

# Davis Joint Unified School District

## First 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.

# First Interim Budget Summary

- The Total General Fund ending balance of \$4.5 million is lower than the prior budget by \$3.7 million (\$2.3 million Unrestricted and \$1.4 million Restricted), due to decreased State revenue from the Final State Budget, lower enrollment /ADA, lower SELPA revenue, increases in costs and program carryover spending from prior year actuals
- All variances, favorable or unfavorable will be reviewed and analyzed for future budget projections
- Other funds met expectations

# General Fund Budget Overview



- The District's current "positive" budget certification is based upon:
  - Projected growth in LCFF revenue and an increase in local special education funding (SELPA)
  - Potential reductions to current budget spending levels to maintain the State minimum required fund balance reserve (3% Reserve for Economic Uncertainties)
  - The General Fund Budget deficit for the current year is up slightly due to a decline in enrollment and increased costs.



# First 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.
- A positive certification is assigned when the district can meet its financial obligations for the current and two subsequent fiscal years.

# Our Budget Focus

- Revenue Projections
- Position Control
- Budget Carryover
- Focus on General Operating Fund

# Budget Revision Assumptions 2018-2019

- Final State Budget Act Assumptions
  - Local Control Funding Formula (Rate up +\$450k)
  - One-Time Mandated Costs payment (Decrease -\$1.2m)
- Estimated funded ADA down by 36 (\$300k)
- Expenses up for utilities and borrowing costs (\$300)
- Position Control – Stipends, Final Staffing levels and Salary Schedule Placements, Benefits (-\$200k, -0.3%)

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

Description	<----- 2018-19 BUDGET ----->		
	UNRESTRICTED	RESTRICTED	TOTAL
REVENUES	\$81,861,486	\$14,160,786	\$96,022,272
EXPENDITURES	\$66,500,124	\$32,793,132	\$99,293,256
OTHER FINANCING SOURCES/USES	(\$17,635,782)	\$17,125,587	(\$510,195)
<b>NET INCR. (DECR.) IN FUND BALANCE</b>	<b>(\$2,274,420)</b>	<b>(\$1,506,759)</b>	<b>(\$3,781,179)</b>
BEGINNING FUND BALANCE JULY 1ST	\$5,994,528	\$2,325,432	\$8,319,960
<b>ENDING FUND BALANCE JUNE 30TH</b> <i>RESERVE %</i>	<b>\$3,720,108</b> <i>3.7%</i>	<b>\$818,673</b>	<b>\$4,538,781</b>
<b><u>COMPONENTS OF ENDING BALANCE</u></b>			
Revolving Cash/Stores	\$47,500		\$47,500
Legally Restricted Balances	\$0	\$818,673	\$818,673
Designated for Economic Uncertainties	\$3,672,608		\$3,672,608
<i>Designated for Economic Uncertainties %</i>	<i>3.7%</i>		
<b><u>Other Assignments:</u></b>			
<i>Total Other Assignments %</i>	<i>0.0%</i>		
Unassigned/Unappropriated Amount	\$0	\$0	\$0
<i>Total Unassigned %</i>	<i>0.0%</i>		



