

Westside Union School District  
Administrative Services

# Long-Term Fiscal Structural Concerns

August 16, 2016

Regina Rossall, Superintendent

Shawn Cabey, Assistant Superintendent – Administrative Services

Lisa Jehlicka, Supervisor – Fiscal Services



# Nothing Lasts Forever

excerpts from School Services of California budget presentation





# Preparing for the Slowdown

A-7

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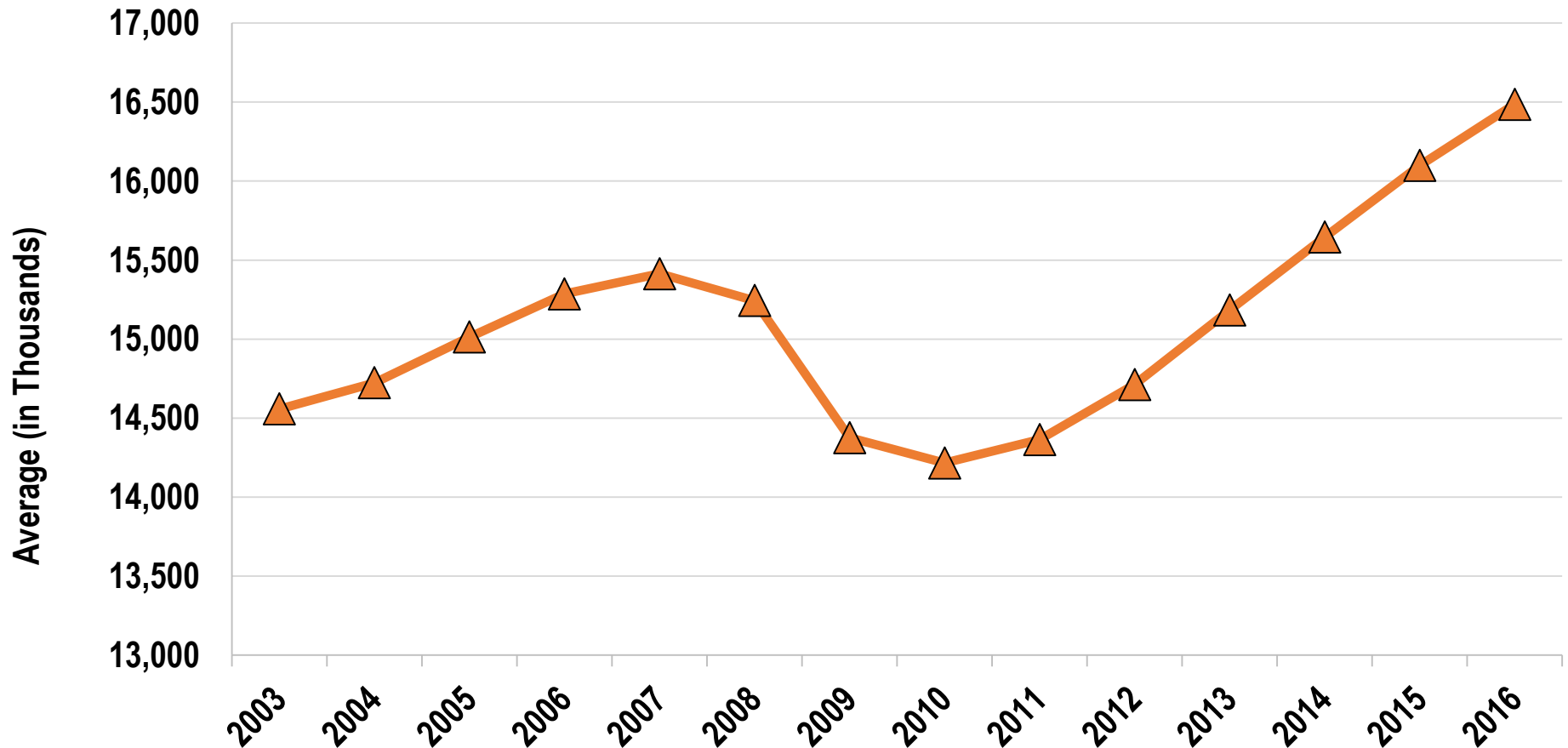
- The growth in education funding has been fueled by three major factors, all of which could change during 2016-17:
  - The Proposition 30 temporary taxes
  - Growth in the economy
  - Repayment of the Maintenance Factor
- At full implementation, each district will receive only cost-of-living adjustment (COLA) increases to its LCFF funding each year
  - COLAs over the next few years are estimated to be in the 2% to 3% range
  - If those COLA projections come to pass, most districts would again be making significant budget reductions
- We need to prepare for a slowdown while at the same time advocate for higher funding to continue to move toward at least the national average



