



Franklin-McKinley School District

PREPARING ALL CHILDREN AS GLOBAL LEARNERS

2023-24 First Interim Update

December 12, 2023
Presented By Jason E. Vann
Assistant Superintendent - Business Services

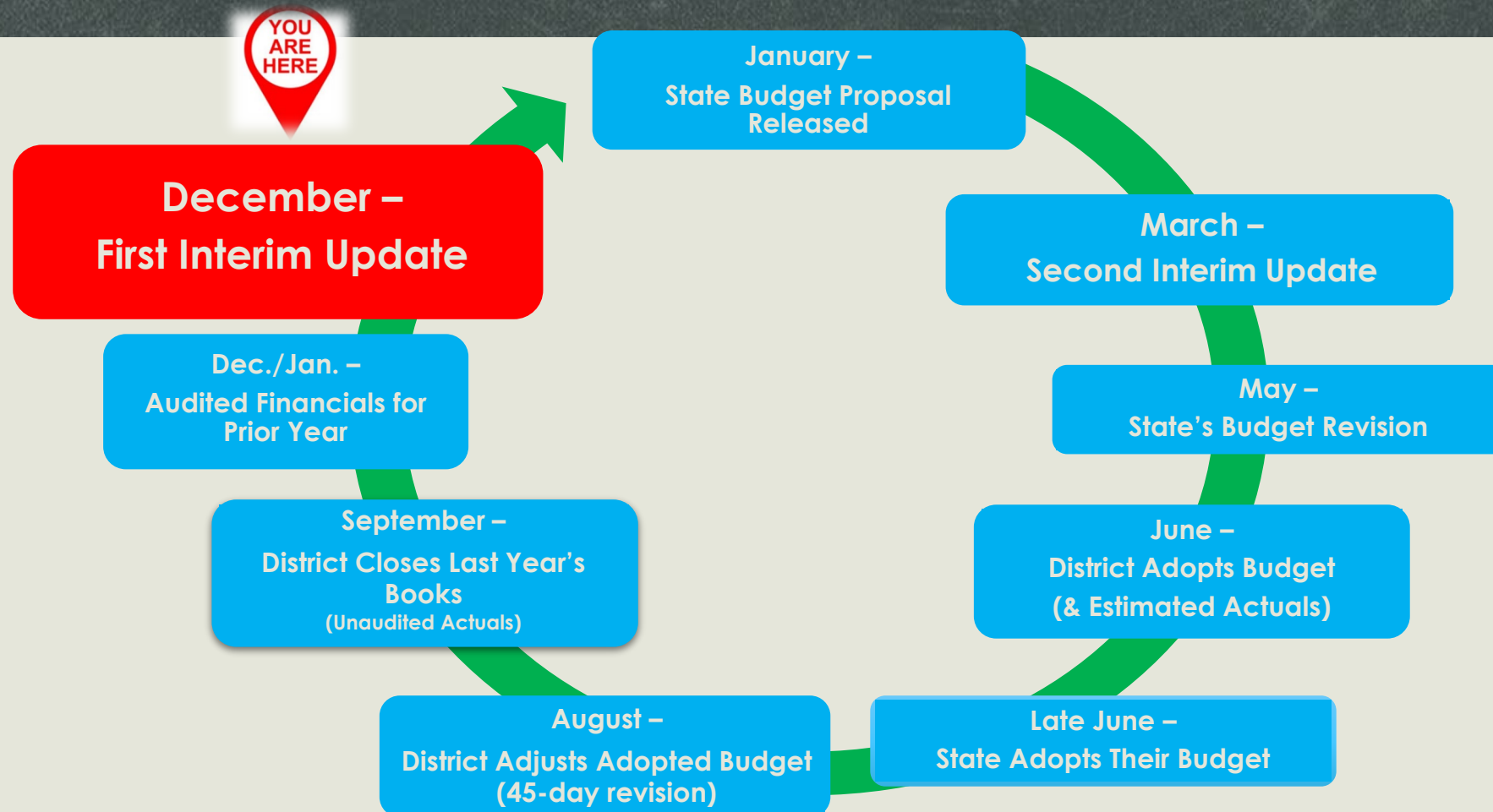
Topics for Tonight

- Purpose of the First Interim
- Where we are in the Budget Cycle
- 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 FMUSD MYP (Multi Year Projection) with State Adopted Budget
- Summarize changes in other budget assumptions impacting MYP
 - ❖ Examples include (i) Funding updates, (ii) Staffing Changes, (iii) Carryover, etc.,
- **Board Action Required Under Ed Code:** School Boards are required to certify updated projection for the current year and two subsequent years twice a year (Interim Reports)
- Ed Code 42130, 33127, 33129, AB 1200 and AB 2756
 - ❖ Typically, During December and March of each year
 - ❖ MYP include 22-23, 23-24 and 24-25

Budget Cycle



Fiscal Cliff Requiring Tough Decisions



Why?

- One-time COVID funds will be fully exhausted by September 2024
- Rapidly rising operating costs
- COLA increases in funding not able to cover rising operating costs

Next Steps

- Eliminate all expenditures paid with one-time funds
- Finalize expenditure reductions to remain fiscally solvent
 - Consolidate schools
 - Eliminate positions
 - Reduce contracts
 - Stretch tech refresh timeline
 - Delay or reduce curriculum adoptions
- Prepare **March 15, 2024** notices
 - CSEA,
 - FMEA,
 - Management

Fiscal Cliff Requiring Tough Decisions



Elimination of Over \$8 million in Positions Funded With One-Time Dollars

