

Second Interim Report



Irvine Unified School District

PRESENTED BY JOHN FOGARTY

MARCH 17, 2015





Second Interim Budget Report

- ▶ The Second Interim Report represents the District's second official revision to the Final Adopted Budget and includes actual financial data through January 31, 2015, 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 and two subsequent fiscal years.
- ▶ The release of the Governor's Annual State Budget in January provides the basis for the initial budget development for the upcoming year and is used to update the Multiyear Projections.
- ▶ Budget assumptions are developed with guidance from: the Orange County Department of Education; California Department of Education; School Services of California; California Association of School Business Officials; and a number of other sources.



Governor's 2015-16 State Budget Proposal Highlights

- ▶ Another Strong Budget Proposed for K-12!
- ▶ Positive economic growth provides additional funding for Proposition 98
- ▶ Governor's priorities remain focused on fully funding the Local Control Funding Formula (LCFF)
 - ▶ \$4 billion allocated to further eliminate LCFF Gap
 - ▶ For IUSD - \$18.2 million
- ▶ \$1.1 billion in one-time discretionary funds to offset prior years unpaid mandates
 - ▶ \$171/ADA, for IUSD - \$5.1 million
 - ▶ Governor suggests use for implementation of Common Core as needed
- ▶ \$1 billion is allocated to eliminate remaining K-14 deferrals



Ongoing Challenges

- ▶ Proposition 30 temporary tax increases
 - ▶ Generate approximately \$7 billion annually with approximately 45% or \$3.1 billion going to Proposition 98
- ▶ STRS & PERS employer contribution increases
 - ▶ CalSTRS – From 8.25% in 2013-14 to 19.1% in 2021
 - ▶ CalPERS – From 11.442% in 2013-14 to 20.4% in 2021
- ▶ Public Perception – Disparity in district funding statewide will increase dramatically
- ▶ Facilities – Governor remains opposed to a State facility bond leaving entire burden at the local level
- ▶ Volatility in Economy



2013-14 LCFF Disparity in Orange County

| Local Educational Agency | LCFF Funding Per ADA |
|-------------------------------|----------------------|
| Santa Ana Unified | \$ 6,871 |
| Garden Grove Unified | \$ 6,792 |
| Saddleback Valley Unified | \$ 6,508 |
| Orange Unified | \$ 6,464 |
| Placentia-Yorba Linda Unified | \$ 6,455 |
| Brea-Olinda Unified | \$ 6,407 |
| Los Alamitos Unified | \$ 6,314 |
| Capistrano Unified | \$ 6,274 |
| Tustin Unified | \$ 6,266 |
| Irvine Unified | \$ 6,201 |
| Laguna Beach Unified | N/A |
| Newport-Mesa Unified | N/A |



