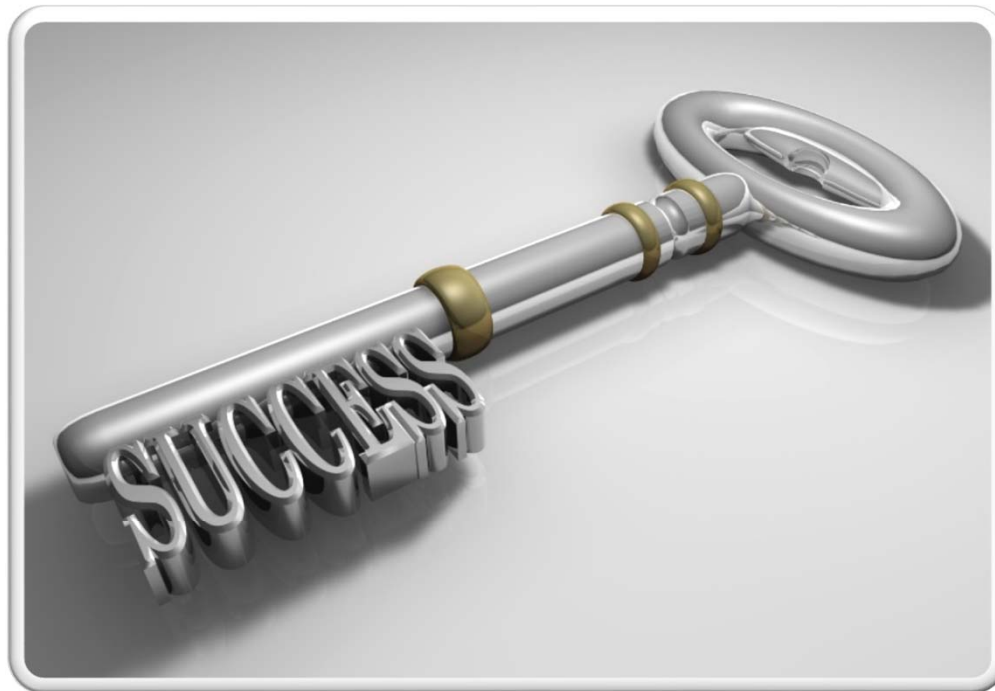




Irvine Unified School District

# First Interim Report



Presented by John Fogarty

December 9, 2014

# Financial Reporting Cycle

- ✓ State Budget Adoption . . . . . **July**
- ✓ 2013-14 Unaudited Actuals . . . . . **September**
- ✓ First Interim Report . . . . . **December**
- Governor’s 2015-16 Budget Proposal . . . . . **January**
- Second Interim Report . . . . . **March**
- IUSD 2015-16 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, 2014 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 2014 Fiscal Outlook

- Recognizing the volatility of California's economy and heavy reliance on income taxes, the LAO's report outlines three scenarios:
  - **Main Scenario (focus)**
    - Continued moderate economic growth through 2020
    - Budget surpluses and growing budget reserves
  - **Slowdown Scenario**
    - Significant stock market correction and slowdown of economic growth
    - Budget surpluses and reserves disappear
  - **Temporary Revenue Surge Scenario**
    - 2014-15 Spike in Capital Gains
    - Downward pressure on future budget surpluses and reserves



