


HUNTINGTON BEACH UNION HIGH SCHOOL DISTRICT

MEMORANDUM

TO: Dr. Gregory Plutko, Superintendent

FROM: Carrie Delgado, Assistant Superintendent – Business Services 

SUBJECT: **2014-15 Adopted Budget**

DATE: June 24, 2014

The budget for 2014-15 is presented for adoption. This budget is based on the assumptions outlined in the Governor's May Revision and information available to date. It was developed using the Standardized Account Code Structure (SACS) and the process prescribed by the Orange County Department of Education, Integrated Fund Accounting System (IFAS). Estimated actuals for 2013-14 have been projected.

The adopted budget will be revised to include changes resulting from the adoption of the 2014-15 state budget, subsequent revisions, and the closing of the books for fiscal year 2013-14.

The budget is based on a number of assumptions. The most significant of these assumptions are set forth below:

GENERAL FUND

2013-14 Estimated Actuals

The general fund projected ending balance in the amount of \$26,110,658 has decreased in the amount of \$2,016,725 from the second interim reporting period, attributed primarily to negotiated salary increases and associated statutory benefits. Components of this balance include a \$76,000 reserve for revolving cash, \$4,541,606 representing the mandated 3% reserve designated for economic uncertainties, an assigned amount of \$1,047,336, and an unassigned amount of \$17,980,843, which in total represent a 14.88% reserve level.

2014-15 Budget

The Governor's Budget includes the Local Control Funding Formula (LCFF) which continues in its second year of implementation. The Local Control Funding Formula (LCFF) replaced the traditional revenue limit calculation and most categorical program funding formulas and allocations. LCFF creates base grants per pupil, a base grade span adjustment for grades 9-12 in high school districts, plus supplemental funding and concentration grants

in place of revenue limits and most categorical program funding. The district continues to make allocations from unrestricted funds to approved (formerly restricted) programs that are aligned and supported by the Local Control Accountability Plan (LCAP).

The Governor's May Revision continues to propose a target base grant. This amount is equivalent to the 2012-13 undeficit average revenue limit for all school districts, and the target LCFF/revenue limit will not be reached until the formula is fully implemented in 2020-21. The target is funded each year through a gap percentage, an amount estimated by the Department of Finance. The district's gap percentage is projected at 28.06% for 2014-15. The base grant amount is further adjusted by grade level (2.6% base grade span adjustment for grades 9-12), with increases added for Career-Technical Education.

In addition to the base grant, school districts are entitled to supplemental increases for each enrolled student who is classified as English Learner, eligible to participate in the Free and Reduced-Price Meals Program, in foster care or any combination of these factors (unduplicated count); and a concentration grant for each eligible student enrolled that exceeds 50% of total enrollment.

LCFF/Revenue Limit Income

There is a 0.85% COLA included in the LCFF for 2014-15. Student enrollment is expected at 16,401, relatively stable, representing a mild decline of 30 students based on the district's annual enrollment projection. Average Daily Attendance (ADA) is calculated to be 15,695.76. However, in periods of declining enrollment, LCFF will use prior year ADA of 15,728.07 (the higher of two years).

Revenues

Revenues are projected using the FCMAT version of the Local Control Funding Formula (LCFF), which reflects updated information available from School Services of California, Department of Finance and the Orange County Department of Education.

Expenditures

Budgeted expenditures include staffing for projected enrollment, step and longevity increases, and current health and welfare plan costs through December 2014. The budget year includes the updated PERS employer contribution rate of 11.771% in 2014-15 (from 11.417%); and the updated STRS employer contribution rate of 9.5% (from 8.25%).

Fund Balance and Reserves

As shown in (Column F), the projected ending fund balance in 2014-15 is \$27,740,522. The projected Reserve for Economic Uncertainties in the General Fund is \$4,502,858, the mandated 3% required by the state for this size of district. The reserve for revolving cash is \$76,000, legally restricted balances total \$1,643,293, an assigned amount of \$4,777,926 and an unassigned amount of \$16,740,445.

