

2017/18 First Interim

December 11, 2017

Tim Zearley

Associate Superintendent,

Business Services, CBO



12/5/2016

Modesto City Schools

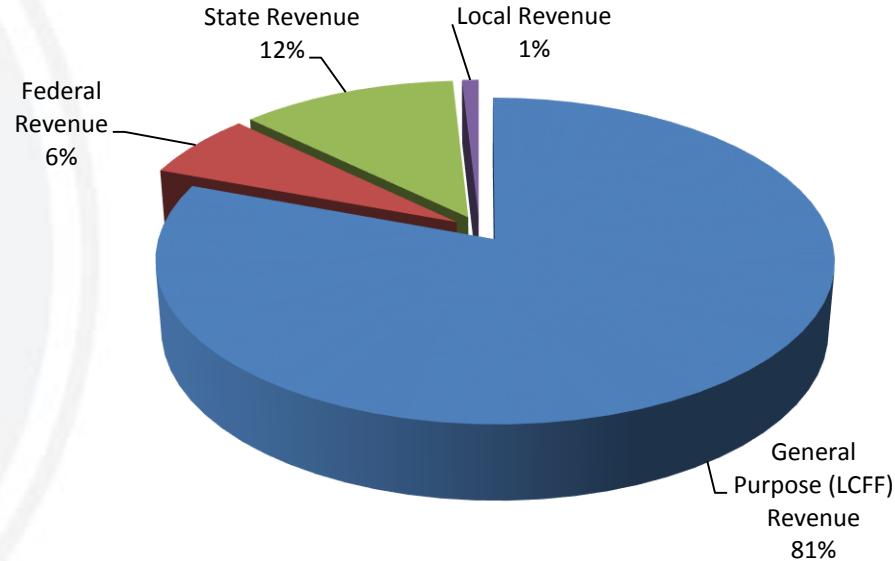
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Tonight's Overview

- Assumptions for Revenue and Local Control Funding Formula (LCFF)
- Assumptions for Expenditures
- Multi-Year Projections and Fund Balance
- Criteria and Standards

General Fund Revenue

**Total General Fund Revenues
First Interim Budget 2017-18**



- The majority of General Fund dollars come from the LCFF

Revenue Assumptions

- LCFF

YEAR	COLA	Gap	Base Increase	Supplemental/Concentration Increase
2017/18	1.56%	43.19%	\$5.5M	\$4.5M
2018/19	2.15%	66.12%	\$7.0M	\$5.6M
2019/20	2.35%	64.92%	\$4.3M	\$3.3M
2020/21	2.57%	100%	\$9.8M	\$3.5M

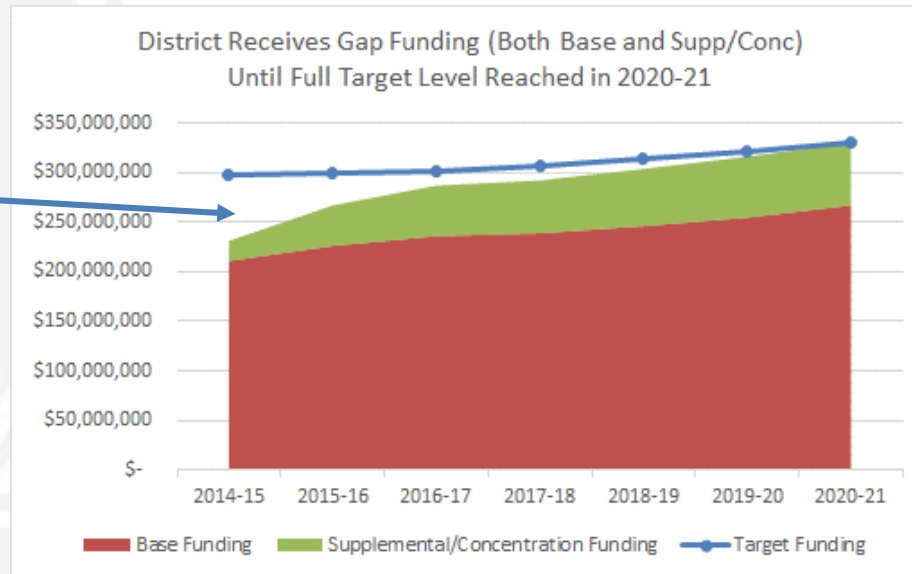
- LCFF Supplemental and Concentration

- Parents will continue to complete the Free and Reduced Meal Applications which drives the percentage (%) rate of eligibility for the Supplemental and Concentration dollars.

