

**Saddleback Valley**  
Unified School District



**2017-18**

**Second Interim Budget**

**March 8, 2018**

## 2017-18 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) = 1.56%
  - b. GAP funding percentage = 44.97%
  - 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 01/31/18 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 First Interim vs. Second Interim

	2017-18 First Interim	2017-18 Second Interim	Difference
Beginning Balance	\$72,209,359	\$72,209,359	\$0
Revenue	\$239,573,114	\$240,217,320	\$644,206
Expense	<u>\$245,328,528</u>	<u>\$243,620,258</u>	<u>(\$1,708,270)</u>
Surplus/(Deficit)	(\$5,755,414)	(\$3,402,938)	\$2,352,476
Ending Balance	\$66,453,945	\$68,806,421	\$2,352,476
Designated for Economic Uncertainties	\$14,747,032	\$14,673,554	(\$ 73,478)
One-time funding carryover -site budgets + per ADA funding	\$17,510,477	\$17,373,461	(\$137,016)
Unappropriated Balance	\$34,196,436	\$36,759,406	\$2,562,970

## Change in Unrestricted Revenue 2017-18 First interim vs. Second Interim

<b>Unrestricted Revenue First Interim</b>	<b>\$239,573,114</b>
<b>Unrestricted Revenue Second Interim</b>	<b><u>\$240,217,320</u></b>
<b>Increase in Unrestricted Revenue</b>	<b>\$ 644,206</b>

### Explanations:

1. \$438,500 - Increase in LCFF due to increase in Unduplicated Pupil Percentage
2. \$ 69,000 - Increase in Federal Revenue due to receipt of Medi-cal Administrative Activities funds
3. \$ 24,800 - Increase in State Revenue due to additional testing reimbursements
4. \$112,000 - Increases to local revenue for lease income and gifts/donations

## Change in Unrestricted Expenditures 2017-18 First Interim vs. Second Interim

Unrestricted Expenditures First Interim	\$245,328,528
Unrestricted Expenditures Second Interim	<u>\$243,620,258</u>
Decrease in Unrestricted Expenditures	<b>(\$ 1,708,270)</b>

### Explanations:

1. **(\$1,600,000)** - One-time facility/technology block grant carried forward to 2018-19
2. \$ 242,000 - Other miscellaneous adjustments to unrestricted expenditures
3. **(\$ 350,000)** - Reduction in contribution to Special Education

## Review of Budget Reductions Implemented in 2017-18

1. Reductions proposed in March 2017 **\$9,600,000**
  
2. Actual reductions implemented in 2017-18 **\$7,300,000**
  - a. **\$2,600,000 of the implemented reductions are from restricted funding sources**
  - b. **Total FTE proposed = 45.27, actual FTE reduced = 43.25**
  
3. Administration evaluating impacts of reductions to determine if any recommendations for reinstatements need to be made for 2018-19

## 2017-18 Second Interim Budget Multi-Year Assumptions

- 1. Local Control Funding Formula (LCFF) revenue**
  - a. 2018-19 and 2019-20 Fully Funded Target Entitlement
  - b. COLA adjustments, 2018-19 = 2.51%, 2019-20 = 2.41%
  
- 2. Enrollment and ADA projections based on historical trends and demographer study**
  - a. Decrease in funded ADA of 461 in 2018-19 and 663 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**

