

**West Contra Costa
Unified School District**

**2016-17
Executive Summary
First Interim Report
October 31, 2016**

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First Interim Financial Report Overview

Two Interim Financial Reports are routinely required by the California Department of Education each year. Districts must submit the completed reports for review to the County Office of Education who then submits them to the State.

California school district revenues and expenditures are subject to constant change. School district budgets are not static documents, but instead are constantly being revised to respond to decisions at the state and federal levels, as well as to the expenditure needs of the local agency. The First Interim Report's financial projections have been updated to reflect new information received and board action taken since the original budget adoption.

The Executive Summary includes an overview of the financial data reported in the SACS (Standardized Account Code Structure) First Interim Report. It is provided to assist the reader in understanding the information being reported on the SACS forms. The SACS forms also include supporting reports such as, Average Daily Attendance estimates, Criteria and Standards and the Multi-Year Projection report.

With each financial report the District is asked to project the general fund financial status through year-end, June 30, 2017. The Multi-

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

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.

2016-17 Projected Per Pupil Funding (95.2% of Target)				
Base	Grade Span Adj.	Supplemental	Concentration	Total
\$6,743	\$702	\$1,109	\$725	\$9,279
\$6,844		\$1,020	\$667	\$8,531
\$7,048		\$1,050	\$686	\$8,784
\$8,166	\$212	\$1,248	\$817	

This is a reduction of \$8.2 million from the one-time funds the District received in 2015-16. Local Revenue also consists of interest earnings and other miscellaneous revenues.

Education Protection Account

General Fund Restricted

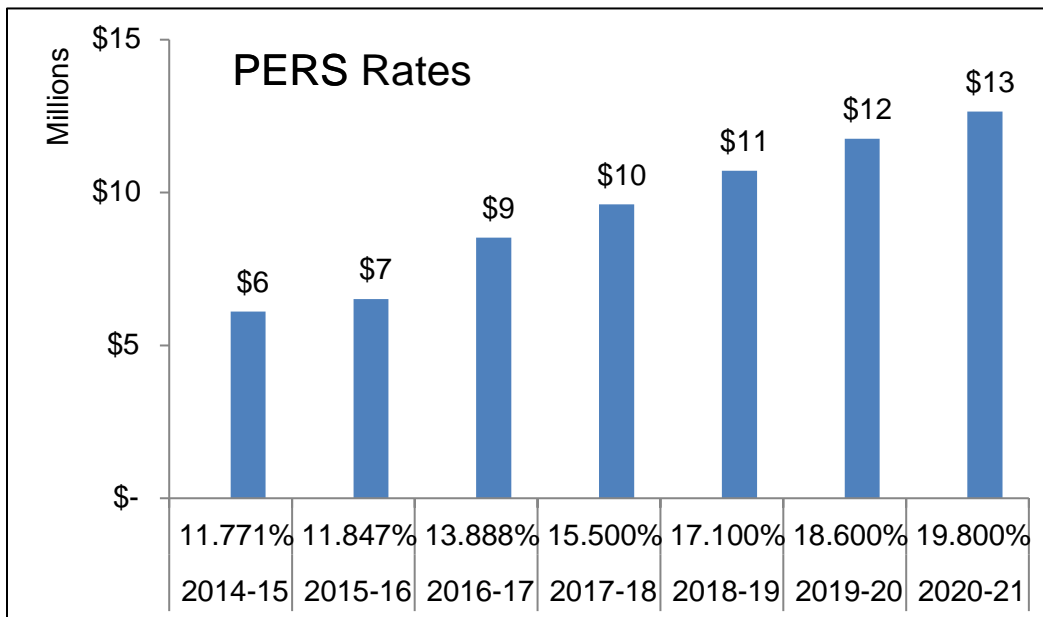
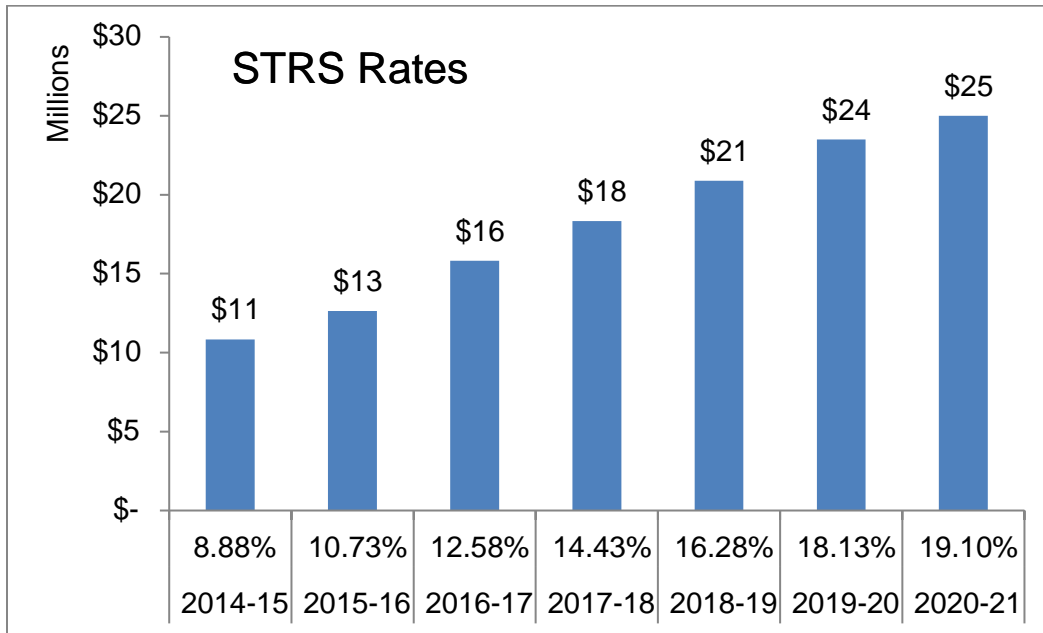
Step and Column: 1.0%
CalPERS Rate: 15.5%
Cal STRS Rate: 14.43%
Active Health Benefits: 0%
Retiree Health Benefits: 0%
Reserve for economic uncertainty 6%
(Split between Special Reserve and General Fund)

