

Davis Joint Unified School District
Second Interim Budget Report
Fiscal Year 2018-2019

Budget Considerations

- DJUSD has a strong tradition of academic excellence and fiscal responsibility.
- While State funding has increased, it's not enough to pay for all the services we'd like to have for our students and families at this time.
- The Board and administration are committed to invest returning dollars strategically and wisely towards the future of our district.

General Fund Budget Summary

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- The District's State funding is based upon the January Governor's State Budget and projections from the Department of Finance.
 - Fully funding LCFF in 2018-19 and inflation (COLA) only funding going forward
- The District's current "positive" budget certification is based upon:
 - Projected growth in LCFF revenue from the Department of Finance assumptions
 - Decrease staffing ratios including the use of attrition reductions to generate budget savings
 - The District will need to plan the use of projected increases in State LCFF revenue and future budget reduction actions to address structural deficit spending and to meet the future needs of the district for student programs, employee compensation and other operating expenditures

Second Interim Overview

- School districts are required to file two interim reports during each fiscal year on the status of the District's financial health.
- These reports must include a certification of whether or not the District is able to meet its financial obligations.
 - *Has sufficient cash to pay District payroll and vendors for supplies and services*
- A positive certification is assigned when the District can meet its financial obligations for the current and two subsequent fiscal years.
 - *Has sufficient cash to pay District payroll and vendors for supplies and services for a 3-year period*

Our Budget Focus

- Revenue Projections
 - *State Funding*
 - *Local Funding*
- Staffing Costs
- Focus on General Operating Fund

Budget Revision Assumptions

General Fund

2018-2019

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- January Governor's State Budget Assumptions
 - Local Control Funding Formula updates
- Projected Paid ADA of 7,689
 - Actual DJUSD Non-Charter Enrollment of 8,000
- Position Control – Classroom FTE, Stipends, Benefits
- Program costs
- Utilities and Operating costs

**DAVIS JOINT UNIFIED SCHOOL DISTRICT
SECOND INTERIM GENERAL FUND SUMMARY**

Description	<----- 2018-19 BUDGET----->		
	UNRESTRICTED	RESTRICTED	TOTAL
REVENUES	\$82,187,438	\$15,361,011	\$97,548,449
EXPENDITURES	\$66,724,768	\$33,850,717	\$100,575,485
OTHER FINANCING SOURCES/USES	(\$17,439,323)	\$17,073,888	(\$365,435)
NET INCR. (DECR.) IN FUND BALANCE	(\$1,976,653)	(\$1,415,818)	(\$3,392,471)
BEGINNING FUND BALANCE JULY 1ST	\$5,994,528	\$2,325,432	\$8,319,960
ENDING FUND BALANCE JUNE 30TH <i>RESERVE %</i>	\$4,017,875 4.0%	\$909,614	\$4,927,489
<u>COMPONENTS OF ENDING BALANCE</u>			
Revolving Cash/Stores	\$67,500		\$67,500
Legally Restricted Balances	\$0	\$909,614	\$909,614
Designated for Economic Uncertainties	\$3,950,375		\$3,950,375
<i>Designated for Economic Uncertainties %</i>	3.9%		
<u>Other Assignments:</u>			
<i>Total Other Assignments %</i>	0.0%		
Unassigned/Unappropriated Amount	\$0	\$0	\$0
<i>Total Unassigned %</i>	0.0%		



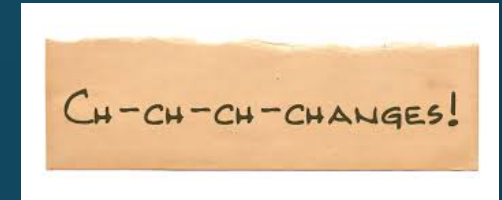
**DAVIS JOINT UNIFIED SCHOOL DISTRICT
SECOND INTERIM GENERAL FUND UNRESTRICTED SUMMARY**