March 15, 2024 Notices	<u>FTE</u>	<u>Estimated Savings (in Millions)</u>
Certificated	10.00	\$1.34
Classified	11.36	\$0.95
Management	<u>6.00</u>	<u>\$1.11</u>
Total	<u>27.36</u>	<u>\$3.40</u>
March 15, 2025 Notices	<u>FTE</u>	<u>Estimated Savings (in Millions)</u>
Certificated	13.00	\$2.00
Classified	0.00	\$0.00
Management	<u>0.00</u>	<u>\$0.00</u>
Total	<u>13.00</u>	<u>\$2.00</u>
March 15, 2026 Notices	<u>FTE</u>	<u>Estimated Savings (in Millions)</u>
Certificated	18.00	\$2.71
Classified	0.00	\$0.00
Management	<u>2.50</u>	<u>\$0.20</u>
Total	<u>20.50</u>	<u>\$2.91</u>

Fiscal Cliff Requiring Tough Decisions



<u>Placeholders</u>	<u>FTE</u>	<u>in Millions</u>
Certificated Reductions	19	\$2.68
Classified Reductions	4	\$0.72
Books & Supplies	-	\$2.00
Services	-	<u>\$2.00</u>
Total Reductions	<u>23.00</u>	<u>\$7.40</u>

Fiscal Cliff Requiring Tough Decisions



It Could Get Worse!

- Expected COLA for 24-25 will most likely be revised downward unless the Governor intervenes
- 24-25 COLA At Adopted Budget and First Interim is **3.94%**
- We have 6 of the 8 quarters needed to calculate COLA for next year. Based on those results, Kenneth Kappahn, Principal Fiscal and Policy Analyst at the LAO, announces at the CBO Symposium 2024-25 statutory COLA to be approximately **1.00%**
- A COLA decrease from 3.94% to 1% for 24-25 means the **loss of \$3M in ongoing revenue.**
- Said another way, **a loss of \$3M in 24-25 and another \$3M in 25-26** compared to what we are showing in the MYP for first interim.

Fiscal Cliff Requiring Tough Decisions



We have a choice:

Tackle it now!



OR

Roll the dice!



