FIRST INTERIM REPORT
FOR THE PERIOD ENDING
OCTOBER 31, 2015

December 10, 2015

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
State Budget Outlook

- LAO November 2015 Long Term Forecast
  - Projects 2015-16 General Fund revenues $3.6 billion higher than the state budget and $1.8 billion more than Department of Finance
  - Projects budget surpluses through 2019-20
  - Estimates that $2.3 billion will be available for one-time purposes based on 2014-15 and 2015-16 Prop 98 revisions
  - Estimates that $3.6 billion will be available for new ongoing spending in 2016-17 (vs. $6.1 billion in 2015-16)
- LAO Caution
  - Current economic expansion will not last forever
  - Estimated increases in CalSTRS and CalPERS employer costs will be greater than increase in Prop 98
  - LCFF implementation stalls in 2017-18 as projected to reach 96% of full implementation
Tonight’s Action

- Board Certification of Solvency
  - Positive - ok for this year and next two years
  - Qualified - may have a problem in one or more years
  - Negative - won’t be able to meet this year’s obligations or won’t be able to meet next two years
Revenue Changes Since Adopted Budget

- LCFF Sources net increase of $2,070,257
  - Funding gap adjustments for 2014-15 and 2015-16 (DOF approved - July 2015)
  - Increased ADA by 330
  - Adjustments to property taxes, Education Protection Account (EPA) calculation, and in-lieu transfers

- Federal revenue net increase of $2,023,332
  - Deferred revenue from 2014-15 (Title I, II, III, Special Ed)
  - Grant award revisions for 2015-16 (Voc Ed, Special Ed)
  - Projected carryovers for 2015-16

- Other State revenue net increase of $586,426
  - Deferred revenue from 2014-15 (Academies, SSP)
  - Educator Effectiveness Grant
  - Grant award revisions for 2015-16 (Healthy Start, Lottery)
  - Projected carryovers for 2015-16

- Other Local revenue increases of $1,070,541
  - Donations, misc income, ASB reimbursements
Expenditure Changes Since Adopted Budget

• Salary and benefits net increase of $4,391,854
  • Additional salary increase of 2.0% (beyond 2.5% included in June budget)
  • Accurate placement of staff on salary schedule (new hires and adjustments based on education units)
  • Growth and temporary positions (for 330 ADA)
  • Formula-based positions (custodial, clerical, campus monitors)
  • Updated benefit information related to new employees and grants

• Supplies, other operating, capital outlay net increase of $10,036,499
  • Expenditures of prior year carryovers
  • Expenditures adjusted for Governor’s one-time funds, Educator Effectiveness Grant, state/local grants and categoricals
  • Projected carryover balances for 2015-16

• Other outgo net decrease of ($60,846)
  • County school tuition and indirec...
Ending Balance Changes Since Adopted Budget

- Beginning Fund balance updated as of June 30, 2015
- Components of Ending Fund Balance
  - Committed balances
    - EL/LI
    - Governor’s one-time Common Core/Technology
  - Legally restricted categoricals (Mental Health Services, MediCal LEA, Lottery, Restricted Maintenance, Educator Effectiveness)
  - Projected carryovers reflected in assigned balances
    - Projected school site and local grant carryover
      - Intel, donations, fundraisers, Mandated Cost reimbursement, MAA, Kaiser
    - Projected department carryover
      - Testing, Music, Language Saturday School, MAA, Family Support Services, Local Family Foundation, Microsoft Voucher Settlement
  - CTE/IB
- Revised unappropriated balance (from $2.8m to $267,000)
MULTI-YEAR PROJECTIONS
General Fund Multi-Year Projections

• “Positive” Financial Status
• Assumptions
  • Increased enrollment in 2015-16; flat enrollment for 2016-17 and 2017-18
  • Gap funding of 51.52% for 2015-16, 35.55% for 2016-17 and 35.11% for 2017-18
  • COLA of 1.02% in 2015-16, 1.60% in 2016-17, and 2.48% in 2017-18
  • Includes step and column
  • Employer increases for PERS and STRS contributions
  • Programmatic increases for class size reduction, IB and CTE
  • Annual increases for utilities, property & liability insurance, workers’ comp, disability
  • Adjustment for expected expenditure of carryovers
• Future Considerations
  • Gap funding revisions
  • Expiration of Prop 30 temporary tax increases
  • Affordable Care Act (ACA) Cadillac tax
  • Textbook adoption costs
LCFF Gap Funding (continually changing)

<table>
<thead>
<tr>
<th></th>
<th>2013-14</th>
<th>2014-15</th>
<th>2015-16</th>
<th>2016-17</th>
</tr>
</thead>
<tbody>
<tr>
<td>May Revise (May, 2014)</td>
<td>11.78%</td>
<td>28.05%</td>
<td>30.39%</td>
<td>19.50%</td>
</tr>
<tr>
<td>DOF Revisions (July, 2014)</td>
<td>12.00%</td>
<td>29.56%</td>
<td>20.68%</td>
<td>25.48%</td>
</tr>
<tr>
<td>January Proposal (January, 2015)</td>
<td>--</td>
<td>29.15%</td>
<td>32.19%</td>
<td>23.71%</td>
</tr>
<tr>
<td>May Revise (May, 2015)</td>
<td>--</td>
<td>29.97%</td>
<td>53.08%</td>
<td>37.40%</td>
</tr>
<tr>
<td>DOF Revisions (July, 2015)</td>
<td>--</td>
<td>30.16%</td>
<td>51.52%</td>
<td>35.55%</td>
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</tbody>
</table>
## Projected Structural Deficit

