



Irvine Unified School District First Interim Report

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Financial Reporting Cycle

- ✓ State Budget Adoption July
- ✓ 2016-17 Unaudited Actuals September
- ✓ First Interim Report December
- Governor's 2018-19 Budget Proposal January
- Second Interim Report March
- IUSD 2018-19 Budget Adoption. June



First Interim Report

Interim Report Purpose:

- ❑ The First Interim Report represents the District's first official revision to the District's 2017-18 Adopted Budget
- ❑ The First Interim Report includes actual financial information through October 31, 2017 with revised projections for the remainder of the fiscal year
- ❑ School District's are required to certify their 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 2017 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 2017-18 through 2021-22
 - ❑ 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:
 - ❑ Near-Term Outlook
 - ❑ Long-Term Economic Growth Scenario
 - ❑ Long-Term Recession Scenario
- ❑ **Near-Term Outlook**
 - ❑ Covers 2017-18 through 2018-19
 - ❑ While assuming slower job growth wages are expected to experience significant increases
 - ❑ Stock market stagnation is assumed, citing substantial growth since beginning of 2016
 - ❑ General Fund revenues will continue to increase driven by Capital Gains
 - ❑ Projecting an increase of approximately \$5.3 billion for K-14 Education in 2018-19



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November 2017 Fiscal Outlook

❑ Long-Term Economic Growth Scenario

- ❑ Continued moderate economic expansion through 2021-22
- ❑ Moderate but steady growth in personal income
- ❑ Flattening of stock market gains projected through 2021-22
- ❑ Budget surpluses and sufficient budget reserves
- ❑ Assumptions based on current policies.....

