current & 2 subsequent fiscal years
 - **Qualified:** LEA may not be able to meet its financial obligations for the current and two subsequent fiscal years
 - **Negative:** LEA not able to meet its financial obligations for the current and two subsequent fiscal years.

First Interim: Key Revenue Changes



- Total revenues increased by \$114.3K (vs. Adopted Budget)
 - Increase attributable entirely to restricted revenues
 - Restricted revenues increased: +\$164.0K
 - Unrestricted revenues decreased: <\$49.7K>

First Interim: Key Revenue Changes (Cont'd)



- Restricted revenues increased due to:
 - Budgeting of Federal program carryovers (from 2015-16)
 - Specifically for Title I, II, & III programs
 - Increases partially offset by restricted MAA revenues which should only be recorded when revenues are actually received given uncertainty in the timing of receipt of these funds.

First Interim: Key Revenue Changes (Cont'd)



■ Unrestricted revenues declined due to:

- Reduction in one-time discretionary funding to \$1,008.2K
 - At Adopted Budget, discretionary funding proposed by State at \$237/ADA
 - State reduced funding to \$214/ADA, a reduction of <\$107.2K>
- Above decrease partially offset by increase in revenues related to interest income and St. Jude grant funds.
- LCFF
 - Note: Despite a reduction in LCFF funding rate from 54.84% at Adopted Budget to 54.18%, LCFF revenues basically flat due to an increase in the unduplicated percentage of free, reduced & foster students as well as an increase in the minimum LCFF funding levels.

First Interim: Key Expenditure Changes



- Total expenditures increased by \$1,468.3K (vs. Adopted Budget)
 - Restricted expenditure accounted for the bulk of the increase at \$1,210.0K
 - Increase primarily due to budgeting of carryover dollars and Special Ed expenditure increases
 - Unrestricted expenditures increased by \$258.3K
 - Increase preliminarily due to re-budgeting of 2015-16 one-time discretionary expenses originally slated to be spent in 2015-16
 - Original plans called for \$566.0K in one-time dollars to be spent in 2015-16 but of this amount \$164.0K was unspent
 - We have re-budgeted this amount for spending in 2016-17.

First Interim: Special Ed Contributions



- Special Ed contributions increased by \$100.0K due to:
 - Special Ed students requiring a more intensive level of services than can be provided by the District in-house
 - Cost increases by these outside providers.

First Interim



- The total General Fund deficit has increased to <\$2,528,078> (pg. 11, 19, & 27)

	Unrestricted	Restricted	Total
Adopted Budget	<\$994,125>	<\$180,003>	<\$1,174,128>
First Interim	<\$1,531,450>	<\$996,628>	<\$2,528,078>
Change	<\$537,325>	<\$816,625>	<\$1,353,950>

Year Over Year Change - Unrestricted (2015-16 Actuals vs. 2016-17 First Interim)



■ Unrestricted: Revenues

	2015-16 Actuals	2016-17 First Interim	\$ Difference	% Difference
LCFF Sources	42,399,433	43,840,461	1,441,028	3.4%
Federal	222,408	0	(222,408)	-100.0%
Other State	3,420,961	1,836,574	(1,584,387)	-46.3%
Other Local	902,817	939,054	36,237	4.0%
Total Revenues	46,945,618	46,616,089	(329,529)	-0.7%

- How was the \$1.4 million in additional LCFF funds utilized?

Year Over Year Change - Unrestricted (2015-16 Actuals vs. 2016-17 First Interim)



■ Unrestricted: Expenditures, Contributions, & Excess/(Shortfall)

	2015-16 Actuals	2016-17 First Interim	\$ Difference	% Difference
Certificated Salaries	19,901,710	20,318,046	(416,336)	-2.1%
Classified Salaries	6,096,046	6,231,466	(135,420)	-2.2%
Employee Benefits	8,328,479	9,337,775	(1,009,296)	-12.1%
Books & Supplies	1,102,930	2,069,730	(966,800)	-87.7%
Services	3,002,043	2,999,386	2,657	0.1%
Capital Outlay	15,408	105,000	(89,592)	-581.5%
Other Outgo	0	276,000	(276,000)	#DIV/0!
Indirect Costs	(228,631)	(232,009)	3,378	+1.5%
Total Expenditures	38,217,984	41,105,394	(2,887,410)	-7.6%
Contributions	(6,249,769)	(7,042,145)	(792,376)	-12.7%
Excess/(Shortfall)	2,477,865	(1,531,450)	(4,009,315)	-161.8%

