

Davis Joint Unified School District
Second Interim Budget
Fiscal Year 2016-2017

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.

Acknowledgments

The 2016-2017 Second Interim Budget represents the time and effort of our Fiscal Services Team. These budget revisions include extra effort by the following individuals:

Omaira Reyna

Laura Lilley

Site Staff, Department Staff and Program Staff

General Fund Budget Summary

- The District's State funding is based upon the January Governor's State Budget and projections from the Department of Finance.
 - Slow growth trend and lower State revenue projections
- The District's current "positive" budget certification is based upon:
 - Projected slow growth in LCFF revenue
 - Maintaining our existing level of programming and staff costs by spending down fund balance reserves to cover budget deficits in the current year (2016-17) and the two subsequent years (2017-18 and 2018-19)
 - Reductions of supplies and services for future curriculum adoptions, instructional technology and infrastructure
 - 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
- ***Structural Deficit Spending***
 - *When expenditures exceed revenues on an annual ongoing basis (deficit spending trend over multiple years)*

Budget Revision Assumptions

General Fund

2016-2017

7

- January Governor's State Budget Assumptions
 - Local Control Funding Formula updates
 - One-time Mandated Cost Payments
- Projected Paid ADA of 7,671 based upon current year Projected P2 attendance reporting
 - Actual DJUSD Enrollment of 7,987
- Position Control – Classroom FTE, Stipends, Benefits
- Program costs
- Utilities and Operating costs

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

Description	<----- 2016-17 BUDGET ----->		
	UNRESTRICTED	RESTRICTED	TOTAL
REVENUES	\$75,304,979	\$10,746,661	\$86,051,640
EXPENDITURES	\$61,397,908	\$27,107,251	\$88,505,159
OTHER FINANCING SOURCES/USES	(\$15,119,640)	\$14,977,654	(\$141,986)
NET INCR. (DECR.) IN FUND BALANCE	(\$1,212,569)	(\$1,382,936)	(\$2,595,505)
BEGINNING FUND BALANCE JULY 1ST	\$9,196,477	\$2,060,941	\$11,257,418
ENDING FUND BALANCE JUNE 30TH <i>RESERVE %</i>	\$7,983,908 <i>9.0%</i>	\$678,005	\$8,661,913
<u>COMPONENTS OF ENDING BALANCE</u>			
Revolving Cash/Stores	\$47,500		\$47,500
Legally Restricted Balances	\$0	\$678,005	\$678,005
Designated for Economic Uncertainties	\$7,091,772		\$7,091,772
<i>Designated for Economic Uncertainties %</i>	<i>8.0%</i>		
<u>Other Assignments:</u>			
Deficit Spending Reserves	\$844,636		\$844,636
One-Time (PD, Instructional Materials, Tech)	\$0		\$0
<i>Total Other Assignments %</i>	<i>1.0%</i>		
Unassigned/Unappropriated Amount	\$0	\$0	\$0

