

2017/18 Second Interim

March 12, 2018

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Associate Superintendent,

Business Services, CBO



12/5/2016

Modesto City Schools

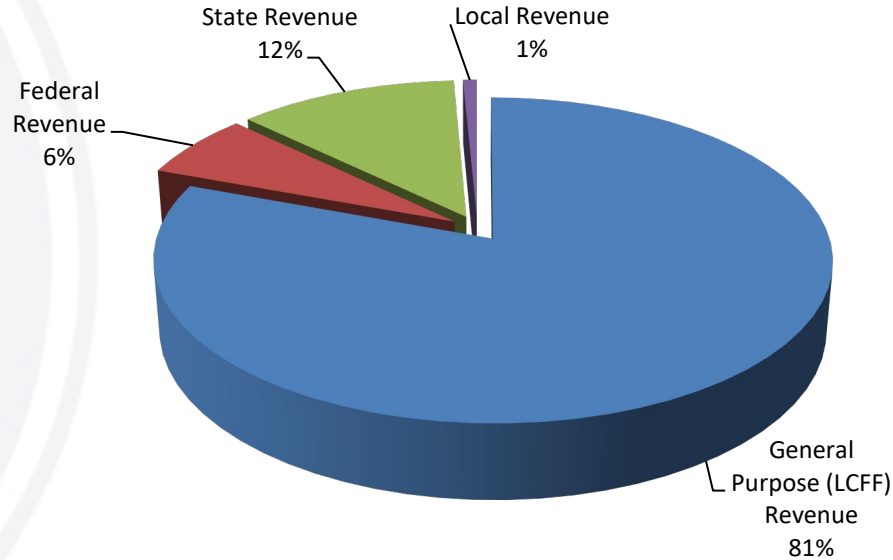
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Tonight's Overview

- 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
Second Interim Budget 2017-18**



- The majority of General Fund dollars come from the LCFF

Revenue Assumptions

- LCFF

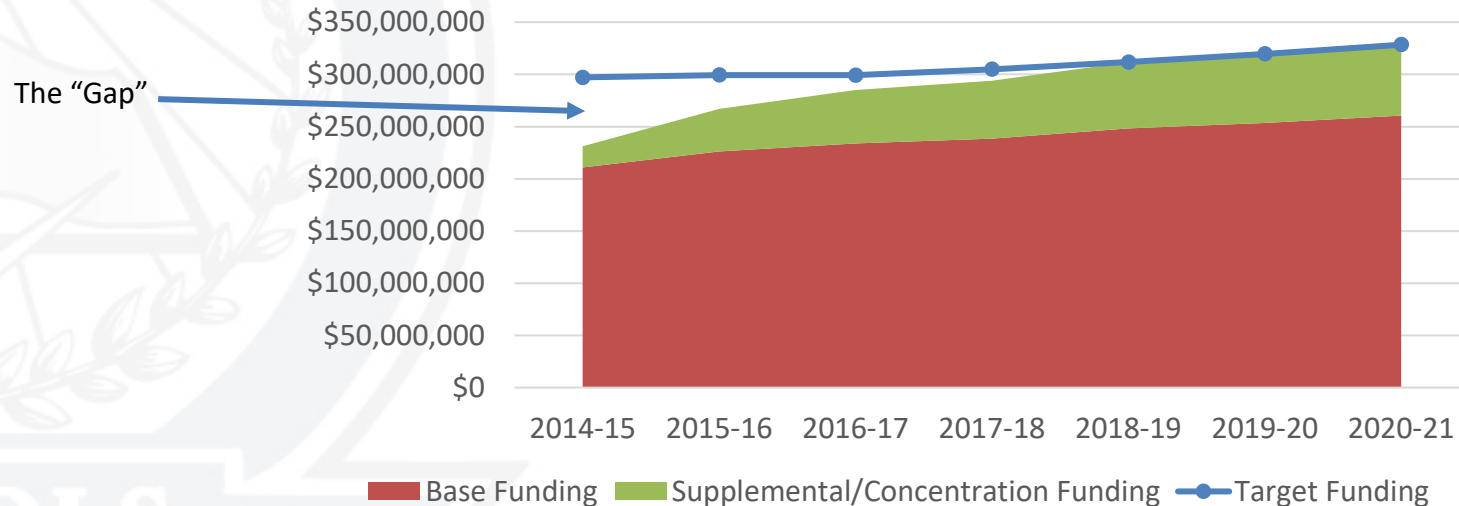
YEAR	COLA	Gap	Base Increase	Supplemental/Concentration Increase
2017/18	1.56%	44.97%	\$4.3M	\$4.5M
2018/19	2.51%	100%	\$10.0M	\$7.7M
2019/20	2.41%	n/a	\$5.1M	\$2.6M
2020/21	2.80%	n/a	\$7.0M	\$1.8M

