

Second Interim Report



Irvine Unified School District

PRESENTED BY JOHN FOGARTY

MARCH 13, 2018



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, 2018, 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 2018-19 State Budget Proposal Highlights

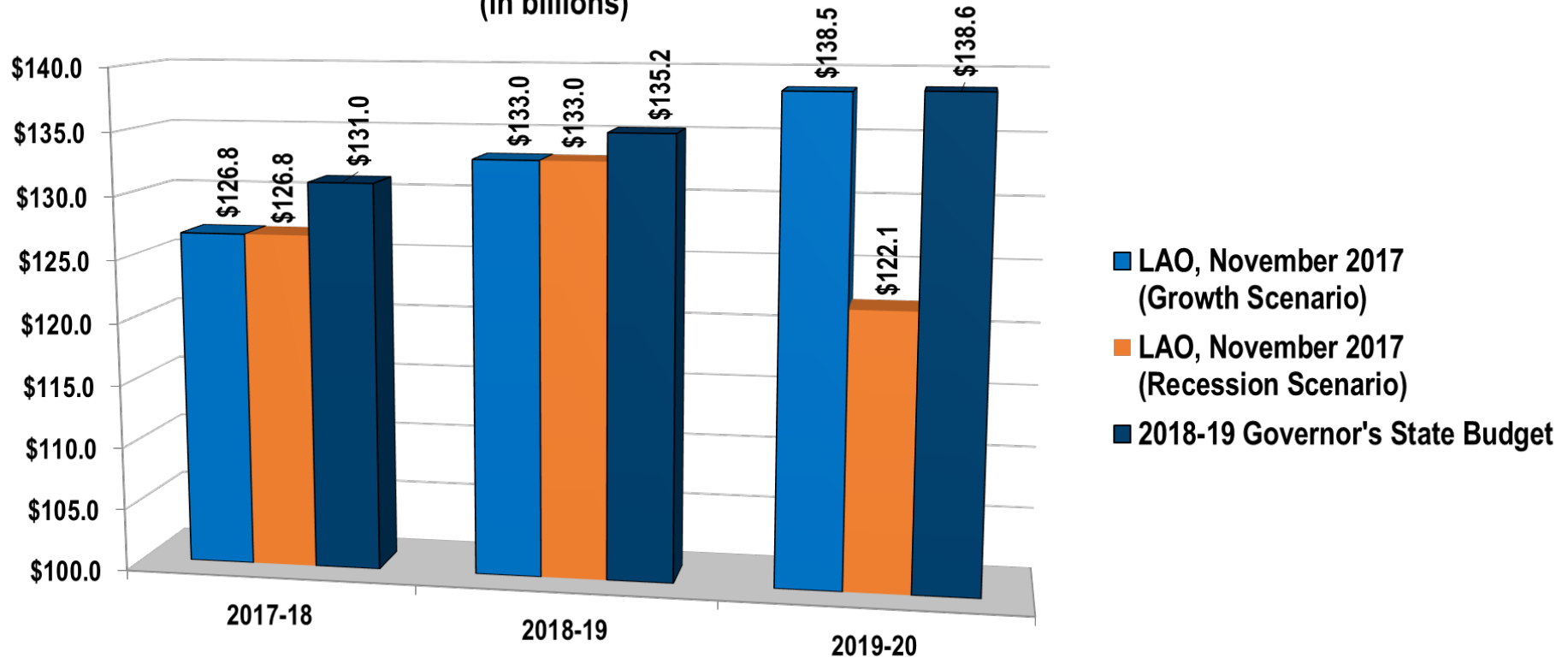


- ▶ Supported by continued growth in state revenues, Governor's 2018-19 State Budget proposal provides significant increases in Education Funding
 - ▶ Governor's proposal provides \$3 billion to fully fund LCFF Target and Cost-of-Living (COLA) of 2.51%
 - ▶ Two years ahead of original projection
 - ▶ For IUSD - \$10.8 million in discretionary ongoing funding
- ▶ Governor's proposal also includes \$300/ADA in one-time discretionary block grant funds for prior years unpaid mandates
 - ▶ For IUSD - approximately \$10 million
 - ▶ While helpful, one-time funding creates long-term operational challenges for school districts



