



## Third Interim Report May 27, 2014

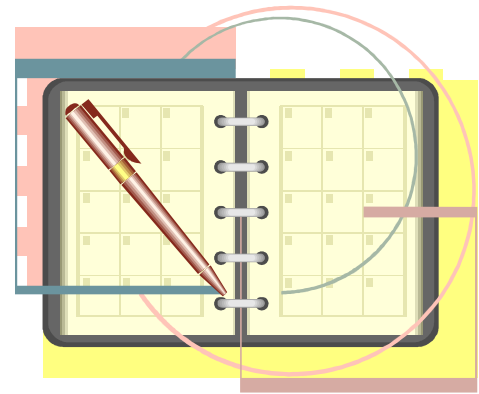
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CONSULTING

► Marysville Joint Unified School District

# Agenda

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- ▶ State Budget Process
- ▶ Key Assumptions
- ▶ Enrollment and ADA
- ▶ LCFF, Budget and MYP
- ▶ Fund Balance
- ▶ Next Steps



# State Budget Process

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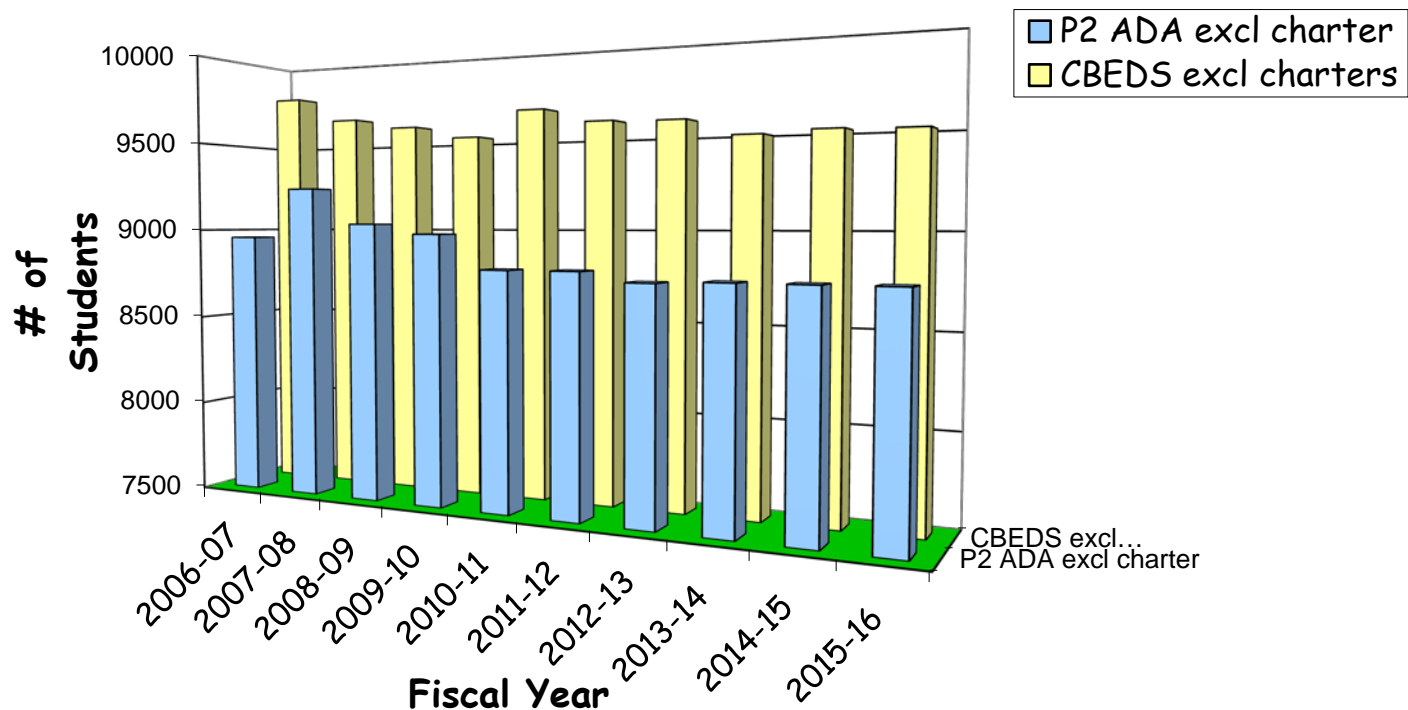
- ▶ January
  - ▶ Governor's proposed budget for budget year
- ▶ February
  - ▶ Legislative Analyst review with comments
- ▶ April
  - ▶ Statutory COLA recalculated
- ▶ May
  - ▶ "May Revise" reflects tax adjustments
- ▶ June 15 (or later)
  - ▶ Final adopted State budget
    - ▶ COLAs, "gap" funding
    - ▶ Potential additional programs, or funding changes
- ▶ November
  - ▶ Legislative Analyst Report (LAO Report)
    - ▶ Projections for next year based on tax collections and economic predictors
- ▶ January
  - ▶ Governor's proposed budget for next budget year...



