

# **2016-17**

# **Second Interim Financial Report**

**Glendale Unified School District**  
**Board Of Education Meeting – March 7, 2017**  
**Information Report No. 2**

**Cheryl Plotkin, Interim Chief Business & Financial Officer**  
**Karineh Savarani, Director, Financial Services**

**Budget Report No. 5**

# Second Interim Report And Certification

- AB 1200 and AB 1708 require county offices to monitor and review district budget and financial reports
- Districts are required to submit two interim budget reports determining if they can meet their financial obligations in the current and the two subsequent years
- The County certifies each report as “positive”, “qualified”, or “negative” based on the ability of the district to meet its financial obligations
- The second interim report represents the actual and projected financial position of the General Fund as of January 31, 2017

# 2016-17 Budget Calendar

***Budgeting for schools is a continuous, year-round process***

- Adopted Budget by June 30, 2016
- First Interim by December 15, 2016
  - *Using data through October 31, 2016*
- Second Interim by March 15, 2017
  - *Using data through January 31, 2017*
- ~~Third Interim by June 1, 2017~~
  - ~~*If a Qualified or Negative certification for the Second Interim*~~
  - ~~*Using data through April 30, 2017*~~
- Public Hearing for the Local Control Accountability Plan (LCAP) & 2017-18 Budget on June 6, 2017
- Adopt LCAP & 2017-18 Budget on June 20, 2017
  - *Public Hearing and actual Adoption must be performed in two separate Board meetings*

# CERTIFICATION DEFINITION

- ✓ **POSITIVE** = The district, based on current projections, **will be able** to meet its financial obligations for the current and subsequent two fiscal years
- **QUALIFIED** = The district, based on current projections, **may not be able** to meet its financial obligations for the current and subsequent two fiscal years
- **NEGATIVE** = The district, based on current projections, **will be unable** to meet its financial obligations for the current and subsequent two fiscal years

Current Projections based on Second Interim and Multi-Year Projection (MYP)

