

# NEWARK UNIFIED SCHOOL DISTRICT BUDGET DEVELOPMENT TASKFORCE

September 25, 2023



# Newark USD

## Budget Taskforce – Initial Meeting

### ■ AGENDA

- *Introductions*
- *Purpose statement*
  - Work towards a financially sustainable and thriving school district!
- *Statutory time frame for budget development. (Just for the record/detail later)*
  - Adopted Budget                      Adopted in June (due July 1)
  - 45 Day Budget Revision              45 days after Governor signs budget
  - Unaudited Actuals                      July 1 to June 30 (due September 15)
  - 1<sup>st</sup> Interim                                July 1 to October 31 (due December 15)
  - 2<sup>nd</sup> Interim                                July 1 to January 31 (due March 15)
- *Terms Definitions*
- *Components of the Budget*
- *Current Budget Condition/Challenges*

# Newark USD Budget Taskforce – Timeframe/Milestones

- Why Milestones are required?
  - *AB 1200...*
  - *Board/Community Transparency*
  
- What/when is the Adopted Budget ?
- What are the Interim Reports ?
- What are the Unaudited Actuals ?
- Is there an Audit at some point ?

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## Budget Taskforce – Definitions

- Budget Terminology and Acronyms (Don't let us lose you in them...)
  - *Budget Assumptions* (expectation driving revenue receipts)
  - *Budget* (a plan, not real money)
  - *Cash* (real money, with different colors)
  - *General Fund* (revenue from annual state allocation)
  - *Restricted/Unrestricted funds* (categories or types of money for uses)
  - *Reserves* (Non- budgets money, ear-marked for uses)
  - *Beginning/Ending Fund balances* (projected start and ending \$'s in budget)
  - *+/- Spending/Structural Deficit* (spending more than we bring in)
  - *AB1200* (Statutory required 3% reserve/3 yr MYP)
  - *MYP (multi-year projections)* ( 3 yr. Budget forecast based on trends)

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## Budget Taskforce – Definitions

- Assumptions for 2023-24 Adopted Budget
  - Enrollment projected to be 4,945
  - Average Daily Attendance (ADA) estimated at 4,549 (92% of enrollment)
  - Funded ADA estimated at 5,028 (based on ADA relief formula)
  - LCFF COLA estimated at 8.22% based on the Governor’s May Revision proposal
  - The District’s estimated unduplicated pupil percentage for supplemental & concentration funding is estimated to be 52.5%
  - Lottery revenue is estimated to be \$170 per ADA for unrestricted purposes and \$67 per ADA for restricted purposes.
  - Mandated Cost Block Grant is \$37.78 per K-8 ADA and \$72.78 per 9-12 ADA.
  - Except as illustrated under Contributions to Restricted Programs, all federal and state restricted categorical programs are self-funded.
  - Covid-19 related funds (i.e. Elementary and Secondary School Emergency Relief/ESSER) and the Arts, Music, and Instructional Materials Discretionary Block Grant are not included in revenues and expenditures. These funds will be incorporated into the budget after the 2022-23 Unaudited Actuals Report is completed and carryover amounts are determined.

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## Budget Taskforce – Definitions

- The Budget is:
  - *A plan that forecasts Revenue, Expenditures, and Reserves in a number of funds.*
  - *It's a plan that represents what should happen if all revenue comes in in the amount and on time, and if expenses occur at the price point and time expected.*
  - *It's made up of 6 key components;*
    1. *Beginning Fund Balance (What is left over, planned or not, from prior year)*
    2. *Revenue (\$'s we expect to receive)*
    3. *Expenditures (\$'s we plan to spend by category for specific things)*
    4. *Over/Under (an ongoing monitoring of how we are doing compared to the plan)*
    5. *Ending Fund Balance (What is projected to be leftover, planned or not)*
    6. *Reserves (Statutory and designated set aside for cause)*

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## Budget Taskforce – Definitions

- Cash is:
  - *The actual money the district receives.*
  - *Comes in variety of allotments from a variety of sources.*
  - *Is “banked” in the County Treasury*
  - *Is essential as it underwrites the district’s spending obligations made through Purchase Orders.*
  - *Cash is not how goods/services/payroll are paid.*
  - *Cash to underwrite budget is not as reliable as one might think (2007-2009).*
  
  - *CASH is King No matter what the budget says, the district can only obligate/spend what budget is underwritten by cash.*