2018-19 Assumptions

Funded ADA: 26,775.37
LCFF Gap Funding Rate: 40.36%
District Unduplicated Percentage: 74.11%
Estimated Supplies Increase: California CPI: 2.42%
Step and Column: 1.0%
CalPERS Rate: 17.10%
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 sc 0.23o[(c)1.i(oy)1.that



The combined cost related to the rate increase for 2016-17 is \$5.2 million, for 2017-18 it is projected to be \$3.6 million, 2018-19 the projection is \$3.7 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 \$2.7 million, the retiree increase is \$3.6 million exceeding the District's Base growth by \$900 Thousand.

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 unrestricted ending fund balance for each year end closing plus the projections for fund balance which are included in the multi-year projection.

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	\$50,623,425	\$45,615,744	\$37,640,889
Net Increase (Decrease):	\$27,089,740	\$1,316,553	(\$5,007,681)	(\$7,974,855)

As you can see, 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 made prospectively (without a large retroactive component). This decision was made knowing that the District would need to spend down some fund balance going forward and to monitor and adjust the budget so that the structural deficit is eliminated in years to come.

Staff recommended targeting an additional \$1 million cut in ongoing expenses during the 2016-17 fiscal year and has reduced the unrestricted general fund budget, since adoption, by over \$500 Thousand. Staff will continue to identify areas where budget can be reduced to reach the \$1 million goal before Second Interim. In addition, unrestricted revenues for the LCFF have increased due to increased enrollment over the original estimates by \$3.4 million. This has resulted in a positive, net increase, balance estimated for June of 2017.

Staff recommends an additional \$3 million in cuts in ongoing expenses for 2017-18. This can be accomplished by reviewing and revising departmental and program budgets. Staff will incorporate these cuts and revisions into the draft budget for 2017-18. These recommendations may change based upon enrollment factors or state funding levels prior to Second Interim. The cuts would not eliminate deficit spending, but would allow for the 6% reserve the Board has targeted, even if one-time spending is authorized out of the fund balance. If enrollment continues to decline, as projected, additional cuts will be required in 2018-19.

