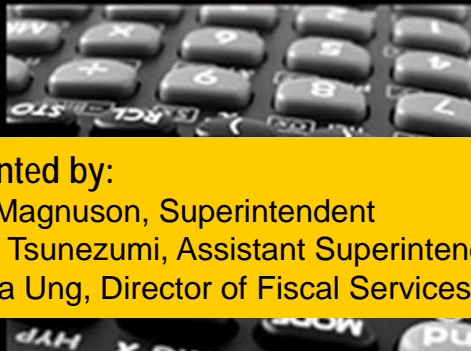
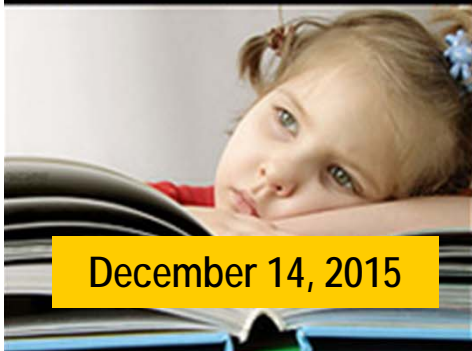
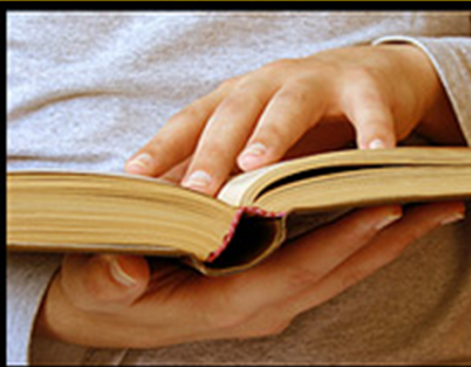


Buena Park School District 2015-16 First Interim Report



December 14, 2015

Presented by:
Greg Magnuson, Superintendent
Kelvin Tsunazumi, Assistant Superintendent Administrative Services
Glenda Ung, Director of Fiscal Services

Tonight's Presentation



- Background
- First Interim
- MYP Considerations
- Next Steps

Background



- District Boards required to review & approve, at minimum, three financial reports each year
- 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 \$250.3K (vs. Adopted Budget)
 - As a whole, revenues did not increase dramatically
 - However, significant swing between unrestricted and restricted revenues
 - Unrestricted revenues decreased: <\$1,025.7K>
 - Restricted revenues increased: +\$1,276.2K

First Interim: Key Revenue Changes (Cont'd)



- Unrestricted revenues decline due to:

- LCFF

- 2015-16 LCFF funding rate decreased by State to 51.52% (from 53.08%)
 - Enrollment reduced by 119 students (vs. the 60 student loss at Adopted Budget)
 - No impact in 2015-16 since districts benefit from one-year protection against enrollment losses, but impact starting 2016-17
 - Unduplicated student percentage (based on 3 year rolling average) declined from 80.15% to 79.85%
 - Combining lower funding rate and unduplicated student percentage decline, net revenue loss of <\$202.9K>

- Reduction in one-time discretionary funding to \$2,563.1K

- At Adopted Budget, discretionary funding proposed by State at \$601/ADA
 - State reduced funding to \$529/ADA, a reduction of <\$351.5K>.

First Interim: Key Revenue Changes (Cont'd)



● Unrestricted revenues decline due to: (Cont'd)

■ Mandate claims revenue reduction

- At Adopted Budget, District assumed \$338.5K in mandate revenues for claims submitted in years prior to the mandate block grant
- Given uncertainties in funding of these revenues, Orange County Department of Education (OCDE) recommends districts to not budget these revenues until actually received
- Budget of \$338.5K for “old” mandate claims is removed
- Mandate block grant revenue (for current year’s mandate claims) still budgeted at \$141.5K

■ Accounting handling of Deferred Maintenance transfers

- BPSD annually contributes \$250K to Deferred Maintenance Fund for facility upkeep
- At Adopted Budget, transfers handled as an interfund transfer
- As prescribed by the State, now processed as a LCFF revenue transfer
- This accounting handling has no dollar impact as revenue decline offset by corresponding decline in interfund transfers.

First Interim: Key Revenue Changes (Cont'd)



- Unrestricted revenues decline due to: (Cont'd)

- MAA Revenues

- Partially offsetting unrestricted revenue losses are MAA Revenues
 - District received MAA revenues of \$117.8K
 - Given uncertainty as to when revenues will be received, OCDE recommends and BPSD records MAA revenues only when funds are actually received.

First Interim: Key Revenue Changes (Cont'd)



- Restricted revenues increased due to:
 - Budgeting of State & Federal categorical program carryovers (from 2014-15)
 - Newly authorized Educator Effectiveness program funding of \$337.3K
 - Funds are categorical and must be spent within 3 years (i.e., June 30, 2018)
 - Mental Health
 - Draw down of Mental Health revenues of \$499.8K to fund counselor positions and provide additional mental health services.

Special Ed Contributions



- Special Ed contributions increased by \$362.5K due to:
 - A reduction in SELPA revenues allocated to BPSD
 - Substitute costs for Special Ed teachers and instructional aides in excess of budgeted levels.

