

# Fullerton Joint Union High School District

## First Interim Budget Report for Period Ending October 31, 2015

Board of Trustees Meeting  
December 8, 2015



# Discussion Overview

- First Interim Report Overview
  - Requirements
  - Definitions
- Current Year Review (2015/16)
  - Budget
  - General Fund Assignments
  - Cash Flow
  - Reserve Balances
- Multi-year Projection (2015/16 – 2017/18)
  - Assumptions
  - Projection
- Conclusion/Recommendation
  - Observations
  - Fiscal Solvency Statement
  - Staff Recommendation



2015/16 First Interim Report

# **INTERIM REPORT OVERVIEW**



# Requirements

- Ed Code Section 42130 – Interim Reports
  - October 31<sup>st</sup> – actuals + year-end projection
  - January 31<sup>st</sup> – actuals + year-end projection
- AB 1200 – Fiscal Solvency
  - Current year (2015/16)
  - Two subsequent years (2016/17 & 2017/18)
- Certification
  - Financial Solvency
  - Criteria & Standards



# Definition of Terms

- Positive Certification
  - Shall be assigned to a district that will meet its financial obligations for the current plus two subsequent fiscal years.
- Qualified Certification
  - Shall be assigned to a district that may not be able to meet its financial obligations for the current plus two subsequent fiscal years.
- Negative Certification
  - Shall be assigned to a district that will be unable to meet its financial obligations for the current plus one subsequent (following) fiscal year.



2015/16 First Interim Report

# CURRENT YEAR REVIEW



# 2015/16 Combined General Fund Budget



Revenues		\$ 158,269,485
Expenditures		
Certificated Salaries	\$ 65,860,678	
Classified Salaries	\$ 18,736,900	
Benefits	\$ 30,118,797	
Books & Supplies	\$ 9,186,885	
Services & Other	\$ 14,952,741	
Capital Outlay	\$ 724,448	
Other Outgo	\$ 9,580,655	
Transfers	<u>\$ (\$53,738)</u>	
Total Expenditures		\$ <u>149,107,039</u>
Excess (Deficiency)		\$ 9,162,446
Other Sources/Uses (Special Reserve – Fund 17)		\$ 805,177
Interfund Transfers Out		<u>\$ (269,450)</u>
Net Increase (Decrease)		\$ 9,698,173

# 2015/16 Combined General Fund Ending Balance



Beginning Fund Balance	\$ 21,661,078
Net Increase (Decrease)	<u>\$ 9,698,173</u>
Total Ending Fund Balance	\$ 31,359,251

## Components of Ending Fund Balance

Revolving Cash, Stores, Prepaid	\$ 301,242
Legally Restricted	\$ 2,111,717
Other Assignments	\$13,374,263
3% Reserve for Economic Uncertainty	\$ 4,623,986
Unrestricted/Unassigned/Unappropriated	<u>\$ 10,948,043</u>
Total Ending Fund Balance	\$ 31,359,251



