



Franklin-McKinley School District

PREPARING ALL CHILDREN AS GLOBAL LEARNERS

2022-23 First Interim Update

December 13, 2022

Presented By Jason E. Vann

Assistant Superintendent - Business Services



Topics for Tonight

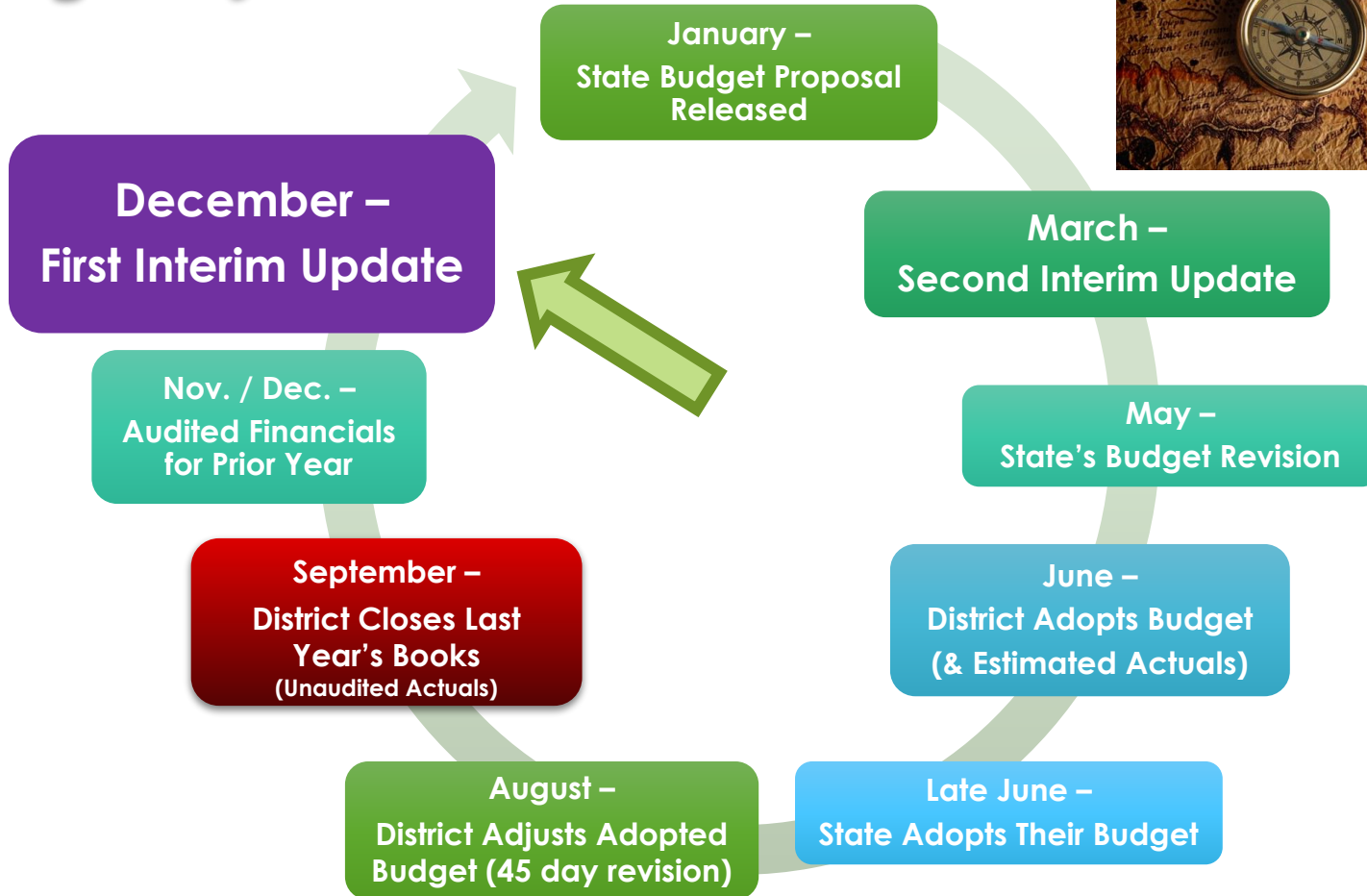
- ❖ Purpose of the First Interim
- ❖ Budget Cycle - Where are we?
- ❖ Key Changes in Assumptions
- ❖ Summarize FMSD Updated MYP
- ❖ Explain Significant Changes Since Adopted Budget
- ❖ Discuss Next Steps
- ❖ **BOARD ACTION** - Approve First Interim As Presented



