

Fremont Unified School District
Board Presentation
March 15, 2018



Fremont Unified School District Board Presentation

Presented by

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Director, Management Consulting Services



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Review of District Documents

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- In order to accurately assess the District's budgets and multiyear projections (MYPs), we looked at the entire First Interim budget as well as two prior-year budgets and actuals
- We find the District has a high-quality reporting structure that is transparent and detailed enough that the general public could easily attain any fiscal information, including budget assumptions
- We found the budget assumptions to be detailed
- We agree with the budget, the proposed reductions, and the MYPs as they were presented
- The Second Interim report was being prepared while we were conducting our review, we were able to use it to develop revenue projections in a few of the following slides

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What Is a Budget?

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- A budget is a projection based on assumptions anchored in current conditions
 - As the conditions change, so will the numbers
- The accumulation of assumptions generates the current budget
- Assembly Bill 1200 requires that all districts in the state of California prepare a current budget, along with the two subsequent years, based on current conditions
- A budget is not a prediction, nor is it a forecast

Local Control Funding Formula

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- The Local Control Funding Formula (LCFF) accounts for 94% of the District's unrestricted revenues
- Combines local assumptions for average daily attendance (ADA) and statewide factors that are outside of the District's control
- The District's assumptions at the time used the most recent statewide factors released by the Department of Finance in June 2017
- The Governor's January Budget proposal includes full implementation, which means no additional gap funding after 2017-18

	2017-18	2018-19	2019-20
LCFF Gap Closure	23.67%	53.85%	68.94%
Governor's Proposal for 2018-19	43.97%	0%	0%

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One-Time Funding Sources

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- The state of California has provided historically large amounts of one-time funding for K-12 education
 - In 2015-16, the state provided \$529 per ADA – approximately \$12.2 million for the District
 - In 2016-17, the state provided \$214 per ADA – approximately \$4.9 million for the District
 - In 2017-18, the state provided an additional \$147 per ADA – approximately \$3.4 million for the District
- The District has appropriately included the latter amount in its First Interim budget and MYP

Local Control Funding Formula

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- The District enrollment has been on a steady increase
 - New schools are being planned and the budget assumptions include continued increase in enrollment based on new developments and a recent demographic study
- The District's assumptions for the two subsequent years projects continual increases above the historical average based upon the demographic study and recent new home developments
 - The District has built into the budget additional cost for staff and facilities to accommodate new students

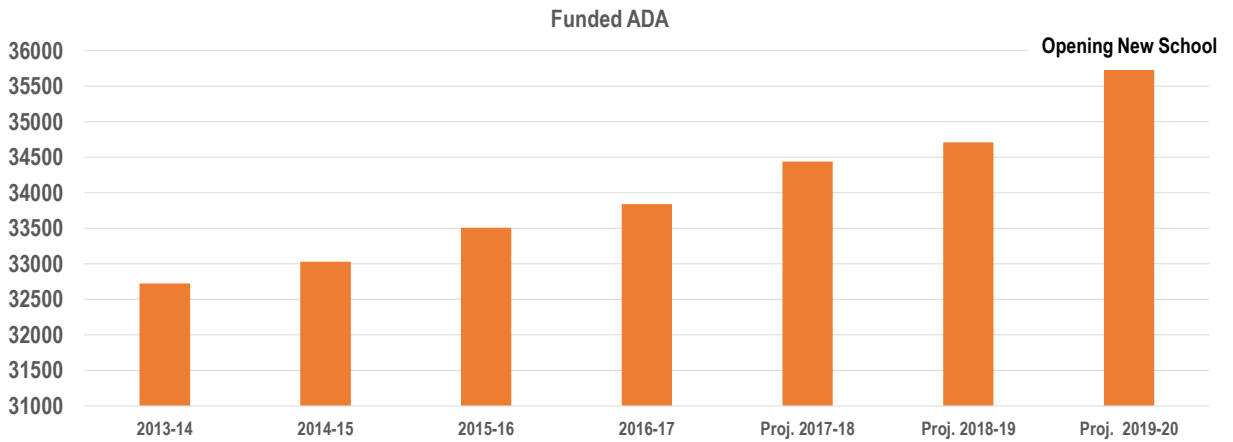
	2016-17	2017-18	2018-19	2019-20
ADA	33,843	34,441	34,709	35,727
Change From Prior Year	334	598	268	1,018

