

FREMONT UNIFIED SCHOOL DISTRICT

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FIRST INTERIM BUDGET REPORT 2016-2017

DIVISION OF BUSINESS SERVICES

DECEMBER 14, 2016

Outline

2

- ❖ Overview
- ❖ General Fund Summary
- ❖ Assumptions for Revenue Changes
- ❖ Assumptions for Expenditures Changes
- ❖ Multi-Year Budget Projection
- ❖ Other Funds

- ❖ Education Code Section 42130 states that school districts submit two reports to their governing boards each fiscal year
 - First Interim Report covers the financial and budgetary status of the district for the period ending October 31
 - Second Interim Report covers the period ending January 31
- ❖ Both reports shall be approved by the district governing board no later than 45 days after the close of the period being reported

General Fund Summary (in millions)

4

Consolidated Unrestricted and Restricted General Fund

	Adopted Budget	First Interim Budget	Increase/ (Decrease)
	(a)	(b)	(c=b-a)
Revenues	\$332.9	\$339.6	\$6.6
Less: Expenditures	332.0	351.9	19.9
= Surplus/(Deficit)	\$0.9	(\$12.3)	(\$13.2)
Add: Beginning Fund Balance	41.8	48.9	7.1
=Ending Fund Balance	\$42.7	\$36.5	(\$6.1)
Less: Designations	28.1	29.3	1.3
=Reserve (\$)	\$14.6	\$7.2	(\$7.4)
=Reserve (%)	4.40%	2.05%	(2.35)%

General Fund Summary (in millions)

Unrestricted and Restricted General Fund

5

	Unrestricted General Fund	Restricted General Fund	Total General Fund
	(a)	(b)	(c=a + b)
Revenues	\$299.5	\$40.0	\$339.6
Add: Contributions*	(51.8)	51.8	0.0
Less: Expenditures	250.0	102.0	351.9
= Surplus/(Deficit)	(\$2.2)	(\$10.1)	(\$12.3)
Add: Beginning Fund Balance	36.8	12.1	48.9
=Ending Fund Balance	\$34.6	\$2.0	\$36.5
Less: Designations	27.4	2.0	29.3
=Reserve (\$)	\$7.2	\$0	\$7.2
=Reserve (%)	2.05%	%0	2.05%

*Contribution to Special Education program is \$41.3 million
 Contribution to Routine Restricted Maintenance is \$10.5 million

Assumptions for Revenue Changes

6

❖ Local Control Funding Formula (LCFF)

- Projected enrollment growth is higher than actual by 141 students
- LCFF gap funding decreased from 54.84 % to 54.18%
- Unduplicated count decreased from 31.1% to 28%
- Overall net reduction in LCFF funding source is \$1.2 million
 - \$0.8 million reduction to supplemental grant
 - \$0.6 million reduction to unrestricted general fund
 - \$0.2 million additional allocation to Special Education program

❖ Federal Revenues

- Categorical, i.e., Title I, II, & III – slight adjustment for funding allocations and carryover of unspent funds from prior year

Assumptions for Revenue Changes

7

❖ State Revenues

- Lottery Fund increased by \$0.3 million
- One-time discretionary fund decreased by \$0.8 million
- California Clean Energy Fund (Prop 39) increased by \$0.7 million
- New College Readiness Block Grant for \$0.4 million

❖ Local Revenues

- Gifts and donations increased by \$0.7 million
- Parcel Tax (Measure I) estimated at \$4.3 million

Assumptions for Expenditure Changes

❖ Certificated Salaries

- Additional teacher FTE to accommodate enrollment growth at some school sites
- 2.0 FTE Assistant Principal positions
- 1.0 FTE Nurse position
- 2% salary increase for Fremont Unified District Teachers Association (FUDTA) and Fremont School Management Association (FSMA)

❖ Classified Salaries

- 2% salary increase for classified management (FSMA)
- Service Employees International Union (SEIU) reached an agreement – funds set aside in the fund balance
- CSEA negotiation is not yet complete

Assumptions for Expenditure Changes

❖ Employee Benefits

- Employee benefits are adjusted based on the changes in certificated and classified salaries