First Interim: Key Expenditure Changes



- Total expenditures increased by \$2,495.8K (vs. Adopted Budget)
 - Increase entirely due to increase in restricted expenditures
 - Restricted expenditures increased by \$2,617.6K given budgeting of carryover dollars, expenditures related to mental health services, increases in Special Ed expenditures, and projected spending of Educator Effectiveness funds
 - With respect to Educator Effectiveness funds:
 - Use limited to professional development, beginning teacher and administrator support/mentoring, and educator quality/effectiveness
 - Funds must be spent by the end of 2017-18
 - Districts required to develop a plan on how funds will be spent and a public hearing must be held before plan is adopted at a subsequent Board meeting
 - Note: The District has preliminarily identified the following expenditures and timeframe for this spending:

(\$s in 000s)	2015-16	2016-17	2017-18
Ed Services: Certificated Staff Development	\$110.0	\$110.0	\$117.3
Total	\$110.0	\$110.0	\$117.3

First Interim: Key Expenditure Changes (Cont'd)



- Unrestricted expenditures decreased by \$121.9K
 - Decline due to elimination of Principal on Special Assignment position, delays in the hiring of 6 new custodians and Custodial Services & Security Coordinator, and reductions in Books & Supplies and Services & Other Operating Expenditures
 - Reductions partially offset by expenditures related to discretionary expense funding & addition of the Chief Technology Officer position.

First Interim: Key Expenditure Changes (Cont'd)



● One-time Discretionary Funds

- Funds can be used for any educational purpose
- State does not specify a due date for when the expenditures must be spent.
- Note: The District has preliminarily identified the following expenditures and timeframe for this spending:

(\$s in 000s)	2015-16	2016-17	2017-18
School Sites: Grades K-3 iPads/Grants	\$125.0	\$225.0	\$125.0
Ed Services:			
Ed Tech TOSAs	150.0	300.0	300.0
TK-Grade 3 Teacher Technology Equip.	100.0	---	---
Digital Content	50.0	---	---
Digital Library	0.0	250.0	0.0
PDC Upgrade	20.0	0.0	0.0
Restorative Justice Program	40.0	75.0	40.0
Certificated Staff Development	---	90.0	163.1
Admin. Services: Equipment Replacement	50.0	100.0	100.0
Superintendent (Communications, Community Outreach, & Reconfiguration Planning)	125.0	85.0	50.0
Total	\$660.0	\$1,125.0	\$778.1

First Interim



- The total General Fund deficit has decreased to \$475,538 (pg. 11, 19, & 27)

	Unrestricted	Restricted	Total
Adopted Budget	\$2,609,014	<\$138,000>	\$2,471,014
First Interim	\$1,671,329	<\$1,195,791>	\$475,538
Change	<\$937,685>	<\$1,057,791>	<\$1,995,476>

Reserve Levels & OCDE Recommendations



- 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



- LCFF Funding Rate

	2015-16	2016-17	2017-18
Department of Finance (DOF)	51.52%	35.55%	35.11%
School Services of California (SSC)	51.52%	12.52%	18.11%
BPSD	51.52%	35.55%	18.11%

- District staff to monitor and update funding rate once Governor's Proposal is issued in January 2016.

MYP Considerations (Cont'd)



- **Enrollment** – reflects the greater 119 student loss in 2015-16 (i.e., 59 more than at Adopted Budget). Enrollment loss of 50 students/year in future years.

	2015-16	2016-17	2017-18
Adopted Budget	4,925	4,875	4,825
First Interim	4,866	4,816	4,766
Change	<59>	<59>	<59>

- **Unduplicated Students as a Percent of Total Enrollment*** – assumes no further decline but % declines given statistic is based on rolling year average.

	2015-16	2016-17	2017-18
Adopted Budget	80.15%	80.07%	80.07%
First Interim	79.85%	79.45%	79.13%
Change	<0.30%>	<0.62%>	<0.94%>

* Based off of 3 year rolling average

Staff monitoring both statistic.
Adjust as needed at 2nd Interim.

2015-16 BPSD First Interim

Multi-year Projection



	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
Beginning Fund Balance	5,872,028	6,347,566	5,478,469
Excess/(Shortfall) after budget cuts	475,538	<869,097>	<1,303,753>
Ending Fund Balance	6,347,566	5,478,469	4,174,716
Ending Fund Balance			
Revolving Cash	55,000	55,000	55,000
Restricted Reserves	237,257	117,257	0
OPEB	592,092	592,092	592,092
IMFRP	1,020,675	1,189,627	1,358,579
Kid Connection	245,337	245,337	245,337
Program Restoration (One-time Discretionary)	2,503,124	558,124	0
Designation for Economic Uncertainties	<u>1,694,081</u>	<u>2,721,032</u>	<u>1,923,708</u>
Total Ending Fund Balance	6,347,566	5,478,469	4,174,716
Design. For Economic Uncertainties %	3.2%	5.1%	3.5%

Staff Recommendation



- Approve 2015-16 First Interim Report with a positive certification.

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	2016-17 BPSD Budget Development
March 14	Second Interim Financials (financials as of Jan. 31 st) due
Early May	Governor releases May Revise
May-June	Incorporate May Revise assumptions into 2016-17 BPSD Budget Development



Questions?