

# Chico Unified School District

**2014-15**

## **First Interim Financial Report**

**Projected Period Ending October 31, 2014**

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Chico Unified School District  
2014-15 First Interim  
**Overview**

- ✓ **1<sup>st</sup> Interim Budget projections will change from Original Budget**
- ✓ **State budget adopted after CUSD approved its Original Budget**
- ✓ **Budget review meetings completed with Directors and Principals**
- ✓ **Interim reports require certification**
  - ✓ **Positive – will meet obligations in current year and subsequent 2 years**
  - ✓ **Qualified – may not meet obligations in current year and subsequent 2 years**
  - ✓ **Negative – will not meet obligations in current or subsequent year**

# Chico Unified School District 2014-15 First Interim Major Assumptions

The following revenue assumptions apply to the First Interim Report:

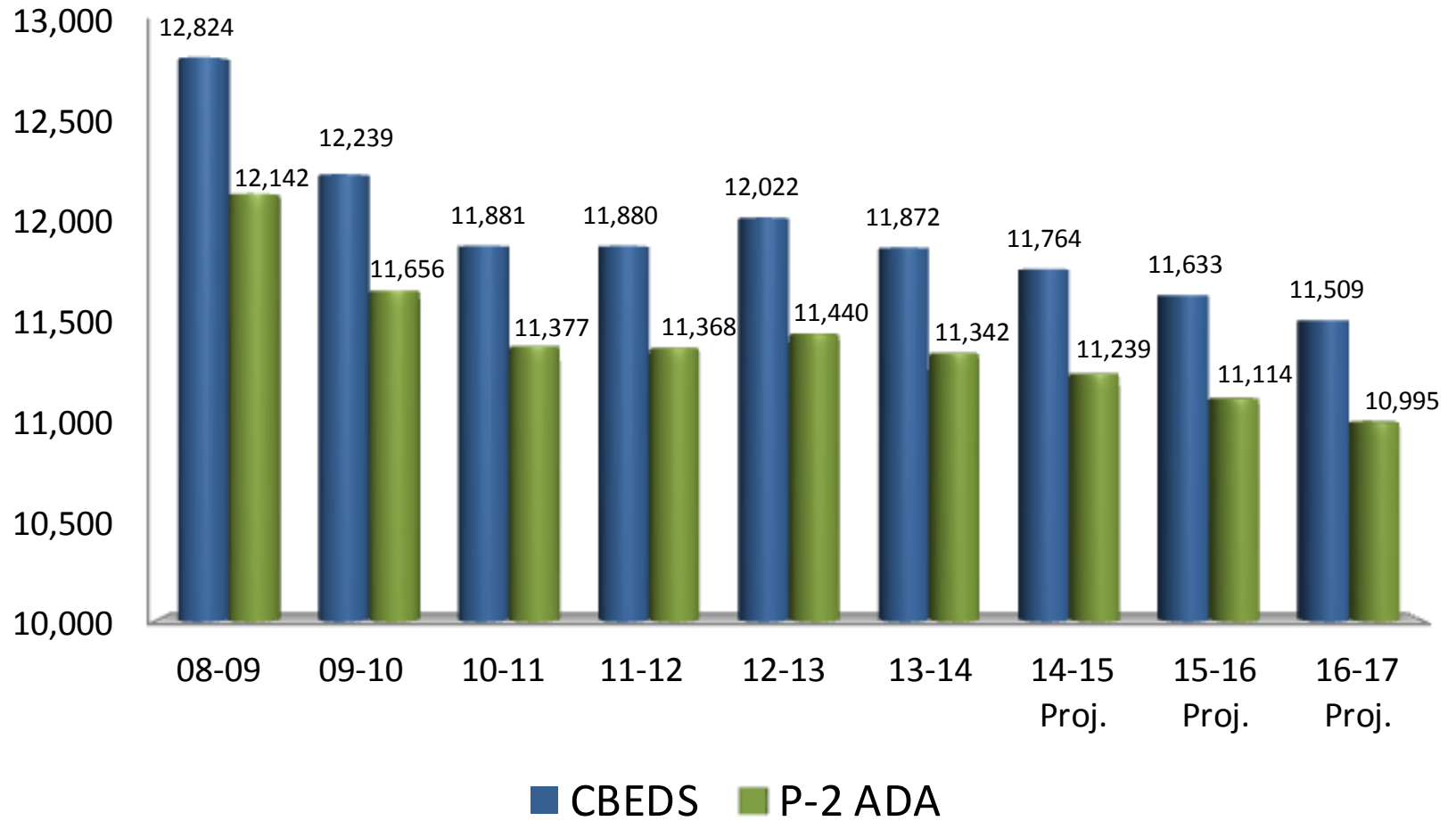
- ✓ **Local Control Funding Formula (LCFF) has been updated with the latest Fiscal Crisis & Management Assistance Team (FCMAT) Calculator**
- ✓ **LCFF gap funding percentage is 29.56%**
- ✓ **Prior year Average Daily Attendance (ADA) used as CUSD is declining in enrollment**
- ✓ **Federal & State program budgets have been updated to reflect current year award letters**
- ✓ **One-time mandated costs reimbursement received in the amount of \$760,000**

