

**West Contra Costa
Unified School District**

**2016-17
Executive Summary
Second**

Second Interim Financial Report Overview

n1terd

SAC

n1

state has provided one-time funding sources which has helped in recent years to close the gap. The

state may apply a Cost of Living Adjustment (COLA) to the targeted base factors. The state is not providing COLA for 2016-17.

The LCFF requires a planning process through the Local Control Accountability Plan (LCAP), which is a budget and accountability plan reporting model determined by the State Board of Education and fulfilled locally through the District Local Control Accountability Parent Committee (DLCAP) and the Board of Education. The LCAP is a separate document which describes how the District intends to meet annual goals for students and address State and Local priorities. The LCAP was adopted by the School Board, along with the District Budget in June.

General Fund Unrestricted

Local Control Funding Formula Revenue

The primary source of revenue for the District is LCFF. Each year the State supplies a formula for Districts to estimate funding. The formula starts by establishing a target rate of funding, then the Governor's budget provides for and subsequently the legislature adopts a funding gap percentage. This is the amount that districts will receive toward closing the gap toward the targeted amount for that particular year.

It is estimated that the District will receive a total of \$261,178,918 in LCFF during the 2016-17 school year. The funding consists of Base in the amount of \$207,131,094 and Supplemental and Concentration funding in the amount of \$49,344,779.

The assumptions used for this projection include:

- x Funded average daily attendance: 27,340
- x District unduplicated student count: 74.4%
- x State Target Gap Closure: 55.28%.

Other State and Local Revenue

Other State Revenue includes State Lottery and Mandated Cost reimbursement. The estimated funding for Lottery is \$189

funding to school service expenditures only, no administrator salaries and benefits may be charged to the fund. The District anticipates receiving \$36.6 million earmarked for the EPA fund reporting. Staff has examined the rules provided by the California Department of Education. As a result, instructional expenses related to school site staff have been placed in the EPA fund for budget for 2016-17. The Board adopted the EPA funding resolution #77-1516 on May 11, 2016.

Parcel Tax – Local Support for Students

The parcel tax program includes support for a wide variety of services to students of the District. The current parcel tax funding, renewed in November of 2012, is accounted for in a locally restricted account. The District expects to collect \$9.7 million in 2016-17. The parcel tax is a fixed funding stream for a specific time period, it does not include any growth for increased expenses such as raises, benefit increases or new priorities. As such, budget line items must be adjusted to accommodate these items within the fixed income. The District has given raises during the 2015-16 and 2016-17 school year

New funding letters are received continually throughout the year adjusting and awarding various grants. Budgets and positions are added and removed based upon the funding received in any given year. Appendix B contains a list of the updated grant budget projections.

Multi Year Projection

The multi-year projection for the Districts adopted budget utilizes the County Office of Education recommended assumptions. These assumptions are published by the California Department of Finance, School Services of California and the Fiscal Crisis Management Team for the development of revenue projections. Expenditure projections include estimated step and column increases as well as staffing changes based upon enrollment or expiration of one-time funding. Supply and service expenditures utilize the California Consumer Price Index as an estimate for cost increases.

The following are the assumptions used for the development of the multi-year projections.

2016-17 Second Interim Assumptions

Funded ADA: 27,340
LCFF Gap Funding Rate: 55.28%
District Unduplicated Percentage: 74.4%
Step and Column: 1.0%
CalPERS Rate: 13.88%
Cal STRS Rate: 12.58%
Active Health Benefits: 0%
Retiree Health Benefits: 0%
Reserve for economic uncertainty 6%
(Split between Special Reserve and General Fund)

2017-18 Assumptions

Funded ADA: 27,198.43
LCFF Gap Funding Rate: 23.67%
District Unduplicated Percentage: 74.13%
Estimated Supplies Increase: California CPI: 2.72%
Step and Column: 1.0%
CalPERS Rate: 15.8%
Cal STRS Rate: 14.43%
Active Health Benefits: 0%
Retiree Health Benefits: 0%
Reserve for economic uncertainty 6%
(Split between Special Reserve and General Fund)

