



**2017-18**

## **Second Interim Report**

**MARCH 14, 2018**

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**Wm. S. Hart Union High School District  
Ralph Peschek, Chief Financial Officer**

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# Chief Financial Officer

## 2017-18 Second Interim Message

On June 21, 2017, the Governing Board adopted its 2017-18 Budget based on expenditure and revenue projections that were developed during the Governor's May Revision as well as activities and services outlined in the adopted 2017-18 Local Control Accountability Plan (LCAP). This document, the Second Interim Budget Report, encompasses all of the financial changes and adjustments that have occurred as of January 31, 2018.

Every California school district is mandated to prepare this interim report to ensure financial accountability and is the basis for our quarterly certification required by the AB1200. This second interim budget report represents a positive certification, which affirms that the district will be able to meet its current fiscal obligations this year and the subsequent two fiscal years. However, it is important to note that in order to maintain the district's positive certification, a plan for reductions in expenditures is being developed for the 2018/19 fiscal year and beyond.

### Multi-Year Planning:

The district forecasts its expenses and revenues out over a three-year period which reflects our instructional plans, LCAP initiatives, and other operational adjustments. A few long-range external pressures that will result in increased costs to the district, and that the district continues to monitor and plan for, are the opening of Castaic High School in 2019, Other Post Employment Benefit Obligations (OPEB), as well as increases in the district's State employee retirement contribution (STRS and PERS).

While the district has demonstrated the ability to manage these and other costs through the 2019-20 school year, we continue to forecast and monitor projected changes in future years. This will help us to ensure ongoing fiscal solvency as we maintain the district's basic levels of operations. Ultimately, budget and programmatic priorities for new or redirected dollars are determined by the Board of Education with considerable input by our community stakeholders through the LCAP process.

### Local Control Accountability Plan:

The district's 2017-18 LCAP was created based on the input of staff, parents, students, and community members from a series of meetings with the focus on how to best ensure that students are achieving at or above grade-level standards and prepared with 21st century skills for college and careers.

As a result of this collective effort, the William S. Hart Union High School District Local Control Accountability Plan was created and adopted by the Board of Education during the same meeting as the Budget on June 21, 2017. Our 2017-18 Budget truly reflects the essence of the desires of our stakeholders and supports the district's overall goal for student success.

**Ralph Peschek, Chief Financial Officer**

The District develops the budget for each year by identifying the changes in revenue from the Local Control Funding Formula (LCFF) and expenditures that are continuing, mandated, or required for operations. The Local Control Accountability Plan (LCAP) is the guiding plan for programming any new funding that is available after balancing the revenue and expenditure projections. The LCAP adopted by the Board of Trustees provides the template for prioritization of new funding as it becomes available after meeting all obligations for continuing, mandated, or required for operations.

## Second Interim Report

Los Angeles County Department of Education (LACOE), the District’s oversight agency, provides guidance and direction as to which assumptions should reasonably be incorporated into the District’s Second Interim Report.

The key assumptions included in the Second Interim Report are as follows:

### Revenue Adjustments:

- Increase LCFF funding \$158K
  - Unduplicated pupil count (UPC) of 24.49% and the State LCFF gap funding rate of 44.97%.
- Increase in Federal Funding of \$164K
- Increase in Other State revenues of \$239K
- Various local revenue adjustments of \$575K
- Expense Adjustments:
- Increase of \$240K in personnel costs
- Increase in non-salary expenditures of \$1.0M

