

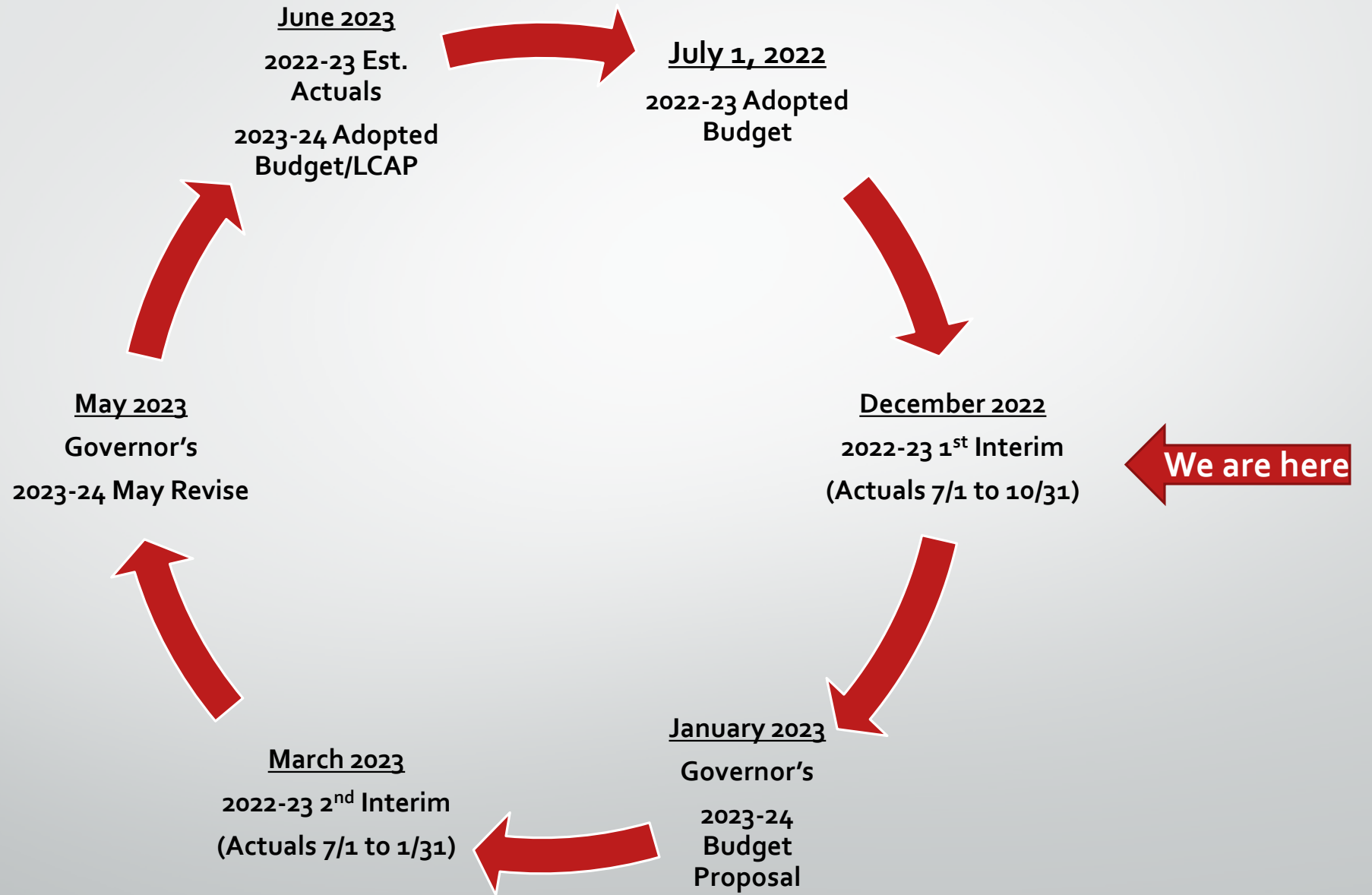


2022-23 First Interim Budget Presentation

December 15, 2022

Presented by: Jean Aldrete, Chief Business Official

Budget Reporting Cycle



2022-23 State Budget

- Governor Newsom signed on on-time budget on June 27, 2022 and signed SB 185, The Education Omnibus Trailer Bill on August 26, 2022
- State Budget included:
 - Local Control Funding Formula (LCFF) base grant increased by 6.70% (*affects LCFF districts only*)
 - LCFF calculation amended to allow LEAs to use greater of current year, prior year, or average of most recent prior years' ADA
 - LCFF amended to allow school districts to use greater of 2021-22 ADA or 2021-22 ADA adjusted to reflect LEA's 2019-20 attendance rate
 - TK add-on of \$2,813 annually adjusted for inflation each year triggering 1:12 adult to student ratio in 2022-23 and 1:10 adult to student ratio in 2023-24 (*affects LCFF districts only*)
 - \$7.9 billion for new one-time Learning Recovery Emergency Block Grant
 - \$3.6 billion to establish new one time Arts, Music, and Instructional Materials Block Grant (plan presented tonight)
 - \$4 billion to fully fund the Expanded Learning Opportunities Program (ELOP)
 - Home to School Transportation funding equal to 60% of expenditures reported in prior year (reduced by transportation add-on to LCFF) – *Does not result in additional funding for SUSD*
