

DAVIS JOINT UNIFIED SCHOOL DISTRICT

**2015-2016 SECOND INTERIM BUDGET
UPDATE**

MARCH 17, 2016

**BRUCE COLBY
ASSOCIATE SUPERINTENDENT OF BUSINESS**



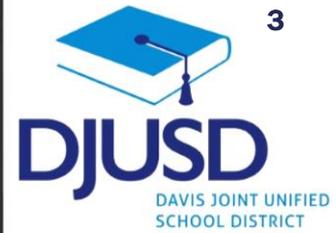
SECOND INTERIM BUDGET PLANNING SUMMARY



The Second Interim Report in March includes updates since the last budget, review of actuals to date and projections for next year using the January Budget proposals. The report will include changes in budget projections for the current year as well as future year projections.

The specific updates will include LCFF and other funding changes from the January State budget proposal, updates to projected student enrollment and attendance (ADA), updated staffing from enrollment changes and actual payroll costs, program carryover spending commitments and board approved changes.

BUDGET CONSIDERATIONS

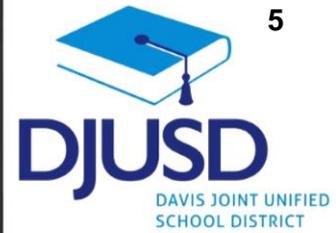


- DJUSD has a strong tradition of academic excellence and fiscal responsibility.
- While State funding has improved, it's not enough to pay for all the services we'd like to have for our students and families.
- The Board and administration are committed to invest dollars strategically and wisely towards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

STATE BUDGET UPDATE

- **2015-16 No Changes**
- **2016-17 Local Control Funding Formula (LCFF)**
 - Proposed GAP funding of 49%
 - Projected LCFF growth increase of \$2.6m for DJUSD
- **2016-17 One-Time Discretionary**
 - Equal to about \$214 per ADA
 - DJUSD projection of \$1.6 million

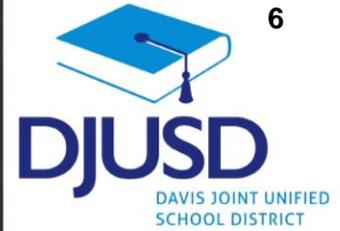
JANUARY PROPOSED BUDGET ONE-TIME DISCRETIONARY FUNDS



- The Governor suggests the one-time funds may be used to support investments in:
- Content standards implementation, technology, professional development, induction programs for beginning teachers, and deferred maintenance
- This is not a mandate and the funds can be used for any one-time purpose.

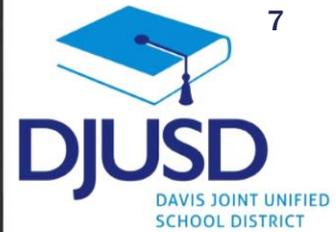
DJUSD projected use is for standards implementation and technology as presented at First Interim Budget and January Budget Update.

OTHER UPDATES



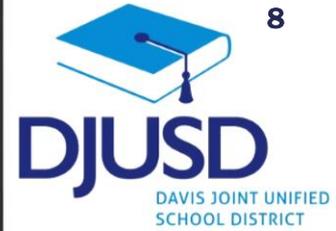
- Staffing to current approved positions & placements
- Enrollment/ADA review and updates
- Special Education
- Operating cost budgets

DJUSD BUDGET OUTLOOK



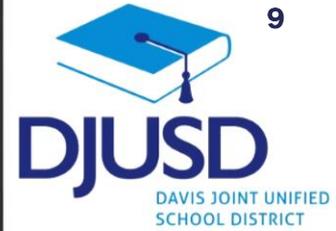
- **Fiscal themes for the near future**
 - Projected state revenue growth in the future
 - Implementation of LCFF
 - Managing deficit spending
 - Parcel tax revenues in the future
 - Rate changes to cover cost increases (CPI adjustment)
 - Impact of “Borikas Case” on tax structure
 - 2016-17 Election
 - Pension costs
 - Employee compensation and collective bargaining
 - Staffing and Program
 - Fund balance reserve components

DJUSD Budget Outlook



- **Projected State LCFF Revenue**
 - **Key Revenue Factors**
 - **COLA (applied to target)**
 - **Gap Funding Rate**
 - **Average Daily Attendance (ADA)**
 - **Unduplicated Pupil Percentage**