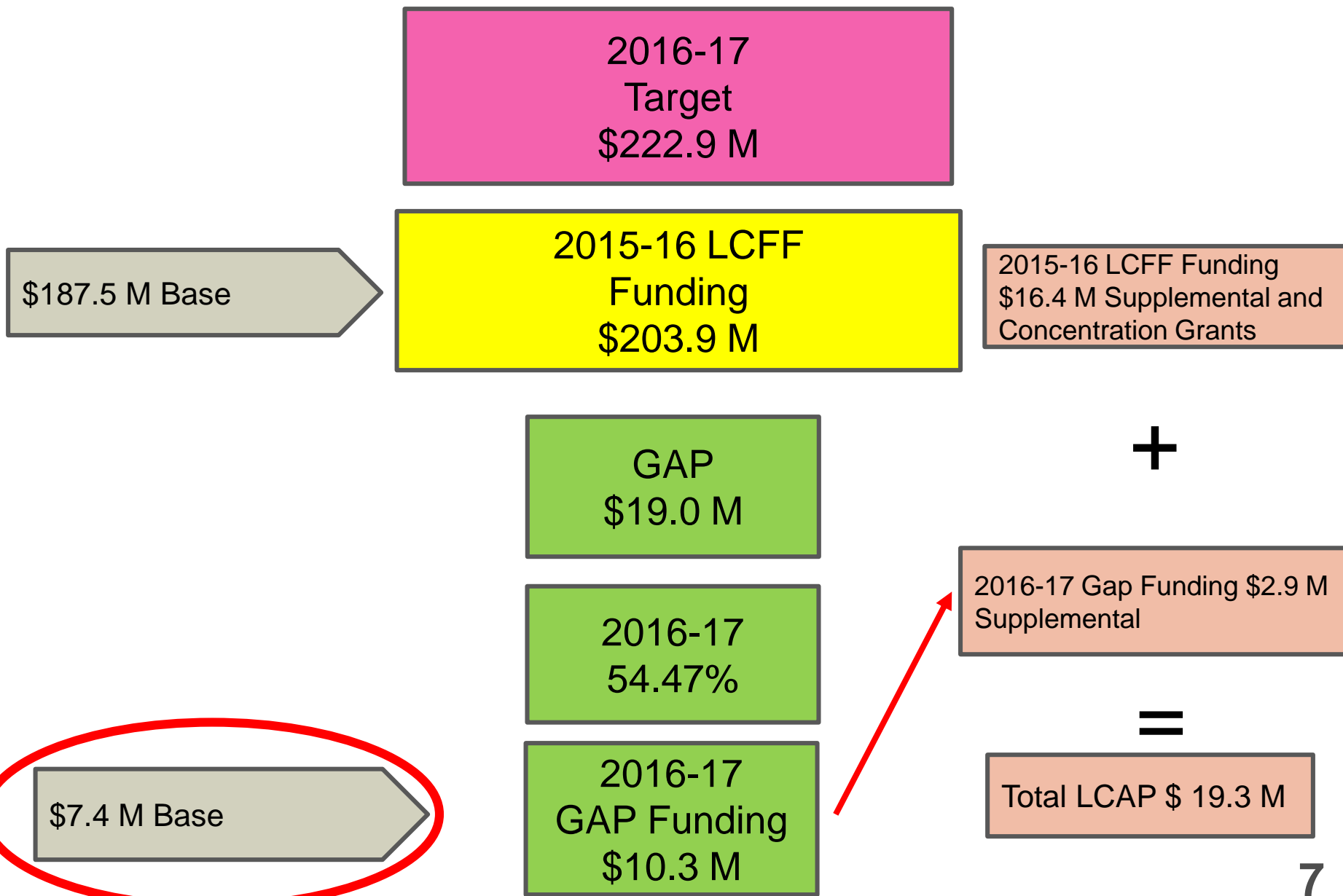
# Major Changes Since First Interim Report

	2016-17	2017-18	2018-19	2019-20
<u>Revenue</u>				
LCFF Revenue	\$0.02 M ↑	\$5.0 M ↓	\$4.1 M ↑	\$0.3 M ↑
GAP %	0.29% ↑	49.32% ↓	13.49% ↑	5.04% ↓
Unduplicated %	54.66%	54.18%	54.08%	53.93%

