

Saddleback Valley
Unified School District



2017-18

First Interim Budget

December 14, 2017

2017-18 First Interim Budget Major Assumptions

- 1. Local Control Funding Formula (LCFF) revenue is based on the State Adopted Budget**
 - a. Cost of Living Adjustment (COLA) = 1.56%
 - b. GAP funding percentage = 43.19%
 - c. After current year GAP closure, LCFF funded at 97.3% of target
- 2. Funded ADA 26,960.88 (decrease of 625.57 from prior year)**
 - a. Majority of decline due to students transferring to Oxford Prep Academy in 2016-17
 - b. Funded on 2016-17 ADA due to declining enrollment
- 3. One-time discretionary funding of \$147 per ADA = \$3,946,524**
- 4. Salaries and benefits reflect actual staffing as of 10/31/17 including vacancies**
- 5. STRS employer contribution rate = 14.43% (increased from 12.58% in 2016-17)**
- 6. PERS employer contribution rate = 15.531% (increased from 13.888% in 2016-17)**

Change in Unrestricted Budget 2017-18 Adopted Budget vs. First Interim

	2017-18 Adopted	2017-18 First Interim	Difference
Beginning Balance	\$64,919,829	\$72,209,359	\$7,289,530
Revenue	\$235,062,937	\$239,573,114	\$4,510,177
Expense	<u>\$239,958,837</u>	<u>\$245,328,528</u>	<u>\$5,369,691</u>
Surplus/(Deficit)	(\$4,895,900)	(\$5,755,414)	(\$ 859,514)
Ending Balance	\$60,023,929	\$66,453,945	\$6,430,016
Designated for Economic Uncertainties	\$14,052,043	\$14,747,032	\$ 694,989
One-time funding carryover -site budgets + per ADA funding	\$7,118,200	\$17,510,477	\$10,392,277
Unappropriated Balance	\$38,853,686	\$34,196,436	(\$4,657,250)

Change in Unrestricted Beginning Fund Balance 2017-18 Adopted Budget vs. First Interim

Unrestricted Beginning Fund Balance Adopted	\$64,919,829
Unrestricted Beginning Fund Balance First Interim	<u>\$72,209,359</u>
Increase in Beginning Fund Balance	\$ 7,289,530

Explanations:

1. \$3,000,000 - Contribution to RRMA and Special Ed lower than expected
2. \$1,000,000 - One-time facility block grant carried forward
3. \$1,200,000 - One-time technology block grant carried forward
4. \$ 600,000 - Vacant Clerical positions (including Technology and Supt. Secretary)
5. \$ 400,000 - Vacant Maintenance and Operations positions
6. \$ 200,000 - Other Vacant classified positions
7. \$ 250,000 - Special Education transportation costs lower than budgeted
8. \$ 650,000 - Other operating costs (telephone, copiers, etc.) lower than budgeted

Change in Unrestricted Revenue 2017-18 Adopted Budget vs. First Interim

Unrestricted Revenue Adopted	\$235,062,937
Unrestricted Revenue First Interim	<u>\$239,573,114</u>
Increase in Unrestricted Revenue	\$ 4,510,177

Explanations:

1. \$4,000,000 - One-time, \$147 per ADA discretionary funding included in State Budget
2. \$ 100,000 - Increase in LCFF due to adjustment in funded ADA
3. \$ 150,000 - Increase for prior year lottery adjustment
4. \$ 250,000 - Increases to local revenue for lease income and gifts/donations

Change in Unrestricted Expenditures 2017-18 Adopted Budget vs. First Interim

Unrestricted Expenditures Adopted	\$239,958,837
Unrestricted Expenditures First Interim	<u>\$245,328,528</u>
Increase in Unrestricted Expenditures	\$ 5,369,691

Explanations:

1. \$1,800,000 - One-time facility block grant carried forward from 2016-17
2. \$2,300,000 - One-time technology block grant carried forward from 2016-17
3. \$ 950,000 - Unspent site allocations carried forward from 2016-17
4. \$ 350,000 - Other miscellaneous adjustments to unrestricted expenditures

2017-18 First Interim Budget Multi-year Projection - Unrestricted Only

	2017-18 First Interim	2018-19 Projected	2019-20 Projected
Beginning Balance	\$72,209,359	\$66,453,945	\$55,984,575
Revenue	\$239,573,114	\$238,094,840	\$241,536,180
Expense	<u>\$245,328,528</u>	<u>\$248,564,209</u>	<u>\$256,207,209</u>
Surplus/(Deficit)	(\$5,755,414)	(\$10,469,369)	(\$14,671,029)
Ending Balance	\$66,453,945	\$55,984,575	\$41,313,547
Designated for Economic Uncertainties	\$14,747,032	\$14,597,049	\$15,030,790
One-time funding carryover -site budgets + per ADA funding	\$17,510,477	\$17,510,477	\$17,510,477
Unappropriated Balance	\$34,196,436	\$23,877,049	\$8,772,280

