

Davis Joint Unified School District  
Second Interim Budget  
Fiscal Year 2017-2018

# 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 2017-2018 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.
  - 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
  - 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

# Budget Revision Assumptions

## General Fund

### 2017-2018

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- January Governor's State Budget Assumptions
  - Local Control Funding Formula updates
- Projected Paid ADA of 7,735 based upon current year Projected P2 attendance reporting
  - Actual DJUSD Enrollment of 8,037
  - Position Control – Classroom FTE, Stipends, Benefits
- Program costs
- Utilities and Operating costs

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

Description	<----- 2017-18 BUDGET----->		
	UNRESTRICTED	RESTRICTED	TOTAL
REVENUES	\$77,108,207	\$12,589,388	\$89,697,595
EXPENDITURES	\$63,108,932	\$30,379,864	\$93,488,796
OTHER FINANCING SOURCES/USES	(\$16,544,012)	\$16,387,790	(\$156,222)
<b>NET INCR. (DECR.) IN FUND BALANCE</b>	<b>(\$2,544,737)</b>	<b>(\$1,402,686)</b>	<b>(\$3,947,423)</b>
BEGINNING FUND BALANCE JULY 1ST	\$10,391,741	\$2,505,237	\$12,896,978
<b>ENDING FUND BALANCE JUNE 30TH</b> <i>RESERVE %</i>	<b>\$7,847,004</b> <b>8.4%</b>	\$1,102,551	\$8,949,555
<b><u>COMPONENTS OF ENDING BALANCE</u></b>			
Revolving Cash/Stores	\$47,500		\$47,500
Legally Restricted Balances	\$0	\$1,102,551	\$1,102,551
Designated for Economic Uncertainties	\$6,199,504		\$6,199,504
<i>Designated for Economic Uncertainties %</i>	<b>6.6%</b>		
<b><u>Other Assignments:</u></b>			
One-Time State Discretionary Funds	\$1,100,000		\$1,100,000
<i>Total Other Assignments %</i>	<b>1.2%</b>		
Unassigned/Unappropriated Amount	\$500,000	\$0	\$500,000
<i>Total Unassigned %</i>	<b>0.5%</b>		

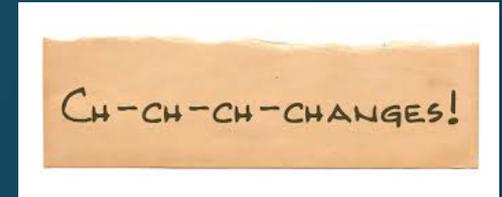


**DAVIS JOINT UNIFIED SCHOOL DISTRICT  
SECOND INTERIM GENERAL FUND UNRESTRICTED SUMMARY**

Description	<----- 2017-18 BUDGET----->		
	BOARD APPROVED BUDGET	SECOND INTERIM BUDGET	DIFFERENCE
REVENUES	\$77,072,353	\$77,108,207	\$35,854
EXPENDITURES	\$63,282,567	\$63,108,932	\$173,635
OTHER FINANCING SOURCES/USES	(\$15,909,827)	(\$16,544,012)	(\$634,185)
<b>NET INCR. (DECR.) IN FUND BALANCE</b>	<b>(\$2,120,041)</b>	<b>(\$2,544,737)</b>	<b>(\$424,696)</b>
BEGINNING FUND BALANCE JULY 1ST	\$10,391,741	\$10,391,741	\$0
ENDING FUND BALANCE JUNE 30TH	\$8,271,700	\$7,847,004	(\$424,696)
<i>RESERVE %</i>	8.9%	8.4%	-0.5%
<b>COMPONENTS OF ENDING BALANCE</b>			
Revolving Cash/Stores	\$47,500	\$47,500	\$0
Designated for Economic Uncertainties	\$6,624,200	\$6,199,504	(\$424,696)
<i>Designated for Economic Uncertainties %</i>	7.1%	6.6%	-0.5%
<b>Other Assignments:</b>			
One-Time State Discretionary Funds	\$1,100,000	\$1,100,000	\$0
<i>Total Other Assignments %</i>	1.2%	1.2%	0.0%
Unassigned/Unappropriated Amount	\$500,000	\$500,000	\$0
<i>Total Unassigned %</i>	0.5%	0.5%	0.0%
<b>Operating Deficit - / Surplus +</b>	<b>(\$1,300,000)</b>	<b>(\$1,300,000)</b>	<b>\$0</b>