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Description	<----- 2018-19 BUDGET----->		
	BOARD APPROVED BUDGET	SECOND INTERIM	DIFFERENCE
REVENUES	\$81,861,486	\$82,187,438	\$325,952
EXPENDITURES	\$66,500,124	\$66,724,768	(\$224,644)
OTHER FINANCING SOURCES/USES	(\$17,635,782)	(\$17,439,323)	\$196,459
NET INCR. (DECR.) IN FUND BALANCE	(\$2,274,420)	(\$1,976,653)	\$297,767
BEGINNING FUND BALANCE JULY 1ST	\$5,994,528	\$5,994,528	\$0
ENDING FUND BALANCE JUNE 30TH	\$3,720,108	\$4,017,875	\$297,767
RESERVE %	3.7%	4.0%	0.2%
COMPONENTS OF ENDING BALANCE			
Revolving Cash/Stores	\$47,500	\$67,500	\$20,000
Designated for Economic Uncertainties	\$3,672,608	\$3,950,375	\$277,767
Designated for Economic Uncertainties %	3.7%	3.9%	0.2%
Other Assignments:			
Total Other Assignments %	0.0%	0.0%	0.0%
Unassigned/Unappropriated Amount	\$0	\$0	\$0
Total Unassigned %	0.0%	0.0%	0.0%
Operating Deficit - / Surplus +	(\$1,700,000)	(\$1,400,000)	\$300,000

Unrestricted Differences

+Favorable / - Unfavorable

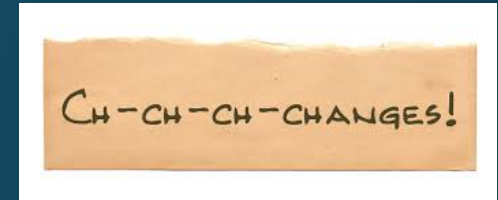


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• <u>Revenue</u>	<u>+\$325,952</u>
• LCFF Revenue	+\$1k
• Other State Revenues	+\$312k
Classified Intern Program	
• Other Local Revenues	+\$12k

Unrestricted Differences

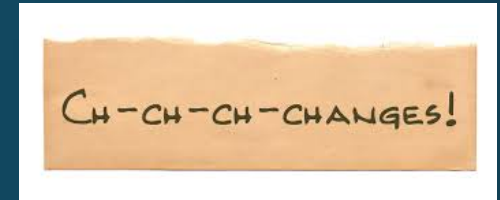
+Favorable / - Unfavorable



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• <u>Expenditures</u>	<u>-\$224,644</u>
• Salaries & Benefits	+\$296k
• Position control true-up	
• Supplies, Services and Capital	-\$496k
• Intern grant, lease accounting, insurance costs	
• Other outgo/Indirect Costs	-\$26k
• Computer lab lease (budget transfer)	
• <u>Other Financing</u>	<u>+\$196,459</u>
• Lease accounting	+\$154k
• Contributions & Transfer Out	+\$42k
• <u>Net Incr. + / Decr. – In Fund Balance</u>	<u>+\$297,767</u>

Unrestricted Risks and Opportunities



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- Risks

- Attendance rate (decreased ADA)
- Special Education costs
- Technology Infrastructure challenges