# Enrollment and ADA

- ▶ Significant decrease in enrollment (89) but ADA maintained this year – revenue calculated on current year ADA

## MJUSD Enrollment and ADA History



# LCFF Components

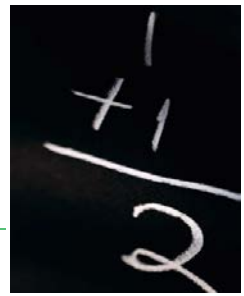
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- ▶ Grade span base grants
- ▶ Add-ons for K-3 CSR and CTE, called Grade Span Adjustments (GSA)
  - ▶ Every site must average no more than 24:1 by target date, and make progress toward that goal every year
  - ▶ Will need new MOU with COE for ROP
- ▶ Supplemental grants – 20% additional
- ▶ Concentration grants – 50% additional
- ▶ Our targeted percent - 83% for 2013-14
  - ▶ No guarantees this will stay the same in future



# Calculate the LCFF Entitlement

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- ▶ (Base for each grade span + GSA) x ADA for grade span = Base funding
- ▶ Supplemental = 20% x base x 83%
- ▶ Concentration = 50% x base x (83% - 55%) 28%
- ▶ Add it all together and compare to prior year LCFF funding per ADA
- ▶ Apply State-determined Gap Funding percent to determine new monies to district
- Not much changed
  - ▶ Gap funding percent still estimated at 28% for 02014-15
    - ▶ While this is a nice increase it is NOT a 28% increase in funding!
  - ▶ DOF projects >30% gap funding next two years
  - ▶ SSC projects 7.8% and 8.4% - we are using the more conservative numbers

# LCFF Assumptions

## ► Low COLAs, but healthy Gap funding

LCFF Calculator Universal Assumptions						
Marysville Joint Unified						
3/9/14						

# Key Budget Assumptions

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- ▶ All step and column adjustments, vacancies and late hires reflected in budget
- ▶ ~~Using prior year P-2 ADA due to declining ADA~~
  - ▶ Due to changes to prior year ADA for net charter shift and increase to current year ADA for continuation, now funded on CY
- ▶ Using LCFF funding formula, including 2.2% COLA and 11.78% “gap” funding for current year
- ✓ Added LCAP Budget priorities per Equity Allocations
- ✓ Increased STRS costs for 2014-15 by 1.25%
- ▶ All prior categorical program revenues and costs that are now part of LCFF (transportation, EIA, Tier III) have been moved to Unrestricted General Fund
  - ✓ Anticipated budget savings of \$1.04M from Lottery and Targeted (former EIA) funds