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

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Description	<----- 2018-19 BUDGET ----->		
	BOARD APPROVED BUDGET	FIRST INTERIM	DIFFERENCE
REVENUES	\$83,127,614	\$81,861,486	(\$1,266,128)
EXPENDITURES	\$65,744,552	\$66,500,124	(\$755,572)
OTHER FINANCING SOURCES/USES	(\$17,355,698)	(\$17,635,782)	(\$280,084)
<b>NET INCR. (DECR.) IN FUND BALANCE</b>	<b>\$27,364</b>	<b>(\$2,274,420)</b>	<b>(\$2,301,784)</b>
BEGINNING FUND BALANCE JULY 1ST	\$5,994,528	\$5,994,528	\$0
ENDING FUND BALANCE JUNE 30TH	\$6,021,892	\$3,720,108	(\$2,301,784)
<i>RESERVE %</i>	<i>6.3%</i>	<i>3.7%</i>	<i>-2.6%</i>
<b>COMPONENTS OF ENDING BALANCE</b>			
Revolving Cash/Stores	\$47,500	\$47,500	\$0
Designated for Economic Uncertainties	\$5,316,389	\$3,672,608	(\$1,643,781)
<i>Designated for Economic Uncertainties %</i>	<i>5.6%</i>	<i>3.7%</i>	<i>-1.9%</i>
<b>Other Assignments:</b>			
Carryover/Commitments	\$258,582	\$0	(\$258,582)
Classified Intern Program	\$399,421	\$0	(\$399,421)
<i>Total Other Assignments %</i>	<i>0.7%</i>	<i>0.0%</i>	<i>-0.7%</i>
Unassigned/Unappropriated Amount	\$0	\$0	\$0
<i>Total Unassigned %</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>
<b>Operating Deficit - / Surplus +</b>	<b>(\$1,100,000)</b>	<b>(\$1,700,000)</b>	<b>(\$600,000)</b>

# Unrestricted Differences

## +Favorable / - Unfavorable

### ➤ Revenue - \$1,266,128

- LCFF Revenue +\$189k
  - Higher ADA
- Other State Revenues -\$1,509k
  - One-Time Mandated Costs payment
  - Intern Program (funds received in prior year)
- Other Local Revenues +\$54k
  - Other Lease and Interest



# Unrestricted Differences

+Favorable / - Unfavorable

## ➤ Expenditures -\$755,572

- Salaries & Benefits -\$181k
  - Salary placements and benefit costs
  - Collective bargaining
- Supplies, Services and Capital -\$616k
  - Utilities & Professional services (borrowing costs)
- Other outgo/Indirect Costs +\$86k

## ➤ Other Financing -\$280,084

- Transfers out to other funds -\$142k
- Restricted Maintenance Contribution -\$136k
- Special Education Contribution -\$27k
- Other Local Contributions +\$25k

# Unrestricted Risks and Opportunities

## ➤ Risks

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

## ➤ Opportunities

- Under spending
- Increased revenues

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

Description	<----- 2018-19 BUDGET----->		
	BOARD APPROVED BUDGET	FIRST INTERIM	DIFFERENCE
REVENUES	\$12,093,076	\$14,160,786	\$2,067,710
EXPENDITURES	\$29,155,859	\$32,793,132	(\$3,637,273)
OTHER FINANCING SOURCES/USES	\$16,987,407	\$17,125,587	\$138,180
<b>NET INCR. (DECR.) IN FUND BALANCE</b>	<b>(\$75,376)</b>	<b>(\$1,506,759)</b>	<b>(\$1,431,383)</b>
BEGINNING FUND BALANCE JULY 1ST	\$2,325,432	\$2,325,432	\$0
ENDING FUND BALANCE JUNE 30TH	\$2,250,056	\$818,673	(\$1,431,383)
<b><u>COMPONENTS OF ENDING BALANCE</u></b>			
Legally Restricted Balances	\$2,250,056	\$818,673	(\$1,431,383)
Unassigned/Unappropriated Amount	\$0	\$0	\$0
<b><u>RESTRICTED BALANCE DETAIL</u></b>			
<i>California Energy Jobs Act</i>	\$520,552	\$0	(\$520,552)
<i>Lottery Instructional Materials</i>	\$272,381	\$468,140	\$195,759
<i>College Readiness Block Grant</i>	\$42,972	\$0	(\$42,972)
<i>Donations and Grants</i>	\$1,414,151	\$350,533	(\$1,063,618)
<b>TOTAL LEGALLY RESTRICTED BALANCES</b>	<b>\$2,250,056</b>	<b>\$818,673</b>	<b>(\$1,431,383)</b>

# Restricted Differences

## +Favorable / - Unfavorable

### ➤ Revenue +\$2,067,710

- LCFF +\$55k
- Federal Revenue +\$140k
  - Deferred Revenue
- Other State Revenue +\$1,269k
  - Pension Accounting - Expense offset
  - State One-Time Categorical Grants
- Other Local +\$603k
  - Local Grants & Donations increase (+)
  - Special Education (SELPA) (-)