# Legislative Analysts Office

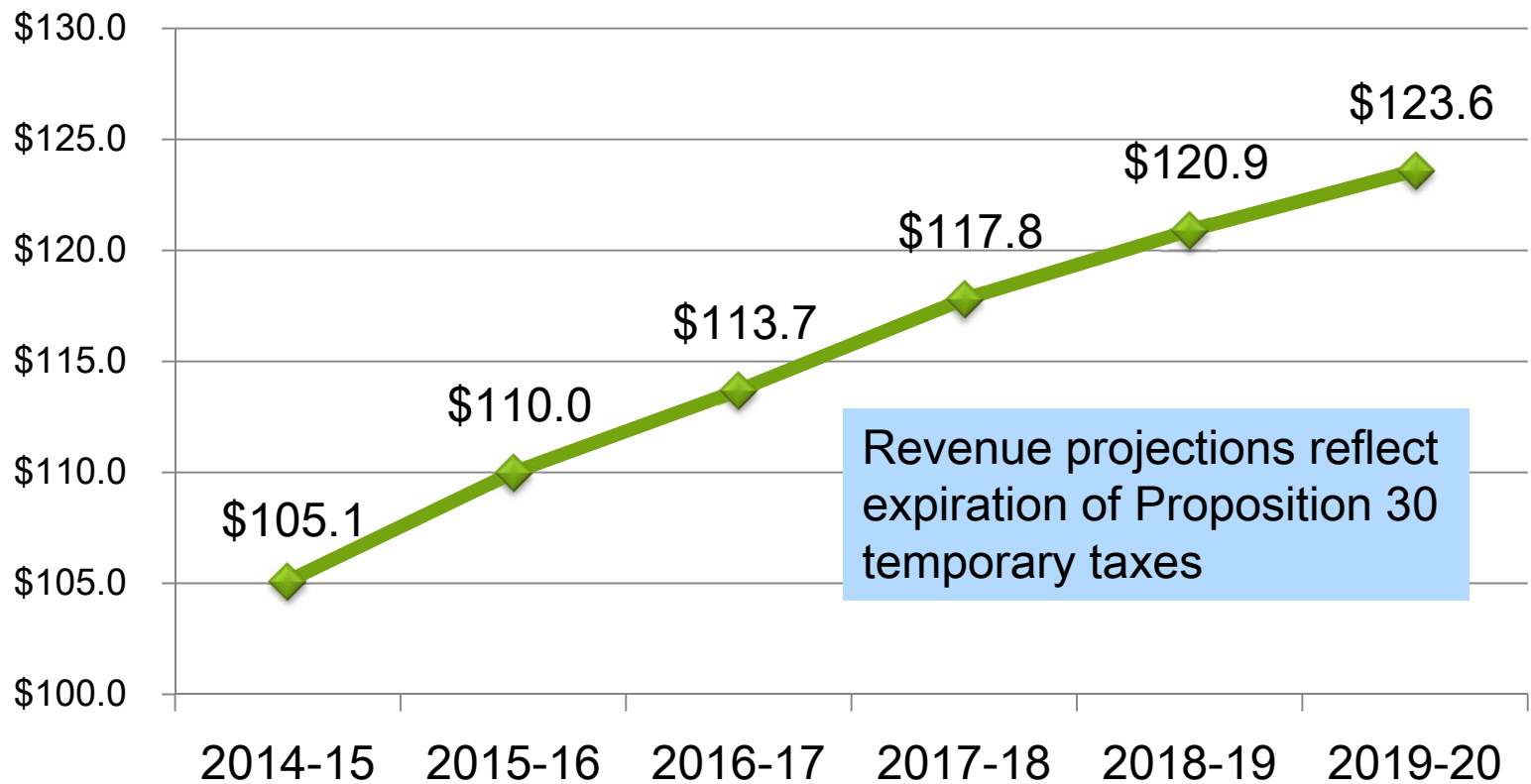
## November 2014 Fiscal Outlook

- Under LAO's Main Scenario, state revenues will continue to grow through 2019-20 resulting in steady increases in Proposition 98 funding
- For 2014-15 – state revenues projected to exceed budget resulting in an increase of approximately \$2.3 billion in Proposition 98 guarantee
- Likely priorities – eliminate debt.....(*one-time allocations*)
  - Language in budget to eliminate remaining K-14 apportionment deferrals – approximately \$1 billion
  - Provide additional funding for unpaid mandates
  - Fund Emergency Repair Program (ERP) outstanding obligations
  - Additional funding to support Common Core



