

Second Interim Report



Irvine Unified School District

PRESENTED BY JOHN FOGARTY

MARCH 12, 2019



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, 2019, 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 2019-20 State Budget Proposal Highlights

- ▶ As anticipated, with full funding of the LCFF in 2018-19, LCFF funding in Governor's initial proposal includes funding of the projected statutory Cost-of-Living Adjustment (COLA) only.....
- ▶ Governor's Funding priorities outside of LCFF:
 - CalSTRS Pension Payment - \$3 billion allocated to reduce pension liability and district contribution
 - Special Education - \$576 million to support additional services for districts with high concentrations of disadvantaged student populations
 - Early Childhood Education- \$1.6 billion allocated to support Universal Preschool, Full Day Kindergarten and Child Care programs
 - Proposition 51 Funding - \$1.5 billion in facility bonds to be sold
- ▶ No one-time discretionary funds.....





Governor's 2019-20 State Budget Proposal Highlights

▶ LCFF On-going Funding:

- Governor's proposal funds a Cost-of-Living (COLA) projected at 3.46%
- No additional funding proposed for LCFF
- Impact of COLA for IUSD is approximately \$10.8 million
- Overall increase in LCFF funding including growth is projected at \$18.9 million





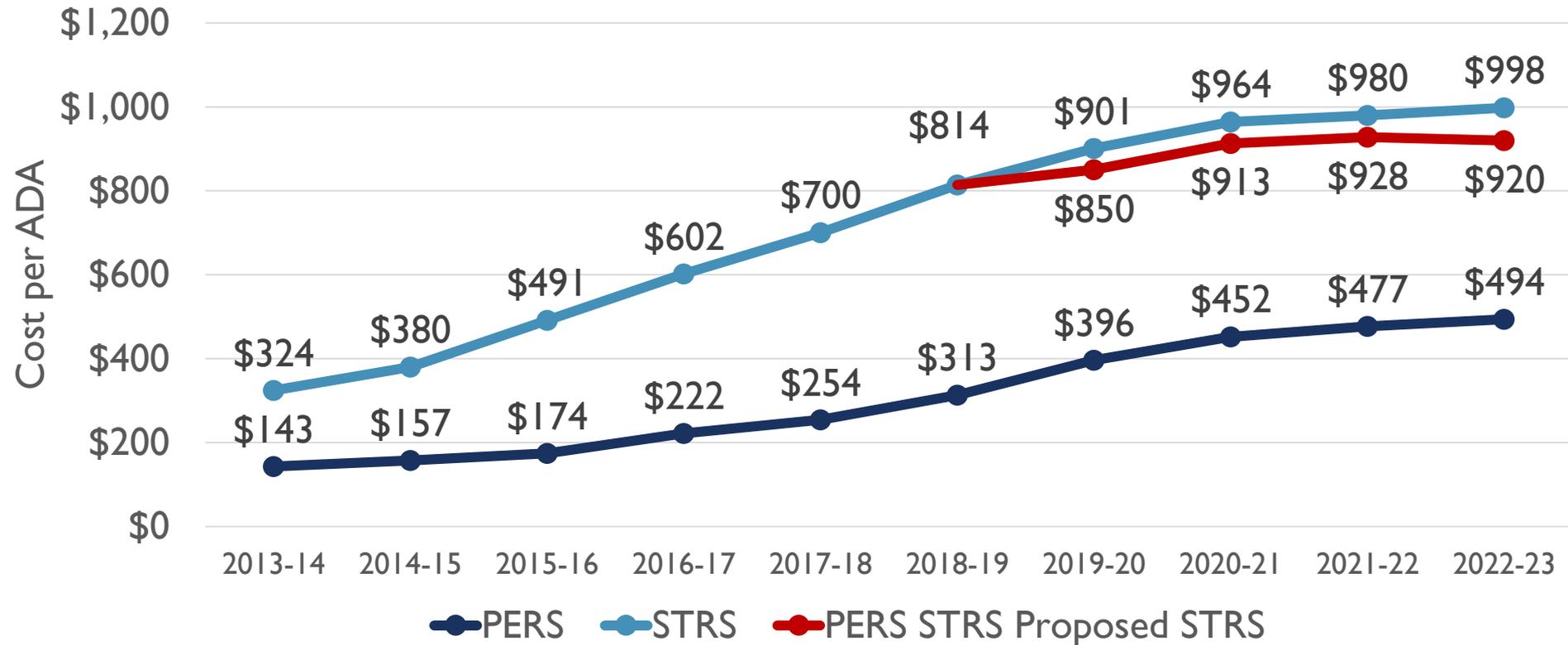
Promise to Restore Purchasing Power

- ▶ The stated goal of the LCFF at inception was to fully fund the formula by 2020-21 and restore funding to pre-recession 2007-08 purchasing power levels
- ▶ Of the \$20 billion in LCFF funding provided, approximately \$2.8 billion, or 14% has been used to fund increases to CalSTRS and CalPERS employer contributions
- ▶ In 2014-15 CalSTRS employee and employer rate increases were approved, increasing the employer rate incrementally from 8.25% to 19.10% by 2020-21
- ▶ CalPERS employer rates have increased from 11.44% in to an estimated 24.6% in 2021-22
- ▶ The Governor has listened to the education community!
 - In recognition the Governor's proposal includes \$3 billion to lower employee contributions and reduce outstanding unfunded liability