❖ Supplies, Services, Capital Outlay, and Other Outgo

- Purchase of school buses funded by one-time discretionary fund
- Adjustments due to new revenues
- Adjustments due to carryover of unspent funds from the prior year

Multi-Year Budget Projection Assumptions

10

- ❖ These assumptions apply to 2017/18 and 2018/19
- ❖ Local Control Funding Formula (LCFF)
 - Enrollment is projected at 35,625 and 36,569, respectively
 - Average Daily Attendance (ADA) is projected at 97.16% of enrollment
 - LCFF gap funding is projected at 72.99% and 40.36% based on June 2016 estimates from the Department of Finance
 - Unduplicated count of eligible students is projected at 27.96 % for single-year, and 30.12% three-year rolling average

Multi-Year Budget Projection

Assumptions - continued

11

❖ Federal Revenues

- Medi-Cal Administrative Activities (MAA) revenue is not included (the State has not confirmed when school districts will receive the funds)

❖ State Revenues

- Mandated Cost Block Grant is budgeted at about \$1.2 million each year
- One-time revenues have been eliminated
- Lottery Funds are estimated at \$189 per student

❖ Local Revenues

- Parcel Tax (Measure I) is projected at \$4.3 million
- Other local donations remain the same as in the current year, except for one-time donations

Multi-Year Budget Projection

Assumptions - continued

12

❖ Salaries and Benefits

- Additional classroom staffing due to projected increase in enrollment
- Class sizes for grades K-3 is projected as listed below:

	K	1	2	3
2013-14	28	30	30	30
2014-15	24	28	30	30
2015-16	24	24	28	30
2016-17	24	24	24	28
2017-18	24	24	24	24

- Secondary class ratio will be 27:1
- No projection for any salary and benefit adjustments other than step and column changes for eligible employees
- Increasing contributions to STRS and PERS

Multi-Year Budget Projection

Assumptions - continued

13

- ❖ One-time expenditures in the current year are eliminated in the projected years
- ❖ Transfer of funds to MVROP is projected at the same level as the current year
- ❖ Contributions to Special Education programs estimated at \$42.6 million and \$43.6 million, respectively
- ❖ Additional allocations to the supplemental grant for \$1.5 million and \$1.7 million, respectively
- ❖ Estimated cost of textbook adoptions are included in the projected years
- ❖ Estimated penalties related to the Affordable Care Act are projected at \$0.5 million each year

Multi-Year Budget Projection

14

(in millions)

	Unaudited Actual 2015-16	First Interim Budget 2016-17	Projected Budget 2017-18	Projected Budget 2018-19
Revenues	\$337.4	\$339.6	\$346.2	\$356.6
Less: Expenditures	321.6	351.9	349.7	355.0
<i>Less: Supplemental Grant expenditures</i>			1.4	1.6
<i>Revenue Enhancement/Expenditure Reduction</i>			(16.8)	(11.2)
=Surplus/(Deficit)	\$15.8	(\$12.3)	(\$3.5)	\$1.4
Add: Beginning Fund Balance	33.1	48.9	36.5	33.0
=Ending Fund Balance	\$48.9	\$36.5	\$33.0	\$34.4
Less: Designation	47.4	29.3	18.9	20.1
=Reserve (\$)	\$13.6	\$7.2	\$14.1	\$14.3
=Reserve (%)	4.22%	2.05%	4.03%	4.03%

Staff recommends Positive Certification, which certifies that based upon current projections, FUSD will meet its financial obligations for the current fiscal year and subsequent two fiscal years.

Other Funds (in millions)

15

	Beginning Fund Balance	Revenues	Expenditures	Ending Fund Balance
Special Education Pass-Through	\$0.0	\$12.2	\$12.2	\$0
Adult Education	\$3.4	\$4.3	\$5.0	\$2.7
Child Development	\$0.3	\$1.3	\$1.6	\$0
Cafeteria	\$0.2	\$6.3 ^[1]	\$6.5	\$0
Deferred Maintenance	\$1.5	\$0	\$1.5	\$0
Building (Measure E)	\$232.2	\$0	\$178.4	\$53.8
Capital Facilities (Developer Fees)	\$14.9	\$13.5	\$6.2	\$22.2
Special Reserve (Sale of Site Fund)	\$27.2	\$1.2	\$2.5 ^[2]	\$25.9
Bond Interest and Redemption Fund	\$34.6	\$36.0	\$37.6	\$33.0
Self-Insurance	\$0.0	\$0.2	\$0.2	\$0.2