<table>
<thead>
<tr>
<th></th>
<th>2016-17</th>
<th>%</th>
<th>2017-18</th>
<th>%</th>
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</thead>
<tbody>
<tr>
<td>Base Grant increase</td>
<td>$4,455,026</td>
<td>3.39%</td>
<td>$4,098,728</td>
<td>2.99%</td>
</tr>
<tr>
<td>Step/Column</td>
<td>2,124,935</td>
<td>1.7%</td>
<td>2,124,935</td>
<td>1.7%</td>
</tr>
<tr>
<td>STRS employer contribution</td>
<td>1,706,686</td>
<td>1.85%</td>
<td>1,745,468</td>
<td>1.85%</td>
</tr>
<tr>
<td>PERS employer contribution</td>
<td>780,827</td>
<td>2.4%</td>
<td>526,225</td>
<td>1.6%</td>
</tr>
<tr>
<td>Property/Liability, Work Comp, Disability Insurances</td>
<td>285,620</td>
<td></td>
<td>303,923</td>
<td></td>
</tr>
<tr>
<td>Contribution to Special Ed, Maint, Transp Encroachments</td>
<td>379,622</td>
<td></td>
<td>559,407</td>
<td></td>
</tr>
<tr>
<td>Deficit Spending</td>
<td>$822,664</td>
<td></td>
<td>$1,161,230</td>
<td></td>
</tr>
</tbody>
</table>
### Employer Retirement Contributions

- **Projected cost to Employer (District)** $12.6 million for CalSTRS and $4.2 million for CalPERS over 7 years

<table>
<thead>
<tr>
<th>Year</th>
<th>CalSTRS</th>
<th>Cumulative Increase</th>
<th>CalPERS</th>
<th>Cumulative Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013-14</td>
<td>8.25%</td>
<td>11.442%</td>
<td>2014-15</td>
<td>8.88% 1.03%</td>
</tr>
<tr>
<td>2015-16</td>
<td>10.73%</td>
<td>2.48%</td>
<td>2016-17</td>
<td>12.58% 4.33%</td>
</tr>
<tr>
<td>2017-18</td>
<td>14.43%</td>
<td>6.18%</td>
<td>2018-19</td>
<td>16.28% 8.03%</td>
</tr>
<tr>
<td>2019-20</td>
<td>18.13%</td>
<td>9.88%</td>
<td>2020-21</td>
<td>19.10% 10.85%</td>
</tr>
</tbody>
</table>
2015-16 Multiyear Projection

<table>
<thead>
<tr>
<th>Description</th>
<th>2015-16</th>
<th>2016-17</th>
<th>2017-18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beg Balance, July 1 (estimated)</td>
<td>$26,413,730</td>
<td>24,911,809</td>
<td>20,064,608</td>
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<tr>
<td>Revenues/Other Financing Sources</td>
<td>188,323,835</td>
<td>183,169,470</td>
<td>188,401,199</td>
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<tr>
<td>Expenditures/Other Financing Uses</td>
<td>189,825,756</td>
<td>188,016,671</td>
<td>193,877,748</td>
</tr>
<tr>
<td>Ending Balance, June 30</td>
<td>$24,911,809</td>
<td>20,064,608</td>
<td>14,588,059</td>
</tr>
<tr>
<td>Designated for Economic Uncertainties</td>
<td>5,700,000</td>
<td>5,700,000</td>
<td>5,900,000</td>
</tr>
<tr>
<td>Legally Restricted</td>
<td>10,333,100</td>
<td>9,049,365</td>
<td>6,721,581</td>
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<tr>
<td>Assigned/Committed</td>
<td>6,341,948</td>
<td>3,245,686</td>
<td>490,264</td>
</tr>
<tr>
<td>Unassigned/Unappropriated</td>
<td>$267,873</td>
<td>40,385</td>
<td>3,563</td>
</tr>
</tbody>
</table>

*No negotiated salary increases are included for 2016-17 or 2017-18*
Multi-Year Projections - Other Funds

- Charter School – increased ADA and positive fiscal condition
- Adult Education – new state funding
- Child Development – expansion grants
- Food Services – may need meal price increase
- Deferred Maintenance – coordinating with bond projects
- Building Funds – bond projects for Measures P & G
- Developer Fees – increased activity past several years; expected to slow down
- Special Reserve for Capital Outlay – more changes in federal e-rate credits
- Student Care – additional portables
- Retiree Benefit Trust – unfunded liability continues to grow; updated actuarial study in process
What’s Next?

- Governor’s Proposed 2016-17 Budget – January 2016
- P-1 ADA Report – January 2016
- CBEDS (for EL/LI funding) – January 2016
- LCAP Discussions – September 2015 through May 2016
- Second Interim – March 2016
- P-2 ADA Report – April 2016
- Start Budget Development – March 2016
- Governor’s May Revise – May 2016
- Adopted 2016-17 Budget – June 2016