

2017-18 BUDGET

LASD Board
Meeting
June 5, 2017

OVERVIEW

- State law requires adoption of district budget by June 30
- Public hearing required before adoption
 - Must be held at same meeting as public hearing on district's Local Control & Accountability Plan (LCAP)
 - LCAP hearing must come first
- Adoption cannot be at same meeting as public hearing
 - Adoption slated for June 12 board meeting
- Our 2017-18 Budget meets all state requirements for a balanced budget
 - Meets all SACS standards and criteria for budget and two future years

KEY POINTS

- General Fund is balanced and, with Special Reserve, provides a 5.5% reserve level at end of 2017-18
 - Reserves are drawn down in current (2016-17) year and continue being drawn down in budget and 2 succeeding years
 - But stay above 3% in all three years
- OPEB Special Reserve Fund has 3.1M projected balance by end of 2017-18
- Capital Funds have minimal fund balances
- Challenges: escalating STRS/PERS rates and health insurance costs; potential economic downturn; ability to attract and retain teachers; short term enrollment decline but future enrollment growth from new housing stock

FOCUS ON 2017/18 GENERAL FUND

2017/18 BUDGET – GENERAL FUND

■ Key Assumptions--Revenues

- Property tax growth of 6.5%
- One-time discretionary funding, as proposed by Governor in January, is included in the projections (\$210k)
 - But at risk with Governor's May Revise proposal to defer to May 2019
- LAEF grant assumed to be at same level as current year
- Parcel tax revenue of \$10 M

2017/18 BUDGET – GENERAL FUND

■ Key Assumptions--Expenditures

- Current programs carried forward
- Class sizes same as current year
- 0.4% Enrollment growth (16 students)
 - 2 fewer classroom teachers
- Continuing increases in STRS/PERS
- Health benefit rates increase by 7.5%
- Step/column movement on salary schedule
- No across-the-board salary increase included
- Continued contribution from General Fund to Deferred Maintenance Fund

2017/18 BUDGET – GENERAL FUND

| | |
|---|-------------------------------|
| Revenues | 58,951,848 |
| <u>Expenditures</u> | <u>59,323,075</u> |
| Net Change | <371,228> |
| | |
| Beginning Balance | 1,334,260 |
| Ending Balance | 963,032 |
| <u>Less, Encumbrances/Restrictions</u> | <u><275,438></u> |
| Unrestricted | 687,594 |
| | |
| Total Reserves | 3,288,047 |
| (with Special Reserve Fund added) | 5.54% |

KEY DATA – GENERAL FUND ONLY

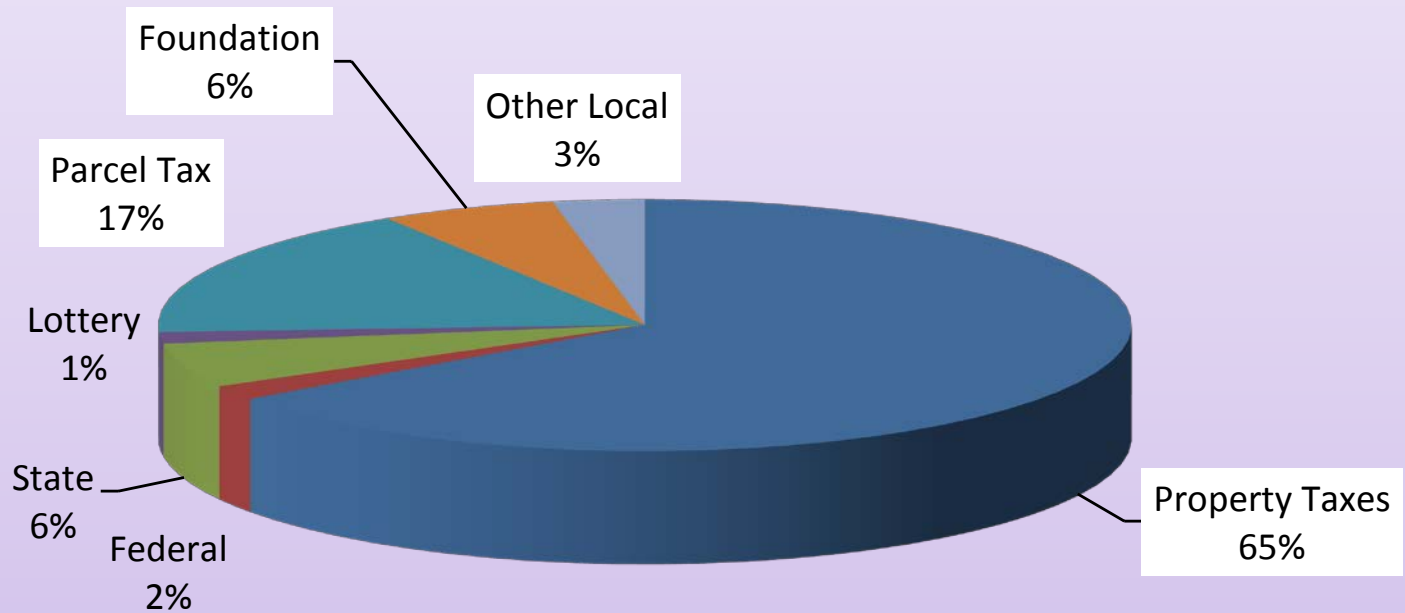
| | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 |
|-----------------------------|----------|----------|----------|----------|----------|
| Revenue | 52.8M | 52.1 M | 60.1M | 58.0 M | 59.0 M |
| growth over 5 years | | | | | 12% |
| Expense | 53.8 M | 57.4 M | 58.0 M | 60.5 M | 59.3 M |
| growth over 5 years | | | | | 10% |
| | | | | | |
| Enrollment | 4,543 | 4,670 | 4,636 | 4,522 | 4,538 |
| growth/decline over 5 years | | | | | <0.11>% |
| | | | | | |
| Expense per Student | \$11,844 | \$12,288 | \$12,511 | \$13,386 | \$13,073 |