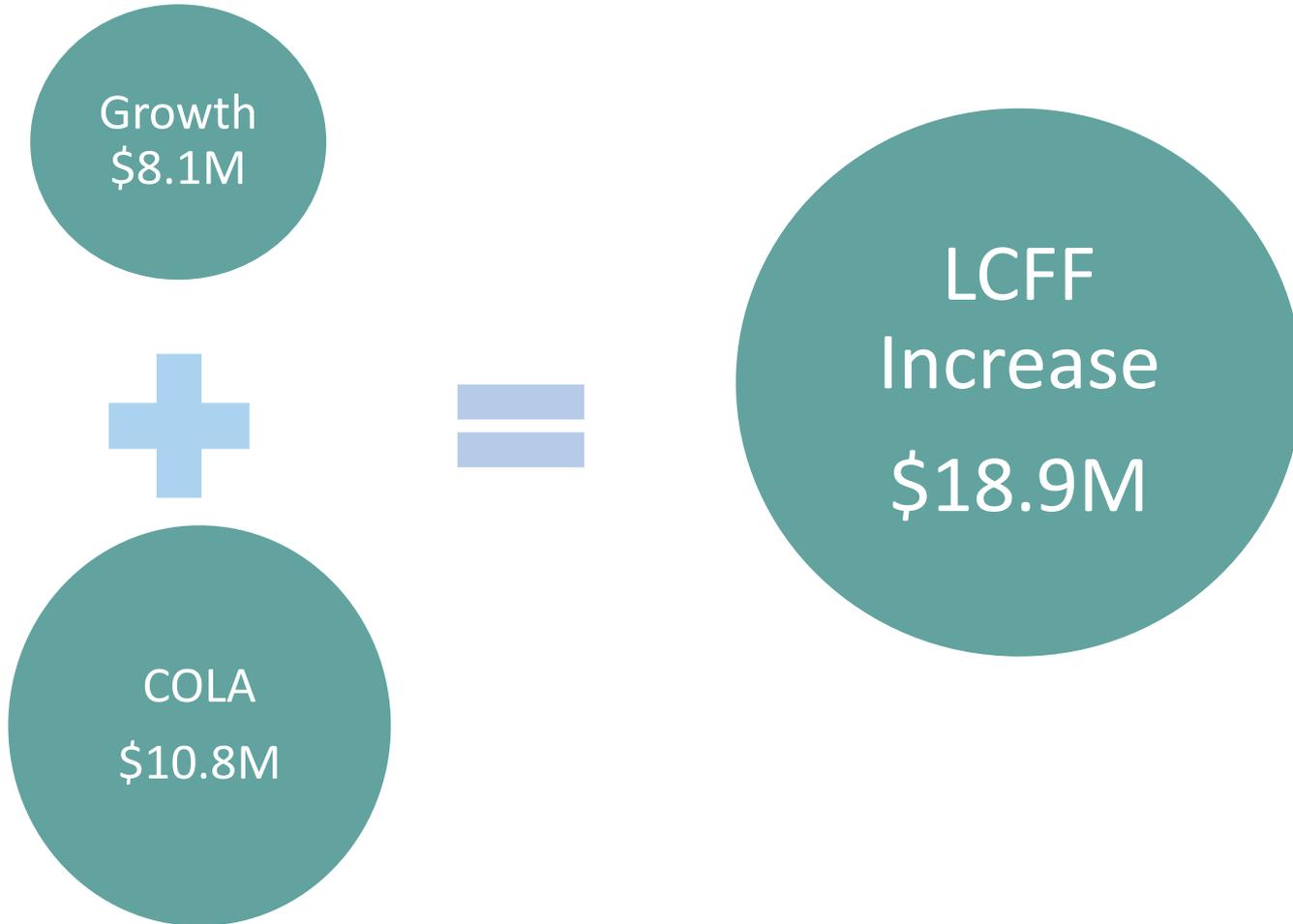
STRS & PERS Projected Increases

STRS and PERS Cost per ADA





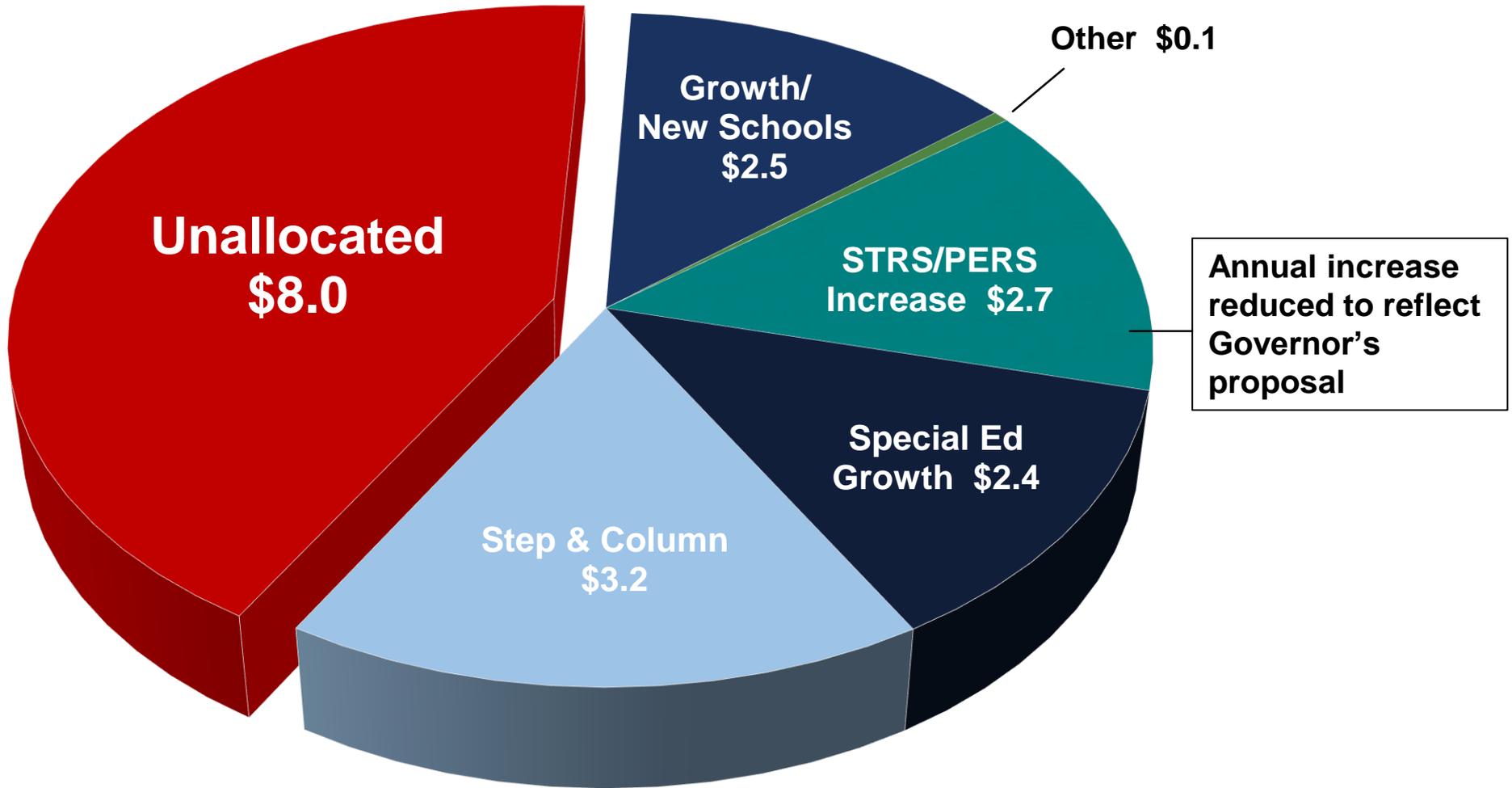
Breakdown of LCFF Funding





IUSD 2019-20 Estimated Total LCFF Funding Distribution

Allocation of \$18.9 million LCFF Funds





Observations

- ▶ While economy continues to grow there are signs that a slow down may be on the horizon
 - Real estate continues to lag locally – OC Register recently reported a 13.3% countywide decline in August – November 2017 to 2018
 - Citing escalating prices and more expensive mortgages
 - Will watch closely as this impacts enrollment
- ▶ While no recession is currently forecast, most economists believe that there will be an economic slowdown in 2020



Building 2019-20 LCAP/Budget

- ▶ Utilizing input from numerous stakeholders through the LCAP process, IUSD has leveraged use of one-time resources over multiple fiscal years
- ▶ Approximately \$9.2 million in “one-time” investments were targeted to drop off at end of 2019
- ▶ In recognition, current year resources both on-going and one-time set aside
 - ▶ 2018-19 Available:
 - ▶ \$13 million on-going
 - ▶ \$11 million one-time