# Restricted Differences

## +Favorable / - Unfavorable

### ➤ Expenditures -\$5,363,823

- Salaries & Benefits -\$1,336k
  - Pension Accounting – Revenue Offset
  - Salary placements and benefit costs
  - Local program & Special Education Staffing
- Supplies, Services and Capital -\$2,214k
  - Clean Energy Projects
  - CTE Grants
  - Carryover spending from local donations
- Indirect Costs and Other Outgo -\$87k

### ➤ Other Financing +\$138,180

- Restricted Maintenance Contribution (+)
- Special Education Contribution (+)
- Other Local (-)

# 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)

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- 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**

# District First Interim December

- Key Assumptions (Next Year 2019-20)
  - LCFF Revenue, +\$1,800,000
  - Local Special Education (SELPA), +\$200,000
    - From updated allocation model (full implementation)
  - Cost increases
    - Increased pension costs (STRS/PERS)
    - Net Step and Column (Salary placement changes)
    - Inflation and program costs
  - LCFF/LCAP Supplemental program spending requirements

# Multiyear Projections

## General Fund

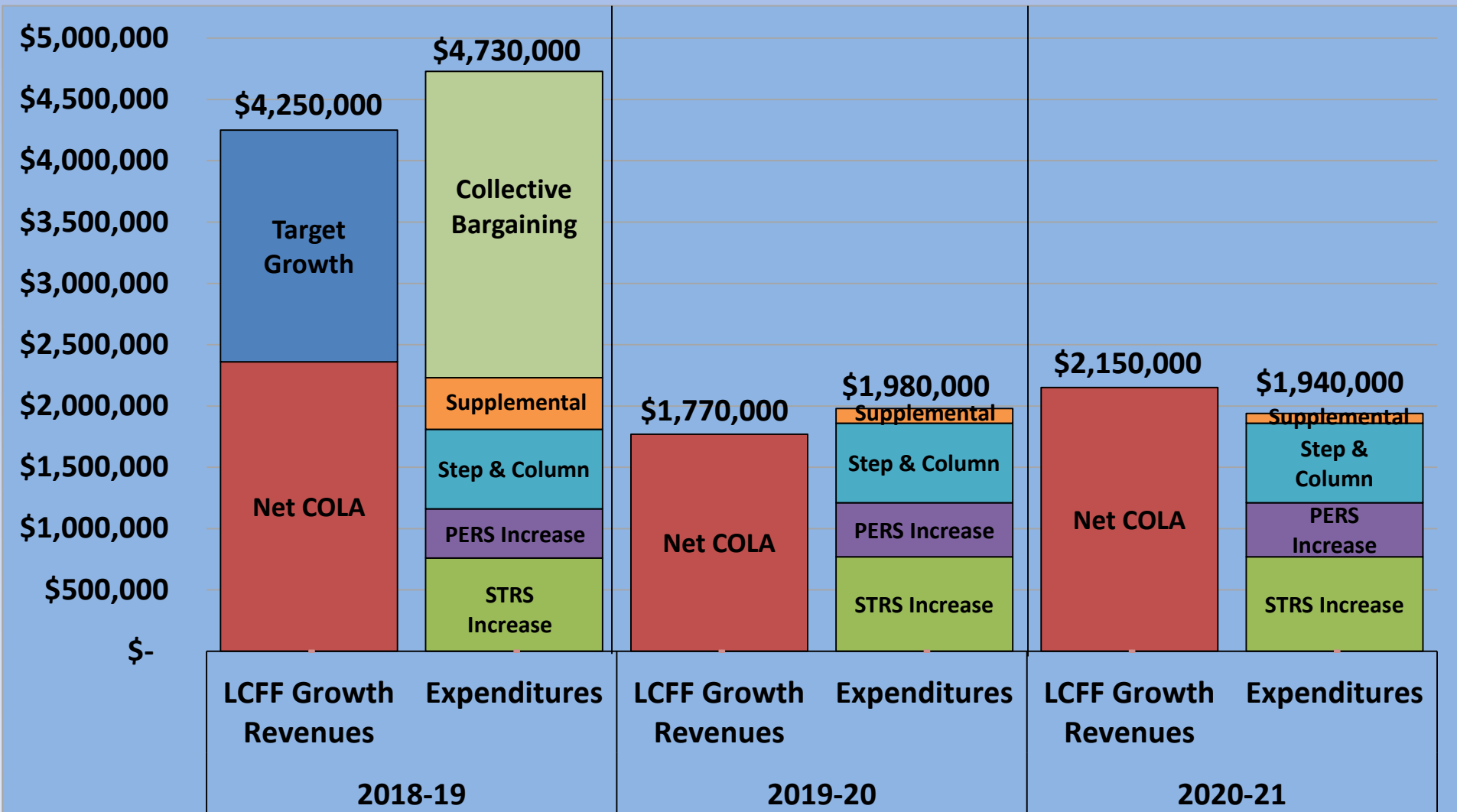
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Key Assumptions	2018-19	2019-20	2020-21
Enrollment (Non-Charter)	8,000	8,000	8,031
<i>Change in Enrollment</i>	(35)	-	31
Average Daily Attendance (ADA)	7,689	7,689	7,717
<i>Change in ADA</i>	(24)	-	28
Total LCFF Funding per ADA (RATE)	\$8,858	\$9,088	\$9,335
PROJECTED COLA %	3.70%	2.57%	2.67%
PROJECTED LCFF GAP FUNDING %	100.00%	100.00%	100.00%
PROJECTED LCFF GROWTH % (RATE)	6.99%	2.60%	2.71%
<b>TOTAL LCFF REVENUE</b>	<b>\$68,109,488</b>	<b>\$69,880,059</b>	<b>\$72,033,970</b>
<b>LCFF FUNDING CHANGE</b>	<b>\$4,251,466</b>	<b>\$1,770,571</b>	<b>\$2,153,911</b>