# Nonfarm Employment

B-5

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Source: California DOF, Employment Development Department, Board of Equalization, U.S. Department of Commerce. Construction Industry Research Board, California Homebuilding Foundation: Estimates and Forecasts by the Los Angeles County Economic Development Corporation (LAEDC)



# Risks to the Economy

B-24

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- **We think Governor Brown is right to worry about what we see as an overdue economic correction or recession**
- **The California economy is particularly vulnerable to the effects of the continued drought, volatile energy prices, a recovering labor market, and anti-business policies that continue to drive businesses and jobs out of the state**
- **California is a “high-beta state” – ups and downs are accelerated, as we have seen in the past and will see in the future**



# Multiyear Projections

F-3

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- **The cause of most school district insolvencies can be traced to a bad financial decision made during prosperous times that came back to bite the district during lean financial times, so caution is key**
  - **Resist using future revenue projection dollars to justify paying for ongoing expenditures in the current year**
  - **A future recession is predicted – the timing is unknown**
  - **Proposition 30 temporary taxes will expire**



# The Next Recession

G-1

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- Governor Brown warns of the effects of a recession on the State Budget:
  - Capital gains tax revenues are volatile and will plummet at the next downturn
    - 69.5% of state revenues come from the personal income tax, with the top 1% of taxpayers accounting for half of these revenues
  - **No one forecasts recessions, but they inevitably come**
    - The current recovery is about six and a half years old; the average recovery lasts five years
  - Adding to ongoing spending at the peak of a recovery will only force painful cuts later
  - Economists have tried to eliminate the business cycle, but they have not figured out how to do it
- The Governor's solution: Build the state's Rainy Day Fund

# The Long & Short Of It

deficits and the reality of the business cycle





Although much-needed and well-deserved, recent increases to employee compensation were NOT fully covered by corresponding increases to funding, resulting in deficit spending for each of the past 4 years\*\*.

	11-12	12-13	13-14	14-15
Revenue	\$56,419	\$55,315	\$62,231	\$68,828
Labor Costs	\$48,186	\$50,923	\$53,631	\$59,383
Non Labor Costs	\$8,772	\$8,764	\$9,539	\$10,266
**Total Expenses	\$56,958	\$59,688	\$63,170	\$69,649
**Surplus/Deficit	(\$539)	(\$4,373)	(\$939)	(\$821)

The deficit spending of these years was not reflective of poor financial stewardship, since it was explicitly the result of a deliberate, planned strategy to restore our educational programs and our salary schedule competitiveness by tapping into the substantial General Fund balance that had accumulated as a result of prudent cash-flow management strategies designed to maintain payroll solvency during the Great Recession.

Beg. Fund Bal.

\$19,711

End. Fund Bal.

\$13,038

*\*\* Historical data from corresponding WUSD Certified Audited Financial Statements. Fund Balance will be marginally different from Audit Report because for Revenue/Expense analysis purposes these figures do not include Other Financing Sources/Uses, since OFSU not reflective of operating income/expense.*

Although the past few years' deficit spending has been part of a strategy to use the General Fund balance to restore educational programs, compensation, and services we are rapidly approaching the point where further deficit spending could be cause for significant concern. The reasons for these concerns were outlined in the Management Discussion & Analysis in both the 2014 and the 2015 Certified Audited Financial Statements, and were later echoed by various independent agencies including Moody's Investor Service, the Los Angeles County Office of Education, and Standard & Poor's.

**MOODY'S INVESTORS SERVICE**

**CREDIT OPINION**  
25 January 2016

**New Issue**

[Rate this Research](#)

**Summary Rating Rationale**  
Moody's Investors Service has assigned an Aa3 rating to Westside Union School District's \$16.77 million General Obligation Refunding Bonds Series 2016. Concurrently, Moody's has affirmed the Aa3 rating on the district's repurchasing party GO debt.

**Credit Strengths**

- Moody's used tax base that has returned to healthy growth.
- Strong financial position with reserve funds exceeding needs for the current and long-term.

