

Saddleback Valley
Unified School District



2022-23 Second Interim Budget

MARCH 9, 2023

2022-23 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) of 6.56%
- b) Additional base augmentation of 6.70%
- c) TK add-on funding = \$2,813 per TK ADA
- d) Average of three prior years' ADA
- e) One-time adjustment for 2021-22, adjusted for 2019-20 absence rate
- f) Increase to unduplicated students resulting in higher Unduplicated Pupil Percentage
- g) Increase to Home-to-School Transportation reimbursement

2. District Funded ADA 24,629.94

- a) Funded on the average of three prior years' ADA

3. Salaries and benefits reflect actual staffing as of 01/31/23 including vacancies

4. STRS employer contribution rate = 19.10% (increased from 16.92% in 2021-22)

5. PERS employer contribution rate = 25.37% (increased from 22.91% in 2021-22)

Change in Unrestricted Budget 2022-23 First Interim vs. Second Interim

| | 2022-23 First Interim | 2022-23 Second Interim | Difference |
|---------------------------------------|--------------------------|---------------------------|-------------|
| Beginning Balance | 77,907,131 | 76,310,612 | (1,596,519) |
| Revenue | 292,194,348 | 292,708,545 | 514,197 |
| Expense | 291,368,310 | 299,777,162 | 8,408,852 |
| Surplus/(Deficit) | 826,038 | (7,068,617) | (7,894,655) |
| Ending Balance | 78,733,169 | 69,241,995 | (9,491,174) |
| Nonspendable | 5,486,674 | 5,486,674 | 0 |
| Designated for Economic Uncertainties | 19,689,435 | 19,987,991 | 298,556 |
| Other Commitments | 33,273,847 | 39,940,194 | 6,666,347 |
| Assigned | 13,639,491 | 3,827,136 | (9,812,355) |
| Unappropriated Balance | 6,643,722 | 0 | (6,643,722) |

Change in Unrestricted Revenue 2022-23 First Interim vs Second Interim

| | |
|--|-----------------------------|
| Unrestricted Revenue First Interim | \$292,194,348 |
| Unrestricted Revenue Second Interim | <u>\$292,708,545</u> |
| Increase in Unrestricted Revenue | \$ 514,197 |

Explanations of significant changes:

- A. \$55,979 – Increase in projected Unduplicated Pupil Percentage
- B. (\$92,514) – Adjustment to Lottery funds due to prior year ADA
- C. \$550,732 – Increase to local revenue and interest

Change in Unrestricted Expenditures 2022-23 First Interim vs Second Interim

| | |
|---|-----------------------------|
| Unrestricted Expenditures First Interim | \$291,368,310 |
| Unrestricted Expenditures Second Interim | <u>\$299,777,162</u> |
| Increase in Unrestricted Expenditures | \$ 8,408,852 |

Explanations of significant changes:

- A. \$(529,191) – Certificated vacancy savings, 4.14 psychologist FTE reclassified to restricted funding
- B. \$(616,638) – Classified vacancy savings
- C. \$3,942,489 – Reclassification of Health and Welfare for award reduction to AMDBG
- D. \$(233,945) – Adjustment to textbook expenditure and LCAP plans
- E. \$ 512,579 – Utility rates and usage increase and legal fees
- F. \$3,153,324 – Extended Learning Opportunities Program Facilities Improvements, Routine Repair and Maintenance Required Contribution
- G. \$ 689,633 – Projected increase in students served in programs outside the district i.e. OCDE
- H. \$1,490,601 – Adjustments to current and prior year Special Education AB602 Out of Home Care, Special Education contracted services

2022-23 Second Interim Budget Multi-Year Assumptions

1. **Local Control Funding Formula (LCFF) revenue**
 - a) COLA adjustments: 2023-24 8.13%, 2024-25 3.54%
2. **Enrollment and ADA projections based on historical trends, TK projections, and demographer study**
 - a) Decrease in funded ADA of 1,044 in 2023-24 and 1,105 in 2024-25
 - b) Due to declining enrollment we are funded on the average of three prior years' ADA
3. **Salaries and benefits adjusted for step & column, attrition and changes to retirement contributions (STRS & PERS), and projected staffing needs for Transitional Kindergarten students**
4. **Inflation increases applied to utilities, fuel and other contracted services**
5. **Textbook adoptions are adjusted based on projected curriculum needs**

2022-23 Second Interim Budget Multi-year Projection - Unrestricted Only

| | 2022-23 Second Interim Budget | 2023-24 Projected | 2024-25 Projected |
|---------------------------------------|-------------------------------------|----------------------|----------------------|
| Beginning Fund Balance | 76,310,612 | 69,241,995 | 86,998,504 |
| Revenue | 292,708,545 | 304,831,631 | 302,498,142 |
| Expenditures | 299,777,162 | 287,075,122 | 297,615,925 |
| Surplus/(Deficit) | (7,068,617) | 17,756,509 | 4,882,217 |
| Ending Fund Balance | 69,241,995 | 86,998,504 | 91,880,721 |
| Nonspendable Reserves | 5,486,674 | 4,462,274 | 3,437,874 |
| Designated for Economic Uncertainties | 19,987,991 | 18,059,830 | 18,102,747 |
| Other Commitments | 39,940,194 | 47,449,472 | 48,724,208 |
| Assigned Fund Balance | 3,827,136 | 1,990,278 | 2,380,582 |
| Unappropriated Fund Balance | 0 | 15,036,650 | 19,235,310 |

2022-23 Second Interim Budget

Unrestricted Assignments/ Board Approved Commitments/Nonspendable

Assignments

| | |
|------------------------------|------------------|
| Negotiated Salary Increase | 2,986,820 |
| Caltrans Settlement | 184,667 |
| Supplemental to Support LCAP | 655,649 |
| Total | 3,827,136 |