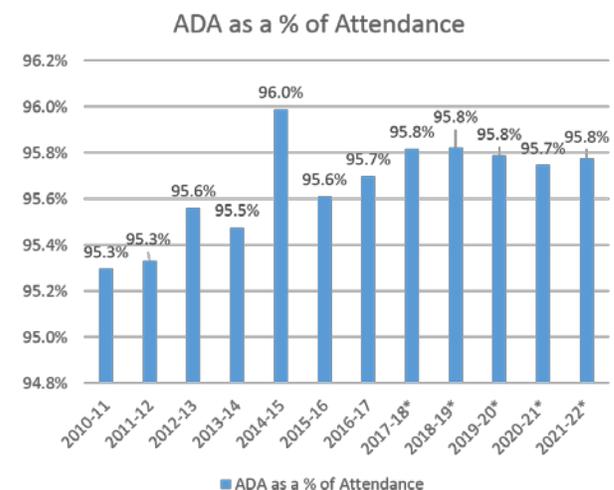
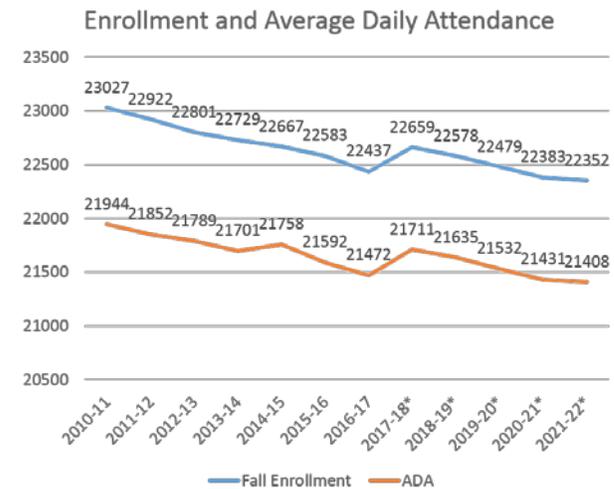
Labor Contract Negotiations: Negotiations with HDTA and CSEA are ongoing for 2017-18.

## Cash Flow Considerations

The District continues to diligently monitor its cash flow. The District projects a positive cash flow for 2017-18 and 2018-19 without the need to borrow.

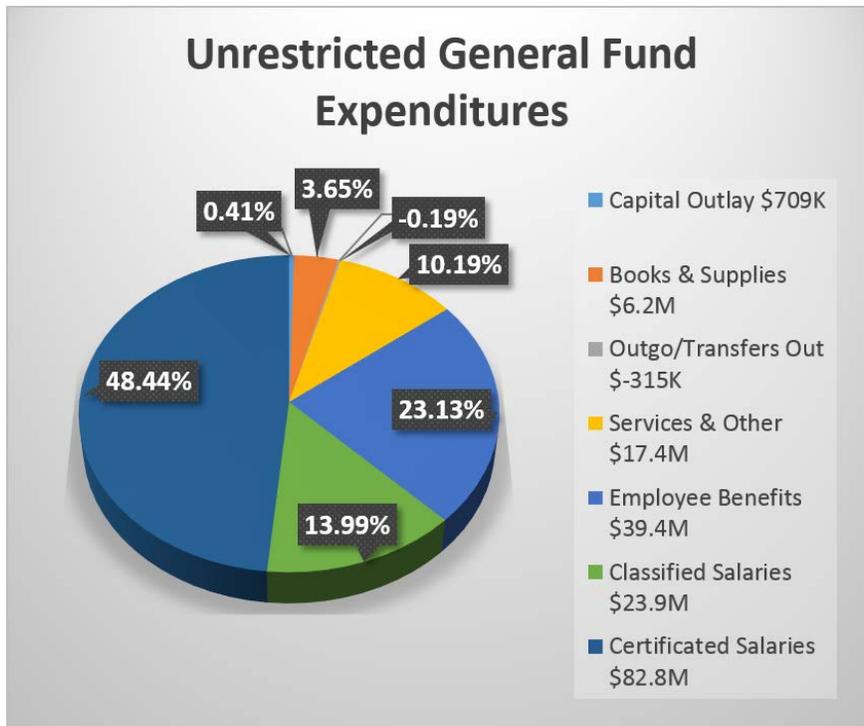
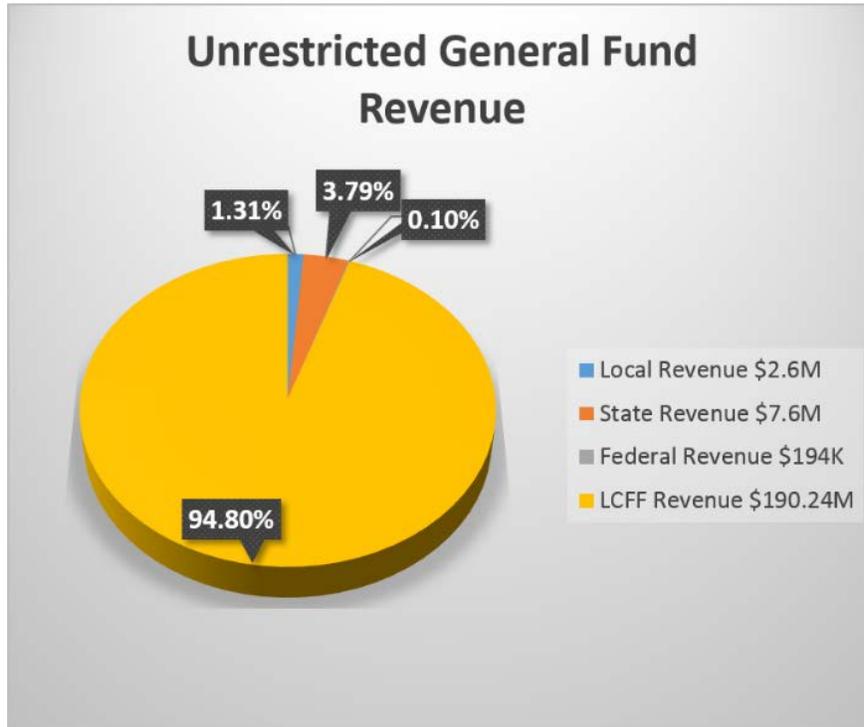
## Student Enrollment