**Credit Challenges**

- Four consecutive years of draws to General Fund reserve position.
- Significantly increasing pension costs for California school districts.

**Rating Outlook**  
Outlook is usually not assigned to local government credits with this amount of debt outstanding.

**Factors that Could Lead to an Upgrade**

- Stabilization in General Fund operating performance.

**Westside Union School District (CA)**  
New Issue - Moody's Assigns Aa3 to Westside Union School District's GO Refunding Bonds Series 2016

The Aa3 rating reflects the district's moderately used tax base with average socio-economic indicators, the maintenance of strong reserve levels despite and for consecutive years of General Fund draw downs, and a moderate debt and pension burden.

The GO rating also reflects the strength of the voter-approved, unlimited property tax pledge securing the bonds and the well-established levy and collection history for the debt service levy. This supports the credit quality of these bonds, somewhat offsetting the risk of future "trough widening" if the county rather than the district levies, collects and disburses the district's property taxes, including the portion constitutionally restricted to debt service on general obligation bonds.

**Rating Outlook**  
Outlook is usually not assigned to local government credits with this amount of debt outstanding.

**Factors that Could Lead to an Upgrade**

- Stabilization in General Fund operating performance.

**Los Angeles County Office of Education**  
Serving Students • Supporting Communities • Leading Educators

January 4, 2016

Ms. Linda K. Jones, Board President  
Westside Union School District  
41914 50th Street West  
Quartz Hill, CA 95536

Dear Ms. Jones:

Under Education Code (EC) Section 42131, the Los Angeles County Superintendent of Schools has completed a review of the Westside Union School District's (District) 2015-16 First Interim Report. Our analysis of the data provided indicates that the District should be able to meet its financial obligations for the current and two subsequent years. We therefore concur with the District's positive certification and offer our comments and concerns.

**DEFICIT SPENDING**

We noted the District is projecting operating deficits of \$896,000 in 2016-17 and \$1.0 million in 2017-18, representing a 1.32 percent and 1.62 percent of the District's unrestricted General Fund projected expenditures and other usage for fiscal year 2016-17 and 2017-18, respectively. According to our review of the District's First Interim data and assumptions, and as confirmed by the District, the projected deficits are primarily due to encumbrance by restricted programs. While the District continues to maintain the required level of reserves, any level of deficit spending should be recognized and monitored so it remains manageable.

**LABOR CONTRACT NEGOTIATIONS**

According to the information provided in the District's First Interim Report, certificated and classified labor contract negotiations for 2015-16 remain unsettled and potential changes have not been submitted and incorporated into budgeted salary and benefit expenditures. This letter is a reminder that, before the District's Board of Education takes any action on a proposed collective bargaining agreement, the District must meet the public disclosure requirements of Government Code Section 3547.5 and the California Code of Regulations Title V, Section 15449. The document used for this analysis was included in Informational Bulletin No. 4158, dated July 15, 2015, and is titled "2015-16 Forms for Assembly Bill (AB) 1200: Public Disclosure of Proposed Collective Bargaining Agreements." This document can be found at this website: <http://www.lacoe.edu/BusinessServices/Documents/Forms.aspx>

9300 Imperial Highway, Downey, California 90242-2896 (952) 922-6111

Standard & Poor's assigned its 'AA-' long-term rating to Westside Union School District, Calif.'s \$16 series general obligation (GO) refunding bonds. At the same time, Standard & Poor's affirmed its 'AA-' long-term rating on the district's GO bonds outstanding. The outlook is stable.

Standard & Poor's reflects our view of the district's:

- Economic base in the Los Angeles region with good economic indicators;
- Stable average daily attendance (ADA), which drives states funding revenues; and
- Very strong budgetary flexibility that has been maintained for the past few fiscal years through 2016.

Standard & Poor's offsets these credit strengths, in our view, are the district's recent operating deficits and limited revenue flexibility due to its reliance on state funding, which is a primary driver of operating revenues.

Limited ad valorem taxes levied on taxable property in the district secure the bonds. The Los Angeles County and of Supervisors has the power and obligation to levy these taxes at the request of the district for the bonds' payment. The county is required to deposit such taxes, when collected, into the bonds' debt service fund. Bond proceeds will be used to refund the district's series 2006A GO bonds.

