

Saddleback Valley

Unified School District



2020-21 Second Interim Budget

March 11, 2021

2020–21 Second Interim Budget Major Assumptions

- 1. Local Control Funding Formula (LCFF) revenue is based on the State Adopted Budget**
 - a. Cost of Living Adjustment (COLA) = 0%
 - b. \$132,700 increase from First Interim as a result of an increase to 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 1/31/21 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 First Interim vs. Second Interim

| | 2020-21 First Interim | 2020-21 Second Interim | Difference |
|---------------------------------------|-----------------------|------------------------|------------|
| Beginning Balance | 76,118,526 | 76,099,608 | (18,918) |
| Revenue | 246,960,498 | 246,985,966 | 25,468 |
| Expense | 255,561,854 | 254,874,653 | (687,201) |
| Surplus/(Deficit) | (8,601,356) | (7,888,687) | 712,669 |
| Ending Balance | 67,517,170 | 68,210,921 | 693,751 |
| Nonspendable | 439,729 | 439,729 | 0 |
| Designated for Economic Uncertainties | 15,678,680 | 15,571,861 | (106,819) |
| Assigned | 35,174,236 | 35,174,236 | 0 |
| Unappropriated Balance | 16,224,525 | 17,025,095 | 800,570 |

2020-21 Second 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 Revenue 2020-21 First Interim vs. Second Interim

| | |
|--|-----------------------------|
| Unrestricted Revenue First Interim | \$246,960,498 |
| Unrestricted Revenue Second Interim | <u>\$246,985,966</u> |
| Increase in Unrestricted Revenue | \$ 25,468 |

Explanations:

1. \$132,700 - Increase in LCFF due to increase in the Unduplicated Pupil Percentage
2. (\$ 34,400) - Decrease in Lottery due to prior year adjustments
3. (\$ 72,900) - Decrease in Interest and Facilities Use revenue

Change in Unrestricted Expenditures 2020-21 First Interim vs. Second Interim

| | |
|---|-----------------------------|
| Unrestricted Expenditures First Interim | \$255,561,854 |
| Unrestricted Expenditures Second Interim | <u>\$254,874,653</u> |
| Decrease in Unrestricted Expenditures | \$ (687,201) |

Explanations:

1. \$ (3,130,000) - Decrease due to Special Education vacancies
2. \$ 1,100,000 - Transfer of costs due to extension in deadline to expense COVID-19 relief funds
3. \$ 709,000 - Increase due to transfers to support deficits in other funds
4. \$ 603,000 - Increase due to payment of all contractual athletic stipends typically supported by outside groups
5. \$ (606,000) - Decrease due to reduction in expected overtime and unfilled vacancies
6. \$ 528,000 - Increase due to adjustment to textbook expenditure plan
7. \$ 444,000 - Increase due to projected change in students served in County programs
8. \$ (200,000) - Decrease to required contribution to Routine Restricted Maintenance Account
9. \$ (135,000) - Decrease due to savings on election expenses

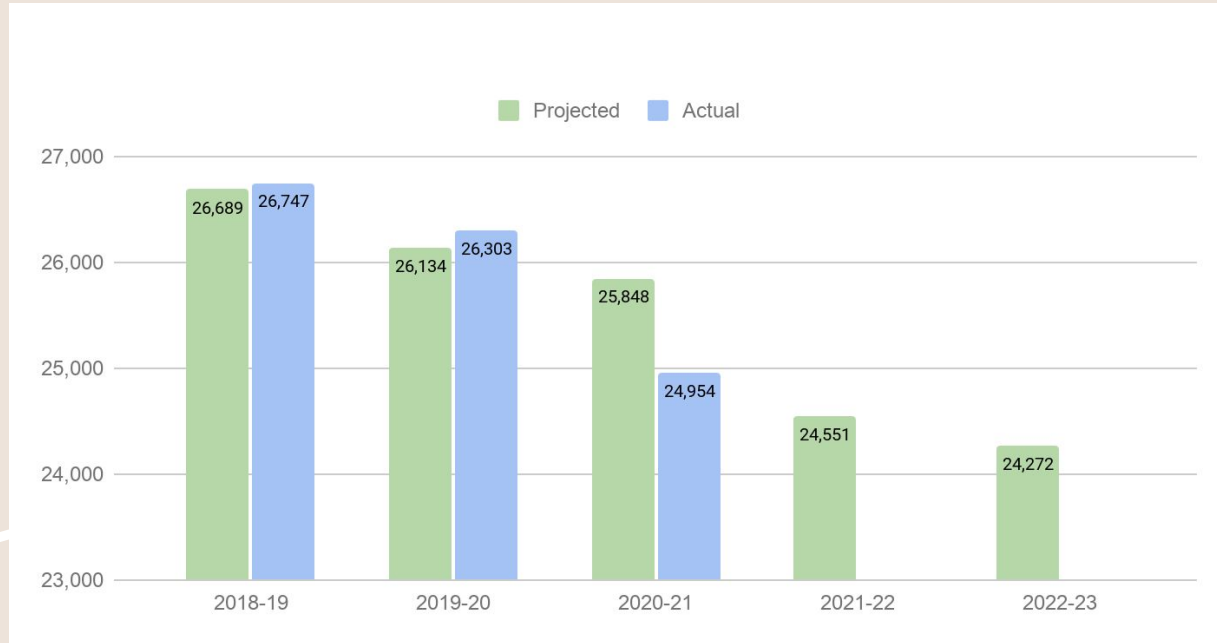
2020-21 Second Interim Budget Multi-year Projection - Unrestricted Only

