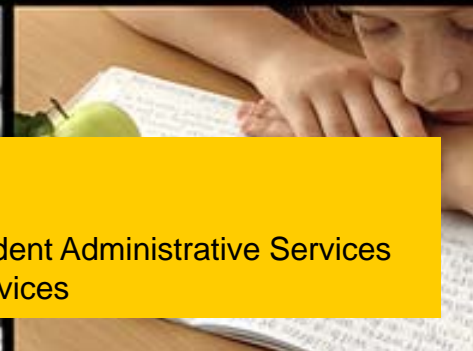
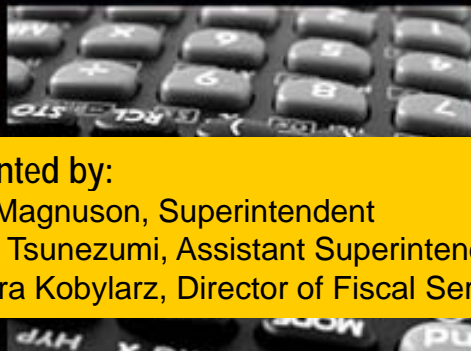
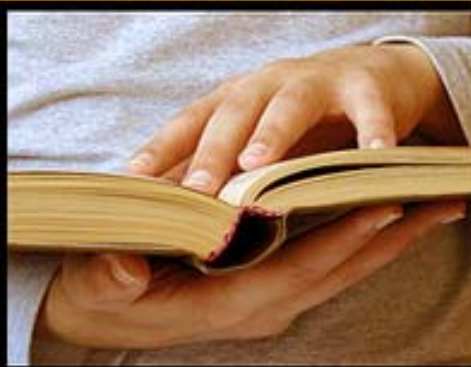


Buena Park School District 2014-15 First Interim Report



December 8, 2014

Presented by:
Greg Magnuson, Superintendent
Kelvin Tsunezumi, Assistant Superintendent Administrative Services
Barbara Kobylarz, Director of Fiscal Services

Tonight's Presentation



- Background
- First Interim
- State Economic Forecast
- 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 \$844K (vs. Adopted Budget)
 - Increase attributable to:
 - Additional Local Control Funding Formula (LCFF) funding (\$138K)
 - One-time funding for past Mandate Claims (\$339K)
 - Budgeting of carryovers from State & Federal categorical programs
 - Above partially offset by elimination of MAA revenues (-\$280K)
 - Revenue to be budgeted when funds actually received.

First Interim: Key Revenue Changes (Cont'd)



- Local Control Funding Formula (LCFF)
 - District's LCFF entitlement based on three key elements:
 - Its base year funding in 2012-13
 - Demographics of its student population, specifically percentage of students who qualify for supplemental/concentration grants (i.e. free & reduced, English learner and foster youth population)
 - The state appropriation for LCFF (i.e. LCFF funding rate).

First Interim: Key Revenue Changes (Cont'd)



● LCFF

- Funding rate increased to 29.56% (from 28.05% at Adopted Budget)
- Enrollment & Unduplicated Student Percentage:
 - At Adopted Budget assumed:
 - Declining enrollment of 47 students year over year
 - Unduplicated Student % of 80.25%
 - Actuals: Loss of 241 students & Unduplicated Student % of 78.38%
 - As in years past, afforded protection of utilizing higher of previous year's ADA or the current year's projected ADA in developing our revenue projection
 - However, no such protection with Unduplicated Student %
- Increase in funding rate partially offset by the lower unduplicated student %; BPSD net funding impact: +\$138K.

First Interim: Key Revenue Changes (Cont'd)



- One-time Mandate Claims Revenue

- Legislature provided additional funding for past mandate claims
- Intent is for Districts to utilize funds for Common Core implementation
- However, funds are unrestricted
- Is in addition to Mandate Block Grant (MBG) funding
- BPSD funding impact: +\$338K in additional funding

First Interim: Key Revenue Changes (Cont'd)



● MAA Revenues

- State worked to resolve dispute with Federal government with respect to MAA revenue claims
- Clarification of technical issues still in process
- At Adopted Budget, BPSD assumed receipt of MAA revenues
- Per OCDE guidance, record MAA revenues when received
- BPSD funding impact: -\$280K

● Carryover budgeting for various Federal & State categorical programs.

First Interim: Key Expenditure Changes



- Total expenditures increased by \$2.9 million (vs. Adopted Budget)
 - Increase primarily attributable to salary increases & expenditures related to carryovers
- Salary increase (\$1.4 million impact)
 - All staff received “on-salary schedule” increases of 4.0% & 0.5% effective July 1, 2014 and February 1, 2015 respectively
 - Additionally, certificated and management staff received:
 - Certificated: Additional one-time “off-schedule” increase of 0.5%, effective July 1, 2014
 - Management: Increase of 2.5% effective July 1, 2014
 - Site management received their increase “on-schedule”
 - Non-site management received their increase “off-schedule.”