Other Key Changes in MYP Assumptions Between Adopted & 1st Interim

Significant Changes By Category (\$\$ in Millions)	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>
Projected P-2 ADA Changes	184.0	182.0	178.0
Funded ADA Changes	7.0	63.0	126.0
LCFF Only	\$ 0.1	\$ 1.0	\$ 1.6
Cost of Salary Increase for FMEA & Mgmt. (5.00%/3.00%)	\$ 5.0	\$ 3.0	\$ 3.0
Cost of Salary Increase for CSEA (5.45%/0.6%)	\$ 1.5	\$ 1.4	\$ 1.4
Expanded Learning Opportunities Program Funding (higher UPP than expected)	\$ 3.1	\$ 3.1	\$ 3.1
Expanded Learning Opportunities Program Expenditures (higher UPP than expected)	\$ 3.1	\$ 3.1	\$ 3.1
Arts, Music, & Instructional Materials Block Grant (reduced cut) (Spend by 25-26)	\$ 3.0	\$ -	\$ -
Learning Recovery Block Grant Funding (Spend by 27-28) (Governors Reduction)	\$ (1.6)	\$ -	\$ -
Learning Recovery Block Grant Exp. (Spend by 27-28) (Due to Governors Reduction)	\$ -	\$ -	\$ (1.6)
California Community Schools Partnership Program Funding (New Grant)	\$ 1.3	\$ 1.3	\$ 1.3
California Community Schools Partnership Program Expense (New Grant)	\$ 1.2	\$ 1.2	\$ 1.2
Prop 28 - Arts and Music In Schools Grant Funding (New)	\$ 0.9	\$ 0.9	\$ 0.9
Prop 28 - Arts and Music In Schools Grant Expenditures (New)	\$ 0.9	\$ 0.9	\$ 0.9
Equity Multiplier	??	??	??

Assumptions Not in First Interim

- Enrollment Increasing
- Economic downturn reducing per student funding from State, Federal and Local sources
- Additional Costs of Universal Transitional Kindergarten Program (i.e., staffing, facilities, new services) & Possible TK Penalties
 - TK Staffing Ratios going from 12:1 to 10:1 in out years; If enrollment remains the same this will require at least 2 more TK teachers (or another **\$228K in annual expenditures**)
- Previously mentioned: Reduced 24-25 COLA from 3.94% to 1% = **a loss of \$3M in ongoing revenue.** **25-26 may also be revised downward.**
- **MYP Caveat** - We do not know exactly what the future holds for FMSD but this MYP is based on the best information we have as of late November.
 - **Actual results will vary**

Combined General Fund		Unaudited			
Multi-Year Projections	Formula	Actuals	Multi-Year Projections		
(amounts in dollars)	Reference	2022-23	2023-24	2024-25	25-26
Beginning Balance	(a)	\$32,058,075	\$48,999,203	\$40,323,119	\$25,095,286
Revenue	(b)	\$137,256,430	\$134,409,284	\$115,981,983	\$116,447,624
Expenditures	(c)	\$120,315,302	\$143,085,368	\$131,209,816	\$133,808,134
Net Increase / (Decrease)	(b) - (c) = (d)	\$ 16,941,128	\$ (8,676,084)	\$ (15,227,833)	\$ (17,360,510)
Ending Balance	(a) + (d) = (e)	\$48,999,203	\$40,323,119	\$25,095,286	\$7,734,776
Total Available Reserves	(f)	\$6,015,765	\$7,154,268	\$6,560,491	\$4,068,120
Total GF Expenditures	(c)	\$120,315,302	\$143,085,368	\$131,209,816	\$133,808,134
Reserve at First Interim	(f) / (c)	5.00%	5.00%	5.00%	3.04%
Reserve at Adopted Budget	Jun 2023	5.00%	5.10%	5.00%	3.00%

