

**Burbank Unified School District
Administrative Services**

REPORT TO THE BOARD

TO: Members of the Board of Education

FROM: David Jaynes, Assistant Superintendent, Administrative Services

PREPARED BY: Lina Sola, Director Fiscal Services

SUBMITTED BY: Ruthie DiFonzo, Senior Administrative Assistant

DATE: June 15, 2017

SUBJECT: Report on Excess Reserves

Background:

Per Education Code Section 42127(a)(2)(B), districts that propose to adopt a budget that includes a combined assigned and unassigned ending fund balance in excess of the minimum recommended reserve for economic uncertainties (REU) must provide the following information at the public hearing for their proposed budget prior to budget adoption:

The minimum reserve for REU level required in each year identified in the budget

The amount of assigned and unassigned ending fund balance that exceeds the REU in each year

Reasons for the REU being greater than the minimum

Discussion/Issues:

District's required REU level:

The District is required to retain a 3% REU, the Board of Education recognizing their duty to maintain fiscal solvency set Board policy to reserve an additional 3%.

District's Assigned and Unassigned Ending Fund Balances:

	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>
Ending Fund Balance	\$14,269,385	\$10,612,397	\$10,746,215	\$ 8,703,839
Non Spendable	\$ 100,060	\$ 100,060	\$ 100,060	\$ 100,060
REU 3%	\$ 4,934,534	\$ 4,494,984	\$ 4,605,025	\$ 4,704,983
Board REU 3%	\$ 4,934,534	\$ 4,494,984	\$ -0-	\$ -0-
Assigned:				
Unassigned One-time Money	\$ 760,000	\$ -0-	\$ -0-	\$ -0-
One-time deferred money Uncertain			\$ 2,505,290	\$ 2,505,290
LCAP Supplemental	\$ 465,842	\$ 540,234	\$ 1,052,701	\$ 1,260,852
Spec Ed Program Augmentation		\$ 252,000		
Unused Vacation Liability	\$ 393,360	\$ 393,360	\$ 393,360	\$
Unassigned Ending Fund Balance	\$ 2,681,056	\$ 336,775	\$ 2,089,779	\$ 132,654

District's Reasons for Unassigned Ending Fund Balance in Excess of REU:

It is prudent for the District to carry an amount over the required and Board approved reserved for the following reasons:

Protection against the volatility of state revenues – It will have been 9 years since the last recession. The states strong revenues are from Real Estate and the Stock market, and once the District is fully funded no large annual GAP increases will be seen and funding increases will revert back to COLA only. Monthly expenditures average \$14.5M, our current 6% reserve will cover 64% of one month's expenditures.

Protection against unanticipated expenditures depleting educational programs

Protection against declining enrollment – Enrollment has fluctuated annually however, the District has experienced flat enrollment in the 2016-17 fiscal year. The unduplicated pupil increased in 2016-17 which affects the District's LCFE supplemental funding.

Protection against exposure to significant one-time outlays such as disasters, lawsuits or material audit findings

Financial Impact:

None

Recommendations:

David Jaynes, Assistant Superintendent, Administrative Services, will report on the Ending Fund Balance in Excess of reserve for economic uncertainties (REU), as presented.