Gap Funding and Target

- Each year, the District's target funding is determined via the "LCFF Calculator"
- The shortfall in funding between the District's funding and the target is the "Gap"
- Annual gap funding percentages work to close that gap
- Governor's plan is for zero gap by 2020-21

The "Gap"



LCFF – Elementary

Grades	ADA	Base	Grade Span	Supp.	Conc.	TARGET
Unduplicated % of Enroll.				87.62%	87.62%	
K-3	6,440.70	\$7,193	\$748	\$1,392	\$1,295	\$68,450,200
4-6	5,182.84	\$7,301		\$1,279	\$1,191	\$50,642,672
7-8	3,085.50	\$7,518		\$1,566	\$1,458	\$31,045,191
TOTAL						\$150,138,063
TIIG Add-On						\$1,084,014
Transportation Add-On						\$474,814
17/18 LCFF TARGET						\$151,696,891

LCFF – Elementary

LCFF Floor and Phase-In Entitlement Calculation	
Prior Year Funded ADA	14,709.04
2012-13 Revenue Limit Rate	\$5,063.10
TOTAL	\$74,473,341
Prior Year State Categoricals (<i>Tier III, CSR, EIA and Transportation</i>)	\$17,400,660
Prior Year LCFF Funding	<u>\$50,031,034</u>
17/18 LCFF Floor	\$141,905,035
17/18 LCFF Target	\$151,696,891
17/18 Gap (difference)	\$9,791,856
17/18 Gap Funded @ 43.19% before SCOE Transfer	\$4,229,103
17/18 LCFF Entitlement before SCOE Transfer	\$146,134,138

LCFF – High School

Grades	ADA	Base	Grade Span	Supp.	Conc.	TARGET
Unduplicated % of Enroll.				65.09%	65.09%	
9-12	14,572.92	\$8,712	\$227	\$1,164	\$451	\$153,797,520
TOTAL						\$153,797,520
TIIG Add-On						\$717,582
Transportation Add-On						\$458,416
17/18 LCFF TARGET						\$154,973,518

