



Irvine Unified School District First Interim Report

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Financial Reporting Cycle

- ✓ State Budget Adoption July
- ✓ 2015-16 Unaudited Actuals September
- ✓ First Interim Report December
- Governor's 2017-18 Budget Proposal January
- Second Interim Report March
- IUSD 2017-18 Budget Adoption. June



First Interim Report

Interim Report Purpose:

- ❑ The First Interim Report represents the District's first official revision to the Final Adopted Budget

- ❑ The First Interim Report includes actual financial data through October 31, 2016 with revised projections for the remainder of the fiscal year

- ❑ Each school district is required to certify its financial condition twice during the fiscal year. This certification addresses the District's ability to meet its financial obligations for the current year and two subsequent years



Legislative Analysts Office

November 2016 Fiscal Outlook

- ❑ LAO nonpartisan fiscal advisor to the Legislature
- ❑ Annual Fiscal Five Year Outlook provides assessment of economy and considers current year and four subsequent years.
 - ❑ Outlook covers 2016-17 through 2020-21
 - ❑ Generally focus of Governor's January Budget proposal
- ❑ Recognizing length of the current economic recovery and volatility of California's economy, the report outlines more than one scenario:
- ❑ **Economic Growth Scenario**
 - ❑ Continued moderate economic expansion through 2020-21
 - ❑ Moderate but steady growth in employment and personal income
 - ❑ Modest stock market gains projected through 2020-21
 - ❑ Budget surpluses (albeit declining) and sufficient budget reserves
 - ❑ Assumptions based on current policies.....

LAO Outlook available at: <http://www.lao.ca.gov/Publications>



Current Economic Expansion Already Among Longest in U.S. History

Caution: Economic Growth Scenario would represent longest expansion in U.S. History

Economic Expansion	Number of Months
April 1991 to March 2001	120
March 1961 to December 1969	106
December 1982 to July 1990	92
July 2009 to present	89 (so far)
July 1938 to February 1945	80
December 2001 to December 2007	73
April 1975 to January 1980	58
April 1933 to May 1937	50
Average Economic Expansion, 1945 to 2009	58

Source: National Bureau of Economic Research.