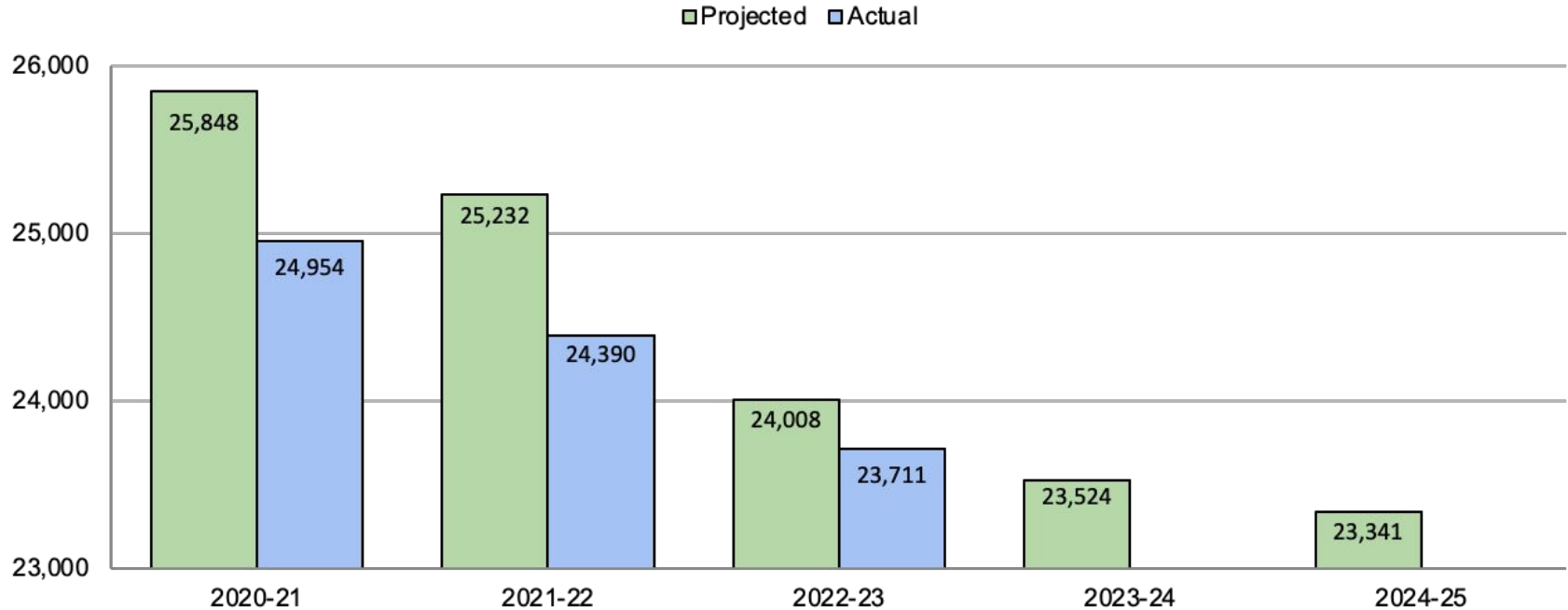
Nonspendable

| | |
|-------------------|------------------|
| Revolving Cash | 120,000 |
| Stores | 281,552 |
| Prepaid Textbooks | 5,085,122 |
| Total | 5,486,674 |

Commitments

| | |
|--------------------------------------|-------------------|
| Technology | 10,213,400 |
| Facilities/Modernization/Def. Maint | 1,500,000 |
| Universal TK Implementation | 8,074,736 |
| Comprehensive Program Implementation | 4,500,000 |
| Safety Projects | 2,000,000 |
| Special Education Decline in Funding | 1,152,058 |
| SV Innovates Classrooms | 8,500,000 |
| Future Liabilities | 4,000,000 |
| Total | 39,940,194 |

2022-23 Second Interim Budget Multi-Year Projected Declining Enrollment



Impact of STRS and PERS Contribution Rate Increases

| | 2022-23 | 2023-24 | 2024-25 |
|---|-------------|-------------|-------------|
| STRS Rate | 19.10% | 19.10% | 19.10% |
| PERS Rate | 25.37% | 27.00% | 28.10% |
| STRS Expenditures | 28,399,020 | 28,924,815 | 29,105,713 |
| PERS Expenditures | 11,106,167 | 11,969,744 | 12,725,095 |
| Total STRS/PERS Expenditures | 39,505,187 | 40,894,559 | 41,830,808 |
| Total General Fund Expenditures | 399,759,823 | 361,196,600 | 362,054,932 |
| % of General Fund Expenditures | 9.88% | 11.32% | 11.55% |
| <i>Note: Does not include the STRS on Behalf accounting entry</i> | | | |

2022-23 Second Interim Budget: Next Steps

1. **Governor's Proposed Budget Revision for 2023-24 will be released in May**
 - a) Potential for Revised Cost of Living Adjustment from January Proposed Budget
2. **Update staffing projections for 2023-24 based on projected enrollment**
3. **Present 2023-24 Original Budget in June 2023**

2022-23 Second Interim Budget: Closing Thoughts

1. Ongoing evaluation of program needs

- a) Sustainability of program enhancements once one-time COVID funds expire
- b) Impacts on school sites with lower program participation once COVID funds end
- c) Determine base level programs for all grade spans

2. The structural operating expenditures are increasing each year

- a) Employer contributions for PERS and STRS absorb a substantial portion of increase to LCFF funding
- b) The cost of Special Education services continues to rise

3. Continue to evaluate reserves for future needs

- a) Comprehensive Program
- b) Technology
- c) Facility and safety needs