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Funded ADA Growth Over Time

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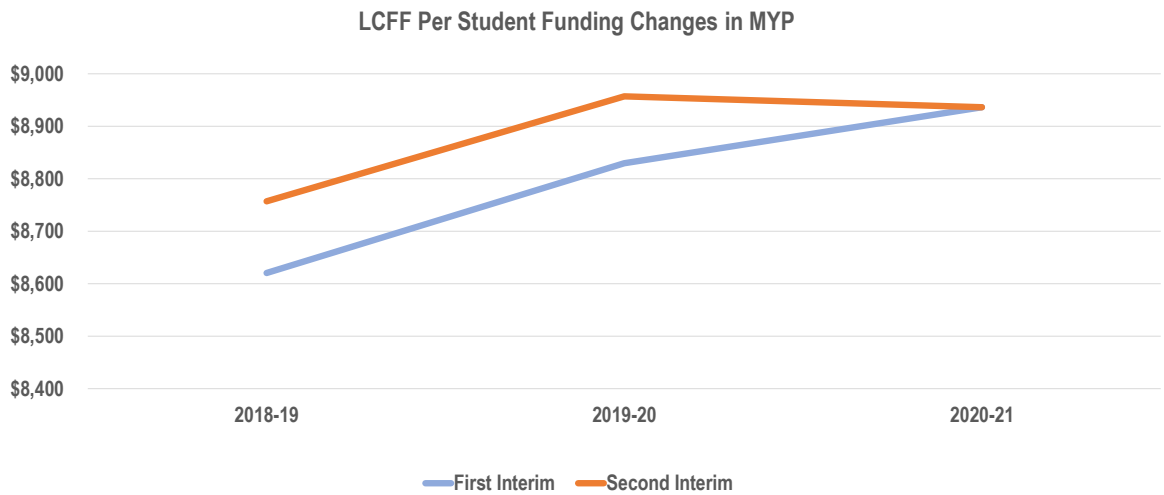
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At Full Implementation Funding Trajectory Flattens Out

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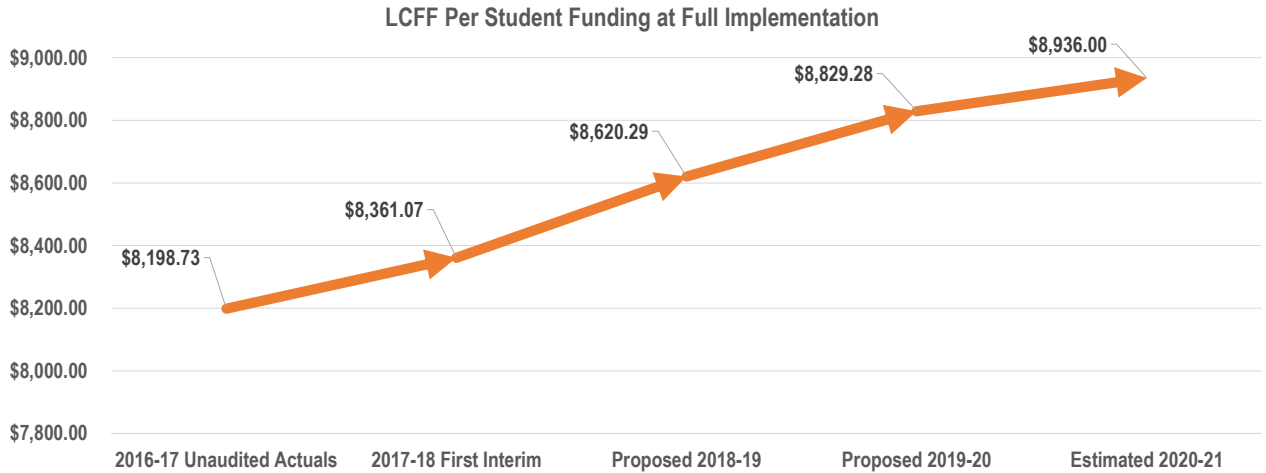