- Opportunities

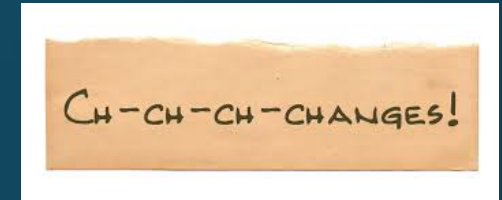
- Under spending
- Increased revenues

**DAVIS JOINT UNIFIED SCHOOL DISTRICT
SECOND INTERIM GENERAL FUND RESTRICTED SUMMARY**

Description	<----- 2018-19 BUDGET----->		
	BOARD APPROVED BUDGET	SECOND INTERIM	DIFFERENCE
REVENUES	\$14,160,786	\$15,361,011	\$1,200,225
EXPENDITURES	\$32,793,132	\$33,850,717	(\$1,057,585)
OTHER FINANCING SOURCES/USES	\$17,125,587	\$17,073,888	(\$51,699)
NET INCR. (DECR.) IN FUND BALANCE	(\$1,506,759)	(\$1,415,818)	\$90,941
BEGINNING FUND BALANCE JULY 1ST	\$2,325,432	\$2,325,432	\$0
ENDING FUND BALANCE JUNE 30TH	\$818,673	\$909,614	\$90,941
<u>COMPONENTS OF ENDING BALANCE</u>			
Legally Restricted Balances	\$818,673	\$909,614	\$90,941
Unassigned/Unappropriated Amount	\$0	\$0	\$0
<u>RESTRICTED BALANCE DETAIL</u>			
<i>Lottery Instructional Materials</i>	\$468,140	\$470,583	\$2,443
<i>Donations and Grants</i>	\$350,533	\$439,031	\$88,498
TOTAL LEGALLY RESTRICTED BALANCES	\$818,673	\$909,614	\$90,941

Restricted Differences

+Favorable / - Unfavorable

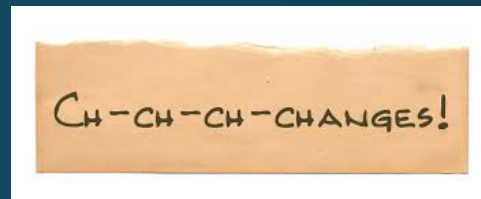


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• <u>Revenue</u>	<u>+\$1,200,225</u>
• Federal Revenue	+\$17k
• Other State Revenue	+\$65k
• New Classified School Employee Professional Development Block Grant	
• Other Local	+\$1,118k
• New “Local Solutions to the Shortage of Special Education Teachers Grants”, & local donations	

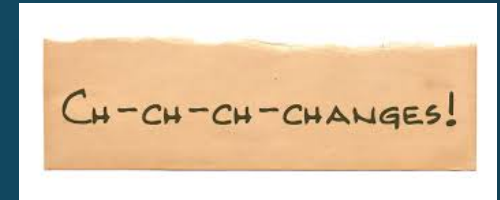
Restricted Differences

+Favorable / - Unfavorable



• <u>Expenditures</u>	<u>-\$1,057,585</u>
• Salaries & Benefits	+\$35k
• Position control true-up (Special Education)	
• Supplies, Services and Capital	-\$1,096k
• Clean Energy Projects	
• Special Education Services	
• Spending from local donations & grants	
• Indirect Costs and Other Outgo	+\$3k
• <u>Other Financing</u>	<u>-\$51,699</u>
• Special Education & Mnt. Contribution (-)	
• <u>Net Incr. + / Decr. – In Fund Balance</u>	<u>+\$90,941</u>

Restricted Risks and Opportunities



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- Risks
 - Special Education revenue & expense
 - Increased students and service levels
- Opportunities
 - Staffing and service levels
 - Under spending of expenditures
 - Revenue increases
 - SELPA risk pool funding
 - Local donations

Multi-Year Projections




District Second Interim March

Key Assumptions (Next Year 2019-20)

- Declining enrollment/attendance (-49 ADA)
- LCFF Growth Revenue +\$2.0 Million
- Parcel Tax Measure H Revenue \$10.1 Million
 - \$253k increase from inflation rate adjustment (CPI projection +2.6%; *Increase of \$17 per parcel*)
- Cost increases
 - *Increased pension costs*
 - *Net Step and Column*
- LCFF/LCAP Supplemental program spending requirements

