

El Monte Union High School District



2015-2016 Adopted Budget

Presented to the Board of Trustees

For Review on June 24, 2015

Executive Summary

Overview

The Executive Summary is an overview of the financial data reported in the SACS (Standardized Account Code Structure) Report. It is provided to assist the reader in understanding the information being reported on the SACS forms.

Two Interim Financial Reports are routinely required by the California Department of Education each year. Districts must submit the completed reports for review to the County Office of Education who, in turn, submits them to the State.

California school district revenues and expenditures are subject to constant change. School district budgets are not static documents, but instead are constantly being revised to respond to decisions at the State and Federal levels, as well as to the expenditure needs of the local agency. The Estimated Actuals are the financial projections updated to reflect new information received and board action taken since the original 2014-15 budget adoption on June 18, 2014.

With each budget report the District is asked to project the general fund financial status through year-end, June 30, 2015. A multi-year projection is also required to determine if the District will be financially solvent for two subsequent years.

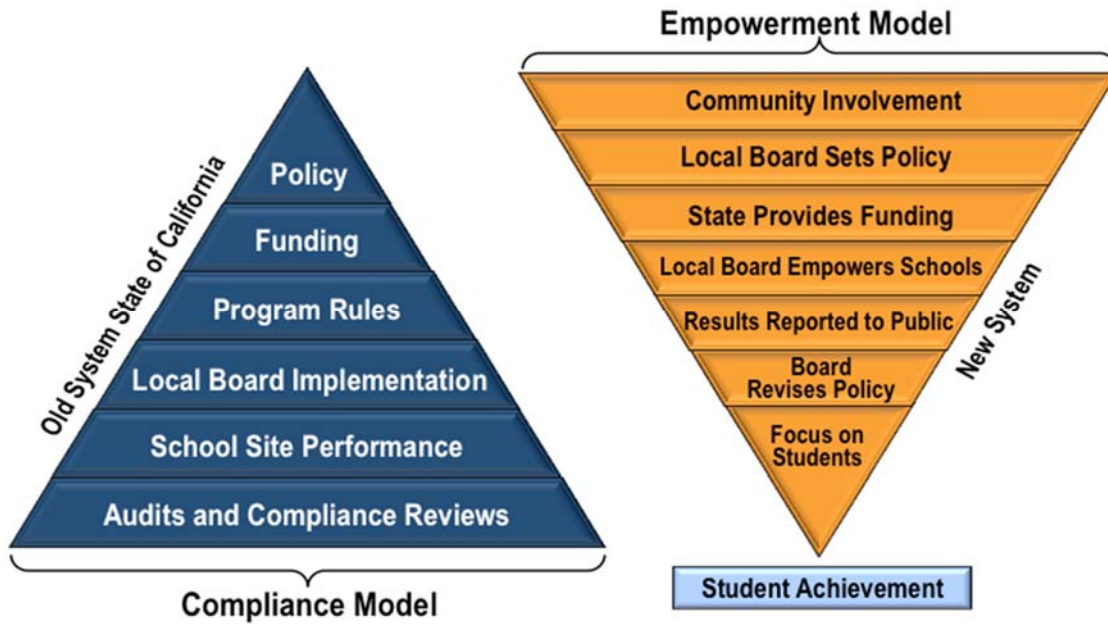
The Estimated Actuals Report also includes supporting reports such as the Local Control Funding calculation, Average Daily Attendance estimates, and the Criteria and Standards report.

The 2015-2016 Proposed Annual Budget incorporates the Governors May Revise assumptions as well as additional expenditures resulting from the Local Control Accountability Plan.

ADOPTED BUDGET REPORT ASSUMPTIONS

On January 15, 2015, Governor Brown introduced his 2015-16 State Budget Proposal. The cornerstone of the Governor's Budget Proposal is to continue the appropriation of the Local Control Funding Formula (LCFF), which reforms the K-12 education funding system. The LCFF allocates resources to schools through a base grant based on grade spans (i.e., K-3, 4-6, 5-7, 9-12) with additional supplemental funding allocated to local educational agencies based on their proportion of English Learners, Free and Reduced Price Meal (FRPM) recipients and foster youth students.

The LCFF requires a paradigm shift relating to governance and planning, as local districts will no longer be subject to the compliance model. Under LCFF, local districts will plan their programs based on input from a variety district stakeholders including students, parents, teachers, staff and administration.



Local Control Accountability Plan (LCAP)

The LCFF accountability system requires that school districts develop a three-year LCAP and update it annually. The LCAP must:

1. Identify goals based on state priorities for all students, “numerically significant subgroups”, students with disabilities and eligible students;
2. List annual actions that the District will implement in accomplishing the goal; and
3. Describe expenditures in support of the annual actions and where they can be found in the District’s budget.