| | 2020-21 Second Interim | 2021-22 Projected | 2022-23 Projected |
|---------------------------------------|---------------------------|----------------------|----------------------|
| Beginning Fund Balance | 76,099,608 | 68,210,921 | 58,505,042 |
| Revenue | 246,985,966 | 256,356,174 | 248,009,472 |
| Expenditures | 254,874,653 | 266,062,053 | 261,100,060 |
| Surplus/(Deficit) | (7,888,687) | (9,705,879) | (13,090,588) |
| Ending Fund Balance | 68,210,921 | 58,505,042 | 45,414,454 |
| Nonspendable Reserves | 439,729 | 439,729 | 439,729 |
| Designated for Economic Uncertainties | 15,571,861 | 15,704,092 | 15,147,195 |
| Assigned Fund Balance | 35,174,236 | 17,388,709 | 8,537,600 |
| Unappropriated Fund Balance | 17,025,095 | 24,972,512 | 21,289,930 |

2020–21 Second Interim Budget Multi-Year Assumptions

- 1. Local Control Funding Formula (LCFF) revenue**
 - a. COLA adjustments, 2021-22 = 3.84%, 2022-23 = 1.28%, based on Governor's Proposed Budget
 - b. 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**

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



Impact of STRS and PERS Contribution Rate Increases

| | 2020-21 | 2021-22 | 2022-23 |
|---------------------------------|-------------|-------------|-------------|
| STRS Rates | 16.15% | 15.92% | 18.00% |
| PERS Rates | 20.70% | 23.00% | 26.30% |
| STRS Expenditures | 20,946,772 | 20,819,305 | 23,713,866 |
| PERS Expenditures | 7,277,201 | 8,365,220 | 9,634,026 |
| Total STRS/PERS Expenditures | 28,223,973 | 29,184,525 | 33,347,892 |
| Total General Fund Expenditures | 254,874,653 | 266,062,053 | 261,100,060 |
| % of General Fund Expenditures | 11.07% | 10.97% | 12.77% |

Note: Does not include the STRS on Behalf accounting entry

2020-21 Second Interim Budget Learning Loss Mitigation Funds

| Funding Source | Deadline | Total Award | Planned Expenditures | Remaining Funds |
|---|----------------|-------------|----------------------|-----------------|
| Learning Loss Mitigation Funds | Jun 30, 2021 | 2,057,044 | 2,057,044 | 0 |
| Coronavirus Relief Funds | Dec 31, 2021 | 11,530,964 | 10,131,590 | 1,399,374 |
| Elementary and Secondary School Emergency Relief Funds | Sep 30, 2022 | 2,174,735 | 54,848 | 2,119,887 |
| Governor's Emergency Education Relief Funds | Sep 30, 2022 | 1,655,580 | 1,159,530 | 496,050 |
| Elementary and Secondary School Emergency Relief Funds II | Sep 30, 2023 | 8,678,922 | 0 | 8,678,922 |
| In-Person Instruction Grants | Aug 31, 2022 * | 7,893,751 | 0 | 7,893,751 |
| Expanded Learning Opportunity Grants | Aug 31, 2022 * | 17,515,066 | 0 | 17,515,066 |
| | | 51,506,062 | 13,403,012 | 38,103,050 |

**Estimated entitlements*

2020–21 Second Interim Budget: Next Steps

1. **Governor's 2021-22 Proposed Budget Revision will be released in May**
2. **Determine additional COVID-19 relief funding and develop expenditure plan for future years.**
3. **Continue to monitor enrollment and attendance**
4. **Update staffing projections for 2021-22 based on projected enrollment**
5. **Present 2021-22 Original Budget in June 2021**

2020–21 Second Interim Budget – Closing Thoughts

- 1. The district continues to face declining enrollment**
- 1. Continue to evaluate current and future impacts of COVID-19 pandemic**
- 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. Facility needs
- 4. The structural operating expenditures are increasing each year**
 - a. Employer contributions for PERS and STRS continue to increase
 - 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. Ongoing evaluation of program needs**