OTHER FUNDS

Adult Education Fund (11)

For 2014-15 the categorical portion of funding for Adult Education is part of the LCFF. The Adult Education program receives revenue equal to funding received in the 2012-13 fiscal year. An amount of \$3,500,000 will be recognized as a transfer in revenue in the Adult Education Fund to support this program, and the remaining \$3,224,829 will be reported in the unrestricted general fund to support general fund operations.

Cafeteria Fund (13)

For 2014-15, federal and state meal reimbursement rates are updated at projected rates, plus expected local revenues. Expenditures are adjusted to reflect program requirements.

Deferred Maintenance Fund (14)

Deferred Maintenance is part of the LCFF. Deferred Maintenance support from General Fund is recognized as a transfer of revenue in the amount of \$642,289 and used to support the Deferred Maintenance Program.

Building Fund (21)

The Building Fund exists primarily to account separately for proceeds from the sale of bonds and for the acquisition or construction/modernization of major capital facilities. The principal revenue accounts in this fund are Interest and Proceeds from the Sale of Bonds. The district has completed bond funded projects. The projected balance of the fund is zero.

Capital Facilities Fund (25)

This fund is used primarily to account separately for monies received from fees levied on developers as a condition for improving a development and for the receipt and disbursement of redevelopment monies from redevelopment agencies. Revenues from developer fees (Subfund 2525) are to be used for the board approved construction/reconstruction of school facilities. Revenues from redevelopment funds (Subfund 2545) are used for payment of the district's Certificate of Participation (COP) debt service obligations, and/or approved facility

related expenses as allowed under state statutes. The projected balance of funds available for expenditure in the adopted budget is \$12,566,050.

County School Facilities Fund (35)

This fund is used to account for receipt and expenditure of bond funds from the State and related district matching funds. Typical expenditures in this fund include items charged to Capital Outlay, i.e. Buildings, and Improvement of Buildings. The district, when eligible, continues to apply for state grants. The projected balance of funds available for expenditure in the adopted budget is \$1,016,727.

Special Reserve Fund for Capital Outlay Projects (40)

The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of monies for capital outlay purposes. Projected revenues are derived from interest earnings on the existing cash balance in the fund. Additionally, deposits and expenditures related to the district's 2007 Certificate of Participation (COP) are recorded in this fund. The projected balance of funds available for expenditure in the adopted budget is \$3,539,012.

Self Insurance Fund (67)

Self Insurance funds are used for monies received for self insurance activities from other operating funds of the district. The district currently maintains four self insurance funds:

- Workers Compensation Self Insurance Fund
- Health & Welfare Self Insurance Fund
- Property Loss Self Insurance Fund
- Comprehensive Liability Self Insurance Fund

Self Insurance funds are maintained by the district for the payment of claims, administrative costs, deductible insurance amounts, excess insurance, and other related costs associated with workers compensation, health and welfare, and deductible liability and property losses.

Foundation Private-Purpose Trust Fund (73)

This fund is used to account separately for monies received from gifts or bequests under which both principal and income benefit students (scholarships), and under which neither principal nor income may be used for purposes that support the district's own programs. Projected revenues are derived from interest earnings on the existing cash balances in each individual trust account. The projected net assets as of June 30, 2015 are \$358,793.

MULTI-YEAR PROJECTION

The district has prepared a multi-year projection of its General Fund as required by State law. The district uses software developed by Fiscal Crisis & Management Assistance Team (FCMAT) for this purpose. The following significant assumptions are used in the preparation of this projection:

- Enrollment is based on CalPADS enrollment steps in grades, incoming freshman student trends, and Inter/Intra district trends. Enrollment is projected to decrease by 30 students in 2014-15, 33 students in 2015-16, and 33 in 2016-17.
- Cost of living adjustments (COLAs) to revenues are based on projections prepared by School Services of California, Inc. An annual COLA of 0.85% COLA has been applied to 2014-15, and COLAs of 2.19% and 2.14% have been applied to 2014-15 and 2015-16 respectively.
- Adjustments have been made to expenditures for one-time items.
- Step and longevity increases are included in the projection.
- No adjustment for the potential increase in the cost of Health and Welfare benefits has been included in the projection.
- Negotiations are unsettled for the 2014-15 fiscal year.
- No provision has been made to fund the OPEB liability/"ARC" above the "pay-as-you-go" amount in either the budget or projection years.