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## Budget Taskforce – Definitions

- General Fund
  - *Restricted and Unrestricted*
- Other Funds
  - Cafeteria Fund/Child Nutrition Services
  - Adult Education Fund
  - Special Reserves for Capital Outlay/Facilities Repairs & Improvements
  - (Many more)



# Newark USD Budget Taskforce – Definitions

- Reserves
  - *Frequently seen as discretionary*
  - *Almost always designated to specific statutory guidelines (3%).*
  - *Usually “committed or assigned” if other than the statutory 3%.*
  - *Are a component of the Ending Fund Balance (EFB).*
  - *(3%) is not enough.*
  - *Typical one month payroll is approximately 8% of the annual budget.*
  - *Reserves are capped at 10% unless additional reserves are approved via a board resolution to commit said funds.*

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## Budget Taskforce – Definitions

- Beginning and Ending Fund Balance (EFB) are:
  - *Are a statement of where the budget starts and where it ends up.*
  - *Are projected in the Adopted Budget.*
  - *Are accounted for in real time in the Year End Actuals*
  - *The EFB is sometimes difficult to predict.*
  - *EFB can be affected by prudent spending practices.*
  - *EFB can be affected by good/bad accounting practices.*
  - *EFB can be affected by unforeseen events or anomalies.*
  - *Actual EFB, as found in the Unaudited Actuals is the real starting point for the budget.*

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## Budget Taskforce – Definitions

- Structural Deficit is:
  - *Simply put spending more than is received.*
  - *Is a trend that will bankrupt a district if not corrected as soon as possible.*
  - *Is not to be confused with planned one time spending beyond one year's revenue.*
  - *Can be easily seen in a Multi Year Projection (MYP) as required by AB1200.*
  - *Can lead to a County Office and State takeover of the district if not corrected in time.*

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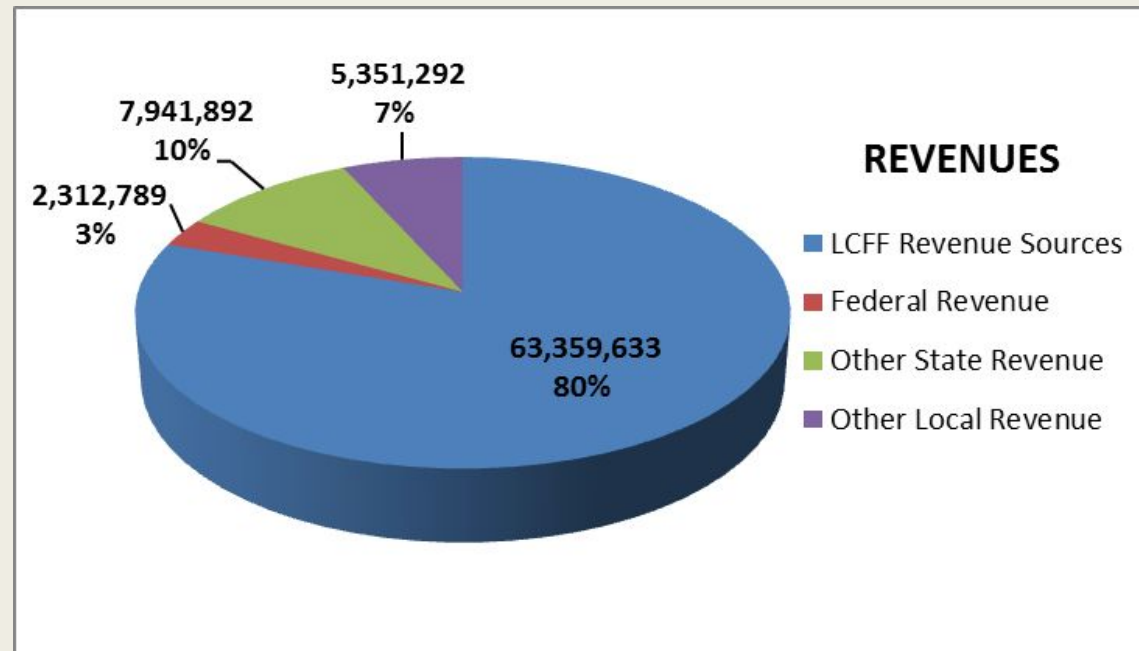
## Budget Taskforce – Definitions

