



$E = mc^2$

2017-18 1st INTERIM REPORT
Orange Unified School District

December 7, 2017

$$E=mc^2$$



Presentation Overview



Budget Calendar



Budgetary Building Blocks



Historical Average Daily Attendance (ADA) Projections



Revenues & Expenditures: Structural Imbalance



Multi-Year Projections: 1st Interim Reports



Multi-Year Projections: Budget Reduction Target



Next Steps

Budget Calendar

- June 8, 2017 - Board of Trustees Adopts Proposed 2017-18 Budget
- June 30, 2017 – State adoption of budget
- September 14, 2017 – 2016-17 Unaudited Actuals & 2017-18 Revised Budget
- ✓ **December 7, 2017 – 2017-18 First Interim Report to Board for Approval**
- January 2018 – Governor’s Projected Budget for 2018-19 Released
- March 2018 – 2017-18 Second Interim Report to Board for Approval
- May 2018 - Governor’s “May Revise”



Budgetary Building Blocks

■ Revenues:

● Local Control Funding Formula

● Annual decline in enrollment & ADA

ADA	2017-18	2018-19	2019-20	2020-21
September Budget	526	520	520	520
1 st Interim	564	663	663	663

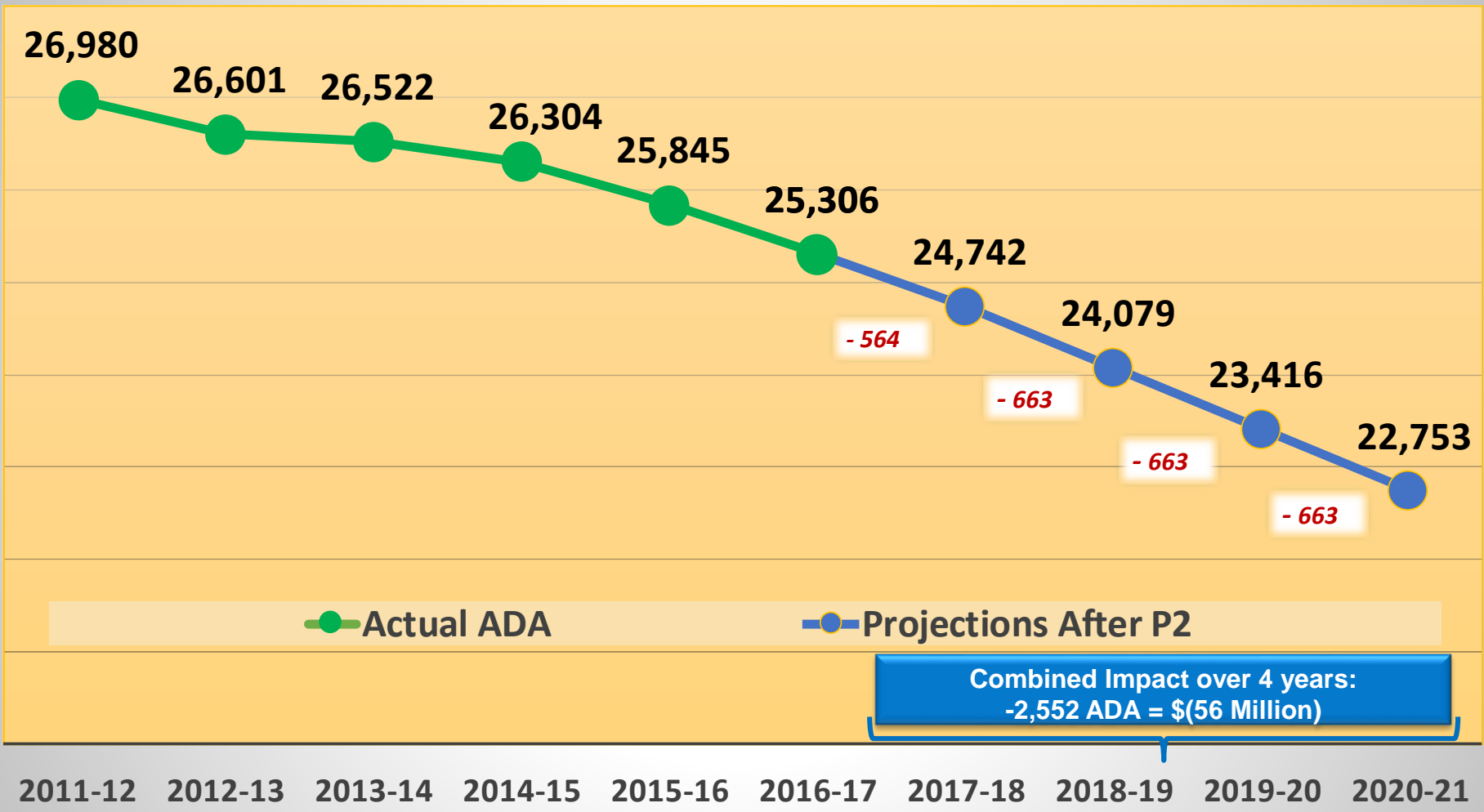
● Attendance Rate: 96.2%

● Unduplicated Pupil Percentage: 49.1%

● Using School Services COLA and GAP funding



Historical Average Daily Attendance & Projections



Budgetary Building Blocks

■ Expenditures:

● Step and Column Increases:

● Certificated & Leadership 1.2%

● Classified 2%

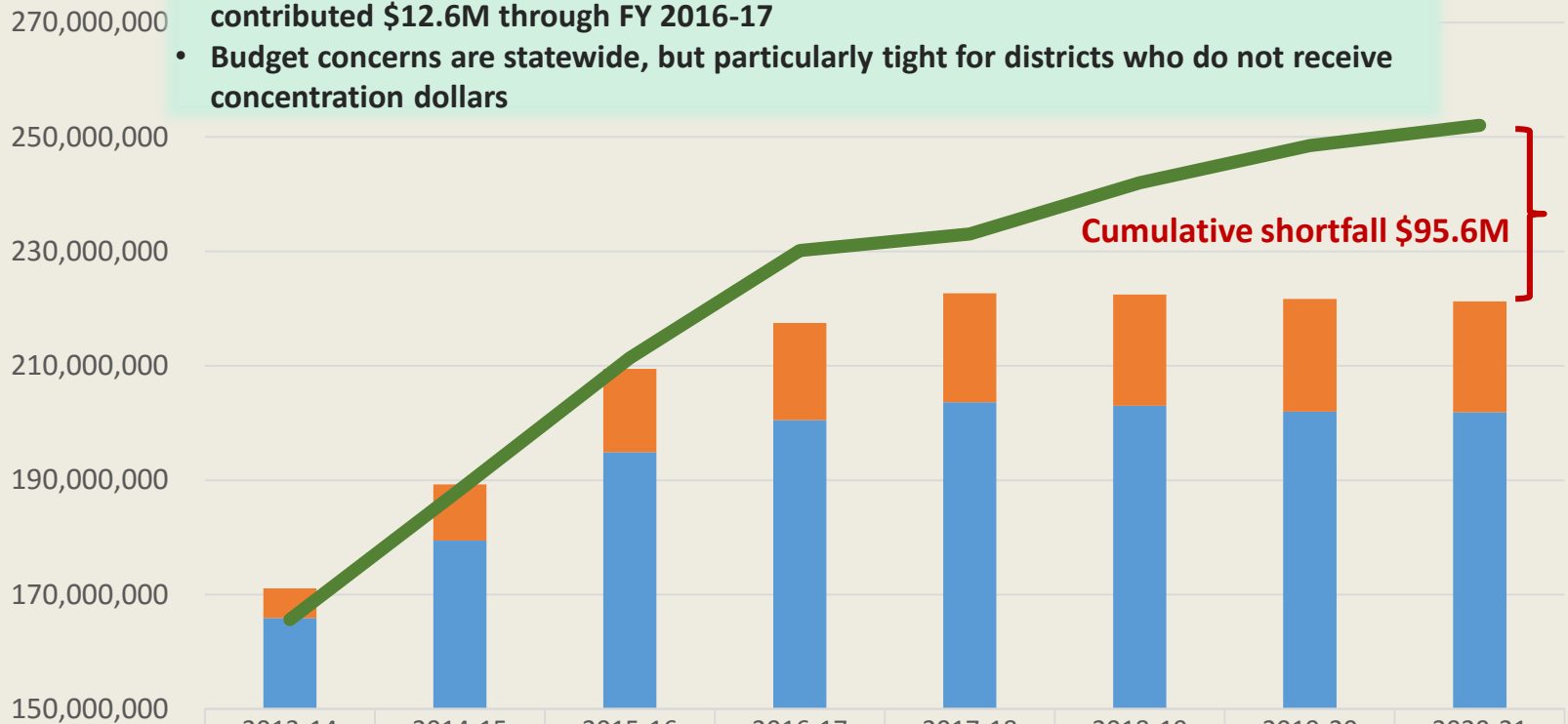
● Increases in STRS and PERS employer contribution rates

	2017-18	2018-19	2019-20	2020-21
CalSTRS	14.43%	16.28%	18.13%	19.10%
CalPERS	15.53%	18.10%	20.80%	23.80%