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LCFF Per Student Funding at Full Implementation

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Contributions

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- Districts receive supplementary funding for special education in addition to the LCFF dollars generated by students with disabilities, but the combined funding doesn't adequately address the needs and requirements to provide services
 - Result is District must contribute additional LCFF dollars to support the programs
- Additionally, Districts are required to set aside funds for the Routine Restricted Maintenance Account; the requirements are 2% of total expenditures in current year and at 3% by 2021
- Combined these two programs are the largest portion of the contributions from unrestricted funds
- Increases to the contributions in the current year relate to additional staffing, as well as increasing pension costs

	2015-16	2016-17	2017-18
Contributions	\$45,121,341	\$52,143,955	\$53,247,154

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Salaries and Benefits

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- In 2016-17, 86% of the District's unrestricted expenditures were on salaries and benefits
- In 2017-18, nearly 92% of the District's unrestricted expenditures are projected for salaries and benefits
- The increase is primarily due to two factors
 - Additional positions and increasing contributions to the California State Teachers' Retirement System and California Public Employees' Retirement System
 - Additional personnel costs for step and column increase

	2016-17 Actuals	2017-18 First Interim
Total Unrestricted Salaries and Benefits	\$225,547,022	\$235,787,180
Total Expenditures	\$260,792,365	\$257,882,024
	86.49%	91.43%

Materials, Services, and Capital Outlay

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- The remaining portion of the budget is earmarked for materials, services, and capital outlay projects including the following items:
 - Instructional materials
 - Utilities
 - Nonpublic agencies/schools
 - Renovations/Capital Expenditure – For Example: acquisition of school buses – \$3 million in 2016-17; District General Fund share of building new school – \$10 million in 2016-17; Implementation of Proposition 39 (Clean Energy Jobs Act) – \$6 million in 2017-18

General Fund Unrestricted and Restricted Expense	2016-17	2017-18
Materials, Services, and Capital Outlay	\$59,891,440	\$51,632,636

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Multiyear Projection Without Proposed Expenditure Reductions

