

# FULLERTON SCHOOL DISTRICT



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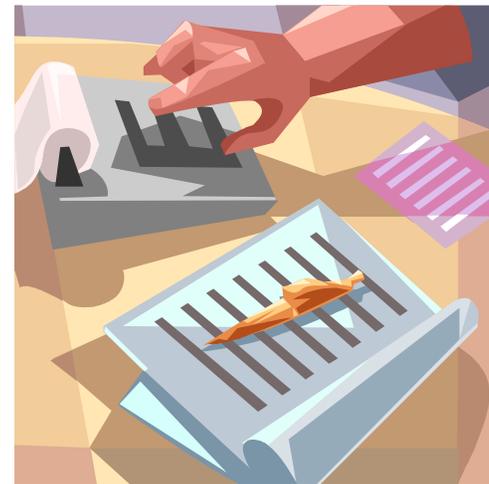
## First Interim Report

Report to Board of Trustees

December 9, 2014

# First Interim Report

- One of three annual financial reports
- Reports financial results and projections
- Key to determining District's fiscal viability
- Components of the Report



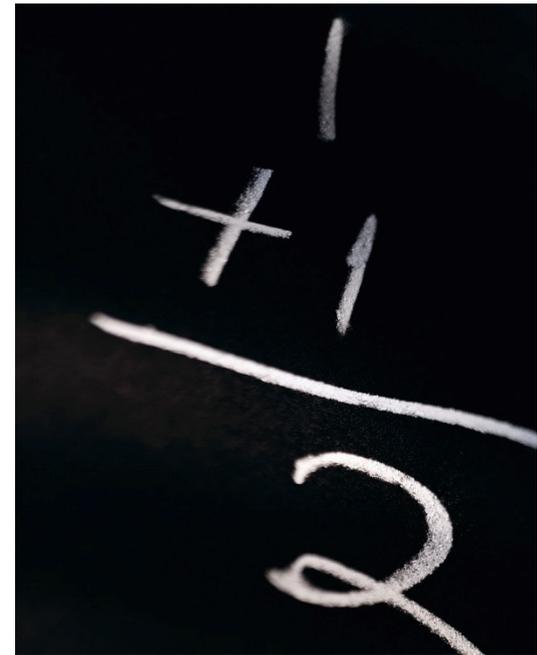
# 2014-15 Budget



- At First Interim, District updates current year budget to most recent data
- Major changes:
  - LCFF funding
  - Mandated Cost revenue
  - Adjustments to employee compensation