- ▶ While encouraging, the 2019-20 State Budget will not be finalized until June





2018-19 Second Interim Assumptions

	2018-19 Projected	2019-20 Projected	2020-21 Projected
ADA Growth	665	840	858
LCFF Funding per student	\$8,918	\$9,243	\$9,507
Property Tax Increases	5%	5%	5%
Salary Increases (On-going)	2.95%		
Salary Increases (One-time)	N/A		
Step & Column Increases	2%	2%	2%
Health Insurance Contributions	\$10,275	\$10,275	\$10,275
Utility Increases	5%	5%	5%
District Reserve Level	2%	2%	2%
Contingency Reserve	\$5 Million	\$5 Million	\$5 Million



2018-19 Second Interim Financial Comparison General Fund Unrestricted Balance

Description	2018-19 1 st Interim	2018-19 2 nd Interim	Variance
Total Revenues	\$326,875,242	\$329,283,692	\$2,408,450
Total Expenditures	(\$269,361,965)	(\$277,142,648)	(\$7,780,683)
EXCESS (DEFICIENCY)	\$57,513,277	\$52,141,044	(\$5,372,233)
Total Other Sources/Uses	(\$58,830,050)	(\$62,220,706)	(\$3,390,656)
NET INCREASE (DECREASE)	(\$1,316,773)	(\$10,079,662)	(\$8,762,889)
Beginning Balance, July 1	\$44,009,892	\$44,009,892	-----
Ending Balance, June 30	<u>\$42,693,119</u>	<u>\$33,930,230</u>	<u>(\$8,762,889)</u>



