

WEST SONOMA COUNTY UNION HIGH SCHOOL DISTRICT

TO: Kellie Noe, Board President

FROM: Shelley Stiles, Business Manager

DATE: August 13, 2014

ITEM: **CONSIDERATION OF APPROVAL OF 45-DAY REVISE OF THE 2014-15 BUDGET**

BACKGROUND INFORMATION:

Annually, a school district's budget for the upcoming year is developed prior to the enactment of the annual State Budget. Education Code 42127 requires that no later than 45 days after the State Budget Act is signed by the Governor, school districts must make available for public review any revisions in revenue and expenditures that are made to its adopted budget to reflect the changes in funding by the State Budget Act. For the 2014-15 fiscal year the deadline for the aforementioned is August 4, 2014. A copy of this agenda item was posted at the District Office for public preview on Monday, August 4, 2014.

CURRENT CONSIDERATION:

The School Board will consider approving the update to the 2014-15 District Budget. Since the District's budget adoption on June 25, 2015 the State Budget Act was signed by the Governor. Changes since the May Revision include updates to the Gap funding factors and COLA percentages. The 2013-14 Gap funding factor estimated at 11.78% was certified on June 25, 2014 at 12.0017%. The estimated Gap funding percentage for 2014-15 was updated from 28.05% to 29.56% with COLA remaining at 0.85%. Staff updated the District's Local Control Funding Formula revenue calculation to reflect these minor changes, as shown on the attached tables. Total LCFF revenue for 2014-15 increased by \$69,890; reflecting an increase of \$59,762 in the base grant and an increase of \$10,128 in the supplemental grant. Lottery revenue estimates also increased by \$11,486. Although the supplemental grant portion of LCFF funding increased, the revised revenue does not exceed the planned expenditures for supplementary funds approved in the LCAP and District will not need to revise the Local Control Accountability Plan.

Expenditure changes are also included in the budget update. The State Teachers Retirement System (STRS) increased employer and employee contributions effective July 1, 2014. Employers will now contribute 8.88% (an increase from 8.25%) in 2014-15. Employer rates will continue to increase annually to 19.1% over seven years. The District's adopted budget provided for a 9.5% increase in employer contribution. The budget update reduces STRS expenses in 2014-15 by \$40,265. Employees will now contribute 8.15% (an increase from 8.00%) and employee contributions will increase annually to 10.25% over seven years. Worker's compensation rates increased from 1.41% to 1.91% and the District budget has been increased by \$59,934 for reflect the rate

increase. Books and supplies budgets have been increased by \$11,486 for the Lottery revenue increases.

In summary, overall revenues have increased \$81,376 and expenditures \$31,115. Deficit spending has decreased by \$50,221.

Education trailer bill (SB858) included in the State Budget Act contains changes in district reserves. SB 858 creates new transparency requirements and contains a provision that would place a hard cap on the combined assigned and unassigned unrestricted ending balance if Proposition 44, the "Rainy Day Fund", is approved by voters in November 2014. Details of the reserve requirements include public hearings for reserves in excess of minimum reserves and potential hard caps on district reserve levels under certain state economic conditions. County Superintendents may exempt districts from reserve caps. The reserve caps will become operative on December 15, 2014, only if Prop. 44 is approved by the voters. If Prop. 44 is not approved, the cap on reserves will not become operative and will be repealed on January 1, 2015. Adequate reserve levels provide protection against economic downturns and state-level budget cuts, declining enrollment, unplanned expenses, cash shortages, and the volatility in the LCFF Gap funding percentage. Lively and intense discussions are already taking place regarding the affect SB858 will have on school districts if it is passed in November.

The adopted state budget allocates funding to pay down a portion of the debt owed K-12 districts for mandated cost reimbursements unfunded for past fiscal years. These funds will be paid on a per ADA basis, at an estimated \$67 per ADA. For WSCUHSD this could mean an increase in revenue of \$135,000 in 2014-15. The funds will be unrestricted, and while school districts are not required to spend the funds on Common Core State Standards implementation, it is the Legislature's intent that the fund be used toward this implementation. At the recommendation of School Services of California, the District has not yet budgeted for this potential increase in revenue but will budget when the revenue is actually received.

In conclusion, districts across the state have adapted to unprecedented changes under the LCFF and LCAP and with the start of 2014-15 this transition becomes our "new normal." Emphasis on planning and budgeting in a transparent and inclusive manner is expected by the stated and welcomed by our District leadership. Maintaining expenditure flexibility to allow for changing priorities under the LCAP, changing expenditure requirements due to legislative mandates, and possible revenue volatility during LCFF implantation is imperative, while at the same time WSCUHSD needs to address deficit spending and plan for continued fiscal stability.

RECOMMENDATION:

The School Board is respectfully asked to approve the 45-Day Revise of the 2014-15 Budget.

