



# SAN DIEGO UNIFIED SCHOOL DISTRICT

## **Board of Education 2017-18 Budget Adoption**

**June 27, 2017**



# Presentation Agenda

- Board Actions Required
- Local Control Funding Formula (LCFF)
- Multi-Year Assumptions
- 2018-19 Proposed Budget Solutions
- 2017-18 Budget Proposal
- Tax Revenue Anticipation Notes (TRANs)
- Budget Actions Timeline



# Board Actions Required

- **Staff Recommends :**
  - Board Approve the Proposed 2017-18 District Budget
  - Board approve a motion to certify the district will be able to meet its financial obligations for the 2017-18 fiscal year and two subsequent fiscal years (positive certification) by the First Interim reporting period in 2017-18



# Local Control Funding Formula (LCFF)



# Local Control Funding Formula

- **Describes how LCFF works**
- **Describes Minimum Proportionality**
- **LCFF Base vs. Supplemental/Concentration**
  - School Sites
  - Central Office
- **Unduplicated Pupil Percentage**
  - SDUSD is above 55%



# Multi-Year Assumptions



# Multi-Year Assumptions – Revenues

REVENUE ASSUMPTIONS			
Description	2017-18	2018-19	2019-20
LCFF Funding Model			
Funded ADA	100,944	99,868	98,354
COLA*	1.56%	2.15%	2.35%
Funding Gap*	43.97%	71.53%	73.51%
Federal: Impact Aid	\$10.0M	\$10.0M	\$10.0M
Other State			
Mandated Cost Reimbursement	\$ 3.6M	\$ 3.6M	\$ 3.6M
Lottery (GFU \$144; GFR \$45)	\$189/ADA	\$189/ADA	\$189/ADA
Local: Interest	0.56%	0.56%	0.56%
Transfers In	\$21.8M	\$15.0M	\$15.0M

\*Per Department of Finance



# Multi-Year Assumptions – Expenditures

EXPENSE ASSUMPTIONS			
Description	2017-18	2018-19	2019-20
Salaries			
Step and Column: Cert / Class	1.95% / 1.13%	1.95% / 1.13%	1.95% / 1.13%
Salary Increase	0%	0%	0%
STRS	14.43%	16.28%	18.13%
PERS	15.53%	18.10%	20.80%
Health & Welfare Premiums	6.00%	6.00%	6.00%
Materials & Supplies (Consumer Price Index- CPI)	3.11%	3.19%	2.86%
Contracted Services (CPI)	3.11%	3.19%	2.86%
Utilities	\$21.0M	\$22.9M	\$23.4M
Implemented Board Solutions/Budget Deficit 2018-19	\$124.4M	\$46.4M	\$46.4M
Implemented Board Solutions/Budget Deficit 2019-20		-	\$21.7M
Transfers Out	\$12.6M	\$12.6M	\$12.6M
Contributions			
Special Education	\$212.1M	\$221.1M	\$236.3M
Restricted Routine Maintenance (RRM)	\$27.6M	\$27.6M	\$27.6M



# Proposed Budget Solutions 2018-19



# 2018-19 Proposed Budget Solutions\*

Continue Prior Year Solutions

Revenue Generation

Program Adjustments

Transfer to categorical funding/other fund

Reduce/eliminate unrestricted contribution to restricted programs

Central Office adjustments/realignments/reductions

Revise Health Benefits

Schools adjustments/reductions

Revise staffing allocation

\*May be subject to negotiations



# 2017-18 Budget Proposal



# Budget Deficit vs. Structural Deficit

- **Budget deficit is the amount by which a government entity's expenditures exceed revenues in any one fiscal year**
  - Includes Beginning Balance and Required Reserves
- **Structural deficit in the budget is the amount by which ongoing expenditures exceed ongoing revenues**
  - Surplus - If Ongoing Revenues Exceed Ongoing Expenditures
  - Structural deficit can exist in a balanced budget