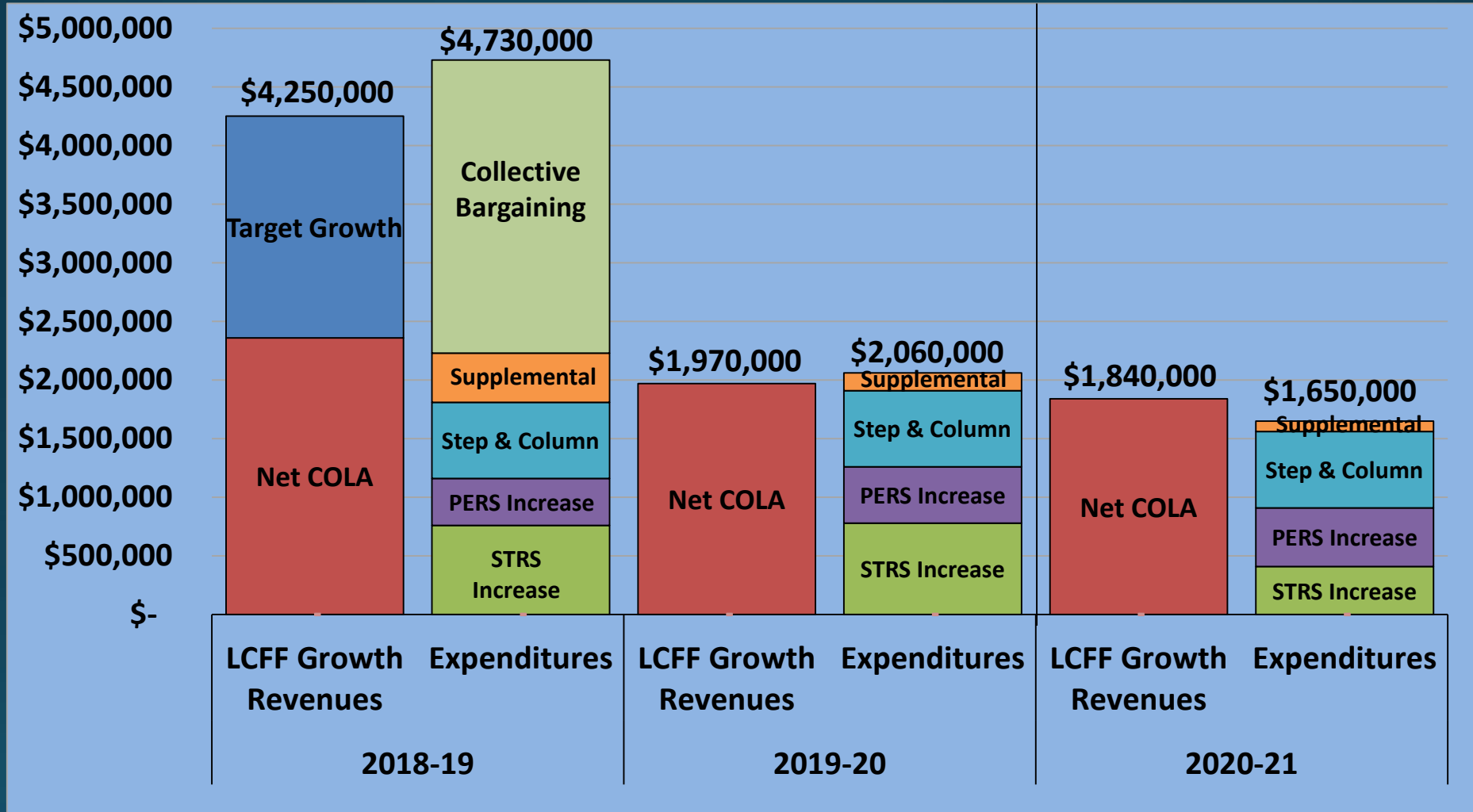
Multiyear Projections - General Fund

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Key Assumptions	2018-19	2019-20	2020-21
Enrollment (Non-Charter)	8,000	7,943	7,934
<i>Change in Enrollment</i>	(35)	(57)	(9)
Average Daily Attendance (ADA)	7,689	7,640	7,626
<i>Change in ADA</i>	(24)	(49)	(14)
Total LCFF Funding per ADA (RATE)	\$8,858	\$9,173	\$9,430
PROJECTED COLA %	3.70%	3.46%	2.86%
PROJECTED LCFF GROWTH % (RATE)	7.00%	3.55%	2.81%
TOTAL LCFF REVENUE	\$68,110,768	\$70,080,231	\$71,915,368
LCFF FUNDING CHANGE	\$4,252,746	\$1,969,463	\$1,835,137
One-Time State Discretionary	\$1,414,592	\$0	\$0
PARCEL TAX REVENUE	\$9,888,087	\$10,141,087	\$10,405,087
Projected Step & Column Increases		\$1,112,000	\$1,112,000
Pension Contribution Increase STRS	\$800,000	\$780,000	\$410,000
Pension Contribution Increase PERS	\$470,000	\$480,000	\$500,000
TOTAL UNRESTRICTED RESERVE %	4.0%	3.3%	3.4%
RESERVE FOR ECONOMIC UNCERTAINTIES %	3.9%	3.3%	3.3%
Budget Reductions - Staffing		(\$417,000)	(\$403,000)
Budget Reductions - Operating Expenditures		(\$50,000)	(\$40,000)