Standard & Poor's (Los Angeles County) School District serves an estimated population of 77,888. Median household and per capita effective buying incomes in the district are good at 104% and 94% of national levels, respectively. At \$45,913 per capita, the district's 2016 market value totaling \$6.7 billion is, in our opinion, very strong. Assessed value (AV) grew by a total of 14.3% since 2014 to \$6.7 billion in 2016. The tax base is very strong, in our view, with the 10 largest taxpayers accounting for approximately 2.8% of AV.

The district encompasses a large unincorporated area of the county and western portions of the cities of Lancaster and Palmdale. Economic activity in the area is anchored by the aerospace industry, including Edwards Air Force Base, and the residents commute to the Los Angeles region.

Standard & Poor's states the education funding, which is determined by a count of average daily attendance ADA, is the primary source of operating revenue for California school districts. Therefore, increases or decreases in ADA can lead to increases or decreases, respectively, in revenue.

General-purpose funding for California school districts is determined by formula based primarily on ADA, grade levels served, and share of students served that are English language-learners, low to moderate income, or other youth. Most school districts are funded through a combination of state general fund revenues and local

Since the independent audited certified financial statements provide the accounting basis for these analyses, there can be no question of whether or not in expressing these concerns the District, as well as the concurring external financial experts, are crying ‘wolf’.

**The concerns identified are based on concrete data and actual, historical spending patterns.**



## The Short Term

Fiscal Year	11-12	12-13	13-14	14-15	15-16	16-17	17-18	18-19
Revenue Increases	-0.13%	-1.96%	12.50%	10.60%	20.27%	-2.29%	1.73%	0.68%
Labor Increases	2.14%	5.68%	5.32%	10.72%	12.53%	-0.47%	3.21%	2.56%
Non-Labor Increase	10.39%	-0.09%	8.84%	7.62%	55.60%	-14.12%	1.38%	-4.16%
<b>Total Increase</b>	<b>12.53%</b>	<b>5.59%</b>	<b>14.16%</b>	<b>18.34%</b>	<b>68.13%</b>	<b>-14.58%</b>	<b>4.59%</b>	<b>-1.60%</b>
Revenue	\$56,419	\$55,315	\$62,231	\$68,828	\$82,779	\$80,884	\$82,280	\$82,837
Labor Costs	\$48,186	\$50,923	\$53,631	\$59,383	\$66,826	\$66,514	\$68,651	\$70,408
Non Labor Costs	\$8,772	\$8,764	\$9,539	\$10,266	\$15,974	\$13,719	\$13,908	\$13,329
<b>**Total Expenses</b>	<b>\$56,958</b>	<b>\$59,688</b>	<b>\$63,170</b>	<b>\$69,649</b>	<b>\$82,799</b>	<b>\$80,232</b>	<b>\$82,559</b>	<b>\$83,737</b>
<b>**Surplus/Deficit</b>	<b>(\$539)</b>	<b>(\$4,373)</b>	<b>(\$939)</b>	<b>(\$821)</b>	<b>(\$20)</b>	<b>\$651</b>	<b>(\$278)</b>	<b>(\$900)</b>
**Beginning FB	\$19,711	\$19,171	\$14,798	\$13,859	\$13,038	\$13,018	\$13,670	\$13,391
**Ending FB	\$19,171	\$14,798	\$13,859	\$13,038	\$13,018	\$13,670	\$13,391	\$12,491

### AB1200 Perspective:

California economy cheats the business cycle in that over the future period in question funding remains essentially flat. Energy costs/inflation are capped at 1% or less, labor cost increases are limited to projected Health/Welfare increases, Step & Column movements, known increases to STRS/PERS, etc.

### Outcome:

In the short term the projected Surplus/Deficit is net positive for the current and 2 future out-years (\$358K). Even the signs of trouble in 18/19 (-\$900K) are well within the District's historical margin of error with respect to deficit projection (more on that later in this presentation).

2011/12 to 2014/15 REPRESENTS ACTUAL, AUDITED FINANCIAL DATA.