# Chico Unified School District 2014-15 First Interim Major Assumptions

The following expenditure assumptions apply to the First Interim Report:

- ✓ **Budget has been updated to reflect current staffing through position control**
- ✓ **Carryover dollars have been updated**
- ✓ **State Teachers Retirement System (STRS) employer contribution rate is equal to 8.88%**
- ✓ **Public Employees Retirement System (PERS) employer contribution rate is equal to 11.771%**

# Chico Unified School District 2014-15 First Interim CBEDS vs. P2 Average Daily Attendance



# Chico Unified School District

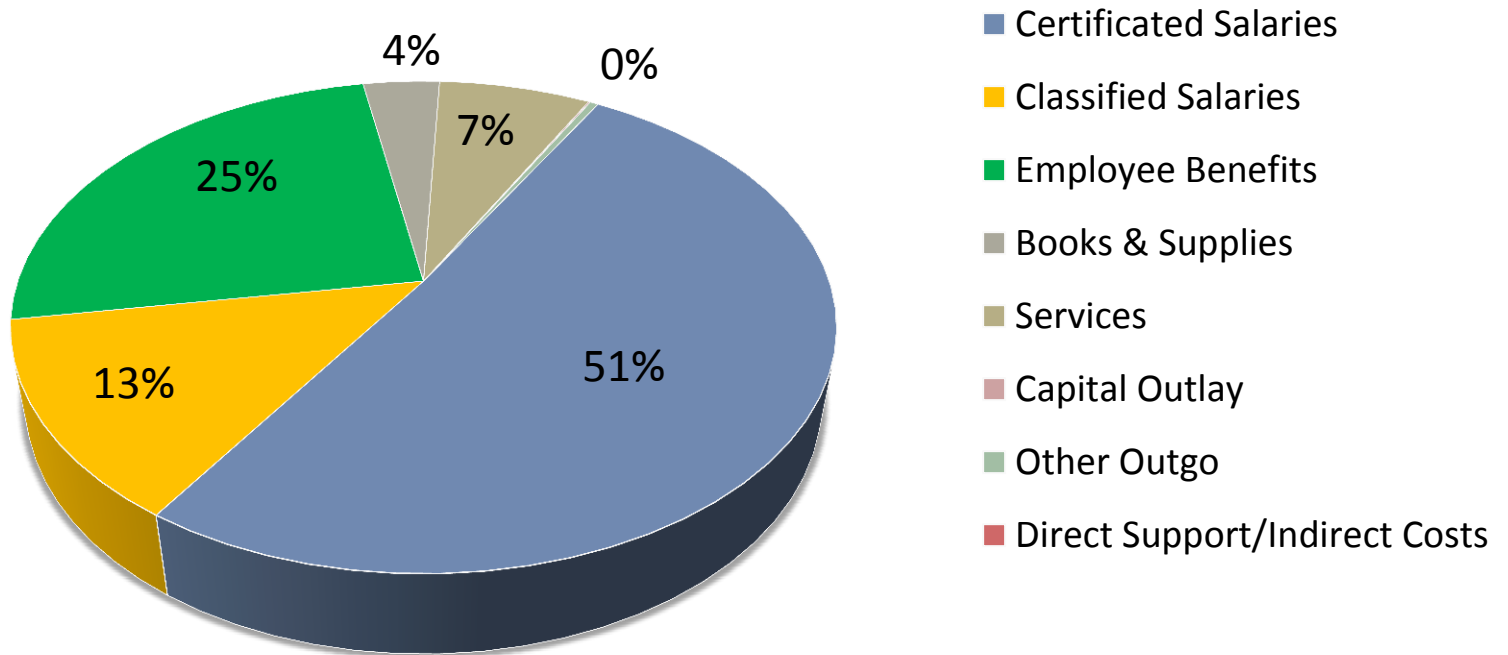
## 2014-15 First Interim

### Income Statement

	Unrestricted	Restricted	Total
<b>Revenue</b>			
LCFF/Revenue Limit	\$81,654,043	\$0	\$81,654,043
Federal Revenues	\$42,300	\$8,342,191	\$8,384,491
State Revenues	\$2,735,612	\$6,210,248	\$8,945,860
Local Revenues	\$1,099,353	\$5,814,700	\$6,914,053
<b>Total Revenue</b>	<b>\$85,531,308</b>	<b>\$20,367,139</b>	<b>\$105,898,447</b>
<b>Expenditures</b>			
Certificated Salaries	(\$38,317,287)	(\$10,232,545)	(\$48,549,832)
Classified Salaries	(\$9,846,918)	(\$7,146,295)	(\$16,993,213)
Employee Benefits	(\$18,525,608)	(\$7,342,906)	(\$25,868,514)
Books and Supplies	(\$2,686,855)	(\$4,823,608)	(\$7,510,463)
Services	(\$5,337,439)	(\$4,394,700)	(\$9,732,139)
Capital Outlay	(\$61,000)	(\$568,403)	(\$629,403)
Other Outgo	(\$291,349)	(\$894,483)	(\$1,185,832)
Direct Support/Indirect Costs	\$2,270,395	(\$1,846,060)	\$424,335