Combined General Fund - Change from Adopted Budget

<i>(amounts in dollars)</i>	<i><u>Formula Reference</u></i>	<u>Adopted 2023-24</u>	<u>First Interim 2023-24</u>	<u>Increase/ (Decrease) Variance</u>	<u>Percent Change</u>
<i>Formula Reference</i>		(A)	(B)	(B) - (A) = (C)	(C) / (A)
Beginning Balance	(a)	\$48,999,203	\$48,999,203	\$0	0.00%
Revenue	(b)	\$122,564,246	\$134,409,284	\$11,845,038	9.66%
Expenditures	(c)	<u>\$133,756,434</u>	<u>\$143,085,368</u>	<u>\$9,328,934</u>	6.97%
Net Increase / (Decrease)	(b) - (c) = (d)	<u>\$ (11,192,188)</u>	<u>\$ (8,676,084)</u>	<u>\$ 2,516,104</u>	
Ending Balance	(a) + (d) = (e)	\$37,807,015	\$40,323,119	\$2,516,104	6.66%
Reserve Percentage		5.10%	5.00%	(0.10%)	

Revenue By Major Category		1st Interim % of Total	Adopted Budget	First Interim	Increase / (Decrease)	Percent Change
LCCF & Other		63.86%	\$85,730,686	\$85,821,823	\$91,137	0.11%
Federal Revenue		9.75%	\$13,047,094	\$13,104,336	\$57,242	0.44%
State Revenue		18.89%	\$17,389,789	\$25,387,859	\$7,998,070	45.99%
Local Revenue		<u>7.50%</u>	<u>\$6,396,677</u>	<u>\$10,095,266</u>	<u>\$3,698,589</u>	<u>57.82%</u>
Total Revenue		<u>100.00%</u>	<u>\$122,564,246</u>	<u>\$134,409,284</u>	<u>\$11,845,038</u>	<u>9.66%</u>

Reasons for Revenue Change by Category

- **LCFF & Other** – Increase of \$91K due to slight increase in COLA from 8.13% to 8.22%
- **Federal Revenue** – Increase of \$57K due to a mixture of small adjustment but primarily an increase in Special Education funding.
- **State** – Increased by \$8M due to additional ELOP funding (\$3.1M), AMIM cut was far less (\$3.0M), New CA Comm School Partnership Program (CCSPP) Funding (\$1.3M), New Prop 28 Funding (\$0.9M), offset by lost Special Ed Funding and other small adjustments.
- **Local** – Increased by \$3.7M primarily due to carryover of unspent funds related to local grants such as Packard (\$0.81M), SJ Public Library (\$0.4M), School Donations (\$0.2M) and School Link Services (\$0.27M) as well as reimbursements from Medi-Cal set aside for Special Ed expenditures and reimbursement from insurance due to vandalism.

Expenditures By Category	1st Interim % of Total	Adopted Budget	First Interim	Increase / (Decrease)	Percent Change
Certificated Salaries	37.09%	\$49,937,684	\$53,068,860	\$ 3,131,176	6.27%
Classified Salaries	14.84%	\$19,594,667	\$21,238,650	\$ 1,643,983	8.39%
Benefits for All	23.33%	\$32,741,398	\$33,379,492	\$ 638,094	1.95%
Books & Supplies	6.40%	\$8,161,768	\$9,161,447	\$ 999,679	12.25%
Services & Other	17.52%	\$22,163,328	\$25,070,261	\$ 2,906,933	13.12%
Capital Outlay & Other	<u>0.82%</u>	<u>\$1,157,589</u>	<u>\$1,166,658</u>	<u>\$ 9,069</u>	0.78%
Total Expenditures	<u>100.00%</u>	<u>\$133,756,434</u>	<u>\$143,085,368</u>	<u>\$9,328,934</u>	6.97%