- 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 revised plan is to close the gap in 2018/19



LCFF – Elementary

Grades	ADA	Base	Grade Span	Supp.	Conc.	TARGET
Unduplicated % of Enroll.				87.62%	87.62%	
K-3	6,432.59	\$7,193	\$748	\$1,392	\$1,295	\$68,364,009
4-6	5,179.27	\$7,301		\$1,279	\$1,191	\$50,607,788
7-8	3,081.78	\$7,518		\$1,317	\$1,226	\$31,007,761
TOTAL						\$149,979,558
TIIG Add-On						\$1,084,014
Transportation Add-On						\$474,814
17/18 LCFF TARGET						\$151,538,386

LCFF – Elementary

LCFF Floor and Phase-In Entitlement Calculation	
Prior Year Funded ADA	14,693.64
2012-13 Revenue Limit Rate	\$5,063.10
TOTAL	\$74,395,368
Prior Year State Categoricals (<i>Tier III, CSR, EIA and Transportation</i>)	\$17,400,660
Prior Year LCFF Funding	<u>\$49,983,649</u>
17/18 LCFF Floor	\$141,779,677
17/18 LCFF Target	\$151,538,386
17/18 Gap (difference)	\$9,758,709
17/18 Gap Funded @ 44.79% before SCOE Transfer	\$4,388,491
17/18 LCFF Entitlement before SCOE Transfer	\$146,168,168

LCFF – High School

Grades	ADA	Base	Grade Span	Supp.	Conc.	TARGET
Unduplicated % of Enroll.				65.09%	65.09%	
9-12	14,430.80	\$8,712	\$227	\$1,164	\$451	\$152,297,635
TOTAL						\$152,297,636
TIIG Add-On						\$717,582
Transportation Add-On						\$458,416
17/18 LCFF TARGET						\$153,473,634