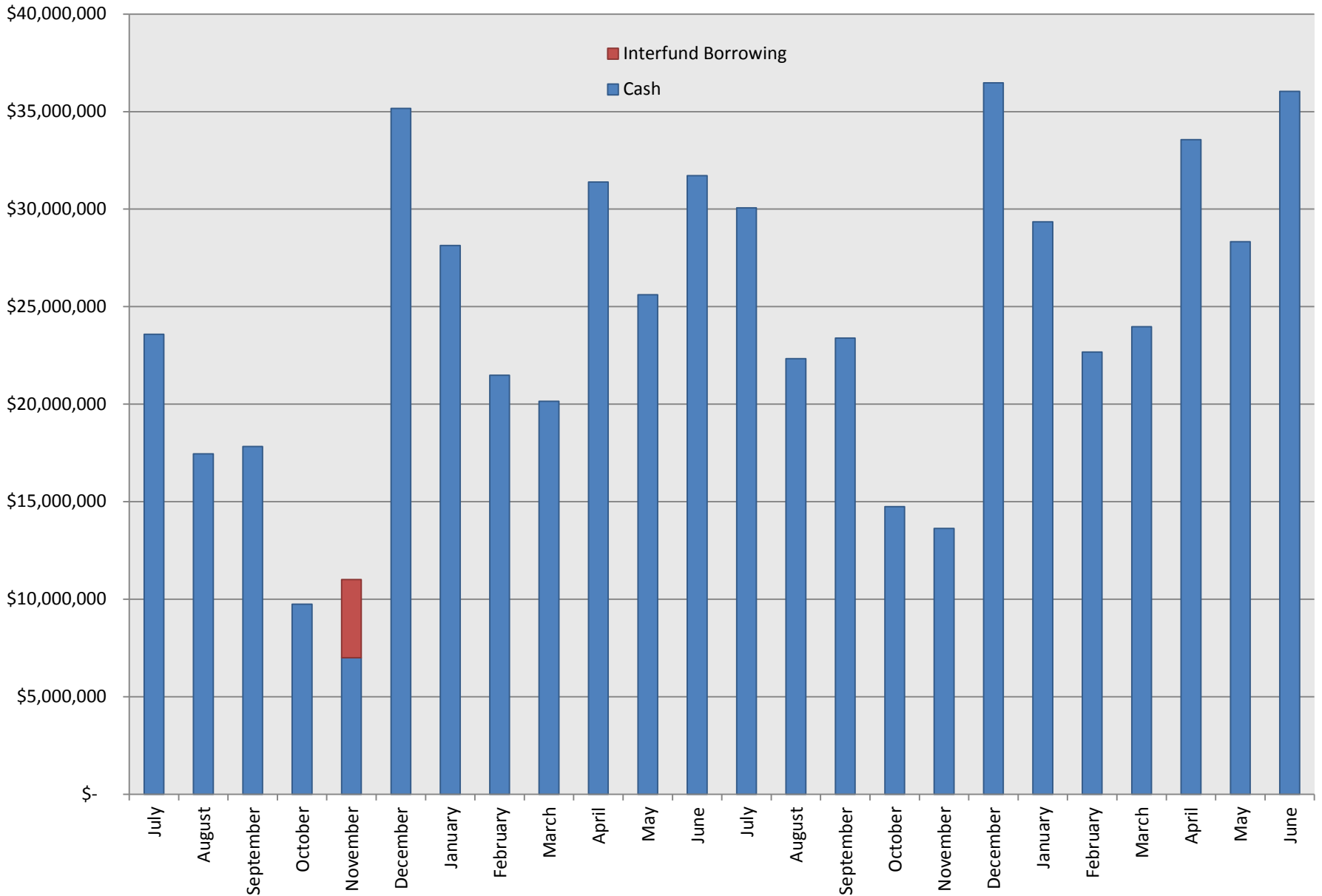


# 2015/16 Fund Balance Reserves Other Assignments (Unrestricted)

	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>
Summer School	\$ 4,000	\$ 4,000	\$ 4,000
Vehicle Replacement	\$ 100,000	\$ 100,000	\$ 100,000
Technology Reserve	\$ 350,000	\$ 350,000	\$ 350,000
Furniture	\$ 50,000	\$ 50,000	\$ 50,000
Health Care	\$ 150,000	\$ 150,000	\$ 150,000
Textbook/Instruction Materials	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000
Technology Initiatives & Upgrades	\$ 500,000	\$ 500,000	\$ 500,000
LCAP Supplemental Reserve (2015/16)	\$ 218,851	\$ 437,702	\$ 656,553
LCAP Supplemental Reserve (2016/17)		\$ 463,853	\$ 927,706
LCAP Supplemental Reserve (2017/18)			\$ 635,243
One-time Mandate Funds	\$ 7,407,904	\$ 7,407,904	\$ 7,407,904
Unrestricted Lottery Carryover	\$ 2,968,508	\$ 2,968,508	\$ 2,968,508
Unrestricted Lottery School Site Carryover	\$ 125,000	\$ 125,000	\$ 125,000
Total Assignments	\$ 13,374,263	\$ 14,056,967	\$ 15,374,914



# Monthly Ending Cash Balance Projection July 2015 - June 2017



# Reserve Balances as of 10/31/15

<u>Fund</u>	<u>Balance</u>	
GF Assignments (Exclusive of Lottery)	\$10.3m	← \$13.4 m
GF Unrestricted Lottery	\$ 3.1 m	
General Fund U <sup>3</sup> Ending Balance <sup>3</sup>	<u>\$ 10.9 m</u>	←
Total General Fund		\$24.3 m
Special Reserve (Fund 17) <sup>1</sup>	\$ 4.4 m	
GASB Set-aside (Fund 20) <sup>2</sup>	<u>\$ 7.9 m</u>	
Total Other Funds		<u>\$12.3 m</u>
Total		\$36.6 m

