



# Adopt Proposed 2017-18 Budget for All Funds

June 28, 2017  
Agenda Item No. 3.2

Presented By  
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# OVERVIEW

- Governor Signs Budget
- Budget in a nutshell
- Multi Year Projections
- Summary of General Fund
- Budget Assumptions
- Local Control Funding Formula (LCFF)
- Next Steps



# The Governor signed Budget June 27th

The following are not included in SCUSD Budget:

- Expanded and new professional development funding for teachers and administrators
- Increased funding for the After School Education and Safety Program
- One-time funding to support refugee students over the next three fiscal years
- One-time funds for SCUSD equivalent to about \$5.5 M
- One-time investment in the California-Grown Fresh School Meals



## Significant **New** Educational Policies

- Extending the District of Choice program by six years with new accountability measures
- Flexibility to serve children with special needs in State Preschool programs whose families earn more than the income-eligibility ceiling cap
- New school facilities accountability and audit requirements for state-funded projects
- Requirement to give union access to New Employee Orientations



## Budget in a Nutshell

- Revenue increases are small
- Expenses are climbing faster than revenues
- We are into deficit spending, like many districts, beginning in 2017-18



# General Fund Multi-Year Forecast

## Multi-Year Forecast Unrestricted & Restricted

Unrestricted Description	2017-18	2018-19	2019-20
Revenues and Other Sources	\$ 481,620,997	\$ 489,245,036	\$ 498,943,492
Expenditures and Transfers Out*	\$ 501,875,524	\$ 510,984,332	\$ 521,312,380
<b>Surplus/(Deficit Spending) (a)</b>	<b>\$ (20,254,527)</b>	<b>\$ (21,739,296)</b>	<b>\$ (22,368,888)</b>
Beginning Fund Balance (b)	\$ 75,378,499	\$ 55,123,972	\$ 33,384,676
<b>Ending Fund Balance (a+b)</b>	<b>\$ 55,123,972</b>	<b>\$ 33,384,676</b>	<b>\$ 11,015,788</b>
<b>Total Unappropriated Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

\*Includes contributions of \$1.5 million to maintain Child Development programs and \$230,000 parent participation preschool



## General Fund New Revenue

<b>Estimated Revenues</b>	<b>Amount</b>
New 2017-18 LCFF Revenue (Ongoing)	\$4,504,483.00
New 2017-18 Discretionary Revenue (One-Time)	\$0.00
<b>Total Revenue Increases *</b>	<b><u>\$4,504,483.00</u></b>

\* Very low compared to previous years. 2016-17 revenue increased \$26.9 million (\$17.8 million ongoing/\$9.1 one time).



# General Fund Required Expenditures

<b>Required/Statutory Cost Increases</b>	<b>Amount</b>
Projected Increase in Step and Column - Certificated	\$2,763,358
Projected Increase in Step and Column - Classified	\$196,272
Projected Increase in Health Benefit costs - 3%	\$2,096,257
Increase in STRS Contribution	\$5,534,288
Increase in CalPERS Contribution	\$1,470,556
Increase Contribution to Special Ed	\$4,742,109
Increase Contribution to Routine, Repair, and Maintenance	\$624,464
<b>Total of Required/Statutory Cost</b>	<b>\$17,427,304</b>



## STRS and PERS Increases

STRS and PERS	STRS	PERS
2017 - 2018 Estimated Annual Costs	\$30,707,438	\$11,676,704
2016 - 2017 Annual Costs	\$25,173,150	\$10,206,148
Net Increase in STRS/PERS	\$5,534,288	\$1,470,556



# General Fund Additional Expenditures

<b>Additional Committed Expenditures</b>	
Debt Services to General Fund	\$2,836,450
Estimated Contribution to New Tech	\$480,141
Youth Engagement Contribution	\$3,250,000
1000 Strong Program - City of Sacramento	\$300,000
<b>Total Additional Committed Investments</b>	<b>\$6,866,591</b>
<b>Total Projected Expenditure Increase</b>	<b>\$24,293,895</b>



