



Folsom Cordova Unified School District

2022-2023

2nd Interim Budget

Board Presentation – March 9, 2023

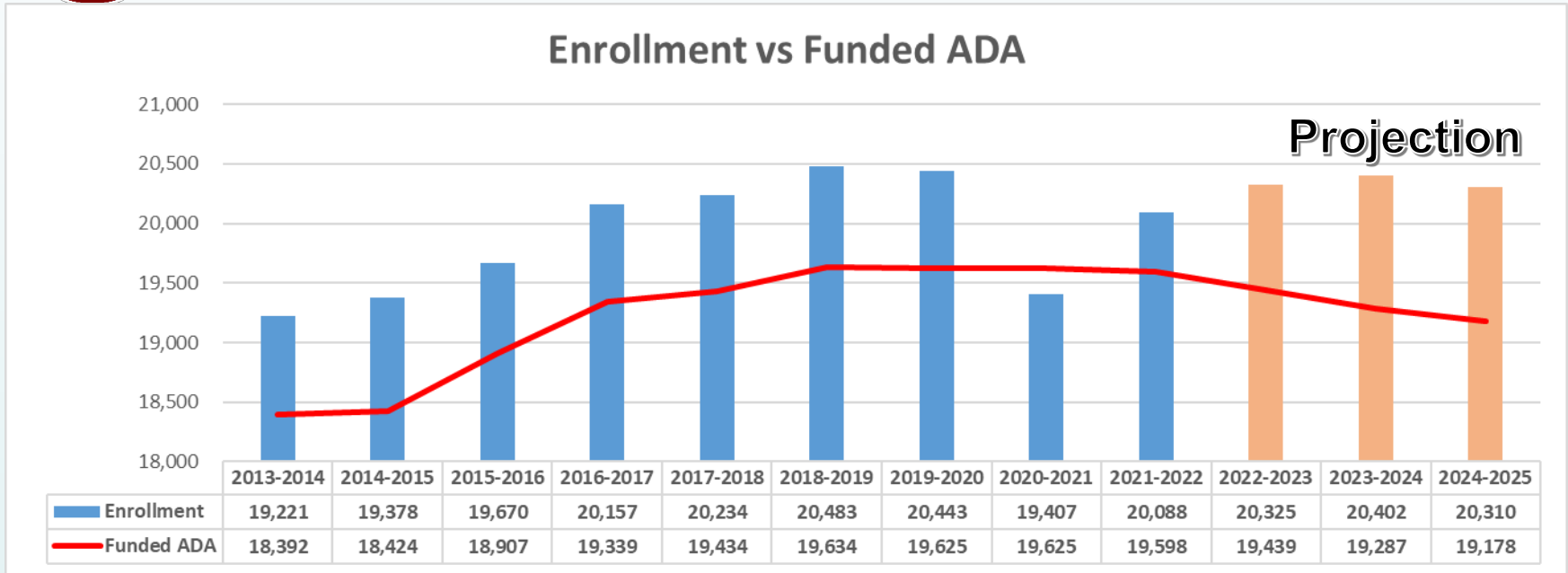


Introduction on Second Interim Budget

- This presentation is a user-friendly summary of the budget proposed for adoption at 2nd interim.
 - ⊕ All information included is from the official “SACS” documents that will be submitted to Sacramento County Office of Education for review and approval.
- The district bases its budget on assumptions using the best information available at the time of adoption. This revised budget, therefore, should be considered a “financial snapshot” as of January 31, 2023.
- Education Code requires that the Board of Education certify twice per year as to whether the District will be able to meet its financial obligations.
 - ⊕ Positive Certification: The District WILL MEET their financial obligations for the current and two (2) subsequent fiscal years, or
 - ⊕ Qualified Certification: The District MAY NOT MEET their financial obligations for the current or two (2) subsequent fiscal years, or
 - ⊕ Negative Certification: The District WILL BE UNABLE TO MEET their financial obligations for the remainder of the current year or subsequent fiscal years based upon current projections (not meeting reserves in current year or negative fund balances in any year)
- Staff is recommending positive certification
- The 2nd interim budget reflects the 1st Interim budget from December with updated revenues and expenses, which includes carry-over funds, updated revenue allocations, revised student enrollment/attendance numbers, and staffing changes. When possible, actual expenses are used.
- This presentation document is showing activities including revenues and expenses from the general fund (01), unless noted otherwise.



