



Irvine Unified School District First Interim Report

Presented by John Fogarty
December 11, 2018

Financial Reporting Cycle

- ✓ State Budget Adoption July
- ✓ 2017-18 Unaudited Actuals September
- ✓ First Interim Report December
- Governor's 2019-20 Budget Proposal January
- Second Interim Report March
- 2019-20 Budget LCAP Study Session April
- IUSD 2019-20 Budget Adoption. June



First Interim Report

Interim Report Purpose:

- ❑ The First Interim Report represents the District's first official revision to the District's 2018-19 Adopted Budget
- ❑ The First Interim Report includes actual financial information through October 31, 2018 with revised projections for the remainder of the fiscal year
- ❑ School Districts 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 2018 Fiscal Outlook

- ❑ LAO nonpartisan fiscal advisor to the Legislature
- ❑ Based on consensus economic forecasts from major U.S. institutions and professional economists
- ❑ Annual Fiscal Five Year Outlook provides assessment of economy and considers current year and four subsequent years
 - ❑ Outlook covers 2018-19 through 2022-23
 - ❑ Provided to assist in development of 2019-20 State Budget
- ❑ 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



Legislative Analysts Office

November 2018 Fiscal Outlook

□ Near-Term Outlook

- Covers 2018-19 through 2019-20
- While assuming slower job growth wages are expected to experience significant increases due to record unemployment
- Stock market growth will slow citing substantial growth from 2014-2017
- Weakening housing sales expected reflecting increase in supply, tighter mortgage lending, and higher interest rates
- General Fund revenues will continue to increase driven by tight labor market and increases in personal income taxes (PIT) and Capital Gains
- Projecting an increase of approximately \$2.8 billion for K-14 Education in 2019-20 – approximately 3.1%



Legislative Analysts Office

November 2018 Fiscal Outlook

- ❑ Long-Term Economic Growth Scenario
 - ❑ Continued economic expansion of state revenues of approximately 3.8% on average through 2022-23
 - ❑ Moderate but steady growth in personal income
 - ❑ Flattening of stock market gains projected through 2022-23
 - ❑ Expansion primarily driven by growth in corporate taxes and profits
 - ❑ Budget surpluses and sufficient budget reserves
 - ❑ Assumptions based on current policies.....

