



## 2022-23 SECOND INTERIM REPORT

PRESENTED TO THE BOARD OF TRUSTEES ON

MARCH 14, 2022

# Key Budget Information for 2022-23 Second Interim

- Enrollment as of 01/27/2023 = **780**, up 11 students since 1<sup>st</sup> Interim Reporting.
- Projected Average Daily Attendance (ADA) projected for P-2 to be 709.11. The calculated ADA to enrollment percentage for the District is **91.00%**. This is a .11 decline since 1<sup>st</sup> Interim.
- \$1,560,957 of Basic Aid Supplemental (BAS) funding has been budgeted. The anticipated amount of BAS will increase before the end of the year once it is received.
- Property Taxes are anticipated to increase despite the current economic condition in the current year
- Increased expenditures tied to Salaries and Benefit costs due to Classified Negotiated settlement.
- Deficit spending is projected to be **-\$2,002,644**.
- Estimated Ending Fund Balance = \$6,136,332
- Board directed Reserve Assignments remains whole, Unassigned Balance = \$670,943
- Recommended Certification Status: **Positive**

# AVERAGE DAILY ATTENDANCE & ENROLLMENT

Cohort Projected Enrollment & ADA											
2022-23 ADA Estimated for P-2				2023-24				2024-25			
Grade Level	Enrollment	ADA	ADA to Enroll	Grade Level	Enrollment	ADA	ADA to Enroll	Grade Level	Enrollment	ADA	ADA to Enroll
TK	35	27.51	78.6%	TK	35	29.75	85.0%	TK	35	31.50	90.0%
K	74	66.80	90.3%	K	75	69.75	93.0%	K	75	69.75	93.0%
1	79	72.84	92.2%	1	74	68.82	93.0%	1	75	69.75	93.0%
2	73	67.42	92.4%	2	79	73.47	93.0%	2	74	68.82	93.0%
3	73	67.41	92.3%	3	73	67.89	93.0%	3	79	73.47	93.0%
4	84	76.20	90.7%	4	73	67.89	93.0%	4	73	67.89	93.0%
5	74	68.06	92.0%	5	84	78.12	93.0%	5	73	67.89	93.0%
6	86	80.51	93.6%	6	89	81.88	92.0%	6	89	81.88	92.0%
7	95	85.23	89.7%	7	90	82.80	92.0%	7	90	82.80	92.0%
8	103	91.67	89.0%	8	100	92.00	92.0%	8	100	92.00	92.0%
NPS & COE	4	2.66		NPS & COE	4	2.66		NPS & COE	3	2.25	
	780	703.64			776	715.03			766	714.99	

## Enrollment and ADA at the close of the 2<sup>nd</sup> Interim Period: 01/27/2023 Projected

- Enrollment = **780**, 11 student increase since 1<sup>st</sup> Interim.
- ADA is projected at **709.77** (43.93 district, 665.84 charter), .11 decline since 1<sup>st</sup> Interim. As a reminder, the District is funding from ADA produced during the P-2 period which closes 3/24/2023.
- The estimate Enrollment/ADA percentage used in the budget is **91.00%**.
- Unduplicated Pupil Percentage (UPP) used for Title funding and our supplemental calculation is estimated at **41.25% for Charter** students and **31.03% for District** students. Charter funded UPP percentage follows West County High School Unified School District at 41.25%.
- J-13a submission anticipated for the material decrease the District experienced during the active flu period of mid-Oct through early-December period. J-13a calculations are not included in the project P-2 funded calculation, as it has not yet been approved by the CDE.

