

# Davis Joint Unified School District First Interim Budget Presentation Fiscal Year 2018-2019



# 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.

# 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 UNRESTRICTED SUMMARY**

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
<b>ENDING FUND BALANCE JUNE 30TH</b>	<b>\$6,021,892</b>	<b>\$3,720,108</b>	<b>(\$2,301,784)</b>
<b>RESERVE %</b>	<b>6.3%</b>	<b>3.7%</b>	<b>-2.6%</b>
<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)
<b>Designated for Economic Uncertainties %</b>	<b>5.6%</b>	<b>3.7%</b>	<b>-1.9%</b>
<b>Other Assignments:</b>			
Carryover/Commitments	\$258,582	\$0	(\$258,582)
Classified Intern Program	\$399,421	\$0	(\$399,421)
<b>Total Other Assignments %</b>	<b>0.7%</b>	<b>0.0%</b>	<b>-0.7%</b>
Unassigned/Unappropriated Amount	\$0	\$0	\$0
<b>Total Unassigned %</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Operating Deficit - / Surplus +</b>	<b>(\$1,100,000)</b>	<b>(\$1,700,000)</b>	<b>(\$600,000)</b>

**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>

# Multi-Year Projections



# 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

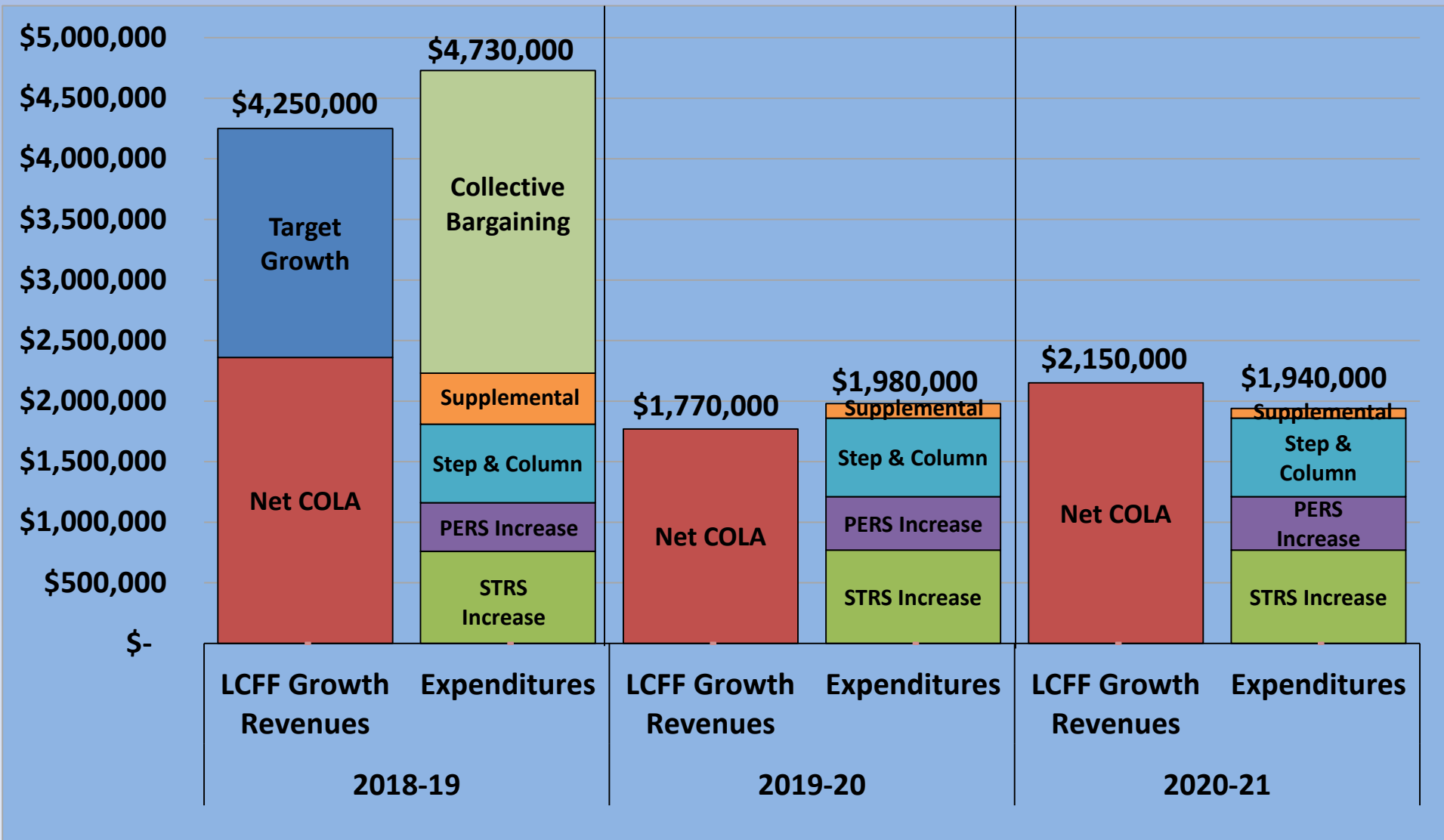
# Multiyear Projections

## 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>

## 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	(\$1,355,781)	(\$17,209,751)	(\$17,296,339)
NET INCR. (DECR.) IN FUND BALANCE	(\$2,074,420)	(\$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