2013-14, 2014-15 & 2015-16 expense includes significant transfers to capital funds

2 YEAR COMPARISON

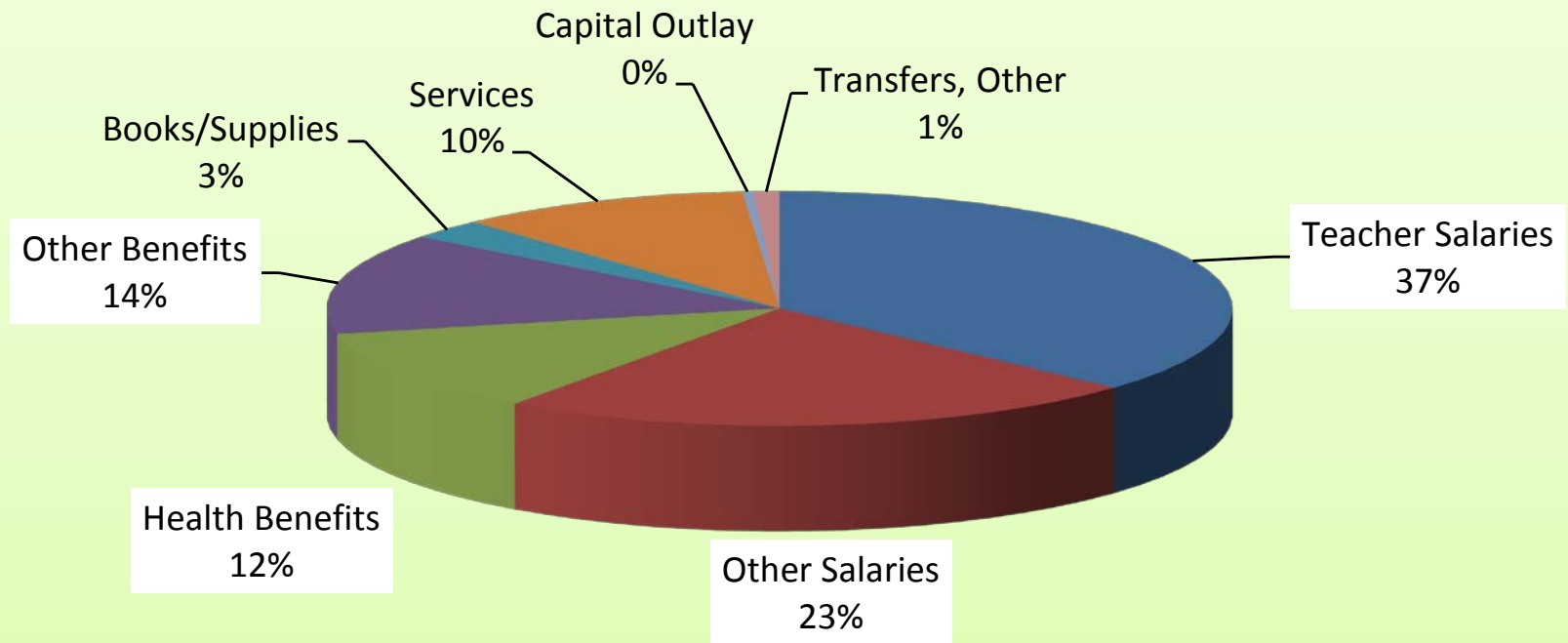
| | 2016/17 | | 2017/18 | |
|---------------------------|---------------|----------------|---------------|----------------|
| <i>Enrollment</i> | | 4,522 | | 4,538 |
| Revenues | \$ | \$ per Student | \$ | \$ per Student |
| Property Taxes | \$ 36,090,224 | \$ 7,981 | \$ 38,030,207 | \$ 8,380 |
| State | \$ 4,469,218 | \$ 988 | \$ 3,672,450 | \$ 809 |
| Federal | \$ 1,112,713 | \$ 246 | \$ 1,107,494 | \$ 244 |
| Lottery | \$ 923,138 | \$ 204 | \$ 874,803 | \$ 193 |
| Parcel Tax | \$ 10,018,701 | \$ 2,216 | \$ 10,018,701 | \$ 2,208 |
| LAEF | \$ 3,450,000 | \$ 763 | \$ 3,450,000 | \$ 760 |
| Rents, Fees, Other Local | \$ 1,909,520 | \$ 422 | \$ 1,798,193 | \$ 396 |
| | \$ 57,973,514 | \$ 12,820 | \$ 58,951,848 | \$ 12,991 |
| Expenses | | | | |
| Salaries & Benefits | \$ 48,402,406 | \$ 10,704 | \$ 49,668,064 | \$ 10,945 |
| Retiree Benefits | \$ 1,059,470 | \$ 234 | \$ 1,018,219 | \$ 224 |
| Books & Supplies | \$ 2,330,305 | \$ 515 | \$ 1,610,590 | \$ 355 |
| Utilities | \$ 1,289,281 | \$ 285 | \$ 1,353,391 | \$ 298 |
| Other Operating Expenses | \$ 6,275,347 | \$ 1,388 | \$ 4,884,081 | \$ 1,076 |
| Capital Outlay | \$ 393,479 | \$ 87 | \$ 236,570 | \$ 52 |
| Debt Service, Other Outgo | \$ 350,884 | \$ 78 | \$ 350,884 | \$ 77 |
| Transfers Out | \$ 432,010 | \$ 96 | \$ 201,277 | \$ 44 |
| | \$ 60,533,182 | \$ 13,386 | \$ 59,323,076 | \$ 13,073 |