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. Now is the time to begin work on prioritizing the use of the funds.

The First 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 \$7.9 million. Because of the estimated deficit spending in 2018-19 additional fund balance will be needed to protect the reserves in 2019-20. The fund balance required for 2019-20 will become a factor when the Board adopts the 2017-18 budget due to the requirement to project three year's budget at a time. If funds are held to cover the structural deficit for three years, staff then recommends one time projects/programs in the amount of \$4 million be prioritized.

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 prioritized list should be included with the Second

Special Reserve Fund – 17	2016-17 Budget
Balance June 30, 2016	\$ 11,818,319
Reserve (for a total of 6% when combined with gf)	\$ (9,543,319)
Reserved for Replacement of IT Equipment	\$ (2,275,000)
Unassigned Special Reserve Fund Balance Projection June 2017	\$ -0-

Prop 39 Energy Grant

The California Clean Energy Jobs Act (Proposition 39) changed the corporate income tax code and allocates projected revenue to California's General Fund and the Clean Energy Job Creation Fund for five fiscal years, beginning with fiscal year 2013-14. The Proposition 39 Energy grant provides a per pupil allocation based upon average daily attendance. In addition, districts are eligible for funding based upon the free and 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.

adding and dropping benefits as well as health care premium rate increases, is 7%. Over the past three year's rates have increased, but costs have remained fairly stable, running between \$18-19 million per year, due to the fluctuation in participants as well as their individual choices of program and Medicare eligibility. The Board has expressed interest in placing the retiree benefit fund into an irrevocable trust. Staff is recommending that the Board authorize a trust through Cal-PERS, adopting an irrevocable trust is estimated to reduce the liability of the District by an estimated \$83 million, helping to offset the increase that has happened due to the new rule adoption which will become effective in June of 2017.

Long Term Debt

The Certificates of Participation (COPS) noted here were refunded in 2005 and included a "make whole" provision which means that in order to pay the debt off early the District must pay interest guaranteed to investors when the debt was refunded.

Long Term Debt Table

Principal June 2016 16-1

The services and activities are aligned to the eight State priorities and organized by the District's five major goal areas. For a comprehensive review of the District's LCAP please access the District's webpage at <http://www.wccusd.net/Page/4328>

Goal 1: Improve student achievement for all students and accelerate student learning increases for ELL and low income students.

operated a program during 2012-13 were required to continue to operate a program at the 2012-13 expenditure level. In 2015-16, the Governor's budget provided for an Adult Education Block Grant. The current estimated block grant for 2016-17 is \$2.4 million. The Adult Education program is also anticipating grants and fees of \$820,000 for total revenue of \$3.2 million. Expenses for the program are estimated at \$3.4 million, leaving a deficit of \$200,000. There is sufficient fund balance to cover the deficit for 2016-17, however the program will need to review its operations and class offerings to bring the budget into balance and avoid deficit spending in the coming year.

Capital Facility Funds

Capital Facility Funds consist of the Building Fund (21), Capital Facilities Fund (25), County School Facilities Fund (35), and Special Reserve for Capital Outlay (40). The Building Fund is where the bond funds and projects are accounted for; the Capital Facilities Fund contains developer fees, the County School Facilities Fund consists of funding received through the State School Building Program and the Special Reserve 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

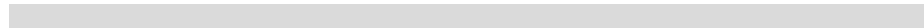
In addition to the General, Capital Outlay and Adult Funds, the District operates six additional funds. These include the Child Development Fund (Pre-School), the Cafeteria Fund, Bond Interest and Redemption Fund (County level bond debt payments), Debt Service Fund (COP), Self-Insurance Fund (Property, Liability, Dental and Vision), and Retiree Benefit Fund. These funds all have positive fund balances as of the First Interim Report projections.

Next Steps

At any given point in time the Board and staff are considering three years of budget information. In January the Board will be considering the implications of the new State budget announcements and working toward the policy level decisions that will guide the development of the 2017-18 budget. The process for budget planning has already started for schools and departments for the coming fiscal year. The Second Interim will be prepared and presented to the Board in March for 2016-17, and finally the audit will be reviewed for the prior fiscal year of 2015-16.