<sup>1</sup> \$805,117 committed annually from Special Reserve Fund 17

<sup>2</sup> GASB Reserves are needed for cash flow (see slide 12)

<sup>3</sup> Unrestricted/Unassigned/Unappropriated – Needed to balance out-year shortfalls (see slide 14)



2015/16 First Interim Report

# **MULTI-YEAR PROJECTION**





# LCFF Revenue Assumptions

<u>Year</u>	<u>LCFF Funding</u>	<u>Actual Increase</u>	<u>Funded ADA</u>	<u>Change</u>	<u>Gap Funding %</u>
14/15	\$114.7	\$8.1 m	13,906	(36)	30.16%
15/16	\$124.7	\$10 m	13,827	(78)	53.08%
16/17	\$125.9	\$1.2 m	13,673	(154)	12.52%
17/18	\$127.7	\$1.8 m	13,577	(96)	18.11%

## Notes

LCFF Target Funding 2020/21 \$133.9 m

Qualified Free & Reduced Priced Meal Students 48.55%

2020/21 Target  $\cong$  2007/08 funding level

# General Fund Multi-Year Projection

## School Services of California

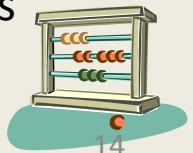
	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>
Gap Funding %	53.08%	12.52%	18.11%
Revenues <sup>1</sup>	\$158,269,485	\$147,548,469	\$ 150,518,600
Total Expenditures	<u>149,107,039</u>	<u>150,317,635</u>	<u>153,045,508</u>
Excess (Deficiency)	9,162,446	(2,769,166)	(2,526,908)
Net Sources/Uses (Transfers)	<u>535,727</u>	<u>535,727</u>	<u>535,727</u>
Net Increase (Decrease)	9,698,173	(2,233,439)	(1,991,181)
Beginning Fund Balance	<u>21,661,078</u>	<u>31,359,251</u>	<u>29,125,812</u>
GF Ending Fund Balance	\$ 31,359,251	\$ 29,125,812	\$ 27,134,631

GF "U <sup>3</sup> " Ending Balance <sup>2</sup>	\$ 10.9 m	\$ 8.2 m	\$ 4.7 m
Reserves <sup>3</sup> /Expenditures	10.44%	8.67%	6.34%

<sup>1</sup>State revenue projections under LCFF funding assume School Services projections

<sup>2</sup>Unrestricted/Unassigned/Unappropriated

<sup>3</sup>3% Required Reserves + Unrestricted/Unassigned/Unappropriated



2015/16 First Interim Report

# **CONCLUSION/RECOMMENDATION**





# Observations

- Multi-year LCFF/LCAP Implementation
  - Declining Enrollment
    - - 160 in 2015/16
    - - 100 in 2016/17
    - - 100 in 2017/18
  - Staffing is projected at status quo
- Supplemental Funding
  - Expenditures are held as reserve assignments in 2016/17 and 2017/18
  - MYP assumes 100% of supplemental funding is treated as increased spending on new services
- State Taxes
  - Prop 30 Taxes roll off in 2016/17
  - ¼ cent sales tax ends December 2016
  - Personal income tax for high income earners ends December 2018
- Positive interim certification is important for GO Bond issuance
- Negotiations are in process
- Second Interim Projection will be more precise



# Fiscal Solvency Statement

Although it is not anticipated in 2015/16, mid-term (3-5 years) revenue and expenditure projections indicate the District has not yet fully resolved its deficit spending imbalance. In order to balance the budget and meet multiple-year projection solvency requirements, the Board of Trustees will draw-down unallocated reserves, if necessary. Shortfalls, if any, over the next several years will likely require a combination of budget reductions and reserves draw-down in order to maintain fiscal solvency.

In submitting the 2015/16 First Interim Report as positive, the Board of Trustees understands its fiduciary responsibility to maintain fiscal solvency for the current and subsequent two fiscal years.

# Recommendations



- ✓ Approve first interim report
- ✓ Approve positive first interim certification
- ✓ Acknowledge fiscal solvency statement

It is recommended that the Board of Trustees approve a positive certification of the First Interim Report attesting the District will meet its financial obligations for the current plus two subsequent fiscal years, and that the Superintendent be authorized to submit the positive certification and First Interim Report to the County Superintendent of Schools.