



Saddleback Valley
Unified School District



2019-20 First Interim Budget



December 12, 2019

First Interim Budget Major Assumptions 2019-20

- 1. Local Control Funding Formula (LCFF) revenue is based on the State Adopted Budget**
 - a. Cost of Living Adjustment (COLA) = 3.26% (no change from Adopted budget)
 - b. Full funding of target LCFF entitlement
 - c. Increase of \$1.1 million from Adopted budget
- 2. Funded ADA 25,951.46 (decrease of 548.84 from prior year)**
 - a. Funded on 2018-19 ADA due to declining enrollment
- 3. Salaries and benefits reflect actual staffing as of 10/31/19 including vacancies**
- 4. STRS employer contribution rate = 17.10% (increased from 16.28% in 2018 -19)**
 - a. Increase from Original budget rate of 16.70%
- 5. PERS employer contribution rate = 19.721% (increased from 18.062% in 2018 -19)**
 - a. Decrease from Original budget rate of 20.733%

Change in Unrestricted Budget 2019-20 Adopted Budget vs. First Interim

	2019-20 Original Budget	2019-20 First Interim	Difference
Beginning Balance	69,841,530	72,442,575	2,601,045
Revenue	250,756,936	255,973,935	5,216,999
Expense	268,939,785	267,629,464	(1,310,321)
Surplus/(Deficit)	(18,182,849)	(11,655,529)	6,527,320
Ending Balance	51,658,681	60,787,046	9,128,365
Nonspendable	439,729	439,729	0
Designated for Economic Uncertainties	15,699,508	16,057,582	358,074
One-time Funding Carryover - site carryover + per ADA funding	31,501,779	35,904,543	4,402,764
Unappropriated Balance	4,017,665	8,385,192	4,367,527

Change in Unrestricted Beginning Fund Balance 2019-20 Adopted Budget vs. First Interim

Unrestricted Beginning Fund Balance Adopted
\$69,841,530

Unrestricted Beginning Fund Balance First Interim \$72,442,575

Increase in Beginning Fund Balance
\$ 2,601,045

Explanations:

1. \$ 480,000- Increase in Lottery revenue (record setting jackpot)
2. \$ 1,050,000- Increase in other revenue: Interest, MAA, FMV of cash adjustment
3. \$ 185,000- Closure of Fund 11
4. \$ (470,000) - Salary and benefits higher than budgeted
5. \$(1,000,000) - Increase in contribution to restricted programs
6. \$ 1,020,000- One-time facilities projects deferred to 2019 -20
7. \$ 540,000- ELA curriculum costs for grades 11 & 12 deferred to 2019-20
8. \$ 600,000 - Utilities and LCAP expenditures lower than projected

Change in Unrestricted Revenue 2019-20 Adopted Budget vs. First Interim

Unrestricted Revenue Adopted	\$250,756,936
Unrestricted Revenue First Interim	<u>\$255,973,935</u>
Increase in Unrestricted Revenue	\$ 5,216,999

Explanations:

1. \$2,630,000 - Addition of one-time Special Education unrestricted funding
2. \$1,150,000 - Increase in LCFF due to increase in prior year ADA
3. \$ 820,000 - Increase to local revenue for donations and STRS DBS refunds
4. \$ 376,000 - Increase in Lottery funding
5. \$ 226,000 - Increase in Medi-Cal Administrative Activities Federal funding

Change in Unrestricted Expenditures 2019-20 Adopted Budget vs. First Interim

Unrestricted Expenditures Adopted	\$268,939,785
Unrestricted Expenditures First Interim	<u>\$267,629,464</u>
Decrease in Unrestricted Expenditures	(\$ 1,310,321)

Explanations:

1. \$ (500,000) - ROP Bridge Agreement
2. \$(3,000,000) - One-time suspension of worker's compensation transfer
3. \$(1,200,000) - Adjustments to Health and Welfare expenditures
4. \$ 1,200,000 - One-time projects not completed in 2018 -19
5. \$ 1,700,000 - Unspent site allocations carried forward from 2018 -19
6. \$ 550,000 - Other miscellaneous adjustments to unrestricted expenditures

