

**SAN LUIS COASTAL UNIFIED SCHOOL DISTRICT
BOARD MEETING AGENDA
December 13, 2016**

**Positive Certification of Adequate Funding:
First Interim Report for 2016-17 (as of October 31, 2016)**

The 2016-17 Budget for San Luis Coastal Unified School District was adopted in June 2016. The District is required to certify the status of its budget twice in the fiscal year. First Interim certification occurs as of October 31 and Second Interim certification occurs as of January 31. In each instance, the Governing Board is required to find that the District has appropriate resources and reserves to meet its financial obligations in the current and subsequent two fiscal years.

The First Interim Report is attached. It reflects all changes in our financial condition since the Budget was adopted in June 2016. These changes in financial condition are a result of several occurrences:

- Property taxes have been adjusted to reflect the most recent information from the county assessor. The P-1 property tax report is .7% higher than what was in the Adopted Budget.
- Based on the current data, San Luis Coastal's property tax amount is approximately \$9 million over the current year LCFF gap funding amount.
- New funding for College Readiness Grant is included in 1st Interim, as well as adjustments to the Prop 39 Energy Grant, CTE Grants, and Mandated Cost One-Time revenue.
- The 2015-16 general fund carryover amounts of approximately \$608,000 have been posted.
- Restricted ending balances have been budgeted in the amount of \$850,000.
- Local revenues are adjusted as billing accounts, facility fees, and donations are received.
- CBEDS enrollment numbers were measured in October and reflect an increase in enrollment of 47 students. For some programs funding is a factor of the CBEDS enrollment counts. The funding for those programs has now been adjusted.
- Salary and benefits have been adjusted for current positions and for the negotiated 1% increase.
- Other expenditure areas have been adjusted to reflect Board approved one-time expenditures, carryover amounts, and normal adjustments to site and department budgets.

This First Interim Report is presented in the SACS spreadsheet format, comparing the original budget, Board Approved Operating Budget, and the Projected Year Totals. The two columns on the General Fund Summary, found later in this narrative, are labeled 2016-17 Budget and First Interim Projected Budget. This allows for easy comparison between the reporting periods.

The adjustments to the major revenues in the General Fund are as follows:

<i>Revenue Changes</i>	<i>Budget Adoption</i>	<i>1st Interim</i>	<i>Change to End Balance</i>
Property Taxes/LCFF	\$73,257,763	\$73,746,405	\$488,642
Federal Revenue	\$2,720,276	\$2,933,742	\$213,466
State Revenue	\$7,206,842	\$7,462,809	\$255,967
Local Revenue	\$3,543,306	\$4,439,432	\$896,126
Total Revenues	\$86,728,187	\$88,582,388	\$1,854,201

The adjustments to the major expenditures are as follows:

<i>Expenditure Changes</i>	<i>Budget Adoption</i>	<i>1st Interim</i>	<i>Change to End Balance</i>
Certificated Salary	\$38,910,638	\$39,590,410	-\$679,772
Classified Salary	\$16,236,162	\$16,659,604	-\$423,442
Benefits	\$21,753,698	\$21,861,575	-\$107,877
Books and Supplies	\$4,429,884	\$5,655,797	-\$1,225,913
Services and Operations	\$6,954,207	\$8,097,781	-\$1,143,574
Capital Outlay	\$10,000	\$971,911	-\$961,911
Other Outgo	\$535,631	\$429,586	\$106,045
Total Expense	\$88,830,220	\$93,266,664	-\$4,436,444
Transfers In from Fund 20	\$1,000,000	\$1,000,000	\$0
Transfers Out to Fund 40	\$0	\$120,000	-\$120,000
Total Change to Ending Balance			-\$2,702,243

**Changes to State Revenue and to Benefits include the state's portion of the STRS On-Behalf pension estimated to be \$3,184,068. This amount is added to revenue and expense on paper only. It has no effect on the ending balance.*

Changes to Ending Fund Balance

In some cases the District is required to reallocate deferred revenues and return carryover balances to various programs. This represents spending down carryover; however, since expenses are greater than revenue, the perception of deficit spending is inflated.