DJUSD Budget Outlook

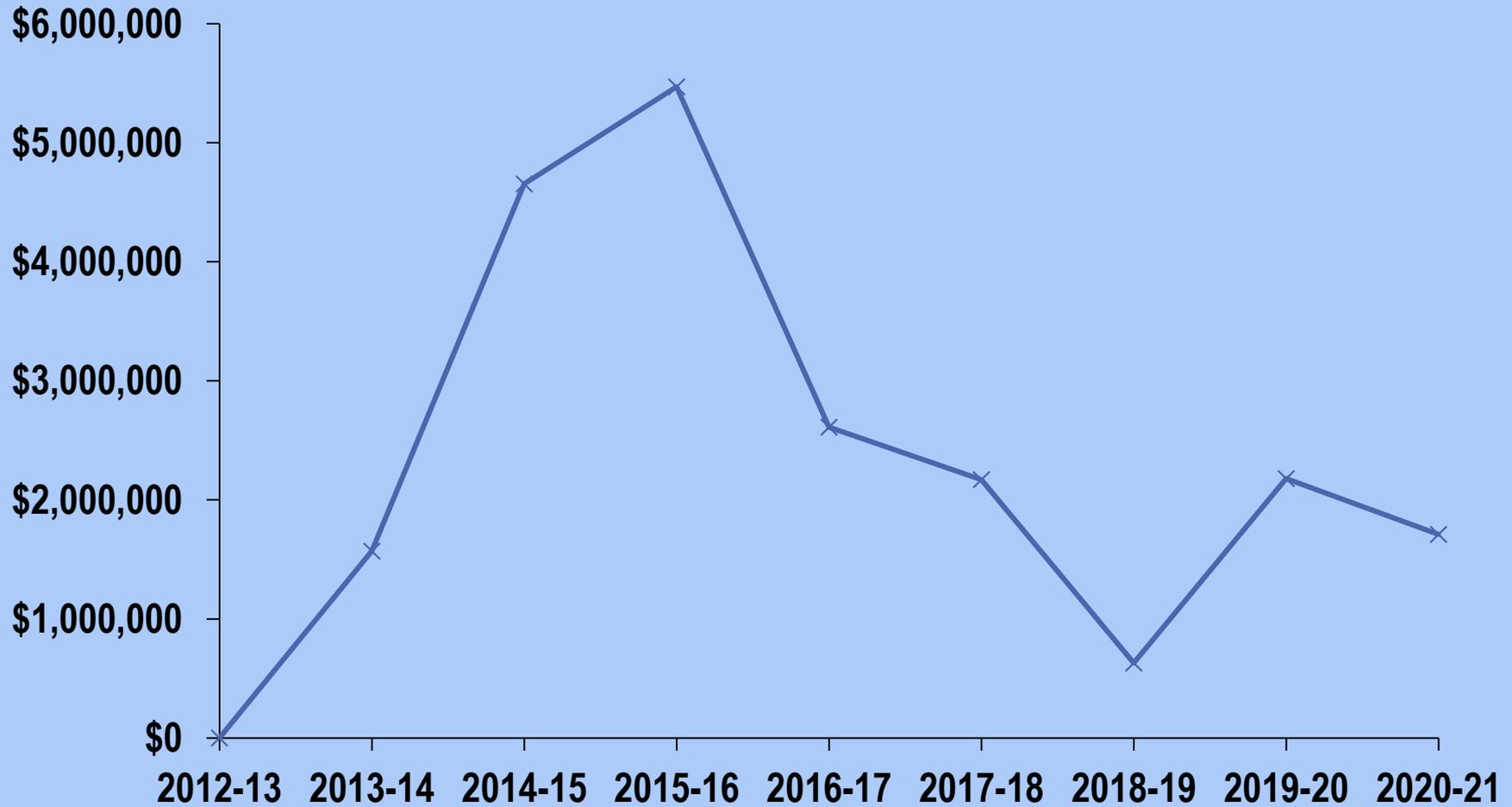


Projected State LCFF revenue

LCFF Factors *	2015-16	2016-17	2017-18
COLA	1.02%	0.47%	2.13%
Gap Funding Rate	51.97%	49.08%	45.34%
ADA	7,657	7,650	7,692
Unduplicated Pupil Percentage	26.41%	25.66%	25.08%

*** Subject to change based upon new information**

LCFF REVENUE GROWTH



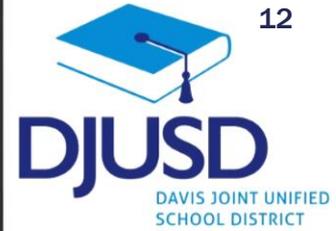
DJUSD BUDGET OUTLOOK

- **Managing deficit spending**

The district has been using fund balance reserves to deficit spend.