# LAO November 2014 Revenue Forecast (In Billions)

## Big Three Taxes Combined



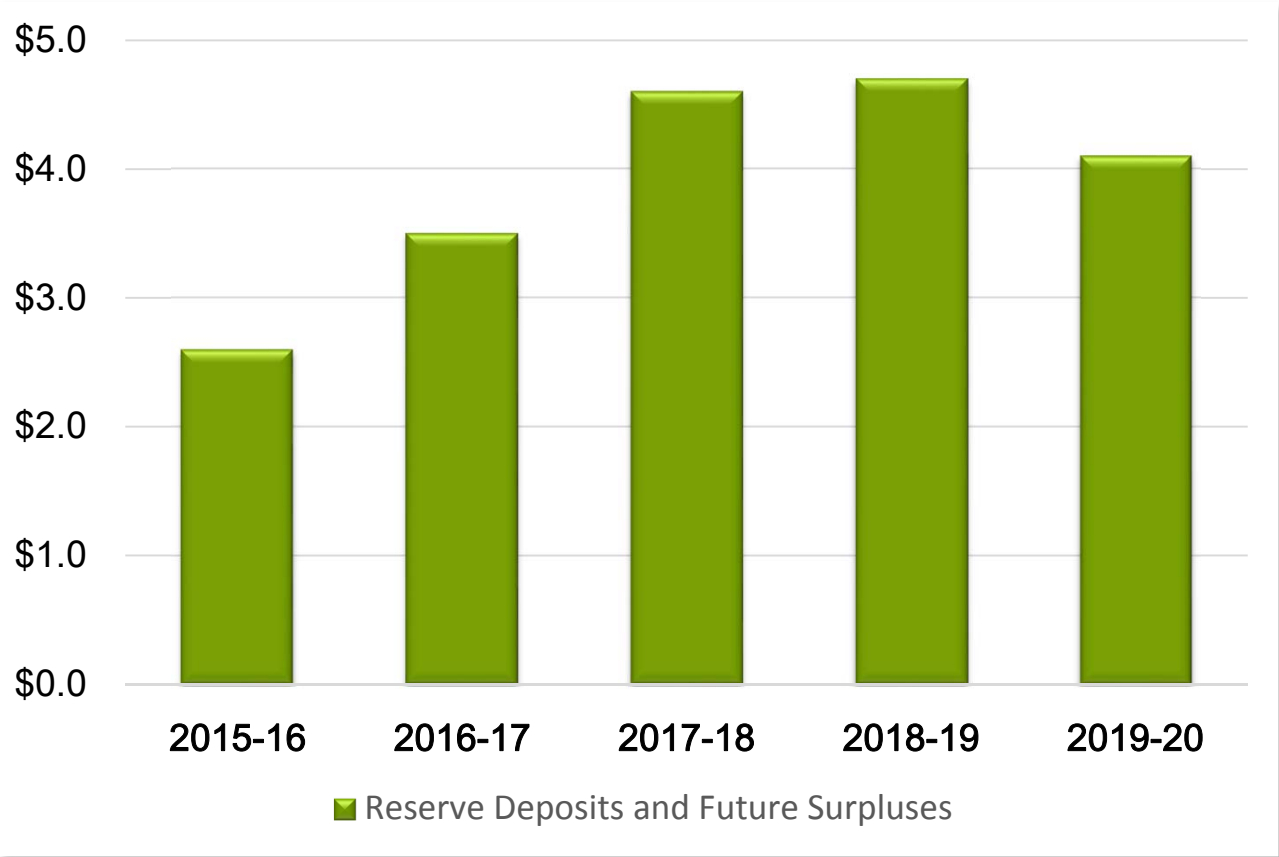
Revenue projections include: Personal Income Tax, Corporate Income Tax, and Sales Tax