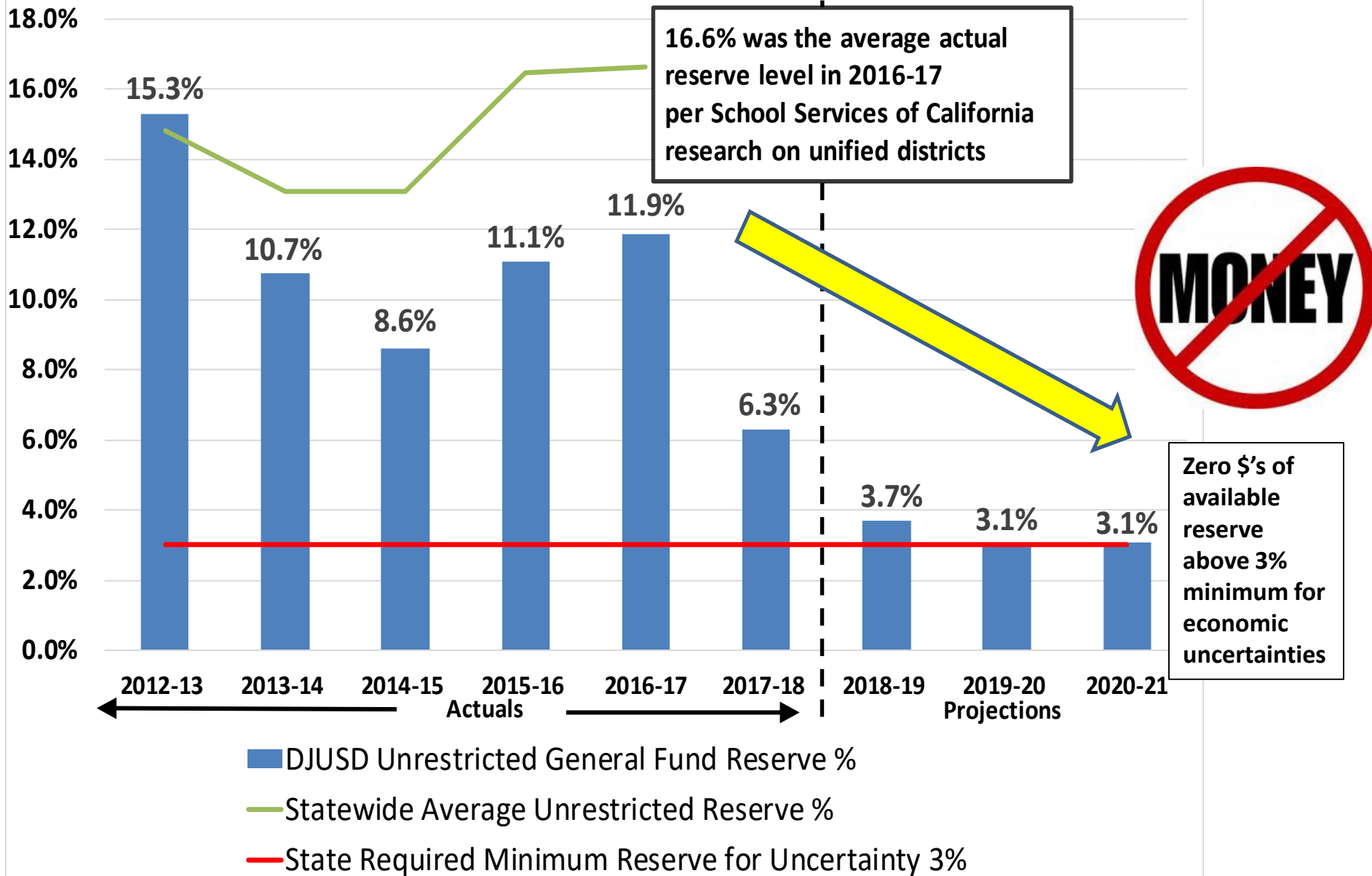
## 2018-19 First Interim Budget

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.



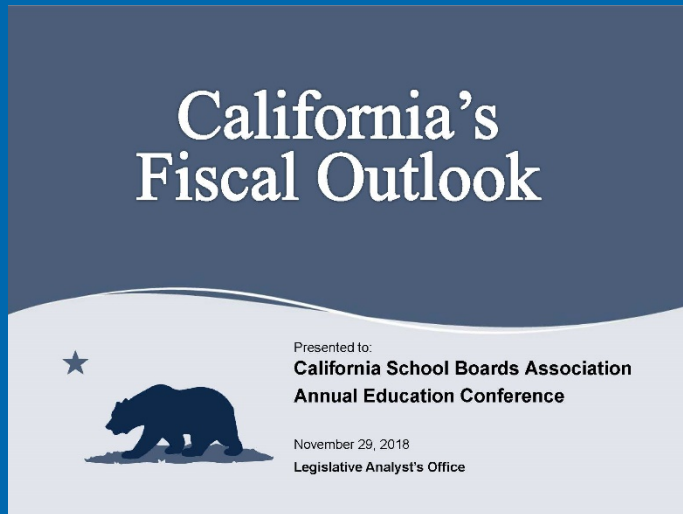
# DJUSD General Fund Unrestricted Reserve Levels



# 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

# 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

# Questions