FCUSD Enrollment* / Attendance History



* Enrollment excludes Charter, County Office of Education (COE), Adult Education, and Preschool Programs

Narrative – The district receives over 75% of ongoing revenues from the Local Control Funding Formula (LCFF) which is based upon Average Daily Attendance (ADA). Enrollment is the total number of students enrolled in district schools at Census Day (October); ADA is the Average Daily Attendance of enrolled students. This graph shows the historical enrollment and funded ADA with projections for 2022-2023, 2023-2024, and 2024-2025.

In 2020-2021 due to COVID-19, enrollment dropped by over one-thousand students. Enrollment has mostly rebounded by 2022-2023 but is still lower than prior to COVID-19. Enrollment is projected to drop over the next two years due to larger cohorts graduating (11th and 12th grade), and smaller cohorts for kindergarten with lower enrollment gain from new homes due to a slowing housing market.

The district is funded on the greater of current, prior year, or three-year average ADA. For 2022-2023, due to attendance rates averaging 93.8% (historical is 95.8%) the three-year average ADA will be used. In 2023-2024 and 2024-2025, the annual ADA is projected based upon an ADA-to-Enrollment percentage of 94.0%; however, three-year average will be used for funded ADA.



Quick Calculation of Local Control Funding Formula (LCFF)

a	b	c	d	e	f	g	h
Grade Span	Total Funded ADA (Includes COE)	Base Funding per ADA	TK-3 GSA Add-on	9-12 CTE Add-on	Supplemental Add-On	Funding Per ADA	ADA Funding
			=c* 10.4%	=c* 2.6%	=(c + d + e) * 20% * 35.59%	= c + d + e + f	= b * g
TK - 3	5,782.92	\$ 9,166	\$ 953		\$ 720	\$ 10,839	\$ 62,682,633
4 - 6	4,404.09	\$ 9,304			\$ 662	\$ 9,966	\$ 43,892,300
7 - 8	3,056.25	\$ 9,580			\$ 682	\$ 10,262	\$ 31,362,945
9 - 12	6,386.48	\$ 11,102		\$ 289	\$ 811	\$ 12,202	\$ 77,926,625
Total	19,629.74						\$ 215,864,503

1st Step – Determine the Total District ADA – Under LCFF, base funding is segregated into grade spans and includes students that reside in the district but attend Non-Public School (NPS) programs and County Office of Education (COE) programs. Funding received for COE programs is transferred back to the COE.

2nd Step – Calculate the ADA Funding – The district ADA is now multiplied by the Base Grant with add-ons for Grade Span Adjustment (GSA), 9-12 CTE, and the Supplemental Grant. The Supplemental Grant is a 20% add-on to the Base Grant multiplied by the percentage of the district population that are eligible for Free/Reduced Meals, are English Language Learners, or are Foster Youth (this figure is known as the Unduplicated Pupil Percentage (UPP)). FCUSD’s 3-year average for UPP is 35.59%.

3rd Step – Determine the Total Funding – There are three additional add-ons to the ADA funding that account for the total targeted funding amount - Transportation, Transitional Kindergarten (TK) and Targeted Instructional Improvement Block Grant (TIIG). The sum of all three determines the total LCFF Funding amount.

Finally, the district transfers funds to Fund 14 Deferred Maintenance and to the COE an agreed amount for ADA that are in COE programs.

i	j	k	l	m	n	o	p
ADA Funding	Add-on Transportation	Add-on TIIG	Add-on TK	Total Amount	Deferred Maintenance (Fund 14) Transfer Out	Adjusted LCFF Funding	COE Transfer for ADA
= h				= i + j + k + l		= m + n	Objt 7142
\$ 215,864,503	\$ 976,737	\$ 749,374	\$ 501,305	\$ 218,091,919	\$ (650,566)	\$ 217,441,353	\$ (1,034,641)