## OPEB Summary

<b>Unfunded Actuarial Accrued Liability (UAAL)</b>	<b>\$621,266,534</b>
Annual Required Contribution (ARC) for 22 years*	\$56,770,807
Pay-as-you-go*	\$17,245,000

\* Amounts for FY 2016-17, Bickmore Risk Service Actuary



# Account summary – In CalPERS Trust

## Account summary as of May 31, 2017\*

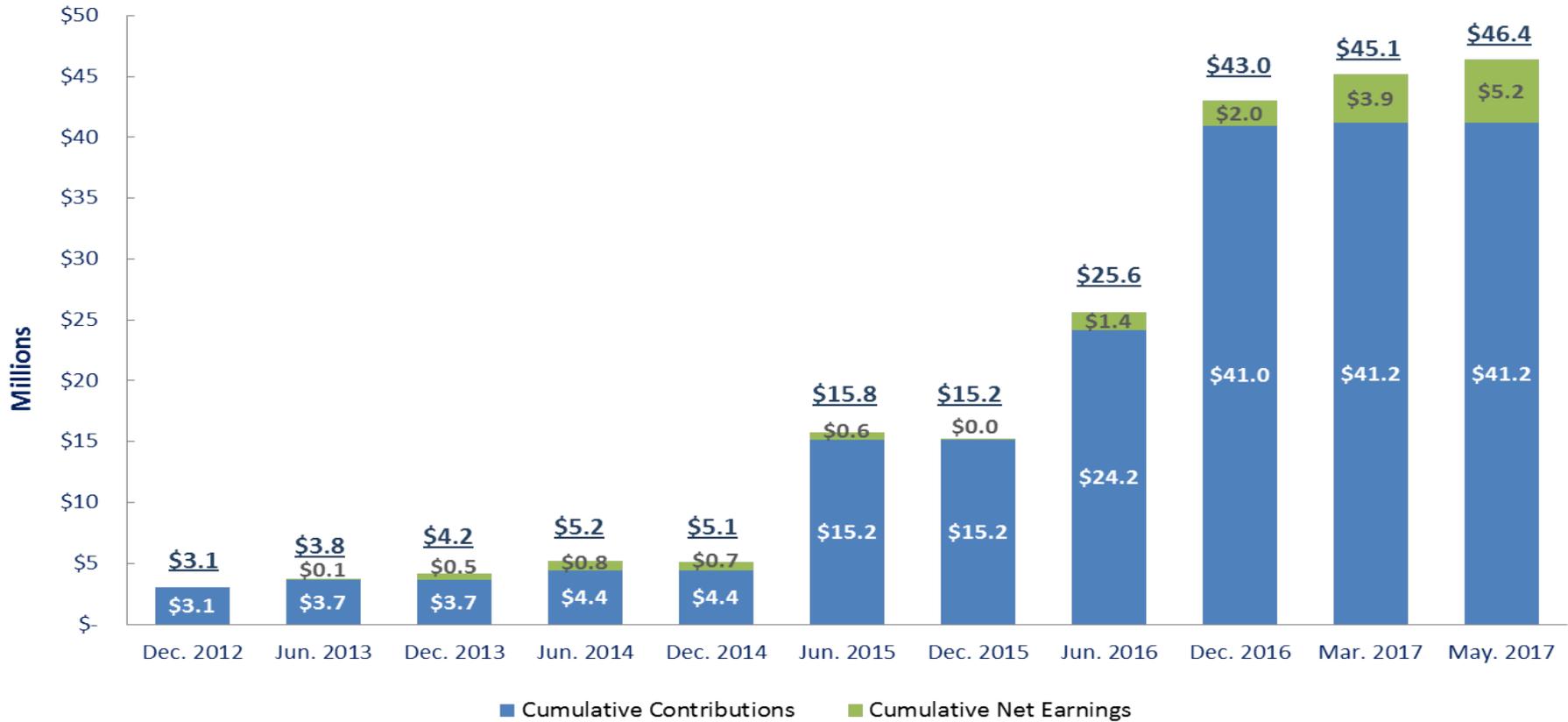
Initial contribution (12/24/2012)**	\$3,050,568
Additional contributions	\$38,151,520
Disbursements	(\$0)
CERBT expenses	(\$58,436)
Investment earnings	\$5,273,004
Total assets	\$46,416,656
Average annualized internal rate of return (12/24/2012-5/31/2017)	8.34%