ATTACHMENTS:

Yes

West Sonoma County Union High School District
Comparison of Differences between Adopted Budget and LCFF for 45 day revision

	2013-14 Estimated Actuals @ 45 day revise	2014-15 Adopted Budget	2014-15 LCFF Estimates @ 45 day revise	Difference from Actuals to LCFF @ 45 day revise	Difference from Adopted to LCFF @ 45 day revise
GAP % at Adoption	11.78%	28.05%			
GAP % at 45 day revise	12.00%	29.56%			
Revenue Detail					
1 LCFF Revenue - Base Grant	14,759,956	15,422,166	15,481,928	721,972	59,762
2 LCFF Revenue - Supplemental Grant	233,740	421,872	432,000	198,260	10,128
3 TOTAL LCFF Revenue	14,993,696	15,844,038	15,913,928	920,232	69,890
4 Federal Revenue	1,130,149	813,804	813,804	(316,345)	-
5 Other State Revenue	1,171,294	628,426	639,912	(531,382)	11,486
6 Other Local Revenue	4,259,147	4,619,765	4,619,765	360,618	-
7 Total Revenue	21,554,286	21,906,033	21,987,409	433,123	81,376

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West Sonoma County Union High School District
Comparison of Differences between Adopted Budget and Expenses for 45 day revision

	2013-14 Estimated Actuals @ 45 day revise	2014-15 Adopted Budget	2014-15 LCFF Estimates @ 45 day revise	Difference from Actuals to LCFF @ 45 day revise	Difference from Adopted to LCFF @ 45 day revise
Expenditures					
1 Certified Salaries	8,936,614	9,098,871	9,098,871	162,257	-
2 Classified Salaries	2,270,940	2,510,889	2,510,889	239,949	-
3 Employee Benefits - Statutory	1,434,591	1,623,396	1,643,065	208,474	19,669
4 Employee Benefits - Health & Welfare	4,042,464	4,582,515	4,582,515	540,051	-
5 Books and Supplies	863,980	970,334	981,820	117,840	11,486
6 Services, Other Operating Expenses	3,576,025	3,458,572	3,458,572	(117,453)	-
7 Capital Outlay	218,466	9,500	9,500	(208,966)	-
8 Other Outgo	395,011	442,979	442,979	47,968	-
9 Total Expenditures	21,738,091	22,697,056	22,728,211	990,120	31,155

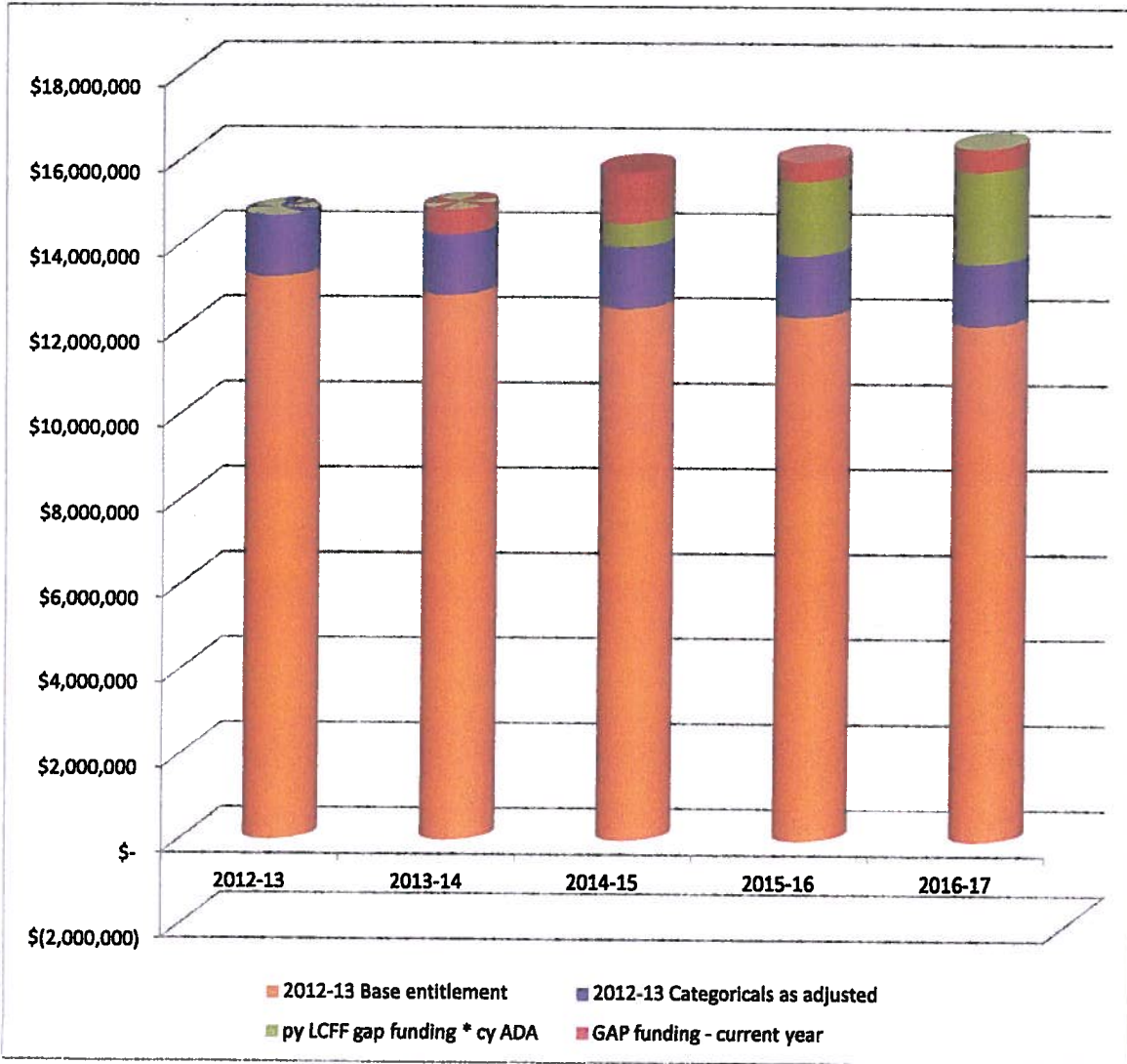
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West Sonoma County Union High - 45 Day Revise - WSCUH^s