# Third Interim Budget

	Working Budget		
	2013-14		
	Unrestricted	Restricted	Combined
<b>Revenue</b>			
LCFF Funding	58,948,974	2,147,690	61,096,664
LCFF Suppl/Conc net of new costs			0
Federal Revenue	22,285	7,271,645	7,293,930
State Revenue	1,567,507	4,703,639	6,271,146
Local Revenue	1,211,466	3,697,043	4,908,509
<b>Total Revenue</b>	<b>61,750,232</b>	<b>17,820,017</b>	<b>79,570,249</b>
<b>Expenditures</b>			
Certificated Salaries	28,224,082	6,538,773	34,762,855
Classified Salaries	8,756,171	4,436,422	13,192,593
Benefits	12,094,592	3,540,379	15,634,971
Books and Supplies	3,619,690	3,833,087	7,452,777
Other Services & Oper. Expenses	5,530,197	3,542,034	9,072,231
Capital Outlay	140,867	620,235	761,102
Other Outgo 7xxx	213,004	1,878,231	2,091,235
Transfer of Indirect 73xx	(1,276,326)	479,098	(797,228)
Unidentified Budget (Cuts)/(Savings)	(1,040,000)		(1,040,000)
<b>Total Expenditures</b>	<b>56,262,277</b>	<b>24,868,259</b>	<b>81,130,536</b>
Deficit/Surplus	5,487,955	(7,048,242)	(1,560,287)
Transfers in/(out )			0
Contributions to Restricted	(5,431,494)	5,431,494	0
<b>Net increase (decrease) in Fund Balance</b>	<b>56,461</b>	<b>(1,616,748)</b>	<b>(1,560,287)</b>

# Changes Since Second Interim

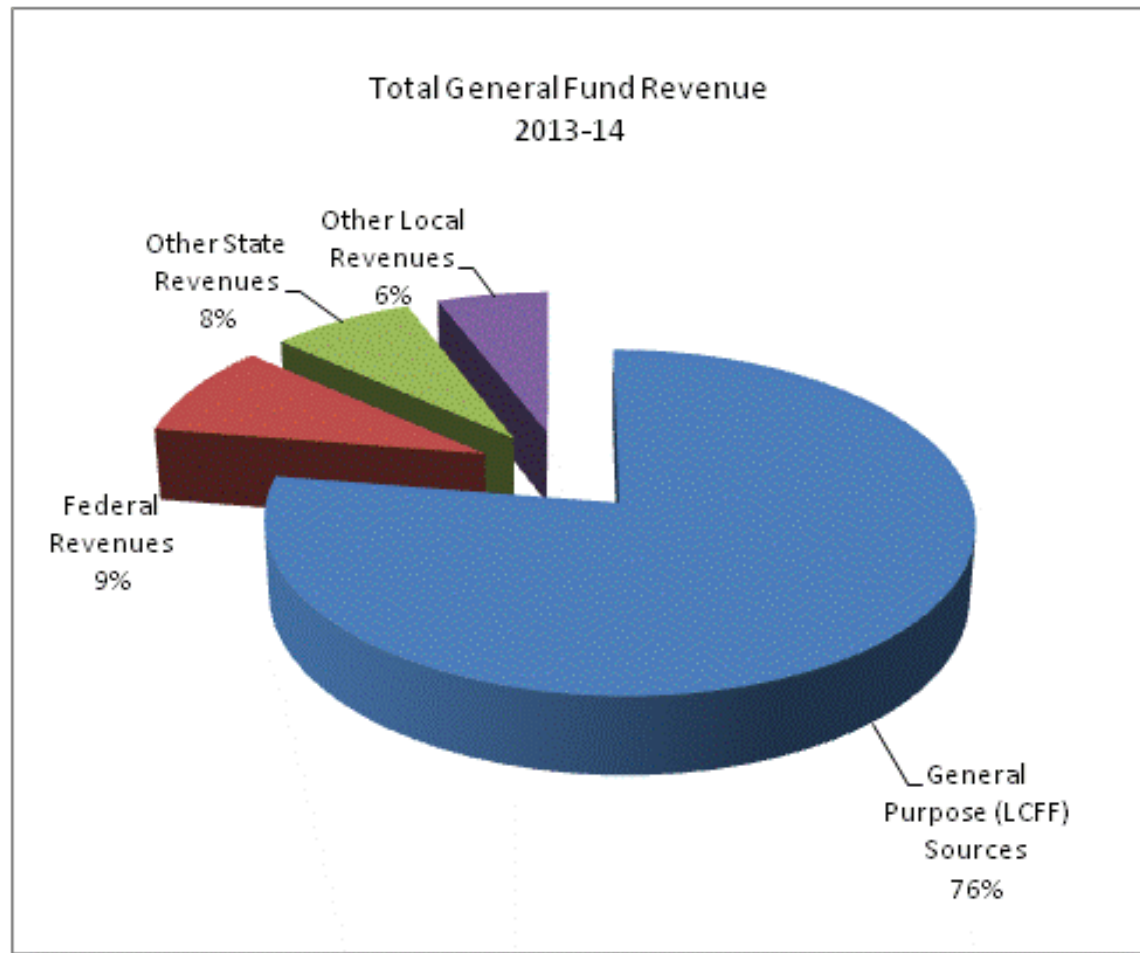
- Changes are typical operating budget adjustments

