

LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT

Report to the Board of Education

2017-2018 Second Period Interim Financial Report

The 2017-18 Second Interim Report was prepared based on the Governor's January Budget Proposal, subsequent trailer bills, and discussed changes from the First Interim Report. The report is a snapshot in time of the District's revenue and expenditure forecasts for the current year as well as a projection for the subsequent two years.

Changes since First Interim

As of January 31, 2018, the ending fund balance decreased by a total of \$3,329,617.

Revenue

The State recalculated the 2016-17 lottery proceeds and sent us a prior year adjustment in the amount of \$107,807. Our mandated cost revenue is based on prior year rather than current year Average Daily Attendance (ADA) which we had budgeted and therefore need to be adjusted downward in the amount of \$77,330.

Expenditures

Expenditures increased by \$3,364,267 as a result of the 3.0% competitive compensation adjustment approved by the Board in December, retroactive to July 1, 2017. Our indirect costs charged to restricted funds increased by \$4,173. This has a positive impact to the ending fund balance.

Assumptions used for the Second Interim

2017-18 2nd Interim Assumptions

- Revenue based on FCMAT LCFF calculator
- State Categorical COLA = 1.56%
- Gap Funding = 43.97%
- CALPADS Enrollment was 13,729
- Projected ADA is 13,222
- Projected Parcel Tax revenue of \$3.95 million
- Lottery = \$146.00 unrestricted and \$48.00 restricted per ADA
- STRS employer rate = 14.43%
- PERS employer rate = 15.531%
- One-time State Discretionary funding of \$1.87 million

Multi-Year Projection (MYP) Assumptions

2018-19

- Revenue based on FCMAT LCFF calculator
- State Categorical COLA = 2.51%
- Gap Funding = 100% fully funded
- Projected ADA is 13,222
- Projected Parcel Tax revenue of \$3.95 million
- Lottery = \$146.00 unrestricted and \$48.00 restricted per ADA
- STRS employer rate = 16.28%
- PERS employer rate = 17.7%
- Estimated One-time State Discretionary funding of \$3.9 million

2019-20

- Revenue based on FCMAT LCFF calculator
- State Categorical COLA = 2.41%
- Stable enrollment and ADA
- Projected Parcel Tax revenue of \$3.95 million
- Lottery = \$146.00 unrestricted and \$48.00 restricted per ADA
- STRS employer rate = 18.13%
- PERS employer rate = 20.0%

State Budget

In his last Budget Proposal before being termed out, Governor Brown is calling for an increase to the Local Control Funding Formula (LCFF) which will close out the remaining gap two years ahead of schedule. While acknowledging the continued strength of both the State and national economies, and the subsequent increased revenues they produce, the Governor still has his eyes on ensuring California is prepared for the next inevitable downturn. In both his State Budget proposal and press conference, the Governor calls our attention to the fact that by the end of 2018-19 this recovery will match the longest recovery in post-war history. The previous periods of balanced State Budgets were all followed by large State Budget shortfalls, and the effects on California of the passage of the new federal tax bill, among other federal policies, are still largely unknown.

In light of these realities, Governor Brown proposes another State Budget based on the implementation of prudent fiscal practices that provide a balanced State Budget while continuing to plan and save for the future. While the economy continues to expand, even a moderate recession could significantly impact state revenues for several years to come. To ensure the state is ready for a potential slow down, the Governor's State Budget proposes fully funding the Rainy Day Fund and allocating the majority of the revenue surplus to one-time expenses. The State Budget is clear that fully funding the Rainy Day Fund may not eliminate the need for spending reductions should a recession or federal policy changes come to pass, but it should

allow for the softening of potential cuts and/or shortening of the length of time any potential cuts would be effective.

We look forward to the release of the Governor's 2018-19 May Revise and optimistically anticipate that the increased State revenues which have outpaced budget projections will have some bearing.

Summary

As of the Second Interim, the District's projected ending fund balance for the year is \$4,859,495. Of this amount, we are designating \$50,000 for the revolving fund, \$150,000 in estimated warehouse inventory, and \$4,564,914 as a 3% reserve for economic uncertainty. This leaves \$94,581 as undesignated at this time but is needed for the 2018/19 budget.