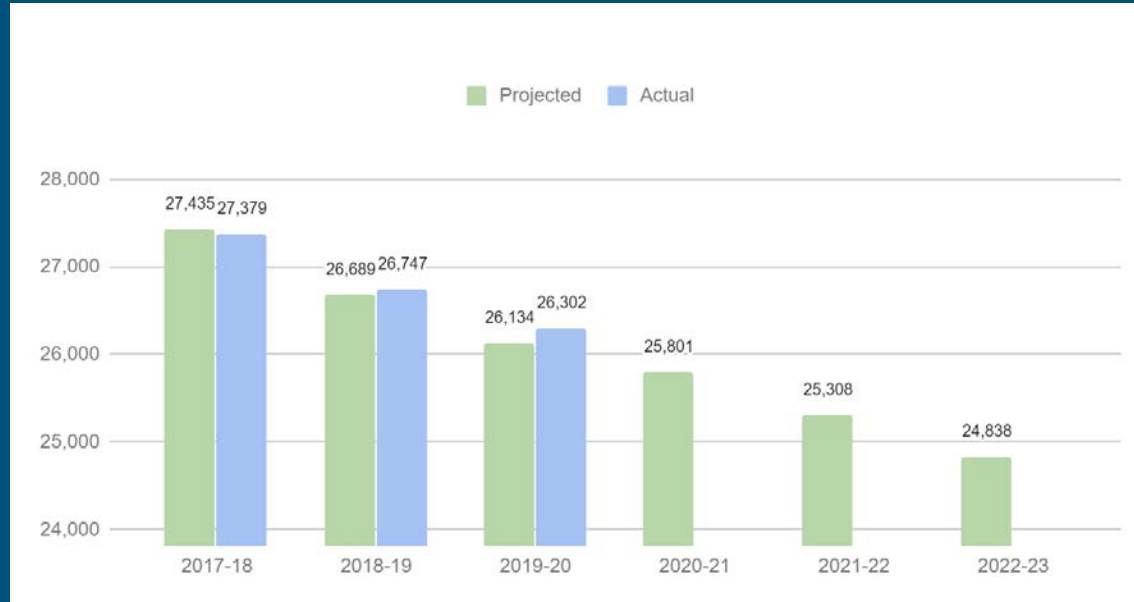
2019-20 First Interim Budget Multi-year Projection - Unrestricted Only

	2019-20 First Interim	2020-21 Projected	2021-22 Projected
Beginning Balance	72,442,575	60,787,046	50,833,479
Revenue	255,973,935	255,822,983	257,621,840
Expense	267,629,464	265,776,550	267,093,924
Surplus/(Deficit)	(11,655,529)	(9,953,567)	(9,472,084)
Ending Balance	60,787,046	50,833,479	41,361,395
Nonspendable	439,729	439,729	439,729
Designated for Economic Uncertainties	16,057,582	15,761,409	15,737,163
One-time Funding Carryover - site carryover + per ADA funding	35,904,543	20,253,242	9,612,133
Unappropriated Balance	8,385,192	14,379,099	15,572,370

2019-20 First Interim Budget Multi-Year Assumptions

1. **Local Control Funding Formula (LCFF) revenue**
 - a. COLA adjustments, 2020-21 = 3.00%, 2021-22 = 2.80%
2. **Enrollment and ADA projections based on historical trends and demographer study**
 - a. Decrease in funded ADA of 448 in 2020-21 and 470 in 2021-22
 - b. Due to declining enrollment LCFF is 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**

2019-20 First Interim Budget Multi-Year Projected Declining Enrollment



Impact of STRS and PERS Contribution Rate Increases

	2019-20	2020-21	2021-22
Estimated Increase in Base LCFF Funding	2,343,939	2,674,000	1,831,401
Estimated Increase in Employer STRS Costs	(1,094,278)	(1,718,790)	396,887
Estimated Increase in Employer PERS Costs	(535,535)	(974,871)	(631,336)
	714,126	(19,661)	1,596,952
	2019-20	2020-21	2021-22
STRS Estimated Rates	17.10%	18.40%	18.10%
<i>- Increase from prior year</i>	<i>0.82%</i>	<i>1.30%</i>	<i>-0.30%</i>
PERS Estimated Rates	19.721%	22.70%	24.60%
<i>- Increase from prior year</i>	<i>1.66%</i>	<i>2.98%</i>	<i>1.90%</i>

2019-20 First Interim Budget - Next Steps

1. **Governor's Proposed Budget for 2020 -21 will be released in January**
 - a. Speculation that future COLA increases will be much lower than current projections
2. **Continue to monitor enrollment and attendance**
3. **Update staffing projections for 2020 -21 based on projected enrollment**
4. **Present Second Interim Budget update in March 2020**

2019-20 First Interim Budget - Closing Thoughts

- 1. The district continues to face declining enrollment**
- 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 absorb most or all of new 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**