One-Time State Discretionary	\$1,412,923	\$0	\$0
<b>PARCEL TAX REVENUE</b>	<b>\$9,888,087</b>	<b>\$10,141,087</b>	<b>\$10,405,087</b>
Projected Step & Column Increases		\$1,112,000	\$1,112,000
Pension Contribution Increase STRS	\$800,000	\$790,000	\$410,000
Pension Contribution Increase PERS	\$470,000	\$490,000	\$500,000
<b>TOTAL UNRESTRICTED RESERVE %</b>	<b>3.7%</b>	<b>3.1%</b>	<b>3.1%</b>
<b>RESERVE FOR ECONOMIC UNCERTAINTIES %</b>	<b>3.7%</b>	<b>3.0%</b>	<b>3.0%</b>
<b>RESERVE FOR OTHER ASSIGNMENTS %</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>

# 2018-19 First Interim Budget

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## Projected LCFF Growth & Expenditures



# Core Challenge

## 1. Structural Deficit



# Multiyear Projections

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## General Fund – Unrestricted: Before Reductions

Description	2018-19	2019-20	2020-21
REVENUES	\$81,861,480	\$82,563,913	\$84,691,814
EXPENDITURES	\$66,500,224	\$68,562,500	\$68,267,320
OTHER FINANCING SOURCES/USES	(\$1,335,781)	(\$17,209,751)	(\$17,296,339)
NET INCR. (DECR.) IN FUND BALANCE	(\$2,774,420)	(\$1,498,348)	(\$871,845)
BEGINNING FUND BALANCE JULY 1ST	\$5,994,528	\$3,720,108	\$2,221,760
ENDING FUND BALANCE JUNE 30TH	\$3,720,108.00	\$2,221,760	\$1,349,916
RESERVE %	3.7%	2.3%	1.4%
<b>COMPONENTS OF ENDING FUND BALANCE</b>			
Revolving Cash/Storage/Prepaid	\$47,500	\$47,500	\$47,500
Designated for Economic Uncertainties \$	\$3,672,608	\$2,974,260	\$3,002,416
Designated for Economic Uncertainties %	3.7%	3.0%	3.0%
Other Assignments			
Total Other Assignments %	0.0%	0.0%	0.0%
Unassigned Amount	\$0	(\$800,000)	(\$1,700,000)
Unassigned/Unappropriated %	0.0%	-0.8%	-1.7%
Operating Deficit - / Surplus +	(\$1,700,000)	(\$1,500,000)	(\$900,000)

