

Saddleback Valley

Unified School District



2020-21 First Interim Budget

December 14, 2020

First Interim Budget Major Assumptions 2020-21

- 1. Local Control Funding Formula (LCFF) revenue is based on the State Adopted Budget**
 - a. Cost of Living Adjustment (COLA) = 0%
 - b. \$195,000 decrease from 45 Day Budget Revision as a result in reduction in Unduplicated Pupil Percentage
- 2. Funded ADA 25,546.78**
 - a. Funded on 2019-20 ADA due to hold harmless provision
- 3. Salaries and benefits reflect actual staffing as of 10/31/20 including vacancies**
- 4. STRS employer contribution rate = 16.15% (decreased from 17.10% in 2019-20)**
- 5. PERS employer contribution rate = 20.70% (increased from 19.721% in 2019-20)**

Change in Unrestricted Budget 2020-21 45- Day Budget Revision vs. First Interim

	2020-21 45-Day Budget Revision	2020-21 First Interim	Difference
Beginning Balance	71,373,922	76,118,526	4,744,604
Revenue	247,453,747	246,960,498	(493,249)
Expense	263,300,610	255,561,854	(7,738,756)
Surplus/(Deficit)	(15,846,863)	(8,601,356)	7,245,507
Ending Balance	55,527,059	67,517,170	11,990,111
Nonspendable	439,729	439,729	0
Designated for Economic Uncertainties	16,134,219	15,678,680	(455,539)
Assigned	2,527,265	35,174,236	32,646,971
Unappropriated Balance	36,425,846	16,224,525	(20,201,321)

2020-21 First Interim Budget Unrestricted Fund Balance Assignments

Future Learning Loss Mitigation/COVID Needs	580,000.00
Safety/Security	161,505.00
Technology Replacement Plan	4,600,000.00
Negotiated Salary Increase	20,079,196.00
SV Innovates 20-21 Classrooms	696,103.00
Prepaid Textbooks	6,533,872.00
Caltrans Settlement	2,523,560.00
Total	35,174,236.00

Change in Unrestricted Beginning Fund Balance 2020-21 45-Day Budget Revision vs. First Interim

Unrestricted Beginning Fund Balance 45-Day	\$71,373,922
Unrestricted Beginning Fund Balance First Interim	<u>\$76,118,526</u>
Increase in Beginning Fund Balance	\$ 4,744,604

Explanations:

1. \$ 2,250,000 transfer of qualifying expenses to Coronavirus Relief Funds
2. \$ 600,000 salary and benefits unspent due to closure, i.e. substitutes and extra pay
3. \$ 666,000 lower than expected Special Education Contribution
4. \$ 389,000 facilities use and interest revenue greater than expected
5. \$ 123,000 transportation expenditures lower than expected
6. \$ 271,000 SV Innovates furniture expenditures to be spent in future years
7. \$ 446,000 Unspent site and departmental allocations

Change in Unrestricted Revenue 2020-21 45-Day Budget Revision vs. First Interim

Unrestricted Revenue 45-Day	\$247,453,747
Unrestricted Revenue First Interim	<u>\$246,960,498</u>
Decrease in Unrestricted Revenue	(\$ 493,239)

Explanations:

1. \$ 300,000 - Decrease to Interest Income; declining interest rates
2. \$ 195,000- Decrease in LCFF as result of decrease to Unduplicated Pupil Percentage

Change in Unrestricted Expenditures 2020-21 45-Day Budget Revision vs. First Interim

Unrestricted Expenditures 45 Day	\$263,300,610
Unrestricted Expenditures First Interim	<u>\$255,561,854</u>
Decrease in Unrestricted Expenditures	(\$ 7,738,756)

Explanations:

1. \$ 1,426,000 - Transfer of costs to restricted Coronavirus relief funds
2. \$ 2,961,000 - Savings from vacancies/attrition due to declining enrollment
3. \$ 1,100,000 - Reduction in anticipated transportation costs for summer programs
4. \$ 1,000,000 - Reduction in Health Reimbursement Account contribution
5. \$ 696,000- SV Innovates classroom deferred to 2021-22
6. \$ 556,000 - Increase to Special Education Contribution