# Multi-Year Budget Projections

## General Fund Unrestricted

DESCRIPTION	2016/17 PROJECTION	2017/18 PROJECTION	2018/19 PROJECTION	2019/20 PROJECTION
Beginning Balance	\$123,286,239	\$42,564,659	\$30,923,027	\$30,648,027
Revenues	1,020,388,189	1,040,550,054	1,044,096,138	1,063,797,316
Expenditures*	(855,807,260)	(817,566,415)	(840,428,663)	(865,960,441)
Projected Shortfall Solutions 2018/19		-	46,426,622	46,426,622
Projected Shortfall Solutions 2019/20			-	21,741,474
<b>TOTAL EXPENDITURES</b>	<b>(855,807,260)</b>	<b>(817,566,415)</b>	<b>(794,002,041)</b>	<b>(797,792,345)</b>
Other Sources / Uses	(245,302,509)	(234,625,271)	(250,369,097)	(265,594,971)
Ending Balance	\$42,564,659	\$30,923,027	\$30,648,027	\$31,058,027
<b>SURPLUS/(SHORTFALL)</b>	<b>(80,721,580)</b>	<b>(11,641,632)</b>	<b>(275,000)</b>	<b>410,000</b>
Required Reserves				
Economic Uncertainties	\$27,730,000	\$26,341,000	\$26,066,000	\$26,476,000
Reserve for Projected Shortfall	10,252,631	-	-	-
School Site Ending Balances	2,000,000	1,999,999	1,999,999	1,999,999
Stores	1,674,228	1,674,228	1,674,228	1,674,228
Prepaid Expenses	850,000	850,000	850,000	850,000
Revolving Cash	57,800	57,800	57,800	57,800
<b>Total Required Reserves</b>	<b>\$42,564,659</b>	<b>\$30,923,027</b>	<b>\$30,648,027</b>	<b>\$31,058,027</b>
<b>Reserve (Shortfall) / Surplus</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

\*Percentage of Salaries and Benefits: FY16/17 and FY17/18 - 96%



# Financial Risk

- State Economic Slow Down
- LCFF Implementation
- Federal Program - Every Student Succeeds Act (ESSA)
- 2018-19 Budget Deficit
- Routine Restricted Maintenance
- CalPERS/STRS Rates
- Enrollment Decline
- Separation Costs
- Salary Protection Classified



# Multi-Year Projections

## Total General Fund

DESCRIPTION	2016/17 PROJECTION	2017/18 PROJECTION	2018/19 PROJECTION	2019/20 PROJECTION
Beginning Balance	\$161,833,539	\$77,713,156	\$62,273,918	\$58,498,449
Revenues	1,286,815,814	1,279,779,182	1,284,464,737	1,299,507,187
Expenditures*	(1,372,075,108)	(1,304,432,789)	(1,337,081,197)	(1,379,331,859)
Projected Shortfall Solutions 2018/19			46,426,622	46,426,622
Projected Shortfall Solutions 2019/20				21,741,474
<b>TOTAL EXPENDITURES</b>	<b>(1,372,075,108)</b>	<b>(1,304,432,789)</b>	<b>(1,290,654,575)</b>	<b>(1,311,163,763)</b>
Other Sources / Uses	1,138,911	9,214,369	2,414,369	2,414,369
Ending Balance	\$ 77,713,156	\$ 62,273,918	\$ 58,498,449	\$ 49,256,242
<b>SURPLUS/(SHORTFALL)**</b>	<b>(84,120,383)</b>	<b>(15,439,238)</b>	<b>(3,775,469)</b>	<b>(9,242,207)</b>
Required Reserves				
Economic Uncertainties	\$27,730,000	\$26,341,000	\$26,066,000	\$26,476,000
Reserve for Projected Shortfall	10,252,631	-	-	-
Restricted Grant Carryover	35,148,497	31,350,891	27,850,422	18,198,215
School Site Ending Balances	2,000,000	1,999,999	1,999,999	1,999,999
Stores	1,674,228	1,674,228	1,674,228	1,674,228
Prepaid Expenses	850,000	850,000	850,000	850,000
Revolving Cash	57,800	57,800	57,800	57,800
<b>Total Required Reserve</b>	<b>\$77,713,156</b>	<b>\$62,273,918</b>	<b>\$58,498,449</b>	<b>\$49,256,242</b>
<b>Reserve (Shortfall) / Surplus</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

\*Percentage of Salaries and Benefits: FY16/17 - 88% and FY17/18 – 89.7%

\*\*Spending down carryover of General Fund restricted resources cause the additional shortfall in the total General Fund.



