

Cotati-Rohnert Park USD
2014-15 Third Interim
Report



Revenue Changes

- District revenue decreased \$388,000 since Second Interim
 - Lower ADA reduced LCFF funding
 - Additional donation revenue received

2014-15	Adopted Budget	Second Interim Projection	Third Interim Projection
LCFF/Revenue Limit	\$41,193,485	\$41,324,562	\$40,854,310
Federal Revenue	\$ 2,233,593	\$ 2,484,224	\$ 2,494,224
Other State Revenue	\$ 2,146,034	\$ 2,907,380	\$ 2,906,860
Other Local Revenue	\$ 4,522,117	\$ 5,899,410	\$ 5,972,353
Total Revenues	\$50,095,229	\$52,615,576	\$52,227,747



Average Daily Attendance (ADA)

- LCFF revenue is calculated on higher of current or prior year ADA
- With growth, now funded on current year ADA
- P-2 = 2nd period attendance
 - Ends in March, reported to county office and State in April
 - Third Interim uses P-2

	2013-14 P-2 ADA	2014-15 Adopted Budget	2014-15 Second Interim	2014-15 Third Interim
District	5,531	5,527	5,652	5,576
County programs	92	92	46	46
Total	5,623	5,619	5,698	5,622



2014-15 Third Interim General Fund Projection

	Second Interim	Third Interim	Difference
Total Revenue	52,615,576	52,227,747	-387,829
Expenditures:			
Certificated Salaries	21,648,316	21,583,052	-65,264
Classified Salaries	5,498,491	5,400,382	-98,109
Health Benefits: Actives	7,992,399	7,991,282	-1,117
Health Benefits: Retirees	1,198,497	1,198,497	--
Other Employee Benefits	4,208,902	4,197,902	-11,000
Books & Supplies	1,767,913	1,623,081	-144,832
Services & Operating Expenditures	9,790,538	9,789,160	-1,378
Other	1,079,212	953,056	-126,156
Net Increase (Decrease)	-568,692	-508,665	60,027
Beginning Balance	1,522,100	1,522,100	--
Ending Balance	953,408	1,013,435	60,027



Projected Reserves 2014-15 Third Interim

	Unrestricted & Economic Uncertainty	Budget Stabilization Reserve, Other	Nonspendable & Restricted	General Fund Total	Special Reserve Fund	Unrestricted Reserves	Unrestr. Reserve %
	A				B	C = A + B	
2012-13	969,214	951,973	994,668	2,915,855	847,287	1,816,501	3.83%
2013-14	683,232	0	838,867	1,522,099	851,193	1,534,425	3.05%
2014-15	323,643	0	689,792	1,013,435	855,193	1,178,836	2.21%
2015-16	800,102	550,000	309,317	1,659,418	858,200	1,658,302	3.01%
2016-17	852,921	420,000	440,610	1,713,531	861,400	1,714,321	3.00%



Multi-Year Projections at Third Interim

Factor	2014-15	2015-16	2016-17
Statutory COLA	.085%	1.58%	2.17%

LCFF Factors

Gap Funding Percentage	2014-15	2015-16	2016-17
Dept. of Finance	29.15%	32.19%	23.71%

- May revision makes the projections obsolete:
 - 15-16 COLA now 1.02%
 - Gap funding increased:
 - 53.08% for 2015-16
 - 37.40% for 2016-17—the gap is smaller



District Reserves in Multi-Year Projection: Budget Stabilization Reserve

- Significant uncertainties:
 - Transportation funding
 - Gap funding percentage
 - Amount of mandate backlog funding in 2015-16
 - Projected enrollment
 - Health premium increases—projected at 10%

- Revised budget stabilization reserve:
 - \$550,000 in 2015-16
 - \$420,000 in 2016-17

- Shown as “Assigned” in multi-year projection



The Big News – 2015-16 Provides the Highest Increase in Education Funding Ever!