The District experienced decreased enrollment for the past seven (7) years. With the closure of Einstein Academy, the District realized a modest one-time increase in the 2017-18 SY. We forecast that the District will continue to decline in enrollment in subsequent years.

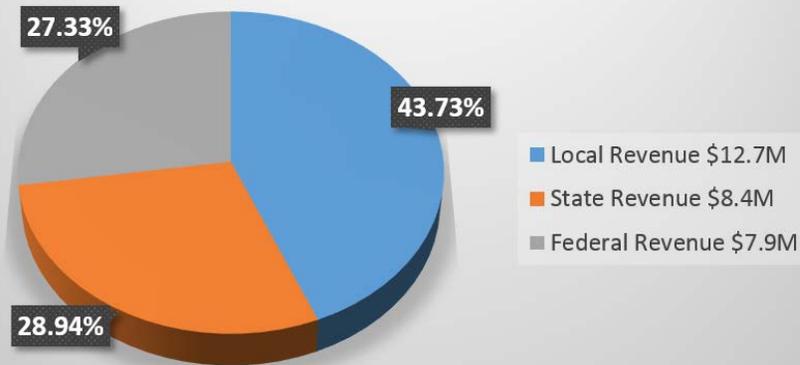


## Second Interim Data

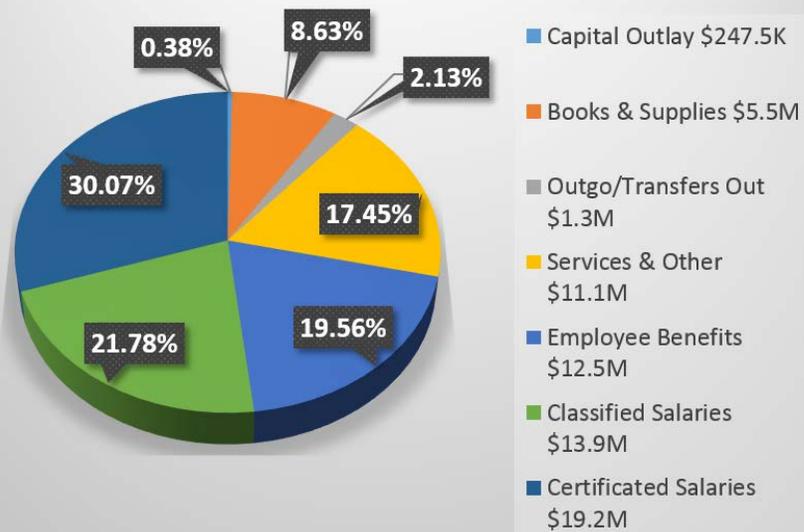
To represent the District's budget in a more readable format, the following charts identify the various elements and proportions of the 2017-18 budgets for unrestricted and restricted general funds. (i.e. the General Fund / Fund 01.0)



## Restricted General Fund Revenue



## Restricted General Fund Expenditures



## Second Interim – All Funds

In addition to the General Fund, the District has Funds that are utilized for specific purposes. In the table below, you will see a summary of the District budget for these other funds at Second Interim.