UNRESTRICTED General Fund		
Marysville Joint Unified School District		
Changes Since Second Interim		
		<b>2013-14</b>
<b>Excess of Expenditures over Revenues at Second Interim</b>		<b>(\$980,306)</b>
<b>Revenue Changes</b>		
LCFF Funding - adjust for ADA, recalculations	(\$177,843)	
Additional State Revenue	\$57,025	
Other Revenue Changes	\$587	
Change in Contributions to Restricted Programs	(\$132,232)	
<b>Total Revenue Changes</b>		<b>(\$252,463)</b>
<b>Expenditure Changes</b>		
Certificated Changes	(\$72,447)	
Change in Books and Supplies, Services	\$161,401	
Change in indirect costs	(\$191,066)	
Anticipated Budget Savings	(\$1,040,000)	
Other Expenditure Changes	(\$147,118)	
<b>Total Expenditure Changes</b>		<b>(\$1,289,230)</b>
<b>Revised Excess of Expenditures over Revenues 2013-14</b>		<b>\$56,461</b>



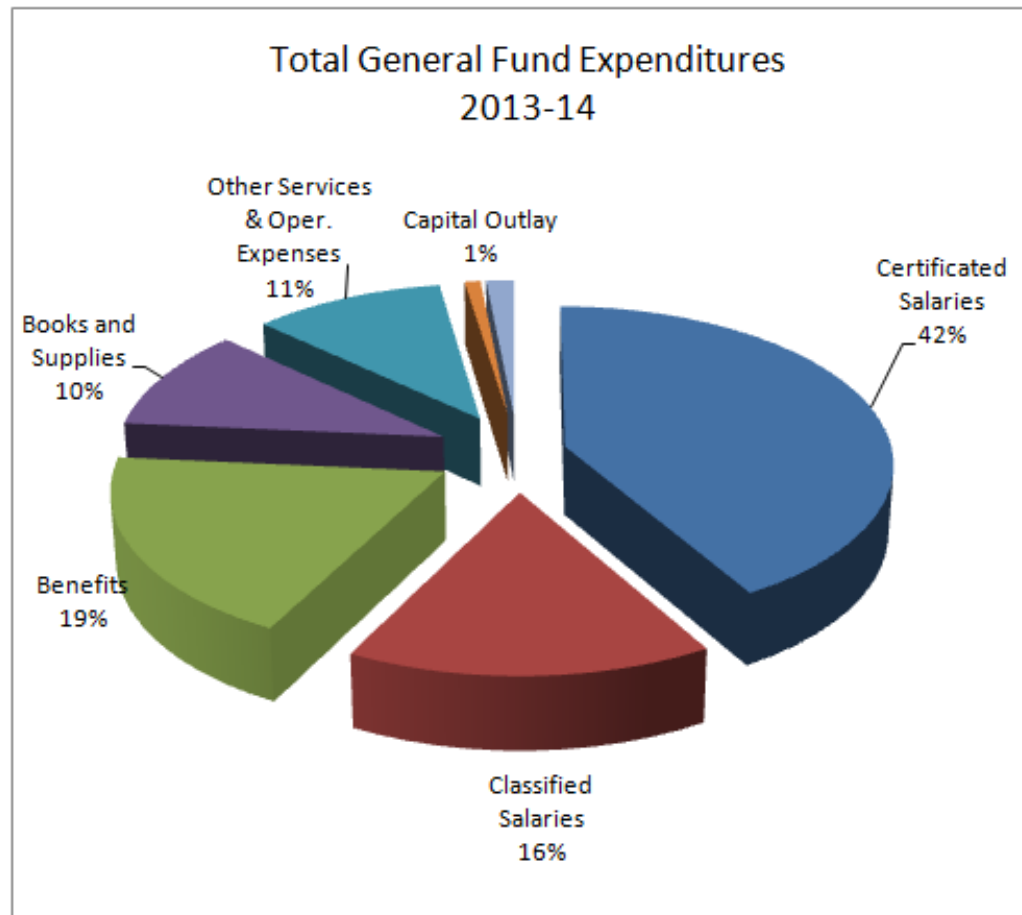
# Total General Fund Revenues

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# Total General Fund Expenditures

- ▶ Salaries and Benefits Total 77% of Total Expenditures and
  - ▶ 86% of Unrestricted Expenditures Only



# Multi-Year Assumptions



- ▶ LCFF – used SSC gap funding rather than DOF
- ▶ Flat ADA and enrollment assumed
- ▶ Step and Column, including encroachment increases
- ▶ 1% contribution to Deferred Maintenance, consistent with prior years' funding guidance
- ✓ Increased STRS employer costs by 1.6% each year (>\$500K)
- ✓ Increased PERS employer costs by 3.55% over three years
- ▶ 2% COLA for books, supplies, services
- ▶ Anticipated \$300K in retirements, \$100K in second half of mid-year hire costs
- ▶ Added 3.0 FTE of K-3 CSR teachers to bring all classes to 24:1
- ▶ Added LCAP funding priorities

# New LCFF Funding Each Year

- ▶ Using 28.05% and 7.8% Gap funding, total funding increase 2014-15 is \$8.3M and in 2015-16 \$1.8M

SUPPLEMENTAL & CONCENTRATION DISTRIBUTION				