Projected LCFF Growth & Expenditures

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Multiyear Projections

General Fund - Unrestricted

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Description	2018-19	2019-20	2020-21
REVENUES	\$82,187,438	\$82,487,657	\$84,586,794
EXPENDITURES	\$66,724,768	\$66,127,895	\$67,391,955
OTHER FINANCING SOURCES/USES	(\$17,439,323)	(\$17,124,013)	(\$17,101,821)
NET INCR. (DECR.) IN FUND BALANCE	(\$1,976,653)	(\$764,251)	\$93,018
BEGINNING FUND BALANCE JULY 1ST	\$5,994,528	\$4,017,875	\$3,253,624
ENDING FUND BALANCE JUNE 30TH	\$4,017,875	\$3,253,624	\$3,346,642
<i>RESERVE %</i>	<i>4.0%</i>	<i>3.3%</i>	<i>3.4%</i>
COMPONENTS OF ENDING BALANCE			
Revolving Cash/Stores/Prepaid	\$67,500	\$67,500	\$67,500
Reserve for Economic Uncertainties	\$3,950,375	\$3,186,124	\$3,279,142
<i>Reserve for Economic Uncertainties %</i>	<i>3.9%</i>	<i>3.3%</i>	<i>3.3%</i>
<u>Other Assignments:</u>			
<i>Total Other Assignments %</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>
Unassigned/Unappropriated Amount	\$0	\$0	\$0
<i>Unassigned/Unappropriated %</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>
Operating Deficit - / Surplus +	(\$1,400,000)	(\$800,000)	\$100,000

Fiscal Health



Fiscal Health Analysis



- **Davis Joint USD | BP 3100 Business and Non-instructional Operations Budget**

The Board of Education recognizes its critical responsibility for adopting a sound budget for each fiscal year which is aligned with the district's vision, goals, and priorities. The district budget shall guide administrative decisions and actions throughout the year and **shall serve as a tool for monitoring the fiscal health of the district.**

The Board shall establish and maintain a general fund reserve for economic uncertainty that **meets or exceeds** the requirements of law. (Education Code 33128.3; 5 CCR 15450)

- **Board direction given in 2007 to follow FCMAT recommendations for fiscal health following the 2006 FCMAT Fiscal Review**
 - Review indicators to measure fiscal health on an annual basis

Fiscal Health Indicators



- Most Important Fiscal Indicators
 - Recognize year-to-year trends, e.g., declining enrollment or **deficit spending****
 - **Maintain reserves****
 - **Control escalating contributions** from general fund **

** Represents the conditions that have been found most frequently to indicate fiscal distress

Summary Analysis

- DJUSD is highly dependent upon increases in State Funding
 - *Going forward DJUSD needs approximately 3% annual LCFF revenue growth to cover annual expenditure increases to avoid structural deficit spending*
- Potential reserves as reported at Second Interim are minimally adequate and are trending down due to deficit spending
- DJUSD must eliminate structural deficit spending to avoid fiscal distress

Going Forward



- Governor's May Revise
 - State budget priorities
- Budget process March-May
 - Local Control Accountability Plan (LCAP)
 - Finalize Enrollment and staffing assumptions
 - Budget planning including reduction areas to ***eliminate structural deficit spending***
- District Budget Adoption (June)
- Final Approved State Budget
- District Budget Revision

Other Funds

- Revise program budgets for updated revenue and expense assumptions
- Monitor cash levels

Acknowledgments

The 2018-19 Second Interim Budget represents the time and effort of our District Team. These budget revisions include extra effort by the school site staff, department staff and program staff.

Questions

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