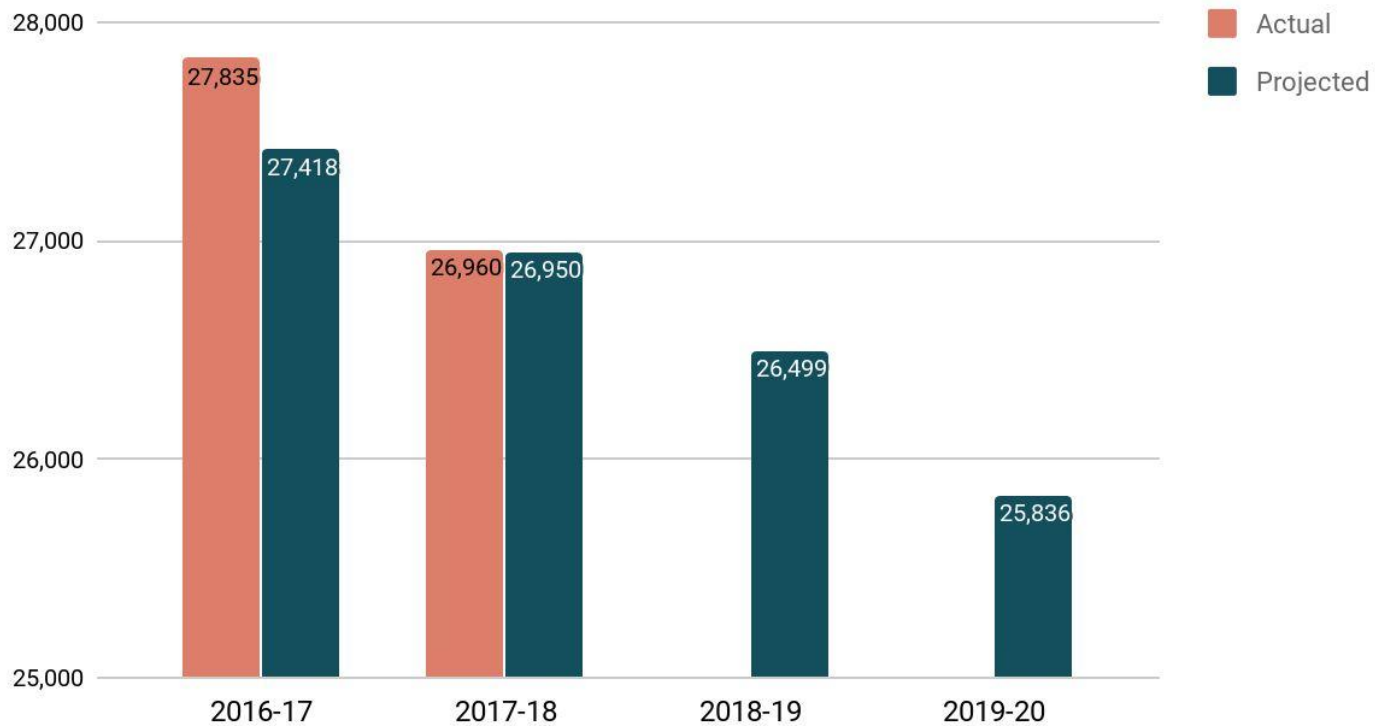
## 2017-18 Second Interim Budget Multi-year Projection - Unrestricted Only

	2017-18 Second Interim	2018-19 Projected	2019-20 Projected
Beginning Balance	\$72,209,359	\$68,806,421	\$61,246,751
Revenue	\$240,217,320	\$245,229,922	\$245,514,842
Expense	<u>\$243,620,258</u>	<u>\$252,789,592</u>	<u>\$258,417,349</u>
Surplus/(Deficit)	(\$3,402,938)	(\$7,559,670)	(\$12,902,507)
Ending Balance	\$68,806,421	\$61,246,751	\$48,344,244
Designated for Economic Uncertainties	\$14,673,554	\$14,654,748	\$14,973,312
One-time funding carryover -site budgets + per ADA funding	\$17,373,461	\$17,373,461	\$17,373,461
Unappropriated Balance	\$36,759,406	\$29,218,542	\$15,997,471