Revenue Change Summary

Unrestricted Account Revenue (Resource 0000-1400)	2022-2023 1st Interim	2022-2023 2nd Interim	Change	Significant Changes from Adopted Budget to 1st Interim
LCFF Entitlement	216,290,192	217,441,354	1,151,162	Increased in UPP - Supplemental Funding and Other LCFF Adjustments
Federal Income	-	-	-	
Other State Income	6,814,011	6,823,407	9,396	Updated Mandated Cost Block Grant Award
Local Income	4,135,498	4,403,095	267,597	Miscellaneous One-time Revenues
Total	227,239,701	228,667,856	1,428,155	

Restricted Account Revenue (Resource 2600-9945)	2022-2023 1st Interim	2022-2023 2nd Interim	Change	Significant Changes from Adopted Budget to 1st Interim
LCFF Entitlement	919,007	919,007	-	
Federal Income	25,610,037	23,827,234	(1,782,803)	Updated ESSER II & III Activities (Revenues must match expenses)
Other State Income	47,818,311	71,829,261	24,010,950	One-time - Learning Loss Block Grant (\$16M) - Art, Music, Instructional Materials (\$8M)
Local Income	4,228,995	4,652,008	423,013	Insurance Vandalism Reimbursement, Donation/Fundraisers, Site ASB Reimbursement Activity
Total	78,576,350	101,227,510	22,651,160	

Combined Revenue Accounts	2022-2023 1st Interim	2022-2023 2nd Interim	Change
LCFF Entitlement	217,209,199	218,360,361	1,151,162
Federal Income	25,610,037	23,827,234	(1,782,803)
Other State Income	54,632,322	78,652,668	24,020,346
Local Income	8,364,493	9,055,103	690,610
Total	305,816,051	329,895,366	24,079,315

Narrative - A portion of California school district income is restricted income and, as such, can only be expended for selected purposes as determined by the granting agency--usually higher levels of government. The balance of the district income is called unrestricted, since it can be expended as determined by the local agency for general educational priorities. Due to the LCFF Funding many categorical programs are now unrestricted including transportation. The largest restricted program is Special Education.



Expenditure Change Summary

Unrestricted Account Expense (Resource 0000-1400)	2022-2023 1st Interim	2022-2023 2nd Interim	Change	Significant Changes from Adopted Budget to 1st Interim
Certificated Salaries	96,338,843	95,114,589	(1,224,254)	Staffing Adj. / Stipend Recognition in Restricted Accounts / 70% Reduction Open Positions
Classified Salaries	32,600,028	30,475,024	(2,125,004)	Staffing Adj. / Stipend Recognition in Restricted Accounts / 70% Reduction Open Positions
Employee Benefits	41,171,337	41,653,931	482,594	Benefit cost increase related to salary settlements & adjustments
Books & Supplies	8,197,773	8,394,903	197,130	Instructional Materials Fund / Department Accounts
Contract Services	17,510,312	18,706,541	1,196,229	Increase in Utilities (\$635K), Insurance Costs (\$166k) / Legal Services / Other Contracted Vendors
Capital Outlay	4,460,540	4,582,535	121,995	Maintenance Equipment
Other Expenses/Transfer Out	(2,861,352)	(2,838,524)	22,828	Updated Indirect Charges for Expense Changes
Total	197,417,481	196,088,999	(1,328,482)	

Restricted Account Expense (Resource 2600-9945)	2022-2023 1st Interim	2022-2023 2nd Interim	Change	Significant Changes from Adopted Budget to 1st Interim
Certificated Salaries	33,332,006	32,829,839	(502,167)	Staffing Adj. / Stipend Recognition in Restricted Accounts / 70% Reduction Open Positions
Classified Salaries	22,533,475	22,218,189	(315,286)	Staffing Adj. / Stipend Recognition in Restricted Accounts / 70% Reduction Open Positions
Employee Benefits	32,209,985	31,096,416	(1,113,569)	Benefit cost decrease related to Staffing Adjustments, Filled Positions not taking H&W Benefits, and Open Position Reduction 70%
Books & Supplies	6,480,701	5,978,663	(502,038)	ESSER II & III Budget moved to Capital Projects
Contract Services	19,832,624	21,196,779	1,364,155	ELO-P Carry-over Funds Allocated to Services including Enrichment Contract, Building Updates
Capital Outlay	3,559,265	5,439,222	1,879,957	ESSER II & III, ELO-P, and Maintenance
Other Expenses/Transfer Out	3,968,016	3,936,817	(31,199)	Updated Indirect Charges for Expense Changes
Total	121,916,071	122,695,925	779,853	