Big Three Revenues – Personal Income Tax, Sales and Use Tax, and Corporation Tax

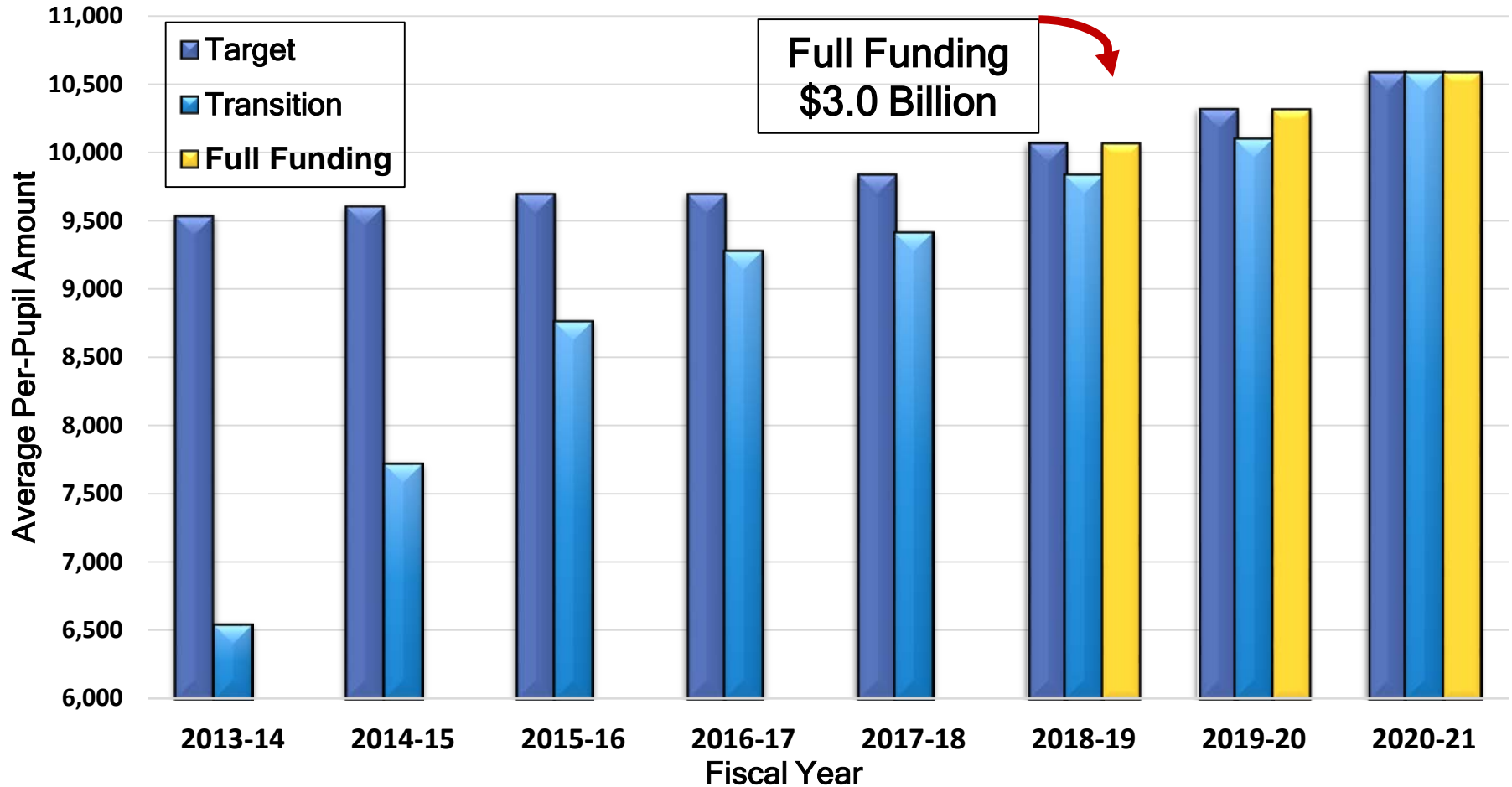
(in billions)