To begin the process, the LCAP requires the District to perform a needs assessment using both qualitative and quantitative data.

State Priorities

There are ten (10) State priorities as defined in the LCAP

Priority Description	To be Measured in Needs Assessment
Priority 1 Basic Conditions	Teachers are qualified and appropriately assigned, School facilities are in good repair
Priority 2 Implementation of State Standards	Students have access to standards-aligned materials and are receiving instruction that is aligned with state-adopted content and performance standards
Priority 3 Parent Involvement	Degree of Parent involvement and decision making and the degree to which parent participation is promoted for eligible pupils
Priority 4 Pupil Achievement	Performance on Standardized tests, Percentage of students who are college and career ready,
Priority 5 Pupil Engagement	School attendance rates including chronic absenteeism, dropout and graduation rates, suspension and expulsion rates

Priority 6 School Climate	The degree to which students feel safe and connected to school
Priority 7 Course Access	Students are enrolled in a broad course of study
Priority 8 Other Pupil Outcomes	English learner reclassification rate, pass rate on advanced placement exams, student outcomes in all core curriculum areas
Priority 9 and 10 – For County Offices only – Assess the coordination of instruction of expelled students and services to foster youth	

The LCAP Template groups these 10 State Priorities in the following categories:

- Conditions of Learning – Priorities 1, 2, 7, 9, 10
- Pupil Outcomes – Priorities 4, 8
- Engagement – Priorities 3, 5, 6

The LCAP Template is comprised of three sections, includes a description of each section, and provides instruction as it lists guiding questions to facilitate its completion based on the data collected.

Section 1	Section 2	Section 3
Stakeholder Engagement	Goals & Progress Indicators	Actions and Services
After the District conducts the above needs assessment, the LCAP requires the assessment be presented to stakeholders for a meaningful engagement. The District will need to demonstrate evidence of stakeholder engagement, describe how stakeholders were involved and what impact that engagement had on the development of the plan.	The annual updates must include a review of progress based on identified metric (qualitative or quantitative). Goals must address each state priority area and any additional local priorities.	Identify annual actions to meet the goals in Section 2 and describe expenditures to implement the action. In describing actions and expenditure that will serve eligible pupils, This section has 4 subsections (A) Annual actions and expenditures relate to the goals for all pupils (B) Annual actions and expenditures provided to eligible pupils above what was provided to all students (C) Describe how the LEA is expending supplement and concentration grant funds and how they are the most effective use of funds (D) demonstrate proportionality

El Monte Union High School District Local Control Accountability Committee (LCAP Committee)

The Districts LCAP Committee is comprised of 35 stakeholders and includes representatives from the following groups: students, parents, Student Advisory Council, School Site Council (SSC), classified and certificated bargaining units, teachers, and administrators. The first LCAP Committee meeting was held on February 18, 2015, meetings continued throughout May 2015 to review the District’s assessment and to create the LCAP that will be adopted along with the District 2015-16 Proposed Annual Budget. The Public hearing for the LCAP was held on June 17, 2015.

Below details the LCAP items that have been incorporated into the 2015 2016 Adopted budget:

Action Item	Budget 15-16 Unrestricted	
Provide effective staff ratio	\$	520,850.00
Targeted Tutoring after school	\$	103,726.00
Career Guidance Coordinators	\$	340,893.00
CAHSEE mentoring	\$	24,000.00
SAT prep	\$	12,000.00
Summer Math Readiness	\$	60,000.00
Length of Summer School	\$	53,000.00
BTSA	\$	18,000.00
Science Lab Equipment	\$	20,000.00
Software/process material and technology	\$	21,000.00
Instructional Materials for CTE Pathways	\$	100,000.00
5 Teachers to support AP/CTE classes	\$	425,531.00
ROP Teachers	\$	1,750,000.00
System support for maintenance and new technology	\$	450,000.00
	\$	425,531.00
5 Elective Teachers	\$	495,000.00
5 AVID teachers	\$	400,000.00
AVID Tutors	\$	-
Mailings	\$	200,000.00
Community Liaisons 35 additional hours	\$	16,750.00
Fingerprinting Fees for Parent Volunteers	\$	3,307,856.00
Counselors	\$	336,753.00
Nurses	\$	850,000.00
Psychologists	\$	525,000.00
CWAs	\$	450,000.00
SROs	\$	188,870.00
Campus Supervisors	\$	195,000.00
Comprehensive Student Support Coordinators	\$	2,850,000.00
Paraeducators - Special Ed	\$	120,000.00
Math TOSA to support implementation of curriculum	\$	175,000.00
Support Arts w/Instructional Materials & Equipment	\$	70,000.00
Expand Summer School offering more classes	\$	70,000.00
Pay for fees PSAT for 10 th Grade/SAT for 11th grader	\$	30,000.00
Pay for translation/interpreter services	\$	90,000.00
Provide mental health services to identified students	\$	125,000.00
Implement a district-wide attendance initiative	\$	365,000.00
Increase Discretionary Budget- Site budgets		