Changes to the ending fund balance are as follows:

Property Tax Adjustment	\$497,920
One-Time Mandated Cost Adjustment	99,415
Interest Adjustment	20,000
CCSFA Adjustment	66,446
MAA New Revenue	30,029
Print Shop Savings	70,900
Prop 39 Energy Savings	108,673
General Fund Carryover	-607,795

**SLCUSD Board Meeting Agenda
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December 13, 2016

Site Allocation CBEDS Adjustments	-98,464
District Portion of New Phone System	-310,650
New bus	-200,000
Vehicle Replacement	-100,000
Furniture	-50,000
Contracts (Norcast, Spec Ed Legal, SL Sports Therapy)	-85,800
Cost of 1% Salary/Benefit Increases (negotiated)	-620,000
Other Salary/Benefit Adjustments	-279,085
Grounds Irrigation System	-89,167
IS&T Licenses/Redundant Network Equipment	-96,537
Grounds General Fund Budget	-28,789
SEIU Professional Development Increase (negotiated)	-3,000
PE Supplies Budget	-24,000
Special Ed Van	-4,000
Board Docs Upgrade	-6,000
Special Ed Testing	-5,201
Credit Recovery	-11,425
Insurance	-7,784
E-Rate Phone Discount Reduction	-28,500
Local Income Adjustment	-60,000
Miscellaneous 1 st Interim Adjustments	-14,136
Balance 57xx, 73xx, 89xx	-14,669
Budget Restricted Ending Balances	-850,624
TOTAL CHANGE TO END BALANCE	-\$2,702,243

Multi-Year Projections
2016-17 MULTIYEAR PROJECTIONS

	2016-17 1ST INTERIM BUDGET	% CHANGE	2017-18 PROJECTION	% CHANGE	2018-19 PROJECTION
REVENUE LIMIT	73,746,405	0.98%	74,469,434	1.28%	75,423,598
FEDERAL REVENUES	2,933,742	-3.84%	2,821,135	0.00%	2,821,135
STATE REVENUES	7,462,809	-29.40%	5,268,384	0.00%	5,268,384
LOCAL REVENUES	4,439,432	51.03%	6,705,000	0.30%	6,725,000
TOTAL REVENUES	\$88,582,388	0.77%	\$89,263,953	1.09%	90,238,117
CERTIFICATED SALARIES	39,590,410	0.75%	39,888,676	1.76%	40,590,999
CLASSIFIED SALARIES	16,659,604	0.86%	16,803,699	2.11%	17,157,497
BENEFITS	21,861,575	3.69%	22,667,558	7.11%	24,278,614
MATERIALS AND SUPPLIES	5,655,797	-29.28%	4,000,001	-7.50%	3,700,000
OPERATING EXPENSES	8,097,781	-7.38%	7,500,000	-8.96%	6,827,998
CAPITAL OUTLAY	971,911	0.00%	50,000	0.00%	50,000
OTHER OUTGO	429,586	14.30%	491,000	0.00%	491,000
TOTAL EXPENSE	\$93,266,664	-2.00%	\$91,400,934	1.85%	93,096,108
REVENUE OVER EXPENSE	-\$4,684,276		-\$2,136,981		-\$2,857,991
TRANSFERS IN	\$1,000,000		\$1,000,000		\$1,000,000
TRANSFERS OUT	\$120,000		\$1,000,000		\$0
INCR/DECR IN FUND BALANCE	-\$3,804,276		-\$2,136,981		-\$1,857,991
BEGINNING BALANCE	\$17,803,570		\$13,999,294		\$11,862,313
END BALANCE	\$13,999,294		\$11,862,313		\$10,004,322
10% FOR ECONOMIC UNCERTAINTY	\$9,338,666		\$9,240,177		\$9,309,611
NON SPENDABLE/RESTRICTED	\$1,160,604		\$559,156		559,156
OTHER DESIGNATIONS*	\$3,092,926		\$2,062,980		135,555
UNDESIGNATED BALANCE	\$407,098		\$0		\$0

*Other designations include the Adult Ed balance, Instructional Materials Realignment balance, Lottery one-year balance.