Year Over Year Change - Unrestricted (2015-16 Actuals vs. 2016-17 First Interim)



- How was the \$1.4 million in additional LCFF funds utilized?
 - Certificated & Classified salaries including step & column increases
 - Employee Benefits
 - Increase in CalSTRS statutory rates (from 10.73% in 2015-16 to 12.58%)
 - Increase in CalPERS statutory rates (from 11.847% in 2015-16 to 13.888%)
 - Increase in Health & Welfare Benefit costs (+6%)
 - Although LCFF funds not utilized for this purpose, \$300K of the year over year increase in Employee Benefit costs attributable to GASB68 compliance requirements
 - GASB 68 requires districts to record on our financial reports, the State of California's annual obligation related to CalSTRS.

	2015-16 Actuals	2016-17 First Interim	\$ Difference	% Difference
Certificated Salaries	19,901,710	20,318,046	(416,336)	-2.1%
Classified Salaries	6,096,046	6,231,466	(135,420)	-2.2%
Employee Benefits	8,328,479	9,337,775	(1,009,296)	-12.1%

Year Over Year Change - Unrestricted (2015-16 Actuals vs. 2016-17 First Interim)



- How was the \$1.4 million in additional LCFF funds utilized? (Cont'd)
 - Increase in Contributions to:
 - Special Education; +\$407K
 - 0% COLA
 - Higher acuity level of students requiring services
 - Cost increases by outside providers
 - Routine Restricted Maintenance Account (RRMA); +\$341K
 - Assumes contribution to the RRMA account of 3% to ensure we qualify for any State matching facility dollars (2016-17 First Interim contribution = \$1.7 million)
 - Total expenditures (unrestricted & restricted combined) have grown from \$53.2 million in 2015-16 to projected \$58.0 million in 2016-17. 3% of the higher expenditure number results in an increase in the RRMA contribution.

	2015-16 Actuals	2016-17 First Interim	\$ Difference	% Difference
Contributions	(6,249,769)	(7,042,145)	792,376	-12.7%

Year Over Year Change - Unrestricted (2015-16 Actuals vs. 2016-17 First Interim)



■ Summary: How was the \$1.4 million in additional LCFF funds utilized?

We have spent \$1.4 million plus more in the below categories.

	Year over Year Change
Certificated Salaries	\$416,336
Classified Salaries	\$135,420
Employee Benefits	\$709,296 (\$1,009,296 - \$300,000)
Contributions (Special Education & RRMA)	\$792,376
Total	\$2,053,428

Reserve Levels & OCDE Recommendations

(Recommendations Unchanged from Last Year)



- Experience of most recent recession demonstrates minimum reserves levels are inadequate to protect educational programs in a severe economic downturn
- Typical 3% reserve represents less than 2 weeks of payroll for many districts
- The Government Finance Officers Association recommends reserves equal to 2 months of general fund operating expenditures (roughly 17%)
- Rating agencies (like Fitch and Moody's) typically assess adequacy of district's reserves by comparing to statewide averages, roughly 15% for California unified school districts
- OCDE states/recommends:
 1. *Maintain adequate reserves.*
 2. *Maintain fiscal flexibility by limiting commitments to future increased expenditures.*

MYP Considerations

Staff monitoring this statistic.
Will adjust as needed at 2nd Interim.



■ LCFF Funding Rate

	2016-17	2017-18	2018-19
Department of Finance (DOF)	54.18%	72.99%	40.36%
School Services of California (SSC)	54.18%	19.30%	34.25%
BPSD	54.18%	72.99%	40.36%
\$ Difference (SSC vs. DOF/BPSD)	---	<\$1,507.2K>	<\$1,071.5K>

- As at Adopted Budget, the more aggressive/optimistic DOF funding rate utilized
- District staff to monitor and update funding rate once Governor's Proposal is issued in January 2017.

MYP Considerations (Cont'd)

Staff monitoring this statistic.
Will adjust as needed at 2nd Interim.



- **Enrollment** – Per preliminary CBEDS projections, 2016-17 enrollment loss is less than originally budgeted
 - At Adopted Budget assumed loss of 100 students year over year
 - Preliminary CBEDS indicates loss of 46 students
 - First Interim Report updated accordingly
 - No financial impact in 2016-17 as districts afforded one year protection against enrollment loss; district receive funding at higher of last or current year's ADA level
 - However, there will be a favorable financial impact in later years as the lower enrollment loss will be reflected in 2017-18 and subsequent years
 - Subsequent years continue to assume loss of 120 students plus another 85 students in 2017-18 and 2018-19 respectively.