2018-19 Second Interim Financial Comparison

Components of Unrestricted Ending Fund Balance

Description	2018-19 1 st Interim	2018-19 2 nd Interim	Variance
Ending Fund Balance	<u>\$42,693,119</u>	<u>\$33,930,230</u>	<u>(\$8,762,889)</u>
Revolving Cash/Stores	\$550,000	\$550,000	-----
State Required Reserve	\$8,064,000	\$8,375,000	\$311,000
Contingency Reserve	\$5,000,000	\$5,000,000	-----
Textbook Reserve	\$4,730,580	\$4,730,580	-----
18-19 Budget Unallocated	\$24,011,945	\$12,919,979	(\$11,091,966)
Other Assigned	\$336,594	\$2,354,671	\$2,018,077



Unrestricted General Fund Financial Outlook

Description	2018-19 Projected	2019-20 Projected	2020-21 Projected
Total Revenues	\$329,283,692	\$341,722,604	\$359,611,297
Total Expenditures	(\$277,142,648)	(\$275,900,367)	(\$283,185,487)
EXCESS (DEFICIENCY)	\$52,141,044	\$65,822,237	\$76,425,810
Total Other Sources/Uses	(\$62,220,706)	(\$55,823,951)	(\$59,835,589)
NET INCREASE (DECREASE)	(\$10,079,662)	\$9,998,286	\$16,590,221
Beginning Balance, July 1	\$44,009,892	\$33,930,230	\$43,928,516
Ending Balance, June 30	<u>\$33,930,230</u>	<u>\$43,928,516</u>	<u>\$60,518,737</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