# Major Changes Since First Interim Report In Millions

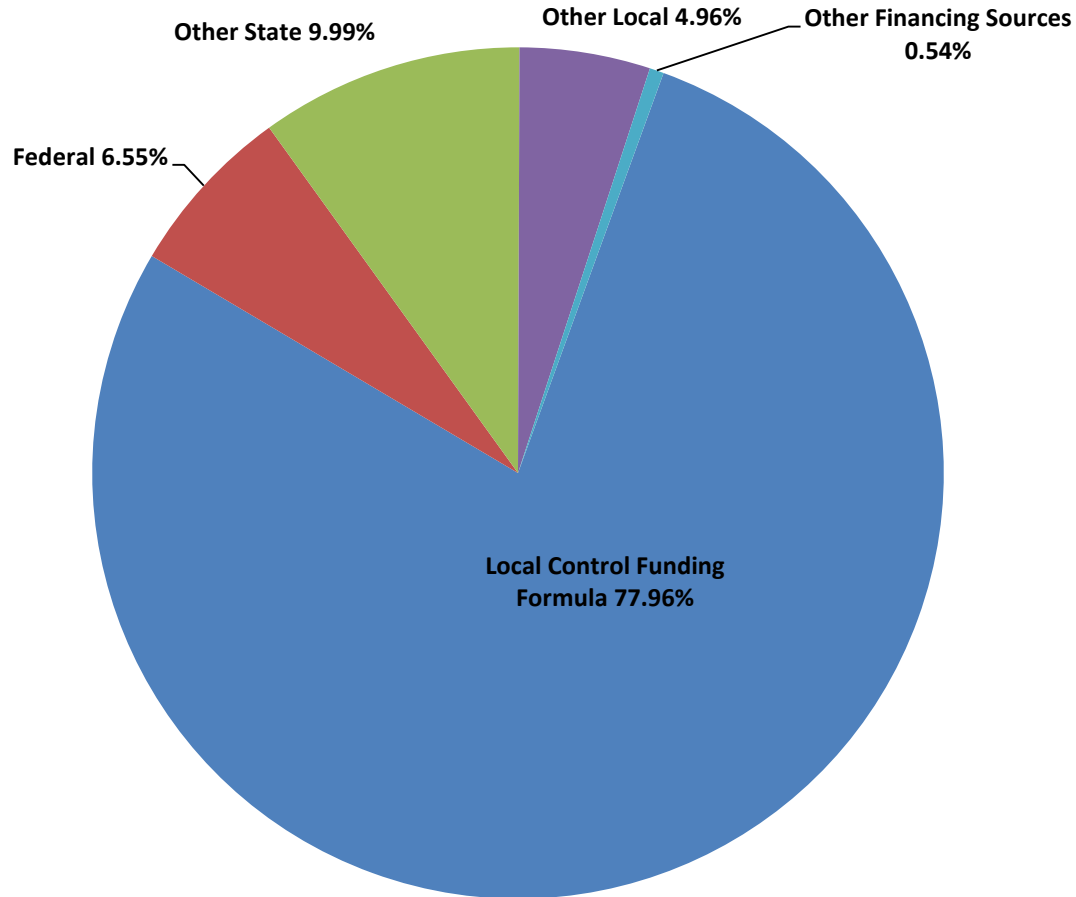
	2016-17	2017-18	2018-19	2019-20	2020-21	Cumulative
<b><u>Expense</u></b>						
<b>PERS Future Year Cost Increases</b>	\$0.0	\$0.1	\$0.6	\$1.2	\$2.1	\$4.0