# Multiyear Projections

## Budget Reduction Change

	2018-19	2019-20	2020-21
<b><i>ANNUAL BUDGET REDUCTIONS</i></b>		<b><i>(\$800,000)</i></b>	<b><i>(\$100,000)</i></b>
<b><i>CUMMULATIVE ON-GOING REDUCTIONS</i></b>		<b><i>(\$800,000)</i></b>	<b><i>(\$900,000)</i></b>

- Reductions needed to maintain the State minimum required fund balance reserve (3% Reserve for Economic Uncertainties).
- Reductions projected from staff attrition and budget allocations for supplies and services.
- Reductions could be lower if revenue projections increase in January State Budget or increased attendance (ADA).



# Multiyear Projections

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## General Fund – Unrestricted: First Interim


Description	2018-19	2019-20	2020-21
REVENUES	\$81,861,486	\$82,273,903	\$84,691,814
EXPENDITURES	\$66,500,124	\$65,786,134	\$67,370,842
OTHER FINANCING SOURCES/USES	(\$17,635,782)	(\$17,209,751)	(\$17,296,339)
<b>NET INCR. (DECR.) IN FUND BALANCE</b>	<b>(\$2,274,420)</b>	<b>(\$721,982)</b>	<b>\$24,633</b>
BEGINNING FUND BALANCE JULY 1ST	\$5,994,528	\$3,720,108	\$2,998,126
<b>ENDING FUND BALANCE JUNE 30TH</b>	<b>\$3,720,108</b>	<b>\$2,998,126</b>	<b>\$3,022,759</b>
<i>RESERVE %</i>	<i>3.7%</i>	<i>3.1%</i>	<i>3.1%</i>
<b><u>COMPONENTS OF ENDING BALANCE</u></b>			
Revolving Cash/Stores/Prepaid	\$47,500	\$47,500	\$47,500
Reserve for Economic Uncertainties	\$3,672,608	\$2,950,626	\$2,975,259
<i>Reserve for Economic Uncertainties %</i>	<i>3.7%</i>	<i>3.0%</i>	<i>3.0%</i>
<b><u>Other Assignments:</u></b>			
<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>
<b>Operating Deficit - / Surplus +</b>	<b>(\$1,700,000)</b>	<b>(\$700,000)</b>	<b>\$0</b>

# Fiscal Solvency Plan

## 2018-19 First Interim Budget

In submitting the 2018-19 First Interim Budget, the Board understands its fiduciary responsibility to maintain fiscal solvency for the current and subsequent two fiscal years. It is recognized that if the State budget and all other sources of revenue stay at the current assumptions, the District will need to budget reductions for 2019-20.

It is recognized that the District will submit a detailed list of Board approved ongoing budget reductions if needed for 2019-20 with the 2018-19 Second Interim Report.