Purpose of the First Interim

- ❖ Realign FMSD MYP with State Adopted Budget
- ❖ Summarize changes in other budget assumptions impact MYP
 - Funding updates, Staffing, Carryover, etc.,
- ❖ **Board Action Required Under Ed Code**: School Board required to certify updated projection for the current year and two subsequent years twice a year (Interim Reports) (Ed Code 35015 and 35035)
 - Typically, During December and March of each year
- ❖ MYP include 22-23, 23-24 and 24-25

Budget Cycle



Key Changes Between Adopted & 1st Interim

<u>Category</u>		<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>
Projected ADA Changes		-230	-224	-233
Funded ADA Changes		130	63	-5
FTE Changes		-16.7	-16.7	-63.8
Salary Increase for CSEA and Management & Conf.	Ongoing \$\$	\$1.5M	\$1.4M	\$1.4M
Expanded Learning Opportunities Program Funding	Ongoing \$\$	\$9.1M	\$6M	\$6M
New LCFF Funding / Declining Enrollment Relief	Ongoing \$\$	\$5.7M	\$5.0M	\$3.4M
Reduction in Discretionary Block Grant	One-Time \$\$	(\$5.5M)	\$-	\$-
New Learning Recovery Emergency Block Grant (27-28)	One-Time \$\$	\$10.9M	\$-	\$-
Arts, Music, & Instr'l Mat. Discr. Block Grant (25-26)	One-Time \$\$	\$3.7M	\$-	\$-



Assumptions Not in First Interim

- ❖ Economic Downturn
- ❖ Long Term Cost of Evolving ELO Programs
- ❖ Additional Costs of Universal Transitional Kindergarten Program (i.e., staffing, facilities, new services) & Possible TK Penalties
- ❖ **MYP Caveat** - We do not know exactly what the future holds for FMSD but this MYP is based on the best information we had as of late November.

➤ **Actual results will vary**

Combined General Fund		Unaudited			
Multi-Year Projections	<i>Formula</i>	Actuals	Multi-Year Projections		
<i>(amounts in dollars)</i>	<i>Reference</i>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>
Beginning Balance	<i>(a)</i>	\$25,259,570	\$32,058,075	\$43,427,730	\$29,619,695
Revenue	<i>(b)</i>	\$116,754,295	\$146,340,061	\$120,112,882	\$111,903,253
Expenditures	<i>(c)</i>	<u>\$109,955,790</u>	<u>\$134,970,406</u>	<u>\$133,920,917</u>	<u>\$126,127,729</u>
Net Increase / (Decrease)	<i>(b) - (c) = (d)</i>	<u>\$ 6,798,505</u>	<u>\$ 11,369,655</u>	<u>\$ (13,808,035)</u>	<u>\$ (14,224,476)</u>
Ending Balance	<i>(a) - (d) = (e)</i>	<u>\$32,058,075</u>	<u>\$43,427,730</u>	<u>\$29,619,695</u>	<u>\$15,395,219</u>
Total Available Reserves	<i>(f)</i>	\$14,715,476	\$9,246,832	\$4,344,580	\$3,783,832
Total GF Expenditures	<i>(c)</i>	\$109,955,790	\$134,970,406	\$133,920,917	\$126,127,729
Reserve at First Interim	<i>(f) / (c)</i>	13.38%	6.85%	3.24%	3.00%
Reserve at Adopted Budget	<i>Jun 2022</i>	16.91%	9.98%	9.70%	3.01%