<b>Total Expenditures</b>	<b>(\$72,796,061)</b>	<b>(\$37,249,000)</b>	<b>(\$110,045,061)</b>
<b>Transfers &amp; Contributions</b>	<b>(\$11,439,245)</b>	<b>\$13,829,486</b>	<b>\$2,390,241</b>
<b>Change in Fund Balance</b>	<b>\$1,296,002</b>	<b>(\$3,052,375)</b>	<b>(\$1,756,373)</b>

# Chico Unified School District 2014-15 First Interim How Unrestricted Money Is Spent

## 14-15 Budgeted Expenditures - Unrestricted Only



# Chico Unified School District

## 2014-15 First Interim

### Unrestricted Budget Comparison

	Original Budget	1st Interim	Variance
<b>Revenue</b>			
LCFF/Revenue Limit	\$80,459,742	\$81,654,043	\$1,194,301
Federal Revenues	\$42,300	\$42,300	\$0
State Revenues	\$1,906,024	\$2,735,612	\$829,588
Local Revenues	\$1,134,938	\$1,099,353	(\$35,585)
<b>Total Revenue</b>	<b>\$83,543,004</b>	<b>\$85,531,308</b>	<b>\$1,988,304</b>
<b>Expenditures</b>			
Certificated Salaries	(\$38,371,515)	(\$38,317,287)	(\$54,228)
Classified Salaries	(\$10,264,206)	(\$9,846,918)	(\$417,288)
Employee Benefits	(\$19,433,046)	(\$18,525,608)	(\$907,438)
Books and Supplies	(\$2,601,403)	(\$2,686,855)	\$85,452
Services	(\$5,452,958)	(\$5,337,439)	(\$115,519)
Capital Outlay	(\$50,000)	(\$61,000)	\$11,000
Other Outgo	(\$292,291)	(\$291,349)	(\$942)
Direct Support/Indirect Costs	\$2,077,269	\$2,270,395	(\$193,126)
<b>Total Expenditures</b>	<b>(\$74,388,150)</b>	<b>(\$72,796,061)</b>	<b>(\$1,592,089)</b>
<b>Transfers &amp; Contributions</b>	<b>(\$11,158,672)</b>	<b>(\$11,439,245)</b>	<b>\$280,573</b>
<b>Change in Fund Balance</b>	<b>(\$2,003,818)</b>	<b>\$1,296,002</b>	<b>(\$3,299,820)</b>