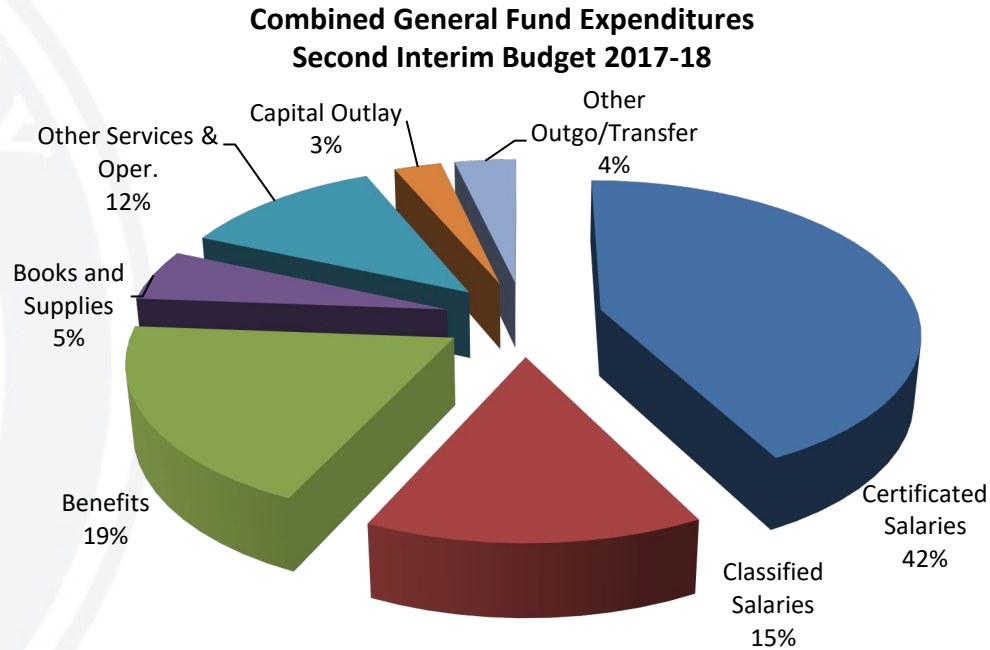
LCFF – High School

LCFF Floor and Phase-In Entitlement Calculation	
Prior Year Funded ADA	14,430.80
2012-13 Revenue Limit Rate	\$6,087.90
TOTAL	\$87,853,267
Prior Year State Categoricals (<i>Tier III, EIA and Transportation</i>)	\$10,812,150
Prior Year LCFF Funding	<u>\$44,674,005</u>
17/18 LCFF Floor	\$143,339,422
17/18 LCFF Target	\$153,473,634
17/18 Gap (difference)	\$10,134,212
17/18 Gap Funded @ 44.97% before SCOE Transfer	\$4,557,355
17/18 LCFF Entitlement before SCOE Transfer	\$147,896,777

Revenue Assumptions

- Addition of Testing Reimbursements
- Establish CA Partnership and Agriculture Incentive Grants
- Removal of Johansen High School Fire Insurance Claim reimbursements
- Establish Career Technical Education Consortia funds

General Fund Expenditures



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

Expenditure Assumptions

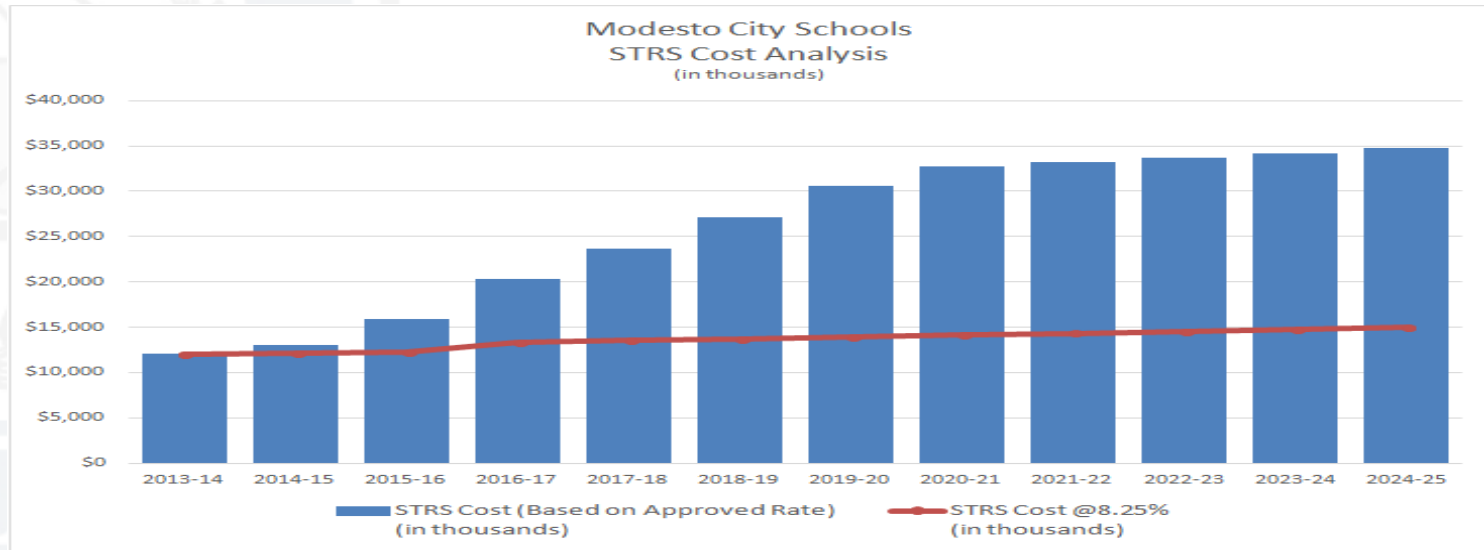
General Fund Pension Reform Increases

	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%	17.70%	20.00%
Increase Over Prior Year		\$1.0M	\$1.3M	\$1.3M
Increase over 2016/17		\$3.7M	\$8.2M	\$12.7M