Combined General Fund - Change from Adopted Budget

<i>(amounts in dollars)</i>	<u>Formula Reference</u>	<u>Adopted 2022-23</u>	<u>First Interim 2022-23</u>	<u>Incr/(Decr) Variance</u>	<u>Percent Change</u>
<i>Formula Reference</i>		(A)	(B)	(A) - (B) = (C)	(C) / (A)
Beginning Balance	(a)	\$25,690,453	\$32,058,075	\$6,367,622	24.79%
Revenue	(b)	\$116,725,720	\$146,340,061	\$29,614,341	25.37%
Expenditures	(c)	<u>\$119,255,333</u>	<u>\$134,970,406</u>	\$15,715,073	13.18%
Net Increase / (Decrease)	(b) - (c) = (d)	<u>\$ (2,529,613)</u>	<u>\$ 11,369,655</u>	\$ 13,899,268	
Ending Balance	(a) - (d) = (e)	<u>\$23,160,840</u>	<u>\$43,427,730</u>	\$20,266,890	87.50%

Revenue By Major Category	1st Interim Categories as a % of Total	Adopted Budget	First Interim	Increase / (Decrease)	Percent Change
LCCF & Other	57.28%	\$78,109,982	\$83,762,125	\$5,652,143	7.24%
Federal Revenue	11.51%	\$10,432,754	\$16,843,411	\$6,410,657	61.45%
State Revenue	23.51%	\$20,219,110	\$34,399,698	\$14,180,588	70.13%
Local Revenue	7.70%	\$7,963,874	\$11,334,827	\$3,370,953	42.33%
Total Revenue	100.00%	\$116,725,720	\$146,340,061	\$29,614,341	25.37%



Reasons for Revenue Change

- ❖ **LCFF & Other** - Primarily due to State's additional Investment in LCFF and declining enrollment relief
- ❖ **Federal Revenue** - Primarily due to ESSER funds, and increased Title I funding
- ❖ **State Revenue** - Primarily due to 2 new block grants (Learning Recovery Emergency & Art, Music & Instructional Materials Block Grants) offset by the removal of the Discretionary Block Grant. Also a net increase in ELO funds. Note that the State may require districts to return any unspent 20-21 ELO-P funds.
- ❖ **Local Revenue** - Primarily due to the receipt of 2 years of additional funding from Packard, new Emerging Bilingual Grant and carryover from prior year.

Expenditures By Category	<u>1st Interim % of Total</u>	<u>Adopted Budget</u>	<u>First Interim</u>	<u>Increase / (Decrease)</u>	<u>Percent Change</u>
Certificated Salaries	37.02%	\$52,437,612	\$49,970,510	\$ (2,467,102)	(4.70%)
Classified Salaries	13.45%	\$18,653,868	\$18,152,771	\$ (501,097)	(2.69%)
Benefits for All	23.41%	\$33,246,883	\$31,596,679	\$ (1,650,204)	(4.96%)
Books & Supplies	6.95%	\$2,666,950	\$9,377,806	\$ 6,710,856	251.63%
Services & Other	19.11%	\$11,208,511	\$25,789,479	\$ 14,580,968	130.09%
Capital Outlay & Other	0.06%	\$1,041,509	\$83,161	\$ (958,348)	(92.02%)
Total Expenditures	100.00%	\$119,255,333	\$134,970,406	\$15,715,073	13.18%



Reason for Expenditures Change

Certificated Salaries – Decrease primarily due to various unfilled positions including Independent Study Teachers, a nurse, psychologists and unfilled social worker positions. District contracts with various services providers to cover such areas of student support.

Classified Salaries – Decrease primarily due to various unfilled positions including Paras, Noon Duty, HR Tech, Maintenance Worker, Health Assistant, HR Coordinator, Aides and others. District contracts with services providers to cover such areas.

Benefits for All - Decline due to the unfilled positions mentioned above.

Books and Supplies - Increased expenditures as the district expects to utilize the additional LCFF, ESSER and ELO funds to expand educational services and supports for students during and after the school day,

Services and Other - Increased expenditures utilizing the additional LCFF, ESSER and ELO funds to expand after school and intercession educational services and other supports for students. A portion of the increase is due to the reclassification of special education transportation services from Capital Outlay and Other to Services and Other.