Chico Unified School District  
2014-15 First Interim

**Unrestricted Budget Changes from Original Budget**

- **Change in Revenue Estimates**
  - LCFF estimate increased \$1,194,301
    - LCFF gap funding percentage increased with state budget adoption from 28.06% to 29.56%
    - Average Daily Attendance (ADA) in 2013-14 increased by 31.87 based on annual independent audit
    - TK-3 grade-span adjustment did not calculate at Original Budget
  - One-time mandated costs reimbursement payment received for claims prior to 2011 in the amount of \$760,000
- **Change in Transfers & Contribution Amounts**
  - Increase in projected transfer to Nutrition Services
  - Special education financial support decreased

Chico Unified School District  
2014-15 First Interim  
**Unrestricted Budget Changes from Original Budget**

- **Change in Expenditure Estimates**
  - Position control has been updated to reflect current staffing
  - Benefits costs decreased
    - Health & welfare cost estimate decreased
    - STRS employer contribution percentage decreased from 9.5% to 8.88%
  - Indirect costs increased with budgeting for prior year carryover dollars

Chico Unified School District  
2014-15 First Interim  
**Multi Year Assumptions**

The following revenue assumptions were used to build the Multi Year Projection (MYP):

- ✓ LCFF gap funding rate based on School Services dashboard
  - ✓ 7.90% in 2015-16
  - ✓ 8.20% in 2016-17
  
- ✓ ADA projections based on a historical two-year weighted average trend and actual enrolled students for 2014-15
  - ✓ Estimated decrease of 108 funded ADA in 2015-16 and 125 funded ADA in 2016-17
  
- ✓ Elimination of Forest Reserve funding in 2015-16
  
- ✓ Increased revenue estimates for rate increases for international student tuition

Chico Unified School District  
2014-15 First Interim  
**Multi Year Assumptions**

The following expenditure assumptions were used to build the Multi Year Projection (MYP):

- ✓ Reduction in staffing due to decreased enrollment
- ✓ Increase for step & column, health & welfare, STRS and PERS costs
- ✓ Increase for insurance and utilities rate adjustments
- ✓ Estimated salary savings from retirements
- ✓ Additional LCAP expenses included in the two subsequent years
- ✓ Increased costs for additional Regional Occupational Program (ROP) sections due to reduced support from Butte County Office of Education (BCOE)
- ✓ Estimated decrease in transfer to Nutrition Services in 2015-16
- ✓ Estimated decrease in Indirect Costs (IC) due to decline in rate and loss of grant funding

Chico Unified School District

2014-15 First Interim

Multi Year Projection - Unrestricted General Fund Only

	<u>2014-15 First Interim</u>	<u>2015-16 Projected</u>	<u>2015-16 Projected</u>
Total Revenue/Transfers In	\$85,531,308	\$85,411,750	\$86,225,865
Total Expenditures/Transfers Out	(\$72,796,061)	(\$73,764,466)	(\$75,120,439)
Contributions to Restricted Programs	(\$11,439,245)	(\$12,076,270)	(\$12,500,607)
Net (Decrease) in Fund Balance	\$1,296,002	(\$428,986)	(\$1,395,181)
Beginning Fund Balance	<u>\$8,513,044</u>	<u>\$9,809,046</u>	<u>\$10,880,060</u>
Transfer District's Portion of MAA prior to July 2011		\$1,500,000	
<b>Ending Fund Balance</b>	<b>\$9,809,046</b>	<b>\$10,880,060</b>	<b>\$9,484,879</b>
<b>Components of Fund Balance:</b>			
3% Required Reserve for Economic Uncertainties	\$3,307,657	\$3,208,799	\$3,258,964
Additional 2% Reserve per Board Policy	\$2,205,104	\$2,139,199	\$2,172,642
Other Unrestricted Reserves	\$284,600	\$284,600	\$284,600
Other Restricted Reserves	\$0	\$0	\$0
<b>Undesignated Fund Balance</b>	<b>\$4,011,685</b>	<b>\$5,247,462</b>	<b>\$3,768,673</b>