Funds are allocated to the District based upon several criteria. The State requires that various funds be maintained for the proper accounting of revenue and expenditure activities carried out within the various funds. The “fund type” is important because it determines how the financial resources must be spent.

Fund	Fund Name (\$ in Millions)	Total Budget Expenditures Incl. Other Financing Sources/Uses
01	General Fund	\$234.1
11	Adult Education Fund	\$1.3
13	Food Service Fund	\$3.5
14	Differed Maintenance Fund	\$5.5
17	Special Reserve for Non-Capital	\$0.0
21	Building Fund	\$71.3
25	Capital Facilities Fund	\$1.4
40	Special Reserve for Capital Projects	\$1.1
49	Capital Projects Fund for Blended Component Units	\$13.2
52	Debt Service Fund – CFD’s	\$4.8
67	Self Insurance Fund	\$0.0
73	Foundation Private Purpose Trust	\$0.1

## District Multiyear Projections – General Fund

Multiyear projections (MYP) are required by AB 1200 and AB 2756. It is the obligation of the school district to show that it will be able to meet its financial obligations in the current year and two subsequent fiscal years. A barometer of a district’s financial strength is the districts unrestricted reserve percentage. Districts the size of WSHUHSD are required to maintain at least a 3% or roughly \$7.3 million. While \$7.3 million is a significant amount, the reserve is less than two weeks payroll. Monthly payroll for the District exceeds \$14 million.

The multiyear projections were adjusted to reflect the following:

Add Castaic Opening Principal salary to 2018-19 \$155K (ongoing).  
 Add Castaic staff costs of \$2.8M in 2019 (ongoing).  
 Castaic soft cost and technology cost of \$3.75M (one time).  
 Increase Technology budget \$500K in 2018-19 and \$750K in 2019-20.  
 Reduce bus lease payments \$223K in 2017-18.  
 Reduce classified Vacation Payout \$216K in 2017-18.

The District uses the estimated gap funding rates of 100% and 100%, COLA of 1.56% and 2.51%, and UPC of 24.58% and 24.71% for 2018-19 and 2019-20 respectively. Comparing to the base year (2017-18) revenue is projected to increase approximately \$7.69 million in 2018-19 and decreases \$2.1 million in 2019-20. Decreased revenue in 2019-20 is due to the loss of one time funds and declining enrollment.

## Certification to County and State

WSHUHSD is submitting a positive certification to the County and State based on assumptions that the District will be able to meet its General Fund obligations in the current and two subsequent years.

COMBINED GENERAL FUND					
(\$ in Millions)	2017-18	2018-19	2019-20	2020-21	2021-22
	Data Required per Ed Code			Year 4 & 5	
<b>Beginning Fund Balance</b>	\$35.2	\$25.0	\$20.2	\$10.8	\$12.1
Revenues	\$230.3	\$237.8	\$241.2	\$239.9	\$245.5
Expenditures	\$240.4	\$242.7	\$250.6	\$254.0	\$260.2
<b>Net Increase/Decrease to Fund Balance</b>	\$-10.1	\$-4.8	\$-9.4	\$1.3	\$-12.7
<b>Projected Ending Fund Balance</b>	\$25.0	\$20.2	\$10.8	\$12.1	\$-0.6
<b>Components of Projected Ending Fund Balance</b>					
<b>Non-spendable</b>	\$0.02	\$0.02	\$0.02	\$0.02	\$0.02
<b>Restricted</b>	\$2.2	\$2.6	\$3.1	\$4.3	\$5.5
<b>Reserve for Economic Uncertainty</b>	\$7.2	\$7.3	\$7.5	\$7.6	\$7.8
<b>Unassigned/Unappropriated</b>	\$15.4	\$20.2	\$10.8	\$0.0	\$-14.0

Combined General Fund (\$ in Millions)