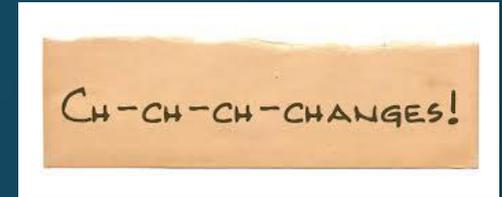


**DAVIS JOINT UNIFIED SCHOOL DISTRICT
SECOND INTERIM GENERAL FUND UNRESTRICTED SUMMARY**

Description	←----- 2016-17 BUDGET----->		
	FIRST INTERIM BUDGET	SECOND INTERIM BUDGET	DIFFERENCE
REVENUES	\$75,268,960	\$75,304,979	\$36,019
EXPENDITURES	\$61,873,660	\$61,397,908	\$475,752
OTHER FINANCING SOURCES/USES	(\$14,666,000)	(\$15,119,640)	(\$453,640)
NET INCR. (DECR.) IN FUND BALANCE	(\$1,270,700)	(\$1,212,569)	\$58,131
BEGINNING FUND BALANCE JULY 1ST	\$9,196,477	\$9,196,477	\$0
ENDING FUND BALANCE JUNE 30TH	\$7,925,777	\$7,983,908	\$58,131
<i>RESERVE %</i>	<i>9.0%</i>	<i>9.0%</i>	<i>0.0%</i>
<u>COMPONENTS OF ENDING BALANCE</u>			
Revolving Cash/Stores	\$47,500	\$47,500	\$0
Designated for Economic Uncertainties	\$7,073,414	\$7,091,772	\$18,358
<i>Designated for Economic Uncertainties %</i>	<i>8.0%</i>	<i>8.0%</i>	<i>0.0%</i>
<u>Other Assignments:</u>			
Carryover/Commitments	\$0	\$0	\$0
Deficit Spending Reserves	\$0	\$844,636	\$844,636
One-Time (PD, Instructional Materials, Tech)	\$804,863	\$0	(\$804,863)
<i>Total Other Assignments %</i>	<i>0.9%</i>	<i>1.0%</i>	<i>0.0%</i>
Unassigned/Unappropriated Amount	\$0	\$0	\$0

Unrestricted Differences

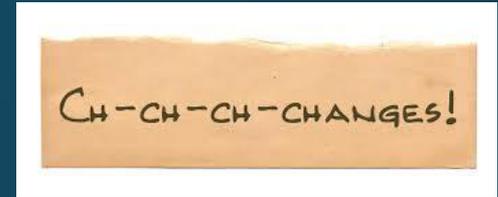
+Favorable / - Unfavorable



- Revenue **+\$36,109**
- LCFF Revenue **-\$32k**
 - Fewer ADA
- Other State Revenues **+\$105k**
 - Classified Intern Program & Lottery Funds
- Other Local Revenues **-\$37k**
 - Interest projection

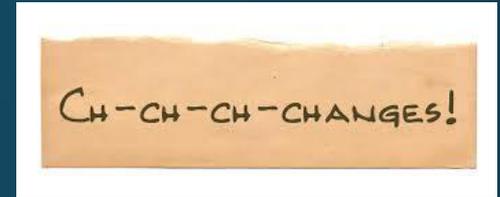
Unrestricted Differences

+Favorable / - Unfavorable



• <u>Expenditures</u>	<u>+\$475,752</u>
• Salaries & Benefits	+\$188k
• Position control true-up	
• Supplies, Services and Capital	+\$232k
• Budget true up of projected expenditures	
• Other outgo/Indirect Costs	+\$56k
• <u>Other Financing</u>	<u>-\$453,640</u>
• Transfers out to other funds	+\$7k
• Special Education Contribution	-\$461k
• <u>Net Incr. + / Decr. – In Fund Balance</u>	<u>+58,131</u>

Unrestricted Risks and Opportunities



- Risks

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

- Opportunities

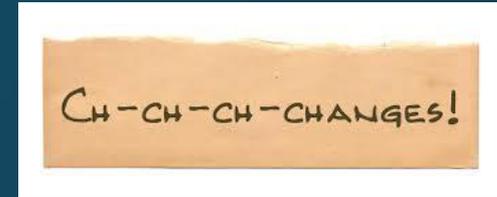
- Under spending
- Increased revenues

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

Description	<----- 2016-17 BUDGET----->		
	FIRST INTERIM BUDGET	SECOND INTERIM BUDGET	DIFFERENCE
REVENUES	\$10,512,330	\$10,746,661	\$234,331
EXPENDITURES	\$26,394,893	\$27,107,251	(\$712,358)
OTHER FINANCING SOURCES/USES	\$14,533,482	\$14,977,654	\$444,172
NET INCR. (DECR.) IN FUND BALANCE	(\$1,349,081)	(\$1,382,936)	(\$33,855)
BEGINNING FUND BALANCE JULY 1ST	\$2,060,941	\$2,060,941	\$0
ENDING FUND BALANCE JUNE 30TH	\$711,860	\$678,005	(\$33,855)
<u>COMPONENTS OF ENDING BALANCE</u>			
Legally Restricted Balances	\$711,860	\$678,005	(\$33,855)
Unassigned/Unappropriated Amount	\$0	\$0	\$0
<u>RESTRICTED BALANCE DETAIL</u>			
<i>College Readiness Block Grant</i>	\$0	\$50,000	\$50,000
<i>Donations and Grants</i>	\$711,860	\$628,005	(\$83,855)
TOTAL LEGALLY RESTRICTED BALANCES	\$711,860	\$678,005	(\$33,855)