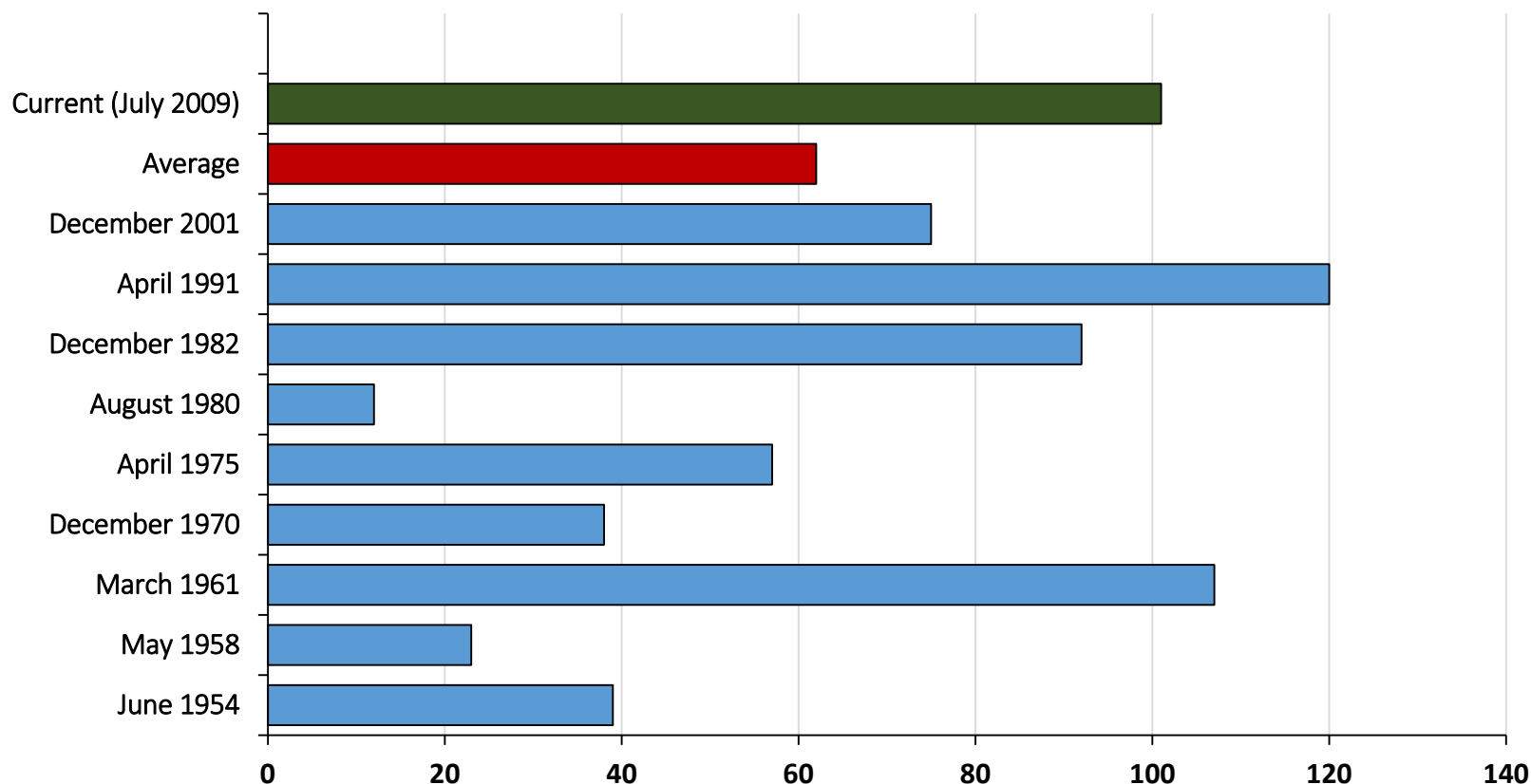
❑ Long-Term Recession Scenario

- ❑ Assumes a moderate recession beginning in 2019 accompanied by a decline in the stock market
- ❑ Assumes sharp decline in state revenues by \$80 billion between 2019-20 and 2021-22, largely driven by anticipated reductions in personal and corporate taxes
- ❑ Budget deficits offset by state reserves through 2020-21



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

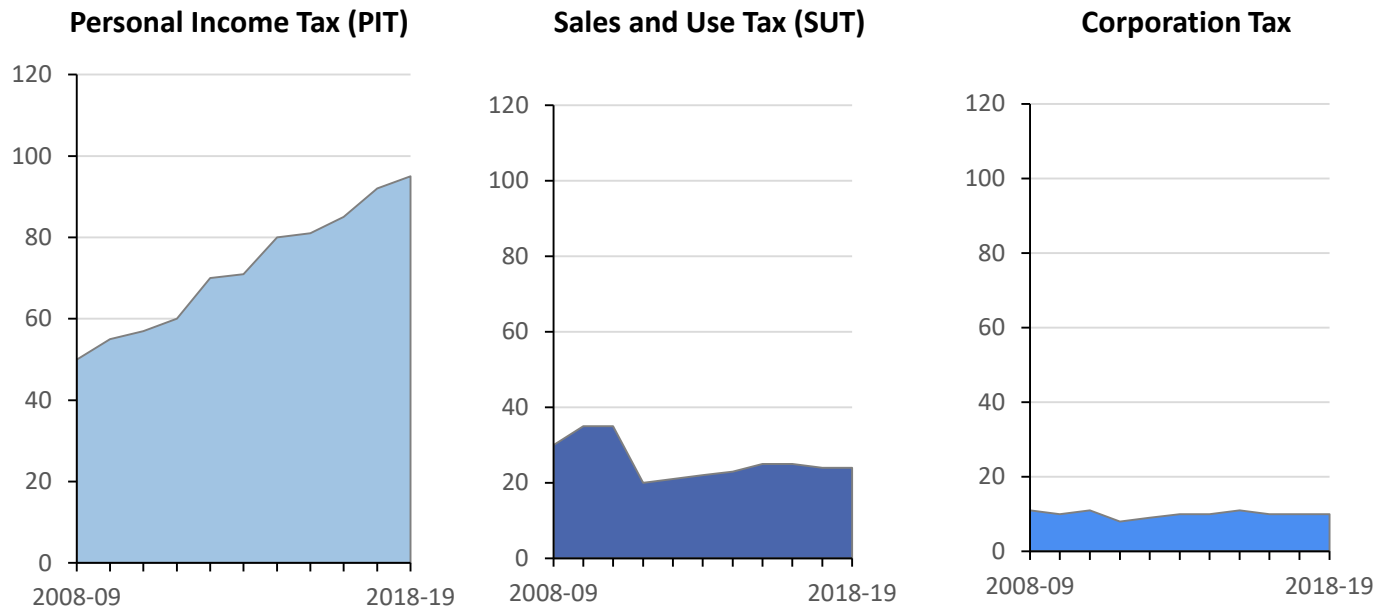
Caution: Economic Growth Scenario would represent longest expansion in U.S. History