Combined Revenue Accounts	2022-2023 1st Interim	2022-2023 2nd Interim	Change
Certificated Salaries	129,670,849	127,944,428	(1,726,421)
Classified Salaries	55,133,503	52,693,213	(2,440,290)
Employee Benefits	73,381,322	72,750,347	(630,975)
Books & Supplies	14,678,474	14,373,566	(304,908)
Contract Services	37,342,936	39,903,320	2,560,384
Capital Outlay	8,019,805	10,021,757	2,001,952
Other Expenses/Transfer Out	1,106,664	1,098,293	(8,371)
Total	319,333,552	318,784,924	(548,629)

Narrative – For most school districts in the state, the largest portion of expenses is for staffing. Salaries and benefits of staff often account for 80 to 85 percent of the district’s budget. The majority of these expenses are paid from unrestricted funds, but some salaries are paid from restricted accounts, depending upon the program and duties of the employee. Special Education is usually the largest restricted program, the expenses for this program is greater than the governmental funding, and it must be supported by a contribution from the district’s unrestricted funds.



Budget Summary

	2022-2023 1st Interim Budget			2022-2023 2nd Interim Budget			Difference 2nd Interim vs 1st Interim		
	<i>Unrestricted</i>	<i>Restricted</i>	<i>Total</i>	<i>Unrestricted</i>	<i>Restricted</i>	<i>Total</i>	<i>Unrestricted</i>	<i>Restricted</i>	<i>Total</i>
Total Revenue	227,239,701	78,576,350	305,816,051	228,667,856	101,227,510	329,895,366	1,428,155	22,651,160	24,079,315
Total Expenditures	197,417,481	121,916,071	319,333,552	196,088,999	122,695,925	318,784,924	(1,328,482)	779,853	(548,629)
Excess/(Deficiency)	29,822,220	(43,339,721)	(13,517,501)	32,578,857	(21,468,415)	11,110,442	2,756,637	21,871,306	24,627,943
Other Financing Sources	(45,317,044)	44,685,788	(631,256)	(44,642,322)	43,643,418	(998,904)	674,722	(1,042,370)	(367,648)
Net Inc/Dec to Fund Bal	(15,494,824)	1,346,067	(14,148,757)	(12,063,465)	22,175,003	10,111,538	3,431,359	20,828,936	24,260,295
Beginning Balance	46,259,285	19,504,611	65,763,895	46,259,285	19,504,611	65,763,895			
Ending Balance	30,764,461	20,850,678	51,615,138	34,195,820	41,679,614	75,875,434			

Narrative – After all updates for second interim, the District is anticipating an unrestricted deficit of \$12 million in 2022-2023. This is a net increase of \$3.4 million over the 1st interim budget, and is primarily driven by the recognition of the final supplemental allocation from LCFF, and the unfilled positions both in the unrestricted general fund and in Special Education which lowered the contribution to that program.

It should be noted that the district has many unfilled positions and currently, the budget includes cost related to hiring these positions for the remainder of the 2022-2023 year, and therefore additional savings to salaries and benefits will most likely occur which will lower the deficit when updated at June estimated actuals, and closing of the accounts.



Components of the Ending Fund Balance

Narrative – The “Ending Fund Balance” is made up of the resources that are required or remain after expenditures are deducted from the total budget amount.

Folsom Cordova Unified School District is required to have a minimum reserve of 3% of budgeted expenses for economic uncertainty based upon the District’s enrollment size.

Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by external agencies (i.e. State & Federal programs).

Committed fund balance includes funds that may be used for specific purposes stipulated by formal action of the Board.

Assigned fund balance comprises amounts intended to be used for district defined purposes but no formal action has been taken.

