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SAN LEANDRO UNIFIED SCHOOL DISTRICT
BOARD OF EDUCATION
AGENDA ITEM

Date of Board Meeting: March 10, 2015

TITLE: **ACCEPT POSITIVE CERTIFICATION - SECOND INTERIM FINANCIAL REPORT**

BACKGROUND

The District according to California Education Code 42130 is required to certify to the State twice a year as to the fiscal stability of the District. These certifications are based upon financial data as of October 31 and January 31 and are termed, respectively, the First Interim and Second Interim Financial Reports.

The Certification of Financial Condition may take one of three forms:

A. Positive Certification
The District will be able to meet its financial obligations for the current fiscal year and subsequent two years.

B. Qualified Certification
The District may not meet its financial obligations for the current fiscal year or subsequent two years.

C. Negative Declaration
The district will be unable to meet its financial obligations for the remainder of the fiscal year or for the subsequent fiscal year.

CURRENT STATUS

Based upon the Second Interim Report, Standards and Criteria as set forth by the State, the District can make a **Positive Certification** as to its financial condition.

The District's "undesignated ending balance" (reserve) currently meets the designated 3% reserve requirement.

Major Budget Changes – General Fund From 1st Interim to 2nd Interim

Budgeted Revenues: $18,100 Decrease; Key factors which contributed to the decrease are:

- LCFF Sources decreased by $122,100
- Mandated Cost Reimbursement Funding changed by $0
- Lottery Funding changed by $0
- Other State Funding increased by $104,000
- Local Revenues changed by $0

- Transfers In changed by $0

Budgeted Expenditures and Contributions: +$1,939,822 Increase. Key factors which contributed to the increase are:

- Certificated costs increased by $1,263,899
- Classified costs decreased by $73,323
- Benefits have increased by $61,350
- Books and supplies decreased by $10,208
- Operations and Services decreased by $84,168
- Capital Outlay decreased by $17,169
- Other Outgo decreased by -$33,850
- Contribution to Restricted General Fund increased by $833,291
- Transfers Out changed by $0

Multi-Year Projections:

The matrix below provides a "snap-shot" of the district unrestricted general fund for this year and projections for the two subsequent fiscal years.

(in millions $)	CURRENT YEAR	PROJECTED YEARS	
Major Category	**2014-15**	**2015-16**	**2016-17**
Beginning Gen. Fund Balance	2.3	0.4	1.4
Revenues	64.4	70.2	71.5
Expenditures	66.3	67.8	68.6
Surplus (Deficit)	-1.9	2.4	2.9
Ending General Fund Balance	0.4	2.8	5.7
Ending Fund 17 Balance	2.4	2.3	2.3
Ending Total Balance	2.8	5.1	8.0

Summary:

This Second Interim Report reflects a fiscal picture of the District finances for the current year based on projected economic data disclosed as of January 31st, 2015. A key component included in this information was the subsequent State fiscal decision to increase the LCFF funding gap for 2015-16 up to 32.19% from the 20.68% proposed back in June, 2014; this percentage change is projected to bring in $1.3 million in 2015-16 for SLUSD in its three year multi-year projection.

Another positive component included in the January State proposal is to provide one-time discretionary funding for common core and mandated cost reimbursement claims at $180 per

ADA estimate. This rate translates into a $1.5 million state funding addition for the district in the 2015-16 only.

As of January 2015, all bargaining units (except for Teamsters-Trade Union) have settled and the district's Second Interim budget reflects these 3.25% increases in employee compensation for those units that have settled. Also, contributions to support Special Education have increased to cover NPS (Non Public School) agency cost increases.

While the State economy continues to improve and State tax revenues increase, there is still caution and concern over the failure of the State to propose a new State revenue source to fund the STRS Employer Rate increases over the next 5 to 6 years. Also, there is concern over the Proposition 30 temporary taxes expiring in 2016 and 2018 as well as the anticipation of when another recession will occur.

No State agencies, such as the State Legislative Analyst, or other State district consulting agencies are predicting cuts to school districts and while the district is deficit spending in the current year, the district projects surplus spending for the next two fiscal years. Therefore, based on the information available as of January 31st, 2015, the District has sufficient resources to meet its financial needs for this year and for the next two subsequent years.

RECOMMENDATION

Staff recommends that the Board of Education certify at Second Interim that the San Leandro Unified School District will be able to meet its financial obligations for the current fiscal year and subsequent two years.

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