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	2017-18 First Interim			2018-19 Projection (without reductions)			2019-20 Projection (without reductions)		
	Unrestricted	Restricted	Combined	Unrestricted	Restricted	Combined	Unrestricted	Restricted	Combined
Revenue Limit/LCFF	287,963,756	1,794,127	289,757,883	299,201,713	1,794,127	300,995,840	315,443,567	1,794,127	317,237,694
Federal Revenue	60,490	12,799,875	12,860,365	60,490	11,435,375	11,495,865	60,490	11,435,375	11,495,865
State Revenue	11,457,896	22,901,622	34,359,518	6,788,282	21,544,888	28,333,170	7,153,686	22,008,103	29,161,789
Other Local Revenue	7,809,741	2,925,585	10,735,326	7,809,741	2,925,585	10,735,326	7,809,741	2,925,585	10,735,326
Total Revenues	307,291,883	40,421,209	347,713,092	313,860,226	37,699,975	351,560,201	330,467,484	38,163,190	368,630,674
Certificated Salaries	161,171,429	32,199,752	193,371,181	164,702,088	32,141,996	196,844,084	170,725,403	32,624,126	203,349,529
Classified Salaries	33,875,528	26,054,109	59,929,637	34,443,212	26,387,223	60,830,435	34,959,860	26,783,031	61,742,891
Employee Benefits	40,740,223	13,367,885	54,108,108	45,359,368	14,364,860	59,724,228	50,646,326	15,636,541	66,282,867
Books and Supplies	6,241,277	11,471,208	17,712,485	8,732,729	5,948,454	14,681,183	7,232,729	5,378,563	12,611,292
Services, Other Oper	16,043,561	10,114,541	26,158,102	16,283,626	9,247,395	25,531,021	16,283,626	9,247,395	25,531,021
Capital Outlay	197,637	7,564,412	7,762,049	1,765,114	15,531	1,780,645	197,637	15,531	213,168
Other Outgo	4,387,964	-	4,387,964	4,387,964	-	4,387,964	4,387,964	-	4,387,964
Indirect/Direct Suppt	(4,775,595)	4,173,777	(601,818)	(4,566,827)	3,965,009	(601,818)	(4,651,027)	4,049,209	(601,818)
Total Expenditures	257,882,024	104,945,684	362,827,708	271,107,274	92,070,468	363,177,742	279,782,518	93,734,396	373,516,914
Interfund Transf In	1,420,000	-	1,420,000	700,000	-	700,000	-	-	-
Interfund Transf Out (-)	(2,112,000)	-	(2,112,000)	(100,000)	-	(100,000)	(100,000)	-	(100,000)
Other Sources	-	-	-	-	-	-	-	-	-
Other Uses	-	-	-	-	-	-	-	-	-
Contributions	(53,247,154)	53,247,154	-	(54,225,713)	54,225,713	-	(55,426,426)	55,426,426	-
Total Other Financing	(53,939,154)	53,247,154	(692,000)	(53,625,713)	54,225,713	600,000	(55,526,426)	55,426,426	(100,000)
Increase/Decrease in Fund Balance	(4,529,295)	(11,277,321)	(15,806,616)	(10,872,761)	(144,780)	(11,017,541)	(4,841,460)	(144,780)	(4,986,240)

Multiyear Projection With Proposed Expenditure Reductions

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	2017-18 First Interim			2018-19 Projection (with reductions)			2019-20 Projection (with reductions)		
	Unrestricted	Restricted	Combined	Unrestricted	Restricted	Combined	Unrestricted	Restricted	Combined
Revenue Limit/LCFF	287,963,756	1,794,127	289,757,883	299,201,713	1,794,127	300,995,840	315,443,567	1,794,127	317,237,694
Federal Revenue	60,490	12,799,875	12,860,365	60,490	11,435,375	11,495,865	60,490	11,435,375	11,495,865
State Revenue	11,457,896	22,901,622	34,359,518	6,788,282	21,544,888	28,333,170	7,153,686	22,008,103	29,161,789
Other Local Revenue	7,809,741	2,925,585	10,735,326	7,809,741	2,925,585	10,735,326	7,809,741	2,925,585	10,735,326
Total Revenues	307,291,883	40,421,209	347,713,092	313,860,226	37,699,975	351,560,201	330,467,484	38,163,190	368,630,674
Certificated Salaries	161,171,429	32,199,752	193,371,181	164,702,088	32,141,996	196,844,084	170,725,403	32,624,126	203,349,529
Classified Salaries	33,875,528	26,054,109	59,929,637	34,443,212	26,387,223	60,830,435	34,959,860	26,783,031	61,742,891
Employee Benefits	40,740,223	13,367,885	54,108,108	45,359,368	14,364,860	59,724,228	50,646,326	15,636,541	66,282,867
Books and Supplies	6,241,277	11,471,208	17,712,485	8,732,729	5,948,454	14,681,183	7,232,729	5,378,563	12,611,292
Services, Other Oper	16,043,561	10,114,541	26,158,102	16,283,626	9,247,395	25,531,021	16,283,626	9,247,395	25,531,021
Capital Outlay	197,637	7,564,412	7,762,049	1,765,114	15,531	1,780,645	197,637	15,531	213,168
Other Outgo	4,387,964	-	4,387,964	4,387,964	-	4,387,964	4,387,964	-	4,387,964
Indirect/Direct Suppt	(4,775,595)	4,173,777	(601,818)	(4,566,827)	3,965,009	(601,818)	(4,651,027)	4,049,209	(601,818)
Revenue Enhancements & Expenditure Reductions				(3,822,495)			(5,166,205)		
Total Expenditures	257,882,024	104,945,684	362,827,708	267,284,779	92,070,468	359,355,247	274,616,313	93,734,396	368,350,709
Interfund Transf In	1,420,000	-	1,420,000	700,000	-	700,000	-	-	-
Interfund Transf Out (-)	(2,112,000)	-	(2,112,000)	(100,000)	-	(100,000)	(100,000)	-	(100,000)
Other Sources	-	-	-	-	-	-	-	-	-
Other Uses	-	-	-	-	-	-	-	-	-
Contributions	(53,247,154)	53,247,154	-	(54,225,713)	54,225,713	-	(55,426,426)	55,426,426	-
Total Other Financing	(53,939,154)	53,247,154	(692,000)	(53,625,713)	54,225,713	600,000	(55,526,426)	55,426,426	(100,000)
Increase/Decrease in Fund Balance	(4,529,295)	(11,277,321)	(15,806,616)	(7,050,266)	(144,780)	(7,195,046)	324,745	(144,780)	179,965

