

Saddleback Valley
Unified School District



2018-19

Second Interim Budget

March 14, 2019

2018-19 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) = 3.7%
 - b. Full funding of target LCFF entitlement

- 2. Funded Average Daily Attendance (ADA) 26,640.18**
 - a. Funded on 2017-18 ADA due to declining enrollment (decrease of 470.24)

- 3. One-time discretionary funding of \$184 per ADA = \$4,650,195**

- 4. Salaries and benefits reflect actual staffing as of 1/31/19 including vacancies**

- 5. STRS employer contribution rate = 16.28% (increased from 14.43% in 2017-18)**

- 6. PERS employer contribution rate = 18.062% (increased from 15.531% in 2017-18)**

Change in Unrestricted Budget 2018-19 First Interim vs. Second Interim

	2018-19 First Interim	2018-19 Second Interim	Difference
Beginning Balance	74,181,214	74,181,214	0
Revenue	252,938,424	254,367,212	1,428,788
Expense	248,223,162	251,523,963	3,300,801
Surplus	4,715,262	2,843,249	(1,872,013)
Ending Balance	78,896,476	77,024,463	(1,872,013)
Nonspendable	439,729	439,729	0
Designated for Economic Uncertainties	14,754,957	14,860,492	105,535
One-time Funding Assignments	12,638,535	17,258,087	4,619,552
Unappropriated Balance	51,063,255	44,466,155	(6,597,100)

Change in Unrestricted Revenue 2018-19 First Interim vs. Second Interim

Unrestricted Revenue First Interim	\$252,938,424
Unrestricted Revenue Second Interim	<u>\$254,367,212</u>
Increase in Unrestricted Revenue	\$ 1,428,788

Explanations:

1. \$1,800,000 Increase in LCFF Funding
 - a. \$2,100,000 - Increase in ADA from participation in Orange County Department of Education (OCDE) run programs. Funds are transferred back to OCDE.
 - b. (\$300,000) - Decrease due to fewer unduplicated students counts.
2. (\$314,600) - Decrease in one-time discretionary funding due to conversion of Gates from Charter status and prior year lottery adjustments
3. (\$93,900) - Changes to local revenue from an increase in donations and a decrease to telecommunications matching funds from the E-Rate program.

Change in Unrestricted Expenditures 2018-19 First Interim vs. Second Interim

Unrestricted Expenditures First Interim	\$248,223,162
Unrestricted Expenditures Second Interim	<u>\$251,523,963</u>
Increase in Unrestricted Expenditures	\$ 3,300,801

Explanations:

1. \$ 500,000 - Adjustment to curriculum adoption expenditures
2. \$ 500,000 - One -time expenditure adjustments
 - a. Addition of \$1,000,000 for facilities projects (\$5,000,000 over 3 years)
 - b. Decrease of \$500,000 safety funding to be spent in 2019-20
3. \$ 2,100,000- Transfer of LCFF funding to OCDE summer program ADA
4. \$ 300,000 - Other miscellaneous adjustments to unrestricted expenditures

Multi-year One-Time Expenditures

	2018-19	2019-20	2020-21	Total
SV Innovates Classrooms	2,136,000	2,100,000	2,100,000	6,336,000
Facilities/IT Block Grant	2,333,335			2,333,335
Teacher Devices	1,765,982	1,234,018		3,000,000
Facilities/Deferred Maint.	1,109,685	2,500,000	1,390,315	5,000,000
K-8 Magnet Startup	163,981	100,000		263,981
Safety/Security		500,000		500,000
Full Day Kindergarten		276,250	40,625	316,875
Music Instrument Refresh		125,000	125,000	250,000
Miscellaneous	334,455	50,000		384,455
Total	7,843,438	6,885,268	3,655,940	18,384,646