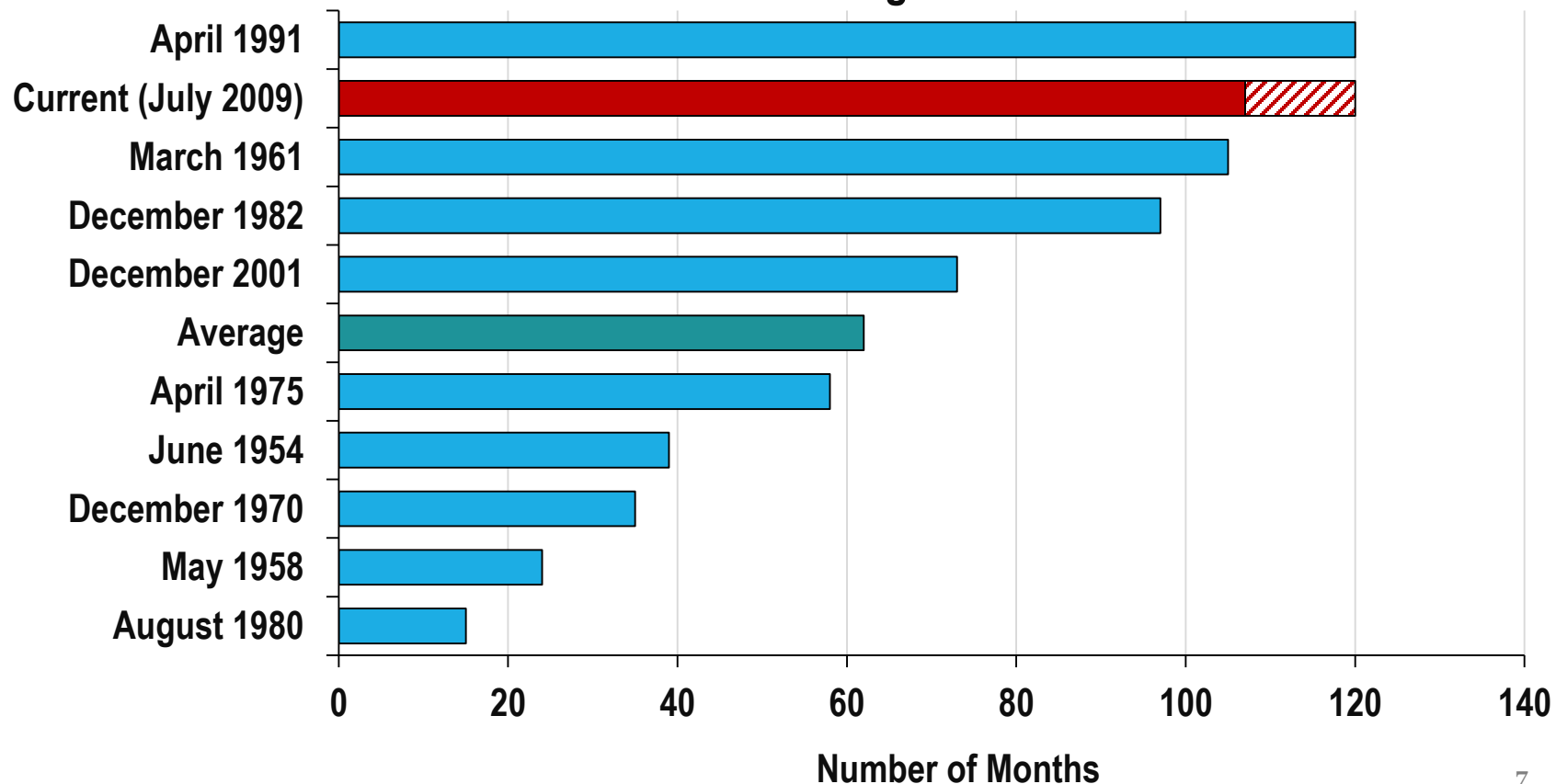
- ❑ Long-Term Recession Scenario
 - ❑ Assumes a moderate recession beginning in 2020 accompanied by a decline in the stock market
 - ❑ Assumes decline in state revenues by \$47 billion between 2020-21 and 2022-23, largely driven by anticipated reductions in personal and corporate taxes
 - ❑ Budget deficits offset by state reserves through 2022-23
 - ❑ However, Proposition 98 funded at minimum formula levels