Source: LAO November 2016 Fiscal Outlook



Legislative Analysts Office

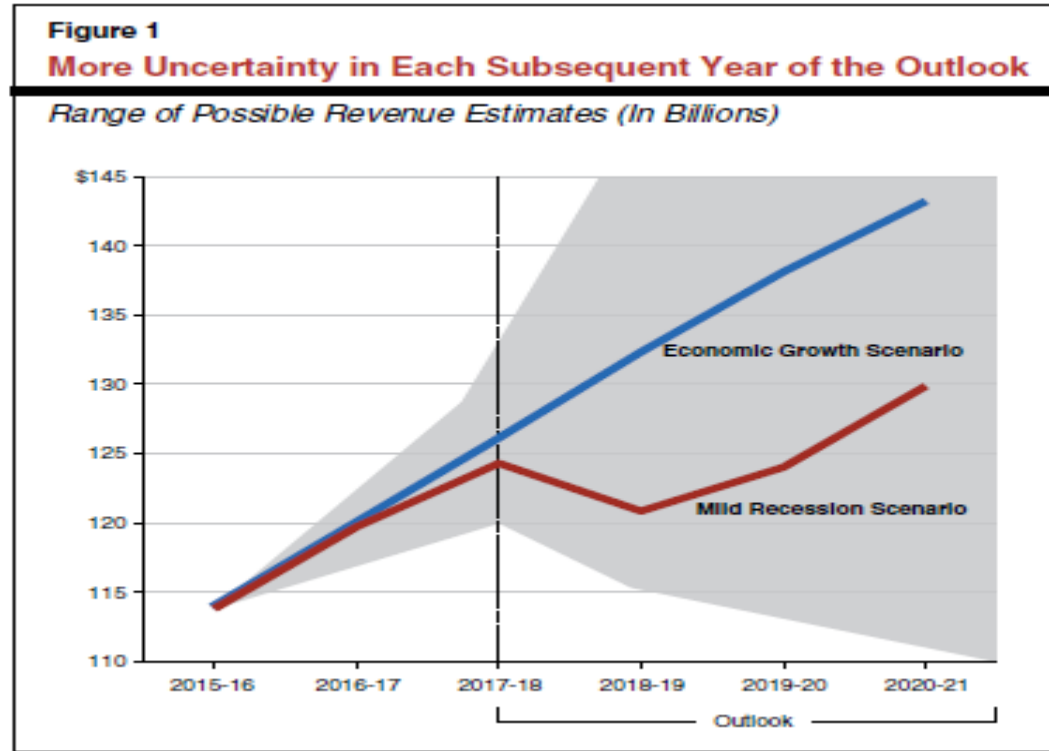
November 2016 Fiscal Outlook

- ❑ Mild Recession Scenario
 - ❑ Assumes “mild” economic downturn with significant stock market decline in 2018 similar to dot.com bust of early 2000s
 - ❑ State revenues reduced by \$40 billion in 2018-19 through 2020-21 due to projected decreases largely in Personal Income Taxes (PIT)
 - ❑ Budget deficits offset by state reserves through 2020-21
- ❑ Economic Growth Scenario – Education Funding
 - ❑ Under LAO’s Economic Growth Scenario, state revenues will continue to grow through 2020-21 resulting in steady increases in Proposition 98 funding
 - ❑ Current year and prior year state revenues projected to be lower than budget resulting in a decrease of approximately \$388 million in 2016-17 Proposition 98 guarantee



All Big State Revenue Sources Grow Throughout Forecast Period

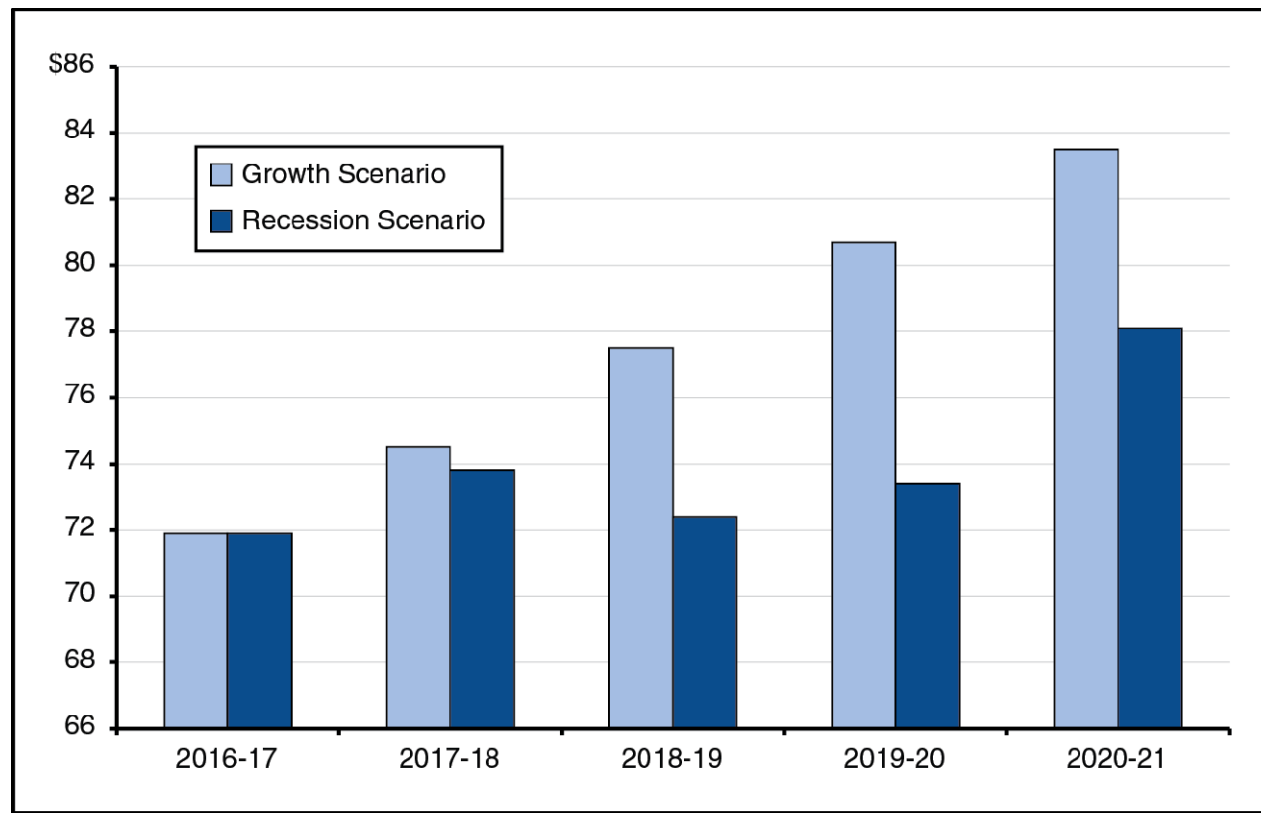
Big Three Revenues Under Main Scenario (In Billions)