- AB1200 & Multi Year Projection are:
  - *Assembly Bill 1200 is a statutory requirement of school districts.*
  - *AB1200 requires proof a district can afford this year and 2 more years expenses.*
  - *Is a law enabling the County/State to intervene when districts don't meet expectations.*
  - *AB1200 requires the MYP be developed and updated 3 times per year for review as part of Adopted and Interim budget exports.*
  - *AB1200 classifies districts as Positive, Qualified, or Negative certified.*
  - *Where is Newark USD on the AB 1200 scale?*

# Newark USD Budget Taskforce – Components of Budget

## ■ Revenue

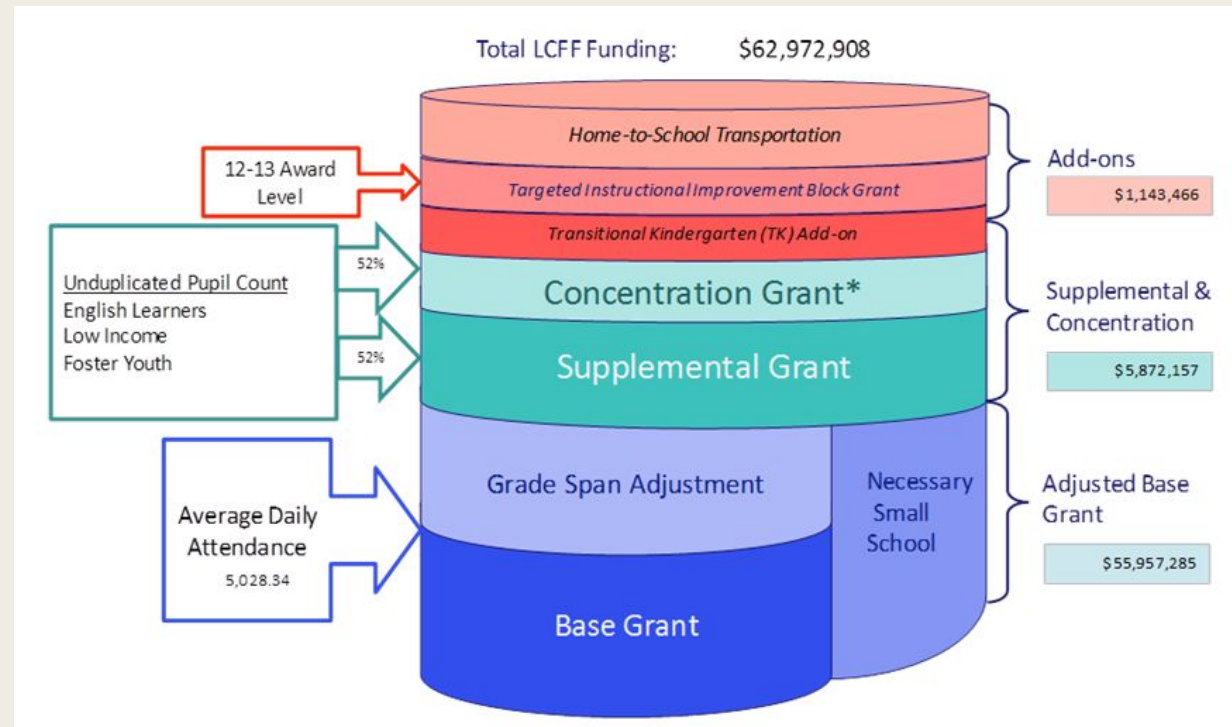
- *Assumptions are critically important. (Not too optimistic or pessimistic).*
- *Revenue is fundamentally driven by percent of enrollees who attend.*
- *Average Daily Attendance (ADA) is that attendance measuring/funding tool.*
- *Revenue comes from a variety of sources.*