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

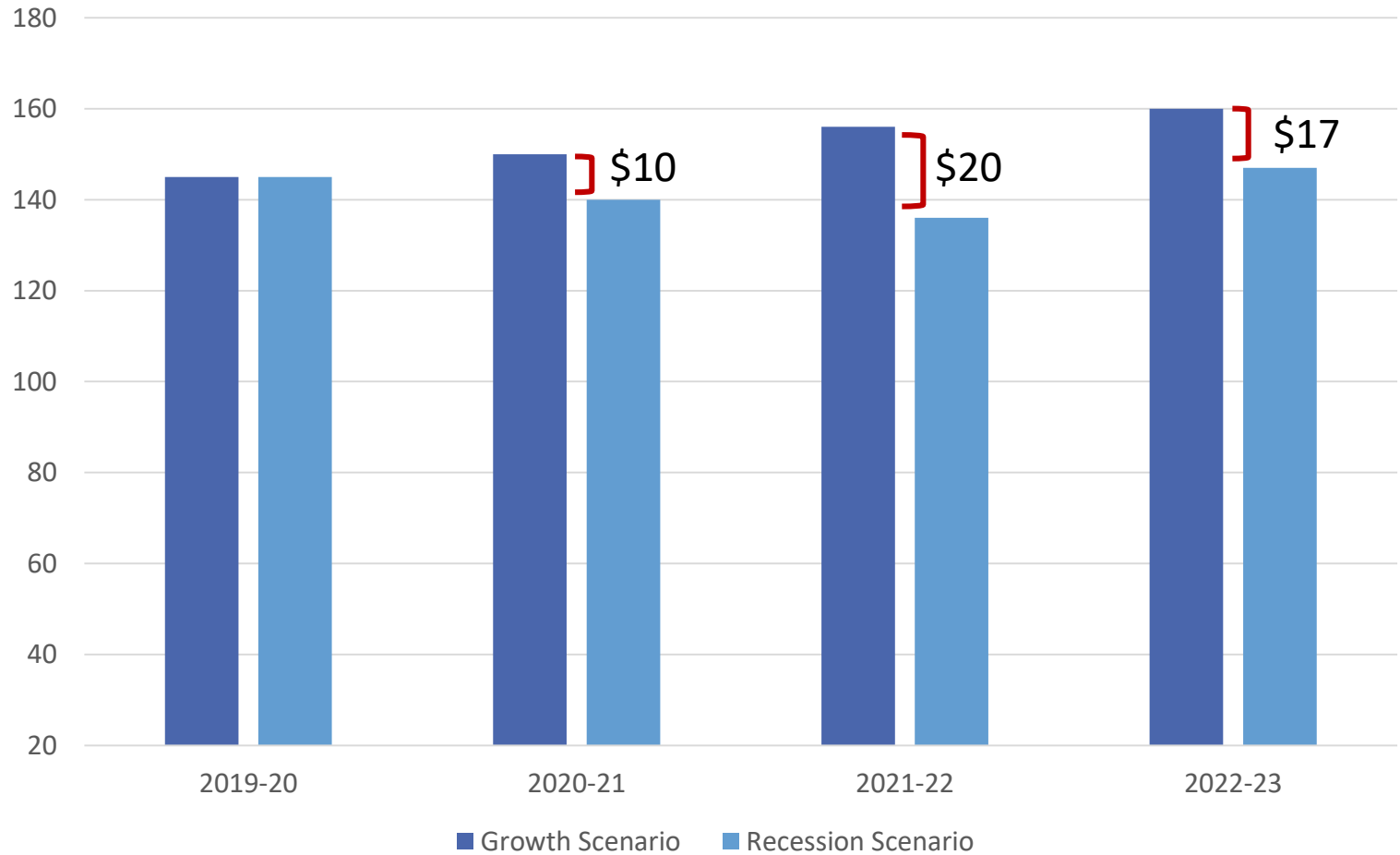
Caution: Economic Growth Scenario would represent longest expansion in U.S. History

**Current Recovery Is Approaching
The Longest Ever**



Long-Term Revenue Outlook

Total General Fund Revenues and Transfers (In Billions)