Total LCAP Current Budgeted Actions (subject to change)

\$ 15,184,760

EMUHSD Cash Flow

Due to a combination of deferrals being paid down by the State, an increase in funding due to LCFF funding, and budget reductions in prior years, the District will not experience cash flow shortages through the end of the Fiscal Year.

General Fund – Unrestricted vs. Restricted

The General Fund is the general operating fund of the District. It is used to account for the day-to-day operations of the District. It is used for all financial resources except those required to be accounted for in another fund. The fund is divided into two sections, unrestricted and restricted. Unrestricted funds may be expended for any purpose. Restricted funds are monies received by the District that are categorical in nature and can only be used for the specific purposes allowed by the funding agency.

Restricted revenue funding is recognized in two different ways. For funding subject to deferred revenue, the revenue is only recognized once it is spent. This means that any funds received and not spent, with carryover provisions, are deferred into the next fiscal year. For funding subject to ending fund balance, the revenue is recognized in the year received and any funds remaining at the end of the year are recorded as a restricted ending fund balance.

REVENUE SUMMARY

Local Control Funding Formula (LCFF)

LCFF funding is apportioned on a per student basis (i.e., student attendance). Funding is provided as a dollar amount for each student that is in attendance on average during the course of the school or fiscal year. LCFF funding is the prime component of every school district's budget.

The Average Daily Attendance (ADA) is reported in both the restricted and unrestricted revenues of the District because certain ADA, such as for students in Special Education, are earned by the ADA generated in restricted programs. In a district with declining enrollment, such as EMUHSD, funding for the current year is based on the prior year's ADA.

Assumptions Used in Budget Development

The table below outlines the assumptions used in the development of the 2014 2015 budget. A 5% salary increase for all bargaining units has been incorporated into the 2014 2015 budget. Any changes to the (increase/decrease) to budgeted percentage will need to be incorporated into the First Interim Report after all negotiations have been formally settled.

Revenue and Expenditure Summary

The projections reflected in the Estimated Actuals Report are a result of the analysis of year-to-date revenues and expenditures against the adopted budget. This includes a review of expenditure trends for all major categories within the budget. Major changes from Second Interim include:

- Increase in Contributions- Special Education and Routine Restricted Maintenance
- Increase in Other State - Lottery Unrestricted
- Decrease in Contribution to Special Education – Due to changes in SELPA Funding for Out of Home Care

Unrestricted Ending Fund Balance

The District's 2015-16 projected unrestricted ending fund balance is \$ 17,152,729. This balance has certain required funding designations including the State required designation for economic uncertainty (equal to 3% of general fund expenditures). See detail of Designations¹ below.

Category	Unrestricted	Restricted	Total
Nonspendable:			
Revolving Cash	30,000		30,000
Restricted			
Unassigned			
Reserve for Economic Uncertainties	12,865,922		12,865,922
Assigned Designations	4,256,807		4,256,807
Total Designations	17,152,729		17,152,729

It is important to distinguish between the restricted and unrestricted programs since restricted funds can only be used for certain specified purposes.

State Criteria and Standards

EC Section 42130 requires that each district superintendent review their Report in accordance with state-adopted Criteria and Standards. As provided in EC Section 33127, the Criteria and Standards are to be used by districts in the development of annual budgets and the management of subsequent expenditures from the budgets, as well as for the monitoring of the district's fiscal stability.

The certification shall be classified as positive, qualified, or negative, defined as follows:

- Positive: A school district that, based on current projections, will meet its financial obligations for the current fiscal year and two subsequent fiscal years.
- Qualified: A school district that, based on current projections, may not meet its financial obligations for the current fiscal year or subsequent two fiscal years.
- Negative: A school district that, based on current projections, will be unable to meet its financial obligations for the current fiscal year or subsequent fiscal year.

Final Recommendation

Considering all outlined above, District staff recommends to the Board to adopt a **positive certification** for the current financial statements due to the fact that the District will meet its financial obligations in the two subsequent fiscal years.

¹ GASB 54 presentation of Ending Fund Balance components will be effective for 2010-2011 Financial Statements.