- ***District goal is to reduce structural deficit to \$500k or below.***

DJUSD BUDGET OUTLOOK



■ Parcel tax revenues in the future

- The District has two voter approved parcel tax measures that allow taxes to be assessed and collected over the next three years. They both expire June 2017.

- The school board sets the rates according to the specific approved language on an annual basis. The district has the authority to increase the rate to cover inflation using the California Consumer Price Index (CPI).

- The current projected rates are flat as it takes board approval to increase the rate.

Parcel Tax Revenue	2015-16	2016-17	2017-18
Current Budget	\$9,509,682	\$9,509,682	\$0
Measure C rate	\$327/\$153	\$327/\$153	N/A
Measure E rate	\$204	\$204	N/A
<i>Possible CPI Increase</i>	<i>Unchanged</i>	<i>2.0%</i>	<i>2.1%</i>

DJUSD BUDGET OUTLOOK

■ Parcel tax revenues in the future

- In order to continue the parcel tax funded programs, the school board will need to run an election prior to June 30, 2017.
- Pending an election, in the next adoption budget, the third year of the multi-year election projection will have no tax revenue.
- Measure C currently has two rates. The “Borikas” case judgment from the California court of appeals has changed our ability to have multiple rates (Measure C).
- **Compliance with the “Borikas” judgment for our future tax at our current rates would reduce the taxable assessment by approximately \$1.3 million.**
- **The total assessed rate would need to be increased approximately \$90 per parcel to mitigate this impact.**

DJUSD BUDGET OUTLOOK



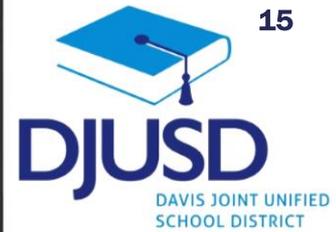
■ Pension costs

- The Budget includes increases for payroll pension costs based upon the State's plan for increased rates.
- State mandated use of LCFF funds

STRS Pension	2015-16	2016-17	2017-18
Final State approved rates	10.73%	12.58%	12.58%
<i>Final State rate change</i>	+1.85%	+1.85%	+1.85%
Budget cost projection	\$720,000	\$720,000	\$600,000

PERS Pension	2015-16	2016-17	2017-18
Final State projected rates	11.85%	13.05%	16.60%
<i>Final State rate change</i>	+0.08%	+1.20%	+3.55%
Budget cost projection	\$11,000	\$180,000	\$540,000

DJUSD BUDGET OUTLOOK



- Employee compensation and collective bargaining
 - The budget included increases for annual step and column costs based upon the district staff placements.
 - The budget also included the cost to cover the on-going 2% increase for all employees that was agreed to last year for 2015-16 & 2016-17 as well as other one-time payments.
 - Any additional increases to compensation are part of the annual collective bargaining/negotiations process.

Employee Compensation	2014-15	2015-16	2016-17	2017-18
Budget Step & Column Estimates *	\$775,000	\$808,000	\$824,000	\$824,000
Collective Bargaining Agreements **	\$3,180,000	\$2,120,000	\$1,620,000	Negotiated
Cost of 1% all employees **	\$530,000	\$530,000	\$540,000	\$540,000

* Subject to change based upon updated analysis of current employee placements, this cost is offset by teacher retirements

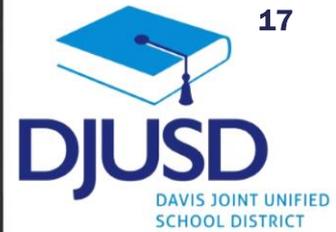
** Details by employee group reported in the Adoption Budget Criteria and Standards Status of Labor Agreements

DJUSD BUDGET OUTLOOK

■ Staffing and Program

- The Budget includes increases for mandated programs that are part of the State budget regulations:
 - Progress towards K-3 Class Size to 24:1 average by site
 - Routine maintenance at 3% of total expenditures
- The district must show adequate program support and services for the LCFF supplemental program funds allocated based upon the Unduplicated Count of students of need. The approximate financial support for these student programs and services needs to grow at an annual rate of **\$200,000** to meet the LCFF target entitlement for supplemental programs in 2021.
- The district has other planning goals for the Strategic Plan and the Local Control Accountability Plan (LCAP) that need to be reviewed as part of the long term budget planning.