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Comparative Group

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- Comparative data points using information provided by the comparative districts
 - Annual Unaudited Actuals submission for financial data
 - Annual J-90 submission for salary data
- Comparative group of districts was determined by reviewing unified districts located in a similar geographic region to the District, as well as other large unified school districts in high-cost areas
- Similar funding formulas
- 2016-17 is the most recently available state-certified data



Comparative Financial Data

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- District has experienced tremendous growth over the past five years

Rank	District	% Change in ADA 2012-13 to 2016-17	2012	2013	2014	2015	2016
1	Irvine Unified	14.70%	28,313	29,443	30,602	31,451	32,476
2	San Ramon Valley Unified	5.14%	29,928	30,606	31,059	31,363	31,465
3	Fremont Unified	5.05%	32,249	32,712	33,021	33,499	33,877
4	Livermore Valley Joint Unified	3.93%	12,209	12,082	12,087	12,035	12,689
5	Poway Unified	2.27%	34,031	34,451	34,460	34,554	34,803
6	Alameda Unified	1.85%	8,924	9,094	9,089	9,078	9,089
7	Oakland Unified	1.06%	34,711	35,145	35,363	35,531	35,079
8	Comparative Group Average	0.06%	366,423	368,912	368,020	368,222	366,656
9	Placentia-Yorba Linda Unified	-0.09%	24,817	25,137	24,815	24,781	24,794
10	Hayward Unified	-0.17%	19,784	19,895	19,738	19,929	19,751
11	Mt. Diablo Unified	-0.69%	30,506	30,461	30,357	30,952	30,295
12	Pleasanton Unified	-0.92%	14,499	14,442	14,341	14,378	14,366
13	Statewide Unified Average	-1.82%	3,924,678	3,930,573	3,907,788	3,879,418	3,853,185
14	West Contra Costa Unified	-3.23%	27,973	28,148	27,733	27,170	27,070
15	Capistrano Unified	-4.14%	48,432	48,343	47,904	47,226	46,428
16	San Lorenzo Unified	-5.86%	10,798	10,812	10,593	10,566	10,165
17	New Haven Unified	-7.68%	12,309	12,152	11,858	11,594	11,364
18	Saddleback Valley Unified	-8.11%	29,189	28,702	28,020	27,614	26,822

Source: 2016-17 State-certified data

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Comparative Financial Data

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- District's LCFF revenue ranks low among comparative group