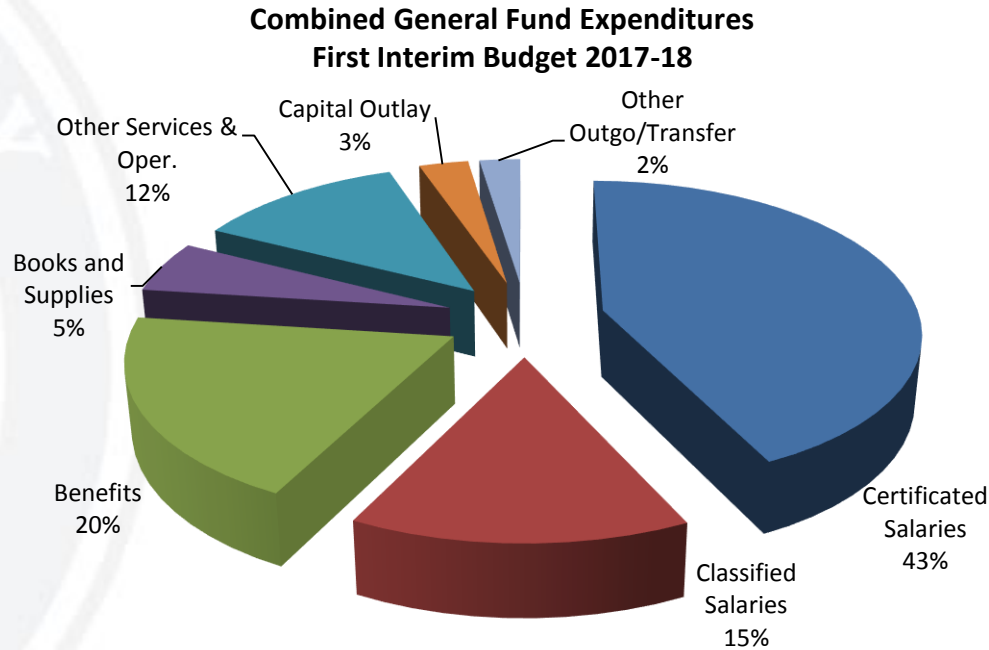
LCFF – High School

LCFF Floor and Phase-In Entitlement Calculation	
Prior Year Funded ADA	14,572.92
2012-13 Revenue Limit Rate	\$6,087.90
TOTAL	\$88,718,479
Prior Year State Categoricals (<i>Tier III, EIA and Transportation</i>)	\$10,812,150
Prior Year LCFF Funding	<u>\$45,118,926</u>
17/18 LCFF Floor	\$144,649,555
17/18 LCFF Target	\$154,973,518
17/18 Gap (difference)	\$10,323,963
17/18 Gap Funded @ 43.19% before SCOE Transfer	\$4,458,920
17/18 LCFF Entitlement before SCOE Transfer	\$149,108,475

Revenue Assumptions

- Onetime Mandate Funding of \$147/ADA
- Posting of deferred revenue and carryover in 2017/18
- Implementation of GASB68 estimates for 2017/18
- Increase Title I and ASES
- Establish CA Partnership and TUPE grants
- Establish onetime Microsoft Voucher and Johansen High School Fire Insurance Claim reimbursements

General Fund Expenditures



- Salaries and Benefits make up 78% of the General Fund

Expenditure Assumptions

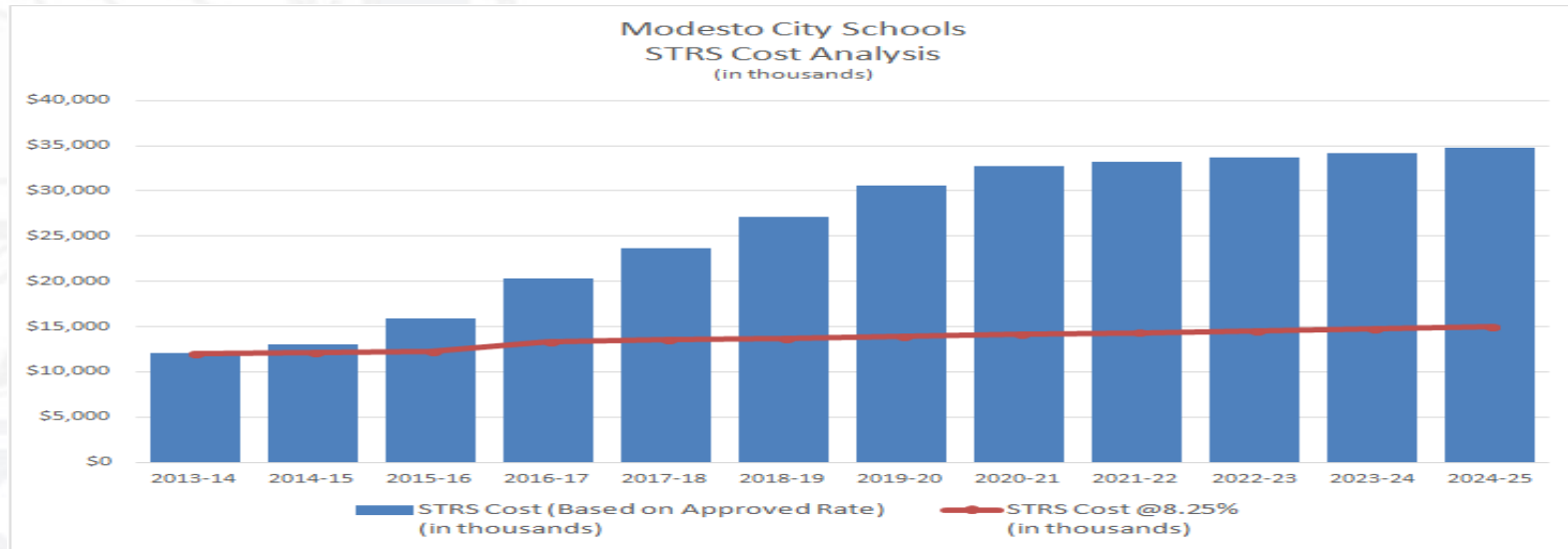
General Fund Pension Reform Increases

	2016/17	2017/18	2018/19	2019/20
STRS	12.58%	14.43%	16.28%	18.13%
Increase Over Prior Year		\$2.7M	\$3.2m	\$3.2M
PERS	13.888%	15.531%	18.1%	20.8%
Increase Over Prior Year		\$1.0M	\$1.5M	\$1.6M
Increase over 2016/17		\$3.7M	\$8.4M	\$13.3M