Source: LAO November 2016 Fiscal Outlook

Comparing Proposition 98 Minimum Guarantee Under Two Scenarios

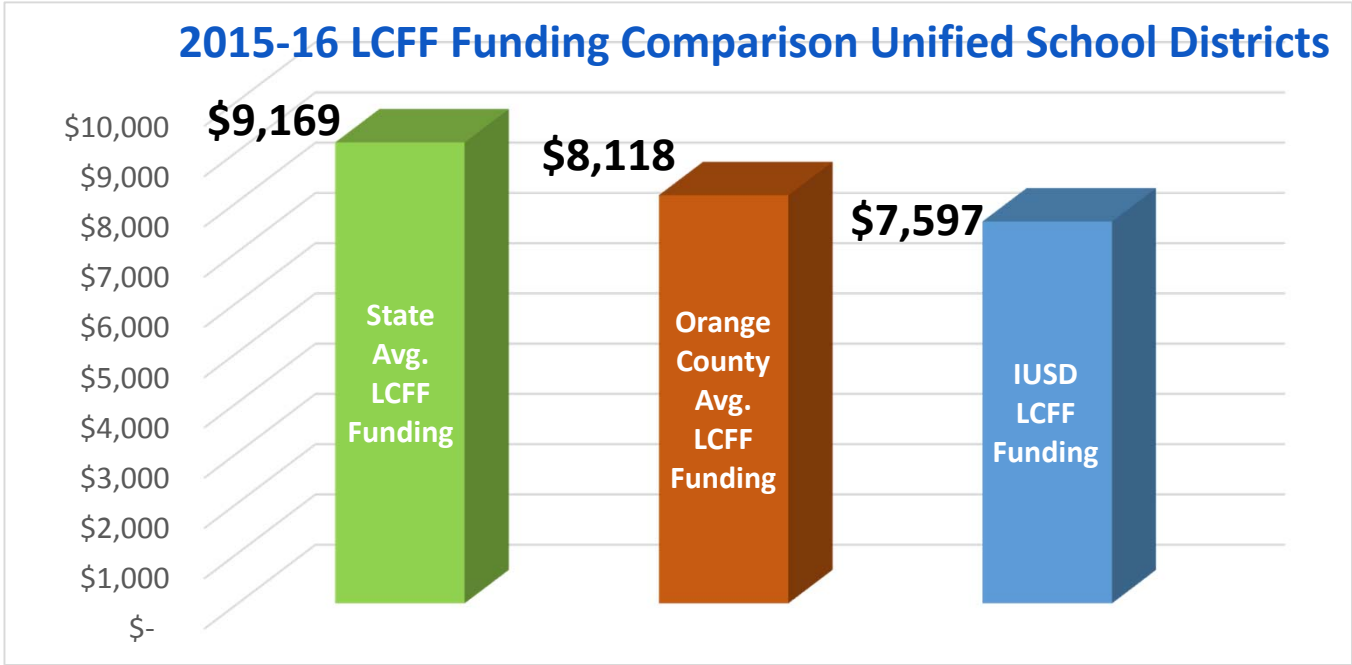
(In Billions)