First Interim: Key Expenditure Changes (Cont'd)



● Furlough Days

- In addition to salary increases, the Board formally eliminated 5 furlough days previously negotiated for 2014-15
- Furlough days assumed eliminated at District Adopted Budget so no incremental financial impact

● Substitute Rate of Pay Increase (\$50K)

- To address shortfalls in teacher substitutes, rate of pay was increased

● STRS Rate (-\$109K)

- At District Adopted Budget, STRS rate assumed increased from 8.25% to 9.5%
- Rate increase subsequently lowered to 8.88% (by Governor & Legislature)
- Reduction in STRS rate reflected in the updated financials.

First Interim: Key Expenditure Changes (Cont'd)



- Health & Welfare [H&W] costs (-\$180K)
 - Savings due to change in H&W benefit provider (MEBA to SISC)
- Expenditures related to categorical carryover budgeting
- Science Camp (\$100K)
 - Given new science camp providers, costs expected to increase.

First Interim



- The total General Fund deficit has increased to <\$2,046,436>
(pg 10, 18, & 27)

	Unrestricted	Restricted	Total
Adopted Budget	\$106,552	<\$105,717>	\$835
First Interim	<\$1,144,131>	<\$902,305>	<\$2,046,436>
Change	<\$1,250,683>	<\$796,588>	<\$2,047,271>

First Interim Budget – Fund Balance

\$s in millions

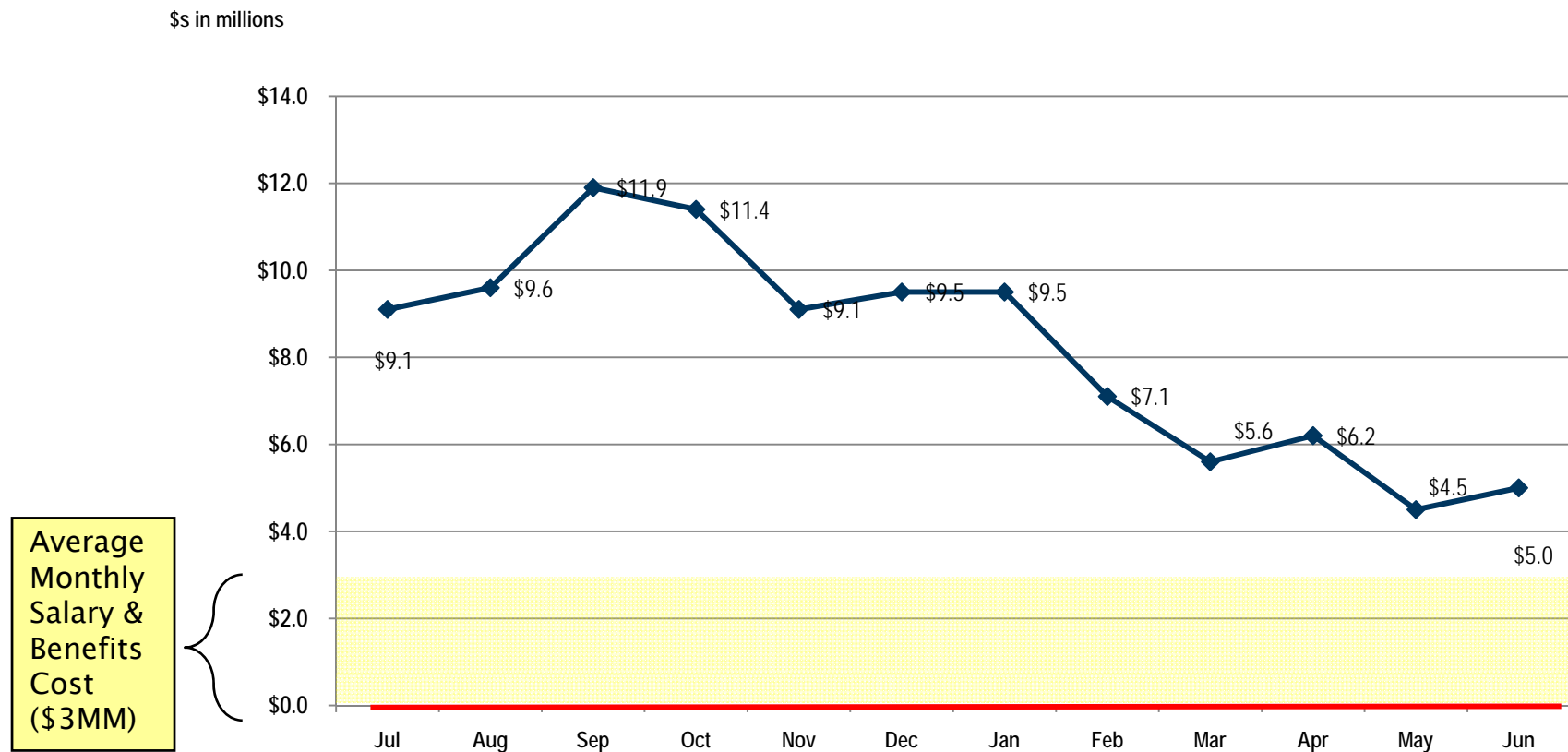


	First Interim
Begin Fund Bal	\$6.5
Excess/(Shortfall)	(2.0)
End Fund Bal	\$4.5
Reserves	
Revolving Cash	\$0.1
Restricted	0.4
OPEB	0.6
IMFRP	1.1
Kid Connection	0.3
Desig for Economic Uncertainties	2.0
Total	\$4.5
Reserve %	4.1%