Rank	District	LCFF Revenue /ADA
1	Oakland Unified	\$10,067.76
2	Hayward Unified	\$9,682.14
3	Statewide Unified Average	\$9,567.72
4	San Lorenzo Unified	\$9,559.91
5	West Contra Costa Unified	\$9,548.26
6	New Haven Unified	\$8,681.66
7	Comparative Group Average	\$8,599.04
8	Mt. Diablo Unified	\$8,507.79
9	Saddleback Valley Unified	\$8,423.40
10	Placentia-Yorba Linda Unified	\$8,378.73
11	Alameda Unified	\$8,280.65
12	Capistrano Unified	\$8,219.15
13	Fremont Unified	\$8,190.67
14	Livermore Valley Joint Unified	\$8,153.76
15	Pleasanton Unified	\$8,101.42
16	Irvine Unified	\$8,047.04
17	Poway Unified	\$8,029.18
18	San Ramon Valley Unified	\$7,795.39

Source: 2016-17 State-certified data

Comparative Financial Data

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- Primary factor driving lower LCFF revenues is a low Unduplicated Pupil Percentage (UPP)

Rank	District	UPP
1	Hayward Unified	78.58%
2	Oakland Unified	77.61%
3	West Contra Costa Unified	74.38%
4	San Lorenzo Unified	72.22%
5	New Haven Unified	53.93%
6	Mt. Diablo Unified	48.63%
7	Placentia-Yorba Linda Unified	36.96%
8	Alameda Unified	36.51%
9	Fremont Unified	29.96%
10	Saddleback Valley Unified	29.48%
11	Livermore Valley Joint Unified	28.85%
12	Irvine Unified	27.93%
13	Capistrano Unified	23.28%
14	Poway Unified	22.18%
15	Pleasanton Unified	13.52%
16	San Ramon Valley Unified	8.14%

Source: 2016-17 State-certified data

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Comparative Financial Data

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- In spite of the low LCFF revenues, the District spends a large percentage of its General Fund revenues on unrestricted certificated nonmanagement salaries

Unrestricted Certificated Non-Management Personnel Salary Expenses for 2016-17			
Rank	District	Certificated Non-Mgmt Salaries Per ADA	% of Total Expense
1	Hayward Unified	\$4,423.47	52.73%
2	New Haven Unified	\$4,350.01	55.88%
3	San Lorenzo Unified	\$4,314.27	48.14%
4	Fremont Unified	\$4,299.41	55.85%
5	Pleasanton Unified	\$4,174.93	56.49%
6	Statewide Unified Average	\$3,799.92	44.78%
7	Oakland Unified	\$3,696.12	37.60%
8	Mt. Diablo Unified	\$3,659.90	47.98%
9	Comparative Group Average	\$3,612.62	46.34%
10	San Ramon Valley Unified	\$3,586.62	50.06%
11	Poway Unified	\$3,506.77	45.65%
12	Saddleback Valley Unified	\$3,502.03	46.38%
13	Irvine Unified	\$3,489.41	46.69%
14	Capistrano Unified	\$3,487.72	48.89%
15	Placentia-Yorba Linda Unified	\$3,484.37	45.60%
16	Livermore Valley Joint Unified	\$3,377.47	48.23%
17	Alameda Unified	\$3,078.05	44.40%
18	West Contra Costa Unified	\$3,033.54	37.18%

Source: 2016-17 State-certified data

Comparative Financial Data

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- The District ranks in the bottom third of the comparative group on unrestricted administrator salaries as a percentage of unrestricted General Fund expenditures

Site and District Administrator Salary Comparison			
Rank	District	Admin Salary Per ADA	% of Total Expense
1	Oakland Unified	\$1,205.75	12.27%
2	San Lorenzo Unified	\$680.46	7.59%
3	New Haven Unified	\$665.23	8.55%
4	Alameda Unified	\$633.65	9.14%
5	Hayward Unified	\$616.98	7.36%
6	Mt. Diablo Unified	\$556.03	7.29%
7	Comparative Group Average	\$555.38	7.12%
8	Statewide Unified Average	\$553.17	6.52%
9	Pleasanton Unified	\$542.72	7.34%
10	West Contra Costa Unified	\$525.04	6.44%
11	Livermore Valley Joint Unified	\$517.21	7.38%
12	Irvine Unified	\$483.74	6.47%
13	Fremont Unified	\$459.04	5.96%
14	Saddleback Valley Unified	\$428.85	5.68%
15	San Ramon Valley Unified	\$423.12	5.91%
16	Poway Unified	\$420.87	5.48%
17	Placentia-Yorba Linda Unified	\$408.89	5.35%
18	Capistrano Unified	\$391.69	5.49%