\*Special Ed Note: Anticipate Decline in Out of District placements for Annual Reporting

# COLA

The Cost of Living Adjustments are provided by School Services of California. Current year LCFF revenue is based on a **6.56%** COLA + 6.70% Augmentation to the base = **13.26%** effective COLA for 2022-23. COLA increase are based on the average of 8 quarters, with 2 quarters still outstanding. Current COLA represents:

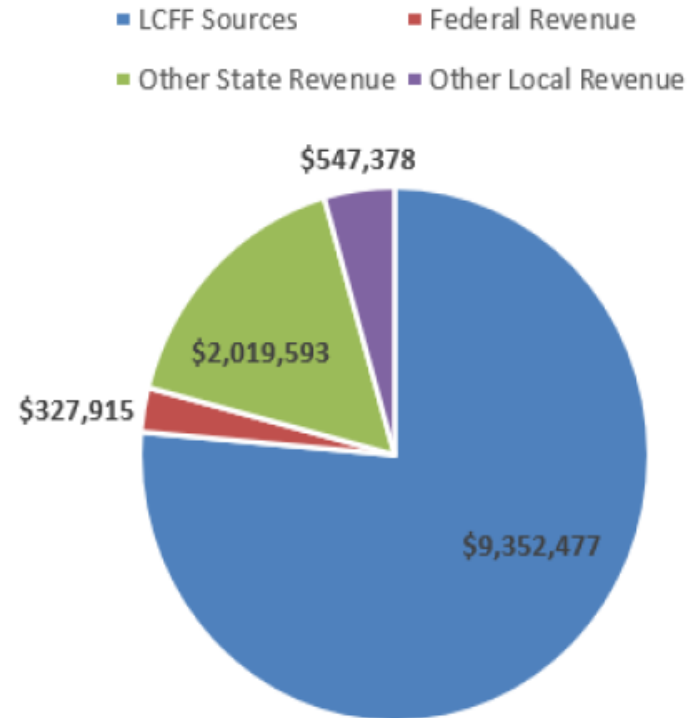
- 2022-23 statutory COLA of 6.56 %
- Augmentation to the calculated base of 6.70%

Future years estimates are provided by School Services of California and represent projections that are subject to change. While an increased COLA is welcomed, it does not outpace the loss in revenue from declining ADA.

	Year 1 -- 2nd Interim -- 2022-23	Year 2 -- Projection -- 2023-24	Year 3 -- Projection -- 2024-25
COLA Applied	13.26%	8.13%	3.54%
Augmentation	0.00%	0.00%	0.00%

# 2022-23 2nd Interim Projected General Fund Revenue

Revenue by Object	Dollars per ADA	Total Amount
LCFF Sources	\$ 13,292	\$ 9,352,477
Federal Revenue	\$ 466	\$ 327,915
Other State Revenue	\$ 2,870	\$ 2,019,593
Other Local Revenue	\$ 778	\$ 547,378
<b>Total Revenue</b>	<b>\$ 17,406</b>	<b>\$ 12,247,363</b>
Transfers In & Other Sources	\$ -	\$ -
<b>Total Resources</b>	<b>\$ 17,255</b>	<b>\$ 12,247,363</b>