2017-18 First Interim Budget Multi-Year Assumptions

- 1. Local Control Funding Formula (LCFF) revenue**
 - a. 2018-19 GAP funding percentage = 52.62% (97.8% of LCFF Target Funding)
 - b. 2019-20 GAP funding percentage = 53.26% (98.0% of LCFF Target Funding)
 - c. COLA adjustments, 2018-19 = 2.15%, 2019-20 = 2.35%

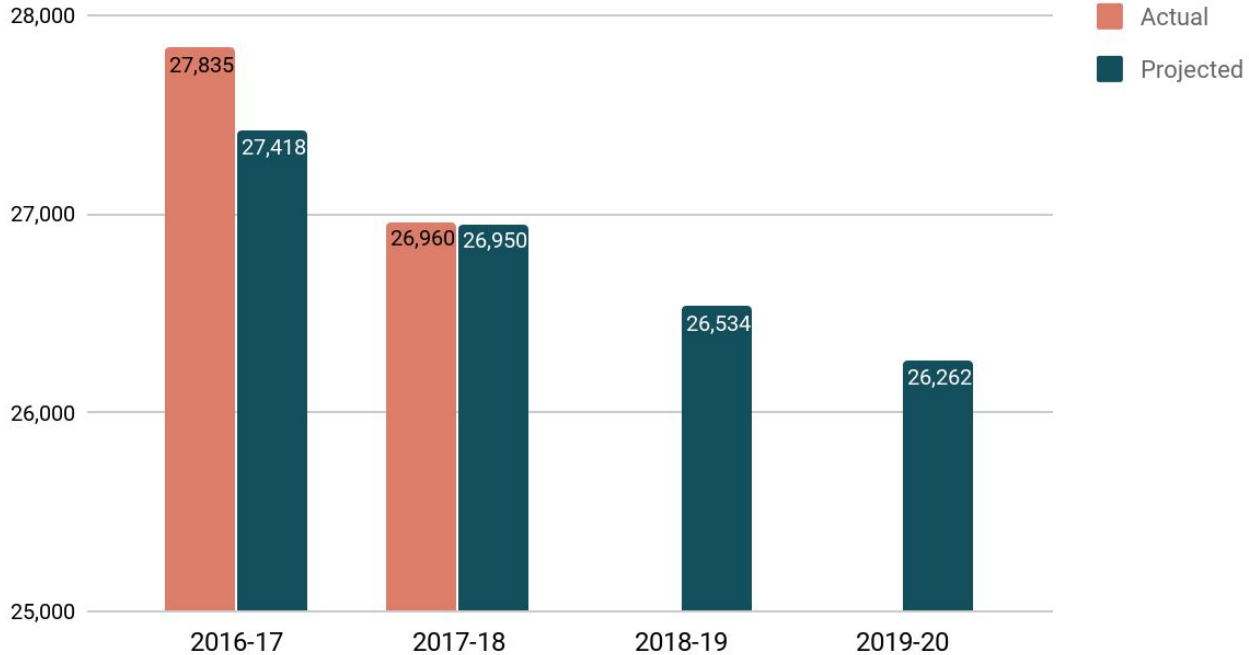
- 2. Enrollment and ADA projections based on historical trends and demographer study**
 - a. Decrease in funded ADA of 426 in 2018-19 and 272 in 2019-20
 - b. Due to declining enrollment we are funded on prior year ADA