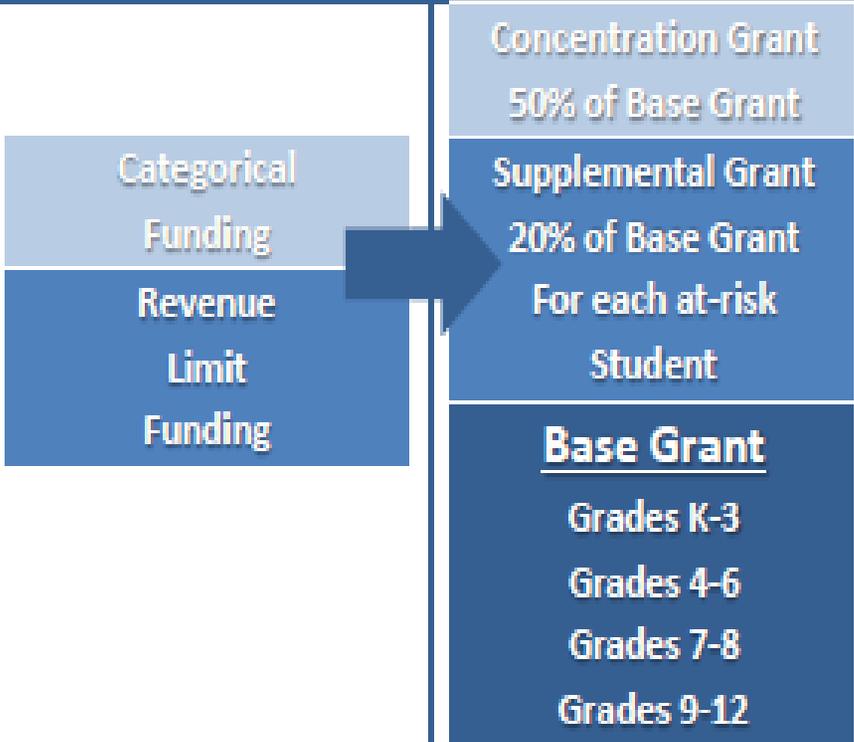
# Local Control Funding Formula

- A new formula for funding California K-12 LEAs
- Biggest change since 1970's *Serrano vs. Priest*
- Intent is for local districts to have more control
- Also specifically addresses needs of underserved students



Before LCFF	After LCFF	Unchanged
Revenue Limits	LCFF funding based upon grade span, Unduplicated Count of pupils	*Governor and Legislature are mostly responsible for determining annually HOW MUCH funding schools will receive in budget
State Categorical programs – State dictates how to spend money	Districts, through LCAP, determine best use of funding for their students	*School Accountability Report Cards
K-3 class size reduction limited funding	State sets target of K-3 24:1, but District can negotiate what it thinks best with its employee associations	*Federal funding, planning and accountability requirements
Accountability and performance process separate from funding	Local Control and Accountability Plans required	*Prop 98 *Financial Audits *Williams compliance

## How does the LCFF compare to the old school funding system?

BEFORE LCFF	PER PUPIL FUNDING OLD SYSTEM	PER PUPIL FUNDING UNDER LCFF	AFTER LCFF
<p>Much of the money given to schools districts was restricted to particular programs, called <b>categorical programs</b>.</p> <p>Amount of money each district received per student was called "<b>Revenue Limit</b>" and was based on a complicated formula not on the needs of students.</p>	 <p>Categorical Funding</p> <p>Revenue Limit Funding</p>	<p>Concentration Grant 50% of Base Grant</p> <p>Supplemental Grant 20% of Base Grant For each at-risk Student</p> <p><b>Base Grant</b> Grades K-3 Grades 4-6 Grades 7-8 Grades 9-12</p>	<p><b>Base Grant:</b> Per student funding is now called the Base Grant with different amounts depending on grade level.</p> <p><b>Supplemental Grants</b> go to help high needs students: English Language Learners, low-income students and foster children.</p> <p><b>Concentration Grants</b> go to districts with more than 55% of their students identified as EL/LI/FY.</p>

Actual funding will depend on district's prior revenue levels along with other factors. ERT – Economic Recovery Target means no district will receive less money than under the old system. Most will receive more.

# Main Drivers of LCFF

- Average Daily Attendance (ADA)
- Cost of Living Allowance (COLA)
- Unduplicated Percent/underserved students
- Percent of Gap funding



# Increased LCFF Funding

- Final State budget included increased gap funding percents for 2013-14 AND 2014-15
- \$630,000 more in projected revenues



# Mandated Cost Revenues

- Final State budget included one-time appropriation for prior year Mandated Costs claims
- Increase of \$894,000 to revenues