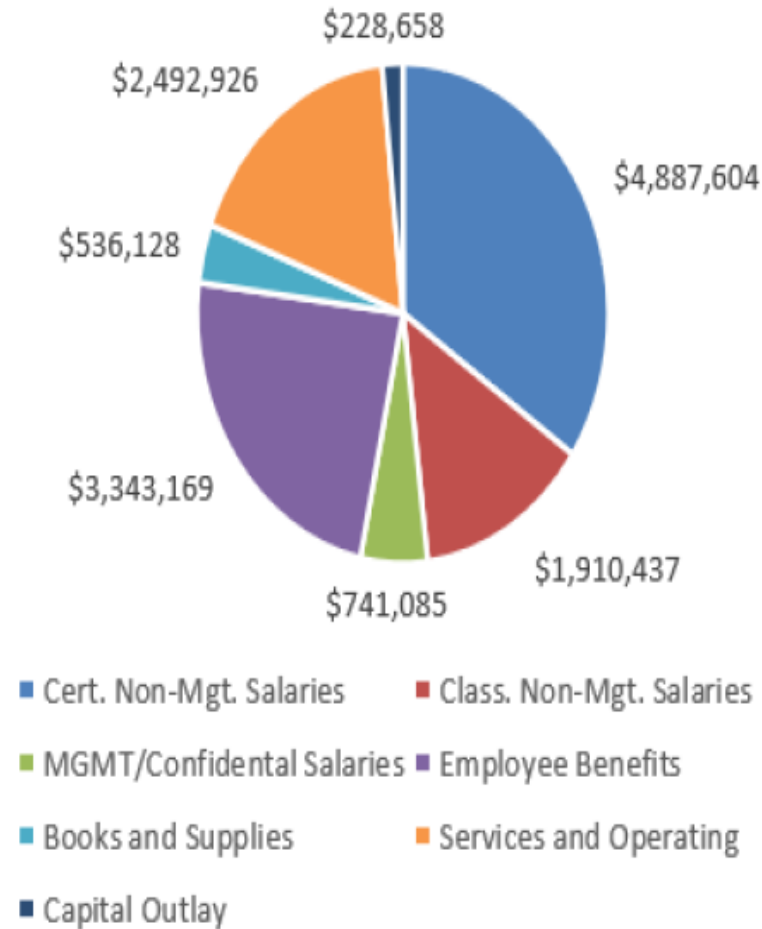


- Overall Revenue is up \$586,471 since 1<sup>st</sup> Interim due to the recognition of unbudgeted Basic Aid Supplemental Funding. The full amount of Basic Aid Supplemental will not be recognized until it is received. Under the direction of the Sonoma County Office of Education, the District should continue to recognize this funding as on-time and should use the funding on one-time purposes. For these reasons, only a portion of the funding is budgeted until it has been received.
- Property taxes are anticipated to increase in the current year but will be offset by declines in revenue generated by ADA.

- LCFF Sources include state revenue generated from ADA, Education Protection Account, Property Taxes, and Basic Aid Supplemental
- Federal Revenues include GEER I & II, ESSER II & III funding, Title I, II & IV Funding, and Funding for Special Education
- Other State Revenues include Lottery Monies, Mandated Block Grant, Extended Learning Opportunities Program, Special Education Early Intervention Preschool Grant, and the Special Education Learning Recovery Grant, Learning Recovery Emergency Block Grant, Arts Music & Instructional Materials Block Grant,
- Other Local Revenues includes GPA donations, RESIG safety dollars, field trip donations, SELPA special education transfers, and interest

## 2022-23 2nd Interim Projected General Fund Expenditures

Expenditures by Object	Dollars per ADA	Total Amount
Cert. Non-Mgt. Salaries	\$ 6,946	\$ 4,887,604
Class. Non-Mgt. Salaries	\$ 2,715	\$ 1,910,437
MGMT/Confidential Salaries	\$ 1,053	\$ 741,085
Employee Benefits	\$ 4,751	\$ 3,343,169
Books and Supplies	\$ 762	\$ 536,128
Services and Operating	\$ 3,543	\$ 2,492,926
Capital Outlay	\$ 325	\$ 228,658
Other Outgo	\$ -	\$ -
<b>Total Expenditures</b>	<b>\$ 20,096</b>	<b>14,140,007</b>
Transfers Out and Other	\$ 156	110,000
<b>Total Uses/Expenses</b>	<b>\$ 20,252</b>	<b>\$ 14,250,007</b>



- Overall Expenditures are up \$1,231,281 since the 1st Interim.
- Salary & Benefits categories have been updated to reflect the 12/16/2022 negotiated settlement with the Classified Bargaining Unit, GUCE and are up \$654,178 since 1<sup>st</sup> Interim Reporting.
- Increases in books, material and services/other operating expenses represent the offset for the additional grant funding from the state as well as one-time expenses for Chromebooks and Textbooks.
- The District receive final approval of the use of ESSER & GEER funding for the Gravenstein HVAC project in early March. Anticipate Capital Outlay expenditures to increase at Annual Reporting and are not included at 2<sup>nd</sup> Interim Reporting.