**2015/16 FORWARD IS FOR ILLUSTRATIVE PURPOSES ONLY.**

## The Long Term: No Economic Cycles

Fiscal Year	11-12	12-13	13-14	14-15	15-16	16-17	17-18	18-19	19-20	20-21	21-22	22-23
Revenue Increases	-0.13%	-1.96%	12.50%	10.60%	20.27%	-2.29%	1.73%	0.68%	1.20%	1.20%	1.20%	1.20%
Labor Increases	2.14%	5.68%	5.32%	10.72%	12.53%	-0.47%	3.21%	2.56%	2.65%	2.65%	2.65%	2.65%
Non-Labor Increase	10.39%	-0.09%	8.84%	7.62%	55.60%	-14.12%	1.38%	-4.16%	1.00%	1.00%	1.00%	1.00%
<b>Total Increase</b>	<b>12.53%</b>	<b>5.59%</b>	<b>14.16%</b>	<b>18.34%</b>	<b>68.13%</b>	<b>-14.58%</b>	<b>4.59%</b>	<b>-1.60%</b>	<b>3.65%</b>	<b>3.65%</b>	<b>3.65%</b>	<b>3.65%</b>
<b>Revenue</b>	<b>\$56,419</b>	<b>\$55,315</b>	<b>\$62,231</b>	<b>\$68,828</b>	<b>\$82,779</b>	<b>\$80,884</b>	<b>\$82,280</b>	<b>\$82,837</b>	<b>\$83,831</b>	<b>\$84,837</b>	<b>\$85,855</b>	<b>\$86,886</b>
Labor Costs	\$48,186	\$50,923	\$53,631	\$59,383	\$66,826	\$66,514	\$68,651	\$70,408	\$72,274	\$74,189	\$76,155	\$78,173
Non Labor Costs	\$8,772	\$8,764	\$9,539	\$10,266	\$15,974	\$13,719	\$13,908	\$13,329	\$13,463	\$13,597	\$13,733	\$13,871
<b>**Total Expenses</b>	<b>\$56,958</b>	<b>\$59,688</b>	<b>\$63,170</b>	<b>\$69,649</b>	<b>\$82,799</b>	<b>\$80,232</b>	<b>\$82,559</b>	<b>\$83,737</b>	<b>\$85,736</b>	<b>\$87,786</b>	<b>\$89,888</b>	<b>\$92,044</b>
<b>**Surplus/Deficit</b>	<b>(\$539)</b>	<b>(\$4,373)</b>	<b>(\$939)</b>	<b>(\$821)</b>	<b>(\$20)</b>	<b>\$651</b>	<b>(\$278)</b>	<b>(\$900)</b>	<b>(\$1,905)</b>	<b>(\$2,949)</b>	<b>(\$4,033)</b>	<b>(\$5,158)</b>
**Beginning FB	\$19,711	\$19,171	\$14,798	\$13,859	\$13,038	\$13,018	\$13,670	\$13,391	\$12,491	\$10,586	\$7,637	\$3,604
**Ending FB	\$19,171	\$14,798	\$13,859	\$13,038	\$13,018	\$13,670	\$13,391	\$12,491	\$10,586	\$7,637	\$3,604	<b>(\$1,554)</b>

*\*Historical data from corresponding WUSD Certified Audited Financial Statements. \*\*Does not include Other Financing Sources/Uses, since OFSU not reflective of operating income/expense.*

### Best Case Scenario:

California economy cheats the business cycle, education funding increases at a steady rate ad ininitum, energy costs/inflation are capped at 1% or less, labor cost increases are limited to Health/Welfare increases, Step & Column movements, STRS/PERS, etc.

### Outcome:

Even despite steady, continuous increases to funding, the short-term surplus nevertheless eventually gives way to persistent deficits, due to the inability of the rate of revenue increases to keep pace with the rate of expenses increases.

2011/12 to 2014/15 REPRESENTS ACTUAL, AUDITED FINANCIAL DATA.