\* Information received from CalPERS

\*\* Agreement effective date: 12/6/2012



# Contributions and Earnings





## CONTRIBUTIONS FROM GENERAL FUND

### **Transfer From Unrestricted to Restricted Accounts**

Special Education Programs \$ 58,581,454

Ongoing Maintenance Transfer to Restricted \$ 11,323,215

Energy Education Project \$ 383,609

**Subtotal from Unrestricted to Restricted \$ 70,288,278**

Special Education Transportation \$ 7,612,981

Home to School Transportation \$ 1,066,635

**Subtotal to Transportation \$ 8,679,616**

**Total Transfer From General Fund \$ 78,967,894**



## FACILITIES FUNDING

<b>Available Facilities Funding</b>	
Ongoing Routine Repair and Maintenance	\$11,323,215
Debt Service Payment paid from General Funds	\$2,836,450
<b>Total Available</b>	<b>\$14,159,665</b>



## General Fund Revenue Summary

• Beginning Fund Balance	\$ 75.378 M
• Revenues	\$ 480.119 M
• Transfers In	
Charter School Fees	<u>\$ 1.502 M</u>
<b>Total Revenues</b>	<b>\$ 556.999 M</b>



# Expenditures Included in 2017-18 Budget

• Certificated Salaries	\$197.338 M
• Classified Salaries	\$ 61.159 M
• Employee Benefits	<u>\$160.939 M</u>
<b>Sub-Total</b>	<b>\$419.436 M</b>

–84% of Total Expenditures

- Unrestricted Funding – 90%



# Expenditures Included in 2017-18 Budget

## Cont'd

–Salaries/Benefits	\$ 419.436 M
–Books and Supplies	\$ 21.569 M
–Services/Other Operating Exp.	\$ 55.551 M
–Capital Outlay	\$ 2.665 M
–Other Outgo	\$ 2.836 M
•Debt Service Payment	
–Indirect Costs	<u>(\$ 1.912) M</u>
<b>Total Expenditures</b>	<b>\$ 500.145 M</b>



# Books and Supplies

<b>Books and Supplies Breakdown</b>	
Approved Textbooks/Core Curriculum	\$1,999,773
Other Books - General	\$141,082
Instructional Materials/Supplies	\$12,381,756
Non-Instructional Materials/Supplies	\$3,854,095
Transportation Supplies	\$14,775
Transportation Repair Parts	\$257,250
Oil	\$46,225
Tires	\$139,667
Gasoline	\$592,696
Equipment \$500 - \$4,999	\$2,141,945
<b>Total Additional Committed Investments</b>	<b>\$21,569,264</b>



# OPERATING COSTS BUDGET VS. ACTUAL

Historical Trend of Operating Costs - Budget vs. Actual

Category	2015-2016		2016-2017		2017-2018
	Adopted Budget	Actual	Adopted Budget	Actual	Proposed Budget
	Books/Supplies/ Equipment under \$5,000	\$20,753,430	\$11,082,104	\$20,168,575	\$14,189,535
Services/Utilities	\$57,885,645	\$63,542,084	\$62,883,399	\$67,143,262	\$55,550,675
Capital Improvements/Equipment equal to or greater than \$5,000	\$15,168,979	\$21,472,676	\$17,060,802	\$22,721,052	\$2,665,254
<b>Total</b>	<b>\$93,808,054</b>	<b>\$96,096,864</b>	<b>\$100,112,776</b>	<b>\$104,053,849</b>	<b>\$79,785,193</b>



## General Fund Summary

• Total Revenues	\$ 556.999 M
• Less Expenditures*	<u>(\$ 501.875)M</u>
<b>Ending Fund Balance</b>	<b>\$ 55.124 M</b>

\*Includes contributions of \$1.5 million to maintain Child Development programs and \$230,000 parent participation preschool