2018-19 Assumptions

Funded ADA: 27,012.85
LCFF Gap Funding Rate: 53.85%
District Unduplicated Percentage: 74.02%
Estimated Supplies Increase: California CPI: 2.92%
Step and Column: 1.0%

CalPERS Rate: 18.7%
Cal STRS Rate: 16.28%
Active Health Benefits: 0%
Retiree Health Benefits: 0%
Reserve for economic uncertainty 6%
(Split between Special Reserve and General Fund)

Retirement System Increases

There are two retirement systems that cover employees working in school districts. STRS is the State Teachers Retirement System and CalPERS is the California Public Employee Retirement System. STRS covers teachers and staff members who are credentialed. CalPERS covers classified employees such as clerical, maintenance and paraprofessionals. STRS has known for many years that it was operating with a large unfunded liability, however did not increase the rate. Beginning in the 2015-16 school year the legislature adopted a State budget which, over time, funds the outstanding State liabilities for STRS and CalPERS. The budget enacted a series of high cost rate increases for School Districts and also increased the employee participation rates. The

The combined cost related to the rate increase for 2016-17 is \$5.2 million, for 2017-18 it is projected to be \$3.5 million, 2018-19 the projection is \$4.7 million with similar increase levels each year thereafter. These increases consume revenue growth year over year. For instance, in 2017-18 the District expects an increase in LCFF Base funding of \$1.7 million, the retiree increase is \$3.5 million exceeding the District's Base growth by \$1.8 Million.

Deficit Spending

During budget development, and as the District works on interim financial statements, it is important to plan toward eliminating deficit spending if deficits are anticipated in the coming years. Deficit spending can be tracked by monitoring the ending fund balance each year. Strictly speaking it is the comparison of current year revenues to current year expenses. It is reflected in the State reports and is described as the net decrease in fund balance.

During the 2010 fiscal year the unrestricted ending fund balance declined and the trend was projected to continue starting 2016-17 through 2018-19. While this is not a desirable trend, the fund balance had been carefully monitored to make sure the appropriate funds are in place for the required 3% reserve. The following table illustrates the

June 2011	June 2012	June 2013	June 2014	June 2015
\$18,438,898	\$23,376,077	\$23,376,077	\$21,992,229	\$22,217,132
Net Increase (Decrease):	\$4,937,179	\$0	(\$1,383,848)	\$224,903
Multi-Year Projection	June 2016	June 2017	June 2018	June 2019
			projected	projected
Fund Balance	\$49,306,872	\$50,414,553	\$42,329,407	\$38,038,338
Net Increase (Decrease):	\$27,089,740	\$1,107,681	(\$8,085,146)	(\$4,291,069)

The fund balance increased dramatically during the 2015-16 fiscal year. This is due partly to an influx of one-time funding and also due to the fact that negotiated settlements were

Fund Balance- Unrestricted

The Board has expressed an interest in identifying one-time uses for fund balance proceeds, while at the same time working to close the structural deficit and maintaining the 6% reserves.

The Second Interim projection includes an undesignated fund balance projection for 2018-19 of \$24 million. During this same year, the projection shows that the District will be deficit spending by \$4.3 million.

It is staff's recommendation that the planned/prioritized uses take place over three years. The recommended approach protects the District if the assumptions used in the financial projections change for the worse. A prioritization is included below for one-time spending of fund balance to be included in the multi-year budget projection.

The following projects/programs are recommended by staff to be included in 2017-18

Special Reserve Fund

reduced lunch counts to account for community need. School districts are required to submit plans in order to release funding for projects. Applications for the fund award require detailed information on projects and energy savings and are reviewed by the California Energy Commission before funding is allocated by the California Department of Education.

