



Lowell Joint School District

Tradition of Excellence Since 1906

“Home of Scholars and Champions”

First Interim Financial Report as of October 31, 2022

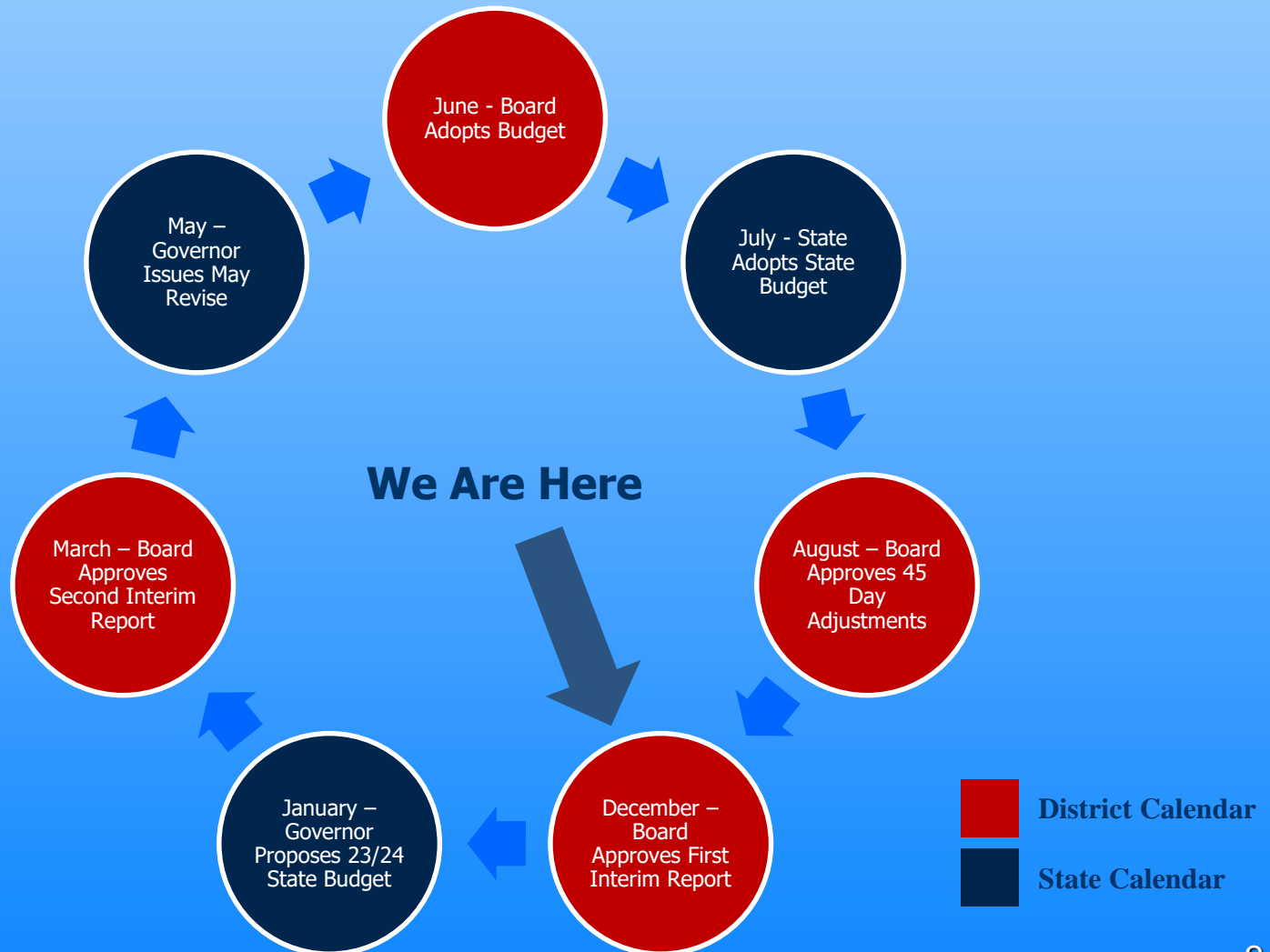
Presented to the Board of Trustees
December 12, 2022





2022/23

Annual Budget Cycle





2022/23 First Interim Assumptions

General Fund Revenue

- **Local Control Funding Formula (LCFF)**
 - **COLA 6.56% unchanged**
 - **LCFF Investment 6.70%**
 - **Supplemental Grant \$3.0 million**
 - **ADA: 3,025 3 year average (same as 20/21 funded ADA due to declining enrollment/ADA)**
 - **Official enrollment of 3,012 (October CBEDS) 35 students less than 2021/22 CBEDS of 3,047**
 - **Seat attendance has declined from traditional 97% to 95% as well, which negatively affects ongoing funding by approximately \$600,000 per year ☹**



