_____Information
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**SAN LEANDRO UNIFIED SCHOOL DISTRICT**
**BOARD OF EDUCATION**
**AGENDA ITEM**

**Date of Board Meeting:** December 15, 2015

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

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## 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 Adopted to 1st Interim***

***Budgeted Revenues: $1,093,167 Increase; Key factors which contributed to the increase are:***

- LCFF Sources increased by $1,301,569
- Federal Funding increased by $87,410
- Lottery Funding changed by $0
- Other State Funding decreased by $295,812
- Local Revenues changed by $0

- Transfers In changed by $0

***Budgeted Expenditures and Contributions: +$3,744,660 Increase. Key factors which contributed to the increase are:***

- Certificated costs increased by $1,006,055
- Classified costs increased by $286,900
- Benefits have increased by $610,738
- Books and supplies increased by $459,629
- Operations and Services increased by $423,371
- Capital Outlay increased by $159,149
- Other Outgo increased by $104,478
- Contribution to Restricted General Fund increased by $584,552
- Transfers Out increased by $109,788

***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** | **2015-16** | **2016-17** | **2017-18** |
| Beginning Gen. Fund Balance | 3.0 | 4.4 | 4.8 |
| Revenues | 76.9 | 75.1 | 77.6 |
| Expenditures | 75.5 | 74.7 | 76.6 |
| Surplus (Deficit) | 1.4 | 0.4 | 1.0 |
| Ending General Fund Balance | 4.4 | 4.8 | 5.8 |

***Summary:***

This First Interim Report reflects a fiscal picture of the District finances for the current year based on projected economic data disclosed as of October 31st, 2015. Three key components included in this information were triggered by State fiscal decisions that changed State funding for school districts from the May Revise Proposal to the Enacted State Budget.

A positive key component was the State's decision to enact the Adult Block Grant Funding which now funds Adult Education outside of the District's LCFF or Local Control Funding Formula. This decision saves the General Fund approximately $1.4 Million per year.

A negative key component included in this information was the subsequent State fiscal decision to decrease the LCFF funding gap for 2015-16 down to 51.52% from the 53.08%

proposed back in May, 2015; this percentage change is projected to bring in $0.8 million less in 2015-16 for SLUSD in its three year multi-year projection.

Another negative component included in the Enacted State Adopted Budget is the decrease in one-time discretionary funding from $601 down to $529 per ADA. This rate decrease translates into a $0.6 million state funding reduction for the district in the 2015-16 only.

As of October 2015, all bargaining units (except for Teamsters-Trade Union) have settled and the district's First Interim budget reflects these 5% 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 the district projects surplus spending for the current year and for the next two fiscal years. Therefore, based on the information available as of October 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 First 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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| Mark Martinelli, 510.667.3504 | Business | Dr. Mike McLaughlin |
| NAME/PHONE Staff Contact Person | DIVISION | SUPERINTENDENT |