# Gap Funding and Proportionality Calculation



# 2016-17 Second Interim Report

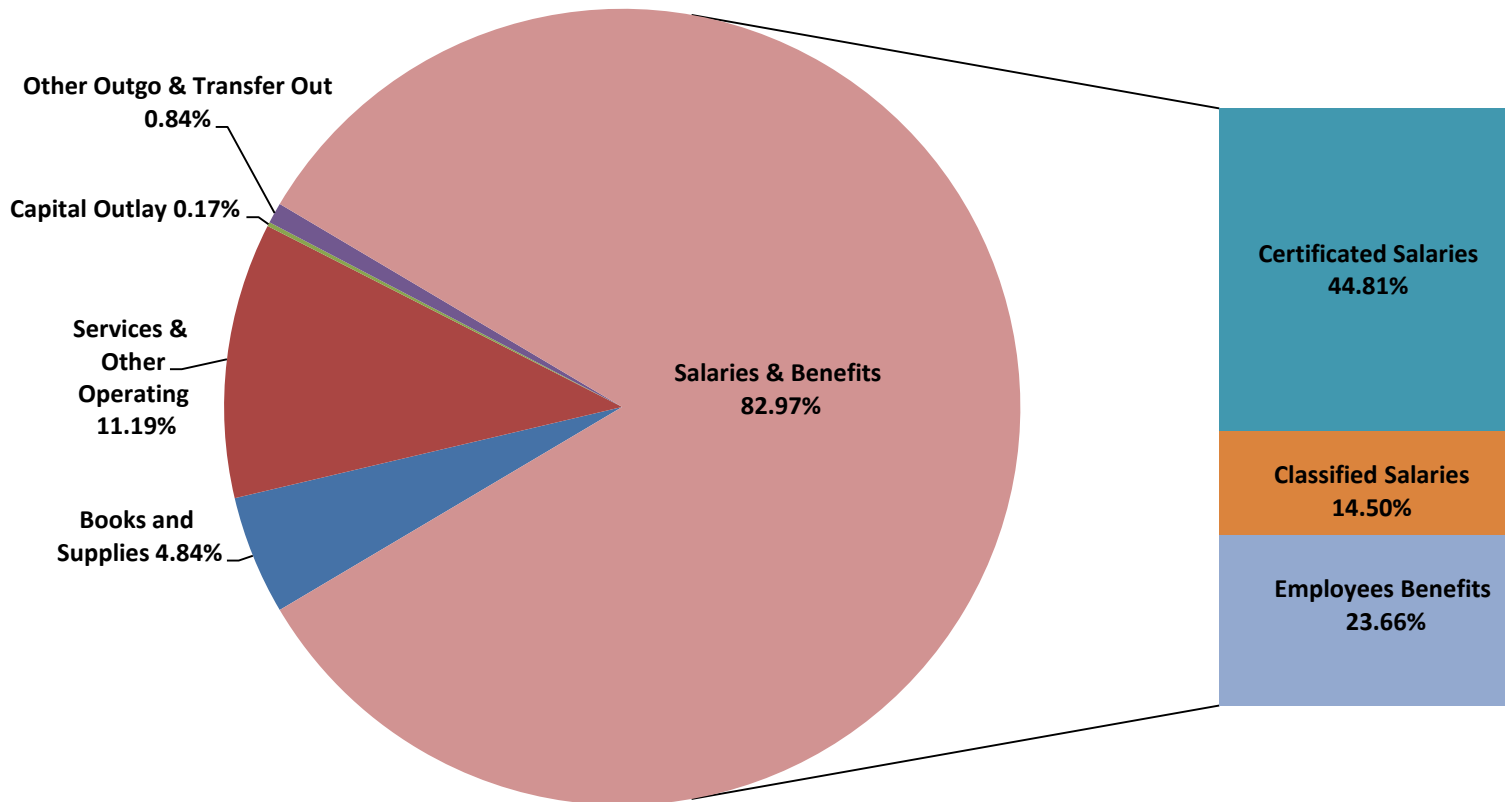
## TOTAL REVENUE – GENERAL FUND



Total Revenues = \$274,788,463



# 2016-17 Second Interim TOTAL EXPENDITURES – GENERAL FUND



Total Expenditures = \$ 284,947,238

## Second Interim Report Unrestricted General Fund Ending Balance

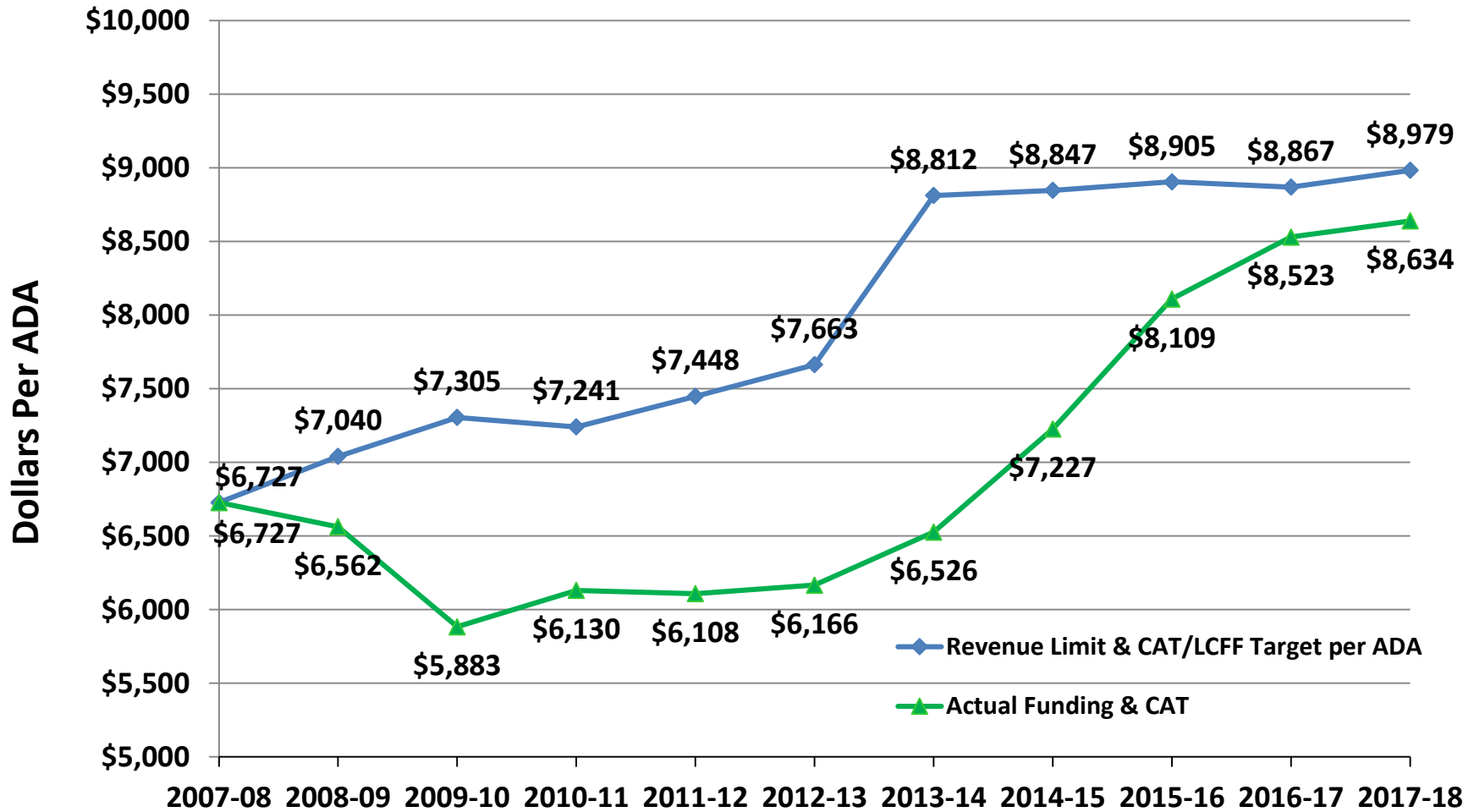
	In Millions					
	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
<b>Ending Balance</b>	\$ 44.2	\$ 34.8	\$ 23.9	\$ 11.5	\$ 4.3	\$ (2.0)
<b>3% Mandated Reserve</b>	(8.0)	(8.5)	(8.3)	(8.5)	(8.6)	(8.9)
<b>Reserve Future LCFF Less STRS/PERS</b>	-	-	-	-	(4.2)	(14.9)
<b>Other Reserves</b>	(5.0)	(3.8)	(3.4)	(2.94)	(2.9)	(2.9)
<b>Balance in Excess 3%</b>	<b>31.2</b>	<b>22.5</b>	<b>12.2</b>	<b>0.06</b>	<b>(11.4)</b>	<b>(28.7)</b>
<b>Without Solvency Transfers (Retiree Def. Maint.)</b>	\$ 27.5	\$ 17.3	\$ 7.0	\$ (5.1)	\$ (16.6)	\$ (33.9)