# LAO Report: Forecasted Operating Surpluses

## LAO Main Scenario: Reserve Deposits and Future Surpluses

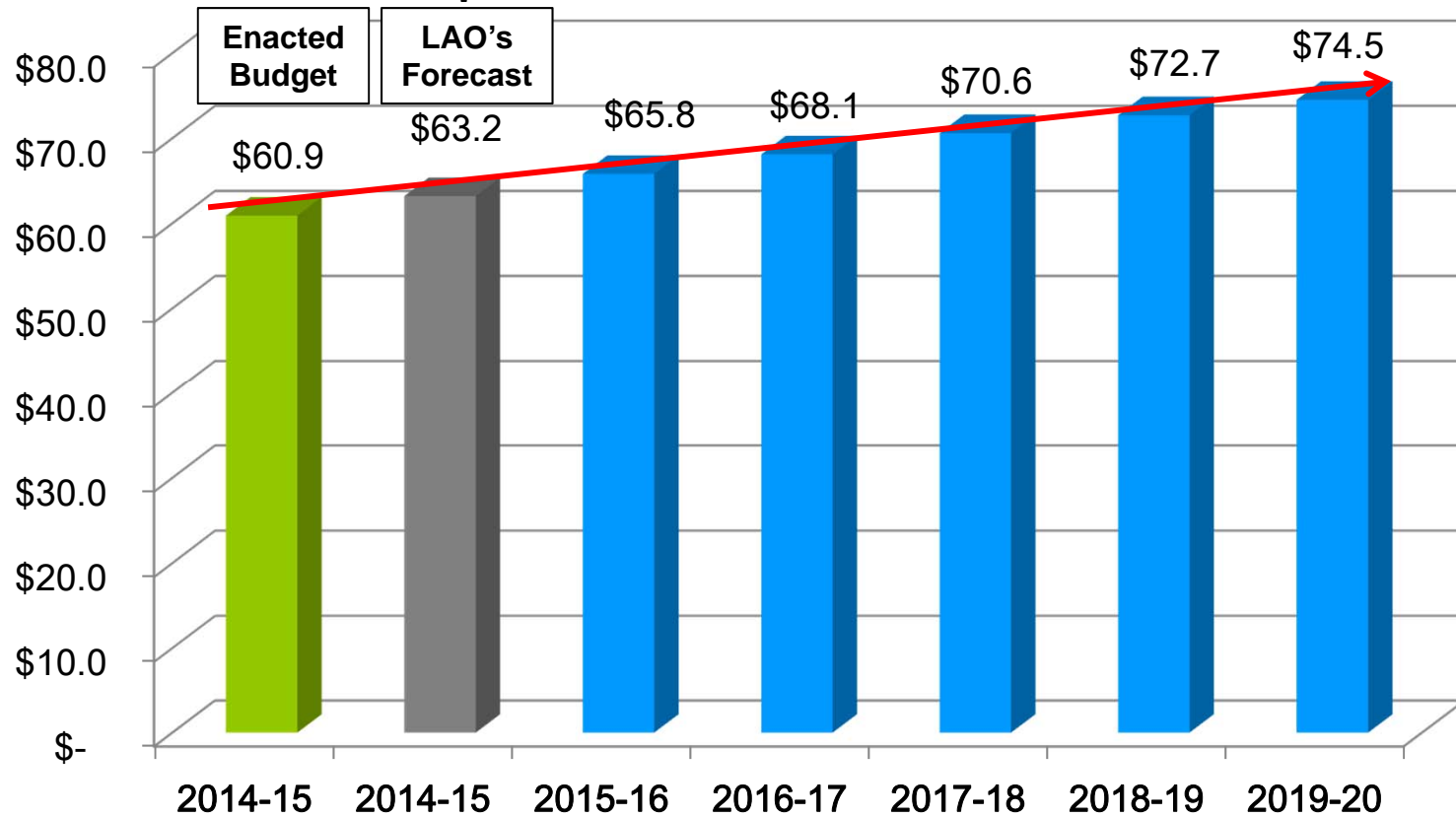
(In Billions)



# LAO: Proposition 98 Forecast

2014-15 Proposition 98 guarantee increases by \$2.3 billion

## Proposition 98 Forecast Totals





# Forecasting Challenges

- Prior to the implementation of the Local Control Funding Formula (LCFF), Districts forecast revenues primarily based on COLAs
- With emphasis on fully funding the LCFF by 2020-21, Districts increasingly rely on projections from the Department of Finance (DOF) for “gap” funding levels
- Within the last eleven months, DOF projections have varied widely resulting in a shift of approximately \$8 million in 2015-16