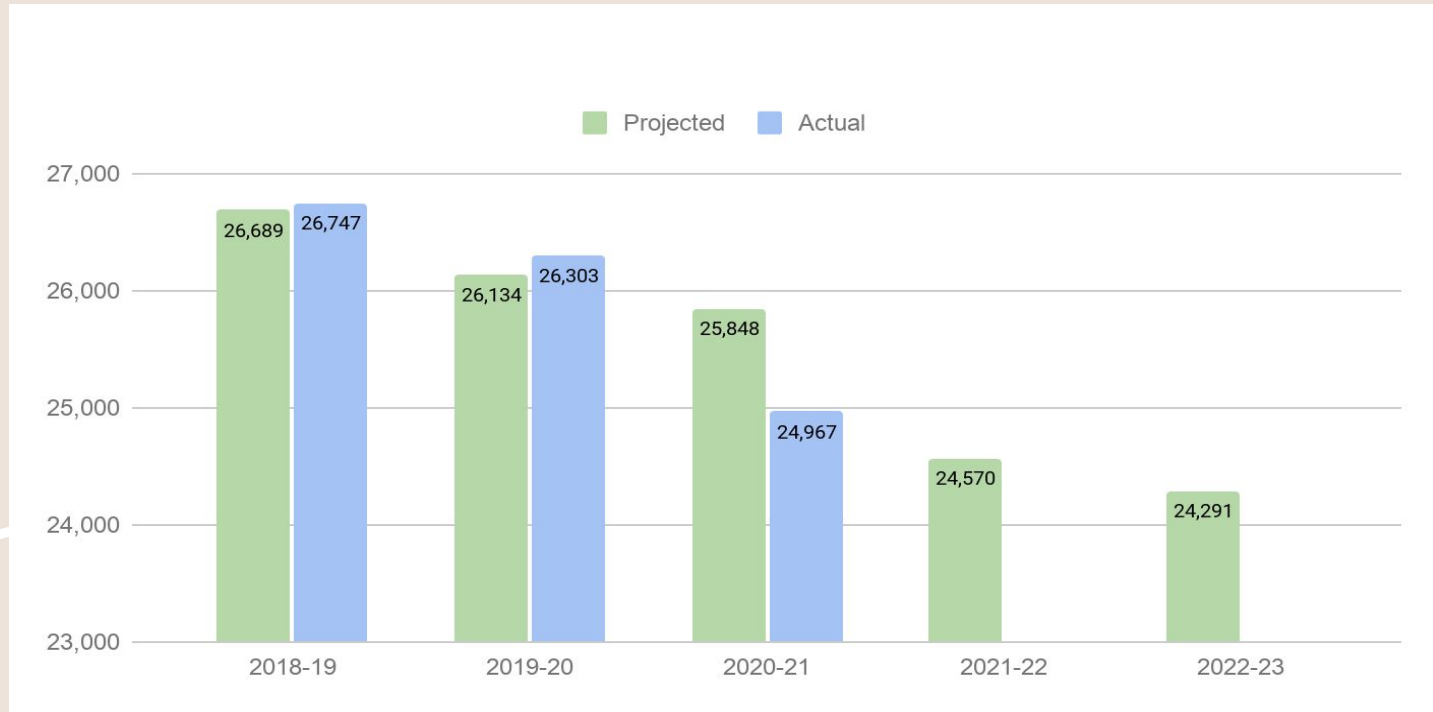
2020-21 First Interim Budget Multi-year Projection - Unrestricted Only

	2020-21 First Interim	2021-22 Projected	2022-23 Projected
Beginning Fund Balance	76,118,526	67,517,170	47,143,240
Revenue	246,960,498	246,700,997	246,846,553
Expenditures	255,561,854	267,074,927	263,847,120
Surplus/(Deficit)	(8,601,356)	(20,373,930)	(17,000,567)
Ending Fund Balance	67,517,170	47,143,240	30,142,673
Nonspendable Reserves	439,729	439,729	439,729
Designated for Economic Uncertainties	15,678,680	15,703,367	15,318,089
Assigned Fund Balance	35,174,236	17,388,708	8,537,600
Unappropriated Fund Balance	16,224,525	13,611,436	5,847,255

2020-21 First Interim Budget Multi-Year Assumptions

- 1. Local Control Funding Formula (LCFF) revenue**
 - a. COLA adjustments, 2021-22 = 0.00%, 2022-23 = 0.00%
 - a. Community Funded Status with property tax increases beginning in 2022-23
- 2. Enrollment and ADA projections based on historical trends and demographer study**
 - a. 2019-20 ADA used for LCFF target calculation for both 2020-21 and 2021-22 due to hold harmless provision
- 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**
- 5. One-time expenditures in 2021-22 for COVID-19 response**

2020-21 First Interim Budget Multi-Year Projected Declining Enrollment



Impact of STRS and PERS Contribution Rate Increases

	2020-21	2021-22	2022-23	
Estimated Changes in Base LCFF Funding	(4,025,336)	(8,968)	215,911	**
Estimated Change in Employer STRS Costs	(1,257,253)	(195,958)	2,764,000	
Estimated Change in Employer PERS Costs	321,410	757,626	1,094,885	
	(3,089,493)	(570,636)	(3,642,974)	
	2020-21	2021-22	2022-23	
STRS Estimated Rates	16.15%	16.00%	18.10%	
- <i>Change from prior year</i>	-0.95%	-0.15%	2.10%	
PERS Estimated Rates	20.700%	23.00%	26.30%	
- <i>Change from prior year</i>	0.98%	2.30%	3.30%	

**2022-23 Community Funded Status, increase over prior year LCFF

2020–21 First Interim Budget – Next Steps

- 1. Governor's Proposed Budget for 2021-22 will be released in January**
 - a. Economic outlook is better than expected; however, likely to result in no net gain to K-12 education.
 - b. Potential for small Cost of Living Adjustment
- 2. Continue to monitor enrollment and attendance**
- 3. Update staffing projections for 2021-22 based on projected enrollment**
- 4. Present Second Interim Budget update in March 2021**

2020–21 First Interim

Budget –

Closing Thoughts

- 1. The district continues to face declining enrollment**
- 2. Continue to evaluate current and future impacts of COVID-19 pandemic**
- 3. Review and analyze the impact of new legislation**
 - Increase to the minimum wage (\$15/hour in 2022)
- 4. Make recommendations for reserves needed for future needs**
 - Facility needs
- 5. The structural operating expenditures are increasing each year**
 - Employer contributions for PERS and STRS absorb most or all of new LCFF funding
 - The cost of district paid health benefits projected to increase 5% each year
 - The cost of Special Education services escalates with little to no increase in Special Education Funding
- 6. Ongoing evaluation of program needs**