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- The May Revision provides an additional \$3.1 billion for education funding in 2014-15
 - This funding is for 2014-15, but treated as one-time dollars
- The combination of a rapidly recovering California economy and Proposition 30 temporary taxes drive the increased state revenues and growth in Proposition 98 for 2014-15
- The Governor proposes adding \$2.1 billion to the \$4 billion proposed in January for 2015-16 LCFF growth, for a total of \$6.1 billion
 - Gap closure rate goes from 32.19% to 53.08%
- The state is making rapid progress toward full implementation of the LCFF



State Plans to Provide Greater Stability

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- Up to this point, to fund the LCFF the state has proposed a fixed dollar amount to fund gap closure and the districts' gap closure percentage "floats"
 - Districts take the risk for changes in the gap percentage once the State Budget has been enacted
- The Administration has advised that, starting in 2015-16, the state will fix the percentage of gap closure and the dollar amount will "float" at the state level
 - Provides much greater fiscal stability for districts
 - Planning becomes easier



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January Budget vs. May Revision

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Item	January Budget	May Revision
LCFF 15-16 Gap Funding Percentage	32.19%	53.08%
2015-16 COLA	1.58%	1.02%
One-time Discretionary Funds for 2015-16	\$1.1 billion \$170 per ADA	\$3.5 billion \$601 per ADA
One-time Funds for our District	\$987,000	\$3.3 million



Lower Statutory COLA Than January Estimate

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- The Governor's Budget estimated the statutory cost-of-living adjustment (COLA) for LCFF base grants at 1.58% for 2015-16
- The actual statutory COLA is 1.02%, which is only slightly higher than the 0.85% statutory COLA for 2014-15
- The very low statutory COLA allows the state to reach the LCFF targets sooner than expected because the amount needed for the COLA is less expensive than the earlier forecast
 - The reduction in the statutory COLA from the January Governor's Budget frees up an estimated \$290 million for real growth toward the LCFF targets in 2015-16



2015-16 Local Control Funding Formula

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- The January Budget proposed \$4 billion for continued implementation of the LCFF
- The May Revision provides another \$2.1 billion, for a total of \$6.1 billion of additional Proposition 98 revenues flowing to schools
- New funding is estimated to close the gap between 2014-15 funding levels and LCFF full implementation targets by 53.08% in 2015-16
 - The May Revision slightly revises the current-year gap closure estimate, up from 29.15% to 29.97% for 2014-15
- When combined with 2013-14 and 2014-15 LCFF funding, implementation progress would close almost 70% of the gap in just 3 years



Discretionary Funds

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- The May Revision provides an increase of \$2.4 billion in discretionary one-time Proposition 98 funding
 - From \$1.1 billion to \$3.5 billion, equal to about \$601 per ADA
- The May Revision suggests that LEAs prioritize these funds for professional development, teacher induction, and instructional materials and technology
 - This is not a mandate and the funds can be used for “any one-time purpose, as determined by the governing board”
 - However, any funds received will offset state obligations for any LEA with outstanding mandate reimbursements, consistent with the approach used in the 2014 Budget Act
 - The “Wall of Debt” will be down to \$227 billion as of July 1



Funding CalPERS and CalSTRS

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- The employer contribution costs for both CalPERS and CalSTRS are significantly increasing over the next several years
 - The 2015-16 CalPERS employer contribution rate increase is less than expected – increasing to 11.847% instead of 12.6%
 - The 2015-16 CalSTRS employer contribution rate statutorily increases to 10.73%
 - The increase in 2014-15 was made purposefully small – an 8% increase in the employer cost
 - The increase in 2015-16 is more significant – a 30% increase above the 2013-14 employer contribution rate
- The 2015-16 State Budget proposal does not address these cost increases for local educational agencies



District Reserves

- Currently just over 3% in all years of multi-year projection
- Board policy calls for 4%, but need more to manage cash flow
 - Government Finance Officers Association recommends two months of expenditures, about 17%
 - Bond rating agencies compare to statewide average, 15% for unified districts
 - One month's payroll would be about 6%
- Best approach is to use one-time funds in 2015-16



Budget Topics for 2015-16

- No additional Common Core funding
- Proposed Rainy Day fund and Prop. 98 reserve funds
- Increased retirement contributions for both STRS and PERS
 - CalSTRS increase affects employees as well as districts
 - No new revenue to cover these costs
- Proposed minimum wage increase with no funding increase
- CVT rates for the October 1, 2015 renewal arrived last week
 - Increase of 2.0% on Kaiser Plan 4, 3% annualized
 - Lower increases on PPO plans, .1 to .3%
 - Vision decreased slightly, dental and life unchanged