The District completed LED lighting retrofit projects at Kennedy High school and Verde Elementary during the summer of 2016. The allocated funding for West Contra Costa Unified for year 4 (2016-2017) is \$1.3 million. The district will submit plans for energy efficiency projects for year 4 at the start of 2017.

Long Term Debt Table	Principal June 2016	16-17 Payment	Pay off year
COPS	\$6,250,000	\$923,731	2024
State Emergency Loan	-0-	-0-	2012 (was 2018)

for Capital Outlay housed the former RDA funds. The expenditure budgets for these funds total \$108 million with \$103 million from the Bond Fund.

Other Funds

In addition to the General, Capital Outlay and Adult Funds, the District operates six additional funds. These include the Child Development Fund (Pre-School), the Cafeteria Fund, Bond Interest and Redemption Fund (County level bond debt payments), Debt Service Fund (COP), Self-Insurance Fund (Property, Liability, Dental and Vision), and Retiree Benefit Fund. These funds all had positive fund balances as of the Second Interim Report. At year end closing temporary borrowing due to cash flow timing may be necessary for the Child Development and Cafeteria funds. A resolution for temporary borrowing will be presented to the board in April.

Next Steps

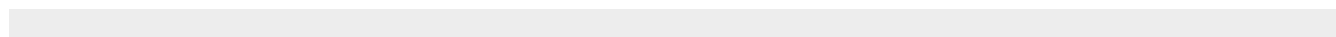
APPENDIX A

Description	Original Budget	Current Budget	Actual	Variance Original Budget	Variance Current Budget	611000126(000)085(40)81481 w
REVENUE						
Other local sources	9,732,165.00	9,751,593.00	9,691,609.00	(19,428.00)	59,984.00	
Total Revenue	9,732,165.00	9,751,593.00	9,691,609.00	(19,428.00)	59,984.00	
EXPENDITURES						

Protecting core academics

Certificated salaries

-



	1,033,534.00	1,061,741.00	557,353.94	(28,207.00)	504,387.06	
Books and supplies				-	-	
Services and other operating expenditures				-	-	
Capital outlay				-	-	
Total	3,558,540.00	3,661,837.00	1,920,949.99	(103,297.00)	1,740,887.01	

Providing smaller class sizes for the youngest children

Certificated salaries				-	-	
Classified salaries				-	-	
Employee benefits				-	-	
Books and supplies				-	-	
Services and other operating expenditures	766,239.00	766,239.00	255,413.00	-	510,826.00	K-3 CSR
Capital outlay				-	-	
Total	766,239.00	766,239.00	255,413.00	-	510,826.00	

Improving safety on and around our campuses

Certificated salaries				-	-	
Classified salaries	349,268.00	380,277.00	219,235.19	(31,009.00)	161,041.81	Custodian
Employee benefits	242,132.00	248,205.00	136,689.70	(6,073.00)	111,515.30	
Books and supplies				-	-	
Services and other operating expenditures	20,500.00	20,499.00	13,344.97	1.00	7,154.03	
Capital outlay				-	-	
Total	611,900.00	648,981.00	369,269.86	(37,081.00)	279,711.14	

Supporting after-school programs

Certificated salaries	229,624.00	179,532.00	107,480.90	50,092.00	72,051.10	High School Athletic program
Classified salaries	163,000.00	98,594.00	73,348.78	64,406.00	25,245.22	
Employee benefits	81,512.00	68,797.00	35,706.39	12,715.00	33,090.61	
Books and supplies	71,000.00	28,000.00	14,609.60	43,000.00	13,390.40	
Services and other operating expenditures	444,375.00	476,375.00	300,913.72	(32,000.00)	175,461.28	
Capital outlay	11,100.00	11,100.00		-	11,100.00	
Total	1,000,611.00	862,398.00	532,059.39	138,213.00	330,338.61	

Supporting libraries

Certificated salaries	960,880.00	946,650.00	485,418.33	14,230.00	461,231.67	
-----------------------	------------	------------	------------	-----------	------------	--