Source: LAO November 2018 Fiscal Outlook



Legislative Analysts Office

November 2018 Fiscal Outlook – Proposition 98

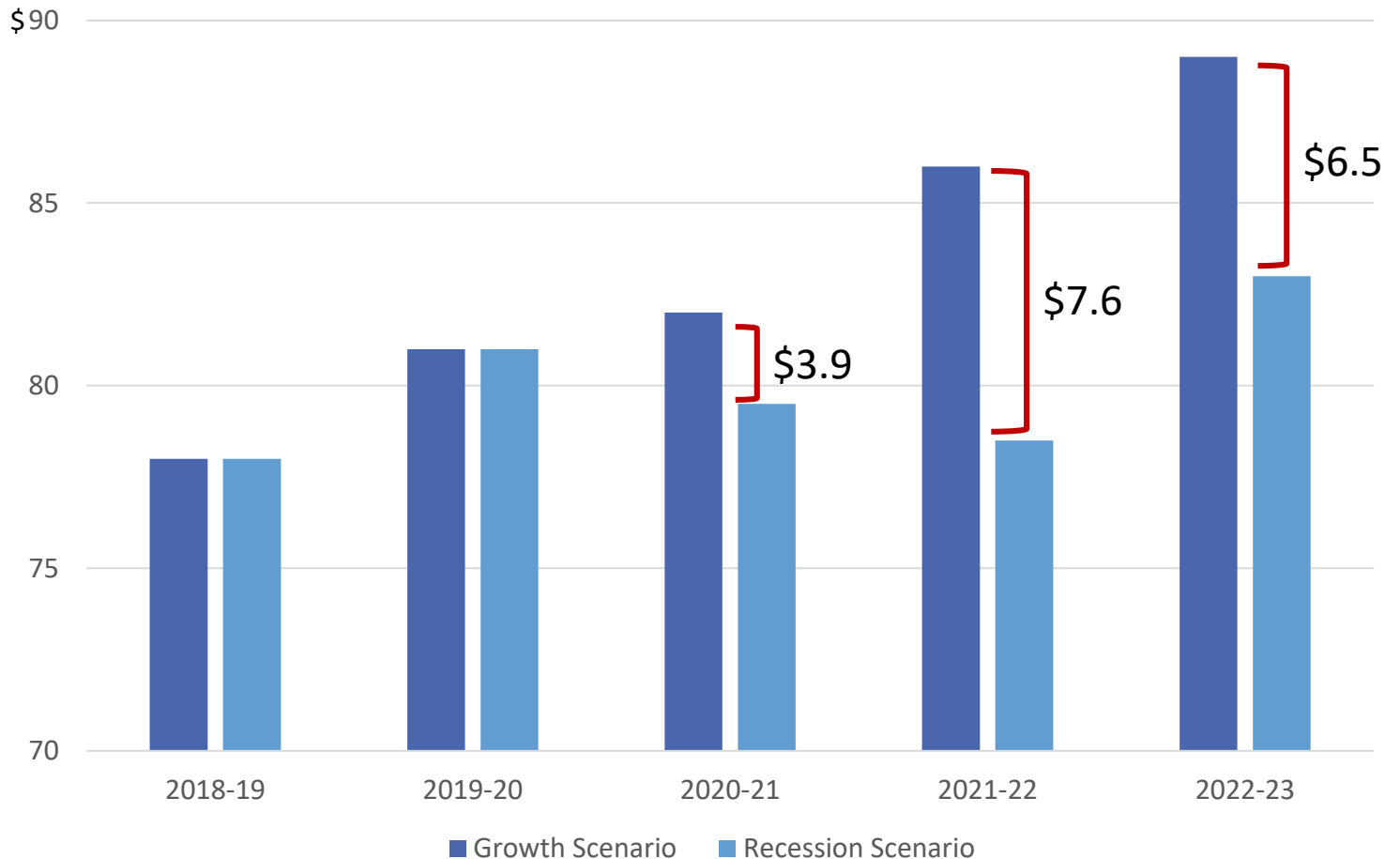
- ❑ **Long-Term Economic Growth Scenario – Education Funding**
 - ❑ Under LAO's Economic Growth Scenario, state revenues will continue to grow through 2022-23 resulting in steady increases in Proposition 98 funding
 - ❑ Annual growth estimated at approximately 3.4%; sufficient to fund modest Cost of Living Adjustments (COLA) leaving minimal additional funding to expand existing programs or one-time initiatives

- ❑ **Long-Term Recession Scenario – Education**
 - ❑ Assumes moderate economic downturn with declines in state revenues in 2020-21 and 2021-22.
 - ❑ Proposition 98 estimated to decline by \$4.4 billion through 2021-22
 - ❑ Proposition 98 to be funded at minimum formula levels
 - ❑ Likely result in cuts to ongoing programs or revert to payment deferrals