2022/23 Revenue

	Adopted Budget	First Interim	Change
LCFF	\$ 30,836,281	\$ 32,936,548	\$ 2,100,267
Federal Income	\$ 2,373,272	\$ 3,918,895	\$ 1,545,623
Other State Income	\$ 970,670	\$ 7,103,650	\$ 6,132,980
Other Local Income	\$ 3,204,644	\$ 3,204,644	\$ 0
Sub Total	\$ 37,384,867	\$ 47,163,737	\$ 9,778,870
Interfund Transfer In	\$ 0	\$ 0	\$ 0
Total	\$ 37,384,867	\$ 47,163,737	\$ 9,778,870



2022/23 First Interim Assumptions

General Fund Revenue – Major Changes from Adopted Budget

- **LCFF Revenue** **+\$1.8M**
 - Additional COLA Investment
- **Federal Revenue** **+\$1.5M**
 - Recognized ESSER Funds
- **State Revenue** **+\$6.1M**
 - Learning Loss Recovery Grant
 - Arts/Music Instr. Mat. Grant



2022/23 First Interim Assumptions

General Fund Expenditures

➤ **Salary**

- **Budgeted per Board approved salary schedules**
- **January 1 minimum wage increase to \$15.50 for noon duty aides**
- **Step, Column and Longevity: Actuals for 2022/23**

➤ **Health and Welfare**

- **Maximum medical benefits package \$22,409**
- **STRS pension rate increase 2.18% (19.10% from 16.92%)**
- **PERS pension rate increase 2.46% (25.37% from 22.91 %)**



2022/23 First Interim Assumptions

General Fund Expenditures

➤ Supplies

- Elementary school site budgets at \$80 per student and \$127 at Rancho Intermediate per student (a 6% increase over prior year)
- 2021/22 Restricted Carryover, unrestricted school site/school donations carryover, and unused prior year federal and state awards are appropriated primarily in supply and/or services expenditure object codes



2022/23 Expenditures

	Adopted Budget	First Interim	Change
Certificated Salaries	\$ 17,180,296	\$ 17,366,331	\$ 186,035
Classified Salaries	\$ 6,016,319	\$ 6,046,194	\$ 29,875
Employee Benefits	\$ 10,641,722	\$ 10,638,530	\$ (3,192)
Books & Supplies	\$ 1,691,230	\$ 5,613,211	\$ 3,921,981
Services/Operating Exp.	\$ 2,543,759	\$ 7,232,790	\$ 4,689,031
Capital Outlay	\$ 11,970	\$ 6,000	\$ (5,970)
Other Outgo/Xfers Out	\$ 192,852	\$ 192,852	\$ 0
Total	\$ 38,278,148	\$ 47,095,908	\$ 8,817,760



2022/23 First Interim Assumptions

General Fund Expenditures Changes from Adopted Budget

- **Certificated Salaries – No Significant Change**
- **Classified Salaries - No Significant Change**
- **Statutory and Health Benefits - No Significant Change**
- **Supplies +\$3.9M**
 - Site & Categorical Carryover
- **Services/Operating +\$4.7M**
 - Carryover & Allocation of Restricted Balances
- **Capital Outlay, Other Outgoing,
Transfers In/Out - No Significant change**



2022/23 First Interim Assumptions

General Fund Reserve

- **The Designation For Economic Uncertainties Reserve is 5% per board policy (state minimum is 3%)**
- **This additional 2% above the state required minimum is approximately \$900,000**
- **If the district were to reserve one month's payroll, the total would be 8% (approximately \$2,900,000)**
- **U.S. General Services Administration recommends 17% reserves**



2022/23 First Interim Assumptions

General Fund Reserve

- Reserve “cap” of 10% of “non-committed” General funds effective beginning with the 2022/23 Adopted Budget
- A resolution is required to commit, and un-commit, funds above 10% reserves for future identified needs to maintain compliance with this new requirement
- Annual Retiree Health and Welfare Liability Deposit into Irrevocable Trust of \$100,000
- Significant reduction in reserves has a negative impact on credit rating for future general obligation bond issuances.



Multi-year Projections

Revenue Assumptions

(Subsequent Years)

➤ Local Control Funding Formula:

➤ COLA

5.38% in 2023/24

4.02% in 2024/25

➤ ADA

- **No ADA change in 2023/24 due to seat attendance instability. Current 95% vs Historic 97%**
- **No ADA change in 2024/25 (wait to see what occurs in 23/24 enrollment)**



Multi-year Projections

Revenue Assumptions

(Subsequent Years)

- **Learning Loss Recovery Grant Removed (\$3.2M)**
- **Arts & Music Instructional Materials Grant Removed (\$1.9M)**
- **Proposition 28 – Arts Education Funding (\$482K ongoing)**
- **Other one-time pandemic funds continue to support permanent staff and web based subscriptions into 23/24**



Multi-year Projections

Expense Assumptions

(Subsequent Years)

➤ 2023/24 Salaries and Employee Benefits

- 1.5% Certificated step and column costs
- 1.9% Classified step and longevity costs
- 0.4% Non-unit step and longevity costs
- 6.0% Increase in employee health and welfare benefits
- LJEA step/column costs assume 2 teacher retiree savings
- STRS pension projected at 19.1% (no change from 22/23)
- PERS pension decrease 0.17% (25.20% from 25.37%)
- Add One Dual Language teacher for fifth grade class
- Add two Pre-School teachers
- Furniture replacement
- Vehicle replacement