Reasons for Expenditure Change by Category

- **Certificated Salaries** – Increased \$3.1M primarily due to 8% negotiated salary increases for FMEA staff as well as 6.5 additional new hires (Student Support Specialists, Program Specialist, etc.) offset by the elimination of 14.5 unfilled teaching positions to coincide with current enrollment needs.
- **Classified Salaries** – Increased \$1.6M primarily due to the 5.51% (5.45% on / 0.6% off) negotiated salary increase for CSEA staff members, reclassifications and 16.8 new positions to support CCSPP, ELOP, student IEPs, etc. offset by the elimination 4.5 unfilled positions.
- **Benefits for All** – Increase primarily due to salary increase offset by less staff members taking medical benefits than projected (i.e., elimination of vacant positions, new staff take spouse's medical benefit plan)
- **Books & Supplies** – Increased by \$1.0M primarily due to the use of ELOP funds to purchase tech equipment to support the expanding after school program
- **Services & Other** – Increased by \$2.9M primarily due to the rising cost of running CORAL program after school and during intercessions (i.e., winter break, summer break, etc.), skyrocketing cost of Nurse Registry, Pacific Clinics and contracted subs from SWING to fill vacant positions or absent teachers and paras.
- **Capital Outlay** – remained relatively flat.

Projected Ending Balance – June 30, 2024

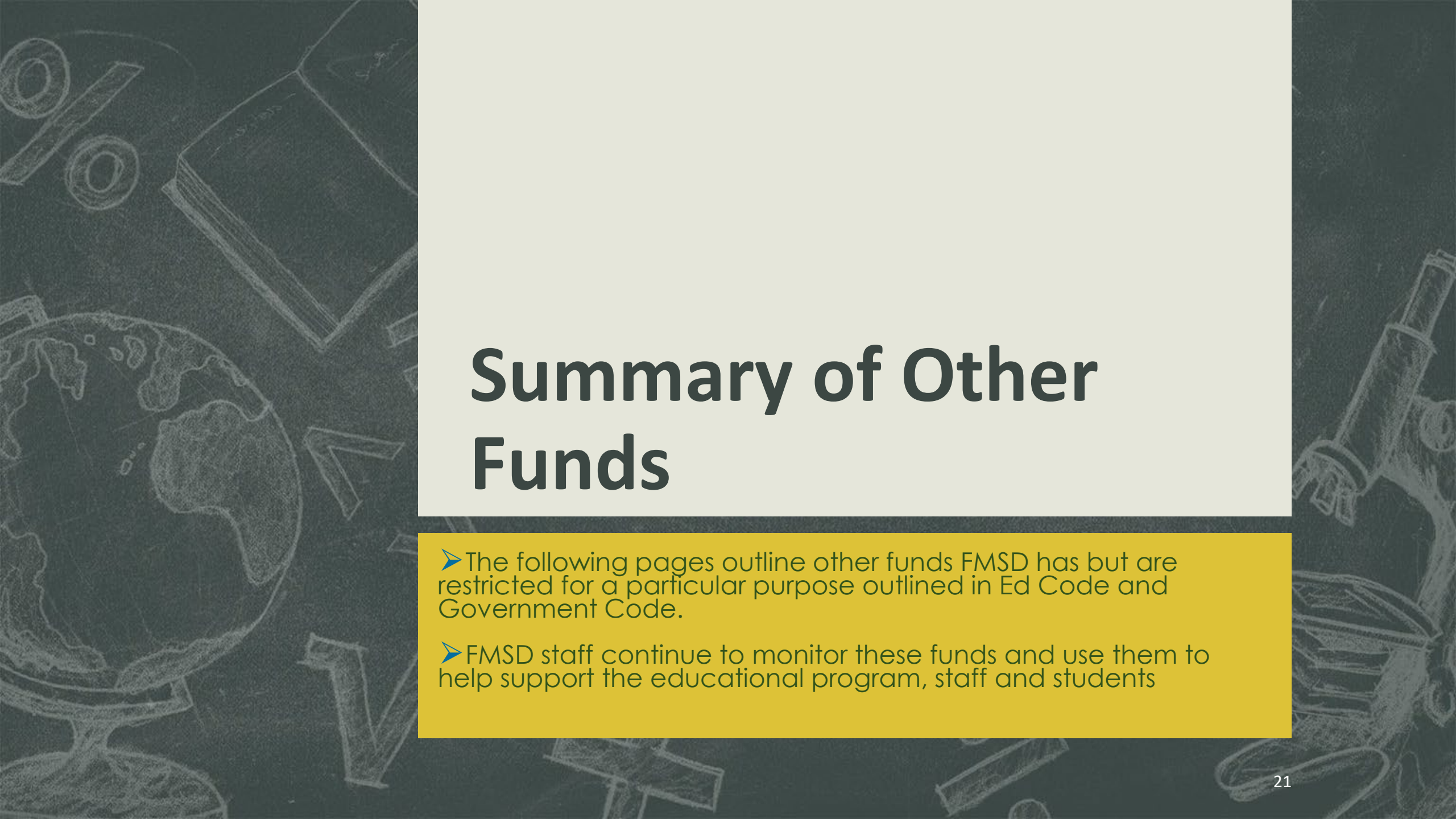
Components of Ending Balances As of June 30, 2024 <i>(Amounts in Dollars)</i>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Combined</u>	<u>Percentage of Ending Balance</u>
Prepaid Expenditures	\$ 713,010	\$ -	\$ 713,010	1.77%
Legally Restricted (1)	\$ -	\$ 20,904,470	\$ 20,904,470	51.83%
Committed (2)	\$ 11,548,774	\$ -	\$ 11,548,774	28.64%
Assigned (2% Board Reserve - Resolution 2011-25)	\$ 2,861,707	\$ -	\$ 2,861,707	7.10%
3% Economic Uncertainty	\$ 4,292,561	\$ -	\$ 4,292,561	10.65%
Unassigned Reserve	\$ 2,597	\$ -	\$ 2,597	0.01%
Ending Balance	<u>\$ 19,418,649</u>	<u>\$ 20,904,470</u>	<u>\$ 40,323,119</u>	<u>100.00%</u>