Comparing Proposition 98 Minimum Guarantee Under Two Long-Term Scenarios

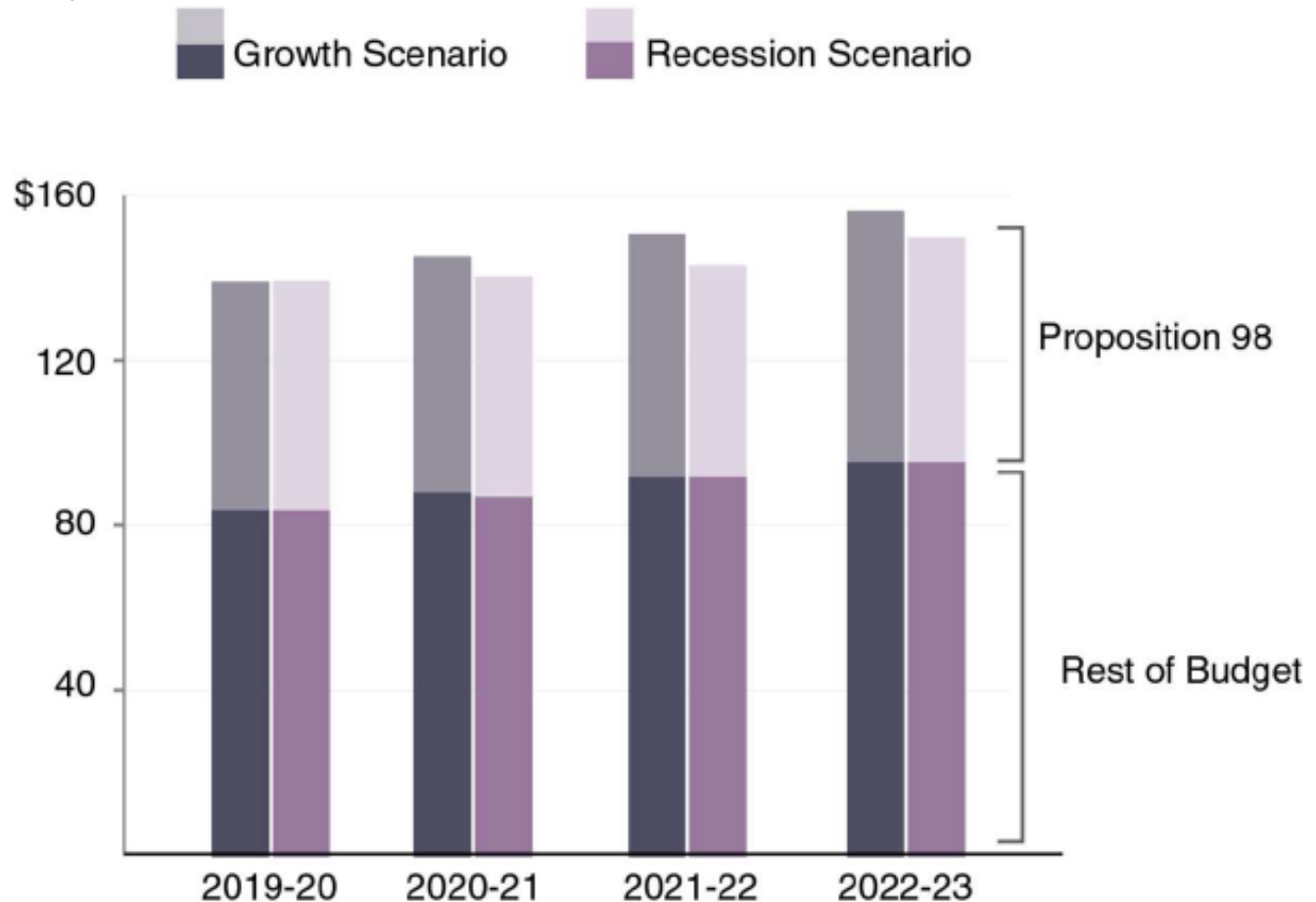
LAO Estimates (In Billions)



Source: LAO November 2018 Fiscal Outlook

Comparing Proposition 98 Minimum Guarantee Under Two Long-Term Scenarios

(In Billions)