# TRANSFERS IN/OUT & CONTRIBUTIONS

## Transfers IN/OUT

- Transfers IN - \$0
- Transfers OUT - **\$110,000**
  - Fund 12 **\$70,000**
  - Fund 13 **\$40,000**

## Contributions from the General Fund to Support Programs

### Contributions from the General Fund to Charter Schools

- Gravenstein Elementary Charter School - **\$2,030,000**
- Hillcrest Middle School Charter Fund – **\$1,420,000**

### Contributions from the General Fund to Restricted Programs

- Required Routine Restricted Maintenance - **\$418,049**
- Special Education - **\$318,318**
- Field Trips - **\$131,114**
- Deferred Maintenance - **\$110,000**

# DEFICIT SPENDING

Deficit spending is projected in all three years:

2022/21	-\$2,002,644
2023/24	-\$2,902,331
2024/25	-\$2,514,127

Deficit spending is caused by:

1. Ongoing contributions to support ongoing deficit spending at Gravenstein Elementary School Charter -\$2,030,000, Hillcrest Middle School Charter -\$1,420,000
2. Transfers out to support other Funds totaling -\$110,000

3. COLA not keeping up with the increases in STRS & PERS:

<u>STRS rates%</u>	<u>Yearly Increase</u>	<u>PERS Rates %</u>	<u>Yearly Increase</u>
2022-23 is 19.10 %	\$194,453	2022-23 is 25.37 %	\$ 215,383
2023-24 projected at 19.10 %	\$ 97,240	2023-24 projected at 27.00 %	\$ 148,737
2024-25 projected at 19.10 %	\$ 20,423	2024-25 projected at 28.10 %	\$ 6,150

4. Additional Certificated staff time supporting the Enrich! program for all District students



# RESERVE ASSIGNMENTS FOR FISCAL STABILITY

Positive Certification is Recommended	Year 1 2nd Interim 2022-23	Year 2 Projection 2023-24	Year 3 Projection 2024-25
<b><u>Fund Balance</u></b>			
Beginning Balance	8,520,826	6,136,332	3,234,001
Audit Adjustment(s)	(381,850)		
<b>Net Ending Balance</b>	<b>6,136,332</b>	<b>3,234,001</b>	<b>719,875</b>
<b><u>Components of Ending Balance:</u></b>			
Revolving Cash (nonspendable)	5,000	5,000	5,000
Restricted: Prepaid Expenditures	-	-	-
Restricted	680,389	239,155	103,675
Textbook Adoptions Multi Year	350,000	-	-
Facilities Master Plan Approved Projects	250,000	-	-
STRS & PERS Increases 2 Years	110,000	-	-
Reserve for Enrichments 5 Years	1,500,000	400,000	-
Lesser of 2 M or 30% Rainy Day Reserve	2,000,000	2,000,000	-
Reserve for Econ.Uncert. (unassigned)	570,000	573,471	569,979
<i>Unassigned/Unappropriated Amount</i>	<i>670,943</i>	<i>16,375</i>	<i>41,220</i>
<b>Net Ending Balance</b>	<b>6,136,332</b>	<b>3,234,001</b>	<b>719,875</b>

Both lines are required to be positive for Positive Certification

# ADDITIONAL NOTES

## Other Notes

### **Economic Condition**

While State General Fund revenues are projected for 2022-23 to continue to be at an all-time high, this is in part due to the retrospective nature of funding for Local Educational Agency's (LEAs) under Proposition 98. Proposition 98 funding for the current period is below the expectations set at the Governor's adopted budget in large part to personal income and sales and use taxes performing below projections for the year. The Legislative Analyst Office's 2023-24 Budget outlook details a looming downturn in revenue creating a state budget deficit for the outgoing years driven in large part by persistently high inflation. The current state revenue forecast assumes slower economic growth; however, many economists believe that a mild recession will occur in 2023 or 2024. As a result, there is a risk of further state revenue shortfalls that could result in additional cuts to education spending. Spending on education represents 40% of the State's Budget, and thus COLA projections in the out years of the multi-year are substantially lower than the current year.

In more recent news, with the sudden closure of Silicon Valley Bank and subsequent market downturn, we should expect decreased revenue projections for the Governor's May Revision Budget if this level of speculation continues.



# Questions?