Description	Total LCFF	Base	Supp/ Conc	Progress %
Total Target funding by 2021	89,909,577	69,117,461	20,792,116	
Less: LCFF Transition (2012-13 Adj. Base)	57,328,486	57,328,486	\$0	
Difference	32,581,091	11,788,975	\$20,792,116	
2013-14 Progress Toward Target	\$3,838,053	\$1,399,135	2,438,918	11.78%
<i>new money and proportionality (WestEd version)</i>	6.7%		4.2%	
Description	Total LCFF	Base	Supp/ Conc	
Total Target funding by 2021	90,669,707	69,698,777	20,970,930	
Less: LCFF Transition (2012-13 Adj. Base)	61,196,122	58,757,204	2,438,918	
Difference	29,473,585	10,941,573	18,532,012	
2014-15 Progress Toward Target	\$8,267,341	\$3,069,112	\$5,198,229	28.05%
<i>new money and proportionality (WestEd version)</i>	13.5%		12.4%	
Description	Total LCFF	Base	Supp/ Conc	
Total Target funding by 2021	92,560,821	71,146,597	21,414,224	
Less: LCFF Transition (2012-13 Adj. Base)	69,463,462	61,826,315	7,637,147	
Difference	23,097,359	9,320,282	\$13,777,077	
2015-16 Progress Toward Target	\$1,801,594	\$726,982	\$1,074,612	7.80%
<i>new money and proportionality (WestEd version)</i>	2.6%		13.9%	

# LCFF Supplemental/Concentration Funds

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- ▶ The MYP includes additional LCFF base funding in the LCFF Funding top revenue line
- ▶ New Supplemental/Concentration targeted funds to prioritize through LCAP process are presented in second revenue line – NET of any projected increases in related costs
- ▶ Projected increases in costs include:
  - ▶ ROP local funding, spread over next two years
  - ▶ Additional bus replacement match
  - ▶ Site discretionary dollars
  - ▶ 3.0 FTE for full 24:1 K-3 CSR implementation
  - ▶ Instructional materials budget for Language Arts textbook adoption – half set aside in each of next two years
  - ▶ Staffing increases in areas of music, VPs, counselors, nursing, library, attendance clerks