Source: LAO November 2018 Fiscal Outlook

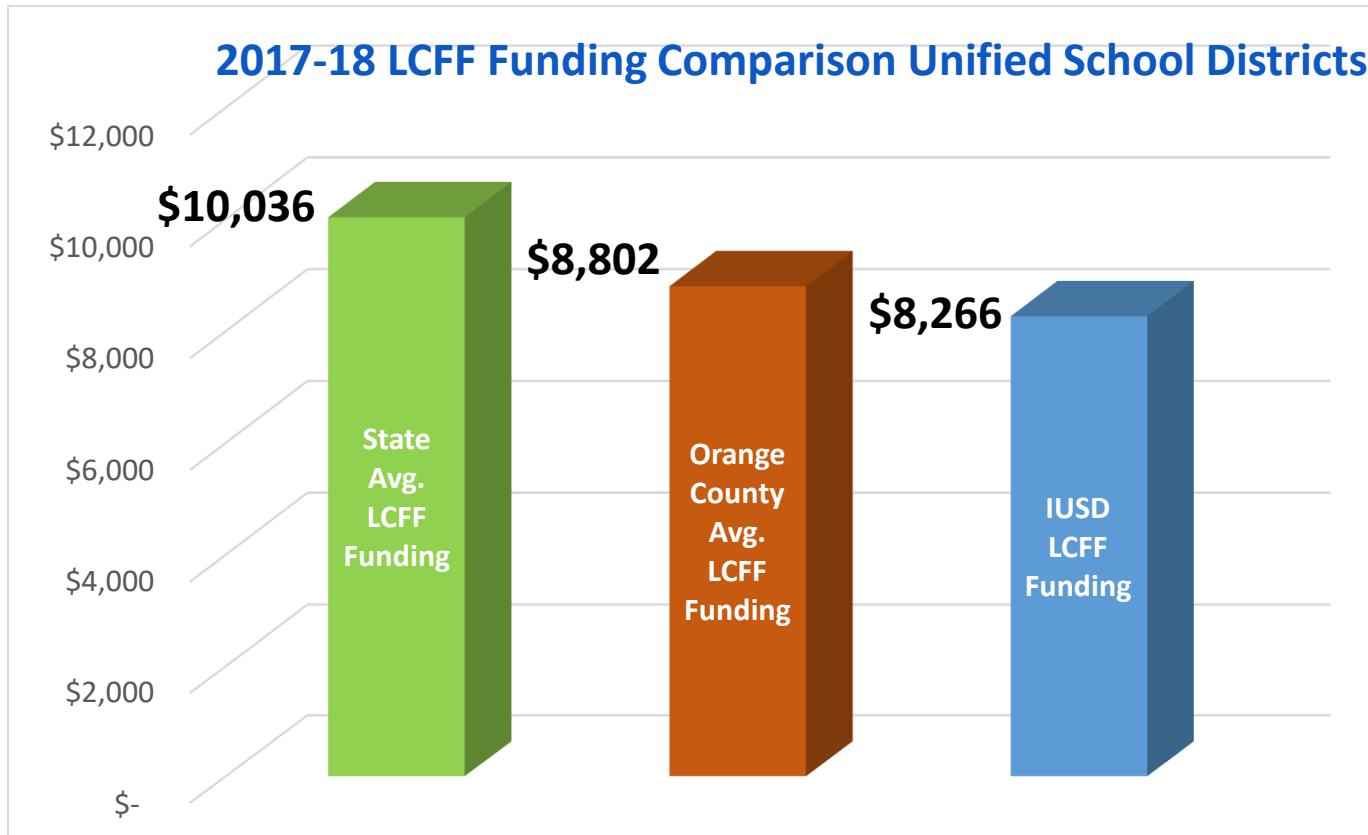
IUSD Estimated LCFF Funding

IUSD LCFF	2018-19 Projection	2019-20 Projection	2020-21 Projection
LCFF Target (Actual Target to be Reached in 2020-21)	\$304,672,646	\$324,920,658	\$344,275,924
LCFF Floor (2013-14 Actual Funding Adjusted for ADA Growth & Any LCFF Funding rec'd)	\$282,528,792	\$315,995,853	\$326,119,420
LCFF Gap = (Difference Between Target & Floor)	\$22,143,854	\$8,924,805	\$18,156,504
Gap Funding Rate = (% of Gap to be Funded, set by Governor)	100%	100%	100%
Gap Funding Amount = (Anticipated Additional Funds)	\$22,143,854	\$8,924,805	\$18,156,504
Total LCFF Funding =	\$304,672,646	\$324,920,658	\$344,275,924