# Negotiated Increase to Employee Compensation

## Cost to General Fund:

### Unrestricted

4% Salary Increase \$ 2,509,000

2% One Time Salary Adjustment \$ 1,285,200

### Restricted

4% Salary Increase \$ 483,100

2% One Time Salary Adjustment \$ 263,700

TOTAL

\$ 4,541,000



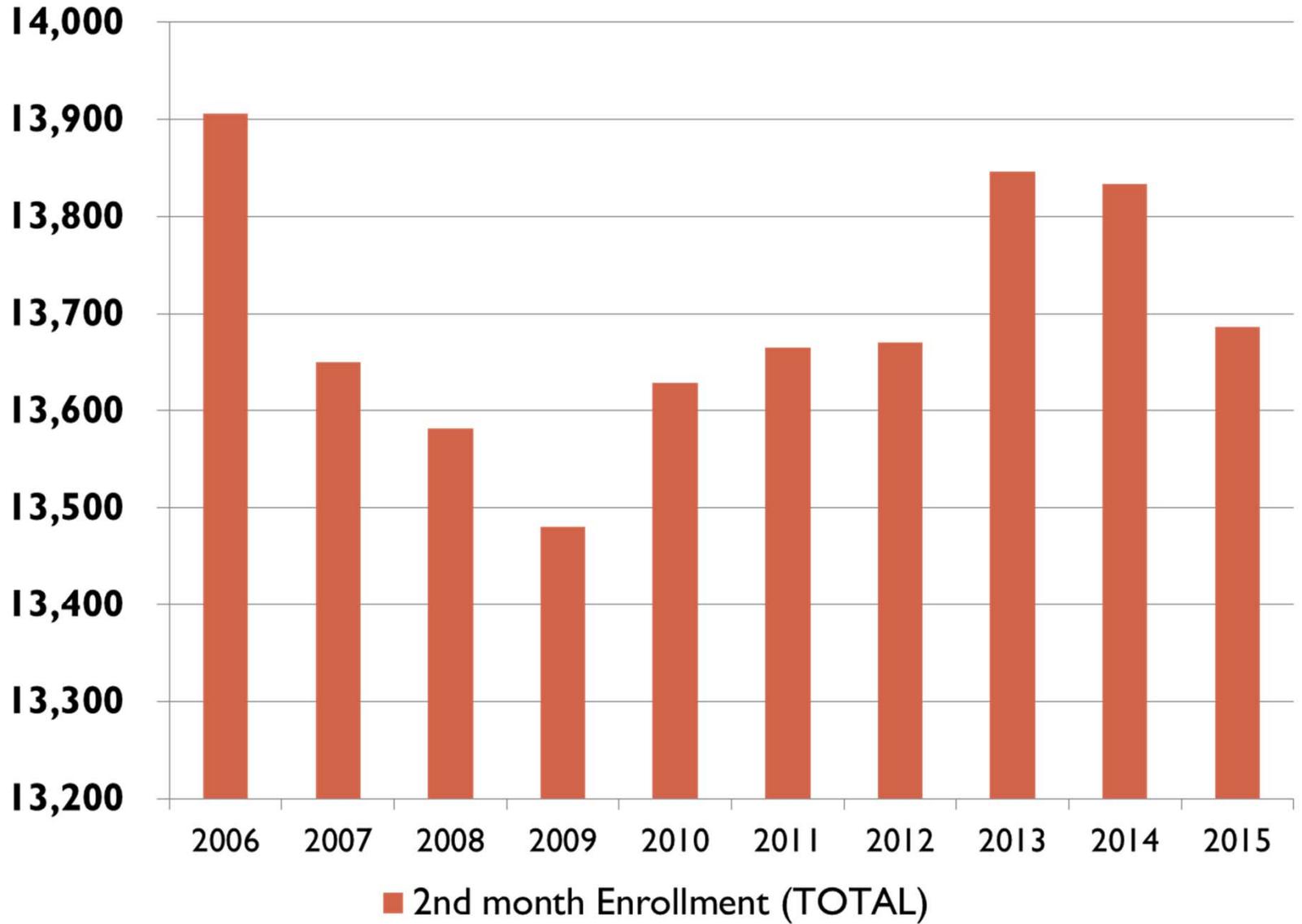
# Adjustments to First Interim Budget

District budget is updated to reflect most current information regarding:

- Beginning fund balances/carryovers
- Enrollment
- Categorical revenues and expenses
- Other income accounts
- Encroachment
- Salaries and benefits (actual positions, step and column)
- All other expenditure accounts



## FSD 2nd Month Enrollment



# 2014-15 Revised Budget

## Unrestricted General Fund:

Projected gain - Original Budget	\$1,099,000
Projected (loss) - First Interim	<u>(1,201,700)</u>
Change	(\$2,300,700)

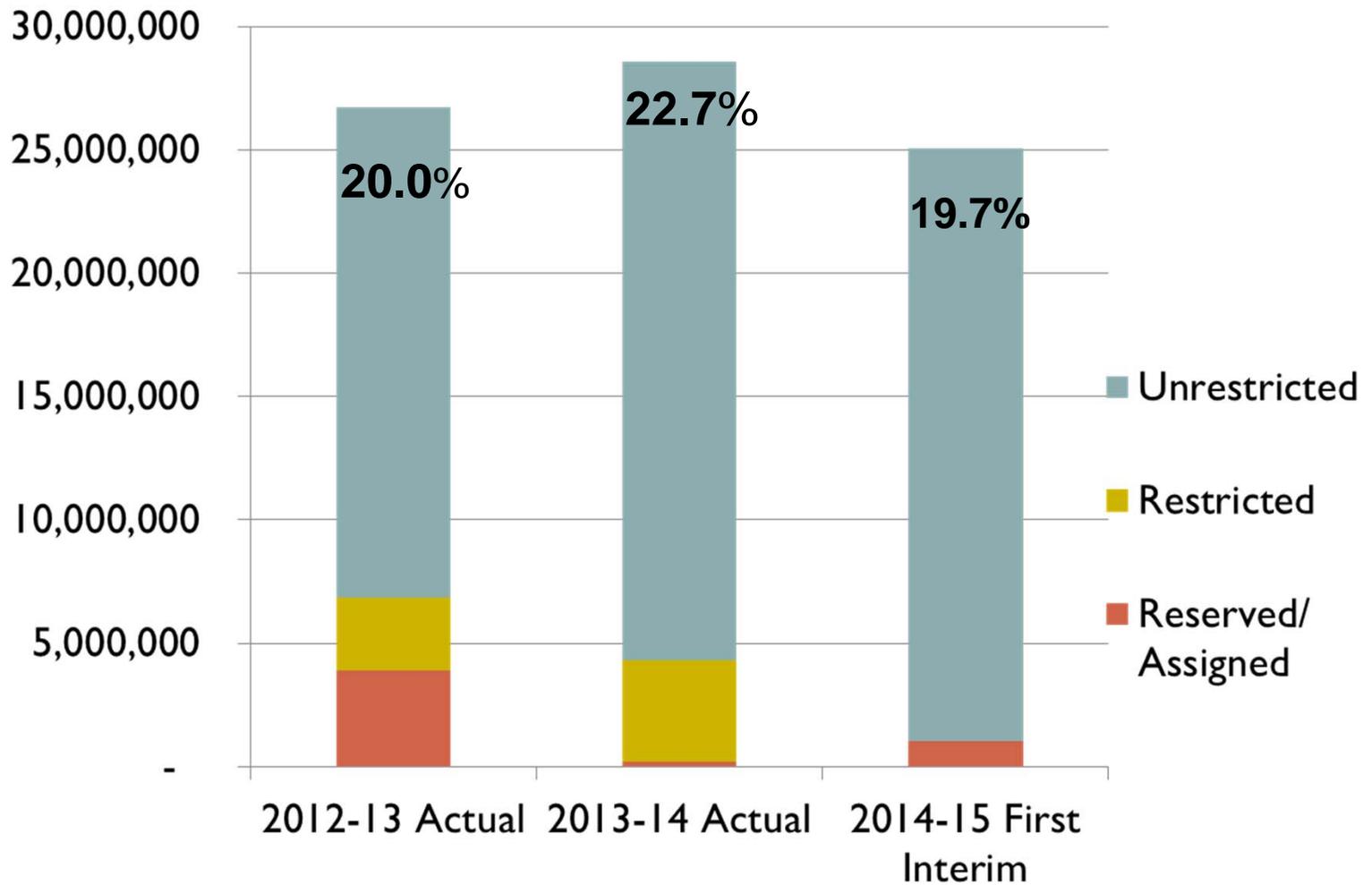
Revised projected Unrestricted Ending Fund Balance:

\$24.0 M

19.72%

# Ending General Fund Balance – At First Interim

Fund Balance %





## Ending General Fund Balance – At First Interim

- Projected unrestricted ending fund balance at June 30, 2015 = \$24,008,823
- Amount above required 3% = \$20,356,337
- District keeps prudent reserves for:
  - Emergencies/unexpected events
  - Changes in State funding
  - Declining enrollment
  - Textbooks and other instructional materials
  - Technology upgrades/replacements



# Multi-Year Projections

	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
ADA	13,558	13,408	13,408
Statutory COLA	0.85%	2.19%	2.14%
Unduplicated Percent - FSD	52.59%	52.59%	52.59%
LCFF GAP Funding Rate	29.56%	20.68%	25.48%
Percent change LCFF-FSD	10.13%	5.2%	5.33%

# Multi-Year Projections

- Employee compensation
  - 1% on schedule starting 7/1/2015 (contingent)
  - Negotiations still open
- STRS and PERS rate increases
- Increase in RRM expenses to 3% requirement



# Projected Unrestricted Reserve – First Interim 3-year Projection

	2014-15	2015-16	2016-17
Projected Unrestricted (Loss)	(\$1,201,708)	(\$2,561,374)	(\$1,151,330)
Projected Unrestricted Ending Fund Balance	\$24,008,823	\$21,447,449	\$20,296,119
Fund Balance Percent	19.7%	17.8%	16.3%

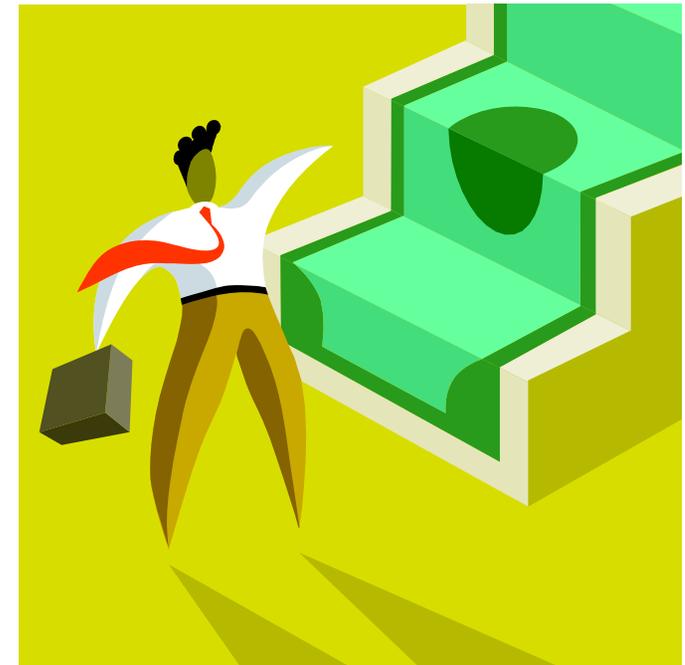
# District Certification

- Ending Fund Balance projected above the required 3% reserve as of June 30, 2017
- The District is certifying “**Positive**”
- A positive certification indicates that the District **will** be able to meet its financial obligations for the current and subsequent two fiscal years



## Next Steps

- First Interim Report filed with OCDE for review
- Governor releases his projected State Budget – January
- LCAP development
- Second Interim – March
- P-2 ADA



# Questions?