[1] Revenue includes \$750,000 loan from Special Reserve

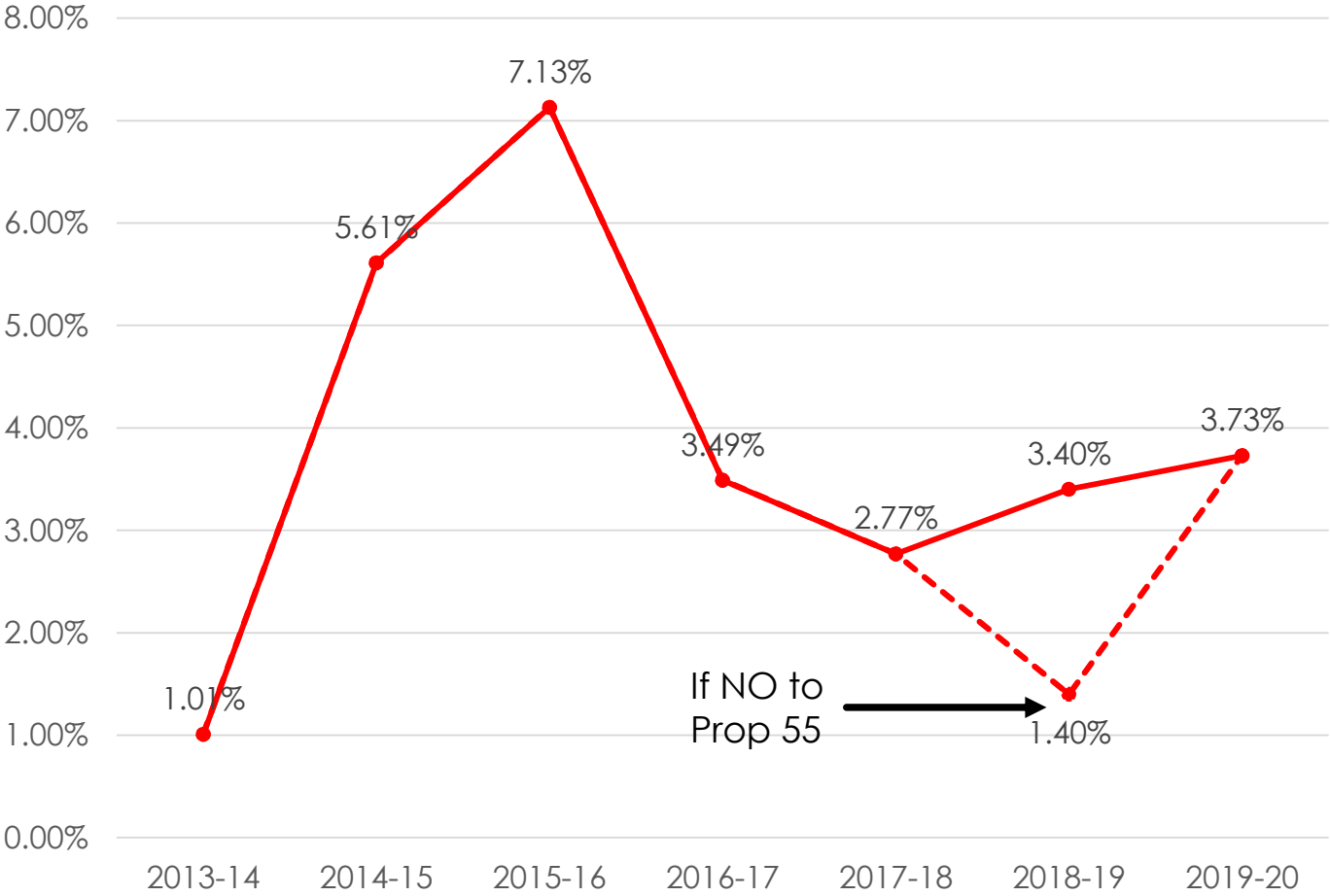
[2] Expenditures include \$750,000 loan to Cafeteria Fund

What is on the horizon?