Expenditure Assumptions

STRS Changes Compared to Status Quo

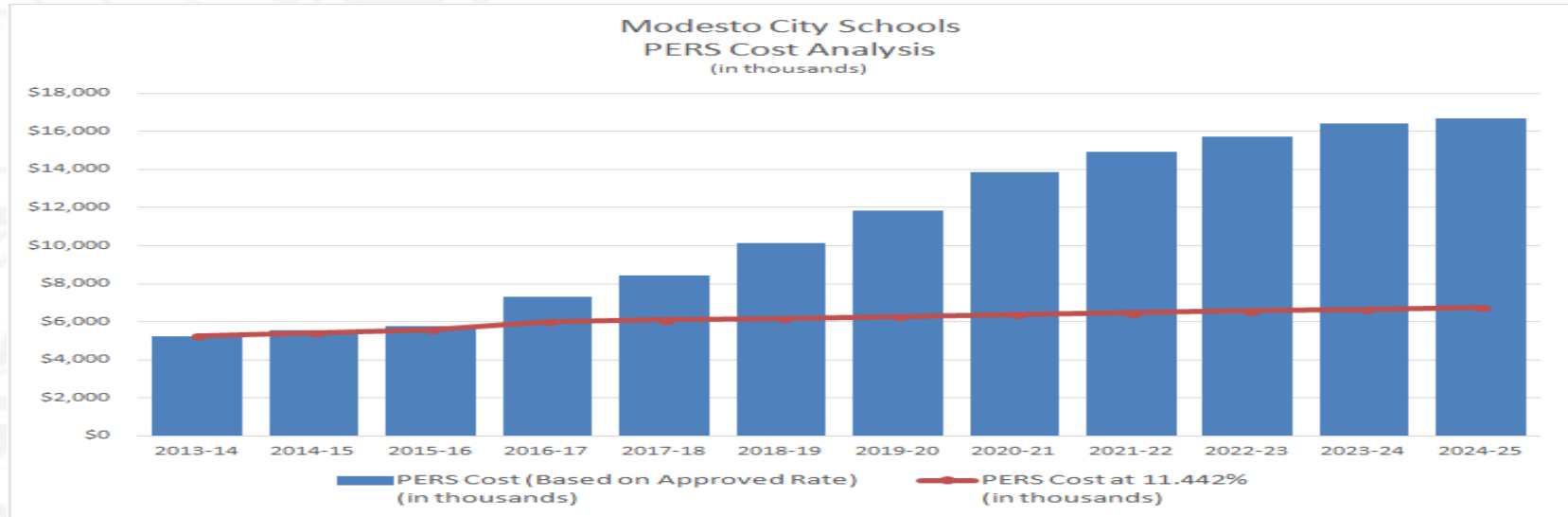
- Rates began to increase in 2014-15
 - Annual STRS costs projected to increase by 10.85%
 - Rates more than double in ten years