# Unrestricted Differences

+Favorable / - Unfavorable

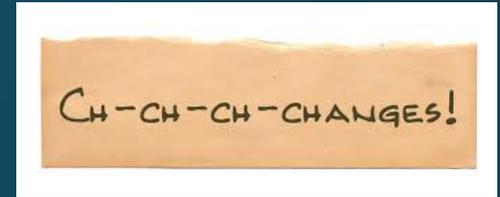


• <u>Revenue</u>	<u>+\$35,854</u>
• LCFF Revenue	+\$61k
• Other State Revenues	-\$86k
• Other Local Revenues	+\$61k

- Fewer ADA
- Classified Intern Program & Lottery Funds
- Interest projection

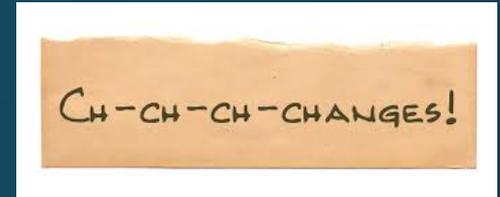
# Unrestricted Differences

+Favorable / - Unfavorable



• <u>Expenditures</u>	<u>+\$173,635</u>
• Salaries & Benefits	+\$193k
• Position control true-up	
• Supplies, Services and Capital	-\$46k
• Budget true up of projected expenditures	
• Other outgo/Indirect Costs	+\$27k
• <u>Other Financing</u>	<u>-\$634,185</u>
• Transfers out to other funds	-\$43k
• Contributions (Special Ed. and Mnt.)	-\$591k
• <u>Net Incr. + / Decr. – In Fund Balance</u>	<u>-\$424,696</u>

# Unrestricted Risks and Opportunities



- Risks

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

- Opportunities

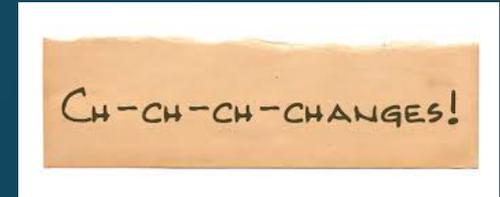
- Under spending
- Increased revenues

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

Description	←----- 2017-18 BUDGET -----→		
	BOARD APPROVED BUDGET	SECOND INTERIM BUDGET	DIFFERENCE
REVENUES	\$11,913,304	\$12,589,388	\$676,084
EXPENDITURES	\$29,391,474	\$30,379,864	(\$988,390)
OTHER FINANCING SOURCES/USES	\$15,797,086	\$16,387,790	\$590,704
<b>NET INCR. (DECR.) IN FUND BALANCE</b>	<b>(\$1,681,084)</b>	<b>(\$1,402,686)</b>	<b>\$278,398</b>
BEGINNING FUND BALANCE JULY 1ST	\$2,505,237	\$2,505,237	\$0
ENDING FUND BALANCE JUNE 30TH	\$824,153	\$1,102,551	\$278,398
<b>COMPONENTS OF ENDING BALANCE</b>			
Legally Restricted Balances	\$824,153	\$1,102,551	\$278,398
Unassigned/Unappropriated Amount	\$0	\$0	\$0
<b>RESTRICTED BALANCE DETAIL</b>			
<i>California Energy Jobs Act</i>	\$0	\$459,385	\$459,385
<i>College Readiness Block Grant</i>	\$25,000	\$25,000	\$0
<i>Donations and Grants</i>	\$799,153	\$618,166	(\$180,987)
<b>TOTAL LEGALLY RESTRICTED BALANCES</b>	<b>\$824,153</b>	<b>\$1,102,551</b>	<b>\$278,398</b>