Restricted Differences

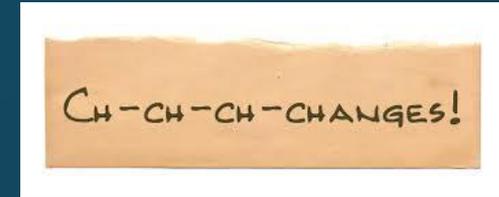
+Favorable / - Unfavorable



• <u>Revenue</u>	<u>+\$234,331</u>
• Federal Revenue	+\$6k
• Other State Revenue	+\$129k
• State One-Time Categorical Grants	
• Other Local	+\$99k
• Local Grants & Donations increase	

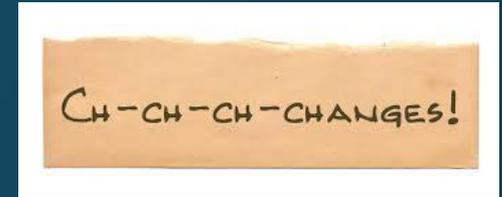
Restricted Differences

+Favorable / - Unfavorable



• <u>Expenditures</u>	<u>-\$712,358</u>
• Salaries & Benefits	-\$327k
• Position control true-up (Special Education)	
• Supplies, Services and Capital	-\$391k
• Clean Energy Projects	
• Spending from local donations & grants	
• Indirect Costs and Other Outgo	+\$6k
• <u>Other Financing</u>	<u>+\$444,172</u>
• Special Education Contribution (+)	
• Inter-fund Transfers In (-)	
• <u>Net Incr. + / Decr. – In Fund Balance</u>	<u>-\$33,855</u>

Restricted Risks and Opportunities



- Risks
 - Special Education revenue & expense
 - Increased students and service levels
- Opportunities
 - Staffing and service levels
 - Under spending of expenditures
 - Revenue increases

Multi-Year Projections





Multiyear Projections (MYP)

- Multiyear Projections are required by AB 1200 (Chapter 1213/1991) and AB 2758 (Chapter 52/2004)
- Multiyear financial planning is a sound business practice that all well-run organizations do regardless of any legal requirements
- Recognize that MYPs are projections, not forecasts
 - Projections are expected to change as various factors change – they are not predictions
 - Projections are the mathematical result of today’s decisions based on a given set of assumptions
 - Forecasts are predictions of the future – there is a higher implied reliability factor than for projections
- Projections will change any time the underlying factors change – therefore, plan to adjust as conditions change

Governor's Proposals for the 2017-18 State Budget and K-12 Education



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District Second Interim March

Key Assumptions (Next Year 2017-18)

- Flat enrollment/attendance
- LCFF Growth Revenue +\$768,000
- Parcel Tax Measure H Revenue \$9,500,000
- Cost increases
 - *Increased pension costs*
 - *Net Step and Column*
 - *Inflation and program costs*
- LCFF/LCAP Supplemental program spending requirements