Revenues & Expenditures: Structural Imbalance

- The increase in unrestricted expenditures outpaces increases in LCFF Revenues
- Declining Enrollment and increased STRS/PERS contributions remain a critical factor
- Districts no longer receive State Deferred Maintenance matching funds, General Fund contributed \$12.6M through FY 2016-17
- Budget concerns are statewide, but particularly tight for districts who do not receive concentration dollars



	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
LCFF Supplemental Revenues	5,151,788	9,832,446	14,548,528	17,003,064	19,062,374	19,467,366	19,693,157	19,371,468
LCFF Base Revenues	165,928,960	179,418,318	194,885,769	200,497,555	203,617,029	202,989,498	202,003,547	201,848,304
Unrestricted Expenditures	165,613,365	188,316,578	211,361,545	230,137,427	233,020,514	242,003,703	248,469,475	252,026,985

■ LCFF Base Revenues
 ■ LCFF Supplemental Revenues
 — Unrestricted Expenditures

Multi-Year Projections: 1st Interim Report

	2017-18	2018-19	2019-20	2020-21
TOTAL REVENUES	285,535,284	274,950,592	274,101,775	273,666,109*
TOTAL EXPENDITURES	297,089,918	294,497,431	300,874,547	304,473,323*
INCREASE (DECREASE) IN FUND BALANCE	(11,554,634)	(19,546,839)	(26,772,772)	(30,807,214)
BEGINNING BALANCE	62,965,570	51,410,936	31,864,097	5,091,325
PROJECTED ENDING BALANCE	51,410,936	31,864,097	5,091,325	(25,715,889)
Adjustment to Ending Fund Balance				
Stores, Revolving Cash and Carryover	(334,295)	(334,295)	(334,295)	(334,295)
Reserve for STRS and PERS Increases	(9,795,173)	(6,275,299)	(2,646,928)	(1,649,423)
3% State Required Contingency	(8,912,698)	(8,834,923)	(9,026,236)	(9,134,200)
Unappropriated Fund Balance Above 3%	32,368,770	16,419,580	(6,916,134)	(36,833,807)

* Change from preliminary of \$1M in Revenues and \$200K in Expenditures

Multi-Year Projections: Budget Target

	2017-18	2018-19	2019-20	2020-21
REVENUES	285,535,284	274,950,592	274,101,775	273,666,109
<i>Identified Potential Sources of Revenues</i>		2,640,000	2,640,000	2,640,000
TOTAL REVENUES AS ADJUSTED	285,535,284	277,590,592	276,741,775	276,306,109
EXPENDITURES	297,089,918	294,497,431	300,874,547	304,473,323
<i>Identified Potential Budget Reductions</i>		(3,161,136)	(3,199,185)	(3,221,097)
<i>Additional Reductions to Balance the Budget</i>		(6,500,000)	(6,500,000)	(6,500,000)
TOTAL EXPENDITURES AS ADJUSTED	297,089,918	284,836,295	291,175,362	294,752,226
INC/DEC IN FUND BALANCE	(11,554,634)	(7,245,703)	(14,433,587)	(18,446,117)
BEGINNING BALANCE	62,965,570	51,410,936	44,165,233	29,731,646
PROJECTED ENDING BALANCE	51,410,936	44,165,233	29,731,646	11,285,529
Adjustment to Ending Fund Balance				
Stores, Revolving Cash and Carryover	(334,295)	(334,295)	(334,295)	(334,295)
Reserve for STRS and PERS Increases	(9,795,173)	(6,275,299)	(2,646,928)	(1,649,423)
3% State Required Contingency	(8,912,698)	(8,545,089)	(8,735,261)	(8,842,567)
Unappropriated Fund Balance	32,368,770	29,010,550	18,015,161	459,244

A young boy with glasses, wearing a plaid shirt and a sweater vest, stands in front of a chalkboard. He is holding several books. The chalkboard behind him has the equation $E=mc^2$ written on it.

Multi-year Projections are NOT Forecasts

- Projections are the mathematical result of today's decisions based on a given set of assumptions
- Primary Revenue Assumptions used are the result of State Agencies and OCDE Advisory
- Forecasts, however, are predictions for the future
- Projections are expected to change as various factors change- they are not predictions
- Projections will change any time the underlying factors change



Next Steps

■ Local level

- On-going: District Staff exploring budget reduction proposals
- 2017-18 2nd Interim Reports on March 8, 2018
- 2018-19 Budget and LCAP Public Hearing on May 24, 2018
- Adopt 2018-19 District Budget by June 30, 2018

■ State level

- Governor's January Budget Proposal for FY 2018-19
 - May meet LCFF Target
- Governor's May Revision