2017-18 General Fund Revenues



Total Revenues: \$58,951,848

2017-18 General Fund Expenditures



Total Expenditures: \$59,323,075

MULTI-YEAR PROJECTIONS

MYP ASSUMPTIONS

- 5% annual property tax growth (after 17/18)
- Modest enrollment decline through 2022/23
 - 98 students; 2% decline
 - 6 fewer classroom teachers
- Continued growth in BCS enrollment to 900 students by 2018/19
- Annual COLA's for state/federal funding
- Comparable programs and class sizes
- No additional salary schedule increases; 7.5% annual increase in health benefit rates; continuing increases in STRS/PERS rates

MYP SUMMARY

| | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
|--------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Total Revenues | 58,951,848 | 60,570,297 | 62,750,513 | 65,042,167 | 67,463,304 | 70,003,061 |
| Total Expenses | 59,323,076 | 61,427,271 | 63,225,819 | 64,991,200 | 66,369,339 | 67,603,829 |
| Net Change | (371,228) | (856,974) | (475,306) | 50,967 | 1,093,964 | 2,399,232 |
| Unaudited Beginning Balance | 1,334,260 | 963,032 | 106,058 | (369,248) | (318,281) | 775,684 |
| Ending Balance | 963,032 | 106,058 | (369,248) | (318,281) | 775,684 | 3,174,916 |
| Encumbrances | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 |
| OPEB Obligation | 270,438 | 255,782 | 221,852 | 174,821 | 125,792 | 74,678 |
| General Fund Reserves | 687,594 | (154,723) | (596,100) | (498,102) | 644,892 | 3,095,237 |
| Reserves, Special Reserve Fund | 2,600,452 | 2,670,665 | 2,748,114 | 2,825,061 | 2,904,163 | 2,985,479 |
| Total Reserves | 3,288,047 | 2,515,941 | 2,152,014 | 2,326,959 | 3,549,055 | 6,080,716 |
| % of Expense | 5.54% | 4.10% | 3.40% | 3.58% | 5.35% | 8.99% |