**2015/16 FORWARD IS FOR ILLUSTRATIVE PURPOSES ONLY.**

## The Long-Term: History As A Guide

	11-12	12-13	13-14	14-15	15-16	16-17	17-18	18-19	19-20	20-21	21-22	22-23
Revenue Increases	-0.13%	-1.96%	12.50%	10.60%	20.27%	-2.29%	1.73%	0.68%	1.70%	-0.13%	-1.96%	12.50%
Labor Increases	2.14%	5.68%	5.32%	10.72%	12.53%	-0.47%	3.21%	2.56%	2.65%	2.65%	2.65%	2.65%
Non-Labor Increase	10.39%	-0.09%	8.84%	7.62%	55.60%	-14.12%	1.38%	-4.16%	1.00%	1.00%	1.00%	1.00%
<b>Total Increase</b>	<b>12.53%</b>	<b>5.59%</b>	<b>14.16%</b>	<b>18.34%</b>	<b>68.13%</b>	<b>-14.58%</b>	<b>4.59%</b>	<b>-1.60%</b>	<b>3.65%</b>	<b>3.65%</b>	<b>3.65%</b>	<b>3.65%</b>
<b>Revenue</b>	<b>\$56,419</b>	<b>\$55,315</b>	<b>\$62,231</b>	<b>\$68,828</b>	<b>\$82,779</b>	<b>\$80,884</b>	<b>\$82,280</b>	<b>\$82,837</b>	<b>\$84,246</b>	<b>\$84,136</b>	<b>\$82,487</b>	<b>\$92,798</b>
Labor Costs	\$48,186	\$50,923	\$53,631	\$59,383	\$66,826	\$66,514	\$68,651	\$70,408	\$72,274	\$74,189	\$76,155	\$78,173
Non Labor Costs	\$8,772	\$8,764	\$9,539	\$10,266	\$15,974	\$13,719	\$13,908	\$13,329	\$13,463	\$13,597	\$13,733	\$13,871
<b>**Total Expenses</b>	<b>\$56,958</b>	<b>\$59,688</b>	<b>\$63,170</b>	<b>\$69,649</b>	<b>\$82,799</b>	<b>\$80,232</b>	<b>\$82,559</b>	<b>\$83,737</b>	<b>\$85,736</b>	<b>\$87,786</b>	<b>\$89,888</b>	<b>\$92,044</b>
<b>**Surplus/Deficit</b>	<b>(\$539)</b>	<b>(\$4,373)</b>	<b>(\$939)</b>	<b>(\$821)</b>	<b>(\$20)</b>	<b>\$651</b>	<b>(\$278)</b>	<b>(\$900)</b>	<b>(\$1,491)</b>	<b>(\$3,650)</b>	<b>(\$7,401)</b>	<b>\$754</b>
**Beginning FB	\$19,711	\$19,171	\$14,798	\$13,859	\$13,038	\$13,018	\$13,670	\$13,391	\$12,491	\$11,000	\$7,350	(\$51)
**Ending FB	\$19,171	\$14,798	\$13,859	\$13,038	\$13,018	\$13,670	\$13,391	\$12,491	\$11,000	\$7,350	(\$51)	\$703

\*Historical data from corresponding WUSD Certified Audited Financial Statements. \*\*Does not include Other Financing Sources/Uses, since OFSU not reflective of operating income/expense.

### Business Cycle Scenario:

California economy experiences effect of typical business cycle (to reflect actual historical business cycle impact, projected changes in % Revenue from 19/20 forward were taken from historical WUSD data from 2010/11 to 13/14). Education funding experiences volatility. In this scenario I have maintained long-term projected energy costs/inflation capped at 1% or less, labor cost increases are limited to Health/Welfare increases, Step & Column movements, etc.

### Outcome:

Short-term surplus is quickly followed by major deficits. Fund balance eventually gives way to insolvency. Please note that the 'doom and gloom' of this scenario **does not take into account any action on the part of the Board or the employee associates to respond to the economic cycle's impact on revenue**. In the past the Board and the associations have worked together to find solutions to reduce expenses, which would of course has a significant effect on the District's ability to survive the downturn in the business cycle.

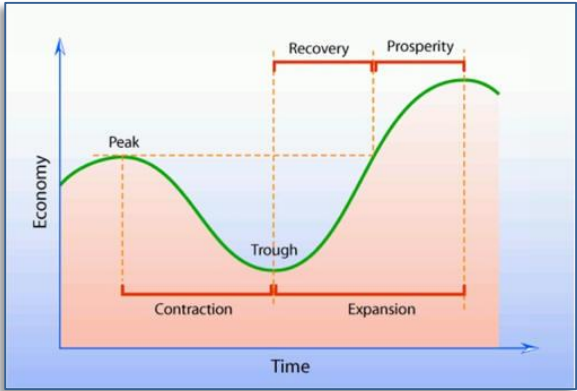
2011/12 to 2014/15 REPRESENTS ACTUAL, AUDITED FINANCIAL DATA.