2013-14 LCFF Disparity in Orange County

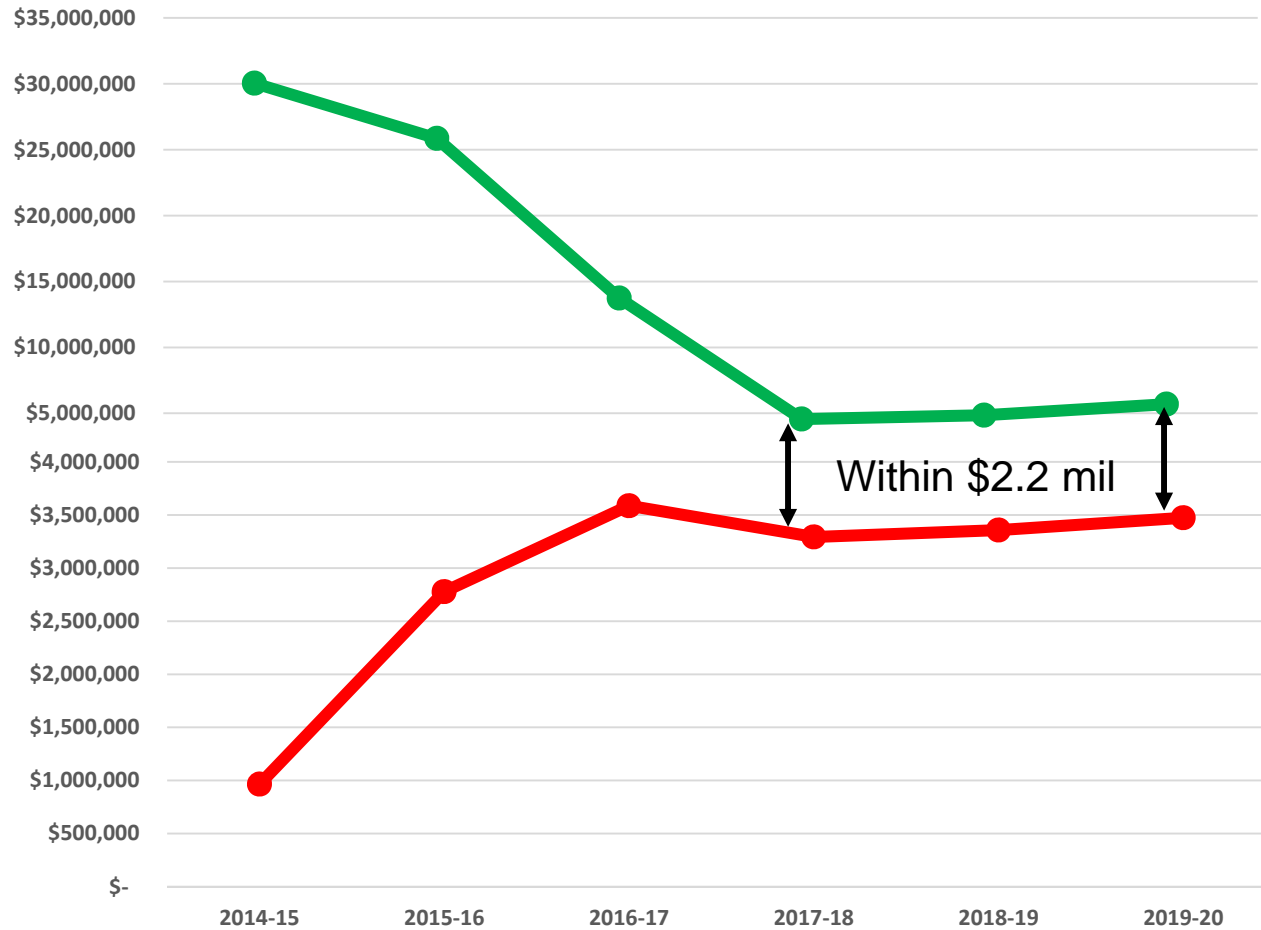
| Local Educational Agency | LCFF Funding Per ADA |
|----------------------------------|----------------------|
| Anaheim Elementary | \$ 6,595 |
| Magnolia Elementary | \$ 6,571 |
| Westminster | \$ 6,541 |
| Savanna Elementary | \$ 6,464 |
| La Habra City Elementary | \$ 6,437 |
| Buena Park Elementary | \$ 6,431 |
| Centralia Elementary | \$ 6,270 |
| Fullerton Elementary | \$ 6,233 |
| Ocean View Elementary | \$ 6,231 |
| Cypress Elementary | \$ 6,107 |
| Huntington Beach City Elementary | \$ 6,051 |
| Fountain Valley Elementary | \$ 5,933 |

| Local Educational Agency | LCFF Funding Per ADA |
|-----------------------------|----------------------|
| Fullerton Joint Union High | \$ 7,588 |
| Anaheim Union High | \$ 7,569 |
| Huntington Beach Union High | \$ 7,448 |