Source: LAO November 2017 Fiscal Outlook

Recent General Fund Revenue Growth Driven by Personal Income Taxes

Big Three Revenues Under Main Scenario (In Billions)



LAO Estimates 2017-18 and 2018-19

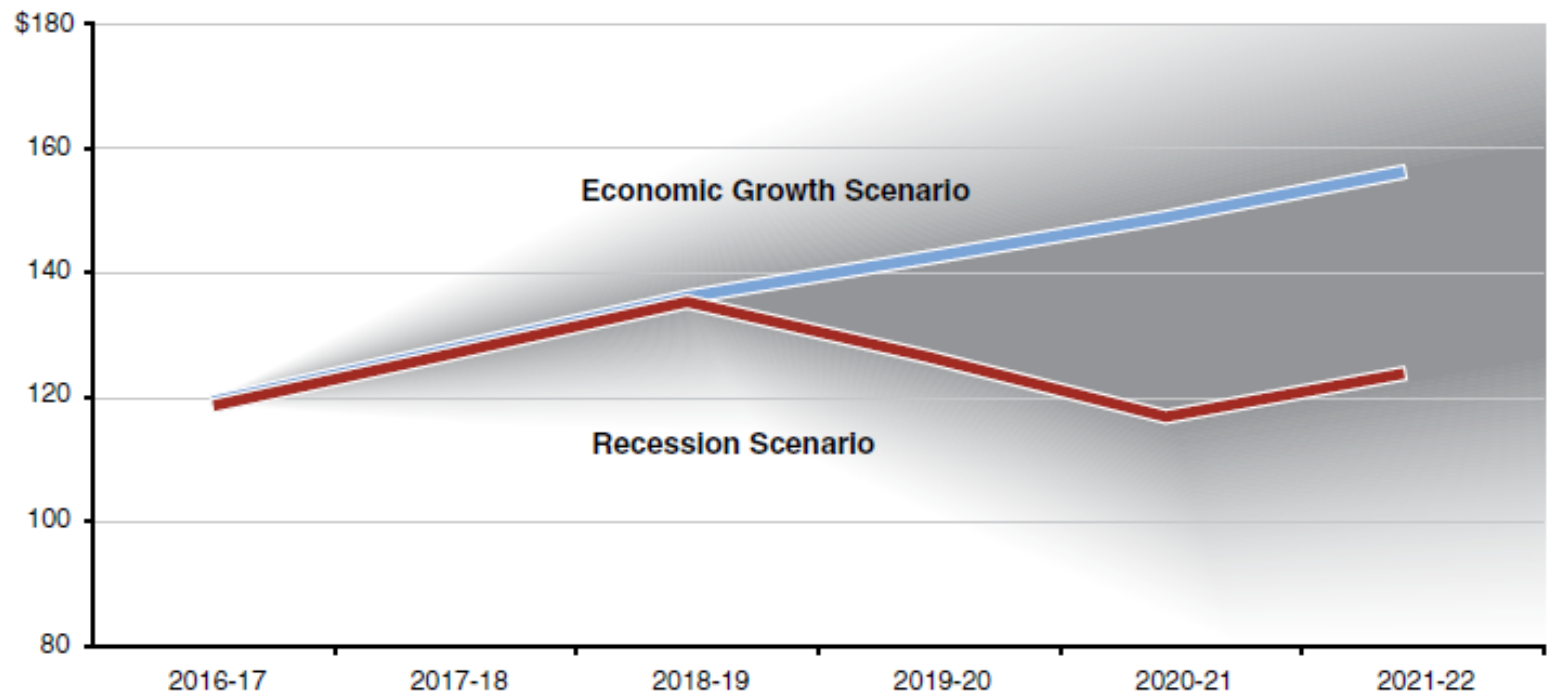
Source: LAO November 2016 Fiscal Outlook