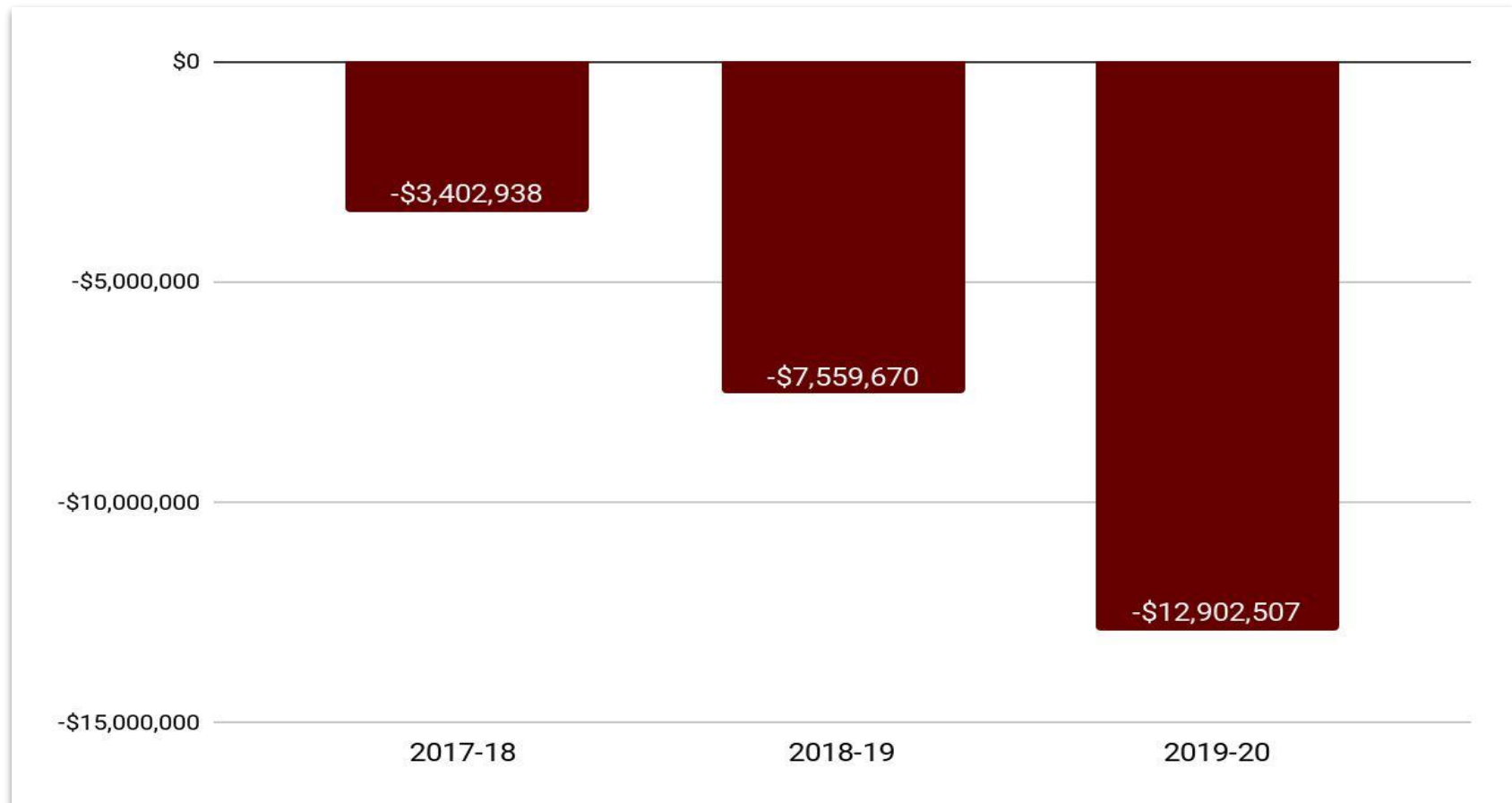


# 2017-18 Second Interim Budget Multi-Year Projected Declining Enrollment

## Funded ADA



## 2017-18 Second 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	\$1,043,392	\$7,052,187	(\$315,713)	
Estimated Increase in STRS Employer Costs	(\$2,319,629)	(\$2,323,735)	(\$2,299,606)	
Estimated Increase in PERS Employer Costs	<u>(\$ 743,986)</u>	<u>(\$ 628,279)</u>	<u>(\$ 676,784)</u>	
	(\$2,020,223)	\$4,100,173	(\$3,292,103)	
	<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%	17.70%	20.00%	22.70%

## **2017-18 Second Interim Budget - Next Steps**

- 1. Governor's 2018-19 Proposed Budget Revision will be released in May**
- 2. Continue to monitor enrollment and attendance**
- 3. Update staffing projections for 2018-19 based on projected enrollment**
- 4. Present 2018-19 Original Budget in June 2018**

## 2017-18 Second 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 the increase to LCFF base funding in all years except 2018-19
  - 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