



Pacifica School District

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Preparing Students for an Evolving World

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MEMORANDUM

Administrative Services

Meeting of 11/15/2017

TO: Wendy S. Tukloff, Ed.D., Superintendent
For Board of Trustees

FROM: Josephine Peterson, Chief Business Official

SUBJECT: **Certification of First Interim Report for 2017-2018**
(Action)

Recommendation

It is recommended that the Board of Trustees approve the Positive Certification of the 2017-2018 First Interim Financial Report for the period July 1, 2017 through October 31, 2017 (Form CI) and authorize its filing with the County Superintendent of Schools.

Background Information:

In accordance with Education Code Sections 42130 and 42131, school districts are required to prepare and submit two interim financial reports to the Governing Board. The purpose of these reports is to notify appropriate State and County Office of Education officials as to whether or not the District will be able to meet its financial obligations for the remainder of the current year and for two subsequent years. The Board of Trustees is required to certify each interim report to indicate that it has been informed of the financial stability of the District. The Statute of 1988 also requires the Superintendent to certify that an Interim Report review has been conducted using the State adopted Criteria and Standards.

As mandated by A.B. 1200, the District's First Interim reporting period is based upon activities from July 1 through October 31. The Second Interim reporting period is July 1 through January 31. The Board of Trustees is required to certify each interim report within 45 days after the end of the reporting period. After approval of the financial statements by the Board of Trustees, the financial statements are forwarded to the San Mateo County Department of Education which reviews them for mathematical accuracy and compliance of technical provisions. After this review they are forwarded to the Superintendent of Public Instruction.

Current Consideration:

This agenda item pertains to the Positive Certification of the First Interim Report for 2017-2018 indicating that the District will be able to meet its financial obligations for the remainder of the Fiscal Year.

The Governing Board is required to certify in one of three ways:

1. Positive Certification indicates that the District will be able to meet its financial obligations for the remainder of the fiscal year and two subsequent fiscal years.
2. Qualified Certification indicates the District may be able to meet its financial obligations for the current year and two subsequent fiscal years.
3. Negative Certification indicates the District will not be able to meet its financial obligations for the current year and two subsequent years.

Pacifica School District will be able to meet its financial obligations, which is confirmed by the Positive Certification of the 2017-2018 First Interim (Form CI). The supporting documentation for this certification includes the Income and Expenditure Summary for the General Fund (Form 01I), Attendance Detail (Form AI), Criteria and Standards (Form 01CSI), Cash Flow Worksheet (Form CASH) and Multi-Year Projections (Form MYP). Other District Fund Summaries are also attached.

ANALYSIS OF THE FIRST INTERIM BUDGET AND MULTIYEAR PROJECTION

2017-2018 Budget

The First Interim Budget is typically far more accurate in projecting revenues and expenditures than the June 2017 adopted budget, which was passed prior to the State Budget. The First Interim Budget reflects final District staffing costs, expected expenditures in Special Education, supplies, services, and operating costs and the revenues passed in the final State Budget. The Local Control Funding Formula (LCFF) was used as a basis for estimating revenues.

The General Fund Unrestricted ending fund balance is comprised of the following:

1. \$7,500 - Revolving Cash
2. \$1,217,190– 3.84% reserve for economic uncertainty

The District maintains an additional 2.31% of reserves in Fund 17 – Special Reserve Fund for total reserves = 6.15%.

The current state funding is insufficient to cover the on-going budget increases for retirement costs (STRS/PERS), health and welfare, salary step & column, special education costs and normal increases in operations. The District's current deficit spending is equal to \$904,770.

Multi Year Projections

An important part of the First Interim Report is the two-year projection of the general fund. Included in this two-year projection are expected revenues and expenditures and yearly ending balances.

The multiyear projection indicates current state projected COLA's will not cover the increases in employee compensation costs (salary increases from step and column, retirement increases – STRS/PERS and health benefit increases).

Multi year budget projections reflect utilizing the District reserves with a combination of budget reductions to maintain fiscal solvency. The 2018-2019 projection includes budget reductions = \$260,000 with an additional \$50,000 of reductions in 2019-2020. The projection also reflects transferring funds from Fund 17 to the General Fund to cover the operating deficits.

Unrestricted General Fund Summary	2016-2017	2017-2018	2018-2019	2019-2020
Beginning Fund Balance July 1	\$2,292,053	\$2,129,460	\$1,224,691	\$964,784
REVENUES	\$25,120,336	\$24,896,303	\$25,176,709	\$25,731,606
EXPENDITURES	\$25,282,929	\$25,801,072	\$25,436,617	\$25,710,975
EXCESS (DEFICIENCY) OF REVENUE	(\$162,593)	(\$904,769)	(\$259,908)	\$20,631
Ending Fund Balance June 30	\$2,129,460	\$1,224,691	\$964,784	\$985,415
LESS: Reserve for Economic Uncertainty	\$1,183,315	\$1,217,191	\$957,284	\$977,915
Revolving Cash Account	\$7,500	\$7,500	\$7,500	\$7,500
Unallocated Funds:	\$938,645	\$0	(\$0)	(\$0)
<i>Special Reserve Fund 17</i>	\$723,233	\$732,545	\$409,545	\$9,545
<i>Total Reserves all Funds</i>	\$2,845,193	\$1,949,736	\$1,366,829	\$987,460
Reserve Percentage	9.09%	6.15%	4.36%	3.11%
<i>Enrollment used in First Interim</i>	<i>3149</i>	<i>3114</i>	<i>3084</i>	<i>3084</i>
<i>decline from prior year</i>	<i>(56)</i>	<i>(35)</i>	<i>(30)</i>	

Current Direction:

Based on the current budget outlook, the District will cut back spending this year. The following items are being reviewed to see if cost savings can be realized:

- Vacant Positions
 - Lead Technology Technician
 - Behaviorist (lower case loads)
- Purchasing Technology
- Capital projects
 - District Office Reception area (scaled back version)
 - Replacing aging furniture

The next budget update will be after the Governor's January Proposal for the 2018-2019 Budget.

Other Funds

All other funds (i.e. building fund, child nutrition, etc.) have positive ending fund balances. However, because the Child Nutrition Fund is not self sustaining; there is a transfer of \$56,000 from the general fund to cover the operating deficit.