MULTI-YEAR REVENUE ASSUMPTIONS:

REVENUE LIMIT/LCFF: Property taxes are projected with an increase of 3% to secured and reductions to unitary taxes as Diablo Canyon depreciates. We will continue to receive EPA funds through 2018-19. With the passage of Prop 55, we will also continue receiving EPA funds into the future, but the exact amount is unknown. Property tax transfer to Bellevue Santa Fe will increase by the state gap funding rate. The LCFF gap rate for 2016-17 is 54.18%, and 72.99% and 40.36% in subsequent years.

FEDERAL: Federal revenues are projected with conservative MAA revenues of \$100,000, which will be adjusted as they are received.

STATE: State revenues are projected with no one-time mandated cost revenue or Educator Effectiveness revenue and decreases to CTE revenues.

LOCAL: Donations and other local revenues are projected with historically averaged amounts. The district will begin receiving PG&E settlement money beginning in 2017-18 and for the next nine years. The first five years the settlement amount will be \$2 million per year, and the remaining years will be \$4 million per year.

MULTI-YEAR EXPENDITURE ASSUMPTIONS:

CERTIFICATED SALARY is projected with step and column increases, the 1% negotiated raise through 2018-19, and savings from 10 retirements.

CLASSIFIED SALARY is projected with step and column increases, the 1% negotiated raise through 2018-19, and savings for approximately 5 retirements.

BENEFITS are projected with increases to STRS (14.43% & 16.28%) and PERS (15.5% & 17.1%). Health & Welfare is projected with 5% increases in subsequent years. The retirement incentive will expire in 2016-17 saving the district \$397,680.

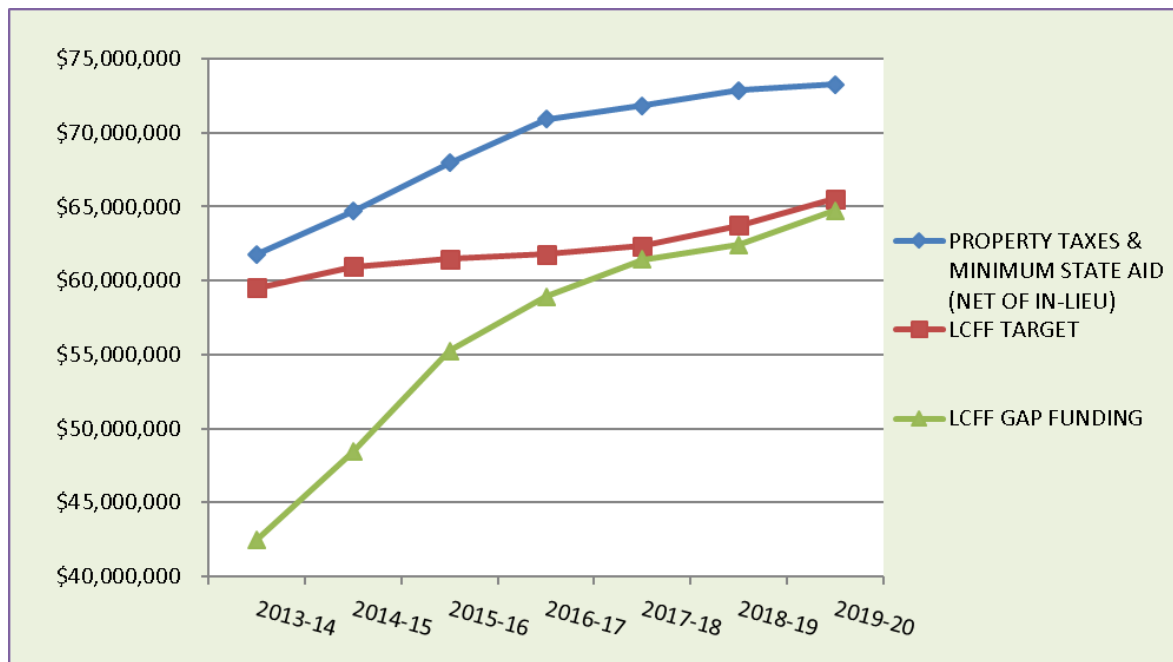
MATERIALS AND SUPPLIES are projected at historical averages and take into consideration the reduction in CTE funding and elimination of other grants.