7/23/14

LOCAL CONTROL FUNDING FORMULA

	2012-13	2013-14	2014-15	2015-16	2016-17
Excess Property Taxes	\$ -	\$ 0	\$ 0	\$ 0	\$ (0)
Minimum State Aid	\$ -	\$ -	\$ -	\$ -	\$ -
Economic Recovery Payment	\$ -	\$ -	\$ -	\$ -	\$ -
LCFF Target grant	\$ -	\$ -	\$ -	\$ -	\$ -
GAP funding - current year	\$ -	\$ 568,687	\$ 1,223,726	\$ 462,684	\$ 529,201
py LCFF gap funding * cy ADA	\$ -	\$ -	\$ 554,848	\$ 1,751,730	\$ 2,181,361
2012-13 Categoricals as adjusted	\$ 1,421,662	\$ 1,421,662	\$ 1,441,167	\$ 1,441,167	\$ 1,441,167
2012-13 Base entitlement	\$ 13,235,375	\$ 12,827,222	\$ 12,515,062	\$ 12,326,171	\$ 12,142,186
Total General Purpose Funding	\$ 14,657,037	\$ 14,817,571	\$ 15,734,803	\$ 15,981,752	\$ 16,293,915
Calculator tab: Recap total LCFF Proof	\$ 14,657,037 TRUE	\$ 14,817,571 TRUE	\$ 15,734,803 TRUE	\$ 15,981,752 TRUE	\$ 16,293,915 TRUE



LCFF Entitlement and Funding Sources before COE Transfer, Choice and Charter Supplemental

BudgetTransfer99a

Budget Transfer Snapshot

Fiscal Year 2015

Budget Transfer Link # 120086

Budget Transfer # BR15-00001

Status Posted

Type BudRev

Fiscal Year 2015

Transaction Date 07/23/2014

Created SSTILES, 7/23/2014

Posted SSTILES, 7/23/2014

Department

Requisition #

Location

Source Manual

Comment 45 day Revise to 2014-15 Budget

Line Seq	Account #	Comments	Acct Type	Increase	Decrease
1	01-0000-0-0000-0000-8011-000-LCFF	45 day Revise to 2014-15 Budget	R	472,043.00	402,153.00
2	01-1400-0-0000-0000-8012-000-0000	45 day Revise to 2014-15 Budget	R	4,184.00	
3	01-1100-0-0000-0000-8560-000-0000	45 day Revise to 2014-15 Budget	R	7,302.00	
4	01-6300-0-0000-0000-8560-000-0000	45 day Revise to 2014-15 Budget	R		472,043.00
5	01-0000-0-1110-1000-1110-660-0000	45 day Revise to 2014-15 Budget	E	472,043.00	
6	01-1400-0-1110-1000-1110-660-0000	45 day Revise to 2014-15 Budget	E	59,934.00	
7	01-0000-0-1110-1000-3601-660-0000	45 day Revise to 2014-15 Budget	E	4,089.00	
8	01-0000-0-1110-1000-3101-661-0000	45 day Revise to 2014-15 Budget	E	55.00	
9	01-1100-0-0000-7500-4340-660-0000	45 day Revise to 2014-15 Budget	E	40.00	
10	01-1100-0-1110-2420-4340-191-0000	45 day Revise to 2014-15 Budget	E	7,302.00	
11	01-1100-0-1110-2420-4340-192-0000	45 day Revise to 2014-15 Budget	E		
12	01-6300-0-1110-1000-4310-660-RSRV	45 day Revise to 2014-15 Budget	E	50,221.00	
13	01-0000-0- - -8790- -	45 day Revise to 2014-15 Budget	B	31,155.00	
				81,376.00	
				50,221.00	

BT # BR15-00001 Net Change to Expense
 BT # BR15-00001 Net Change to Revenue
 BT # BR15-00001 Net Change to Starting Balance
 BT # BR15-00001 Net Change to Fund Balance