Chico Unified School District

2014-15 First Interim

Multi Year Projection - Unrestricted General Fund Only

With CUSD Compensation Proposal

	2014-15 First Interim	2015-16 Projected	2015-16 Projected
Total Revenue/Transfers In	\$85,531,308	\$85,411,750	\$86,225,865
Total Expenditures/Transfers Out	(\$72,796,061)	(\$73,764,466)	(\$75,120,439)
Contributions to Restricted Programs	(\$11,439,245)	(\$12,076,270)	(\$12,500,607)
<b>2013-14 Compensation Inc. related to LCFF (one-time)</b>	<b>(\$145,510)</b>		
<b>2014-15 CUSD Compensation Proposal to Bargaining Units</b>	<b>(\$1,525,700)</b>	<b>(\$1,525,700)</b>	<b>(\$1,525,700)</b>
Net (Decrease) in Fund Balance	(\$375,208)	(\$1,954,686)	(\$2,920,881)
Beginning Fund Balance	\$8,513,044	\$8,137,836	\$7,683,150
Transfer District's Portion of MAA prior to July 2011		\$1,500,000	
<b>Ending Fund Balance</b>	<b>\$8,137,836</b>	<b>\$7,683,150</b>	<b>\$4,762,269</b>
<b>Components of Fund Balance:</b>			
3% Required Reserve for Economic Uncertainties	\$3,307,657	\$3,208,799	\$3,258,964
Additional 2% Reserve per Board Policy	\$2,205,104	\$2,139,199	\$2,172,642
Other Unrestricted Reserves	\$284,600	\$284,600	\$284,600
Other Restricted Reserves	\$0	\$0	\$0
<b>Undesignated Fund Balance</b>	<b>\$2,340,475</b>	<b>\$2,050,552</b>	<b>(\$953,937)</b>



Chico Unified School District  
 2014-15 First Interim  
**Impact of Declining Enrollment on LCFF Calculation**

	<b>2014-15 First Interim</b>	<b>2015-16 Projected</b>	<b>2016-17 Projected</b>
LCFF Growth based on 2013-14 funded ADA	\$6,821,776	\$1,551,389	\$1,633,022
LCFF Growth based on projected ADA	\$6,821,776	\$656,054	\$803,699
Change	<u>\$0</u>	<u>(\$895,335)</u>	<u>(\$829,323)</u>

Projected changes in funded ADA

2015-16 - 108 decrease

2016-17 - 125 decrease

Chico Unified School District  
2014-15 First Interim

**Impact of STRS & PERS rate Compared to Estimated LCFF Revenue**

	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
	<b>First Interim</b>	<b>Projected</b>	<b>Projected</b>
LCFF Growth based on 2013-14 funded ADA	\$6,821,776	\$1,551,389	\$1,633,022
LCFF Growth based on projected ADA	\$6,821,776	\$656,054	\$803,699
Change	<u>\$0</u>	<u>(\$895,335)</u>	<u>(\$829,323)</u>

Projected changes in funded ADA

2015-16 - 108 decrease

2016-17 - 125 decrease



Chico Unified School District  
2014-15 First Interim  
**Conclusion**

- 1<sup>st</sup> Interim Report shows improved financial outlook compared to Original Budget
  - Fewer budget reductions required next year to balance the budget
- With current compensation proposal, CUSD would deficit spend in current year
- MYP deficit spending increases in future years due to the loss of one-time revenues and expenditure increases in excess of on-going revenues
  - CUSD would not maintain 5% reserve per board policy in 2016-17 if compensation proposal is implemented
- Governor's 2015-16 budget proposal expected in January
- State economy continues to improve with higher state revenues received
- Cash deferrals nearly eliminated improving cash flow substantially