SERVICES AND OPERATING EXPENSES are projected at historical averages and take into consideration the reductions in funding and elimination of grants and reductions in professional development.

EQUIPMENT will be budgeted as needs are known. We have projected only \$50,000 in subsequent years.

LCFF vs Basic Aid

Since San Luis Coastal is a Basic Aid district, it does not receive LCFF revenues from the state. This is because the property tax revenues exceed what the district would receive from the LCFF calculation. Below is a graph illustrating the projected levels of funding for San Luis Coastal using property tax projections on the Multi-Year Projection, and LCFF projections based on the School Services Dartboard. LCFF Target Funding receives COLA increases which are projected to be 1.11%, 2.42% and 2.67% for the years 2017-18 through 2019-20. The gap funding is projected at 72.99%, 40.36% and 73.98% for the same years. This year's difference between the district's **net** property taxes (including state aid (former categorical funding) and transfer to Bellevue Santa Fe Charter) and LCFF gap funding is \$11,985,000.



Local Control Accountability Plan (LCAP) Progress

San Luis Coastal continues to make progress on LCAP goals.

- Our LCAP is aligned directly with our LEA Plan and Single Plans for Student Achievement (SPSA)
- District and School sites are following the LEA and SPSAs
- All school sites have received approval of the plans from their School Site Councils
- All plans have been adopted by the Board
- LCAP updates are regularly provided at Board meetings
- Plans and dates have been created in order to hold additional stakeholder meetings for feedback and input.

1st Interim Changes to Other Funds

The district maintains seven different funds in addition to the general fund. The chart below shows the balances as of Budget Adoption on the top row, with changes to types of revenues and expenses below those balances. The First Interim Revenue Balance and First Interim Expenditure Balance are the sum of the beginning budget balances and the changes that have occurred since Budget Adoption. At the bottom of the chart, the actual beginning fund balance as of July 1 and ending fund balance as of First Interim (October 31) are shown. Funds are not allowed to have a negative ending balances and would have to receive a loan from another fund if that were to happen. All of our other funds are projected with positive ending balances.