2018-19 Second Interim Budget Multi-year Projection - Unrestricted Only

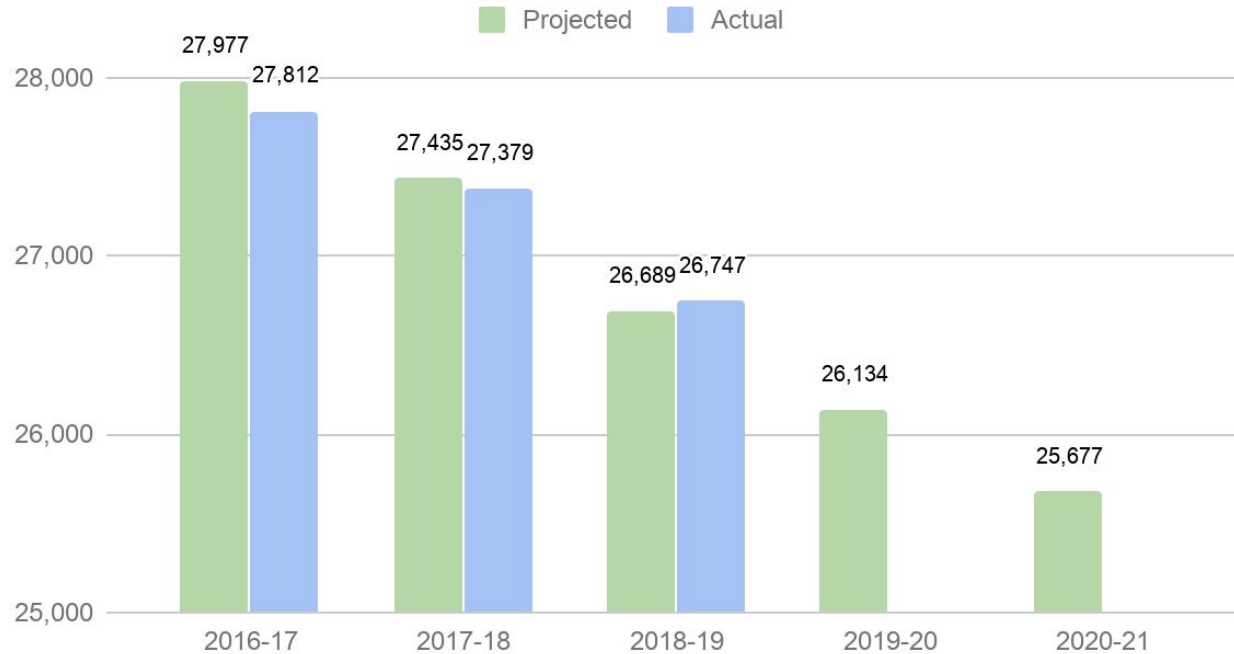
	2018-19 Second Interim	2019-20 Projected	2020-21 Projected
Beginning Balance	74,181,214	77,024,463	70,794,967
Revenue	254,367,212	253,720,658	254,914,110
Expense	251,523,963	259,950,154	257,106,226
Surplus/(Deficit)	2,843,249	(6,229,496)	(2,192,116)
Ending Balance	77,024,463	70,794,967	68,602,851
Nonspendable	439,729	439,729	439,729
Designated for Economic Uncertainties	14,860,492	15,128,827	14,879,913
One-time Funding Assignments	17,258,087	8,382,194	2,766,879
Unappropriated Balance	44,466,155	46,844,218	50,516,330

2018-19 Second Interim Budget Multi-Year Assumptions

1. **Local Control Funding Formula (LCFF) revenue**
 - a. COLA adjustments, 2019-20 = 3.46%, 2020-21 = 2.86%
2. **Enrollment and ADA projections based on historical trends and demographer study**
 - a. Decrease in funded ADA of 533 in 2019-20 and 589 in 2020-21
 - b. Due to declining enrollment the district 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**

2018-19 Second Interim Budget

Multi-Year Projected Declining Enrollment



Impact of STRS and PERS Contribution Rate Increases

	2018-19	2019-20	2020-21
Estimated Increase in LCFF Funding	8,201,810	3,024,341	970,526
Estimated Increase in Employer STRS Costs	(2,312,157)	(1,022,128)	(1,246,397)
Estimated Increase in Employer PERS Costs	(723,110)	(766,992)	(798,977)
	5,166,543	1,235,221	(1,074,848)

	2018-19	2019-20	2020-21
STRS Estimated Rates	16.28%	17.1% **	18.1% **
- Increase from prior year	1.85%	0.82%	1.00%
PERS Estimated Rates	18.062%	20.70%	23.40%
- Increase from prior year	2.53%	2.64%	2.70%

** Reflects reduction in rate of 1% projected in the Governor's 2019-20 Proposed Budget

2018-19 Second Interim Budget - Next Steps

1. **Governor's 2019-20 Proposed Budget Revision will be released in May**
2. **Continue to monitor enrollment and attendance**
3. **Update staffing projections for 2019-20 based on projected enrollment**
4. **Present 2019-20 Original Budget in June 2019**

2018-19 Second Interim Budget - Closing Thoughts

1. **The district continues to face declining enrollment**
 - a. Continue to identify strategies to return students to SVUSD
2. **Review and analyze the impact of new legislation**
 - a. Increase to the minimum wage (\$15/hour in 2022)
3. **Utilization of one-time reserves**
 - 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**
 - a. Innovate ways to do more with less