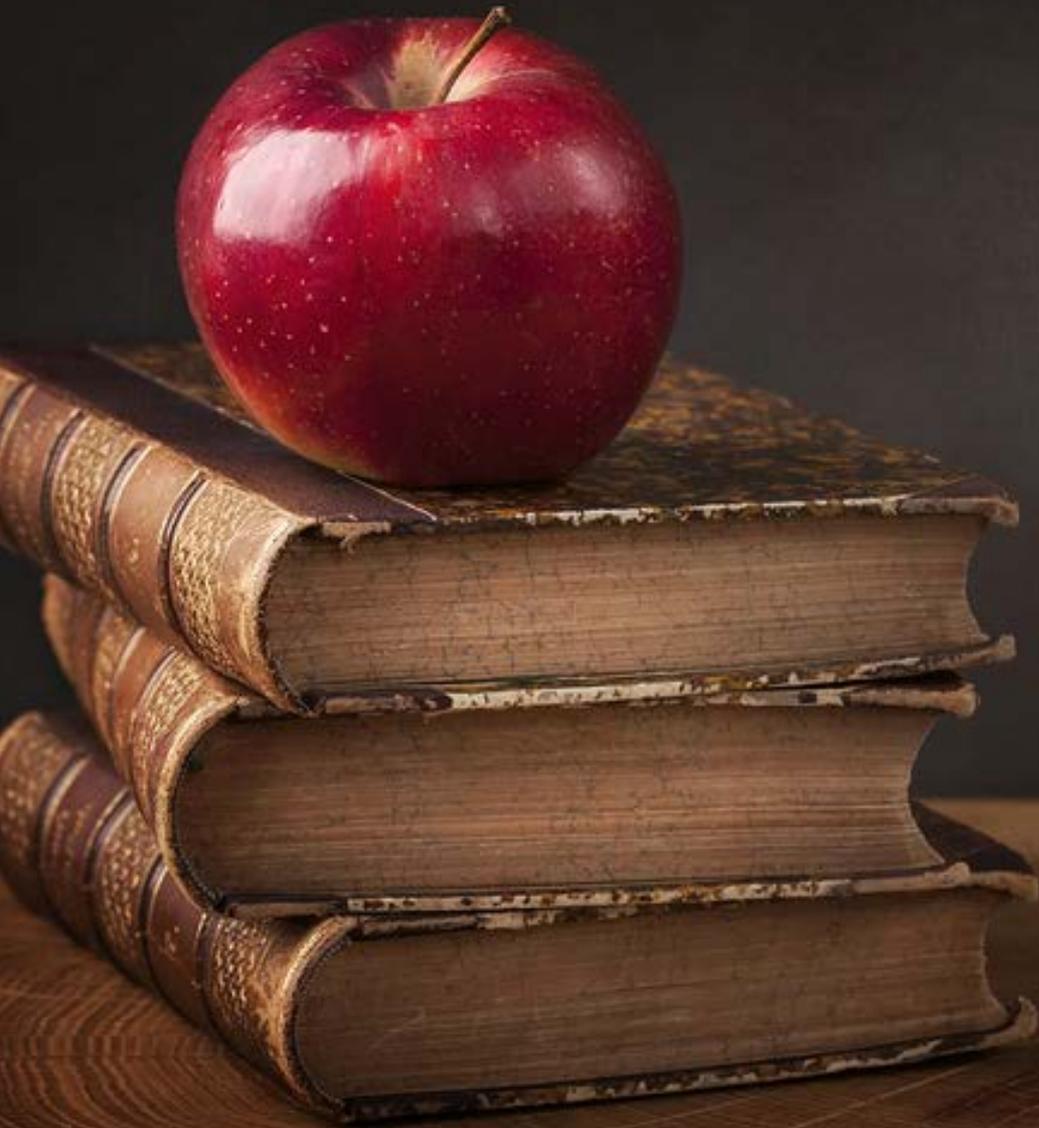
Issues for Future Years

- Restoration of past budget cuts, such as:
 - Instructional materials
 - Technology for students and staff—replacement cycle
 - Cleaning schedules (custodial staff), maintenance staff, vehicle replacements
 - Deferred maintenance funding
- Impact of the Affordable Care Act: likely exposure to “Cadillac” tax
- Funding of retiree medical liability
- Any future negotiated salary increases



What's Next?

- State budget is to be adopted by June 15
- Will key information be in trailer bills enacted in July?
- District budget and LCAP hearing June 16
- District budget and LCAP to be adopted June 30



Questions?