# Restricted Differences

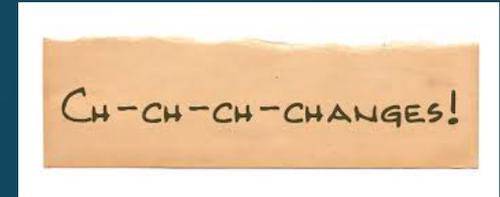
+Favorable / - Unfavorable



• <u>Revenue</u>	<u>+\$676,084</u>
• Federal Revenue	+\$16k
• Other State Revenue	+\$445k
• State One-Time Categorical Grants	
• Other Local	+\$215k
• Local Grants & Donations increase	

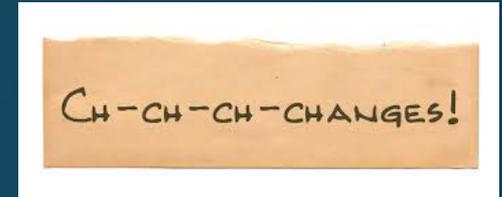
# Restricted Differences

+Favorable / - Unfavorable



• <u>Expenditures</u>	<u>-\$988,390</u>
• Salaries & Benefits	-\$269k
• Position control true-up (Special Education)	
• Supplies, Services and Capital	-\$808k
• Clean Energy Projects	
• Special Education Services	
• Spending from local donations & grants	
• Indirect Costs and Other Outgo	+\$89k
• <u>Other Financing</u>	<u>+\$590,704</u>
• Special Education & Mnt. Contribution (+)	
• <u>Net Incr. + / Decr. – In Fund Balance</u>	<u>+278,398</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
  - SELPA risk pool funding
  - Local donations