Expenditure Assumptions

STRS Changes Compared to Status Quo

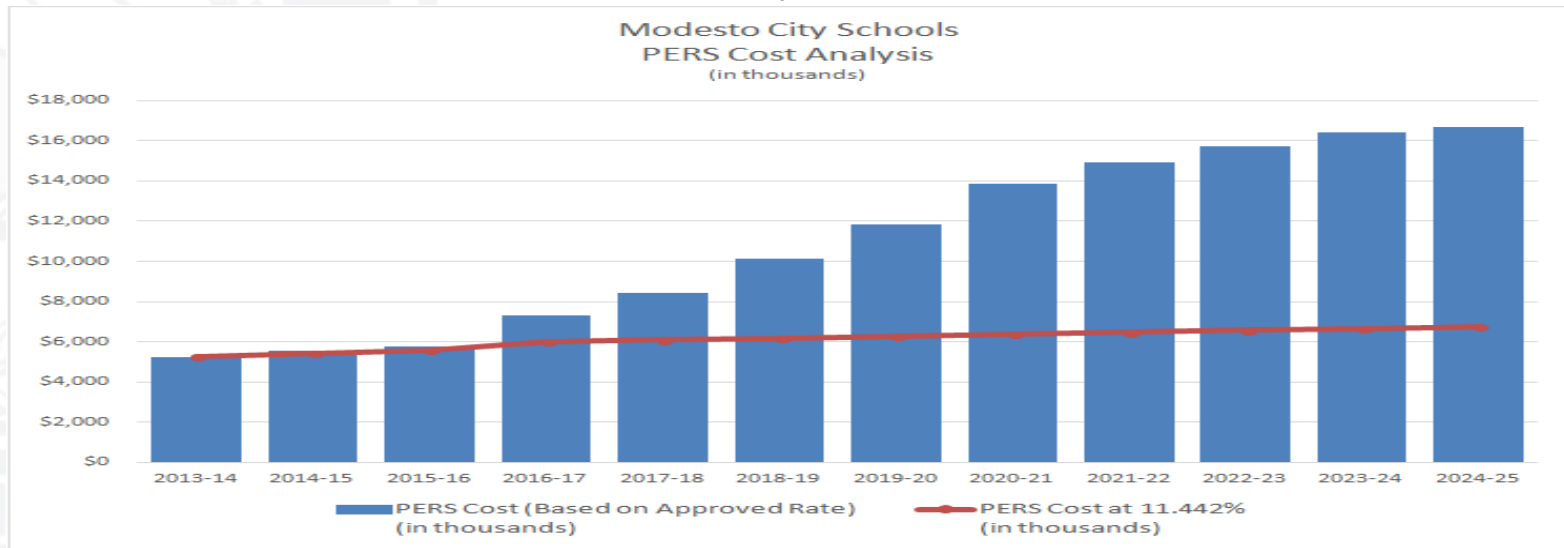
- Rates began to increase in 2014-15
 - Annual STRS costs projected to increase by 10.85%
 - Rates more than double in ten years