Expenditure Assumptions

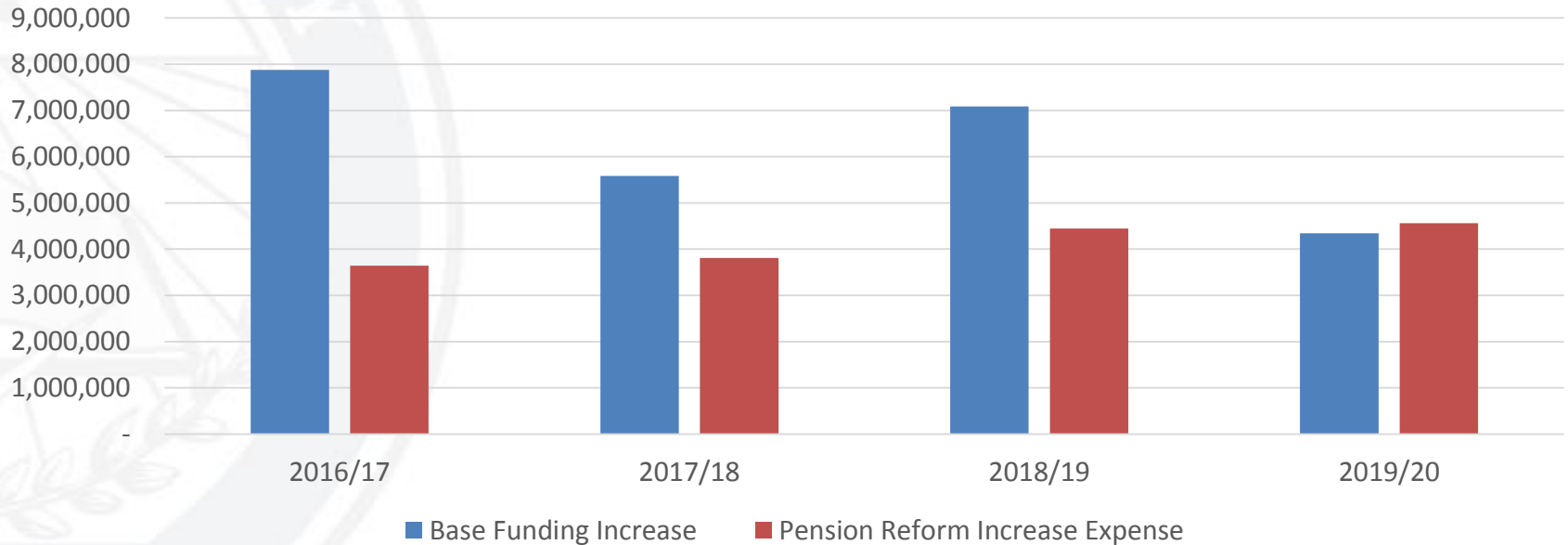
PERS Projected Contributions Compared to 2013-14

- Rates began to increase in 2014-15
 - PERS costs up by 16.8% by 2024
 - Rates more than double in ten years



Expenditure Assumptions

Unrestricted Pension Reform Expenses vs New Base Funding



Expenditure Assumptions

- Included in financial reflection of multi-year projection:
 - Estimated budget savings of \$12M are incorporated in the current and subsequent two years
 - Implementation of GASB68 estimates for 2017/18
 - Implementation of collective bargaining agreement settlements
 - First month enrollment adjustments – staffing and site allocation
 - Posting of carryover and deferred revenue into 2017/18
 - Onetime approved expenditures in 2017/18
 - Budgeted amounts will be fully expended – all sources

Multi-Year Projections

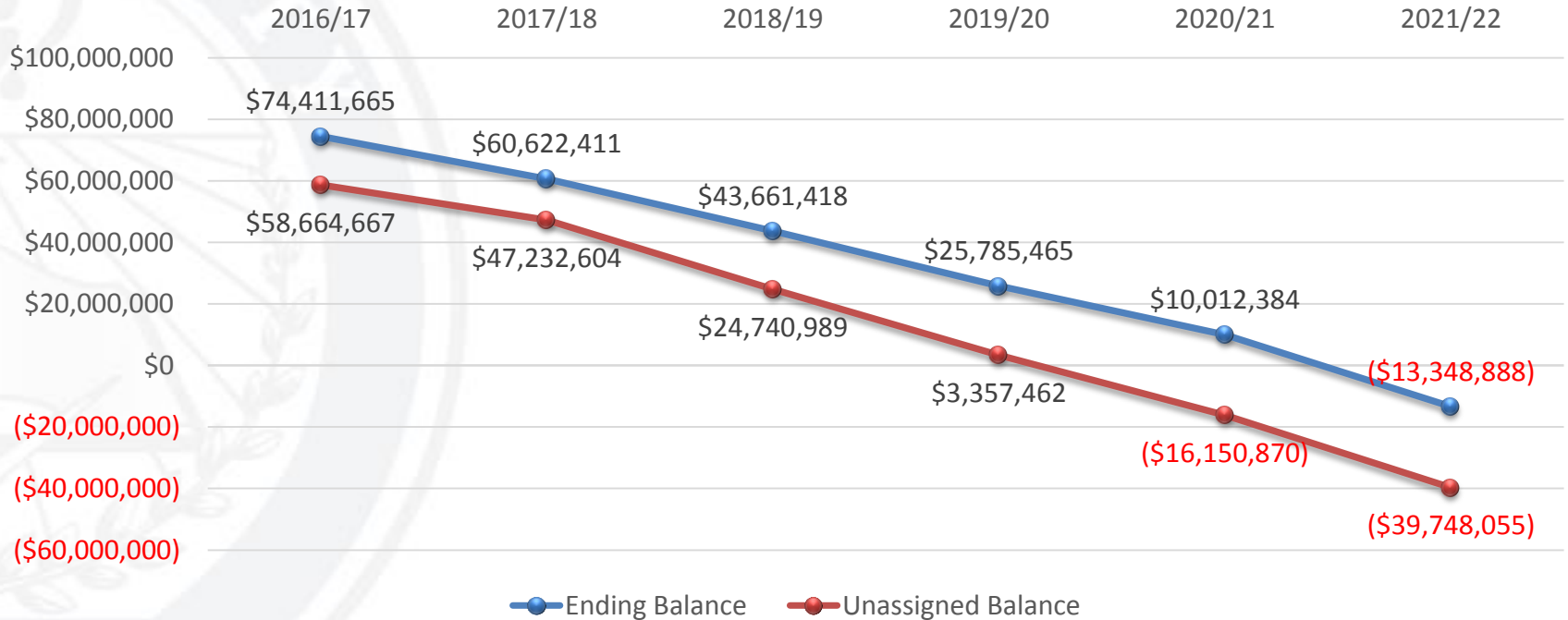
Assumptions reflected in subsequent years:

- \$12M Estimated budget savings annually
- Step/Column costs of 1.5% year over year
- Additional salary impact from the mid-year 1% increase effective 1/1/2018
- Removal of 2017/18 onetime expenditures

Fund Balance – Unrestricted

	2016/17	2017/18	2018/19	2019/20
Fund Balance	\$74,411,665	\$60,622,411	\$43,661,418	\$25,785,465
Nonspendable – Stores, Revolving Cash, Prepaid Expenses	\$1,715,312	\$1,500,000	\$1,500,000	\$1,500,000
Assigned				
Economic Uncertainties	\$11,274,812	\$11,809,704	\$11,707,264	\$11,890,655
County Cash FMV Adjustments	<\$128,472>	<\$128,472>	<\$128,472>	<\$128,472>
LCAP Supplemental & Concentration	\$-0-	\$-0-	\$5,591,275	\$8,915,458
Carryover Obligation – Misc.	\$2,885,346	\$362	\$362	\$362
One Time Expenditures	\$-0-	\$208,213	\$250,000	\$250,000
Unassigned Balance	\$58,664,667	\$47,232,604	\$24,740,989	\$3,357,462
Unassigned Reserve Percentage	22.60%	17.53%	8.91%	1.18%

Fund Balance Trend



Multi-Year Projections

Items NOT included in projections:

- Curriculum Adoption increases
- Facility Improvements per Facility Needs Assessment Report
- Facility Growth Needs
- Future Collective Bargaining impacts to subsequent years
- Potential increases in Special Education Contribution
- Potential changes in enrollment trends – Elementary decreased enrollment in 17/18

Multi-Year Projections

All districts are facing leaner years.

- Once we reach target LCFF funding, annual revenue increases will only be for COLAs.
 - COLAs for the foreseeable future are in the 1-2.5% range
- Once the Gap is closed, new LCFF funding will be insufficient to cover pension reform, step increases and standard operational cost increases.

Criteria and Standards

- 4 items are shown as “not met”
 - Criterion 3 – ADA to Enrollment
 - Due to continued historical growth in ADA to Enrollment, the District strives towards its growth target of 98%.
 - Criterion 6 – Revenue and Expenditures
 - The District does not reflect deferrals or carryover at adoption. Additionally, the District has recorded increases in multiple revenue sources. The additional revenues have been reflected within the expenditure budgets, as well as the collective bargaining agreements settlement impact.

Criteria and Standards

- 5 items are shown as “not met”
 - Criterion 8 – Deficit Spending
 - The District budgets full expenditures at budget adoption and reflects savings at each of the reporting periods throughout the year. The projected deficit will be offset by unspent base and supplemental/concentration dollars that are currently budgeted.
 - Criterion S5 – Contributions, Transfers and Capital Projects
 - The Routine Restricted Maintenance contribution decreased from 3% to the minimum requirement. Additional transfers in from the Curriculum Reserve Fund for the purchase of 7-8 ELA Curriculum. The addition of a \$2M transfer out of Routine Restricted Maintenance to fund a portion of the \$5M annual allocation to the Deferred Maintenance Fund.

Summary

- Based on the factors and assumptions included and noted in the First Interim Budget document, the District is able to propose a Positive Certification.