



Saddleback Valley Unified School District

2017-18 May Revise and Budget Presentation

June 13, 2017

U.S. Economic Outlook



- **Change and Uncertainty**
 - Housing prices up
 - Unemployment rate at a low of 4.4%
 - Federal tax cuts possibly on the table
 - Repeal and replacement of Affordable Care Act
 - Any new proposals from President Trump...

California's Economic Outlook

Los Alisos Students and Staff



- California...
 - Could expect continual growth over the next four years
 - State economy is in its eighth year of economic growth
 - Unemployment rate at 4.9%
 - Risks to maintaining the current economic expansion:
 - Rising housing prices, international trade, stock market correction, changes to federal tax, or immigration policies
- California could...
 - Expect moderate recession resulting in a reduction of \$20 billion annually for several years

Governor's Proposal



- **Cancel the July revenue deferral**
- **\$2.8 billion in new transportation funding from fuel tax (Zero funds going to education)**
- **Restore \$500 million in child care provider reimbursement and additional preschool slots (Zero funds for SVUSD)**
- **Suspend Proposition 98 over three years, resulting in more than \$1.2 billion in reductions to the minimum guarantee**
- **Defer \$1 billion one-time discretionary funds**



2017-18 Budget Key Assumptions

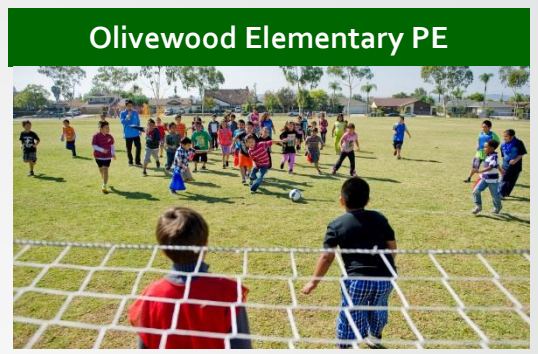


RSM Choir Students

• LCFF funding increase	\$2.0 M
• Budget reductions	\$9.6 M
• One-time discretionary funds removed	-\$1.2 M
• 1% Salary increase	-\$1.7 M
• STRS and PERS costs increase	-\$2.8 M
• Health Insurance costs increase	-\$1.8 M
• Step and Column increase	-\$2.9 M
• Special Education contribution increase	-\$2.1 M



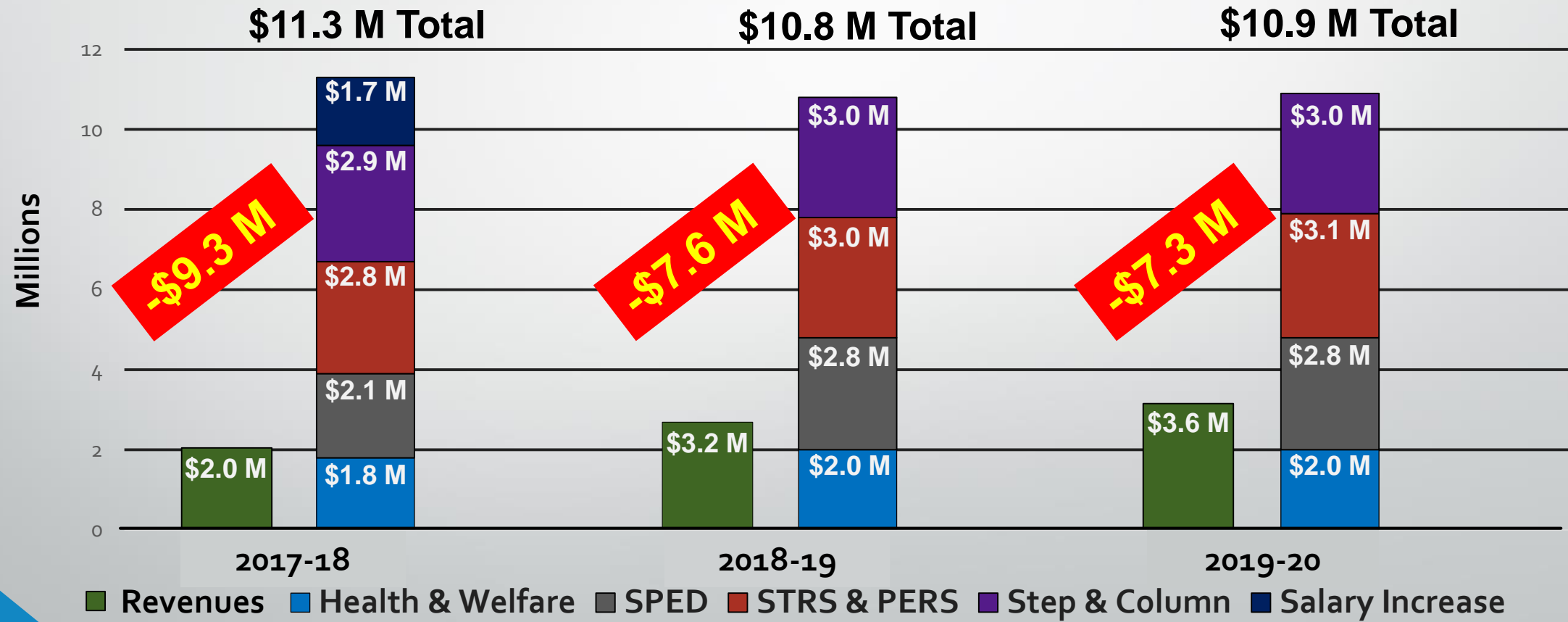
2018-19 & 2019-20 Budgets Key Assumptions