## 2016-17 Second Interim Report Unrestricted General Fund MULTI YEAR PROJECTION

	2016-17	2017-18	2018-19	2019-20	2020-21
Total Revenues	\$ 190,468,364	\$ 186,094,068	\$ 191,887,657	\$ 201,028,426	\$ 209,595,760
Total Expenditure	199,855,841	196,950,493	204,320,771	208,260,163	215,922,314
Net Increase/(Decrease)	<b>(9,387,477)</b>	<b>(10,856,425)</b>	<b>(12,433,114)</b>	<b>(7,231,737)</b>	<b>(6,326,554)</b>
Beginning Balance	44,189,612	34,802,135	23,945,710	11,512,596	4,280,859
Audit Adjustments	-	-	-	-	-
Ending Balance	<b>34,802,135</b>	<b>23,945,710</b>	<b>11,512,596</b>	<b>4,280,859</b>	<b>(2,045,695)</b>
<b>Components of Ending Fund Balance:</b>					
Revolving Cash	70,000	70,000	70,000	70,000	70,000
Stores	61,631	61,631	61,631	61,631	61,631
Prepaid Expenditures	888,655	453,078	-	-	-
3% Reserve for Economic Uncertainties	8,548,417	8,292,696	8,529,622	8,663,623	8,909,306
Reserve for Future LACOE System Charges	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000
Reserve LCFF Net Income Growth less STRS/PERS Increases & Solvency	-	-	-	4,150,186	14,895,466
Reserve for Regular carry-over, MAA, ROP and Supplemental Program	1,389,566	1,389,566	1,389,566	1,389,566	1,389,566
Reserve for Operational Draw-Down	-	-	-	-	-
Adjusted Balance in Excess of Assigned and 3% Reserve	<b>\$ 22,443,866</b>	<b>\$ 12,278,739</b>	<b>\$ 61,777</b>	<b>\$ (11,454,147)</b>	<b>\$ (28,771,664)</b>
Salaries and Benefits % of Exp.	87.72%	91.63%	91.80%	93.94%	94.01%
Salaries and Benefits % of Rev.	92.04%	96.97%	97.75%	97.31%	96.85%

# Local Control Funding Formula

## Historical Funding – Per ADA



(In Million \$)	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Annual Loss	12.4	36.6	28.3	34.0	38.0	57.7	40.8	20.1	8.6	8.6
Cumulative Loss	12.4	49.0	77.3	111.3	149.3	207.0	247.8	268.0	276.6	285.2