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 \$1,770/ADA below statewide average for Unified School Districts statewide. Impact \$59.6 million.....

2018-19 First Interim Assumptions

	2018-19 Projected	2019-20 Projected	2020-21 Projected
ADA	34,175	35,503	36,690
LCFF Funding per student	\$8,907	\$9,144	\$9,376
Property Tax Increases	5%	5%	5%
Salary Increases (On-going)	N/A	N/A	N/A
Salary Increases (One-time)*	N/A	N/A	N/A
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%



2018-19 Budget & Multiyear Projections

Unrestricted General Fund

Unrestricted	2018-19 Projected	2019-20 Projected	2020-21 Projected
Total Revenues	\$326,875,242	\$341,051,983	\$360,944,827
Total Expenditures	(\$269,361,965)	(\$270,822,511)	(\$279,091,930)
EXCESS (DEFICIENCY)	\$57,513,277	\$70,229,472	\$81,852,897
Other Sources/(Uses)	(\$58,830,050)	(\$54,201,526)	(\$58,081,634)
Net Increase/(Decrease)	(\$1,316,773)	\$16,027,946	\$23,771,263
Beginning Balance, July 1	\$44,009,892	\$42,693,119	\$58,721,065
Ending Balance, June 30	<u>\$42,693,119</u>	<u>\$58,721,065</u>	<u>\$82,492,328</u>



2018-19 Budget & Multiyear Projections

Components of Ending Fund Balance

Description	2018-19 Projected	2019-20 Projected	2020-21 Projected
Estimated Ending Fund Balance	<u>\$42,693,119</u>	<u>\$58,721,065</u>	<u>\$82,492,328</u>
<i>Components of Ending Fund Balance:</i>			
Revolving Cash/Stores	\$550,000	\$550,000	\$550,000
State Required Reserve	\$8,064,000	\$7,766,077	\$8,037,548
Contingency Reserve	\$5,000,000	\$5,000,000	\$5,000,000
<i>Deferred Allocations:</i>			
Textbook Reserve	\$4,730,580		
18-19 Budget Unallocated	\$24,011,945	\$24,011,945	\$24,011,945
Other Assigned/Unassigned	\$336,594	\$21,393,043	\$44,892,835



