

LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT

Report to the Board of Education

2016/2017 Second Interim Report

The 2016/17 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, 2017, the ending fund balance decreased by a total of \$1,414,867.

Revenue

The District will be receiving \$358,626 more than was originally projected for the Career Technical Education Grant, therefore the revenue budget was adjusted. Staff also adjusted unrestricted interest and local revenue by \$215,202 based on more current information.

Expenditures

Expenditures increased by \$2,175,998 as a result of the 3.25% competitive compensation adjustment approved by the Board in December, retroactive to July 1, 2016. The budget for Special Education bill-backs from the SELPA was reduced by \$250,000 based on actual usage. A decrease in the amount of indirect costs charged to Child Nutrition (Fund 13) by \$62,697 was necessary as a result of the competitive compensation adjustments in this fund. This negatively impacted the ending fund balance.

Assumptions used for the Second Interim

2016/17 2nd Interim Assumptions

- Revenue based on FCMAT LCFF calculator
- State Categorical COLA = 0%
- Special Education COLA = 0% (*on State and local share only*)
- Gap Funding = 55.28%
- Enrollment on day 14 was 12,890 and is currently 13,359
- Projected ADA is 12,613
- Projected Parcel Tax revenue of \$3.8 million with portion to Charter School
- Lottery = \$140.00 unrestricted and \$41.00 restricted per ADA
- STRS employer rate = 12.58%
- PERS employer rate = 13.888%
- One-time State Discretionary funding of \$2.6 million

Multi-Year Projection (MYP) Assumptions

2017/18

- Revenue based on FCMAT LCFF calculator
- State Categorical COLA = 1.48%
- Gap Funding = 23.67%
- Projected ADA is 12,781
- Projected Parcel Tax revenue of \$3.8 million with portion to Charter School
- Lottery = \$144.00 unrestricted and \$45.00 restricted per ADA
- STRS employer rate = 14.43%
- PERS employer rate = 15.8%
- Estimated One-time State Discretionary funding of \$640k

2018/19

- Revenue based on FCMAT LCFF calculator
- State Categorical COLA = 2.40%
- Gap Funding = 53.85%
- Stable enrollment and ADA
- Projected Parcel Tax revenue of \$3.8 million with portion to Charter School
- Lottery = \$144.00 unrestricted and \$45.00 restricted per ADA
- STRS employer rate = 16.28%
- PERS employer rate = 18.70%

State Budget

Uncertainty and risk are major themes of the Governor's 2017/18 January Budget Proposal. Over the past few years, school districts have become accustomed to the State estimating its revenues conservatively and then, when revenues come in higher than estimated, owing schools more funding. In presenting his 2017/18 budget proposal, the Governor reported that recent State revenue signaled a downward trend, and anticipated a declining trajectory in general fund revenue growth that is lower than the estimates used when the 2016/17 budget was enacted. As a result, revenue projections have now fallen significantly below First Interim estimates, even with the addition of future revenues from the passing of Proposition 55, the extension of temporary taxes.

However, the Legislative Analyst's Office (LAO) estimates much higher revenue projections and claims the Governor is too conservative. Although many may want the District to use the higher projections provided by the LAO, the County Superintendent would not be able to accept a certification based upon revenues that are higher than the Governor's projections. In addition, there is no guarantee that the Governor will use the higher revenue projections to benefit K-12 education.

We look forward to the release of the Governor's 2017/18 May Revise and optimistically anticipate that the LAO projections will have some positive bearing.

Summary

As of the Second Interim, the District's projected ending fund balance for the year is \$6,159,613. Of this amount, the District is designating \$50,000 for the revolving fund, \$150,000 in warehouse inventory, and \$4,244,733 as a 3% reserve for economic uncertainty. The balance of \$1,714,880 is undesignated at this time but is needed for the 2017/18 budget.