16

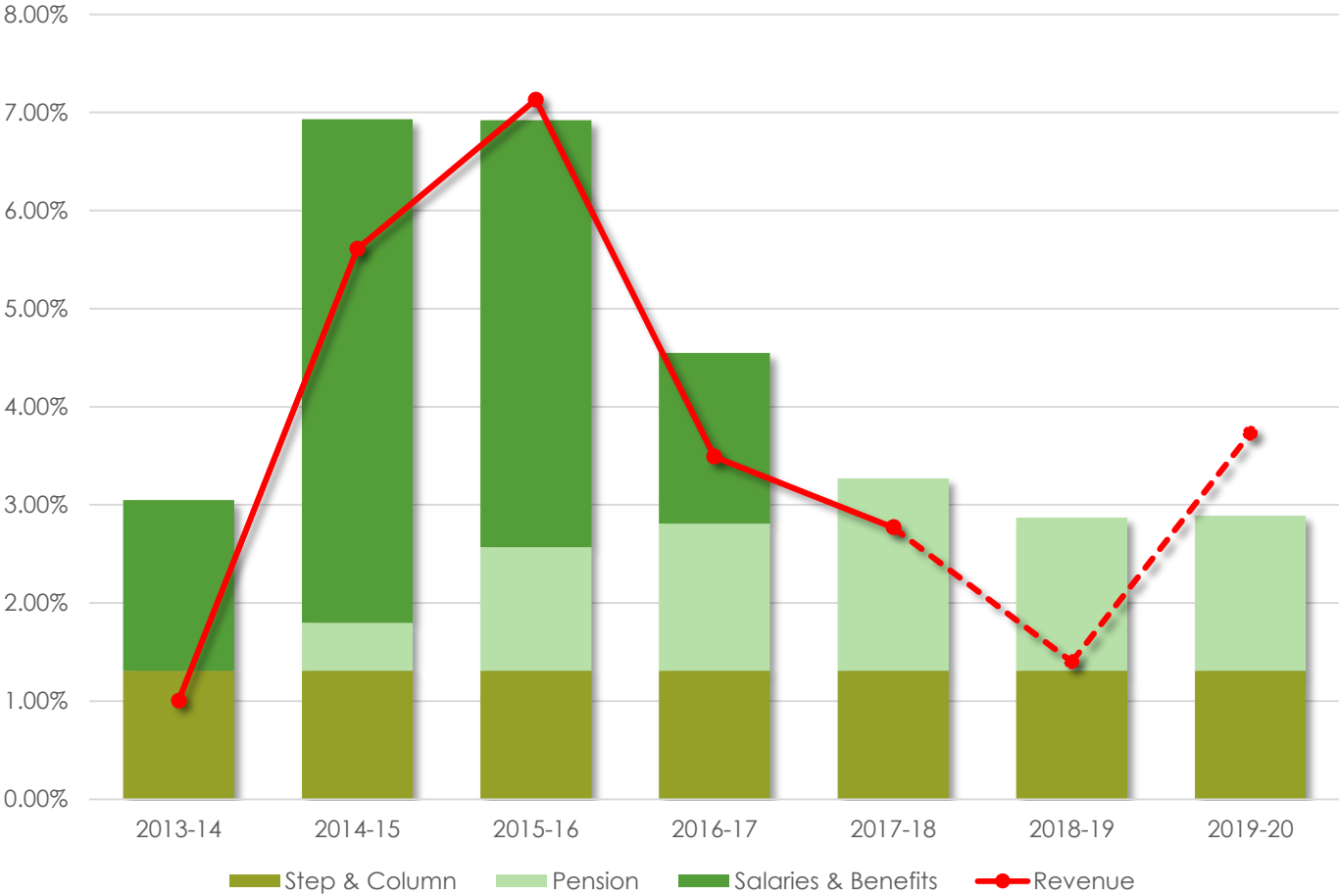
- ❖ The Governor will present the proposed 2017-18 budget in January 2017
- ❖ Staff will attend the School Services of California budget workshop in January 2017
- ❖ What is the impact of Proposition 55?