# Newark USD Budget Taskforce – Components of Budget

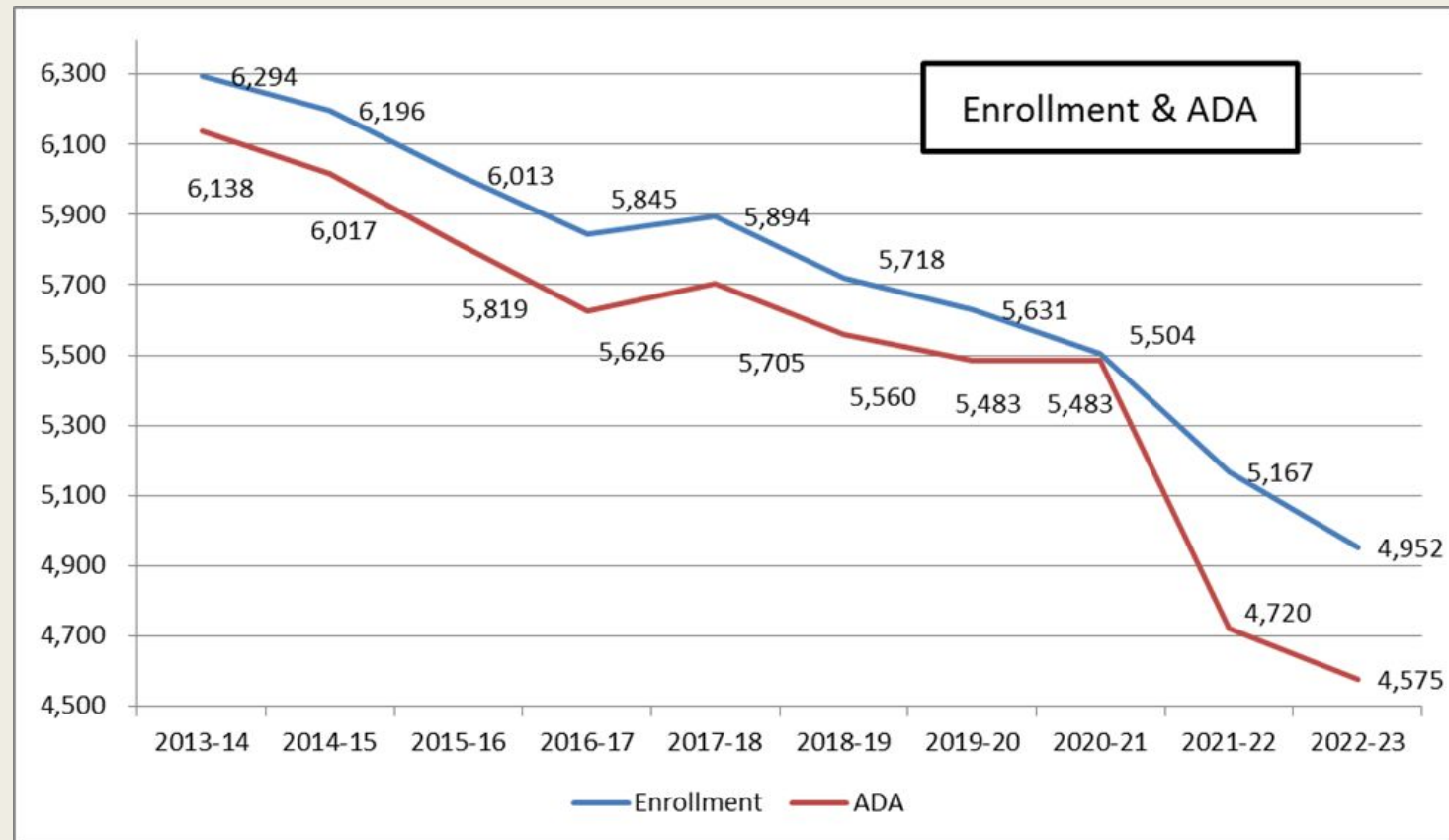
## ■ Revenue

- Revenue can be Restricted by definition or Unrestricted.
- Local Control Funding Formula (LCFF) is the state’s formula through which local property taxes and state and other local funds are apportioned to districts.



# Newark USD Budget Taskforce – Components of Budget

- Revenue
  - ADA & Enrollment History



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## Budget Taskforce – Components of Budget