LCFF Gap Funding – Final 2018-19 State Budget

LCFF Implementation Progress





IUSD Estimated LCFF Funding

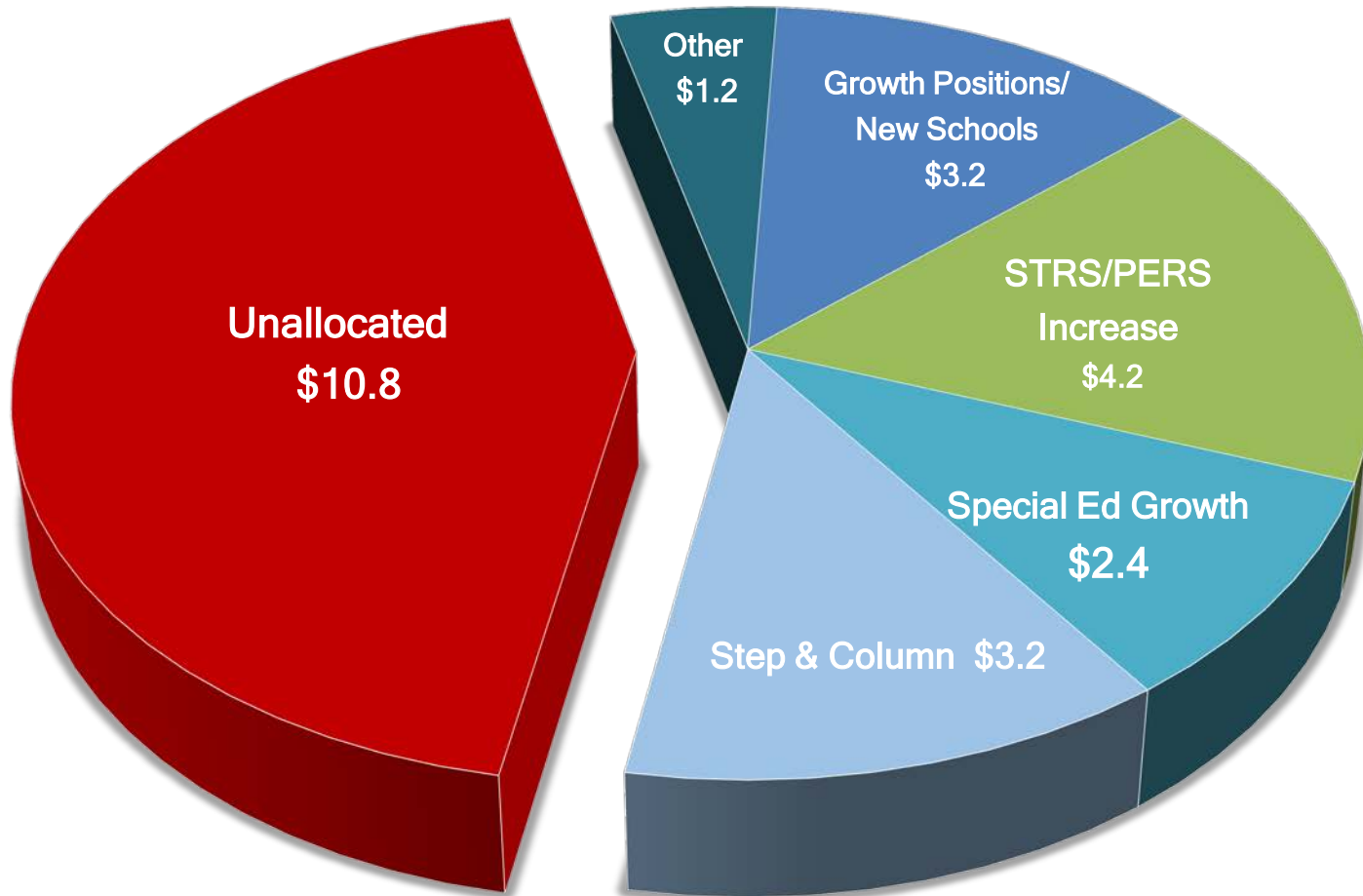
| IUSD LCFF | 2017-18 Projection | 2018-19 Projection First Interim | 2018-19 Governor's Proposal | 2019-20 Projection |
|--|-----------------------|--|-----------------------------------|-----------------------|
| LCFF Target <small>(Actual Target to be Reached in 2020-21)</small> | \$288,520,883 | \$300,194,796 | \$303,264,115 | \$321,991,864 |
| LCFF Floor <small>(2013-14 Actual Funding Adjusted for ADA Growth & Any LCFF Funding rec'd)</small> | \$270,508,712 | \$283,422,723 | \$284,718,162 | \$313,723,341 |
| LCFF Gap = <small>(Difference Between Target & Floor)</small> | \$18,012,171 | \$16,772,073 | \$18,545,953 | \$8,268,523 |
| Gap Funding Rate = <small>(% of Gap to be Funded, set by Governor)</small> | 44.97% | 39.12% | 100% | 100% |
| Gap Funding Amount = <small>(Anticipated Additional Funds)</small> | \$8,100,073 | \$6,561,235 | \$18,545,953 | \$8,268,523 |
| Total LCFF Funding = | \$278,608,785 | \$289,983,958 | \$303,264,115 | \$321,991,864 |