Multiyear Projections - General Fund

Key Assumptions	2016-17	2017-18	2018-19
Enrollment (Non-Charter)	7,987	7,987	7,987
<i>Change in Enrollment</i>	8	-	-
Average Daily Attendance (ADA)	7,671	7,671	7,671
<i>Change in ADA</i>	(5)	-	-
Total LCFF Funding per ADA (RATE)	\$8,083	\$8,183	\$8,470
PROJECTED COLA %	0.00%	1.48%	2.40%
PROJECTED LCFF GAP FUNDING %	55.28%	23.67%	53.85%
PROJECTED LCFF GROWTH % (RATE)	4.86%	1.24%	3.50%
TOTAL LCFF REVENUE	\$62,005,524	\$62,773,228	\$64,972,055
LCFF FUNDING CHANGE	\$2,834,372	\$767,704	\$2,198,827
PARCEL TAX REVENUE	\$9,580,000	\$9,500,000	\$9,500,000
Projected Step & Column Increases		\$906,000	\$906,000
Pension Contribution Increase STRS	\$740,000	\$750,000	\$750,000
Pension Contribution Increase PERS	\$340,000	\$320,000	\$490,000
TOTAL UNRESTRICTED RESERVE %	9.0%	7.6%	5.6%
RESERVE FOR ECONOMIC UNCERTAINTIES %	8.0%	7.5%	5.5%
RESERVE FOR OTHER ASSIGNMENTS %	1.0%	0.0%	0.0%

District 2017-18 Projected LCFF Growth

+ 2017-18 LCFF Revenue Increase:	\$770,000	1.2%
Less expenditures increases:		
Increased pension costs:	\$1,100,000	1.8%
Net step and column:	\$500,000	0.8%
LCAP Supplemental Services:	\$60,000	0.1%
Total Projected Increases	\$1,660,000	2.6%
Increased Deficit Spending	(\$890,000)	<u>-1.4%</u>

DJUSD Program Budget Outlook

- 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 funding sources.
 - During the State budget crisis, mandated curriculum adoption dates were suspended through 2015-16.

DJUSD Program Budget Outlook

- Curriculum Adoption and Standards

	2016-17	2017-18 *	2018-19 *
English Language Arts	\$900,000		
Math		\$100,000	\$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	\$975,000	\$425,000	\$1,375,000

* Not funded in current budget assumptions

DJUSD Program Budget Outlook

- 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 funding sources.
 - New testing and assessment processes and curriculum adoption standards require investments in site instructional technology.

DJUSD Program Budget Outlook

- Instructional Technology

	2016-17	2017-18	2018-19
Wireless Implementation	\$350,000	\$350,000 *	
Classroom Projection *	\$400,000	\$50,000	\$50,000
Chromebooks & Labs **	\$100,000	<i>\$75,000</i>	<i>\$75,000</i>
Total	\$850,000	\$475,000	\$125,000

* Facilities funds expenditures (non-General Fund)

** *Not in funded in current budget assumptions*

2017-18 Projection Change General Fund - Unrestricted

Description	<----- 2017-18 PROJECTION----->		
	FIRST INTERIM PROJECTION	SECOND INTERIM PROJECTION	DIFFERENCE
REVENUES	\$76,321,369	\$74,718,777	(\$1,602,592)
EXPENDITURES	\$61,524,330	\$61,026,221	\$498,109
OTHER FINANCING SOURCES/USES	(\$14,850,181)	(\$15,144,827)	(\$294,646)
NET INCR. (DECR.) IN FUND BALANCE	(\$53,142)	(\$1,452,271)	(\$1,399,129)
BEGINNING FUND BALANCE JULY 1ST	\$7,925,777	\$7,983,908	\$58,131
ENDING FUND BALANCE JUNE 30TH	\$7,872,635	\$6,531,637	(\$1,340,998)
<i>RESERVE %</i>	<i>9.1%</i>	<i>7.6%</i>	<i>-1.5%</i>
COMPONENTS OF ENDING BALANCE			
Revolving Cash/Stores	\$47,500	\$47,500	\$0
Designated for Economic Uncertainties	\$6,920,138	\$6,484,137	(\$436,001)
<i>Designated for Economic Uncertainties %</i>	<i>8.0%</i>	<i>7.5%</i>	<i>-0.5%</i>
Other Assignments:			
LCFF Supplemental Grant Funding	\$203,829	\$0	(\$203,829)
Deficit Spending Reserves	\$0	\$0	\$0
One-Time (PD, Instructional Materials, Tech)	\$701,168	\$0	(\$701,168)
<i>Total Other Assignments %</i>	<i>1.0%</i>	<i>0.0%</i>	<i>-1.0%</i>
Unassigned/Unappropriated Amount	\$0	\$0	\$0
Operating Deficit - / Surplus +	(\$100,000)	(\$1,800,000)	(\$1,700,000)