SSC School District and Charter School Financial Projection Dartboard 2015-16 May Revision

This version of SSC’s Financial Projection Dartboard is based on the 2015-16 May Revision. We have updated the cost-of-living adjustment (COLA), Consumer Price Index (CPI), and ten-year T-bill planning factors per the latest economic forecasts. We have also updated the Local Control Funding Formula (LCFF) factors. We rely on various state agencies and outside sources in developing these factors, but we assume responsibility for them with the understanding that they are general guidelines.

LCFF ENTITLEMENT FACTORS				
Entitlement Factors per ADA	K-3	4-6	7-8	9-12
2014-15 Initial Grants	\$7,011	\$7,116	\$7,328	\$8,491
COLA at 1.02%	\$72	\$73	\$75	\$87
2015-16 Base Grants	\$7,083	\$7,189	\$7,403	\$8,578

Entitlement Factors per ADA	K-3	4-6	7-8	9-12
2015-16 Base Grants	\$7,083	\$7,189	\$7,403	\$8,578
Adjustment Factors	10.40% CSR	-	-	2.6% CTE
CSR and CTE amounts	\$737	-	-	\$223
2015-16 Adjusted Base Grants	\$7,820	\$7,189	\$7,403	\$8,801

Supplemental Grants (% Adj. Base)	20%	20%	20%	20%
Concentration Grants	50%	50%	50%	50%
Concentration Grant Threshold	55%	55%	55%	55%

LCFF DARTBOARD FACTORS						
Factor	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
LCFF Planning Factors	SSC Simulator ¹	SSC Simulator ¹	SSC Simulator ²	SSC Simulator ²	SSC Simulator ²	-
SSC LCFF Recommended Gap Funding Percentage	29.97%	53.08%	12.62%	18.24%	20.58%	-
Department of Finance	29.97%	53.08%	37.40%	36.74%	20.97%	-

PLANNING FACTORS							
Factor	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	
Statutory COLA	0.85%	1.02%	1.60%	2.48%	2.87%	2.50%	
COLA on state and local share only of Special Education, Child Nutrition, American Indian Education Centers/American Indian Early Childhood Education	0.85%	1.02%	1.60%	2.48%	2.87%	2.50%	
California CPI	1.40%	2.20%	2.40%	2.60%	2.70%	2.50%	
California Lottery ³	Base	\$128	\$128	\$128	\$128	\$128	\$128
	Proposition 20	\$34	\$34	\$34	\$34	\$34	\$34
Interest Rate for Ten-Year Treasuries	2.20%	2.40%	2.80%	3.00%	3.10%	2.90%	
CalPERS Employer Rate	11.771%	11.847%	13.05%	16.60% ⁴	18.20%	19.90%	
CalSTRS Employer Rate	8.88%	10.73%	12.58%	14.43%	16.28%	18.13%	

RESERVES		
State Reserve Requirement	District ADA Range	Reserve Plan⁵
The greater of 5% or \$64,000	0 to 300	SSC recommends one year’s increment of planned revenue growth
The greater of 4% or \$64,000	301 to 1,000	
3%	1,001 to 30,000	
2%	30,001 to 400,000	
1%	400,001 and higher	

¹ Go to the SSC LCFF Simulator™ at www.sscal.com. Your LCFF amounts for multiyear planning purposes will be provided based on your district-specific data.

² For the forecast years, the total dollar amount needed to fund the statutory COLA is applied to the SSC LCFF Simulator™.

³ The forecast for Lottery funding per ADA includes both base (unrestricted) funding and the amount restricted by Proposition 20 (2000) for instructional materials. Lottery funding is initially based on prior-year annual ADA—and is ultimately based on current-year annual ADA—multiplied by the historical statewide average excused absence factor of 1.04446. Starting in 2015-16, Adult Education ADA and ROC/P ADA will no longer be included in Lottery funding per Government Code Section 8880.5(a)(2).

⁴ CalPERS provided these estimates in 2014 and has not yet issued revised estimates.

⁵ District reserve requirements as stated in the State Board of Education (SBE) adopted criteria and standards based solely on district size are not as relevant when financial volatility and exposure is disparate under the LCFF. We recommend that every district first observe the current SBE-required reserve for the traditional economic uncertainties. We also recommend the establishment of a separate reserve based on the annual LCFF revenue increase projected for the district in Year 2 and Year 3 of the multiyear projection. We recommend that the district develop a plan to, over time, set aside one year’s growth in LCFF funding as a reserve due to the potential volatility inherent in state revenues. Within that set aside, we also recommend assigning the supplemental and concentration dollars.