# 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



*The Department of Finance welcomes you to the*

# California Budget 2018-19

Edmund G. Brown Jr. Governor  
State of California



# District Second Interim March

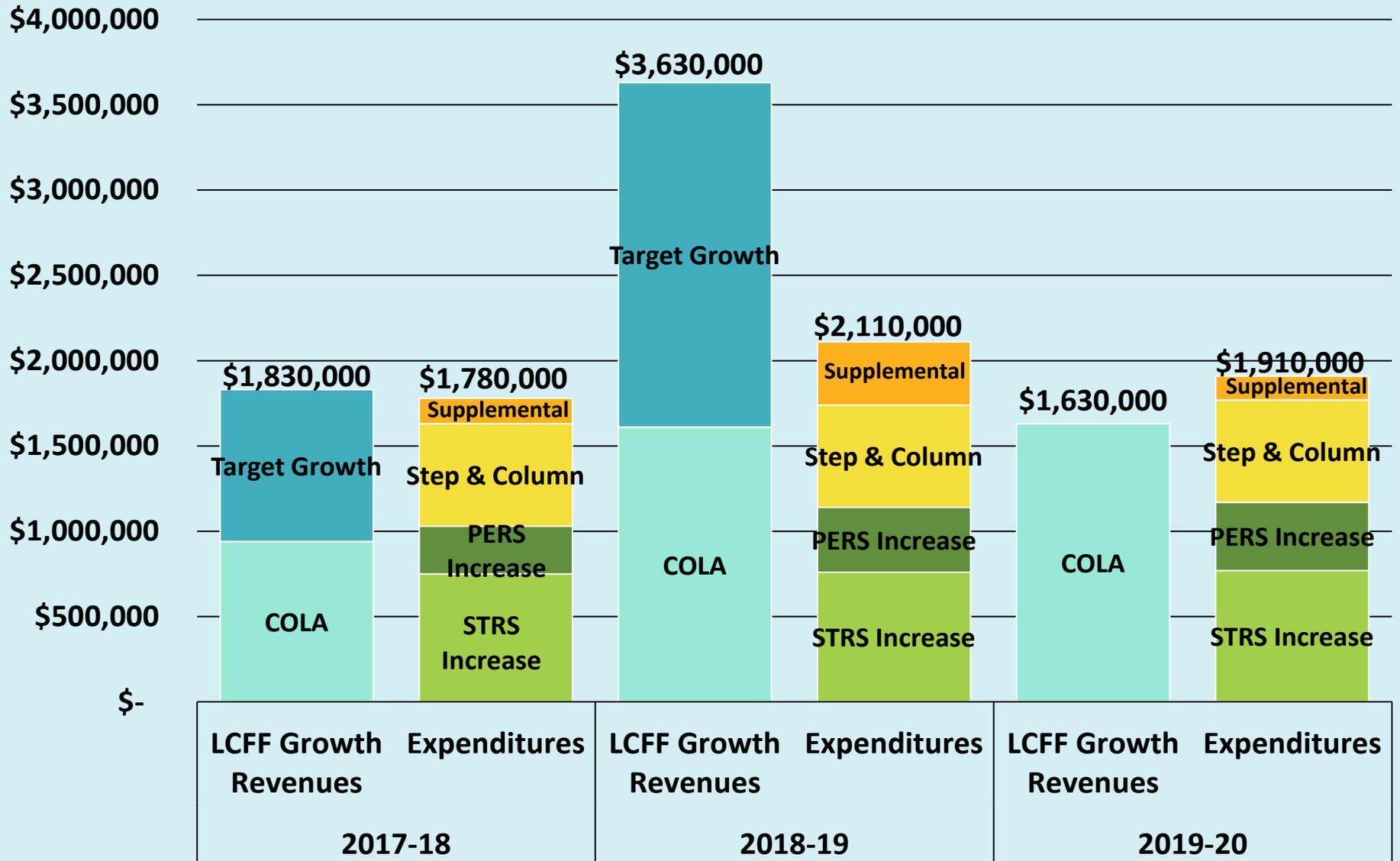
## Key Assumptions (Next Year 2018-19)

- Flat enrollment/attendance
- LCFF Growth Revenue +\$3.6 Million
- Parcel Tax Measure H Revenue \$9.9 Million
  - \$300K increase from rate adjustment
- Cost increases
  - *Increased pension costs*
  - *Net Step and Column*
  - *Collective Bargaining (Pending)*
- LCFF/LCAP Supplemental program spending requirements

# Multiyear Projections - General Fund

Key Assumptions	2017-18	2018-19	2019-20
Enrollment (Non-Charter)	8,037	8,037	8,037
<i>Change in Enrollment</i>	50	-	-
Average Daily Attendance (ADA)	7,735	7,735	7,735
<i>Change in ADA</i>	39	-	-
Total LCFF Funding per ADA (RATE)	\$8,287	\$8,756	\$8,968
PROJECTED COLA %	1.56%	2.51%	2.41%
PROJECTED LCFF GAP FUNDING %	44.97%	100.00%	100.00%
PROJECTED LCFF GROWTH % (RATE)	2.42%	5.66%	2.41%
<b>TOTAL LCFF REVENUE</b>	<b>\$64,100,064</b>	<b>\$67,725,245</b>	<b>\$69,360,381</b>
<b>LCFF FUNDING CHANGE</b>	<b>\$1,830,102</b>	<b>\$3,625,181</b>	<b>\$1,635,136</b>
<b>One-Time State Discretionary</b>	<b>\$1,129,993</b>	<b>\$2,300,000</b>	<b>\$0</b>
<b>PARCEL TAX REVENUE</b>	<b>\$9,634,403</b>	<b>\$9,934,403</b>	<b>\$10,184,403</b>
Projected Step & Column Increases		<b>\$1,061,000</b>	<b>\$1,061,000</b>
Pension Contribution Increase STRS	<b>\$750,000</b>	<b>\$760,000</b>	<b>\$770,000</b>
Pension Contribution Increase PERS	<b>\$280,000</b>	<b>\$380,000</b>	<b>\$400,000</b>
<b>TOTAL UNRESTRICTED RESERVE %</b>	<b>8.4%</b>	<b>12.2%</b>	<b>13.7%</b>
<b>RESERVE FOR ECONOMIC UNCERTAINTIES %</b>	<b>6.6%</b>	<b>6.6%</b>	<b>6.9%</b>
<b>RESERVE FOR OTHER ASSIGNMENTS %</b>	<b>1.2%</b>	<b>3.7%</b>	<b>3.6%</b>

