LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT
Report to the Board of Education

2018/2019 First Period Interim Financial Report

Changes since the last budget update in September

As of October 31, 2018, the ending fund balance decreased by a total of $424,903.

Revenue

There was no change to revenue that impacted the ending fund balance.

Expenditures

Salaries and vacancies have been reconciled causing an increase in expenditures of $459,013. Indirect costs to the restricted programs increased by $34,110 which has a positive impact to the ending fund balance.

Assumptions used for the First Interim

2018/19 1st Interim Assumptions

- Revenue based on FCMAT LCFF calculator
- State Categorical COLA = 2.71% augmented to 3.7%
- Special Education COLA = 2.71% *(on state and local share only)*
- Enrollment on day 14 was 13,760
- Projected ADA is 13,300
- Projected Parcel Tax revenue of $3.98 million
- Lottery = $151.00 unrestricted and $53.00 restricted per ADA
- STRS employer rate = 16.28%
- PERS employer rate = 18.062%
- One-time State Discretionary funding of $2.4 million

Multi-Year Projection (MYP) Assumptions

2019/20
- Revenue based on FCMAT LCFF calculator
- State Categorical COLA = 2.57%
- Stable enrollment and ADA
- Projected Parcel Tax revenue of $3.98 million

- Lottery = $151.00 unrestricted and $53.00 restricted per ADA
- STRS employer rate = 18.13%
- PERS employer rate = 20.7%

2020/21
- Revenue based on FCMAT LCFF calculator
- State Categorical COLA = 2.67%
- Stable enrollment and ADA
- Projected Parcel Tax revenue of $3.98 million
- Lottery = $151.00 unrestricted and $53.00 restricted per ADA
- STRS employer rate = 19.1%
- PERS employer rate = 23.4%

State Budget

Despite declining State enrollment, the LAO expects the Proposition 98 minimum guarantee to grow to $80.8 billion in 2019-20, an increase of $2.4 billion when compared to its revised 2018-19 funding estimates. After accounting for one-time initiatives, the LAO estimates the state will have $2.8 billion for new spending under Proposition 98 in 2019-20. By comparison, last fall the LAO forecast the state would have $5.3 billion in uncommitted funds for Proposition 98 in 2018-19.

The LAO estimates it would take $2.3 billion to provide an estimated 3.1% cost-of-living adjustment (COLA) for K-14 education in 2019-20 as follows:

- $1.9 billion for LCFF

- $164 million for other school programs, including State Preschool

- $239 million for community college programs

This leaves about a half billion dollars remaining for new or planned educational spending. The LAO estimates Proposition 98 will be in Test 1 in 2019-20 and create no new maintenance factor. With all maintenance factor obligations paid off as of 2017-18, increases in Proposition 98 are flattening compared to past years.

On the other hand, the LAO notes that employer contributions to the California State Teachers' Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS) will be a major strain on the budgets of schools and community colleges. The 2014-15 Budget Act included a plan to fully fund the CalSTRS unfunded liability within approximately 30 years, with employer contribution rates increasing from 8.25% in 2013-14 to 19.1% by 2020-21. In addition, the CalPERS governing board has increased rates as well. The latest actuarial estimates suggest that employer contribution rates for CalPERS will increase from 11.4% in 2013-14 to 23.4% by 2020-21. These rate increases will consume a significant portion of the new funding provided under Proposition 98.

We look forward to the release of the new Governor's 2019-20 Budget Proposal in January.

Summary

As of the First Interim, the District's projected ending fund balance for the year is $5,508,455. Of this amount, we are designating $50,000 for the revolving fund, $150,000 in estimated warehouse inventory, and $4,826,974 as a 3% reserve for economic uncertainty. This allows $481,481 to be allocated toward future pension liability.