Long-Term Revenue Outlook

Figure 9

More Uncertainty in Each Subsequent Year of the Outlook

General Fund Revenues (In Billions)



LAOA

Source: LAO November 2017 Fiscal Outlook

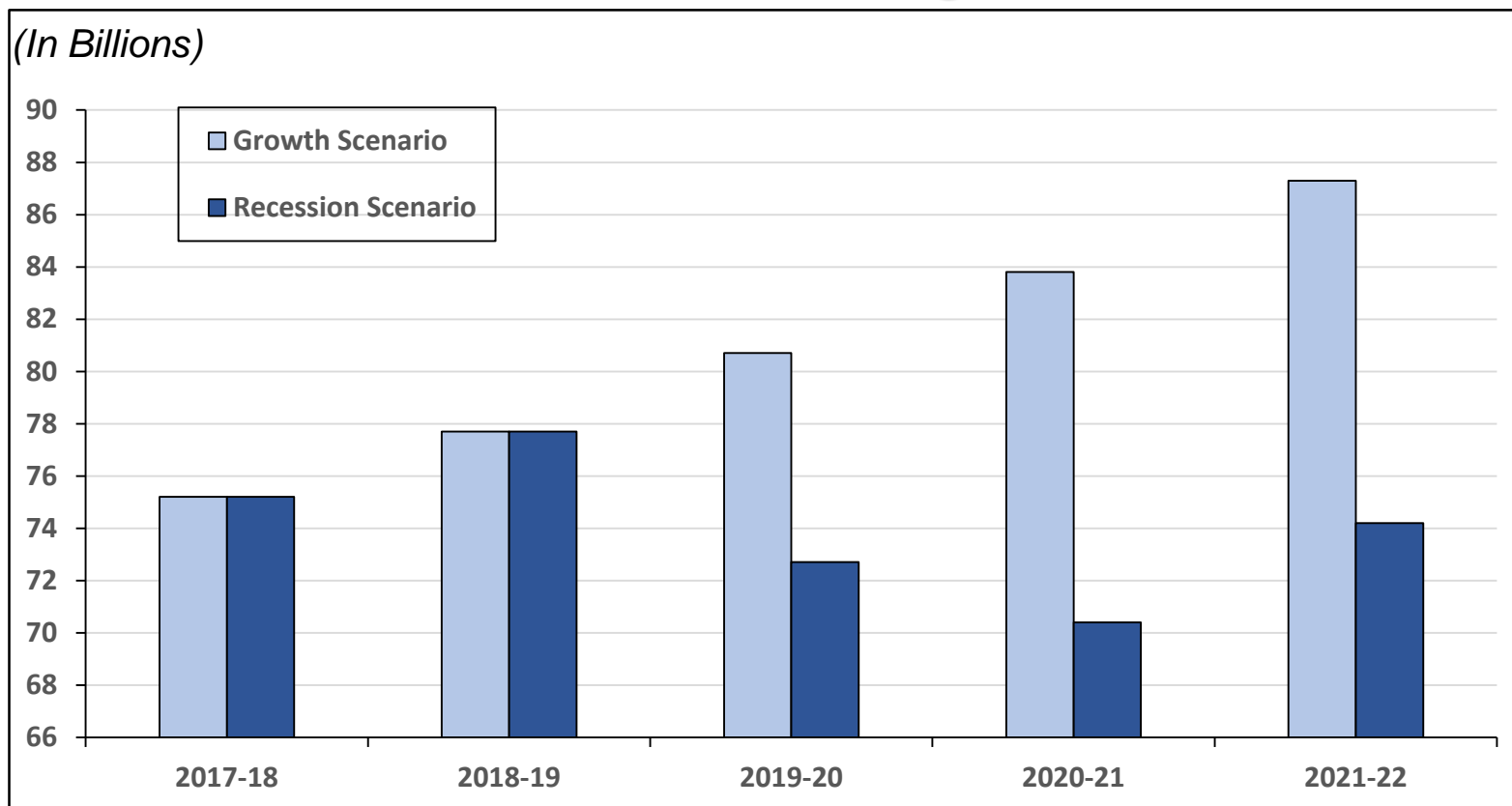
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November 2017 Fiscal Outlook - Proposition 98