Impact of STRS and PERS Increases

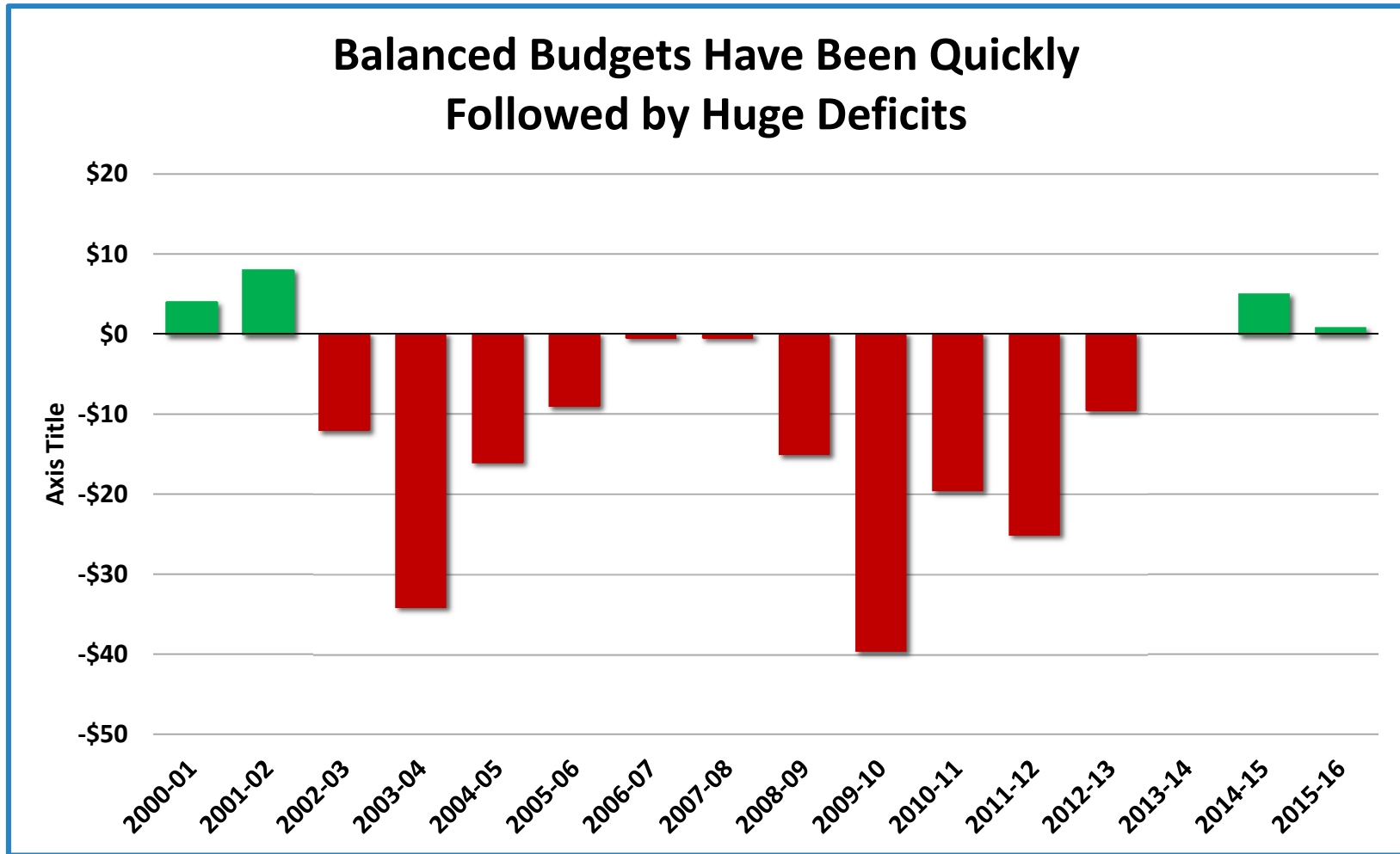
Relationship Between STRS & PERS Employer Contributions and LCFF