Key Changes: 5% tax growth starting in 2018-19

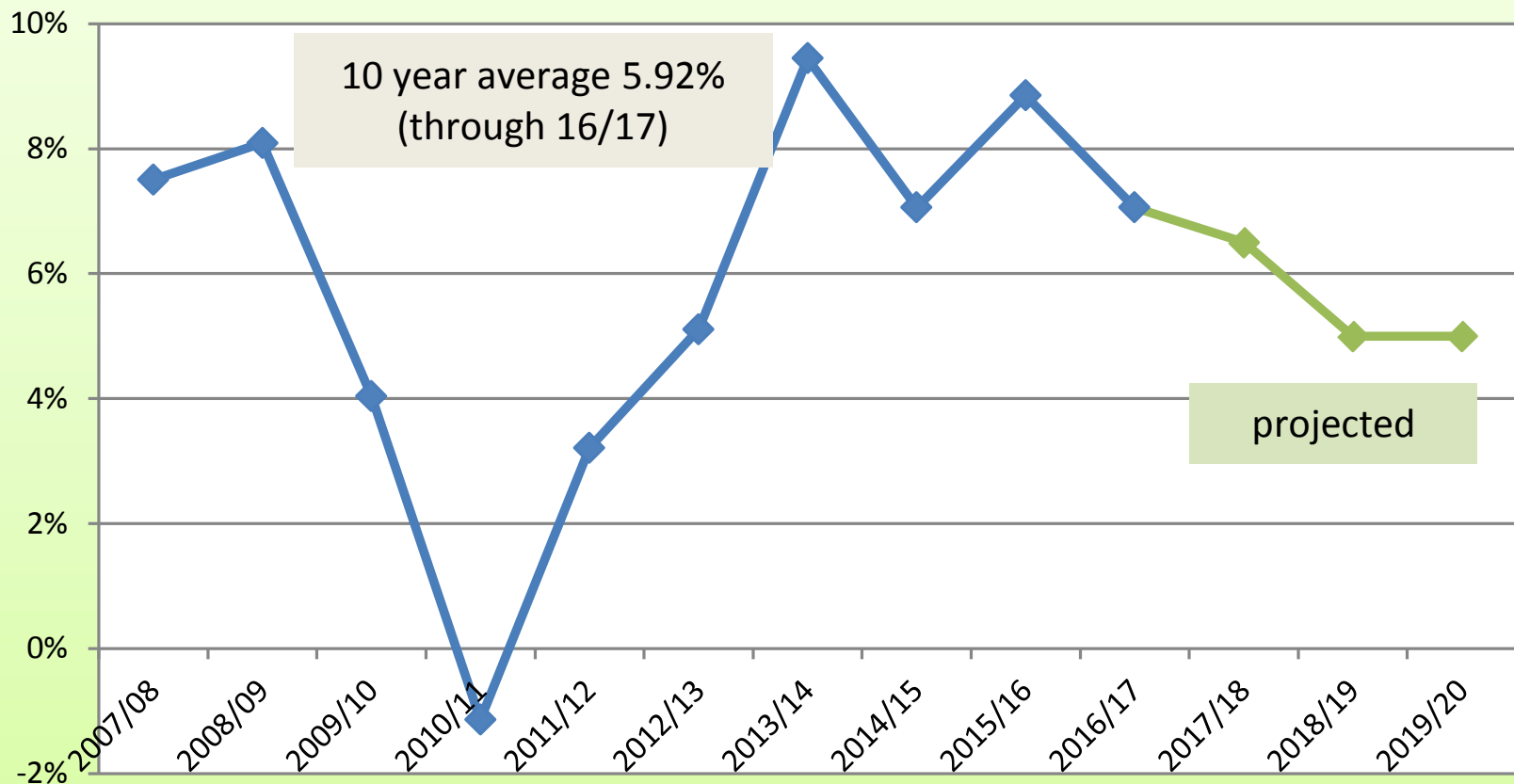
Slight enrollment decline (LASD; some growth for BCS)

1.9% increase in STRS rates, annually (500k)

7.5% annual growth in health insurance costs (500k)