OTHER FUNDS							
1st INTERIM 2016-17							
	FUND 11 ADULT ED	FUND 13 CAFETERIA	FUND 20 OTHER POST EMPLOYMENT BENEFITS	FUND 21 BUILDING	FUND 25 CAPITAL FACILITIES	FUND 40 RESERVE FOR CAPITAL OUTLAY	FUND 51 BOND INTEREST AND REDEMPTION
REVENUES							
BUDGET ADOPTION BEGINNING BALANCE	\$ 1,104,572	\$ 2,517,143	\$ 42,000	\$ 250,000	\$ 895,000	\$ 25,700	\$ 7,005,000
CHANGES AS OF 1ST INTERIM:							
FEDERAL REVENUE	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
STATE REVENUE	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
LOCAL REVENUE	\$ 30,614	\$ -	\$ 18,000	\$ -	\$ 15,000	\$ 13,039	\$ -
1ST INTERIM BALANCE	\$ 1,135,186	\$ 2,517,143	\$ 60,000	\$ 250,000	\$ 910,000	\$ 38,739	\$ 7,005,000
EXPENDITURES							
BUDGET ADOPTION BEGINNING BALANCE	\$ 993,702	\$ 2,517,143	\$ -	\$ 42,520,028	\$ 328,000	\$ 25,700	\$ 6,121,490
CHANGES AS OF 1ST INTERIM:							
CERTIFICATED SALARY	\$ (68,690)	\$ -	\$ -	\$ -	\$ 326	\$ -	\$ -
CLASSIFIED SALARY	\$ (27,722)	\$ (63,196)	\$ -	\$ 20,747	\$ 32	\$ -	\$ -
BENEFITS	\$ (22,035)	\$ (23,797)	\$ -	\$ 7,802	\$ 48,181	\$ -	\$ -
MATERIALS/SUPPLIES	\$ 228,282	\$ 5,724	\$ -	\$ 137,463	\$ 78,431	\$ -	\$ -
OPERATING EXPENSE	\$ 5,000	\$ (3,405)	\$ -	\$ 173,903	\$ 1,486,994	\$ 169,145	\$ -
EQUIPMENT	\$ -	\$ -	\$ -	\$ (11,971,727)	\$ -	\$ 182,978	\$ -
OTHER OUTGO	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1ST INTERIM BALANCE	\$ 1,108,537	\$ 2,432,469	\$ -	\$ 30,888,216	\$ 1,941,964	\$ 377,823	\$ 6,121,490
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSE	\$ 26,649	\$ 84,674	\$ 60,000	\$ (30,638,216)	\$ (1,031,964)	\$ (339,084)	\$ 883,510
TRANSFERS IN	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 120,000.0	\$ -
TRANSFERS OUT	\$ -	\$ -	\$ 1,000,000.0	\$ -	\$ -	\$ -	\$ -
NET INCREASE (DECREASE) IN FUND BALANCE	\$ 26,649	\$ 84,674	\$ (940,000)	\$ (30,638,216)	\$ (1,031,964)	\$ (219,084)	\$ 883,510
BEGINNING BALANCE	\$ 84,321	\$ 351,928	\$ 9,130,982	\$ 45,013,857	\$ 10,277,019	\$ 219,084	\$ 7,574,200
ENDING BALANCE	\$ 110,970	\$ 436,602	\$ 8,190,982	\$ 14,375,641	\$ 9,245,055	\$ -	\$ 8,457,710

The attached Resolution 07-16-17 certifies that the First Interim Report correctly projects the District's financial condition and based upon current forecasts, information, and trends that affect our revenues and expenditures, the District will meet its financial obligations in the current year and in the following two years.

The Standardized Account Code Structure (SACS) report is attached and includes the 2016-17 Fund Summaries comparing the Original Budget, Approved Budget and Projected Totals. Changes to major object codes are included in these summaries.

RECOMMENDATION:

The Board of Education discuss and approve the First Interim Report including the budget revisions made to reflect changes as presented through October 31, 2015, and adopt Resolution 07-16-17