- ❑ **Long-Term Economic Growth Scenario - Education Funding**
 - ❑ Under LAO's Economic Growth Scenario, state revenues will continue to grow through 2021-22 resulting in steady increases in Proposition 98 funding
 - ❑ Annual growth estimated at approximately 3.8%; sufficient to fund modest Cost of Living Adjustments (COLA) leaving additional funding to expand existing programs or one-time initiatives
- ❑ **Long-Term Recession Scenario - Education**
 - ❑ Assumes moderate economic downturn with sharp declines in state revenues in 2019-20 and 2021-22.
 - ❑ Proposition 98 estimated to decline in 2019-20 by \$5 billion and \$2.4 billion in 2020-21
 - ❑ Likely result in cuts to ongoing programs or revert to payment deferrals



Comparing Proposition 98 Minimum Guarantee Under Two Long-Term Scenarios



Source: LAO November 2017 Fiscal Outlook

IUSD Estimated LCFF Funding

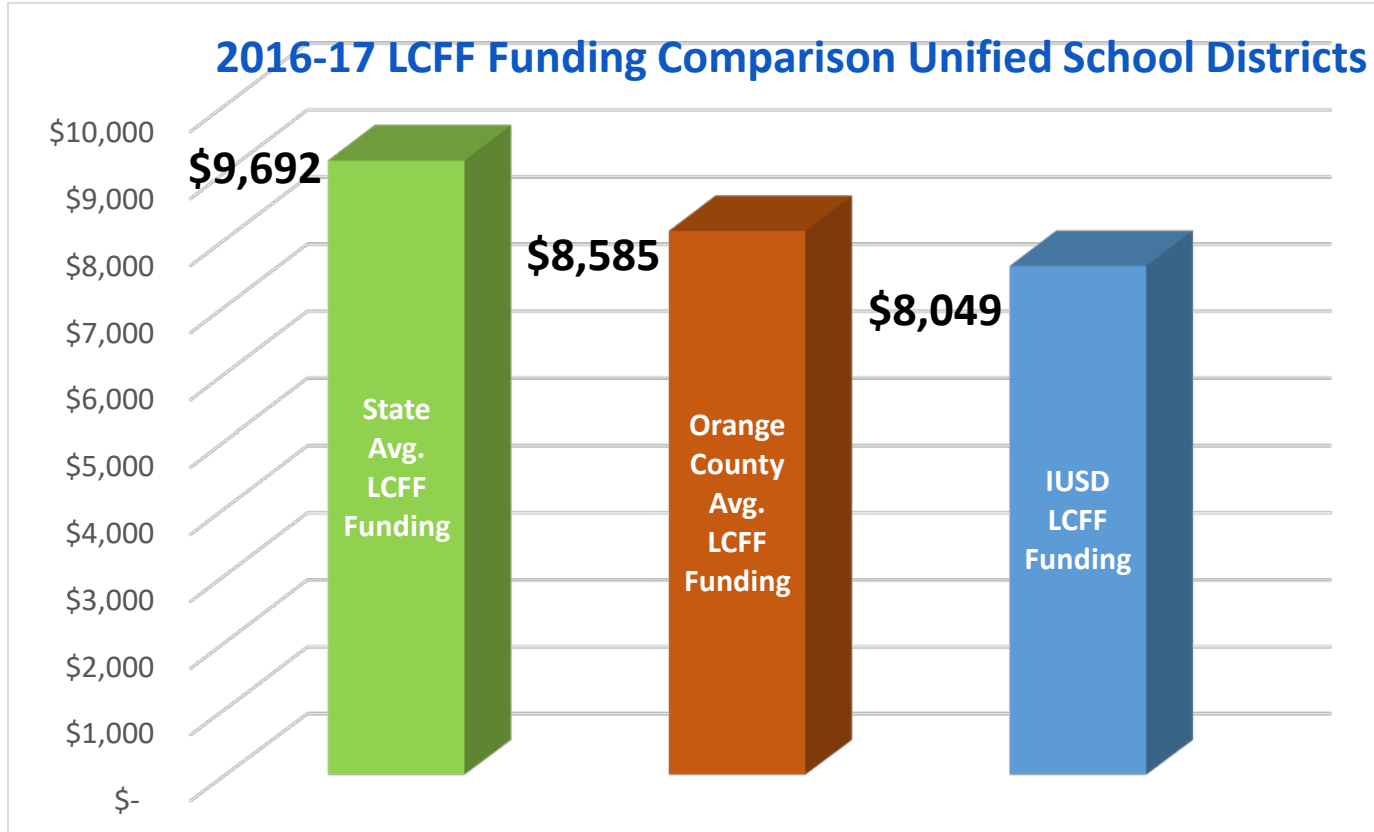
IUSD LCFF	2017-18 Projection	2018-19 Projection	2019-20 Projection
LCFF Target (Actual Target to be Reached in 2020-21)	\$285,865,862	\$300,194,796	\$318,232,257
LCFF Floor (2013-14 Actual Funding Adjusted for ADA Growth & Any LCFF Funding rec'd)	\$268,939,816	\$283,422,723	\$300,241,306
LCFF Gap = (Difference Between Target & Floor)	\$16,926,046	\$16,772,073	\$17,990,951
Gap Funding Rate = (% of Gap to be Funded, set by Governor)	43.19%	39.12%	41.60%
Gap Funding Amount = (Anticipated Additional Funds)	\$7,310,359	\$6,561,235	\$7,484,236
Total LCFF Funding =	\$276,250,176	\$289,983,958	\$307,725,542