AV AND PROPERTY TAX GROWTH

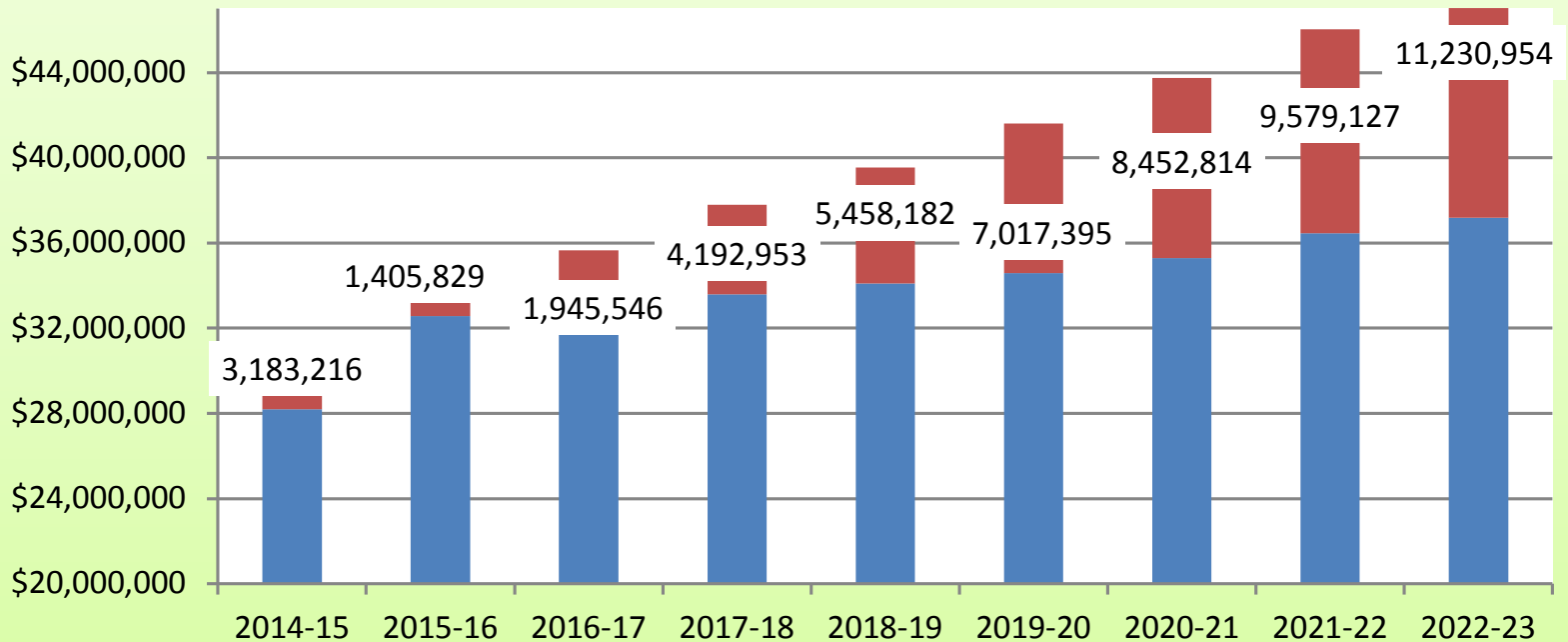
10 Year History of Tax Base Growth



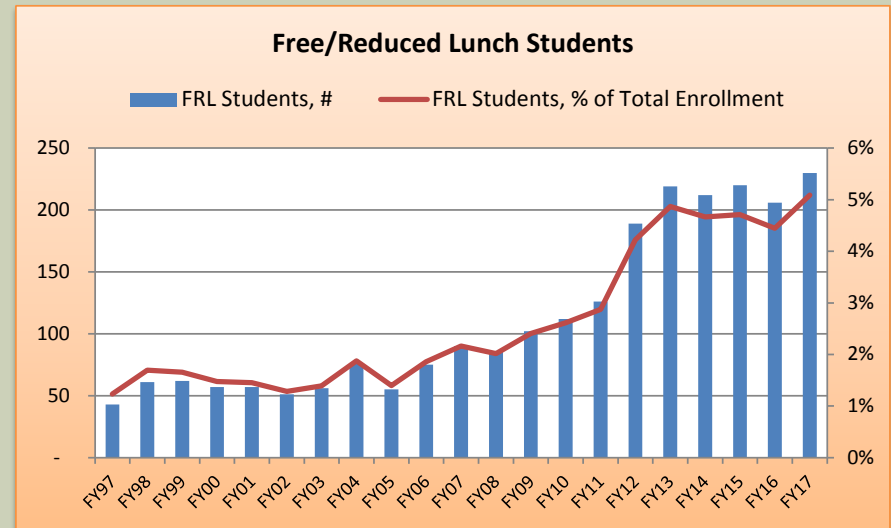
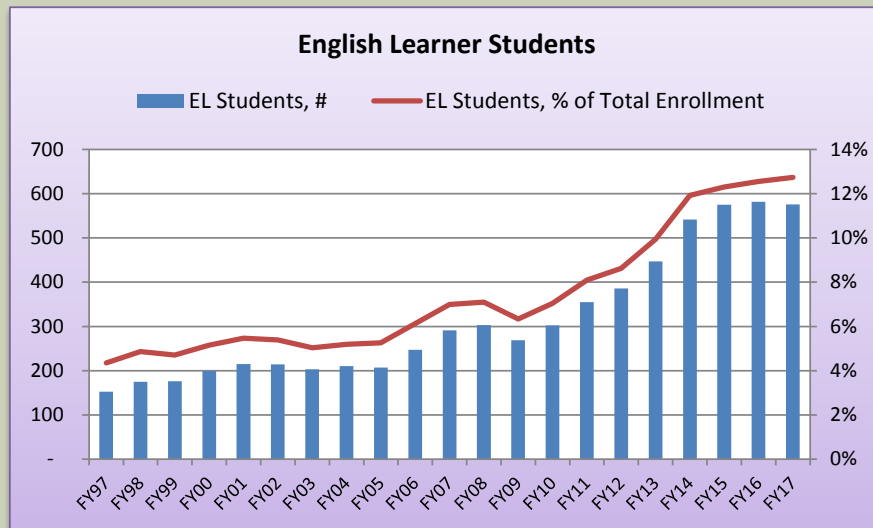
BASIC AID BENEFIT

Benefit as a Community Funded District (Excess of Property Taxes over State Aid)

■ State Aid (general purpose) ■ Excess Property Taxes



CHANGE IN DEMOGRAPHICS



2016-17 unduplicated count*: 14% of total enrollment

***unduplicated = EL, low income, foster youth**

SPECIAL FUNDS

SPECIAL RESERVE FUNDS

- We maintain 2 special reserve funds
 - “Rainy Day” special reserve fund
 - Other Post-Employment Benefits (OPEB) special reserve fund
- Total projected ending balance – 5.7M
 - Rainy day fund – 2.6M (4.4% of GF expense)
 - OPEB – 3.1M
- OPEB reserve fund balance will grow each year as we make interfund transfer to cover our liability
 - 201,277 is the transfer budgeted for 17/18

DEFERRED MAINTENANCE FUND

- **Deferred Maintenance Fund** has a minimal balance
 - 37k as of end of 2017-18
- We continue to provide 300k annually as a transfer from General Fund
 - Continuing to do so stresses our General Fund
- Aging facilities likely to cause continual drain on resources, unless we use bond proceeds to address repairs and/or replacements

BUILDING FUNDS