- STRS & PERS Employer Contributions - LCFF Year Over Year Increase



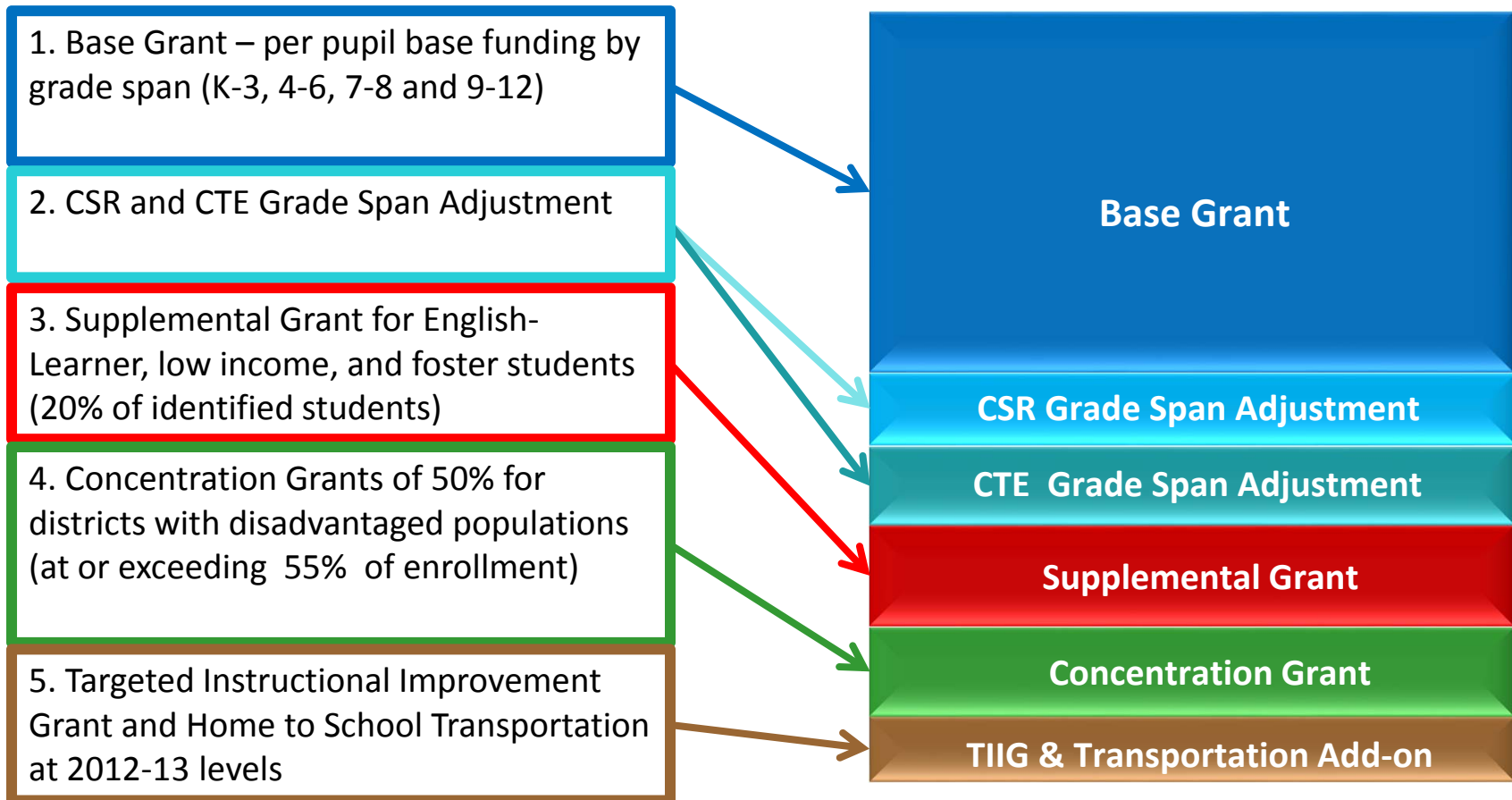
State Budget Historical Snapshot



2015-16 Governor's Budget



Major Components of Local Control Funding Formula - LCFF





IUSD Projected LCFF Funding

| IUSD LCFF | 2014-15 Projection | 2015-16 Projection | 2016-17 Projection |
|--|-----------------------|-----------------------|-----------------------|
| LCFF Target (Actual target to be reached in 2020-21) | \$255,313,077 | \$267,375,485 | \$285,235,006 |
| LCFF Floor (2013-14 Actual Funding adjusted for ADA growth & any LCFF funding rec'd) | \$183,915,199 | \$210,925,821 | \$238,683,499 |
| LCFF Gap = (Difference between target & floor) | \$71,397,878 | \$56,449,664 | \$46,551,507 |
| Gap Funding Rate = (% of gap to be funded, set by governor) | 29.273% | 32.19% | 11.00% |
| Gap Funding Amount = (Anticipated additional funds) | \$20,900,301 | \$18,171,147 | \$5,120,666 |
| Total LCFF Funding* = | \$205,341,852 | \$229,096,968 | \$243,804,165 |