2018-19 & 2019-20 LCFF Gap Funding Rate based on School Services of California Projections



LCFF Long-Term Potential Impact to IUSD

- The LCFF is weighted to favor districts with high populations of disadvantaged students, as such, IUSD receives substantially lower per pupil funding annually.



Note: IUSD funded \$1,643/ADA below statewide average for Unified School Districts statewide. Impact \$53.4 million.....

2017-18 First Interim Assumptions

	2017-18 Projected	2018-19 Projected	2019-20 Projected
ADA Growth	989	911	1273
LCFF Funding per student	\$8,256	\$8,436	\$8,633
Property Tax Increases	5%	5%	5%
Salary Increases (On-going)	0%	0%	0%
Salary Increases (One-time)*	0%	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%



2017-18 Budget & Multiyear Projections

Unrestricted General Fund

Unrestricted	2017-18 Projected	2018-19 Projected	2019-20 Projected
Total Revenues	\$296,988,024	\$306,113,975	\$324,256,884
Total Expenditures	(\$255,020,059)	(\$252,778,258)	(\$265,491,278)
EXCESS (DEFICIENCY)	\$41,967,965	\$53,335,717	\$58,765,606
Other Sources/(Uses)	(\$54,788,644)	(\$53,243,638)	(\$54,967,960)
Net Increase/(Decrease)	(\$12,820,679)	\$92,079	\$3,797,646
Beginning Balance, July 1	\$44,098,241	\$31,277,562	\$31,369,641
Ending Balance, June 30	<u>\$31,277,562</u>	<u>\$31,369,641</u>	<u>\$35,167,287</u>



2017-18 Budget & Multiyear Projections

Components of Ending Fund Balance

Description	2017-18 Projected	2018-19 Projected	2019-20 Projected
Ending Fund Balance	<u>\$31,277,562</u>	<u>\$31,369,641</u>	<u>\$35,167,287</u>
Revolving Cash	\$150,000	\$150,000	\$150,000
Stores	\$400,000	\$400,000	\$400,000
State Minimum DEU	\$7,595,000	\$7,255,359	\$7,525,598
Contingency Reserve	\$5,000,000	\$5,000,000	\$5,000,000
Def. 17-18 LCAP Allocation	\$3,360,560		
Other Assigned *	\$14,772,002	\$18,564,282	\$22,091,689