Source: LAO November 2016 Fiscal Outlook

LCFF Long-Term Potential Impact to IUSD

- Because LCFF is heavily weighted to favor districts with high populations of disadvantaged students, the LCFF as proposed, negatively impacts IUSD



Note: IUSD funded \$1,572/ADA below statewide average for Unified School Districts statewide. Impact \$49.5 million.....

IUSD Estimated LCFF Funding

IUSD LCFF	2016-17 Projection	2017-18 Projection	2018-19 Projection
LCFF Target <small>(Actual Target to be Reached in 2020-21)</small>	\$271,938,722	\$283,759,574	\$299,214,385
LCFF Floor <small>(2013-14 Actual Funding Adjusted for ADA Growth & Any LCFF Funding rec'd)</small>	\$245,214,439	\$267,506,260	\$287,047,475
LCFF Gap = <small>(Difference Between Target & Floor)</small>	\$26,724,283	\$16,253,314	\$12,166,910
Gap Funding Rate = <small>(% of Gap to be Funded, set by Governor)</small>	54.18%	72.99%	40.36%
Gap Funding Amount = <small>(Anticipated Additional Funds)</small>	\$14,479,217	\$11,863,294	\$4,910,565
Total LCFF Funding =	\$259,693,656	\$279,369,554	\$291,958,040

2017-18 & 2018-19 LCFF Gap Funding Rate based on Department of Finance Projections



2016-17 First Interim Assumptions

	2016-17 Projected	2017-18 Projected	2018-19 Projected
ADA Growth	853	1,024	961
LCFF Funding per student	\$8,031	\$8,374	\$8,507
Property Tax Increases	5%	5%	5%
Salary Increases (On-going)	3.7%	0%	0%
Salary Increases (One-time)*	1.2%	0%	0%
Step & Column Increases	2%	2%	2%
Health Insurance Contributions	\$10,143	\$10,143	\$10,143
Utility Increases	5%	5%	5%
District Reserve Level	2%	2%	2%



Allocation of One-Time Resources

- ❑ Utilizing input from numerous stakeholders through the LCAP process, IUSD has leveraged use of one-time resources over multiple fiscal years.
- ❑ Over \$27.5 million in one-time funds allocated in 2016-17
- ❑ Over \$12.5 million in 2016-17 ending fund balance to be allocated in 2017-18.
- ❑ District is intentionally deficit spending – no structural deficit.



2016-17 Budget & Multiyear Projections

Unrestricted General Fund

Unrestricted	2016-17 Projected	2017-18 Projected	2018-19 Projected
Total Revenues	\$282,542,301	\$295,596,323	\$308,479,309
Total Expenditures	(\$250,109,202)	(\$247,457,805)	(\$253,158,119)
EXCESS (DEFICIENCY)	\$32,433,099	\$48,138,518	\$55,321,190
Other Sources/(Uses)	(\$49,022,216)	(\$52,446,318)	(\$50,054,455)
Net Increase/(Decrease)	(\$16,589,117)	(\$4,307,800)	\$5,266,735
Beginning Balance, July 1	\$49,258,496	\$32,669,379	\$28,361,579
Ending Balance, June 30	<u>\$32,669,379</u>	<u>\$28,361,579</u>	<u>\$33,628,314</u>