**SLCUSD Board Meeting Agenda
First Interim Report for 2016-17 (as of October 31, 2016)**

December 13, 2016

GENERAL FUND SUMMARY			
2016-17 ADOPTED BUDGET		2016-17 1st INTERIM BUDGET	
REVENUE			
Revenue Limit	\$ 73,257,763	Revenue Limit	\$ 73,746,405
Federal	\$ 2,720,276	Federal	\$ 2,933,742
State	\$ 7,206,842	State	\$ 7,462,809
Other Local	\$ 3,543,306	Other Local	\$ 4,439,432
TOTAL REVENUE	\$ 86,728,187	TOTAL REVENUE	\$ 88,582,388
EXPENDITURES			
1xxx Certificated Salaries	\$ 38,910,638	1xxx Certificated Salaries	\$ 39,590,410
2xxx Classified Salaries	\$ 16,236,162	2xxx Classified Salaries	\$ 16,659,604
3xxx Employee Benefits	\$ 21,753,698	3xxx Employee Benefits	\$ 21,861,575
4xxx Materials/Supplies	\$ 4,429,884	4xxx Materials/Supplies	\$ 5,655,797
5xxx Operations & Other	\$ 6,954,207	5xxx Operations & Other	\$ 8,097,781
6xxx Capital Outlay	\$ 10,000	6xxx Capital Outlay	\$ 971,911
7xxx Other Outgo	\$ 535,631	7xxx Other Outgo	\$ 429,586
TOTAL EXPENSES	\$ 88,830,220	TOTAL EXPENSES	\$ 93,266,664
Revenue over Expense	\$ (2,102,033)	Revenue over Expense	\$ (4,684,276)
Transfers In	\$ 1,000,000	Transfers In	\$ 1,000,000
Transfers out	\$ -	Transfers out	\$ 120,000
NET INC/DECR FN BAL	\$ (1,102,033)	NET INC/DECR FN BAL	\$ (3,804,276)
Beginning Balance	\$ 17,803,570	Beginning Balance	\$ 17,803,570
Ending Balance	\$ 16,701,537	Ending Balance	\$ 13,999,294
COMPONENTS OF ENDING FUND BALANCE			
Revolving cash	\$ 20,000	Revolving cash	\$ 20,000
Prepays	\$ -	Prepays	\$ -
Stores	\$ 6,559	Stores	\$ 4,330
10% Economic Uncertainty	\$ 8,883,022	10% Economic Uncertainty	\$ 9,338,666
Sub-Total	\$ 8,909,581	Sub-Total	\$ 9,362,996
RESTRICTED END BALANCES			
Restricted Lottery	\$ 451,068	Restricted Lottery	\$ 235,000
Medi-Cal Billing	\$ 239,620	Medi-Cal Billing	\$ 196,000
Prop 39 Energy	\$ 596,601	Prop 39 Energy	\$ 705,274
Maintenance	\$ 258,564	Maintenance	\$ -
Educator Effectiveness	\$ 216,440	Educator Effectiveness	\$ 1
Sub-Total	\$ 1,762,293	Sub-Total	\$ 1,136,275
FLEXIBLE RESOURCE BALANCES			
Adult Ed	\$ 526,874	Adult Ed	\$ 526,874
Arts and Music Block Grant	\$ -	Arts and Music Block Grant	\$ 1
Instructional Materials Realignment	\$ 1,528,188	Instructional Materials Realignment	\$ 1,566,051
Sub-Total	\$ 2,055,062	Sub-Total	\$ 2,092,926
LOTTERY & OTHER			
Lottery	\$ 1,115,932	Lottery	\$ 1,000,000
Catastrophic Leave Balance	\$ 175,934	Catastrophic Leave Balance	\$ -
Transfer to Fund 20 (OPEB)	\$ 975,000	Transfer to Fund 20 (OPEB)	\$ -
Site and Department Carryover	\$ 591,803	Site and Department Carryover	\$ -
Sub-Total	\$ 2,858,669	Sub-Total	\$ 1,000,000
Unappropriated	\$ 1,115,932	Unappropriated	\$ 407,097

Group 1 – Revenue. San Luis Coastal has four basic sources of revenue:

- Revenue Limit Sources/LCFF – local property taxes and related income
- Federal Sources – expected allocations from federally funded grants
- State Sources – revenue received from state-funded grants and entitlements
- Local Sources – revenue generated from tasks we do, (e.g., rentals, fund raisers, interest income, donations)

Group 2 – Expenditures. The district groups its expenditures into seven specific areas:

- 1000s – certificated salaries
- 2000s – classified salaries
- 3000s – employee benefits
- 4000s – books, materials and supplies
- 5000s – contracts and services
- 6000s – major assets
- 7000s – other expenditures not identified above

Group 3 – Net Increase/Decrease Fund Balance. The result of total revenues minus total expenditures is reflected in the line titled “Revenue Over Expense.” If the amount is a positive number, the district is deemed to be in a surplus budget position; if it is negative, the district is deemed to be deficit spending. Deficit spending should be avoided. However, if it can be shown that the district has sufficient reserves (savings account) and that the deficit is a result of one-time allocations or carryover reallocations, it would be acceptable to budget with a deficit. There are several sources of revenues related to transfer from other funds or agencies, these are Transfers In and Transfers Out. Also, there are several allocations we make to transfer money into other funds or agencies. The difference between our Revenue over Expenditures total and the net of all transfers in or out is the Net Increase in Fund Balance.