Increase in Base Revenue



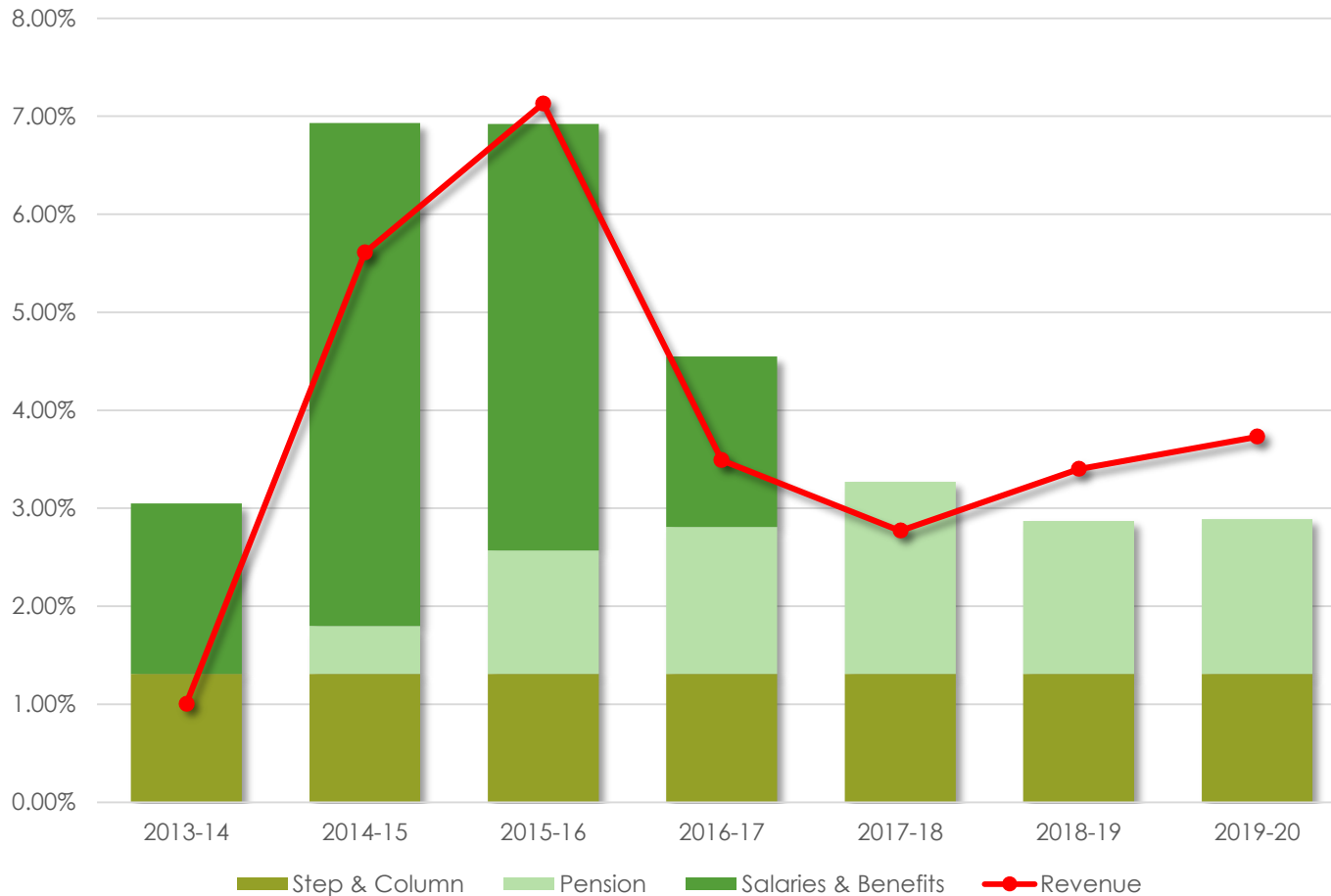
Projected years are based on the estimates from the Department of Finance in June 2016. These estimates may change in January 2017 when the Governor release the budget proposals

Increase in Base Revenue and Expenditures – If No to Prop 55



Projected years are based on the estimates from the Department of Finance in June 2016. These estimates may change in January 2017 when the Governor release the budget proposals