# Statement of Reasons for Excess Reserves

Education Code section 42127(a)(2)(B) requires a statement of the reasons that substantiates the need for assigned and unassigned ending fund balances in excess of the minimum reserve standard for economic uncertainties for each fiscal year identified in the budget.

Combined Assigned and Unassigned/Unappropriated Fund Balances			
Form	Fund		2017-18 Budget
01	General Fund/County School Service Fund		\$ 28,340,999
17	Special Reserve Fund for Other Than Capital Outlay Projects		\$ -
	Total Assigned and Unassigned Ending Fund Balances		\$ 28,340,999
	District Standard Reserve Level		2%
	Less District Minimum Reserve for Economic Uncertainties		\$ 26,341,000
	Remaining Balance to Substantiate Need		\$ 1,999,999

- Reason for Fund Balances in Excess of Minimum Reserve: Additional \$2.0M set aside for specific school site accounts



# 2017-18 All Funds

Fund	Fund Description	Beginning Balance	Revenue	Expenses	Trans In/ (Trans Out)	Ending Balance
01	General Fund	\$ 77,713,156	\$ 1,279,779,182	\$ (1,304,432,789)	\$ 9,214,369	\$ 62,273,918
11	Adult Education	1,416,627	1,686,094	(1,705,005)	-	1,397,716
12	Child Development	2,362	18,000,256	(26,008,996)	8,008,740	2,362
13	Cafeteria Special Revenue	2,067,254	64,693,800	(63,217,007)	-	3,544,047
15	Pupil Transportation Equipment	-	3,500	-	-	3,500
20	Special Reserve - Retiree Benefits	2,186,375	10,700	-	206,891	2,403,966
21	Building Fund	483,633,719	688,724,175	(72,674,119)	-	1,099,683,775
25	Capital Facilities Fund	59,622,534	33,113,634	(54,275,064)	(19,000,000)	19,461,104
35	County School Facilities Fund	64,998,591	310,627	(203,737)	-	65,105,481
40	Special Reserve - Capital Projects	7,943,255	3,369,365	(1,416,957)	(4,300,000)	5,595,663
51	Bond Interest & Redemption	327,820,846	213,590,605	(240,370,106)	-	301,041,345
67	Self Insurance Fund	35,662,397	38,748,488	(38,678,993)	5,870,000	41,601,892
Total		\$ 1,063,067,116	\$ 2,342,030,426	\$ (1,802,982,773)	\$ -	\$ 1,602,114,769