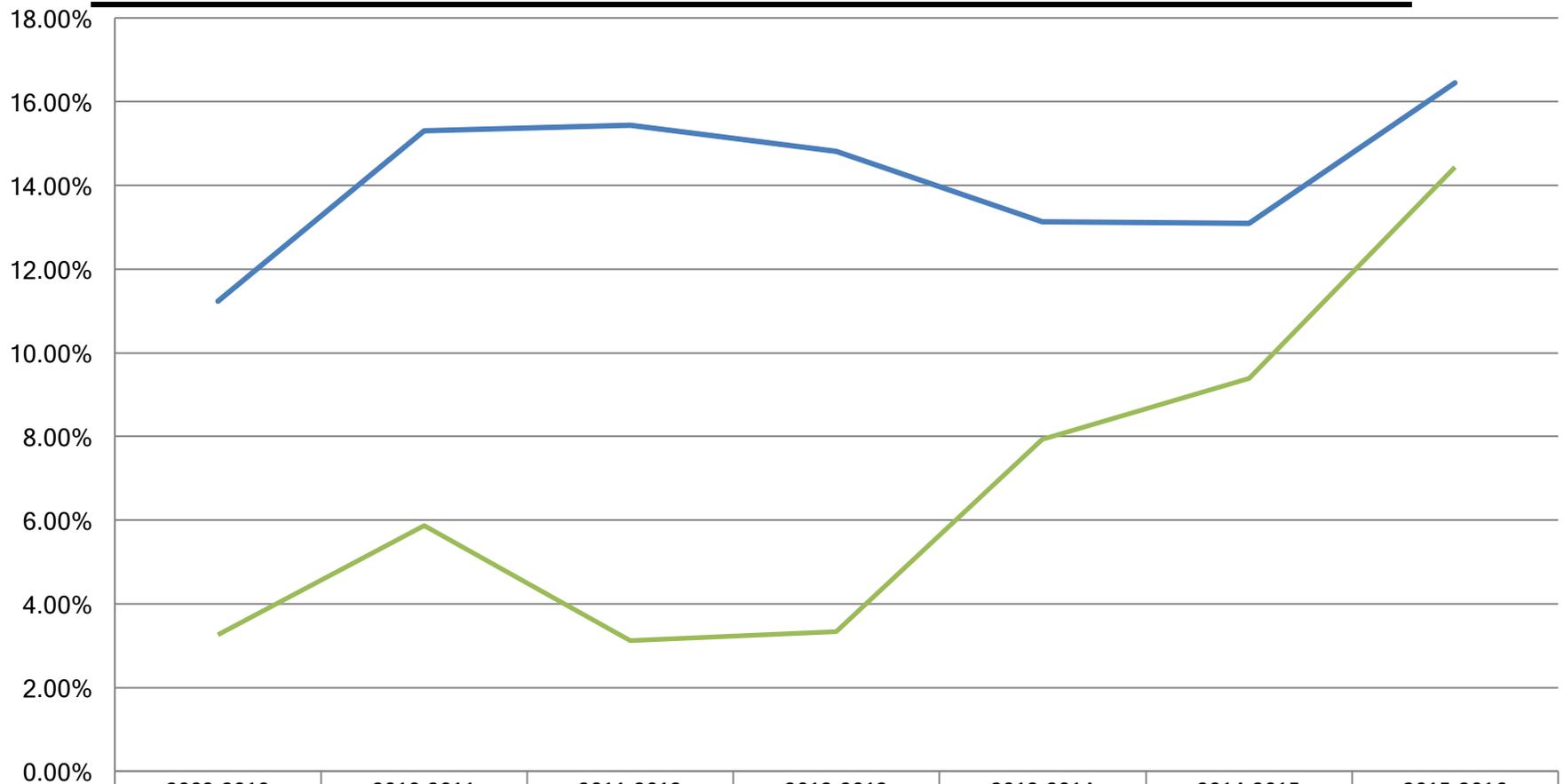


## General Fund Summary Cont'd

- Ending Fund Balance
  - Reserves:

• Revolving Cash and Stores	\$ .545 M
• Reserve for Economic Uncertainties	\$ 20.013 M
• Textbook Adoption	\$ 6.000 M
• Other Post Employment Benefits Liability	\$ 3.000 M
• Fleet Replacement	\$ .250 M
• Future STRS/PERS Increases	\$ 7.970 M
• District wide Technology Upgrades	\$ 5.000 M
• Cover deficit spending in future years	\$ 9.888 M
• Facilities – Custodians	\$ .500 M
• Medi-Cal Funds	\$ .818 M
• Buy Down 3 days of Vacation Liability	<u>\$ 1.140 M</u>
• <b>Total Reserves</b>	<b>\$ 55.124 M</b>

# Unrestricted General Fund Average Unified School District Reserves vs. SCUSD



	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
Unified District	11.23%	15.30%	15.44%	14.81%	13.13%	13.09%	16.45%
SCUSD	3.25%	5.86%	3.12%	3.33%	7.93%	9.39%	14.44%



## DISTRICTS IN TROUBLE

- At 2<sup>nd</sup> Interim - 2 Districts certified as negative, 41 Districts as qualified
- Districts with significant reductions in their budgets include Oakland Unified, Santa Rosa, Los Angeles Unified, San Diego Unified, and Santa Ana
- Oakland is reducing their budget by \$25 million
- Santa Rosa is laying off and reducing their budget by \$10 million
- Santa Ana is laying off 300 teachers



## DISTRICTS IN TROUBLE

- Los Angeles Unified's reductions include laying off 121 workers and 180 "reassignments" which could result in lower pay.
- San Diego Unified is reducing by \$124 Million, more than 10% of their budget
- The sooner we reduce spending, the less painful it will be.
- We must begin reducing in 2018-19 in order to balance our budget



## Budget Assumptions

- LCFF and State Revenue increase of 2.15% and 2.35% for 2018-19 and 2019-20, respectively
- 1.4% Step and Column Salary increase (\$2.76 M)
- 3% Medical Benefit increase for 2017-18 (\$2 M)
- 6% Medical Benefit increase for 2018-19 (\$4.9 M) and 2019-20 (\$5.21 M)