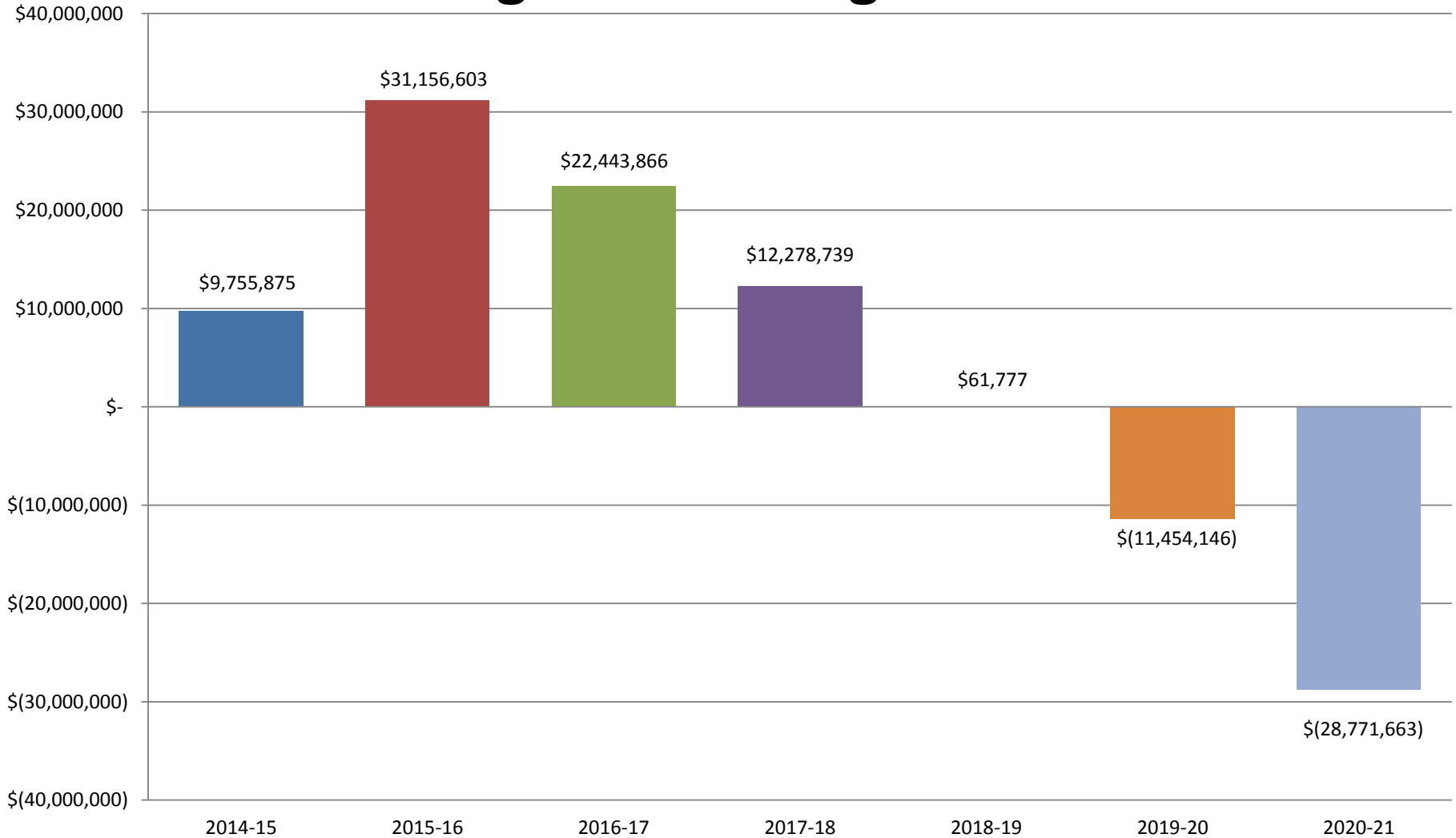
As of 2/24/2017

Note: 2013-14 to 2017-18 – LCFF Funding

# NOTE TO CERTIFICATION

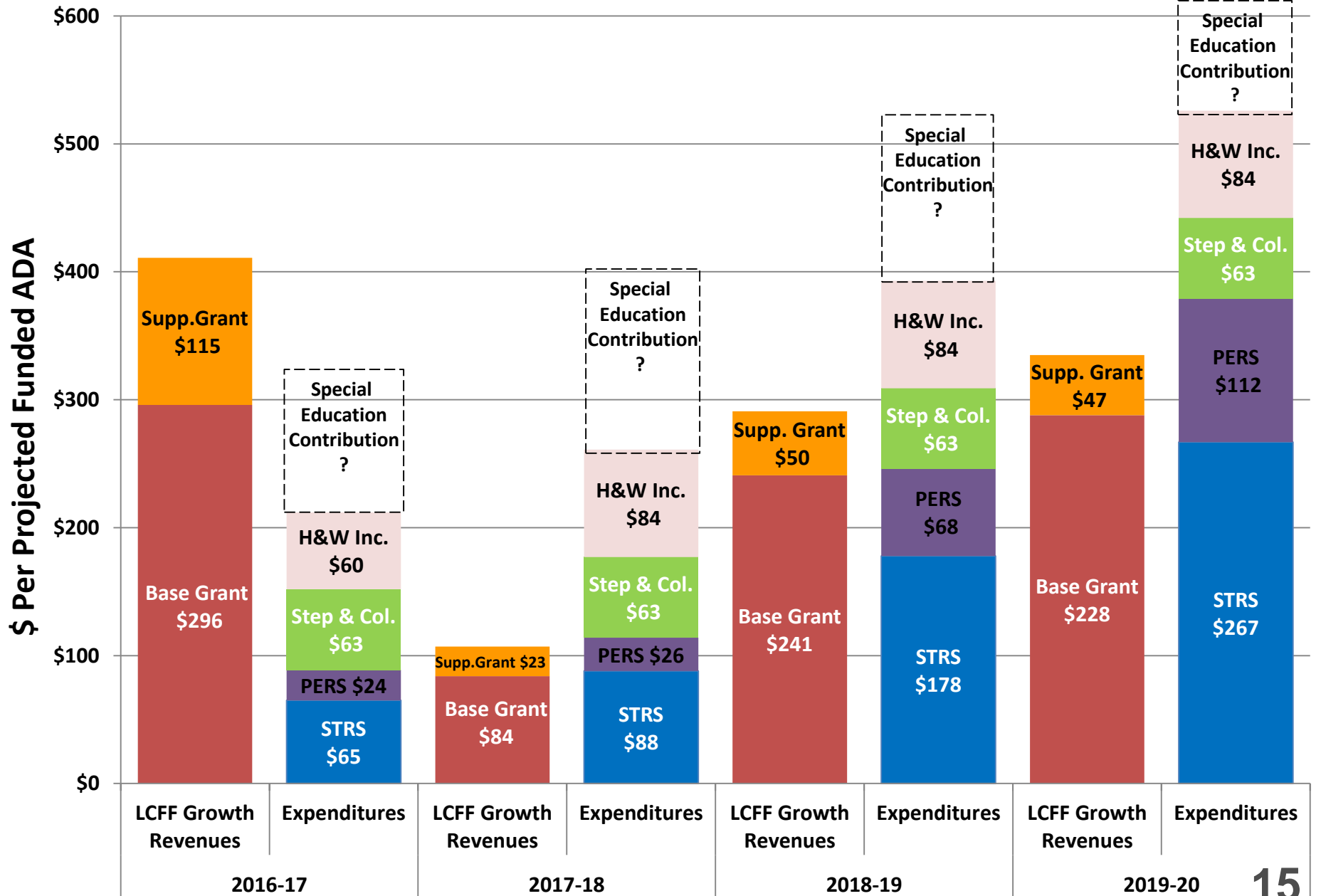
- “Positive” Second Interim was only achieved by using more than 80% of the future year GAP funding and fairly liberal budget techniques.
- Unrestricted General Fund Unassigned Balance will be Negative in 2019-20 and 2020-21 for \$11.4 million and \$28.7 million, respectively.
- The District will be unable to meet its financial obligations, if NOT rectified.
- Unsustainable demand for growth in programs and salaries has forced the District to release almost all of the future year GAP funding.
- Need to implement the Solvency Savings plan for 2017-18 and 2018-19.
- 2019-20 Solvency Savings placeholder of \$8.2 million – will increase the negative unassigned amount to \$19.6 million.

# Unrestricted General Fund Change in Unassigned Balance






# GUSD LCFF Increased Revenues Have Automatic Increased Obligations

## Unrestricted General Fund (Estimated)



# Cautions and Challenges

- **Future Funding - Unstable GAP%**  
- **Unduplicated Count – May** 
- **Structural Deficit - Must Be Addressed**
- **Special Education - Program Needs Increasing**
- **No Additional Funding to Cover CalPERS and CalSTRS Increases**
- **No Concentration Funding**
- **Projected Negative Unrestricted General Fund Adjusted Balances in 2019-20 and 2020-21**



# Cautions and Challenges – Cont.

- Possible Qualified Certification in 2019-20 and 2020-21
- One-Time Discretionary Revenues are Volatile
- Unsustainable Demand for Growth in Programs and Salaries
- PERS Future Year Cost Increases
- Possible STRS Future Year Cost Increases

# Second Interim Summary

- **The Superintendent is recommending a Positive Certification for Second Interim.**

**QUESTIONS?**