Multiyear Projections

General Fund - Unrestricted

30

Description	2016-17	2017-18	2018-19
REVENUES	\$75,304,979	\$74,718,777	\$76,549,604
EXPENDITURES	\$61,397,908	\$61,026,221	\$62,884,103
OTHER FINANCING SOURCES/USES	(\$15,119,640)	(\$15,144,827)	(\$15,286,823)
NET INCR. (DECR.) IN FUND BALANCE	(\$1,212,569)	(\$1,452,271)	(\$1,621,322)
BEGINNING FUND BALANCE JULY 1ST	\$9,196,477	\$7,983,908	\$6,531,637
ENDING FUND BALANCE JUNE 30TH	\$7,983,908	\$6,531,637	\$4,910,315
<i>RESERVE %</i>	<i>9.0%</i>	<i>7.6%</i>	<i>5.6%</i>
COMPONENTS OF ENDING BALANCE			
Revolving Cash/Stores/Prepaid	\$47,500	\$47,500	\$47,500
Reserve for Economic Uncertainties	\$7,091,772	\$6,484,137	\$4,862,815
<i>Designated for Economic Uncertainties %</i>	<i>8.0%</i>	<i>7.5%</i>	<i>5.5%</i>
Other Assignments:			
Deficit Spending Reserves	\$844,636	\$0	\$0
One-Time (PD, Instructional Materials, Tech)	\$0	\$0	\$0
<i>Total Other Assignments %</i>	<i>1.0%</i>	<i>0.0%</i>	<i>0.0%</i>
Unassigned/Unappropriated Amount	\$0	\$0	\$0
Operating Deficit - / Surplus +	(\$900,000)	(\$1,800,000)	(\$1,600,000)