# Projected LCFF Growth & Expenditures



# 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.
  - *Projected needs of \$1-2 Million for future materials adoptions*

**\* Not funded in current District 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.
  - *Projected needs of \$125 to \$150 thousand per year*

**\* Not funded in current District budget assumptions**

# Multiyear Projections

## General Fund - Unrestricted

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Description	2017-18	2018-19	2019-20
REVENUES	\$77,108,207	\$82,170,947	\$81,714,005
EXPENDITURES	\$63,108,932	\$63,283,891	\$64,843,686
OTHER FINANCING SOURCES/USES	(\$16,544,012)	(\$15,468,512)	(\$15,289,630)
<b>NET INCR. (DECR.) IN FUND BALANCE</b>	<b>(\$2,544,737)</b>	<b>\$3,418,544</b>	<b>\$1,580,689</b>
BEGINNING FUND BALANCE JULY 1ST	\$10,391,741	\$7,847,004	\$11,265,548
ENDING FUND BALANCE JUNE 30TH	\$7,847,004	\$11,265,548	\$12,846,237
<i>RESERVE %</i>	<i>8.4%</i>	<i>12.2%</i>	<i>13.7%</i>
<b>COMPONENTS OF ENDING BALANCE</b>			
Revolving Cash/Stores/Prepaid	\$47,500	\$47,500	\$47,500
Reserve for Economic Uncertainties	\$6,199,504	\$6,118,048	\$6,498,737
<i>Reserve for Economic Uncertainties %</i>	<i>6.6%</i>	<i>6.6%</i>	<i>7.0%</i>
<b>Other Assignments:</b>			
One-Time State Discretionary Funds	\$1,100,000	\$3,400,000	\$3,400,000
<i>Total Other Assignments %</i>	<i>1.2%</i>	<i>3.7%</i>	<i>3.6%</i>
Unassigned/Unappropriated Amount	\$500,000	\$1,700,000	\$2,900,000
<i>Unassigned/Unappropriated %</i>	<i>0.5%</i>	<i>1.8%</i>	<i>3.1%</i>
<b>Operating Deficit - / Surplus +</b>	<b>(\$1,300,000)</b>	<b>\$1,100,000</b>	<b>\$1,600,000</b>

# Multiyear Projections

## Potential Scenarios

DJUSD Second Interim Budget	Description	2017-18	2018-19	2019-20
	Operating Deficit	(\$1,300,000)	\$1,100,000	\$1,600,000
	Reserve %	8.4%	12.2%	13.7%

Impacts of Collective Bargaining	Description	2017-18	2018-19	2019-20
	On-Going %	3.50%	0.00%	0.00%
	One-Time %	0.00%	2.00%	0.00%
	Operating Deficit	(\$3,300,000)	(\$1,400,000)	(\$900,000)
	Reserve %	6.1%	5.5%	4.6%

Impacts of Collective Bargaining with Budget Reductions	Description	2017-18	2018-19	2019-20
	Budget Reductions		(\$500,000)	(\$400,000)
	Operating Deficit	(\$3,300,000)	(\$900,000)	\$0
	Reserve %	6.1%	6.1%	6.1%

# 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 structural deficit spending*
- Potential reserves as reported at Second Interim are minimally adequate and are trending down due to 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