 - Special Education base rate increase of 6.56% plus augmentation of \$500 million to raise base grants from \$715 per ADA to \$820 per ADA
 - \$1.2 billion ongoing to fund Universal School Meals program
 - \$600 million in one-time funds for kitchen infrastructure grants

New Funds for SUSD in 2022-23

New One-Time Funding:

- *Learning Recovery Block Grant – state funds of \$322,537
- *Arts, Music, and Instructional Materials Block Grant of \$1,045,027
- *Kitchen Infrastructure Grant of \$100,000 (minimum grant plus add on based on total number of reimbursable meals served in October 2021)

Ongoing Funding:

- Expanded Learning Opportunity Program – provides for after school child care programs for grades K-6 during the school year and an additional 30 days during breaks and summer for up to 9 hours a day for \$190,172 (increased from \$67,320 last year)

** Not included in first interim budget*

New Ongoing Funds for 2023-24

Proposition 28 – Arts & Music K-12 Education Funding

- Beginning in 2023-24, the State of California will be required to provide funding outside of Proposition 98 of 1% of the prior year Proposition 98 minimum guarantee
- Considered funding outside of Proposition 98 and no special tax will be levied
- Estimated costs of \$1 billion
- Annual board approved reporting requirements and subject to annual audits

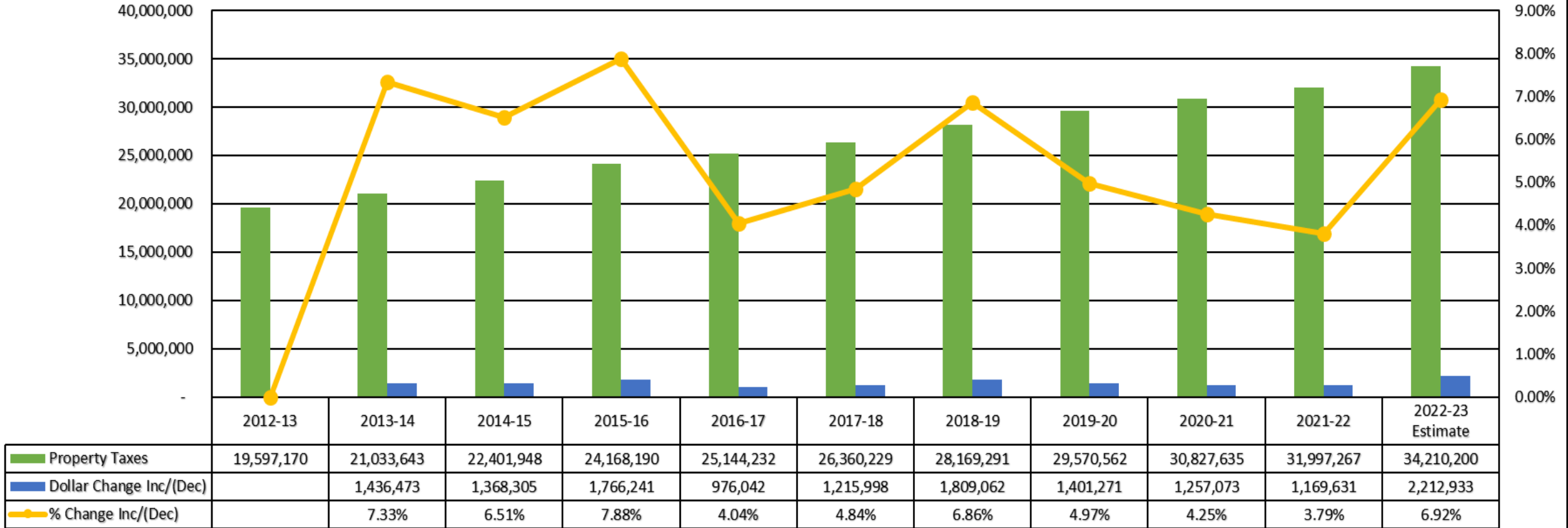
Funding Distribution:

- 70% will be allocated to LEAs based on their share of statewide enrollment
- Remaining 30% will be allocated to LEAs based on their share of low-income students
 - Funds will be allocated to each school in the LEA
 - Principals/Program Directors will be required to develop a plan for their individual school
 - 80% of the funding must be used to hire new staff (certificated and/or classified staff)
 - Remaining funds can be used for training, supplies and materials and for arts educational partnership programs
 - Includes a supplement and not supplant provision
 - Current estimates for each of SUSD elementary schools is about \$32K to \$40K depending on site and about \$78K for Redwood Middle School

Both were not included in first interim until actual funding is known and plans are developed

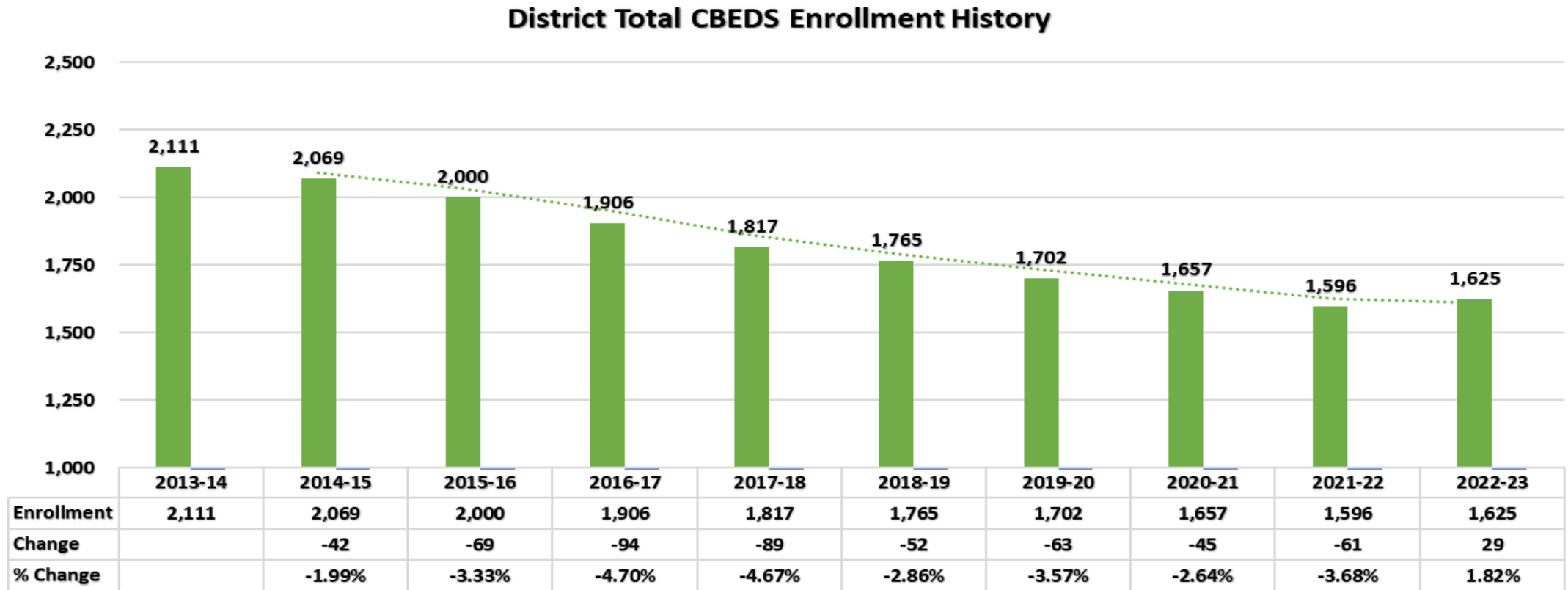
Property Tax Historical Changes

Property Tax Trends



10-year Average of 5.74% and last 5-year average of 5.36%. Current home sales trending at half of what they were last year at this time and prices roughly 30% less than peak. Multiyear projections assume a 2% increase in two subsequent fiscal years.