Increase in Base Revenue and Expenditures – Since Prop 55 Passed



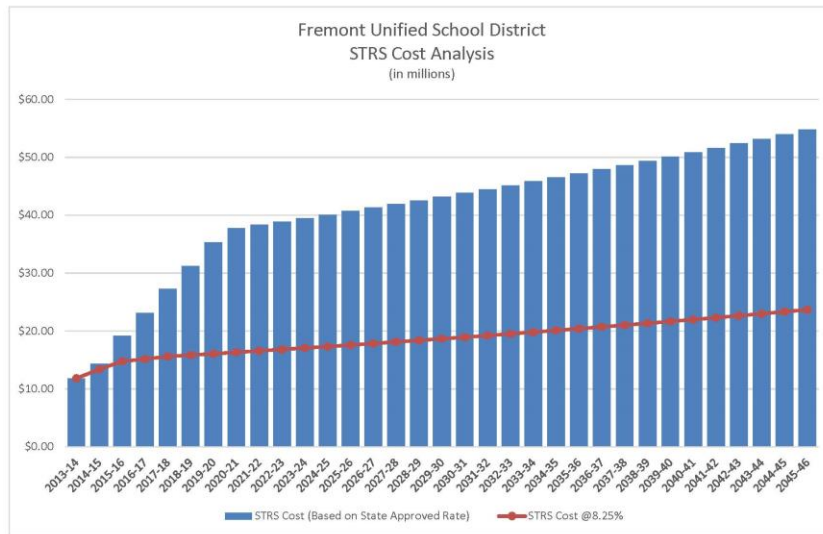
Projected years are based on the estimates from the Department of Finance in June 2016. These estimates may change in January 2017 when the Governor release the budget proposals

Retirement Systems

(in millions)

20

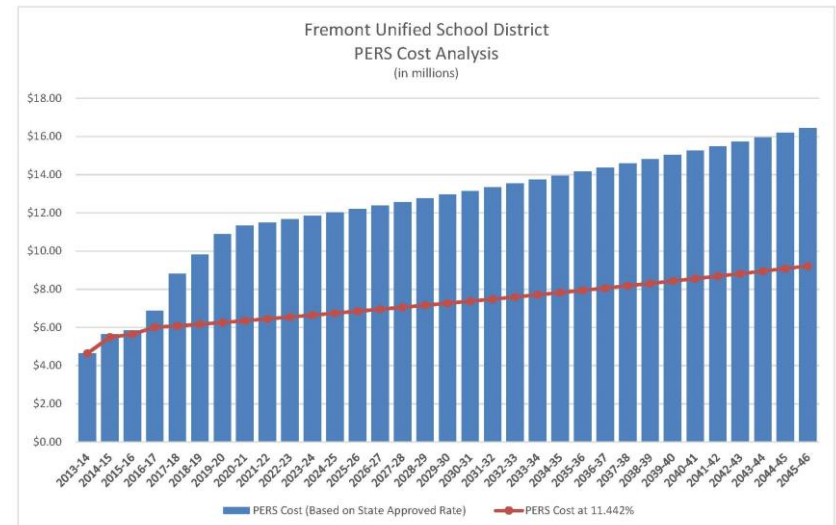
STRS



2013	2014	2015	2016	2017	2018	2019	2020
8.25%	8.88%	10.73%	12.58%	14.43%	16.28%	18.13%	19.10%
Incr. %	0.63%	1.85%	1.85%	1.85%	1.85%	1.85%	0.97%
Incr. \$	\$1.00	\$4.44	\$7.95	\$11.69	\$15.42	\$19.26	\$21.46

32-year average = \$23 million per year

PERS



2013	2014	2015	2016	2017	2018	2019	2020
11.44%	11.77%	11.85%	13.05%	16.60%	18.20%	19.90%	20.40%
Incr. %	0.33%	0.08%	1.20%	3.55%	1.60%	1.70%	0.50%
Incr. \$	\$0.16	\$0.20	\$0.85	\$2.74	\$3.64	\$4.63	\$4.97

32-year average = \$5.3 million per year

Enrollment

Historical and Projected