2018-19 Budget & Multiyear Projections

Unrestricted General Fund

Illustration with Unallocated Amounts

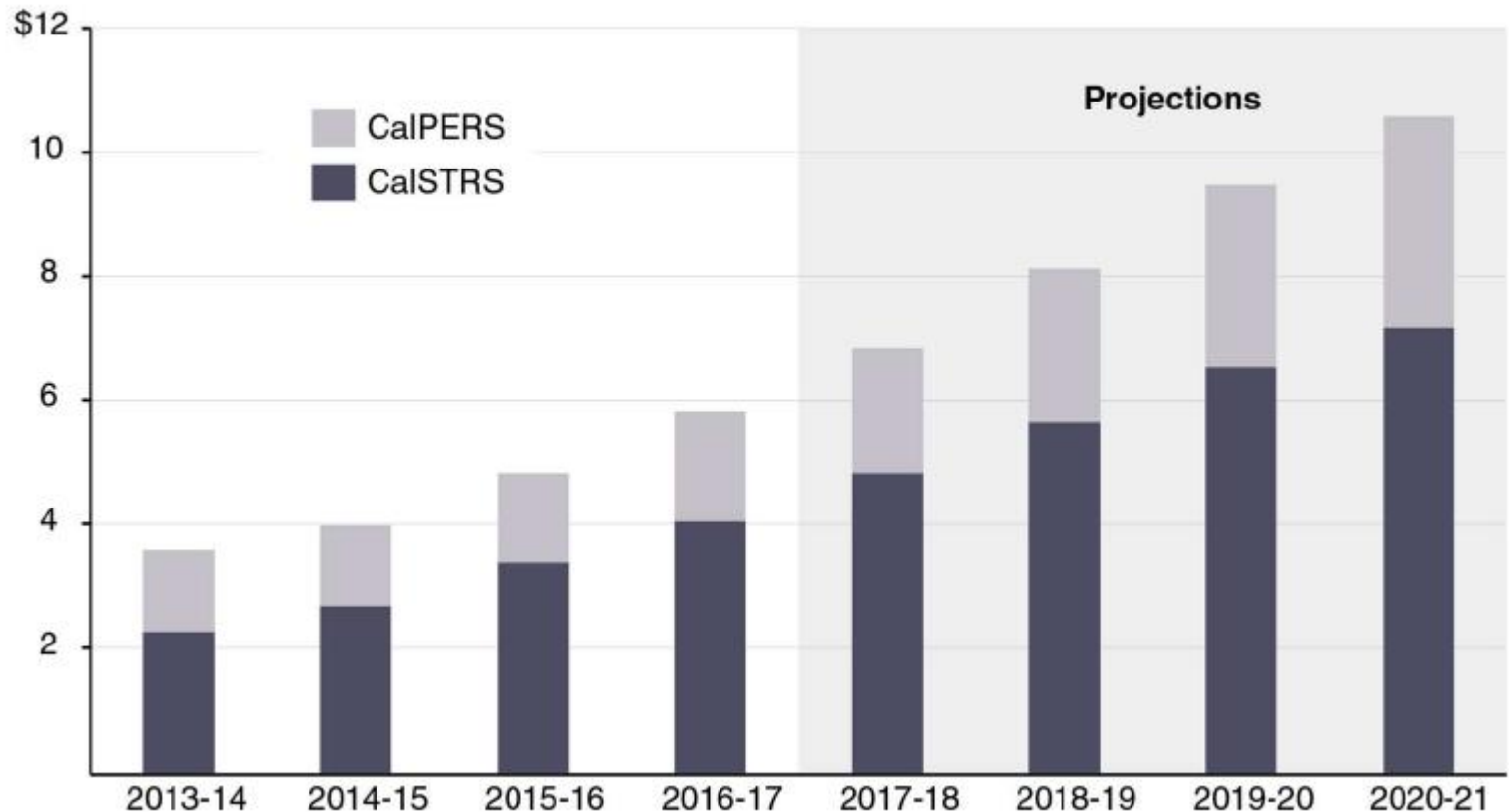
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Total Expenditures	(\$269,361,965)	(\$270,822,511)	(\$279,091,930)
Currently Unallocated Ongoing	\$13,000,000	\$13,000,000	\$13,000,000
Currently Unallocated One-Time	\$11,011,945		
Revised Total Expenditures	(\$293,373,910)	(\$283,822,511)	(\$292,091,930)
EXCESS (DEFFICIENCY)	\$33,501,332	\$57,229,472	\$68,852,897
Total Other Sources/Uses	(\$58,830,050)	(\$54,201,526)	(\$58,081,634)
NET INCREASE (DECREASE)	(\$25,328,718)	\$3,027,946	\$10,771,263
Beginning Balance	\$44,009,892	\$18,681,174	\$21,709,120
Ending Balance	\$18,681,174	\$21,709,120	\$32,480,383



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 23.4% in 2020-21 from 11.442% in 2013-14
- ❑ Annual Impact to IUSD – approximately \$4 million
- ❑ Cumulative statewide impact exceeds \$10 billion by 2020-21

Annual District Contributions (In Billions)



Source: LAO November 2018 Fiscal Outlook

2018-19 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?