- 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**

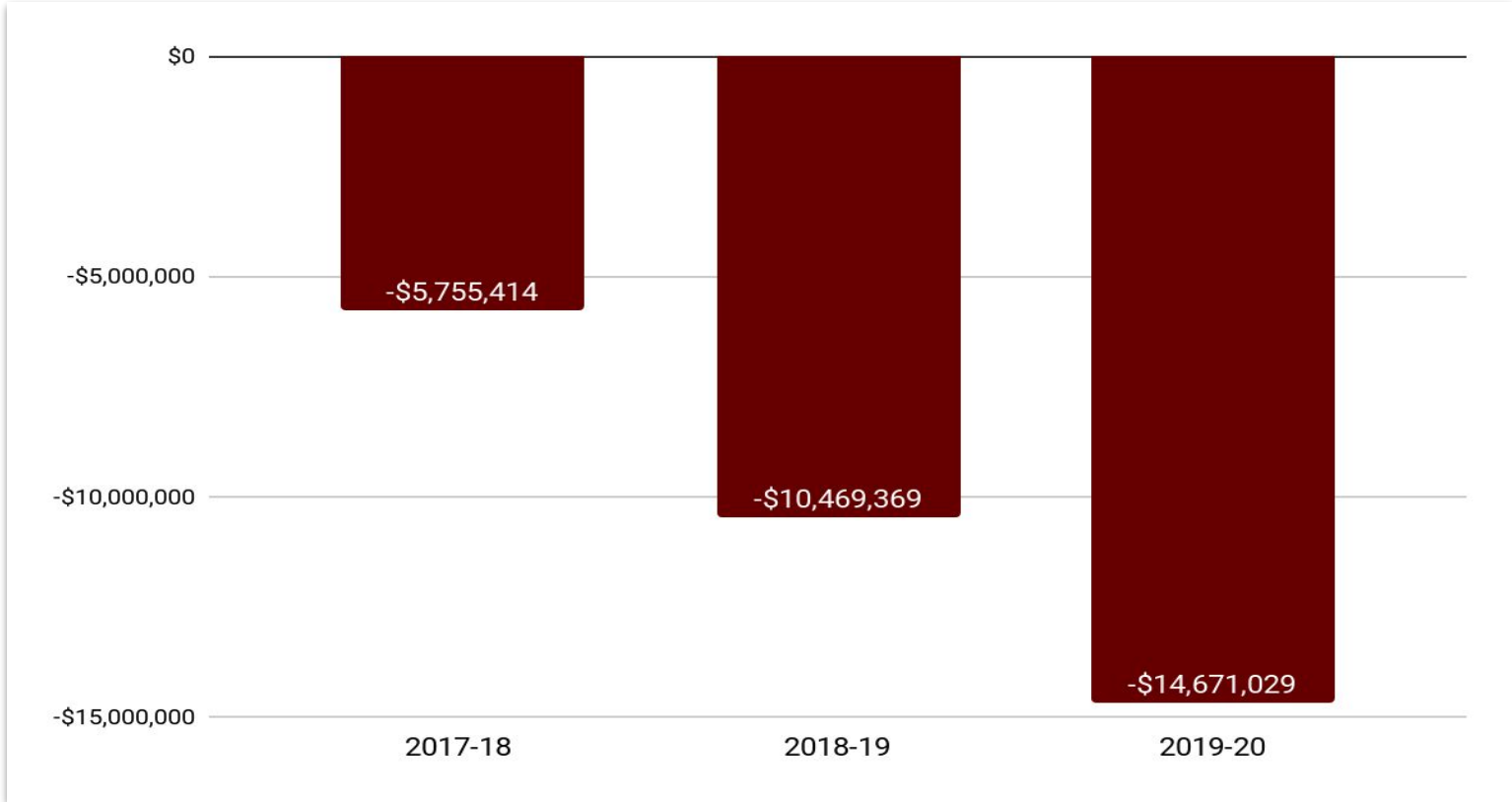
2017-18 First Interim Budget Multi-Year Projected Declining Enrollment

Funded ADA



2017-18 First Interim Budget

Multi-Year Projected Unrestricted Deficit Spending



Impact of STRS and PERS Contribution Rate Increases

	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>
Estimated Increase in LCFF Base Funding	\$ 103,272	\$1,916,750	\$2,990,747
Estimated Increase in STRS Employer Costs	(\$2,319,629)	(\$2,314,614)	(\$2,331,660)
Estimated Increase in PERS Employer Costs	<u>(\$ 743,986)</u>	<u>(\$ 793,331)</u>	<u>(\$ 894,477)</u>
	(\$2,960,343)	(\$1,191,195)	(\$235,390)

	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>
STRS Estimated Rates	14.43%	16.28%	18.13%	19.10%
PERS Estimated Rates	15.531%	18.10%	20.80%	23.80%

2017-18 First Interim Budget - Next Steps

- 1. Governor's Proposed Budget for 2018-19 will be released in January**
- 2. Continue to monitor enrollment and attendance**
- 3. An analysis of the budget reductions authorized by the board in March 2017 will be presented to the board with the Second Interim Budget.**
- 4. Update staffing projections for 2018-19 based on projected enrollment**
- 5. Present Second Interim Budget update in March 2018**

2017-18 First Interim Budget - Closing Thoughts

- 1. The district continues to face declining enrollment**
 - a. 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. The structural operating deficit is increasing each year**
 - a. Employer contributions for PERS and STRS exceeds any increase to LCFF funding
 - b. The cost of district paid health benefits projected to increase 8% each year
 - c. The cost of Special Education services escalates with little to no increase in Special Education Funding
- 4. On-going evaluation of program needs**
 - a. Innovate ways to do more with less