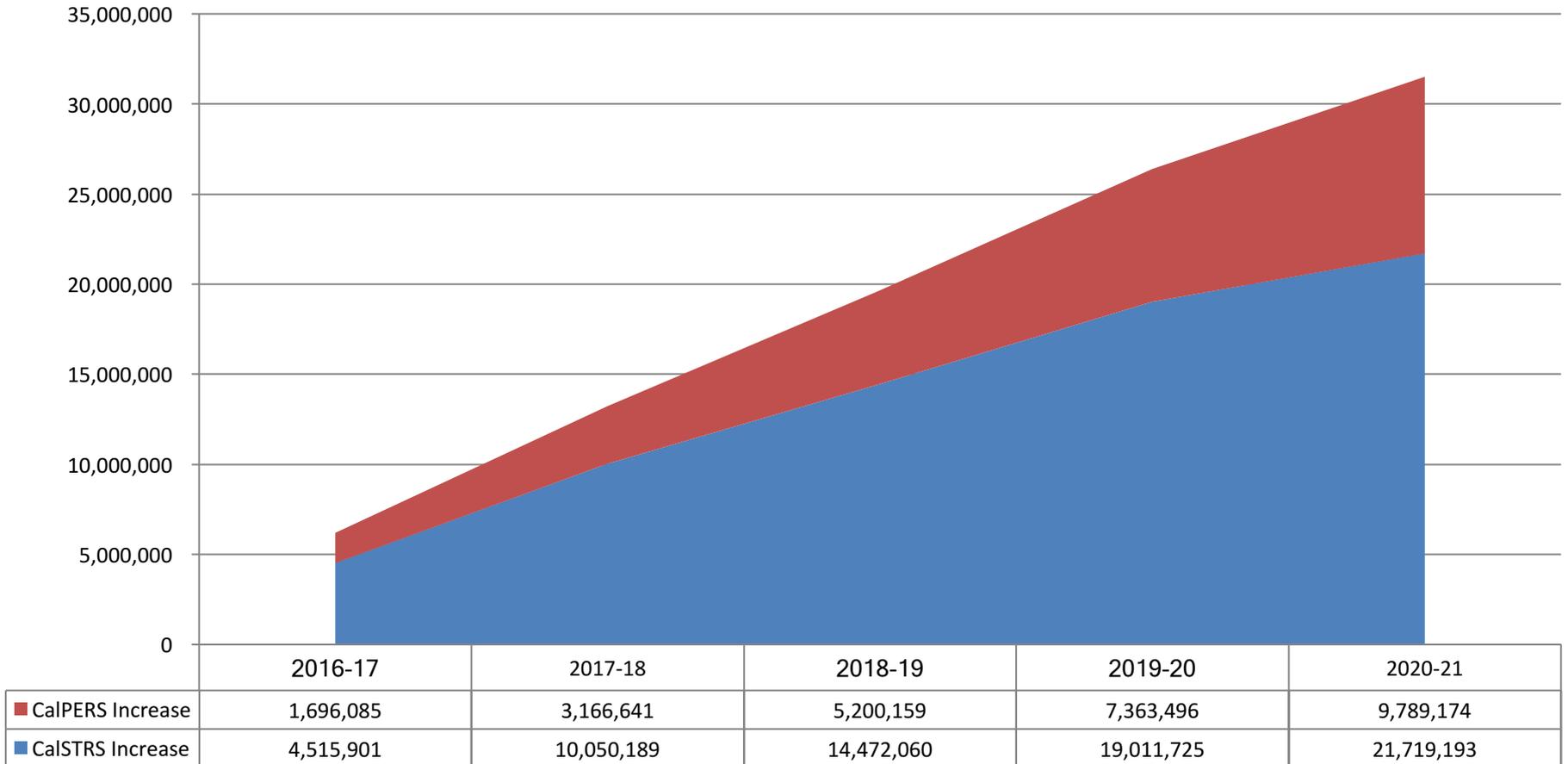


## Budget Assumptions

- STRS rates increase by 1.85% (\$5.5 M) for 2017-18
- STRS rates increase to 16.28% (\$4.4 M) and 18.13% (\$4.5 M) in 2018-19 and 2019-20 respectively
- PERS rates increased by 1.643% (\$1.4 M) for 2017-18
- PERS rates increase to 18.10% (\$2.0 M) and 20.8% (\$2.2 M) in 2018-19 and 2019-20 respectively
- Declining ADA of 95 for 2018-19 and 2019-20

# Increasing Pension Costs

**Impact of Pension Employer Rate Increases**





# Local Control Funding Formula (LCFF)

- Reaching to 97.0% of the targeted funding levels in 2017-18
- Assumes unduplicated percentage for SCUSD of 68.57% (3 year average)
- Transportation and Targeted Instructional Improvement Grant (TIIG) are included as add-ons in the calculation
- The estimated LCFF is \$367,365,706



# Local Control Funding Formula (LCFF)

## SUMMARY SUPPLEMENTAL & CONCENTRATION GRANT & MPP

	2016-17	2017-18	Increase
Estimated supplemental and concentration grant funding in the LCAP year	\$55,965,985	\$59,232,072	<b>\$3,266,087</b>
Minimum Proportionality Percentage (MPP)	18.63%	19.64%	<b>1.01%</b>

\*Percentage by which services for unduplicated students must be increased or improved over services provided for all students.



# How is SCUSD Increasing Services for Targeted Students?

- Safe Haven
- Professional Development – Collaborative Time
- Increasing contribution to Career and Technical Education
- Continued support for Librarians – exposure to technology
- Continued support for Early Literacy, Early Kinder, and Pre-K



## Next Steps

- Submit budget to SCOE for review
- Continue to monitor State Budget
- Revise budget within 45 days of signed State Budget
- First Interim Financial Report as of  
October 31, 2017
- Second Interim Financial Report as of  
January 31, 2018



Thank You

Questions?