Capital Outlay & Other – Reduction primarily due to the reclassification of Special Education Transportation services from Capital Outlay & Other to Services and Other.

Components of Ending Balances As of June 30, 2023	<u>Unrestricted</u>	<u>Restricted</u>	<u>Combined</u>	<u>Percentage of Ending Balance</u>
<i>(Amounts in Dollars)</i>				
Prepaid Expenditures	\$ 662,047	\$ -	\$ 662,047	1.50%
Legally Restricted (1)	\$ -	\$ 23,427,760	\$ 23,427,760	53.16%
Committed (2)	\$ 8,028,730	\$ -	\$ 8,028,730	18.22%
3% Economic Uncertainty	\$ 4,049,112	\$ -	\$ 4,049,112	9.19%
2% Board Reserve	\$ 2,699,408	\$ -	\$ 2,699,408	6.13%
Unassigned Reserve (3)	\$ 5,197,720	\$ -	\$ 5,197,720	11.80%
Ending Balance	\$ 20,637,017	\$ 23,427,760	\$ 44,064,777	100.00%

(1) - Primarily Learning Recovery Emergency Block Grant (\$9.8M), Arts & Music Block Grant (\$3.4M), ELO Program funds (\$9.1M), UPK Grant, Lottery, Special Ed Learning Recovery funds and other.

(2) - Committed for Tech & related infrastructure refresh, SERP payments, and projected deficit spending

(3) - Amounts will also be used to reduce class size for UTK and retain staff when other one time COVID funds are exhausted



Next Steps

- ❖ **Action Item For Board Tonight** – Approval of Interim, as presented
- ❖ Staff submits Interim to County for review – December 2022
- ❖ Governor’s Budget Proposal – January 2023
- ❖ Assumptions for Adopted Budget for 2023-24 finalized – May 2023
- ❖ Present Governor’s May Revise to FMUSD Board – June 13, 2023
- ❖ Present District Budget Proposal to FMUSD Board – June 13, 2023
- ❖ FMUSD Board Adopts District's 2023-24 Budget – June 27, 2023



APPENDIX

Summary of Other Funds

- The following pages help to outline other funds FMUSD has but are restricted for a particular purpose outlined in Ed Code and Government Code.
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- FMUSD staff continue to monitor these funds and use them to help support the educational program, staff and students



Other Restricted Funds (in millions)

Fund	Cafeteria	Building	Capital Facilities	Capital Outlay	Bond Interest & Redemption	Self-Insurance
Beginning Balance	\$ 2.5	\$ 20.9	\$ 7.7	\$ 0.1	\$ 10.9	\$ 1.5
Revenue	7.4	5.9	0.6	-	9.2	1.4
Expenditures	<u>5.5</u>	<u>20.2</u>	<u>-</u>	<u>-</u>	<u>9.9</u>	<u>1.3</u>
Change	<u>\$ 1.9</u>	<u>\$ (14.3)</u>	<u>\$ 0.6</u>	<u>\$ -</u>	<u>\$ (0.7)</u>	<u>\$ 0.1</u>
Ending Balance	<u>\$ 4.4</u>	<u>\$ 6.7</u>	<u>\$ 8.3</u>	<u>\$ 0.1</u>	<u>\$ 10.2</u>	<u>\$ 1.6</u>



Other Restricted Funds - Purpose

- **Cafeteria Fund** - This fund accounts for federal, state, and local resources to operate the food service program (Education Code sections 38090 and 38093). The Cafeteria Fund (Fund 13) shall be used only for those expenditures authorized by the governing board as necessary for the operation of the LEA's food service program (Education Code sections 38091 and 38100).
- **Building Fund** - This fund accounts for proceeds received and use of proceeds from the sale of bonds (Education Code Section 15146 and 16058) and may not be used for any purposes other than those for which the bonds were issued. Other authorized revenues to the Building Fund (Fund 21) are revenue from rentals and leases of real property specifically authorized for deposit into the fund by the governing board (Education Code Section 41003).