Source: 2016-17 State-certified data

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Comparative Salary Data

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- The District is in a favorable position with regard to its ability to attract new teachers

Total Compensation at BA+30, Step 1		
District	Rank	Total Compensation
New Haven Unified	1	\$72,984
Saddleback Valley Unified	2	\$71,592
Placentia-Yorba Linda Unified	3	\$66,964
Irvine Unified	4	\$66,810
Fremont Unified	5	\$65,398
Capistrano Unified	6	\$64,854
Pleasanton Unified	7	\$64,559
Region 04 Unified Average	8	\$64,559
Statewide Unified Average	9	\$64,469
San Ramon Valley Unified	10	\$63,802
Comparative Group Average	11	\$63,673
Mt. Diablo Unified	12	\$63,284
Livermore Valley Joint Unified	13	\$62,592
Poway Unified	14	\$62,423
Hayward Unified	15	\$62,212
West Contra Costa Unified	16	\$59,787
Oakland Unified	17	\$59,550
San Lorenzo Unified	18	\$58,220
Alameda Unified	19	\$53,371

Source: 2016-17 State-certified data

Region 4: Alameda, Contra Costa, Marin Napa, San Francisco, San Mateo and Solano Counties

Comparative Salary Data

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- The District is in a favorable position with regard to its ability to retain teachers

Total Compensation Maximum Scheduled Salary		
District	Rank	Maximum Total Compensation
Saddleback Valley Unified	1	\$124,426
Irvine Unified	2	\$120,548
Placentia-Yorba Linda Unified	3	\$120,089
New Haven Unified	4	\$118,537
Capistrano Unified	5	\$117,810
Poway Unified	6	\$116,282
Fremont Unified	7	\$114,623
Statewide Unified Average	8	\$110,418
Comparative Group Average	9	\$110,246
San Lorenzo Unified	10	\$109,097
San Ramon Valley Unified	11	\$107,877
Mt. Diablo Unified	12	\$106,981
Region 04 Unified Average	13	\$106,206
Pleasanton Unified	14	\$105,865
Livermore Valley Joint Unified	15	\$103,197
Hayward Unified	16	\$102,734
West Contra Costa Unified	17	\$102,302
Oakland Unified	18	\$96,201
Alameda Unified	19	\$96,032

Source: 2016-17 State-certified data

Region 4: Alameda, Contra Costa, Marin Napa, San Francisco, San Mateo and Solano Counties

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Final Thoughts

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- A budget is a projection based on assumptions anchored in current conditions
 - It is not a prediction, nor a forecast
- School Services of California, Inc.'s (SSC), review of the District's budget did not identify any assumptions that significantly deviate from what is used on a statewide basis
 - Assumptions used are consistent with those most commonly used throughout the state
 - SSC did not find anything outside of the ordinary within the scope of the review
- Areas of concern for growing districts:
 - Spending reserves to meet growing demand prior to state funding being provided
 - No state facility funding to meet growing needs and small class sizes
 - Special education and LCFF base grant funding not sufficient for long-term fiscal sustainability

Next Steps

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- Governor Jerry Brown released his first State Budget proposal on January 10, 2018, for the 2018-19 fiscal year
 - This will be his final Budget in office before he terms out
- The Budget proposal included increases to the gap closure percentage in 2018-19 and 2019-20 and also included one-time funding for 2018-19
- Revisions will be brought forth as part of the Second Interim budget report
- Although the Governor has a relatively stable track record with holding true to his commitments from January, the State Budget can and will change by the time the May Revision and the final State Budget is released