Enrollment History - CBEDS



CBEDS Enrollment: Measured first Wednesday of October every year

Enrollment decline of 22.9% eight years from 2013-14 to 2021-22. This year was the first sign of growth with an increase of 1.82%. Still have larger grades moving out of Redwood until 2025-26.

Assume continued decline through 2024-25.

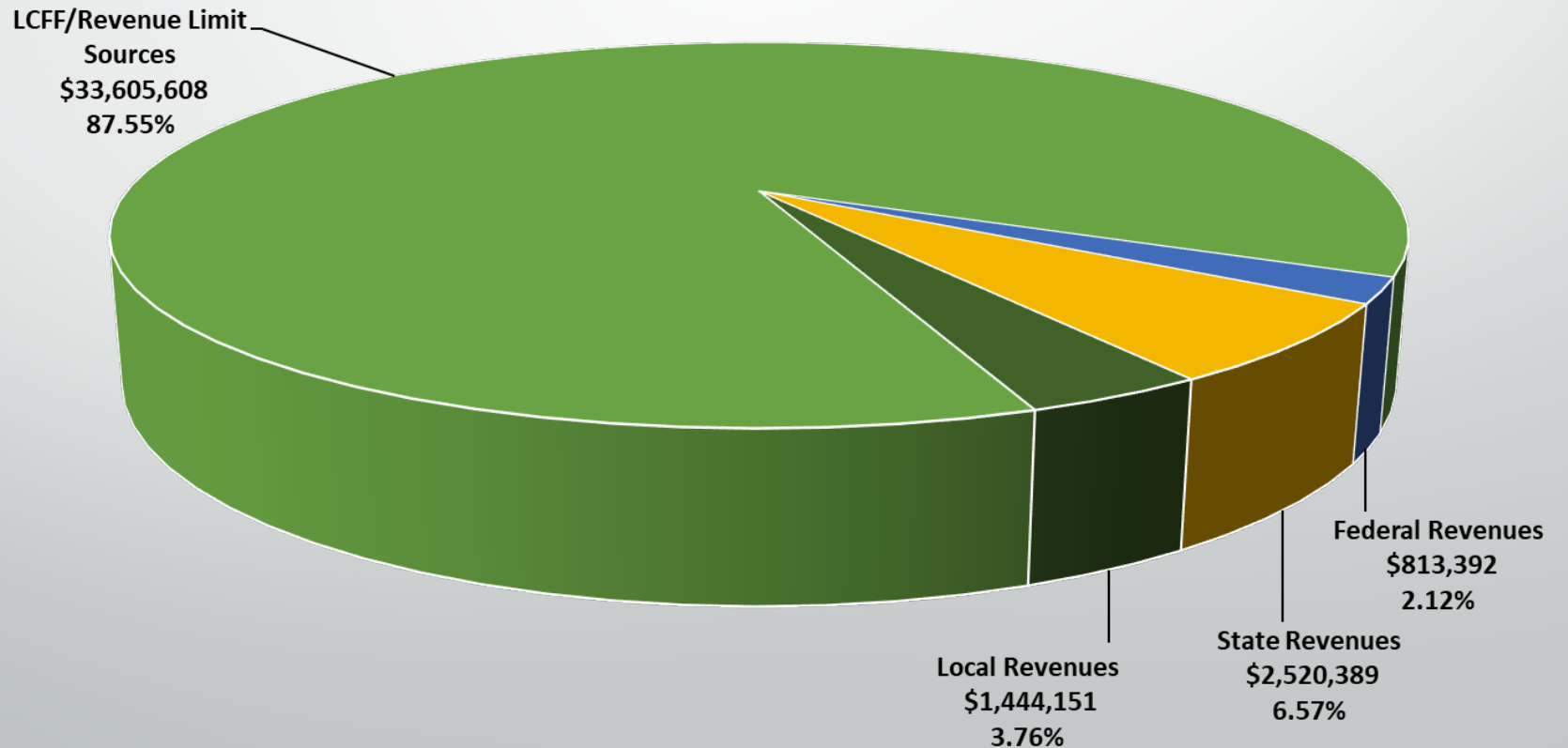
Assumption Changes Since Adopted Budget

Assumption Factors	2022-23 Adopted Budget	2022-23 First Interim
District Enrollment	1,542	1,625
Unduplicated Students	152	151
Property Tax Growth	3%	6.92%
Parcel Tax Revenues	\$475,000	\$475,000
PERS Employer Rate	25.37%	25.37%
STRS Employer Rate	19.10%	19.10%
Unemployment Rate	.50%	.50%
Worker's Compensation Rate	1.5372%	1.7266%
Certificated FTEs	106.7	105.1
Classified FTEs	74.4	83.3
Management/Confidential FTEs	17	17
Health & Welfare Increase Kaiser/Anthem Blue Cross	3.1%	3.1%
Step & Column Adjustment %	1.5%	1.5%
General Fund Contributions to Restricted Programs	\$6,084,146	\$5,990,525
Available Reserve % (General Fund 01 and Basic Aid Reserve Fund 17)	25.54%	31.64%

Revenue Update – Total General Fund

Revenue Factors	Projected/Actual* 2022-23	Projected 2023-24	Projected 2024-25
Property Taxes	6.92%	2.00%	2.00%
Enrollment (CBEDS)	1,625*	1,550	1,516
Average Daily Attendance	1,576.25	1,502.53	1,470.52
Average Daily Attendance (Funded ADA)	1,641.20	1,608.83	1,551.90
Unduplicated Student %	8.92%	9.50%	9.66%