Total LCFF Funding Increase - \$25 million



IUSD 2018-19 Estimated Total LCFF Funding Distribution

Allocation of \$25 million LCFF Funds





Ongoing Challenges

- ▶ LCFF Full Funding promise to restore to 2007-08 purchasing power not kept!
- ▶ STRS & PERS employer contribution increases
 - ▶ CalSTRS - From 8.25% in 2013-14 to 19.1% in 2021
 - ▶ CalPERS - From 11.44% in 2013-14 to 23.7% in 2021
 - ▶ For IUSD represents costs of approximately \$850/ADA or \$31 million
- ▶ Continued increased costs for Special Education
- ▶ Public Perception - Disparity in district funding statewide will increase dramatically
- ▶ Volatility in Economy



Building 2018-19 LCAP/Budget

- Utilizing input from numerous stakeholders through the LCAP process, IUSD has leveraged use of one-time resources over multiple fiscal years
- Approximately \$10.6 million in “one-time” investments were targeted to drop off at end of 2018
 - In recognition, current year resources both ongoing and one-time set aside
- In addition, District identified \$14.8 million in textbook adoptions scheduled in 2018-19 and 2019-20
- While encouraging, the 2018-19 State Budget will not be finalized until June





2017-18 Second Interim Assumptions

| | 2017-18 Projected | 2018-19 Projected | 2019-20 Projected |
|--------------------------------|----------------------|----------------------|----------------------|
| ADA Growth | 1,194 | 774 | 1,241 |
| LCFF Funding per student | \$8,275 | \$8,805 | \$9,024 |
| Property Tax Increases | 5% | 5% | 5% |
| Salary Increases (On-going) | 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% |
| Contingency Reserve | \$5 Million | \$5 Million | \$5 Million |



2017-18 Second Interim Financial Comparison General Fund Unrestricted Balance

| Description | 2017-18 1 st Interim | 2017-18 2 nd Interim | Variance |
|--------------------------------|------------------------------------|------------------------------------|----------------------|
| Total Revenues | \$296,988,024 | \$300,617,896 | \$3,629,872 |
| Total Expenditures | (\$255,020,059) | (\$258,217,487) | (\$3,197,428) |
| EXCESS (DEFICIENCY) | \$41,967,965 | \$42,400,409 | \$432,444 |
| Total Other Sources/Uses | (\$54,788,644) | (\$56,898,023) | (\$2,109,379) |
| NET INCREASE (DECREASE) | (\$12,820,679) | (\$14,497,614) | (\$1,676,935) |
| Beginning Balance, July 1 | \$44,098,241 | \$44,098,241 | \$0 |
| Ending Balance, June 30 | <u>\$31,277,562</u> | <u>\$29,600,627</u> | <u>(\$1,676,935)</u> |



2017-18 Second Interim Financial Comparison

Components of Unrestricted Ending Fund Balance

| Description | 2017-18 1 st Interim | 2017-18 2 nd Interim | Variance |
|----------------------------|------------------------------------|------------------------------------|----------------------|
| Ending Fund Balance | <u>\$31,277,562</u> | <u>\$29,600,627</u> | <u>(\$1,676,935)</u> |
| Revolving Cash | \$150,000 | \$150,000 | \$0 |
| Stores | \$400,000 | \$400,000 | \$0 |
| Economic Uncertainties | \$7,595,000 | \$7,752,000 | \$157,000 |
| Contingency Reserve | \$5,000,000 | \$5,000,000 | \$0 |
| Def. 17-18 LCAP Allocation | \$3,360,560 | \$3,360,560 | \$0 |
| Other Assigned | \$14,772,002 | \$12,938,067 | (\$1,833,935) |



Unrestricted General Fund Financial Outlook

| Description | 2017-18 Projected | 2018-19 Projected | 2019-20 Projected |
|--------------------------------|-----------------------|----------------------|----------------------|
| Total Revenues | \$300,617,896 | \$329,541,154 | \$338,716,462 |
| Total Expenditures | (\$258,217,487) | (\$252,744,078) | (\$265,276,684) |
| EXCESS (DEFICIENCY) | \$42,400,409 | \$76,797,076 | \$73,439,778 |
| Total Other Sources/Uses | (\$56,898,023) | (\$53,285,013) | (\$54,871,402) |
| NET INCREASE (DECREASE) | (\$14,497,614) | \$23,512,063 | \$18,568,376 |
| Beginning Balance, July 1 | \$44,098,241 | \$29,600,627 | \$53,112,690 |
| Ending Balance, June 30 | <u>\$29,600,627</u> | <u>\$53,112,690</u> | <u>\$71,681,066</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

