

**Saddleback Valley**  
Unified School District



**2018-19**

**First Interim Budget**

December 13, 2018

# 2018-19 First Interim Budget Major Assumptions

- 1. Local Control Funding Formula (LCFF) revenue is based on the State Adopted Budget**
  - a. Cost of Living Adjustment (COLA) = 3.71% (Increase from 3.0% in Adopted budget)
  - b. Full funding of target LCFF entitlement
  - c. Increase of \$1.86 million from Adopted budget
- 2. Funded ADA 26,432.08 (decrease of 677.54 from prior year)**
  - a. Funded on 2017-18 ADA due to declining enrollment
- 3. One-time discretionary funding of \$184 per ADA = \$4,833,249**
  - a. Decrease of \$3.9 million from \$8.7 million (\$344 per ADA) in Adopted budget
- 4. Salaries and benefits reflect actual staffing as of 10/31/18 including vacancies**
- 5. STRS employer contribution rate = 16.28% (increased from 14.43% in 2017-18)**
- 6. PERS employer contribution rate = 18.062% (increased from 15.531% in 2017-18)**

## Change in Unrestricted Budget 2018-19 Adopted Budget vs. First Interim

	2018-19 Original Budget	2018-19 First Interim	Difference
Beginning Balance	71,720,761	74,181,214	2,460,453
Revenue	254,100,967	252,938,424	(1,162,543)
Expense	245,500,711	248,223,162	2,722,451
Surplus/(Deficit)	8,600,256	4,715,262	(3,884,994)
Ending Balance	80,321,017	78,896,476	(1,424,541)
Nonspendable	439,729	439,729	0
Designated for Economic Uncertainties	14,401,444	14,754,957	353,513
One-time Funding Carryover - site carryover + per ADA funding	20,714,026	12,638,535	(8,075,491)
Unappropriated Balance	44,765,818	51,063,255	6,297,437

## Change in Unrestricted Beginning Fund Balance 2018-19 Adopted Budget vs. First Interim

<b>Unrestricted Beginning Fund Balance Adopted</b>	<b>\$71,720,761</b>
<b>Unrestricted Beginning Fund Balance First Interim</b>	<b><u>\$74,181,214</u></b>
<b>Increase in Beginning Fund Balance</b>	<b>\$ 2,460,453</b>

### Explanations:

1. \$ 650,000 - Health benefits - budget exceed actual costs
2. \$ 650,000 - Worker's Compensation - budget reflected higher rate than rate needed to cover actual costs
3. \$ 700,000 - ELA curriculum costs for grades 11 & 12 deferred to 2018-19 and 2019-20
4. \$ 500,000 - Capital projects completed after June 30, 2018 (Energy Management System)

## Change in Unrestricted Revenue 2018-19 Adopted Budget vs. First Interim

<b>Unrestricted Revenue Adopted</b>	<b>\$254,100,967</b>
<b>Unrestricted Revenue First Interim</b>	<b><u>\$252,938,424</u></b>
<b>Decrease in Unrestricted Revenue</b>	<b>(\$ 1,162,543)</b>

### Explanations:

1. **(\$3,800,000)** - Decrease in one-time per ADA discretionary funding from \$344 to \$184 per ADA
2. \$1,800,000 - Increase in LCFF due to increase in funded COLA from 3.0% to 3.71%
3. \$ 300,000 - Increase in Medi-Cal Administrative Activities Federal funding
4. \$ 300,000 - Increase for lottery adjustment
5. \$ 200,000 - Increase to local revenue for lease income and gifts/donations

## Change in Unrestricted Expenditures 2018-19 Adopted Budget vs. First Interim

<b>Unrestricted Expenditures Adopted</b>	<b>\$245,500,711</b>
<b>Unrestricted Expenditures First Interim</b>	<b><u>\$248,223,162</u></b>
<b>Increase in Unrestricted Expenditures</b>	<b>\$ 2,722,451</b>

### Explanations:

1. \$ 700,000 - One-time facility/technology block grant carried forward from 2016-17
2. \$1,000,000 - Unspent site allocations carried forward from 2017-18
3. \$2,060,000 - One-time SV Innovates classroom upgrades
4. \$ 500,000 - One-time safety projects
5. \$1,700,000 - One-time teacher laptop refresh
6. **(\$2,000,000)**- Reduction in anticipated health benefit costs
7. **(\$1,000,000)**- One-time facilities projects completed in 2017-18
8. **(\$ 260,000)**- Other miscellaneous adjustments to unrestricted expenditures

# 2018-19 First Interim Budget

## Multi-year Projection - Unrestricted Only

	2018-19 First Interim	2019-20 Projected	2020-21 Projected
Beginning Balance	74,181,214	78,896,476	72,967,940
Revenue	252,938,424	250,348,927	252,177,190
Expense	248,223,162	256,277,463	254,899,283
Surplus/(Deficit)	4,715,262	(5,928,536)	(2,722,093)
Ending Balance	78,896,476	72,967,940	70,245,847
Nonspendable	439,729	439,729	439,729
Designated for Economic Uncertainties	14,754,957	14,890,757	14,784,214
One-time Funding Carryover - site carryover + per ADA funding	12,638,535	7,101,203	2,376,203
Unappropriated Balance	51,063,255	50,536,251	52,645,701