Distribution of Ending Fund Balance and Reserves	
2nd Interim Budget 2022-2023	
Revolving Cash	\$ 75,000
Prepaid Expenses	\$ 1,178,904
Restricted Accounts	\$41,679,614
Committed	\$19,092,782
<i>Cash with Fiscal Agent - Trust Account PERS/STRS</i>	\$ 5,023,573
<i>RESOURCE 0037: Instructional Materials & Curriculum Adoption</i>	\$ 3,255,830
<i>RESOURCE 0039: Education Technology & Information Systems</i>	\$ 147,668
<i>RESOURCE 0485: Medi-Cal Billing Admin</i>	\$ 937,741
<i>RESOURCE 0705: Facility Use</i>	\$ 41,129
<i>RESOURCE 0711: Supplemental Funding</i>	\$ 6,929,980
<i>RESOURCE 0712: Career and Technical Education</i>	\$ 596,837
<i>RESOURCE 0730: Transportation</i>	\$ 569,257
<i>Liability - Compensated Absences for 12 Month Employees</i>	\$ 1,590,767
Assigned	\$ 4,251,905
<i>Set-aside for Site Safety Needs</i>	\$ 1,500,000
<i>Set-aside for Future District Uncertainties</i>	\$ 1,101,905
<i>Set-aside for Professional Development Days 2023-2024</i>	\$ 1,650,000
Reserve for Economic Uncertainty	\$ 9,597,229
% of Expense	3.00%
Undesignated Fund Balance	\$ -
Total Distribution of Ending Fund Balance	\$75,875,434



MULTI-YEAR PROJECTION (MYP)



Summary of MYP Revenues

REVENUE PROJECTIONS					
	2nd Interim 2022 - 2023	Projection 2023 - 2024	Change 22-23 vs 23-24	Projection 2024 - 2025	Change 23-24 vs 24-25
<i>Total LCFF/Taxes</i>	218,360,361	234,419,941	16,059,580	241,326,021	6,906,080
<i>Federal Revenues</i>	23,827,234	11,063,193	(12,764,041)	11,063,193	-
<i>Other State Revenues</i>	78,652,668	54,002,435	(24,650,233)	54,002,435	-
<i>Other Local/Financing Rev</i>	9,178,912	5,987,446	(3,191,466)	5,987,446	-
Total Revenues	\$ 330,019,175	\$ 305,473,015	\$ (24,546,160)	\$ 312,379,095	\$ 6,906,080
<i>COLA %</i>	6.56%	8.13%	1.57%	3.54%	(4.59%)
<i>Unduplicated %</i>	35.59%	35.76%	0.17%	36.12%	0.36%
<i>Enrollment</i>	20,398	20,466	68	20,374	(92)
<i>Funded ADA</i>	19,629.74	19,478.56	(151.18)	19,369.05	(109.51)

Narrative – LCFF funding for 2023-2024 is projecting a loss of 151 funded ADA due to lower projected attendance rates, this loss in ADA is offset by a projected COLA of 8.13%. In 2024-2025 LCFF revenues are anticipated to increase by \$6.9 million due to a projected COLA of 3.54% offset by an ADA funded loss of 109.

Federal and Other State revenues decrease in 2023-2024 due to COVID-19 related funds, Learning Recovery, Art, Music, and Instructional Materials Block Grants and other one-time activities being removed.

Other Local revenues are projected to be flat with no changes built into the MYP other than one-time activities from 2022-2023 to 2023-2024.



Summary of MYP Expenses

EXPENSE PROJECTIONS					
	2nd Interim 2022 - 2023	Projection 2023 - 2024	Change 22-23 vs 23-24	Projection 2024 - 2025	Change 23-24 vs 24-25
Certificated Salaries	127,944,428	125,911,035	(2,033,393)	128,489,749	2,578,714
Classified Salaries	52,693,213	54,802,404	2,109,191	55,867,307	1,064,903
Employee Benefits	72,750,347	72,345,013	(405,334)	73,313,948	968,935
<i>Subtotal Personnel Costs</i>	253,387,988	253,058,452	(329,536)	257,671,004	4,612,552
<i>Books & Supplies</i>	14,373,566	13,886,854	(486,712)	13,886,854	-
<i>Services & Other Operating</i>	39,903,320	38,158,774	(1,744,546)	37,246,653	(912,121)
<i>Capital Outlay</i>	10,021,757	2,020,143	(8,001,614)	2,020,143	-
<i>Other Outgo/Support (7xxx)</i>	2,221,006	1,854,405	(2,221,006)	1,537,441	(316,964)
Total Expenses	\$ 319,907,637	\$ 308,978,628	\$ (10,929,009)	\$ 312,362,095	\$ 3,383,467
<i>PERS Rate</i>	25.37%	27.00%	1.63%	28.10%	1.10%
<i>STRS Rate</i>	19.10%	19.10%	0.00%	19.10%	0.00%