2016-17 Budget & Multiyear Projections

Components of Ending Fund Balance

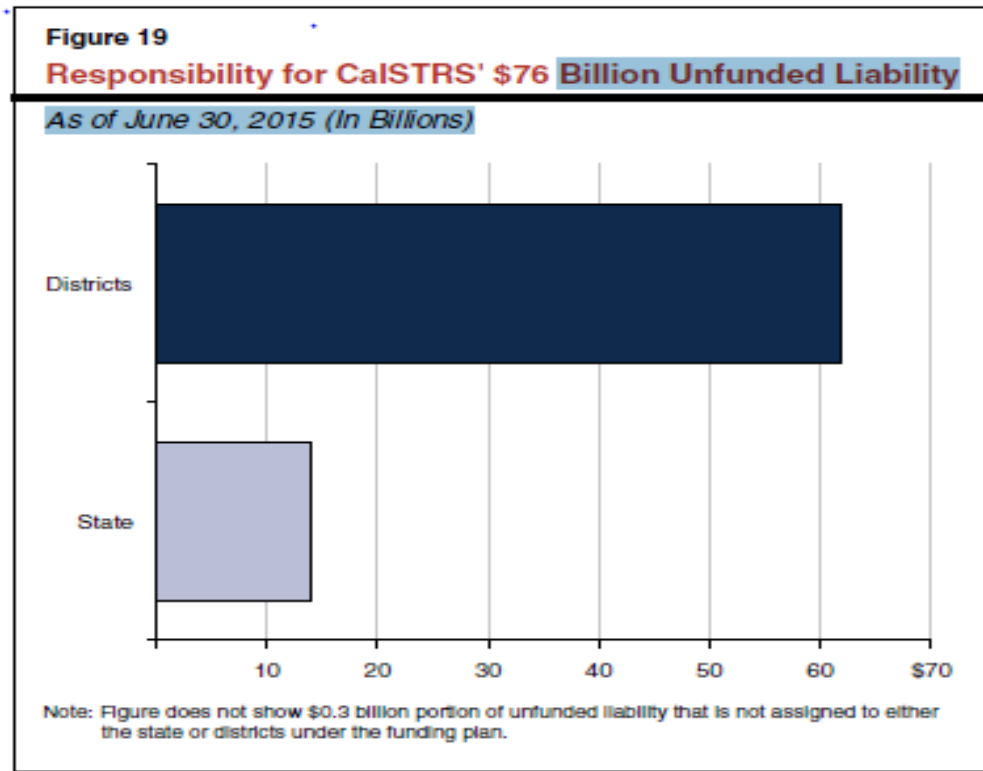
Description	2016-17 Projected	2017-18 Projected	2018-19 Projected
Ending Fund Balance	<u>\$32,669,379</u>	<u>\$28,361,579</u>	<u>\$33,628,314</u>
Revolving Cash	\$150,000	\$150,000	\$150,000
Stores	\$400,000	\$400,000	\$400,000
State Minimum DEU	\$7,275,000	\$7,037,044	\$7,047,874
Contingency Reserve	\$5,000,000	\$5,000,000	\$5,000,000
Def. 15-16 LCAP Allocation	\$6,760,704		
Def. 16-17 LCAP Allocation	\$5,943,601		
Other Assigned	\$7,140,074	\$15,774,535*	\$21,030,440*

* Balance will be reduced by 2017-18 approved LCAP allocations



Future Budget Impacts

- ❑ CalSTRS rate will increase to 19.1% in 2020-21 from 8.25% in 2013-14
- ❑ CalPERS rate will increase to 19.8% in 2020-21 from 11.442% in 2013-14
- ❑ Annual Impact to IUSD – approximately \$4 million



Certification Definition

- ❑ **Positive** = A school district that, based on current projections, will be able to meet its financial obligations for the current fiscal year and subsequent two fiscal years
- ❑ **Qualified** = A school district that, based on current projections, **may** not meet its financial obligations for the current fiscal year or subsequent fiscal year
- ❑ **Negative** = A school district that, based on current projections, will be unable to meet its financial obligations for the current fiscal year or for subsequent two fiscal years



1st Interim Report

Recommendation

- Based upon the information included in the First Interim Report, staff is able to certify that IUSD can meet its obligations for the current and two subsequent fiscal years
- Staff recommends a Positive Certification of the First Interim Report



Questions?

