



Board of Education Report

File #: Rep-258-17/18, **Version:** 1

2017-18 First Interim Report and Multi-Year Projections and Fiscal Stabilization Plan

December 12, 2017

Office of the Chief Financial Officer

Action Proposed:

Staff requests that the Board approve the 2017-18 First Interim Financial Report, which contains a “qualified” certification (enclosed herewith as “Attachment A”), and the Fiscal Stabilization Plan (“Attachment B”).

A qualified certification signifies that the District, based on current projections, may not be able to meet its financial obligations for the current or two subsequent fiscal years.

Background:

Under Education Code Sections 35035(i), 42130, and 42131, District staff must prepare and submit interim financial reports to the governing board at intervals throughout the fiscal year. As part of the interim financial reports, the Board certifies to the County Superintendent of Schools, the State Controller, and the State Superintendent of Public Instruction whether the District is able to meet its financial obligations for the remainder of the fiscal year and the next two fiscal years, using one of three certification scenarios:

- A *positive* certification indicates that based on current projections, the district *will* meet its financial obligations for the current fiscal year and two subsequent years.
- A *qualified* certification indicates that the district *may not* be able to meet its financial obligations for the current or two subsequent fiscal years.
- A *negative* certification indicates that the district *will not* be able to meet its financial obligations for the current or subsequent fiscal year.

In addition, the Los Angeles County Office of Education (LACOE), as part of the 2017-18 Final Budget approval, has requested that the Board make any necessary adjustment to the District’s fiscal stabilization plan with the First Interim Report due by December 15, 2017 that would address projected shortfall in the District’s reserves. A Fiscal Stabilization Plan is attached for your approval in response to this request.

Expected Outcomes:

The District will file its First Interim Financial Report and be in compliance with Education Code requirements, including a Fiscal Stabilization Plan that will address the request of LACOE.

Board Options and Consequences:

The Board may choose to adopt a positive certification only if it determines that the District will meet its financial obligations in the current year and two subsequent years.

The Board may choose to adopt a qualified certification of financial condition based on the current projections if it determines that the District may or may not meet its financial obligations in the current year or two subsequent years.

The Board may choose to adopt a negative certification if the Board finds that the District will not be able to meet its financial obligations in the current year or the subsequent fiscal year.

A district with a qualified or negative certification at the first interim period may not, in that fiscal year or the next fiscal year, issue non-voter approved debt unless the County Superintendent determines that the District will probably make repayment of such debt issuance. LACOE may also impose various restrictions on districts that fail to deal with financial issues raised in interim reports. Finally, rating agencies may consider interim reports when evaluating or revising credit ratings.

LACOE will review the District's certification. It has the authority and responsibility to change the certification if it determines that the District's certification was not appropriate.

Policy Implications:

Certification of the District's 2017-18 First Interim Financial Report and submission of the Fiscal Stabilization Plan will comply with Education Code and LACOE requirements.

Budget Impact:

This report includes a Fiscal Stabilization Plan to address the projected deficit in order to restore and maintain reserves at the required statutory level.

Student Impact:

Compliance with Education Code mandate ensures that the District will continue to operate and serve its student population.

Issues and Analysis:

None

Attachments:

Attachment A - 2017-18 First Interim Financial Report

Attachment B - Fiscal Stabilization Plan

Informatives:


Submitted:

11/27/17

RESPECTFULLY SUBMITTED,


MICHELLE KING, Ed.D.
Superintendent

APPROVED & PRESENTED BY:


Scott S. Price, Ph.D.
Chief Financial Officer
Office of the Chief Financial Officer

REVIEWED BY:


DAVID HOLMQUIST
General Counsel

APPROVED & PRESENTED BY:

Approved as to form.

REVIEWED BY:


CHERYL SIMPSON
Director, Budget Services and Financial Planning

Approved as to budget impact statement.