# Tax Revenue Anticipation Notes (TRANs)

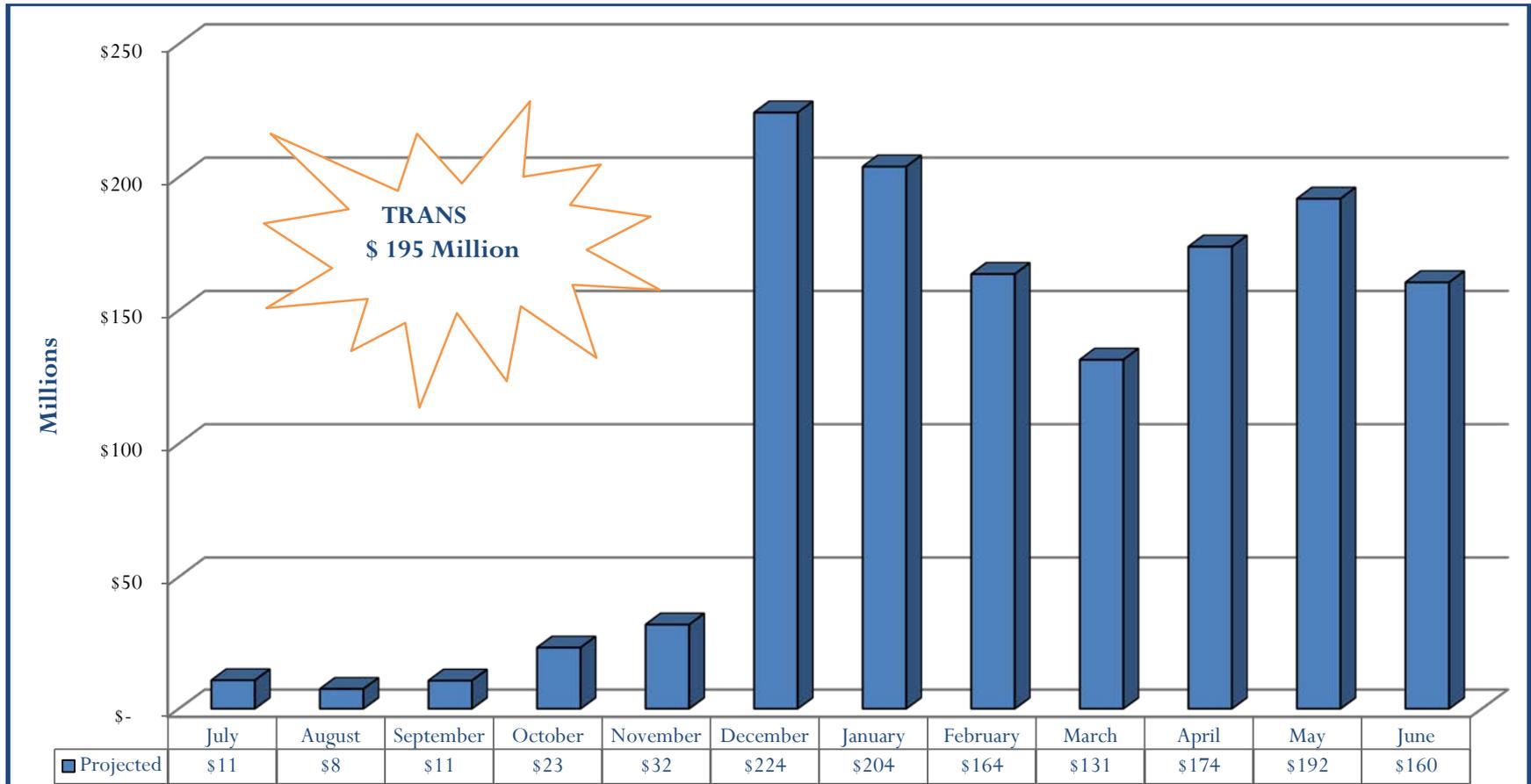


# Tax Revenue and Anticipation Notes

- Estimated at \$195 million
- No cash deferrals factored into projections
- Subject to Education Protection Account (EPA) and LCFF entitlement adjustments at P-2 certification anticipated in July 2017
- Credit rating presentation was held on June 21, 2017
- Resolution to Board on June 27, 2017
- Close on July 25, 2017



# Total General Fund Cash Flow





# Budget Actions Timeline



# Budget Actions Timeline

Date	Actions
June 27, 2017	<ul style="list-style-type: none"><li>- Board Adoption of 2017-18 Budget and LCAP</li><li>- TRANs Resolution and Preliminary Official Statement</li></ul>
July 1, 2017	<ul style="list-style-type: none"><li>- 2017-18 Adopted Budget and LCAP due to SDCOE</li></ul>
July 25, 2017	<ul style="list-style-type: none"><li>- TRANs Issuance</li></ul>



Questions?