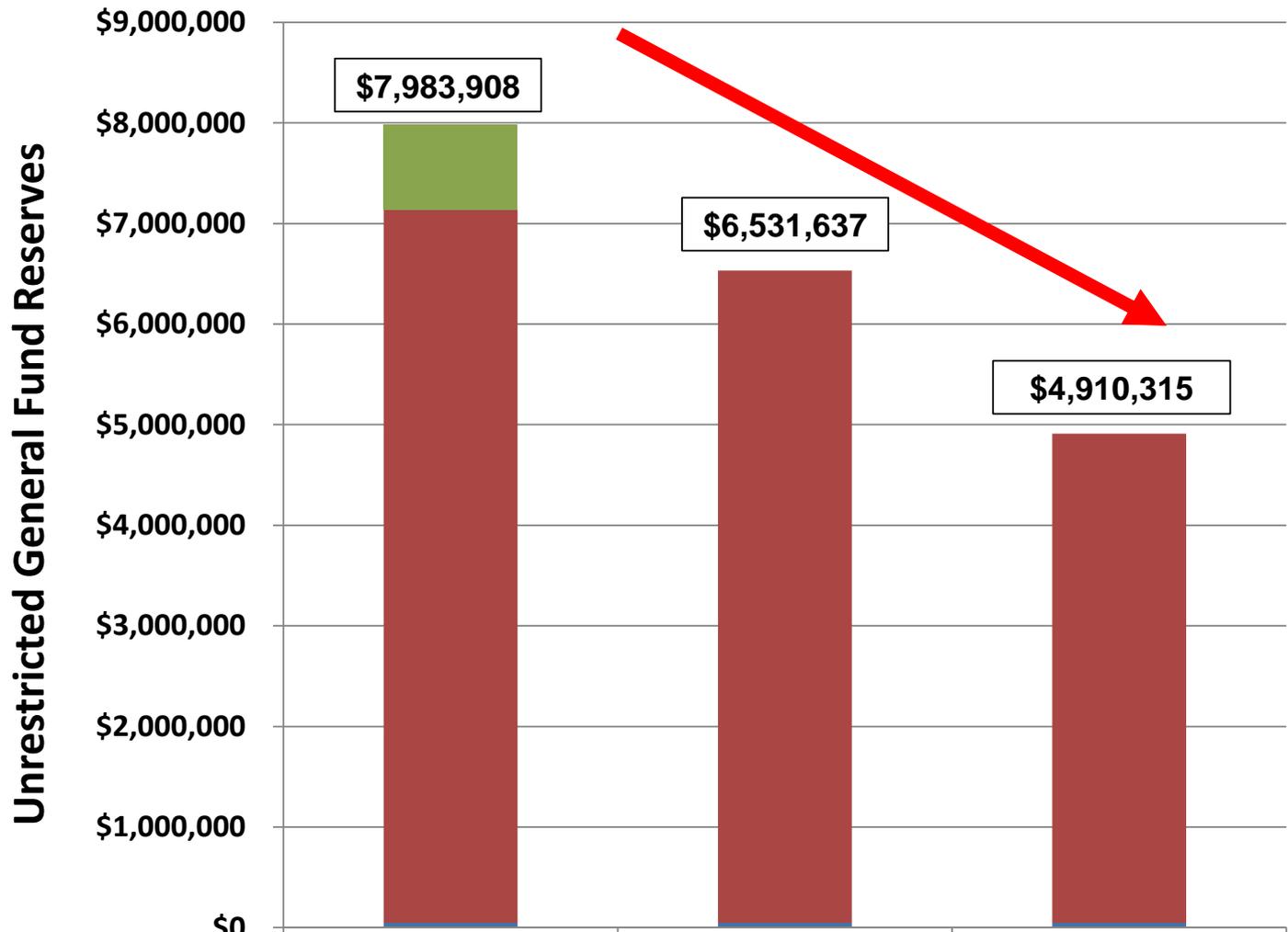
Reserves Analysis



Reserve Components

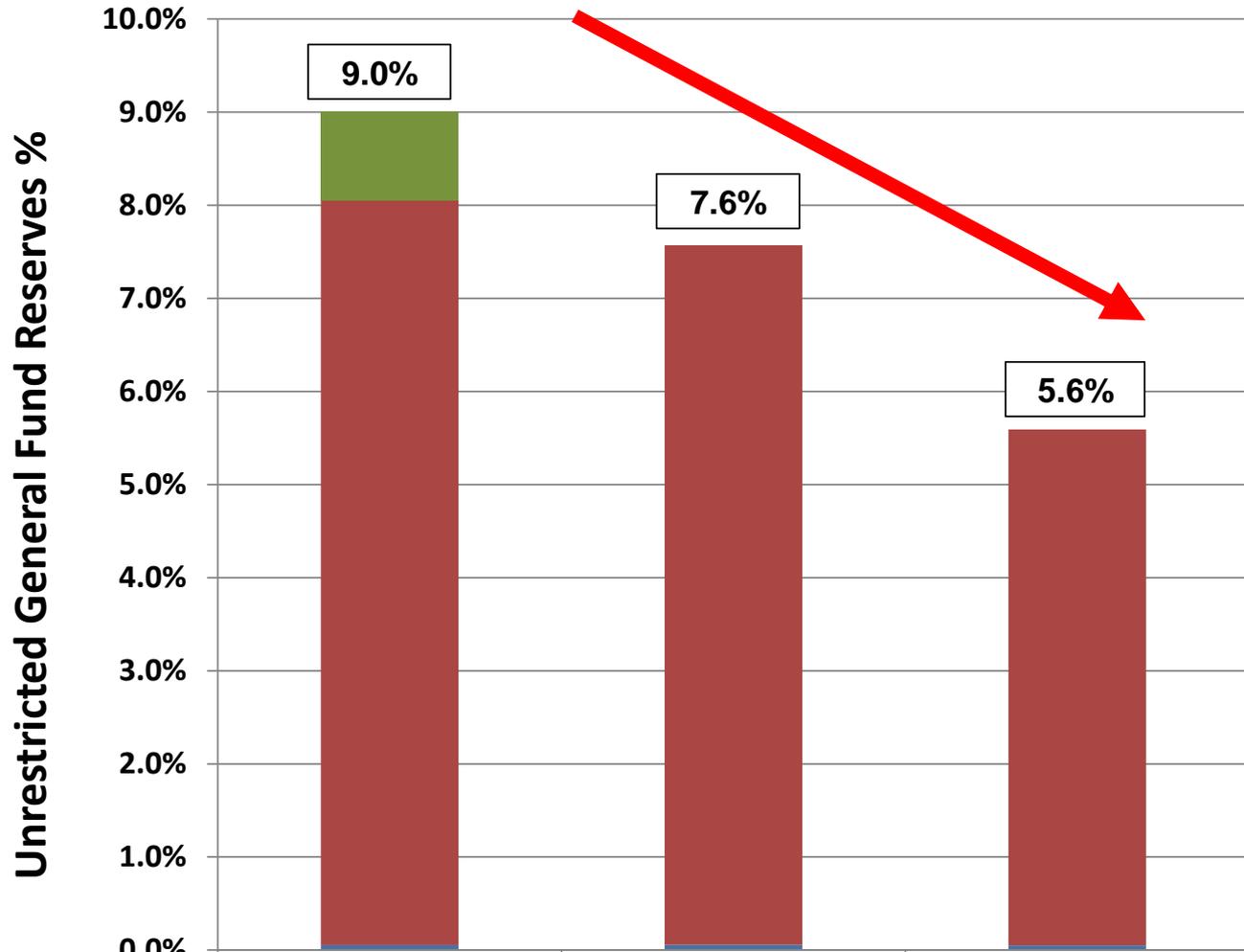
- Minimum reserve for Economic Uncertainties - 8%
 - State required minimum reserve for economic uncertainties: 3%
 - Local board policy minimum reserve for uncertainties: 5% additional
 - Not for use as a spending reserve, supposed to support an adequate reserve level for unknown events
 - *Use of this reserve below State minimum 3% puts district into fiscal oversight by County Office of Education (AB1200)*
- Non-Spendable
 - Revolving Cash, Inventory, Pre-paid expenditures
- *Restricted*
 - *Restricted use by funding source (Not included in reserve calculation %)*
- Committed
 - Committed for a specific purpose by board vote
- Assigned
 - Assigned for a specific purpose as part of the budgeting process
 - Uses include setting aside for future year expenditures/liabilities;
 - Contingencies above the 8% District minimum reserve for Economic Uncertainties;
 - Risk from future revenue sources
- Unassigned/Unappropriated

Second Interim Unrestricted Reserves



	2016-17	2017-18	2018-19
■ Deficit Spending Reserves	\$844,636	\$0	\$0
■ Reserve for Economic Uncertainties	\$7,091,772	\$6,484,137	\$4,862,815
■ Revolving Cash/Stores/Prepaid	\$47,500	\$47,500	\$47,500

Second Interim Unrestricted Reserves



	2016-17	2017-18	2018-19
Deficit Spending Reserves	1.0%	0.0%	0.0%
Reserve for Economic Uncertainties	8.0%	7.5%	5.5%
Revolving Cash/Stores/Prepaid	0.1%	0.1%	0.1%

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 increasing structural deficit spending*
- Reserves as reported at Second Interim are minimally adequate and are trending down due to structural deficit spending
- DJUSD must use caution in spending down one-time reserves for on-going activities and 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

Questions