Multi-year Projections

Expense Assumptions

(Subsequent Years)

➤ 2023/24 Other District Expenses

\$100,000 Special education encroachment increase

+\$50,000 November 2022 Board election cost added

➤ 2023/24 Consumer Price Index (CPI) 2.58% cost increase for supplies, services, utilities, contracted services, insurance services, non-public schools

➤ 2024/25 Consumer Price Index (CPI) 2.20%



Multi-year Projections

Expense Assumptions

(Subsequent Years)

- **2024/25 Salaries and Employee Benefits**
 - **1.5% Certificated step and column costs**
 - **1.9% Classified step and longevity costs**
 - **0.4% Non-unit step and longevity costs**
 - **6.0% Increase in employee health and welfare benefits**
 - **LJEA step/column costs assume 2 teacher retiree savings**
 - **STRS pension projected at 19.1% (no change from 23/24)**
 - **PERS pension decrease 0.60% (24.60 from 25.20%)**
 - **Add one Dual Language FTE for sixth grade class**
 - **Add two Pre-School teachers**
 - **Furniture replacement**
 - **Vehicle replacement**



Multi-year General Fund Summary

Change in Fund Balance	\$ 67,829	\$ (1,304,532)	\$ (1,085,339)
Beginning Balance	\$ 14,137,137	\$ 14,204,966	\$ 12,900,434
Ending Balance	\$ 14,204,966	\$ 12,900,434	\$ 11,815,095
Components of Fund Balance			
Reserved/Restricted Amounts			
Economic Uncertainties	\$ 2,354,795	\$ 2,202,864	\$ 2,261,668
Other Commitments	\$ 11,116,632	\$ 10,697,570	\$ 9,553,427
Revolving Cash & Restricted	\$ 733,539	\$ 0	\$ 0
Undesignated Amount	\$ 0	\$ 0	\$ 0



Surplus/Deficit Spending

- **One-Time Pandemic Funding is done**
- **Funding ongoing programs with one-time funds is not sustainable**
- **Appropriation of categorical and school site carryover also increases expenditures in the current year**
- **Attendance is not returning to pre-pandemic levels ☹**



Future Considerations....

- **Governor's State budget projections for 2023/24 will be released in January, 2023**
- **The Legislative Analyst's Office**
 - **Revenue report predicts a \$25B deficit for the California State Budget**
 - **Projected \$2.6B deficit for California Public Schools**
 - **“Elevated Risk of recession in 2023”**



Facilities

- Voters approved a \$48 million general obligation bond – MEASURE LL November 2018 with overwhelming support!
- Second and FINAL debt issuance in November 2020 **saved local taxpayers over \$5.1 million** 😊
- Progress continues on projects!
- The renovated Maybrook campus is hosting Meadow Green staff and students while their campus is updated with new roofing and HVAC, fire alarm, storm drain, and new sewer lines.
- Rancho Starbuck is expected to take its turn in 23/24



Facilities (continued)

- **State match money status**
 - All seven school sites have the first step completed: eligibility calculations for match amount
 - As plans are approved by DSA and CDE, they then go in the funding pipeline for match money
 - Olita was submitted a few years ago and matching funds of **\$3.3 million** were received in December **2021** 😊
 - Macy is submitted for match money (\$3.6 million) and is on the waiting list – won't be reviewed until additional state funds are available
 - Total of approximately \$20M in state match eligibility



Facilities (continued)

- **Special Reserve Fund receives ongoing lease income and contains sale of Carden property funds**
 - **This income supports deferred maintenance and repairs expenses**
 - **Ongoing annual lease income will be approximately \$670,000 (Starbuck property- leased to Whittier Christian HS)**



Nutrition Services Fund

- **This federal program now requires a maximum of 6 months operating expenses in reserves:**
 - **We continue to plan deficit spending for supplies and equipment to reduce reserves to meet this maximum**
 - **Custodial salaries charged to this fund began in 2019/20 for the portion of daily time cleaning during and after lunch service. This added approximately \$120,000 in expense to this fund, so additional reserves should be reduced or eliminated going forward.**



Child Development Fund

- **Brand new fund dedicated to revenue and expenditures for the early learning programs**
- **There has been high demand for these programs**
- **Forecast adding 2 classes in 23/24 and in 24/25**



First Interim Financial Report Certification of Financial Condition

Positive Certification

‘As president of the governing board of this school district, I certify that this district will be able to meet its financial obligations for the current fiscal year and subsequent two fiscal years.’

Qualified Certification

‘As president of the governing board of this school district, I certify that this district may not meet its financial obligations for the current fiscal year and subsequent two fiscal years.’

Negative Certification

‘As president of the governing board of this school district, I certify that based upon current projections this district will be unable to meet its financial obligations for the remainder of the fiscal year or for the subsequent fiscal year.’



QUESTIONS?