	<u>18-19</u>	<u>19-20</u>
• Declining Enrollment	-283	-192
• LCFF funding increase	\$3.2 M	\$3.6 M
• STRS and PERS costs increase	-\$3.0 M	-\$3.1 M
• Health Insurance costs increase	-\$2.0 M	-\$2.0 M
• Step and Column increase	-\$3.0 M	-\$3.0 M
• Special Education contribution increase	-\$2.8 M	-\$2.8 M



Preview of Revenue vs. Expenditure Increases





Multi-Year Projection

	2016-17 Estimated Actuals	2017-18 Adopted Budget	2018-19 Estimated Budget	2019-20 Estimated Budget
Beginning Balance	\$ 71,937,535	\$ 68,679,027	\$ 62,613,477	\$ 50,077,432
Revenue	\$ 282,619,272	\$ 274,975,302	\$ 278,348,542	\$ 282,151,752
Expenses	\$ 285,877,780	\$ 281,040,853	\$ 290,884,588	\$ 300,339,920
Deficit Spending	\$ (3,258,508)	\$ (6,065,551)	\$ (12,536,046)	\$ (18,188,168)
Ending Balance	\$ 68,679,027	\$ 62,613,476	\$ 50,077,431	\$ 31,889,265
EU Reserves	\$ 14,293,889	\$ 14,052,043	\$ 14,544,229	\$ 15,016,996
Restricted Balances	\$ 11,543,976	\$ 9,677,747	\$ 9,677,748	\$ 9,677,748
Unappropriated Amount	\$ 42,841,162	\$ 38,883,686	\$ 25,855,454	\$ 7,194,521



Reserve Requirement

- Education Code Section 42127(a)(2)(B) requires a statement of reasons that substantiates the need for assigned and unassigned ending fund balances that is in excess of the minimum recommended reserve for economic uncertainties for the budget.

Combined Assigned and Unassigned Fund Balances	
01 General Fund - Total Assigned and Unassigned Fund Balance	\$59,614,199
District Standard Reserve Level	3.0%
Less: Reserved for Economic Uncertainties	\$8,431,226
Fund Balances that Requires a Statement of Reasons	\$51,182,973
Reasons for Assigned and Unassigned Ending Fund Balances Above the State Recommended Minimum Level	
Deficit Spending Caused by: Declining Enrollment (less ADA) Health and Welfare costs increasing STRS and PERS costs Increasing Salary increase Special Education contribution	

Education Requirement

Trabuco Field Study



- In submitting the 2017-18 Adopted Budget, the Board understands its fiduciary responsibility to maintain fiscal solvency for the current year and the subsequent two fiscal years.
- With the 2017-18 First Interim Report submission, acknowledging continued deficit spending, the Board may need to provide a 2018-19 budget reduction plan along with an implementation timeline.

Looking Ahead

La Madera Talent Show



- Suspend Prop 98 Guarantee Test 3B for 3 years
- Escalating costs to STRS and PERS
- Increased costs to Health and Welfare
- Declining enrollment
- New Charter Schools
- Special Education contributions
- Deficit spending
- Budget Reduction discussion at First Interim



- **Questions?**