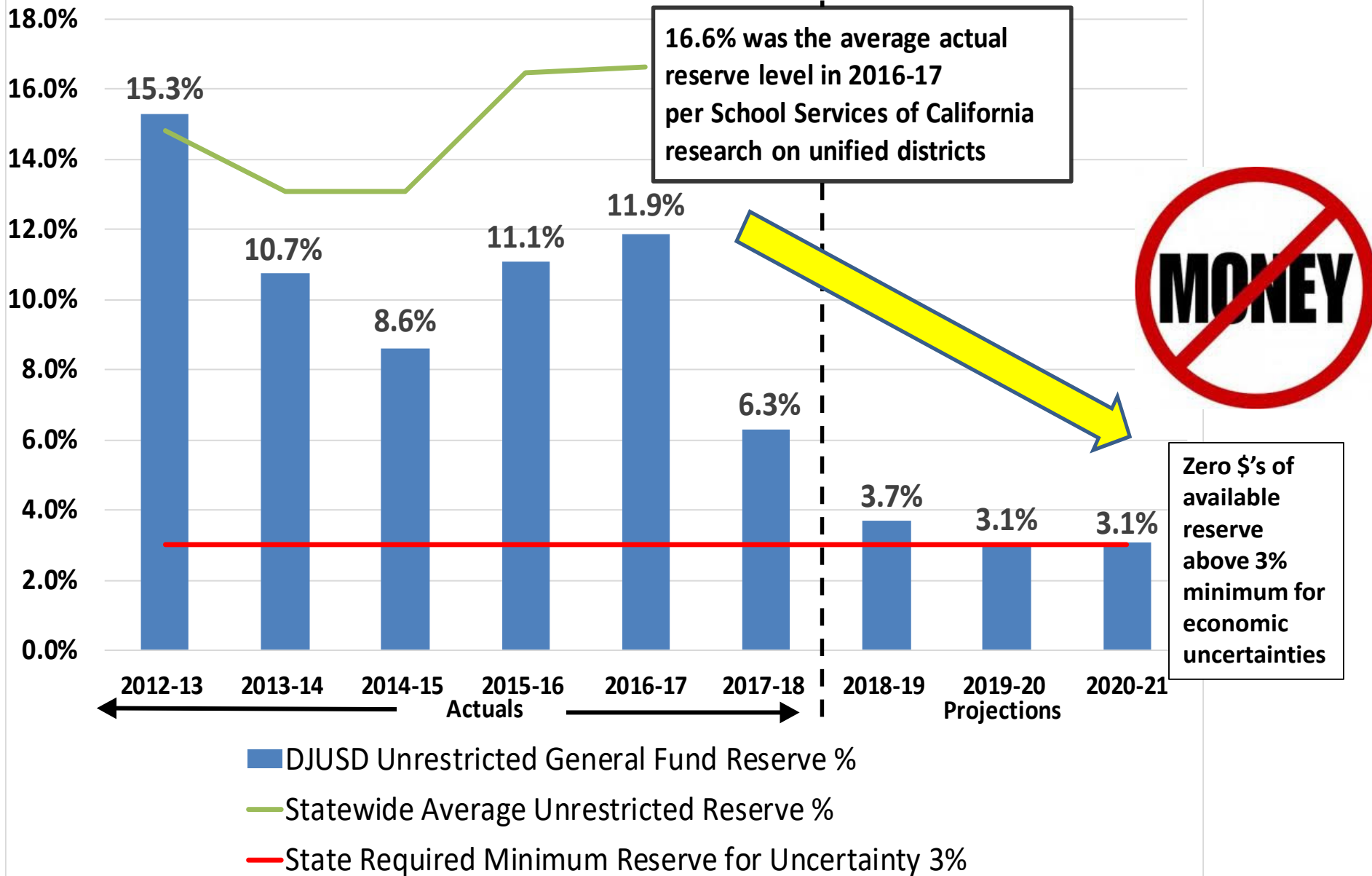
# Reserves Analysis



# Reserve Components

- State required minimum reserve for Economic Uncertainties - 3%
  - Not for use as a spending reserve, supposed to support an adequate reserve level for unknown events
  - Not considered adequate for the defined purpose by FCMAT (Fiscal Crisis Mgmt. Assistance Team)
  - Use of this reserve puts district into fiscal oversight by County Office of Education
- 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 3% minimum;
  - Risk from future revenue sources
- Unassigned/Unappropriated