Group 4 – Fund Balance. For the purpose of defining whether we are fiscally healthy or not, the Fund Balance is the number by which we are judged. The Fund Balance is the same as a family’s savings account. It is the accumulated money left over after all bills are paid. The Beginning Balance is a definitive number that reflects the district’s fiscal history. The Ending Balance is estimated, based upon the Board adopted budget for that year.

Components of the Ending Fund Balance – As often happens in families, the savings account is designated for a particular current or future use or, in some cases, left undesignated. As a public entity, the district is regulated by Education Code, Government Code, and state law. Some of these laws direct how we handle our reserves. Four definitive groups define our Ending Fund Balance reserves; two groups are mandated by code and two are designated by district policy.

Group 5 – Non-Spendable/Reserve for Economic Uncertainty. Education Code requires the district to put aside a minimum of 3% of our expenditures as designated for a reserve to be used in times of economic uncertainty. The Board has determined that the risk involved in being a community funded district requires a higher reserve. The Board approved reserve is currently 10% of expenditures. Other items within this group are considered non-spendable.

Group 6 – Restricted Programs Carryover. Some state and federal program resources are awarded to be spent when necessary. As a result, the unspent balance must be carried over from year to year. It is within this group that we track and report these amounts.

Group 7 – Flexible Resource Balances. The District continues to keep certain flexible resources in separate codes to track ending balances that will be used for the purpose for which they were originally intended.

Group 8 – Lottery and Other. There are several sources of funding that do not have any guarantee of repetition making them uncertain funding sources for future events. We place these amounts in this category for one year to make sure they continue and then release them for use after that time. Some are treated as one-time revenue (e.g., mandated costs), and some as a continuing revenue stream (e.g., lottery).

Group 9 – Unappropriated. Not all of the reserve is established for a particular use. After we have classified and categorized our Ending Fund Balance to the extent described above, any residual is termed unappropriated. If all the funds in Group 5 through 9 were added together, they would equal the total amount in our Ending Fund Balance (savings account) described in Group 4.



SAN LUIS COASTAL UNIFIED SCHOOL DISTRICT

A POSITIVE CERTIFICATE OF ADEQUATE FUNDING BY THE BOARD OF EDUCATION

Resolution 07-16-17

WHEREAS the Board of Education has adopted a budget for the operations of San Luis Coastal Unified School District for fiscal year 2016-17; and

WHEREAS the Board of Education has approved certain appropriations and transfers to the 2016-17 budget; and

WHEREAS the Board of Education finds that adequate income will be available through the 2016-17 fiscal year to meet the expenditure needs of the District;

NOW, THEREFORE, pursuant to Assembly Bill 1366, Chapter 741, Statutes of 1985 and as amended by AB 1200 in 1992, the Governing Board of San Luis Coastal Unified School District certifies that San Luis Coastal Unified School District will be able to meet its financial obligations for the remainder of the 2016-17 fiscal year; and based on current forecasts, for the 2017-18 and 2018-19 fiscal years.

ADOPTED this 13th day of December 2016, by the Board of Education of the San Luis Coastal Unified School District by the following roll call vote:

AYES:

NOES:

ABSENT OR NOT VOTING:

President or Clerk of the Governing Board of
the San Luis Coastal Unified School District

ATTESTED TO:

Clerk or Secretary of the Governing Board of the
San Luis Coastal Unified School District