**2015/16 FORWARD IS FOR ILLUSTRATIVE PURPOSES ONLY.**

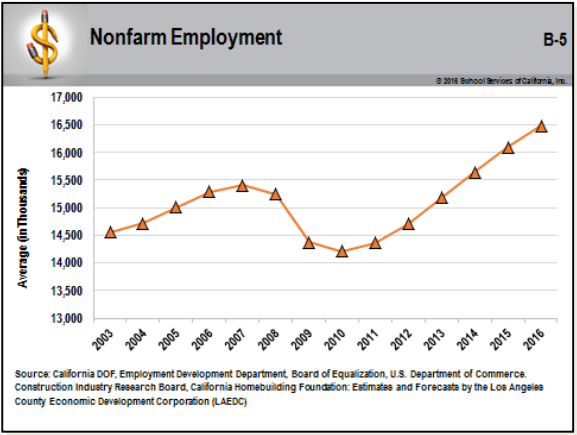


# Economic Cycles & Probability Curves

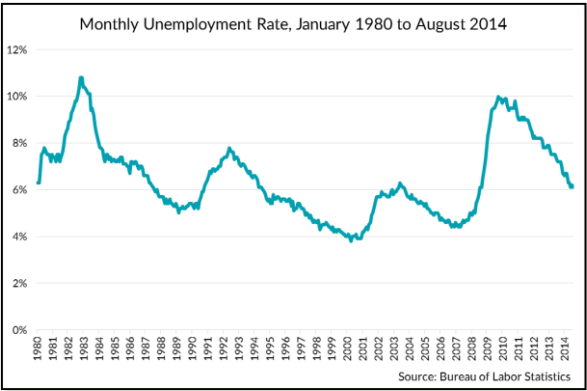
## Business Cycle Model



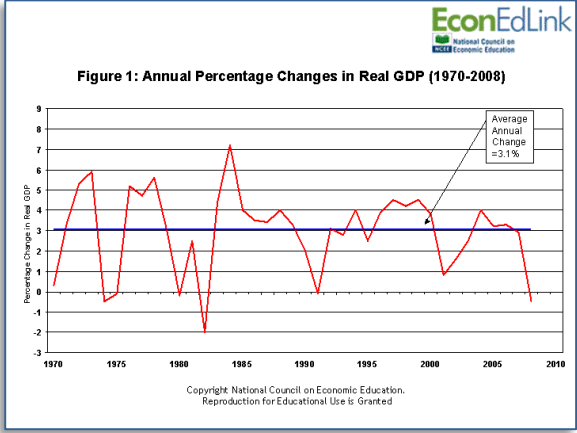
## School Services of California, 2016



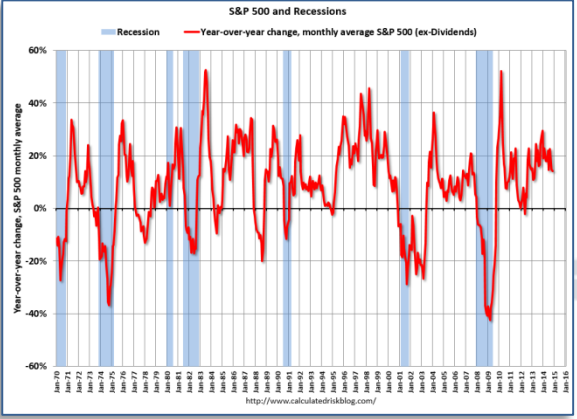
## Unemployment Rate



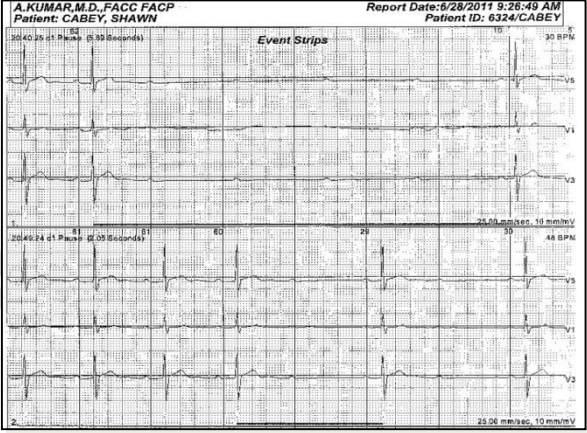
## Real Gross Domestic Product



## Stock Market Performance



## Shawn's Heartbeat



# The Fallout From Fallout

the practical meaning of “fallout” in budgeting





# fall·out

[fôl’ out] n., pl.