Expenditure Assumptions

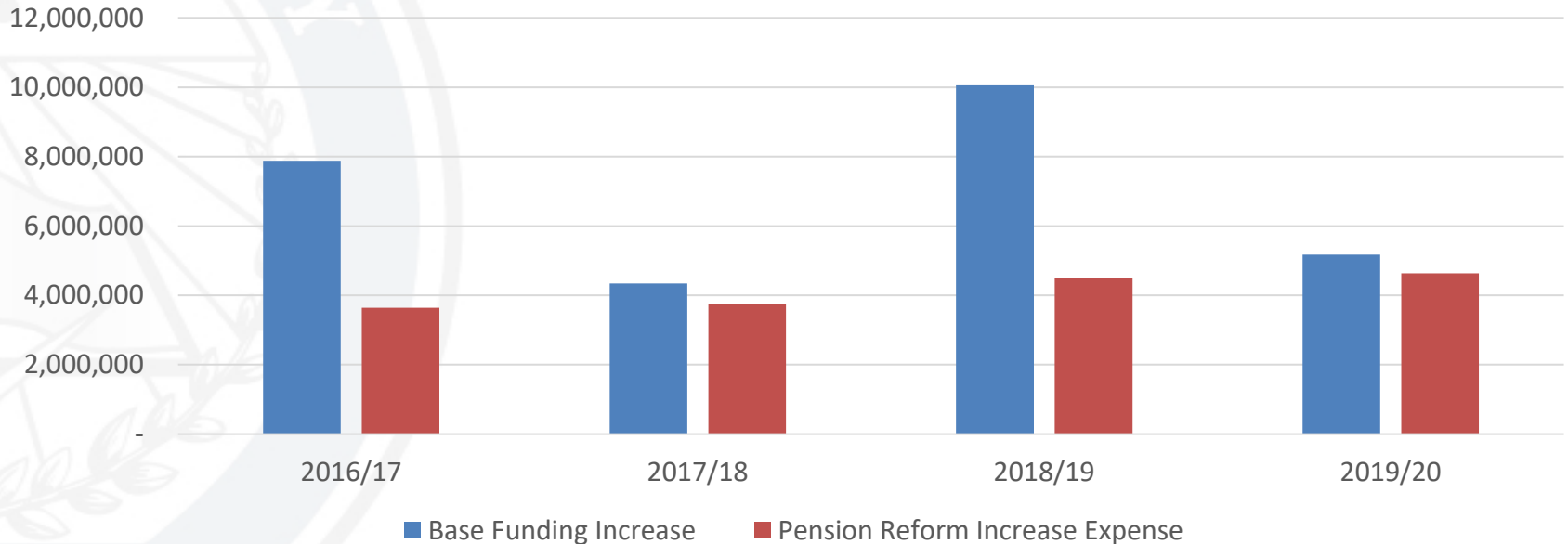
PERS Projected Contributions Compared to 2013-14

- Rates began to increase in 2014-15
 - PERS costs up by 12.26% 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 Yard Duty Ed Code Requirements
 - Budgeted amounts will be fully expended – all sources

Multi-Year Projections

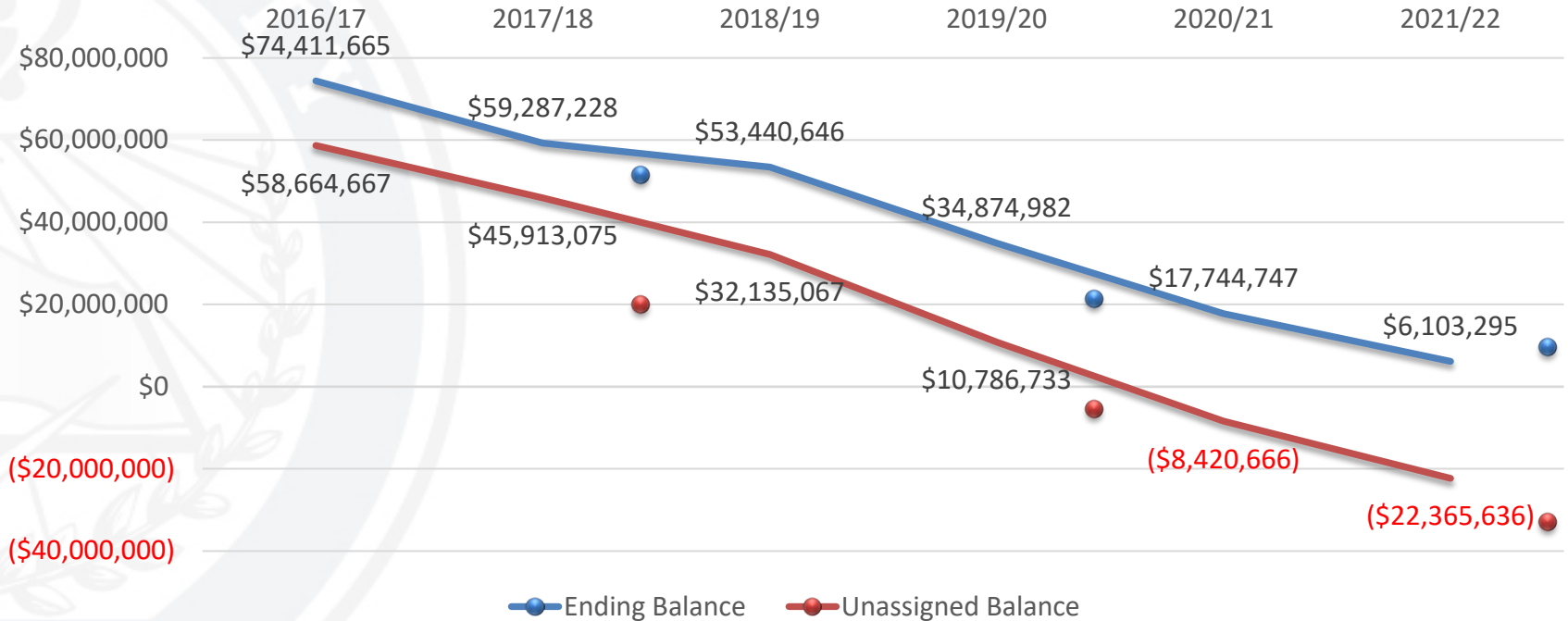
Assumptions reflected in subsequent years:

- \$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
- Pension increases in out-years
- Removal of 2017/18 onetime expenditures in out-years
- Routine Restricted Maintenance contribution returns to 3% minimum in 2019/20
- Addition of Governor's Proposed Onetime Mandate Funds of \$295/ADA in 2018/19

Fund Balance – Unrestricted

	2016/17	2017/18	2018/19	2019/20
Fund Balance	\$74,411,665	\$59,287,228	\$53,440,646	\$34,874,982
Nonspendable – Stores, Revolving Cash, Prepaid Expenses	\$1,715,312	\$1,500,000	\$1,500,000	\$1,500,000
Assigned				
Economic Uncertainties	\$11,274,812	\$11,813,046	\$11,771,351	\$11,952,865
County Cash FMV Adjustments	<\$128,472>	\$-0-	\$-0-	\$-0-
LCAP Supplemental & Concentration	\$-0-	\$-0-	\$7,783,866	\$10,385,022
Carryover Obligation – Misc.	\$2,885,346	\$362	\$362	\$362
One Time Expenditures	\$-0-	\$60,745	\$250,000	\$250,000
Unassigned Balance	\$58,664,667	\$45,913,075	\$32,135,067	\$10,786,733
Unassigned Reserve Percentage	22.60%	17.03%	11.52%	3.77%

Fund Balance Trend



Multi-Year Projections

Items NOT included in projections:

- Facility Improvements per Facility Needs Assessment Report
- Future Collective Bargaining impacts to subsequent years
- Potential increases in Special Education Contribution
- Potential changes in enrollment trends – Elementary decreased enrollment in 17/18 & projected to decrease further in 18/19

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 4 – Local Control Funding Formula - LCFF
 - Due to the Governor’s proposed gap reduction in subsequent years, there was a significant change in LCFF revenue from First to Second Interim.
 - Criterion 6 – Revenue and Expenditures
 - Changes since First Interim are a result of reductions to insurance claim revenue and increases to state testing reimbursements, California Partnership Grants, Agriculture Incentive Grants and Career Technical Education Consortia funding.

Criteria and Standards

- 5 items are shown as “not met”
 - Criterion 8 – Deficit Spending
 - Deficit spending is a result of retroactive salary settlement costs for 2016/17, spending down of carryover funds and pension reform impacts.
 - Criterion S5 – Contributions, Transfers and Capital Projects
 - Changes since First Interim are a result of the Routine Restricted Maintenance contribution returning to a 3% minimum as of 2019/20 and increasing the Board approved annual transfer to the Curriculum Reserve Fund effective 2018/19.

Summary

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