- Expenditures
  - *Assumptions in 2023-24 Adopted Budget*

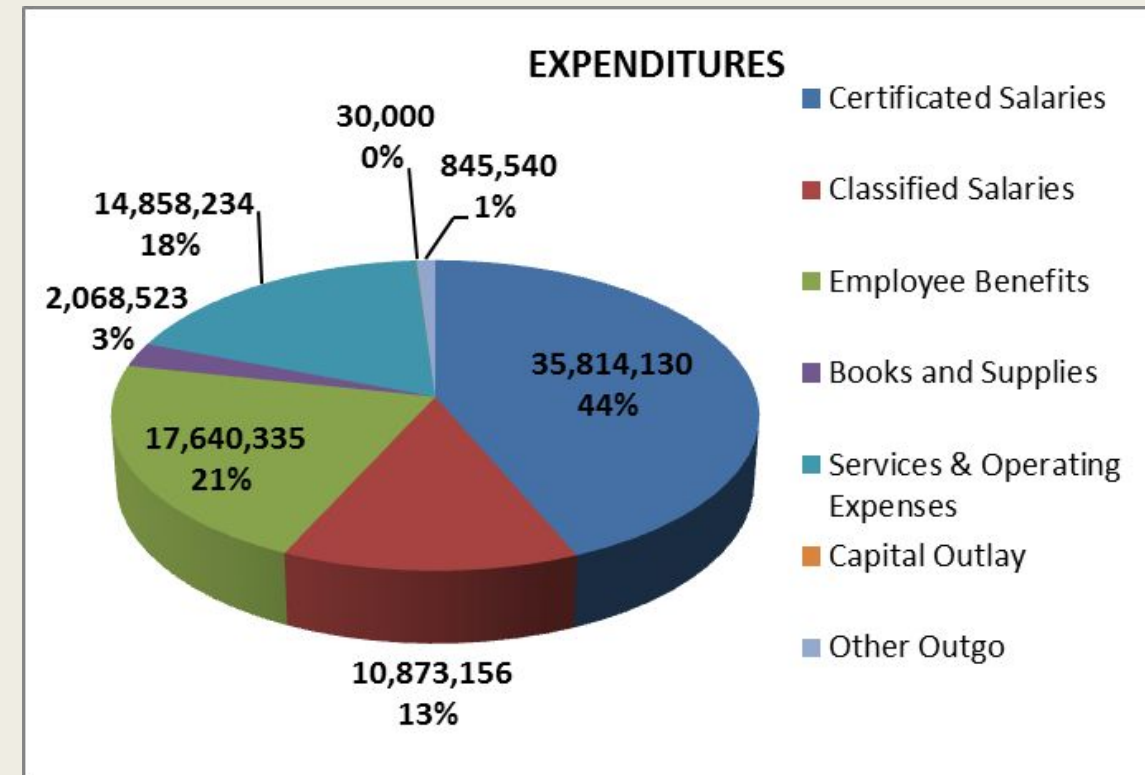
Description	2022-23 2nd Interim	2023-24 Adopted Budget	Change
Salary Increase- All Employees	0%	6%	6%
Certificated FTEs	282.9	269.4	(13.5)
Classified FTEs	156.4	156.9	0.5
Management FTEs	45.3	44.3	(1.0)
Certificated Step & Column	1.57%	1.51%	-0.06%
Classified Step & Column	0.58%	1.20%	0.62%
Management Step & Column	1.01%	0.60%	-0.41%
STRS	19.10%	19.10%	0.00%
PERS	25.37%	26.68%	1.31%
Medicare (Certificated)	1.45%	1.45%	0.00%
Social Security (Classified)	6.20%	6.20%	0.00%
Workers Comp	2.06%	2.35%	0.29%
State Unemployment Ins	0.50%	0.05%	-0.45%
Retiree Benefits/OPEB	2.05%	2.05%	0.00%



# Newark USD Budget Taskforce – Components of Budget

## ■ Expenditures

- Expenditures are tracked by individual fund, and then compiled into an overarching report for MYP purposes.
- Expenditures can be managed throughout the year.
- Some expenditures are linked to longer term contracts which limit districts ability to effect short term.



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## Budget Taskforce – Components of Budget

- Over/Under Spending
  - *A specific line in all budget reports, specifically the MYP.*
  - *Measures how well the district is living within its means.*
  - *Can be an immediate indicator of fiscal distress.*
  - *Should be monitored monthly, at least.*
  
  - *<see the Adopted Budget Multi-Year Projection Handout>*

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## Budget Taskforce – District’s Fiscal Condition

- Newark USD:
  - *Has an approved Adopted Budget and LCAP*
  - *Has significant Deficit Spending*
  - *Has room to adjust on spending*
  - *Will need to spread the budget adjustments/reductions over this and two more years.*
  - *Has an opportunity to increase revenue, thus reducing reductions through attendance.*
  - *Needs to prioritize wants/needs, and must respond quickly to budget correction.*

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# Budget Taskforce – Components of Budget

- QUESTIONS & CONSIDERATIONS

# Next Meeting

Monday, October 30, 2023

6:00pm- 8:00pm

Board Training Room

**THANK  
YOU**