WEST CONTRA COSTA UNIFIED
2016-17 CATEGORICAL REVENUE SOURCES

Resource	Adopted Budget/Grant Description	Revenue - @ 1st Interim (award amount)	Carry Over (2015-16 C.O.)	Ongoing Funding	Competitive Periodic Yr End
3010	Title I	7,335,440 \$	2,732,727	X	
3310	SpEd IDEA	5,551,234 \$	-	X	
3311	SpEd IDEA Part B Private School 78a(/86m8</MC-3 Tw 6.12 -0 0 6.12 296.88 608.52 Tm [(7,-)1.93r4 f* BT .8(r)8.1(i)-2-0.007 Tc 0.007				



9531	Chevron	98,579 \$	49,130		2017
9550	UCB Hewlett/Johnson Lighthouse	-	1,876		2017
9582	CPT 1	-	35,881		
9590	West County Safe Trans MSR J	145,050 \$	102,956	X	X
9595	Irene Scully Family Foundation	10,000 \$	-		1X
9618	Kaiser Community Benefit Program	-	55,167		
9620	YMCA James Morehouse Project	-	-		X
9626	Gear UP-Principal Petrilli	7,500 \$	5,683		2017
9630	Math Professional Development	-	-		2017
9631	Skully Math Program	-	-		
9637	FAB Foundation	-	-		2018
9660	Portola Science Trust Korematsu principal- Matt	-	152,911		
9668	TUPE	-	-	X	
9908	Microsoft Gov't Settlement	-	3,221		2017
9930	TPP Program	-	-	X	
911X	Donations	-	-		
TOTAL LOCAL REVENUE:		\$ 2,100,888	\$ 2,465,019		
6010	Healthy Start-AFTER SCHOOL (ASES)	3,505,467 \$	20,323	-X	X
6230	California Clean Energy	1,000,000 \$	-		
6264	Educator Effectiveness	-	1,331,913		X
6300	Restricted Lottery	724,499 \$	644,344	X	
6385	CA Partnership Academy	1,494,032 \$	915,787	-X	X
6387	CTE Incentive Grant	56,431,977 \$	-		2019
6500	Special Education AB602	1,720,155 \$	3,928,523	X	
6512	SpEd Mental Health Services	17,692 \$	-	X	
6515	SpEd Infant	258,622 \$	-	X	
6520	Workability	-	-	X	X
7220	Partnership Academy	-	-	-X	X
7400	QEIA	-	58,518		2017
9133	Medi-cal Billing	47,925 \$	353,839		
TOTAL STATE REVENUE:		\$ 65,200,369			

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
 MEASURE "G" PARCEL TAX
 SUMMARY OF REVENUES AND EXPENDITURES
 FOR THE FISCAL YEAR ENDING OCTOBER 31,2016

APPENDIX

Description	Original Budget	Current Budget	Actual	Variance Origin Budget	Variance Curre Budget	Notes
Payment to Charter Schools	660,845.00	660,845.00	-	-	660,845.00	
Total	660,845.00	660,845.00	-	-	660,845.00	
Grand Total Expenditures	9,732,165.00	9,751,593.00	2,540,208.32	(19,428.00)	7,211,384.68	
Grand totals all Programs by Area Expense						
Certificated salaries	3,715,510.00	3,715,510.00	955,613.67	-	2,759,896.33	
Classified salaries	1,512,868.00	1,524,999.00	427,862.74	(12,131.00)	1,097,136.26	
Employee benefits	2,429,728.00	2,433,025.00	697,692.72	(3,297.00)	1,735,332.28	
Books and supplies	171,000.00	138,000.00	106,550.03	33,000.00	31,449.92	
Services and other operating expenditures	1,231,114.00	1,268,114.00	352,489.11	(37,000.00)	915,624.89	
Capital outlay	11,100.00	11,100.00	-	-	11,100.00	
Transfers to District or Charter	660,845.00	660,845.00	-	-	660,845.00	
Grand Total Expenditures	9,732,165.00	9,751,593.00	2,540,208.32	(19,428.00)	7,211,384.68	