- **Building Fund** was running at subsistence level, but with passage of \$150M bond measure there will be funds available for various projects
 - We have 2 sub-funds
 - Building – uses lease income from Eastbrook site
 - Bond – will use proceeds from the Nov 2014 bond
 - The cost of some of the portables leased for the charter school offsets the annual revenue in the Building sub-fund
 - Bond sub-fund to be used to pay for new buildings this summer for charter school

CAPITAL FACILITIES FUND

- **Capital Facilities Fund** has a very small fund balance
 - 121k projected at end of 2017-18
- Unless we replace rented portables (or fund them from some other source) this fund continues to be at risk of going out of balance

CAPITAL FUNDS

| Fund | Deferred Maintenance | Building | Capital Facilities |
|--------------------------------|----------------------|----------------|--------------------|
| 16/17 Projected Ending Balance | 36,000 | 1,085,000 | 101,000 |
| | | | |
| 17/18 Revenue | 301,000 | 307,000 | 1,055,000 |
| 17/18 Expense | <u>300,000</u> | <u>718,000</u> | <u>1,035,000</u> |
| net change | 1,000 | <411,000> | 20,000 |
| | | | |
| 17/18 Projected Ending Balance | 37,000 | 674,000 | 121,000 |

CONCLUSION

- Public hearing is a time for board to receive input from the public
- Adoption of budget scheduled for June 12
- Questions?