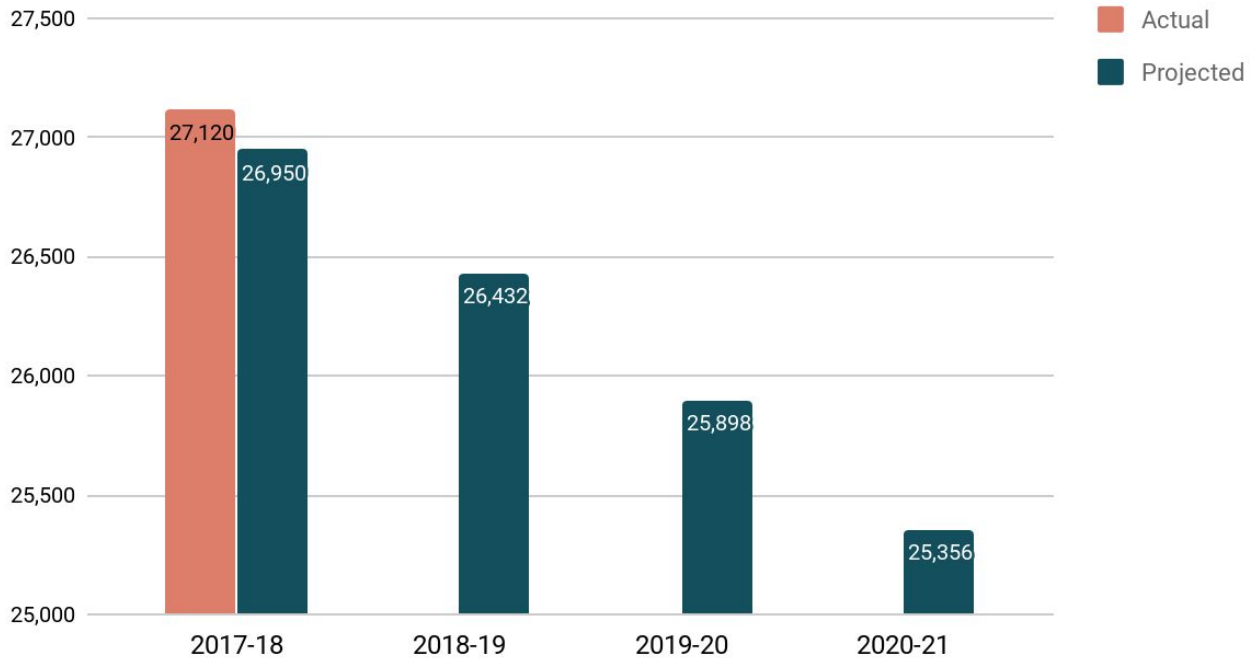
# 2018-19 First Interim Budget Multi-Year Assumptions

- 1. Local Control Funding Formula (LCFF) revenue**
  - a. COLA adjustments, 2019-20 = 2.57%, 2020-21 = 2.67%
  
- 2. Enrollment and ADA projections based on historical trends and demographer study**
  - a. Decrease in funded ADA of 534 in 2019-20 and 542 in 2020-21
  - b. Due to declining enrollment we are funded on prior year ADA
  
- 3. Salaries and benefits adjusted for step & column, attrition and increase to retirement contributions (STRS & PERS)**
  
- 4. Inflation increases applied to utilities, fuel and other contracted services**



# 2018-19 First Interim Budget Multi-Year Projected Declining Enrollment

## Funded ADA



## Impact of STRS and PERS Contribution Rate Increases

	2018-19	2019-20	2020-21
Estimated Increase in LCFF Funding	6,295,494	2,090,743	1,127,463
Estimated Increase in Employer STRS Costs	(2,320,988)	(2,318,989)	(1,217,809)
Estimated Increase in Employer PERS Costs	(730,642)	(805,192)	(808,959)
	<u>3,243,864</u>	<u>(1,033,438)</u>	<u>(899,305)</u>

	2018-19	2019-20	2020-21
STRS Estimated Rates	16.28%	18.13%	19.10%
- Increase from prior year	1.85%	1.85%	0.97%
PERS Estimated Rates	18.062%	20.80%	23.50%
- Increase from prior year	2.53%	2.74%	2.70%

## 2018-19 First Interim Budget - Next Steps

1. **Governor's Proposed Budget for 2019-20 will be released in January**
2. **Continue to monitor enrollment and attendance**
3. **Update staffing projections for 2019-20 based on projected enrollment**
4. **Present Second Interim Budget update in March 2019**

## 2018-19 First Interim Budget - Closing Thoughts

- 1. The district continues to face declining enrollment**
  - a. Continue to identify strategies to return students to SVUSD
- 2. Review and analyze the impact of new legislation**
  - a. Increase to the minimum wage (\$15/hour in 2022)
- 3. Make recommendations for reserves needed for future needs**
  - a. Technology replacement, field/turf replacement, textbook adoptions
- 4. The structural operating expenditures are increasing each year**
  - a. Employer contributions for PERS and STRS exceeds any increase to LCFF funding
  - b. The cost of district paid health benefits projected to increase 5% each year
  - c. The cost of Special Education services escalates with little to no increase in Special Education Funding
- 5. On-going evaluation of program needs**
  - a. Innovate ways to do more with less