**Total
Revenues
\$38.4M**



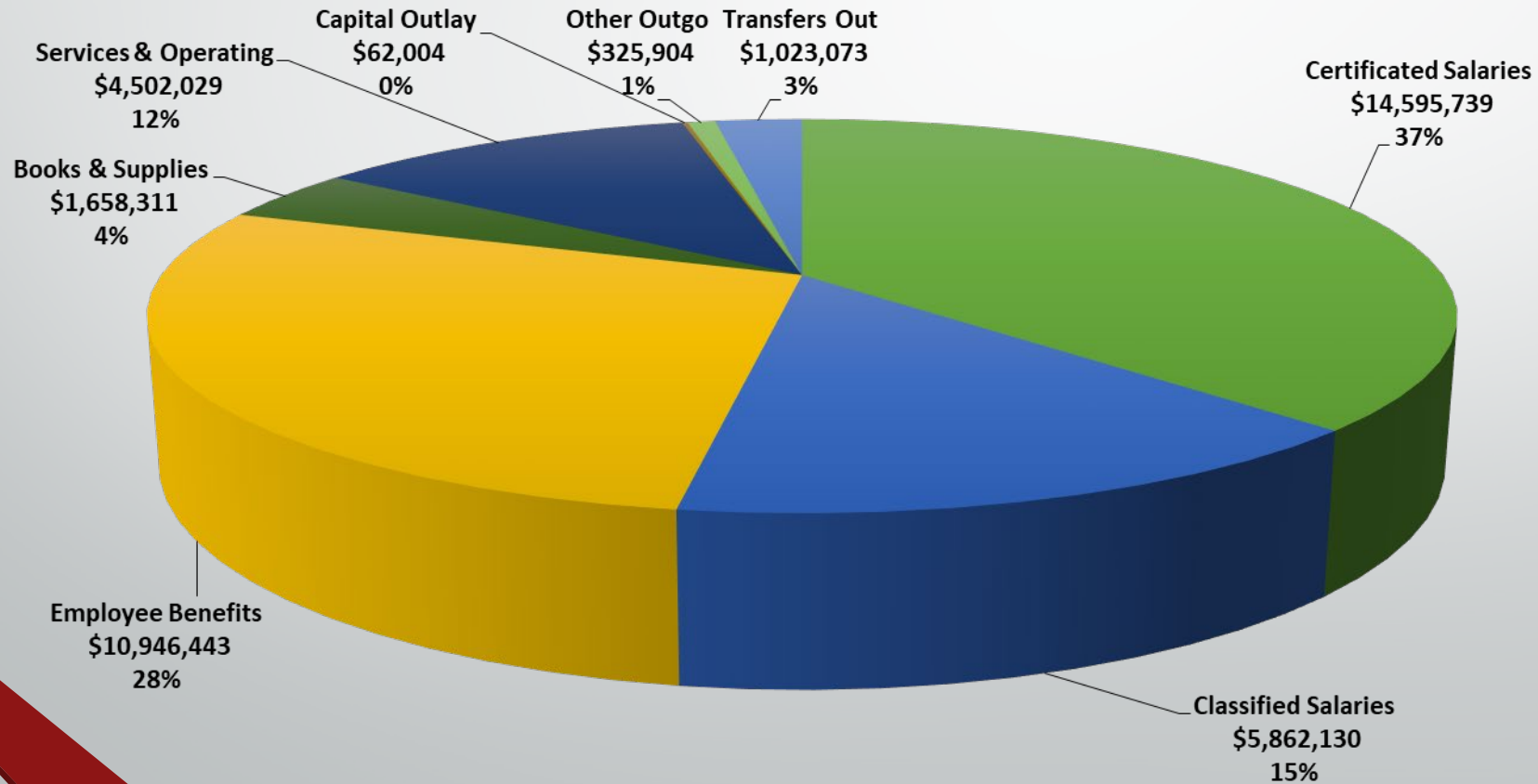
Unrestricted Revenue Budget Changes

Revenue Categories	2022-23 Adopted Budget	2022-23 First Interim	Change
LCFF Sources	\$32,531,603	\$32,363,106	(\$168,497)
Federal Revenues	\$0	\$0	\$0
State Revenues	\$309,671	\$335,700	\$26,029
Local Revenues	\$506,000	\$530,491	\$24,491
Transfers In	\$0	\$0	\$0
TOTAL REVENUES	\$33,347,274	\$33,229,297	(\$117,977)

Increase for Property Taxes offset by increased transfer of additional \$1.5 million to Deferred Maintenance Fund for anticipated repairs in summer of 2023. State revenues mainly lottery revenues. Local revenues increases to recognize rentals, rebates, STRS excess refund and safety credits.

Expenditure Update – Total General Fund

Expenditure Factors	Projected 2021-22	Projected 2022-23	Projected 2023-24
STRS Employer Rate Changes	0%	0%	0%
PERS Employer Rate Changes	2.46%	-0.17%	-0.60%
Health Benefit Increases (*with Employee Elections)	*3.10%	10%	10%
Step/Column Increases	1.5%	1.5%	1.5%



Total Expenditures
\$39 million

Salary & Benefit Costs
80%

Unrestricted Expenditure Budget Changes

Expenditure Category	2022-23 Adopted Budget	2022-23 First Interim	Change
Certificated Salaries	\$12,131,758	\$11,783,159	(\$348,599)
Classified Salaries	\$3,076,204	\$3,399,796	\$323,592
Employee Benefits	\$6,820,217	\$6,815,790	(\$4,427)