DJUSD BUDGET OUTLOOK

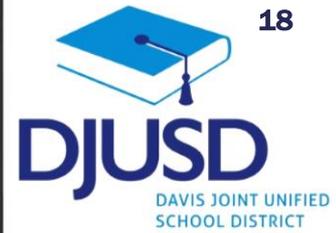


■ Staffing and Program

■ Curriculum Adoption and Standards

- In the past, State funding model, adoptions and state mandated instructional materials were funded using restricted categorical funds for this specific purpose.
- In the new Local Control funding model, districts need to develop local plans to support these adoptions from LCFF or other funds.
- During the State budget crisis, mandated adoption dates were suspended through 2015-16.

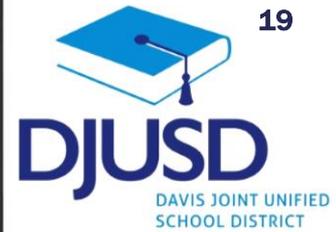
DJUSD BUDGET OUTLOOK



■ Curriculum Adoption and Standards

	2016-17	2017-18	2018-19
English Language Arts	\$200,000	\$950,000	
Math	\$125,000	\$125,000	\$150,000
Science (NGSS)			\$650,000
History/Social Science			\$500,000
Foreign Language		\$75,000	\$75,000
Immersion		\$250,000	
Health	\$75,000		
Annual Totals	\$400,000	\$1,400,000	\$1,375,000
		GRAND TOTAL	\$3,175,000

DJUSD BUDGET OUTLOOK

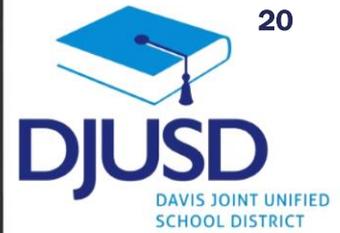


■ Staffing and Program

■ Instructional Technology

- In the past State funding model, site instructional technology was funded using restricted categorical funds allocated to sites.
- In the new Local Control funding model, districts need to develop local plans to support site instructional technology from LCFF or other funds.
- New testing and assessment processes and curriculum adoption standards require investments in site instructional technology.

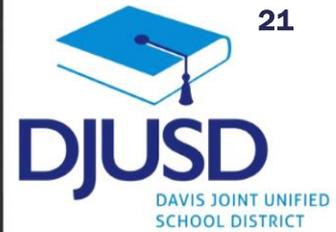
DJUSD BUDGET OUTLOOK



■ Instructional Technology

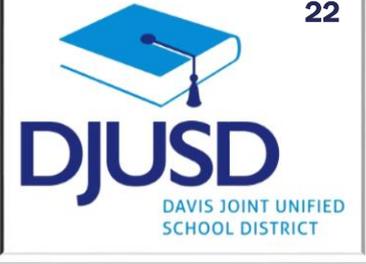
	2016-17	2017-18	2018-19
Wireless Implementation	\$350,000	\$150,000	
Classroom Projection	\$400,000	\$50,000	\$50,000
Chromebooks & Labs	\$100,000	\$500,000	\$500,000
Total	\$850,000	\$700,000	\$550,000

DJUSD BUDGET OUTLOOK



■ Fund balance reserve components

- The budget includes detailed analysis of specific use and purposes for the fund balance reserves.
- Taking into consideration all of the planning factors, the district must maintain adequate reserves for fiscal solvency.
 - Recommended at 2 months (Cash or Fund Equity)
- These reserves include:
 - Non-Spendable (balance sheet accounts)
 - Restricted reserves
 - The State required 3% reserve for economic uncertainties
 - The District board reserve of 1.5% for unknown contingences
 - Reserves to cover carryover and other approved spending commitments
 - Reserves to cover State mandated program spending requirements
 - Reserves to cover deficit spending



Questions