	2016-17	2017-18	2018-19
Adopted Budget	4,768	4,648	4,563
First Interim	4,822	4,702	4,617
Change	+54	+54	+54

MYP Considerations (Cont'd)

Staff monitoring this statistic.
Will adjust as needed at 2nd Interim.



- **Unduplicated Students as a Percent of Total Enrollment** – Statistic is based off a rolling 3 year average. Per the most recent (October 2016) unduplicated student percentage, statistics have been revised upwards as follows:

	2016-17	2017-18	2018-19
Adopted Budget	79.79%	79.55%	79.12%
First Interim	80.17%	80.23%	80.23%
Change	+0.38%	+0.68%	+1.11%

MYP Considerations (Cont'd)



- Budget Reductions assumptions incorporated as part of the MYP:

Budget Reductions	at Adopted Budget	at First Interim
Certificated staffing	Staffing reduced commensurate with enrollment decline, 2017-18 forward	Unchanged from Adopted Budget
IMFRP contributions (Total IMFRP reserves at \$1.1 million)	Future IMFRP reserve contributions suspended. Total IMFRP reserves held at \$1.1 million	Unchanged from Adopted Budget
2016-17 One-time Discretionary Funds (\$1.1 million at Adopted Budget; \$1.0 million at First Interim)	Reserves released in its entirety 2017-18 & 2018-19 to meet District's 3% reserve requirement	Reserves released in its entirety in 2018-19
OPEB Reserves (\$591K)	Reserves released in its entirety in 2018-19	\$85K of the reserve released in 2018-19

2016-17 BPSD First Interim

Multi-year Projection (General Fund Combined)



	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>
Beginning Fund Balance	8,770,610	6,242,532	4,675,246
Excess/(Shortfall) after budget cuts	<2,528,078>	<1,567,286>	<1,123,886>
Ending Fund Balance	6,242,532	4,675,246	3,551,360
Ending Fund Balance			
Revolving Cash/Stores	92,436	92,436	92,436
Restricted Reserves	857,137	0	0
OPEB	592,092	592,092	512,092
IMFRP	1,122,490	1,122,490	1,122,490
Kid Connection	109,925	109,925	109,925
2015-16 One-time Discretionary	705,000	0	0
2016-17 One-time Discretionary	1,008,183	1,008,183	0
Designation for Economic Uncertainties	<u>1,755,269</u>	<u>1,750,120</u>	<u>1,714,417</u>
Total Ending Fund Balance	6,242,532	4,675,246	3,551,360
Design. For Economic Uncertainties %	3.03%	3.03%	3.01%

Other Funds



- Child Development Fund (Fund 12)
 - The Governing Board previously authorized acceptance of a pre-school grant, totaling \$378.1K
 - These funds are budgeted as mandated by the State in Fund 12
- The Building Fund (Fund 21)
 - This fund has been updated to reflect the second issuance of our General Obligation bond in April 2017
 - Proceeds of \$12.2 million is anticipated
 - Of this amount \$4.2 million will be utilized to repay our outstanding 2016 Bond Anticipation Note (BAN) and the remaining \$8.0 million utilized to fund construction projects including the Gilbert & Whitaker Elementary modernization projects.

Fiscal Solvency Statement



- OCDE requests Board approval of a Fiscal Solvency Statement
- In recognition of the challenges facing school districts from:
 - Volatility of State general fund revenues
 - Deficit spending in the unrestricted general fund
 - Declining enrollment
 - Increasing operational expenses, such as employer rate increase for CalSTRS and CalPERS
- *The Board recognizes the need to implement budget reductions to eliminate or curtail unrestricted budget deficits projected in 2017-18 and 2018-19 of \$710K and \$1.1 million respectively.*

Staff Recommendation



- Approve the following:
 - 2016-17 First Interim Report with a positive certification
 - Fiscal Solvency Statement.

Next Steps



Date	Activity
On-going	Continue to communicate to public/staff the District's financial condition
January 10	Governor releases Governor's Proposal
Jan-June	2017-18 BPSD Budget Development
March 13	Second Interim Financials (financials as of Jan. 31 st) due
Early May	Governor releases May Revise
May-June	Incorporate May Revise assumptions into 2017-18 BPSD Budget Development