* Balance will be reduced by 2018-19 approved LCAP allocations

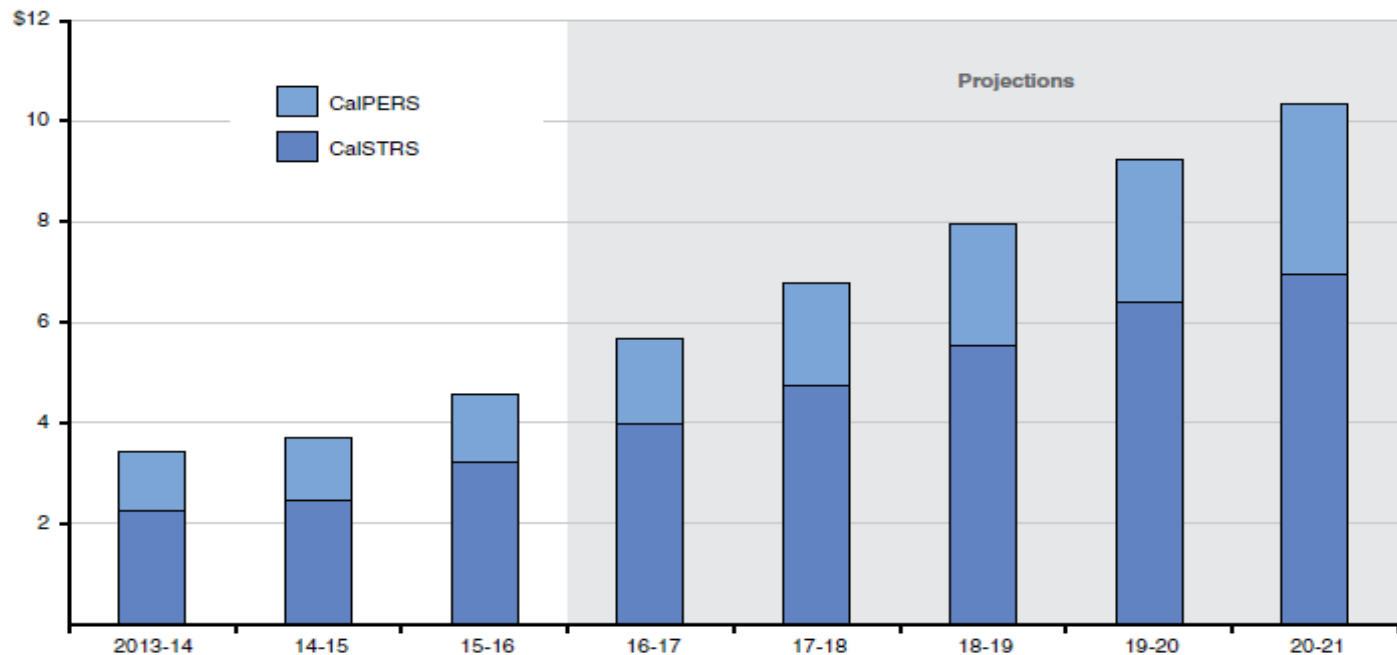


Future Budget Impacts

- ❑ CalSTRS rate will increase to 19.1% in 2020-21 from 8.25% in 2013-14 (without legislative changes)
- ❑ CalPERS rate is estimated to increase to 23.8% in 2020-21 from 11.442% in 2013-14
- ❑ Annual Impact to IUSD - approximately \$4 million currently - grow to over \$5 million
- ❑ Cumulative statewide impact exceeds \$10 billion by 2020-21.

Figure 8

School and Community College Pension Costs Rising Over the Period *Annual Employer Contributions (In Billions)*



CalSTRS = California State Teachers' Retirement System and CalPERS = California Public Employees' Retirement System.

LAOA

Source: LAO November 2017 Fiscal Outlook

2017-18 First Interim Report Certification

- ❑ **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
- ❑ Staff recommends a **Positive Certification** of the First Interim Report



Questions?