# Forecasting Challenges

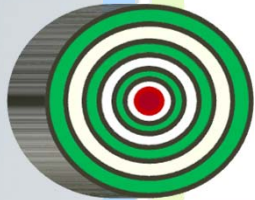
Projected DOF LCFF "Gap Funding" Percentage	2014-15	2015-16	2016-17
January 2014	28.05%	33.95%	21.67%
"Gap" Funding Increase	\$20.0M	\$20.0M	\$10.3M

Projected DOF LCFF "Gap Funding" Percentage	2014-15	2015-16	2016-17
May Revise 2014	28.05%	30.39%	19.50%
"Gap" Funding Increase	\$20.0M	\$18.0M	\$9.6M

Projected DOF LCFF "Gap Funding" Percentage	2014-15	2015-16	2016-17
Final State 2014-15 Budget	29.56%	20.68%	25.48%
"Gap" Funding Increase	\$21.0M	\$12.0M	\$13.8M



# IUSD Estimated 2014-15 Funding



## Based on DOF Updated Projections

IUSD LCFF	2014-15 Projection	2015-16 Projection	2016-17 Projection
LCFF Target <small>(Actual Target to be Reached in 2020-21)</small>	\$255,699,871	271,178,735	\$287,603,033
LCFF Floor <small>(2013-14 Actual Funding Adjusted for ADA Growth &amp; Any LCFF Funding rec'd)</small>	\$184,194,252	\$212,856,290	\$233,333,902
LCFF Gap = <small>(Difference Between Target &amp; Floor)</small>	\$71,505,619	\$58,322,445	\$54,269,131
Gap Funding Rate = <small>(% of Gap to be Funded, set by Governor)</small>	29.56%	20.68%	25.48%
Gap Funding Amount = <small>(Anticipated Additional Funds)</small>	\$21,137,061	\$12,061,082	13,827,775
Total LCFF Funding =	\$205,331,313	\$224,917,372	\$247,161,677



# 2014-15 First Interim Assumptions

	2014-15 Projected	2015-16 Projected	2016-17 Projected
ADA Growth	1207	1200	1266
LCFF Funding per student	\$6,691	\$7,054	\$7,455
Fair Share State Reductions	\$0	\$0	\$0
Salary Increases (On-going)	4.8%	0.0%	0.0%
Salary Increases (One-time)*	1.5%	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%

\*One-time increase impacts 2014-15 spread over two years for some bargaining groups



# 2014-15 Budget & Multiyear Projections

## Unrestricted General Fund

Unrestricted	2014-15 Projected	2015-16 Projected	2016-17 Projected
Total Revenues	\$217,169,094	\$238,433,556	\$260,814,712
Total Expenditures	\$201,647,402	\$203,871,799	\$214,976,722
EXCESS (DEFICIENCY)	\$15,521,692	\$34,561,757	\$45,837,990
Other Sources/(Uses)	(\$37,863,117)	(\$36,219,833)	(\$39,285,452)
<b>Net Increase/(Decrease)</b>	<b>(\$22,341,425)</b>	<b>(\$1,658,076)</b>	<b>\$6,552,538</b>
Beginning Balance, July 1	\$45,702,340	\$23,360,915	\$21,702,839
Ending Balance, June 30	<u>\$23,360,915</u>	<u>\$21,702,839</u>	<u>\$28,255,377</u>



# 2014-15 Budget & Multiyear Projections

## Components of Ending Fund Balance

Description	2014-15 Projected	2015-16 Projected	2016-17 Projected
Ending Fund Balance	<u>\$23,360,915</u>	<u>\$21,702,839</u>	<u>\$28,255,377</u>
Revolving Cash	\$150,000	\$150,000	\$150,000
Stores	\$375,000	\$375,000	\$375,000
Economic Uncertainties	\$5,812,000	\$5,560,000	\$5,755,000
Contingency Reserve	\$5,000,000	\$5,000,000	\$5,000,000
Deferred Allocation	\$2,234,000	-----	-----
Board Assigned	\$9,789,915	\$10,617,839	\$16,975,377



# 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?