Projected 2014-15 BPSD Cash Flow



Cash Flow: July to November are actuals; projections thereafter.



State Economic Forecast



The 2015-16 Budget
California's Fiscal Outlook

- Legislative Analyst's Office (LAO) fiscal outlook issued Nov. 19th
- LAO predicts:
 - In the near-term, an “especially favorable” minimum funding guarantee outlook for K-14 education
 - Higher State revenues will increase guarantee from \$60.9 billion (as enacted in 2014-15 State Budget) to \$65.8 billion in 2015-16
 - Adjusting for one-time expenditures occurring in 2014-15, but not 2015-16, \$6.4 billion in new, ongoing revenues
 - State revenue growth slowing from average of 4.9% (2014-15 thru 2017-18) to 2.3% by 2019-20
 - All remaining K-14 deferrals (\$992 million) eliminated by end of fiscal year
 - State won't be able to fully fund LCFF by targeted 2019-20 date. Will require several more years before full funding.

State Economic Forecast (Cont'd)



**CAUTION
PROCEED
CAREFULLY**

● Caution?

- While forecast assumes continuing economic growth, a downturn in next few years could quickly result in a return to State operating deficits
 - Average economic expansion is less than 5 years & California has already been in recovery for 5+ years
- Normal volatility in capital gains could boost or depress annual revenues by billions of dollars
- Past manipulations of Proposition 98 guarantees
- LAO forecast can not predict future budgeting decisions by elected officials who may increase funding for other programs and/or add new ones after years of fiscal constraints.

MYP Considerations



- LCFF Funding Rate

- The higher DOF funding rate assumed given:

- Positive State economic forecast by LAO
 - Actual tax collections higher than Department of Finance's budget
 - October year-to-date revenues \$1.0 billion (3.7%) higher than originally forecasted

	2014-15	2015-16	2016-17
Department of Finance (DOF)	29.56%	20.68%	25.48%
School Services of California (SSC)	29.56%	7.90%	8.20%
BPSD	29.56%	20.68%	25.48%

- District staff to monitor and update funding rate once Governor's Proposal is issued in January 2015.

MYP Considerations (Cont'd)



- **Enrollment** – assumes no further student loss in future years (i.e., flat enrollment)

	2014-15	2015-16	2016-17
Adopted Budget	5,179	5,179	5,179
First Interim	4,985	4,985	4,985
Change	<194>	<194>	<194>

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

	2014-15 *	2015-16 **	2016-17 **
Adopted Budget	80.25%	80.25%	80.25%
First Interim	78.38%	77.72%	76.36%
Change	<1.87%>	<2.53%>	<3.89%>

* Based off of 2 year average (i.e., 2013-14 & 2014-15)

** Based off of 3 year rolling average

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

2014-15 BPSD First Interim Multi-year Projection



Assumes higher DOF LCFF Funding Rate. If funding rates are lower, results may be dramatically different.

	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
Beginning Fund Balance	6,498,920	4,452,484	3,655,244
Excess/(Shortfall) after budget cuts	(2,046,436)	(797,240)	925,153
Ending Fund Balance	4,452,484	3,655,244	4,580,397
Ending Fund Balance			
Revolving Cash	55,000	55,000	55,000
Restricted Reserves	406,431	0	0
OPEB	592,092	592,092	592,092
IMFRP	1,122,490	1,291,442	1,460,394
Kid Connection	259,000	259,000	259,000
Designation for Economic Uncertainties	<u>2,017,471</u>	<u>1,457,710</u>	<u>2,213,911</u>
Total Ending Fund Balance	4,452,484	3,655,244	4,580,397
Design. For Economic Uncertainties %	4.1%	3.0%	4.5%

Staff Recommendation



- Approve 2014-15 First Interim Report with a positive certification.

Next Steps



Date	Activity
On-going	Continue to communicate to public/staff the District's financial condition
On-going	Continue to monitor cash flow
January 10	Governor releases Governor's Proposal
Jan-June	2015-16 BPSD Budget Development
March 15	Second Interim Financials (financials as of Jan. 31 st) due
Early May	Governor releases May Revise
May-June	Incorporate May Revise assumptions into 2015-16 BPSD Budget Development



Questions?