# MYP at Second Interim

	Working Budget			Projection				Projection			
	2013-14			2014-15				2015-16			
	Unrestricted	Restricted	Combined	Unrestricted	Restricted	Combined		Unrestricted	Restricted	Combined	
<b>Revenue</b>				gap 28%				gap 7.8%			
LCFF Funding	58,948,974	2,147,690	61,096,664	62,017,974	2,147,690	64,165,664	1	62,744,974	2,147,690	64,892,664	1
LCFF Suppl/Conc net of new costs			0	1,523,450	0	1,523,450	2	1,697,450	0	1,697,450	2
Federal Revenue	22,285	7,271,645	7,293,930	22,285	7,271,645	7,293,930		22,285	7,271,645	7,293,930	
State Revenue	1,567,507	4,703,639	6,271,146	1,567,507	2,853,639	4,421,146		1,567,507	2,853,639	4,421,146	
Local Revenue	1,211,466	3,697,043	4,908,509	1,211,466	3,697,043	4,908,509		1,211,466	3,697,043	4,908,509	
<b>Total Revenue</b>	<b>61,750,232</b>	<b>17,820,017</b>	<b>79,570,249</b>	<b>66,342,682</b>	<b>15,970,017</b>	<b>82,312,699</b>		<b>67,243,682</b>	<b>15,970,017</b>	<b>83,213,699</b>	
<b>Expenditures</b>											
Certificated Salaries	28,224,082	6,538,773	34,762,855	28,488,082	6,813,153	35,301,235	5,8	29,253,644	7,087,533	36,341,176	5
Classified Salaries	8,756,171	4,436,422	13,192,593	9,031,171	4,436,422	13,467,593	5,6	9,311,794	4,436,422	13,748,216	5,6
Benefits	12,094,592	3,540,379	15,634,971	12,629,592	3,540,379	16,169,971		13,631,119	3,540,379	17,171,498	
Books and Supplies	3,619,690	3,833,087	7,452,777	4,443,505	1,715,920	6,159,425	7,9	4,642,979	1,373,198	6,016,177	7,9
Other Services & Oper. Expenses	5,530,197	3,542,034	9,072,231	5,530,197	2,542,034	8,072,231		5,530,197	2,542,034	8,072,231	
Capital Outlay	140,867	620,235	761,102	75,867	620,235	696,102	4	75,867	620,235	696,102	
Other Outgo 7xxx	213,004	1,878,231	2,091,235	213,004	1,878,231	2,091,235		213,004	1,878,231	2,091,235	
Transfer of Indirect 73xx	(1,276,326)	479,098	(797,228)	(1,276,326)	479,098	(797,228)		(1,276,326)	479,098	(797,228)	
Unidentified Budget (Cuts)/(Savings)	(1,040,000)		(1,040,000)		0	0		0	0	0	
<b>Total Expenditures</b>	<b>56,262,277</b>	<b>24,868,259</b>	<b>81,130,536</b>	<b>59,135,092</b>	<b>22,025,472</b>	<b>81,160,564</b>		<b>61,382,278</b>	<b>21,957,130</b>	<b>83,339,408</b>	
Deficit/Surplus	5,487,955	(7,048,242)	(1,560,287)	7,207,590	(6,055,455)	1,152,135		5,861,404	(5,987,113)	(125,709)	
Transfers in/(out )			0	(811,000)	0	(811,000)	3	(811,000)	0	(811,000)	
Contributions to Restricted	(5,431,494)	5,431,494	0	(5,705,874)	5,705,874	0		(5,987,113)	5,987,113	0	
Net increase (decrease) in Fund Balance	<b>56,461</b>	<b>(1,616,748)</b>	<b>(1,560,287)</b>	<b>690,716</b>	<b>(349,581)</b>	<b>341,135</b>	<b>10</b>	<b>(936,710)</b>	<b>0</b>	<b>(936,709)</b>	<b>10</b>
Beginning Balance	9,064,374	1,966,329	11,030,703	9,120,835	349,581	9,470,416		9,811,551	0	9,811,551	
<b>Ending Balance</b>	<b>9,120,835</b>	<b>349,581</b>	<b>9,470,416</b>	<b>9,811,551</b>	<b>0</b>	<b>9,811,551</b>		<b>8,874,841</b>	<b>0</b>	<b>8,874,842</b>	