*Includes excess taxes in 2014-15

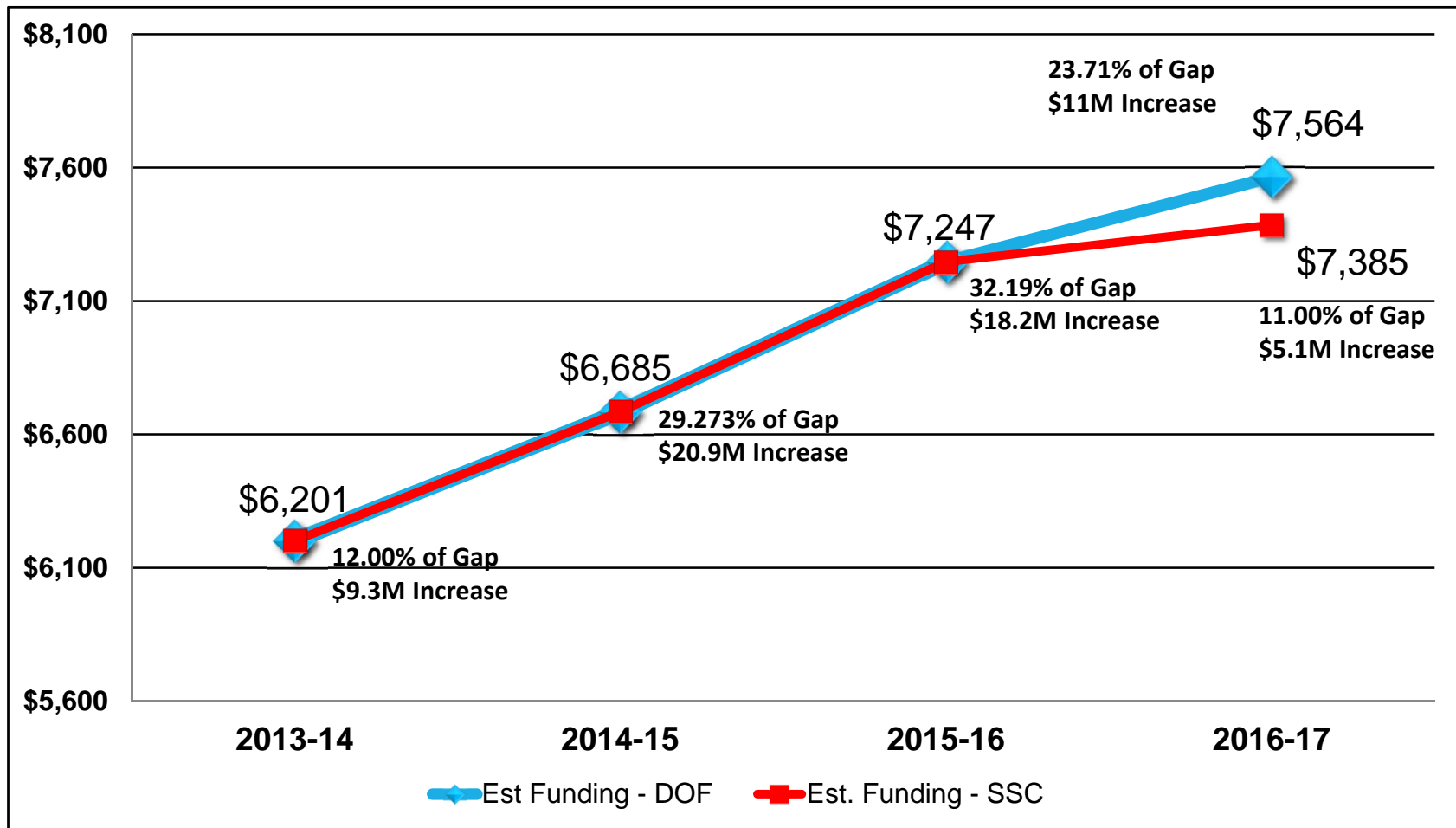


Second Interim Revenue Assumptions

| Description | 2014-15 | 2015-16 | 2016-17 |
|--------------------------|-------------|-------------|-------------|
| ADA Growth | 1156 | 910 | 1402 |
| LCFF Funding per student | \$6,685 | \$7,247 | \$7,385 |
| LCFF Gap Funding | 29.273% | 32.19% | 11.00% |
| Property Tax Growth | 5% | 5% | 5% |
| Bren Donation | \$2,150,000 | \$2,150,000 | \$0 |
| IRWD Easement | | | |
| | \$0 | \$0 | \$0 |
| RIMD Revenues | \$4,470,700 | \$4,560,114 | \$4,651,316 |
| Redevelopment Revenues | \$533,420 | \$533,420 | \$533,420 |