1. revenue remaining in excess of that which was anticipated in the budget to be expended [the for-profit business enterprise equivalent of “Net Income”]

	"Fallout"	
	Budget	Actual
Revenues	\$1,000.00	\$1,100.00
Expenses	\$900.00	\$800.00
Surplus/(Deficit)	\$100.00	\$300.00

**“Fallout” = \$200**

(\$200 additional dollars more than previously anticipated)

	"No Fallout"	
	Budget	Actual
Revenues	\$800.00	\$900.00
Expenses	\$1,100.00	\$1,000.00
Surplus/(Deficit)	(\$300.00)	(\$100.00)

**“Fallout” = \$0**

(No additional dollars, only less severe loss than previously anticipated)

# fall·out

[fôl’ out] n., pl.

2. any variance in year-end closing position that deviates positively from the closing position anticipated in the previous budget. [includes losses not as large as projected]

## "Fallout"

	Budget	Actual
Revenues	\$1,000.00	\$1,100.00
Expenses	\$900.00	\$800.00
Surplus/(Deficit)	\$100.00	\$300.00

**"Fallout" = \$200**

(\$200 additional dollars more than previously anticipated)

## "Also Fallout"

	Budget	Actual
Revenues	\$800.00	\$900.00
Expenses	\$1,100.00	\$1,000.00
Surplus/(Deficit)	<b>(\$300.00)</b>	<b>(\$100.00)</b>

**"Fallout" = \$200**

(\$200 "additional dollars", because **loss is less severe** than originally anticipated)

WUSD Historical Variance: Adopted Budget vs. Certified Audited Financial Statement

General Fund	Surplus/Deficit @ Adopted Budget	Surplus/Deficit @ Year-End Audit	Difference	Revenue (Audit Rpt)	% of Revenue	Expenses (Audit Rpt)	% of Expenses
2006-2007	\$ 3,813,376	\$5,632,042	\$1,818,666	\$61,879,315	2.9%	\$56,247,273	3.2%
2007-2008	\$ (215,976)	\$950,569	\$1,166,545	\$63,217,678	1.8%	\$62,267,109	1.9%
2008-2009	\$ 25,292	\$2,577,273	\$2,551,981	\$61,353,545	4.2%	\$58,776,272	4.3%
2009-2010	\$ (4,867,487)	-\$995,527	\$3,871,960	\$55,544,953	7.0%	\$56,540,480	6.8%
2010-2011	\$ (3,565,532)	\$1,367,812	\$4,933,344	\$56,491,412	8.7%	\$55,123,600	8.9%
2011-2012	\$ (5,327,991)	-\$539,114	\$4,788,877	\$56,418,668	8.5%	\$56,957,812	8.4%
2012-2013	\$ (7,888,050)	-\$4,372,928	\$3,515,122	\$55,314,856	6.4%	\$59,687,784	5.9%
2013-2014	\$ (3,595,829)	-\$939,204	\$2,656,625	\$62,231,226	4.3%	\$63,170,430	4.2%
2014-2015	\$ (4,334,723)	-\$820,832	\$3,513,891	\$68,828,190	5.1%	\$69,649,022	5.0%

fall·out

[fôl' out] n., pl.

1. revenue remaining in excess of that which was anticipated in the budget to be expended [the for-profit business enterprise equivalent of "Net Income"]

\$2,860,091

\$28,817,011

fall·out

[fôl' out] n., pl.

2. any variance in year-end closing position that deviates positively from the closing position anticipated in the previous budget. [includes losses not as large as projected]

Sum of Surpluses/Deficits:

Average \$ Variance:

% of Average Expenses:

\$2,860,091

\$317,788

0.5%

## Final Thoughts

Administrative Services believes that if fiscal policy were based solely upon economic factors aligned with a rational expectations macro-economic probability curve, decisions involving financial commitments that affect the long-term solvency of the District would most appropriately be evaluated with an **8-12 year Multi-Year Projection that incorporated anticipated fluctuations in the business cycle.**

**TRANSLATION:** A less-than-36-month look ahead (AB1200 MYP) that completely ignores the wild (but nevertheless largely predictable) ups & downs of business cycles, State revenues and funding is not only not good planning, it's not even good gambling!

***That said, the District understands that mathematics and economics do not account for the social and political considerations that appropriately must also be factored into decisions regarding the District's expenditures.***

# Thank You.