Narrative – The largest expense is for personnel costs; projections include filling of all open positions, ongoing increases for step & column and employer pension payments. When adjusted for one-time activities, salaries and benefits account for over 83% of expenditures in the general fund.

In 2023-2024 the remaining COVID-19 funded positions are eliminated except for the Innovations Academy, whose costs will be moved to the unrestricted general fund, as this is an ongoing program.

All other expense categories are adjusted for one-time activities including COVID-19 related expenses in 2023-2024 and held constant into 2024-2025.



Multi-Year Projection Summary

	2022-2023	2023-2024	2024-2025
Revenues & Other Financing Sources	330,019,175	305,473,015	312,379,095
Expenditures & Other Financing Uses	319,907,637	308,978,628	312,362,095
Net Increase (Decrease) to Fund Balance	10,111,538	(3,505,613)	17,000
Beginning Fund Balance	65,763,895	75,875,433	72,369,820
Ending Fund Balance	75,875,433	72,369,820	72,386,820
Required Economic Reserve of 3%	9,597,229	9,269,359	9,370,863
Projected Unrestricted General Fund Balance as a Percentage of Total General Fund Expenditures, Transfers, and Other Uses	10.69%	9.51%	8.97%

	2022-2023		2023-2024		2024-2025	
	Unrestricted	Restricted	Unrestricted	Restricted	Unrestricted	Restricted
Revenues & Other Financing Sources	184,928,247	145,090,928	190,249,666	115,223,349	196,107,137	116,271,958
Expenditures & Other Financing Uses	196,991,712	122,915,925	195,055,155	113,923,473	197,491,517	114,870,578
Net Increase (Decrease) to Fund Balance	(12,063,465)	22,175,003	(4,805,489)	1,299,876	(1,384,380)	1,401,380
Beginning Fund Balance	46,259,284	19,504,611	34,195,819	41,679,614	29,390,330	42,979,490
Ending Fund Balance	34,195,819	41,679,614	29,390,330	42,979,490	28,005,950	44,380,870

Narrative – At 2nd interim the projected unrestricted deficit decreases in 2023-2024 to approximately \$7.2 million. Assumptions include removal of all one-time items, being fully staffed starting in 2023-2024, and cost increases only for salary and benefits related to step and column increases.



In Closing...Next Steps

- The district has a **Positive Certification** at 2nd Interim for 2022-2023, meaning it can meet the 3% economic reserve in the current and subsequent two years.
- However, due to a lower enrollment and attendance rate projection and rising personnel costs it is projected that the district will have a deficit in the unrestricted general fund for the next three years
- District staff will continue to monitor enrollment, staffing, reserve levels, and cash flow to ensure the financial well-being of the district.
- The Governor's May Budget Proposal will provide an updated financial picture for 2023-2024.
- It is anticipated that the impacts of lower collection of tax revenues at the State level will require some adjustments to the Governor's budget proposal.



Next Steps Timeline

January – April 2023	<ul style="list-style-type: none">• Budget Advisory Committee Meetings – 1/25, 2/22, 3/29, 4/27• LCAP Stakeholder Forums
February 2023	<ul style="list-style-type: none">• LCAP DATA Walk – 2/4, 2/7, 2/8, 2/9, 2/22, 2/27
March 2023	<ul style="list-style-type: none">• Second Interim Budget
May 2023	<ul style="list-style-type: none">• Governor’s May Revise• LCAP Draft
June 2023	<ul style="list-style-type: none">• Adopt 2023-2024 Budget• Adopt 2023-2024 LCAP