Books & Supplies	\$1,154,047	\$1,077,534	(\$76,513)
Services & Operating	\$2,791,344	\$2,948,010	\$156,666
Capital Outlay	\$0	\$0	\$0
Debt Service/Other Outgo	\$312,005	\$319,868	\$7,863
Transfers Out	\$1,096,000	\$1,023,073	(\$72,927)
Contributions to Restricted Programs	\$6,084,146	\$5,990,525	(\$93,621)
TOTAL EXPENDITURES	\$33,465,721	\$33,357,755	(\$107,966)

- Adjusted for actual staffing
- Moved instructional materials adoptions to Restricted Lottery sources offset by purchase of Redwood MS Library furniture
- Increase in contracted services for Crossing Guards and professional development for textbook adoptions Momentum & Homegrown Institute
- Eliminated transfer to Cafeteria funding due to increase state revenues for Universal Free Meals
- Decrease in transfer to Basic Aid Reserve fund per board policy
- Decrease in contributions to Special Education due to increase in state revenues

Components of General Fund Ending Fund Balance

Description	Unrestricted	Restricted	Total
Revolving Cash	\$635	-	\$635
Restricted	-	-	-
Assigned (Maintenance/Other Projects, Technology Plan and Supplemental Early Retirement Plan)	\$1,401,808	-	\$1,401,808
Economic Uncertainty (Required 3%)	\$1,169,269	-	\$1,169,269
Unassigned/Unappropriated	\$5,666,134	-	\$5,666,134
Total Ending General Fund Balance	\$8,237,846	-	\$8,237,846

Ending Fund Balance = One-Time Money!