Other Restricted Funds - Purpose

- **Capital Facilities Fund** - This fund accounts for moneys received from fees levied on development projects (“Developer Fees”) as a condition of approval (Education Code sections 17620–17626 and Government Code Section 65995 et seq.). Interest earned in the Capital Facilities Fund (Fund 25) is restricted to that fund (Government Code Section 66006). Expenditures in Capital Facilities Fund are restricted to the purposes specified in Government Code sections 65970–65981 or Government Code Section 65995 et seq., or to the items specified in agreements with the developer (Government Code Section 66006). Costs of justifying and adopting developer fees may be paid from Fund 25 (Education Code Section 17620). Administrative costs of collecting fees may be reimbursed from Fund 25 (Education Code Section 17620).



Other Restricted Funds - Purpose

- **Capital Outlay Fund** - This fund accounts for general fund moneys for capital outlay purposes (Education Code Section 42840). This fund may also account for any revenues specifically for capital projects that are not restricted to other funds. Other authorized resources that may be deposited to the Fund are rentals and leases of real property (Education Code Section 41003). Transfers from the general fund to Fund 40 authorized must be expended for capital outlay purposes. Proceeds from the sale or lease-with-option-to-purchase may be spent for capital outlay purposes, costs of maintenance of the LEA's property, and future maintenance and renovation of school sites (Education Code Section 17462). Salaries of employees working directly on projects financed by Fund 40 revenues are capitalized as a part of the capital facilities project.



Other Restricted Funds - Purpose

- **Bond Interest and Redemption Fund** - This fund is used for the repayment of bonds issued (Education Code sections 15125–15262). Any premiums or accrued interest received from the sale of the bonds must be deposited in the Bond Interest and Redemption Fund (Fund 51) of the LEA. The county auditor maintains control over the Fund. The principal and interest on the bonds must be paid by the county treasurer from taxes levied by the county auditor-controller. Expenditures in this fund are limited to bond interest, redemption, and related costs. Any money remaining in this fund after the payment of all bonds shall be transferred to the general fund upon order of the county auditor (Education Code Section 15234).



Other Restricted Funds - Purpose

- **Self-Insurance Fund** - Self-insurance funds are used to separate moneys received for self-insurance activities from other operating funds of an LEA. We use this fund for the dental and vision self-insurance (Education Code Section 17566). Expenses in the Self-Insurance Fund (Fund 67) include the payment of claims, estimates of costs relating to incurred but not reported (IBNR) claims, administrative costs, deductible insurance amounts, cost of excess insurance, and other related costs. Amounts contributed to Fund 67, Self-Insurance Fund, are lawfully restricted for insurance purposes (Education Code Section 17566 and Government Code Section 53205).

Universal TK



Universal Transitional Kindergarten

Implementation

Beginning in 2022–23, expand eligibility by two months until all four-year-olds are offered TK*
TK credential requirement extended until August 1, 2023

Quality

12:1 class size ratios in 2022–23; 10:1 in 2023–24 if funding is available
Allows parents to choose between TK or other eligible programs

Funding

Governor signals that Proposition 98 will be increased to cover the cost of TK expansion, and LEAs will receive funding for lower ratios



*Transitional Kindergarten (TK)



Universal TK

- ❖ Currently 155 students this year with 7 teachers
- ❖ To get to 10 to 1 ratio, may need 9 more teachers or add paras or AM / PM schedule
- ❖ Assuming 9 additional experienced teachers, \$900K+ more annually
- ❖ May still need additional para-educators to support classroom. 16 rooms, another \$40K per para results in another \$640K annually
- ❖ Professional Development needed to prepare for younger students and related curriculum (\$\$\$)
- ❖ Possible facility upgrades to ensure all THE rooms have restrooms and appropriate furniture;
 - Coordinate efforts with Independent Charters and beat the rush from all other districts
- ❖ Current staff workload does not lend itself to managing this new additional process
- ❖ Tap into pre-planning funds to pay consultants to better prepare for full implementation (\$\$\$)
 - Demographic Study
 - Construction
 - Professional Development

Costs noted above not in First Interim Budget Assumptions