(1) - Primarily ELO Program funds (\$9.1M) and Learning Recovery Emergency Block Grant (\$6.5M)

(2) - Committed for Curriculum Adoption, SERP payments, and projected deficit spending

NEXT STEPS

- ❖ **Action Item For Board Tonight** – Approval of Interim, as presented
- ❖ Staff submits Interim to County for review – December 2023
- ❖ Governor's Budget Proposal – January 2024
- ❖ Finalize budget reductions – February 29, 2024
- ❖ Assumptions for Adopted Budget for 2023-24 finalized – May 2024
- ❖ Present Governor's May Revise to FMUSD Board – June 11, 2024
- ❖ Present District Budget Proposal to FMUSD Board – June 11, 2024
- ❖ FMUSD Board Adopts District's 2024-25 Budget – June 25, 2024



Summary of Other Funds

- The following pages outline other funds FMUSD has but are restricted for a particular purpose outlined in Ed Code and Government Code.
- 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	\$ 4.7	\$ 15.8	\$ 8.4	\$ 1.6	\$ 8.5	\$ 1.6
Revenue	\$ 7.3	\$ 30.2	\$ 0.6	\$ -	\$ 9.2	\$ 1.3
Expenditures	<u>\$ 5.9</u>	<u>\$ 18.9</u>	<u>\$ -</u>	<u>\$ 0.4</u>	<u>\$ 9.9</u>	<u>\$ 1.2</u>
<i>Change</i>	<u>\$ 1.4</u>	<u>\$ 11.3</u>	<u>\$ 0.6</u>	<u>\$ (0.4)</u>	<u>\$ (0.7)</u>	<u>\$ 0.1</u>
Ending Balance	<u>\$ 6.1</u>	<u>\$ 27.1</u>	<u>\$ 9.0</u>	<u>\$ 1.2</u>	<u>\$ 7.8</u>	<u>\$ 1.7</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).