Multi-Year Projections (MYP) – General Fund Combined

Categories (In Millions)	2022-23 1 st Interim	2023-24 Projection	2024-25 Projection
Beginning Balance – July 1	\$8,366,304	\$8,237,846	\$8,994,036
Revenues	\$38,383,539	\$39,030,506	\$39,679,162
Transfers In	-	-	-
Total Revenues & Transfers In	\$38,383,539	\$39,030,506	\$39,679,162
Expenditures	(\$37,952,560)	(\$37,956,105)	(\$38,841,495)
Transfers Out	(\$1,023,073)	(\$318,211)	-
Total Expenditures & Transfers	(\$38,975,633)	(\$38,274,316)	(\$38,841,495)
Surplus/(Deficit Spending)	(\$128,458)	\$756,189	\$837,666
Ending Balance – June 30	\$8,237,846	\$8,994,036	\$9,831,702
General Fund 01 - Available Reserve %	17.53%	20.68%	23.38%
Basic Aid Special Reserve Fund 17 – Available Reserve % (Board policy = 15% of prior year General Fund Audited Expenditures)	14.11%	15.25%	15.08%
Total Combined Available Reserves % (Fund 01 & Fund 17)	31.64%	35.93%	38.46%

Fund Balance Reserves

Fund Balance Reserves are one-time!

Reserves meant to protect against unknowns such as:

- Basic Aid Reserve Fund was established by board policy and cannot be allocated to current expenses unless by majority vote of the board and requires a restoration plan
- Cash Flow – Property Taxes don't come in until Nov/Dec (87% of our revenues)
- Monthly Payroll of \$2 million a month (will deplete General Fund Reserves in 3 months)
- Special Education – one high needs student could cost over \$250K
- Emergencies – example of Redwood Middle School Flooding that cost over \$100K in repairs
- Economy impacts – difficult to predict property taxes with any level of certainty
- General Fund Available Reserves are meant to protect against these items

Focus on Surplus/Deficit line as an indicator of district health

Budget Concerns

- Current projections do not reflect any negotiated salary increases for 2023-24 and 2024-25. Negotiations will begin in January 2023.
- Significant deferred maintenance repairs such as asphalt and roof repairs are anticipated over the next several years, which continue to be funded from General Fund reserves.
- A slowdown in the housing market has a direct impact on the growth of property taxes for SUSD. Staff will continue to monitor projections and adjust property tax projections adequately to reflect any changes.
- Enrollment changes may have unpredictable impacts.
- Further decline in donation revenues for PTAs and SEF could continue to impact the general fund.

Other Funds - Summary

Funds	Beginning Balance	Revenues	Expenditures	Ending Balance
Fund 08 – Student Body Funds	\$9,885	\$966	(\$592)	\$10,259
Fund 13 – Cafeteria	\$134,195	\$1,147,926	(\$976,672)	\$305,449
Fund 14 – Deferred Maintenance	\$3,460,492	\$2,507,500	(\$2,060,000)	\$3,907,992
Fund 17 – Basic Aid Special Reserve (BASR)	\$4,687,456	\$810,678	-	\$5,498,134
Fund 20 – Special Reserve (OPEB)	\$478,506	\$3,000	-	\$481,506
Fund 21 – Building Fund	\$1,903,541	\$274,870	(\$95,900)	\$2,082,511
Fund 25 – Capital Facilities	\$3,549,008	\$50,719	(\$4,000)	\$3,595,727
Fund 35 – School Facilities	\$123	\$1	-	\$124
Fund 51 – Bond Interest Redemption	\$7,635,221	\$7,534,519	(\$7,321,501)	\$7,848,239
Fund 63 – After School Child Care Fund	\$279,426	\$825,500	(\$725,591)	\$379,335



Thank you for your attention!

Board Comments and Questions?