# MYP with Fund Balances

- ▶ Basically break-even budgeting, after including all LCAP identified budget augmentations
  - ▶ After Non-Spendable balances, Reserve for Economic Uncertainty, Assignments for LCFF Reserve (up to 5%), and Restricted (categorical) designations, Unappropriated Fund Balance grows to almost 4% in 2015-16

	Working Budget			Projection				Projection		
	2013-14			2014-15				2015-16		
	Unrestricted	Restricted	Combined	Unrestricted	Restricted	Combined		Unrestricted	Restricted	Combined
Net increase (decrease) in Fund Balance	56,461	(1,616,748)	(1,560,287)	690,716	(349,581)	341,135	10	(936,710)	0	(936,709)
Beginning Balance	9,064,374	1,966,329	11,030,703	9,120,835	349,581	9,470,416		9,811,551	0	9,811,551
Ending Balance	9,120,835	349,581	9,470,416	9,811,551	0	9,811,551		8,874,841	0	8,874,842
Revolving/Stores/Prepays	455,000		455,000	455,000		455,000		455,000		455,000
Designated for Econ Uncertainty (3%)	2,433,916		2,433,916	2,459,147		2,459,147		2,524,512		2,524,512
Assigned/Designated <sup>11</sup>	1,702,000		1,702,000	1,162,000		1,162,000		662,000		662,000
LCFF Reserve (up to 5%)	2,439,000		2,439,000	4,058,000		4,058,000		1,965,000		1,965,000
Restricted Designations		349,581	349,581		0	0			0	0
Unappropriated Fund Balance	2,090,919	0	2,090,919	1,677,404	0	1,677,404		3,268,329	0	3,268,329
			2.6%			2.1%				3.9%

# Fund Balance Breakout

- Recommendations are for a LCFF Reserve of one year's future "gap" funding. These projections make that assumption – with a 5% maximum LCFF Reserve

Components of Fund Balance			
	2013-14	2014-15	2015-16
Total Ending Fund Balance	\$9,470,416	\$9,811,551	\$8,874,842
Revolving Fund	\$30,000	\$30,000	\$30,000
Stores	\$425,000	\$425,000	\$425,000
<u>Assignments/Reserved</u>			
Technology E-Rate	\$293,000	\$293,000	\$293,000
Second half of LA adoption	\$0	\$500,000	\$0
Lottery and Targeted Carryover	\$1,040,000		
Security Camera Project	\$369,000	\$369,000	\$369,000
Total Assigned	\$1,702,000	\$1,162,000	\$662,000
Restricted Balances	\$349,581	\$0	\$0
Reserve for Economic Uncertainty 3%	\$2,433,916	\$2,459,147	\$2,524,512
LCFF Reserve (up to 5%) <sup>1</sup>	\$2,439,000	\$4,058,000	\$1,965,000
Unappropriated/Available	\$2,090,919	\$1,677,404	\$3,268,329
Percent Unappropriated	2.6%	2.1%	3.9%
<sup>1</sup> Recommended LCFF Reserve. SSC recommends one full year of LCFF revenue increase as an additional reserve due to uncertainties in funding. This analysis assumes one year, up to 5% max, set aside out of fund balance. (FYI, the projected increase in LCFF in 2014-15 is 13%, so the 5% limit would apply.)			

# Uncertainties and Prudence

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- ▶ Declining Enrollment and ADA
- ▶ Affordable Care Act (ACA)
- ▶ Increasing STRS and PERS costs
- ▶ Deferred Maintenance
- ▶ Textbook adoptions with no “textbook” monies
- ▶ OPEB
- ▶ Eventual downturn in the economy (every 8-10 years whether we like it or not)
- ▶ “LCFF Reserve” for unpredictable annual gap funding
- ▶ Pressure from other State programs for a COLA and their piece of the pie
- ▶ Loss of Prop 30 tax revenues beginning in 2016
- ✓ **Deal with volatility through increased reserves and/or conservative revenue assumptions**

# Next Steps

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- ▶ Budget development wrapping up
- ▶ June 17 – hearing on LCAP and district budget
- ▶ June 24 – Board adopts LCAP, then 2014-15 Budget



# Questions

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