Estimated LCFF Funding per ADA





Second Interim Expenditure Assumptions

| Description | 2014-15 | 2015-16 | 2016-17 |
|--------------------------------|--------------|--------------|--------------|
| Step and Column Increases | 2% | 2% | 2% |
| Salary Increases (On-going) | 4.8% | 0% | 0% |
| Salary Increases (One-time)* | 1.5% | 0% | 0% |
| Average New Teacher Cost | \$75,274 | \$76,576 | \$77,906 |
| STRS Rate | 8.88% | 10.73% | 12.58% |
| PERS Rate | 11.771% | 12.6% | 15.0% |
| Health Insurance Contribution | \$10,143 | \$10,143 | \$10,143 |
| Utility Increases | 5% | 5% | 5% |
| Special Education Underfunding | \$28,039,554 | \$28,473,099 | \$28,845,130 |
| Deferred Maintenance Transfer | \$3,500,000 | \$0 | \$0 |

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



2014-15 Second Interim Financial Comparison General Fund Unrestricted Balance

| Description | 2014-15 1 st Interim | 2014-15 2 nd Interim | Variance |
|--------------------------------|------------------------------------|------------------------------------|--------------------|
| Total Revenues | \$217,169,094 | \$217,412,156 | \$243,062 |
| Total Expenditures | \$201,647,402 | \$197,528,572 | \$4,118,830 |
| EXCESS (DEFICIENCY) | \$15,521,692 | \$19,883,584 | \$4,361,892 |
| Total Other Sources/Uses | (\$37,863,117) | (\$37,180,987) | \$682,130 |
| NET INCREASE (DECREASE) | (\$22,341,425) | (\$17,297,403) | \$5,044,022 |
| Beginning Balance, July 1 | \$45,702,340 | \$45,702,340 | ----- |
| Ending Balance, June 30 | <u>\$23,360,915</u> | <u>\$28,404,937</u> | <u>\$5,044,022</u> |



2014-15 Second Interim Financial Comparison

Components of Unrestricted Ending Fund Balance

| Description | 2014-15 1 st Interim | 2014-15 2 nd Interim | Variance |
|------------------------|------------------------------------|------------------------------------|--------------------|
| Ending Fund Balance | <u>\$23,360,915</u> | <u>\$28,404,937</u> | <u>\$5,044,022</u> |
| Revolving Cash | \$150,000 | \$150,000 | \$0 |
| Stores | \$375,000 | \$375,000 | \$0 |
| Economic Uncertainties | \$5,812,000 | \$5,751,000 | (\$61,000) |
| Contingency Reserve | \$5,000,000 | \$5,000,000 | \$0 |
| Deferred Allocations | \$2,234,000 | \$4,234,754 | \$2,000,754 |
| Board Assigned | \$9,789,915 | \$12,894,183 | \$3,104,268 |



Unrestricted General Fund Financial Outlook

| Description | 2014-15 2 nd Interim | 2015-16 Projected | 2016-17 Projected |
|--------------------------------|------------------------------------|----------------------|----------------------|
| Total Revenues | \$217,412,156 | \$248,030,307 | \$257,596,901 |
| Total Expenditures | \$197,528,572 | \$201,498,526 | \$213,752,698 |
| EXCESS (DEFICIENCY) | \$19,883,584 | \$46,531,781 | \$43,844,203 |
| Total Other Sources/Uses | (\$37,180,987) | (\$40,452,788) | (\$38,666,192) |
| NET INCREASE (DECREASE) | (\$17,297,403) | \$6,078,993 | \$5,178,011 |
| Beginning Balance, July 1 | \$45,702,340 | \$28,404,937 | \$34,483,930 |
| Ending Balance, June 30 | <u>\$28,404,937</u> | <u>\$34,483,930</u> | <u>\$39,661,941</u> |



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.

Positive certification is recommended



Questions