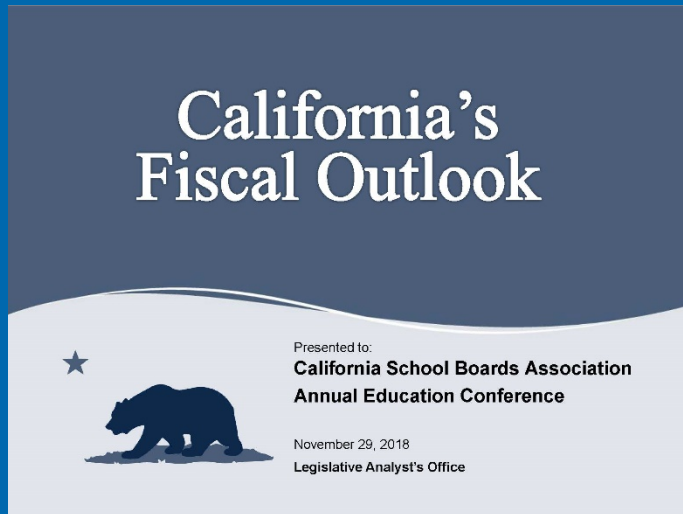
# DJUSD General Fund Unrestricted Reserve Levels



# What-If Scenarios



# What-If Scenarios



## ➤ Legislative Analyst's Office Budget Report

- Base Plan
  - Higher inflation
  - Continued Growth (Prop 98)
- Recession Scenario
  - Drop in Prop 98 K-12 funding starting 2020-21
  - No LCFF growth funds available



# Multiyear Projections

## General Fund – Unrestricted:

### LAO Growth



Description	2019-20	2020-21	2021-22
<b>CURRENT DEPARTMENT OF FINANCE PROJECTIONS</b>			
LCFF COLA	2.57%	2.67%	3.42%
Change in LCFF Revenue	\$1,800,000	\$2,200,000	\$2,500,000
<b>LAO GROWTH PROJECTIONS</b>			
LCFF COLA	3.00%	2.67%	3.42%
Change in LCFF Revenue	\$2,100,000	\$2,200,000	\$2,500,000
<b>ANNUAL DIFFERENCE</b>	\$300,000	\$0	\$0
<b>CUMULATIVE DIFFERENCE</b>	\$300,000	\$300,000	\$300,000

# Multiyear Projections

## General Fund – Unrestricted:

### LAO Recession (No COLA)



Description	2019-20	2020-21	2021-22
<b>CURRENT DEPARTMENT OF FINANCE PROJECTIONS</b>			
LCFF COLA	2.57%	2.67%	3.42%
Change in LCFF Revenue	\$1,800,000	\$2,200,000	\$2,500,000
<b>LAO RECESSION PROJECTIONS</b>			
LCFF COLA	3.00%	0.00%	0.00%
Change in LCFF Revenue	\$2,100,000	\$0	\$0
<b>ANNUAL DIFFERENCE</b>	\$300,000	(\$2,200,000)	(\$2,500,000)
<b>CUMULATIVE DIFFERENCE</b>	\$300,000	(\$1,900,000)	(\$4,400,000)

# Summary Analysis



- DJUSD is highly dependent upon increases in State Funding
- Reserves as reported at First Interim are barely adequate at this snapshot and require reductions in spending
- DJUSD has no reserves to cover deficit spending, revenue declines or program increases

# Going Forward

- Governor's January Budget
  - State budget priorities
- Budget process Jan-May
  - Local Control Accountability Plan (LCAP)
  - Enrollment and staffing assumptions
  - Collective Bargaining
  - Budget planning
- Second Interim update March 15<sup>th</sup>
  - January State Budget assumptions
  - Staffing and Enrollment projections
  - Budget allocations
- Governor's May Revise and Approved State Budget
- District Budget Adoption

# Other Funds

- Updated program budgets for revenue and expense assumptions
  - Need to review funds that need General Fund contributions for opportunities to reduce transfer costs.
    - Child Development (Fund 12)
    - Cafeteria Fund (Fund 13)
- Monitor cash levels

# Questions

