



Lowell Joint School District

Tradition of Excellence Since 1906

“Home of Scholars and Champions”

2023-24

Proposed Annual Budget Report

Presented to the Board of Trustees
June 12, 2023





2023-24 Annual Budget Cycle





2023-24 Budget Assumptions

General Fund Revenue

- **Local Control Funding Formula (LCFF)**
 - COLA 8.22%
 - Base Grant \$29.7 Million
 - Supplemental Grant \$3.5 million
 - ADA: 2,949 (3 year average) (Actual 22-23 ADA=2,826.87)
 - Official enrollment of 3,020 (Through April, 2023)
 - Seat attendance has declined from traditional 97-98% to 93.3%, which negatively affects ongoing funding by approximately \$1,050,000 per year



2023-24 Budget Revenue

	2022-23 Estimated Actuals	2023-24 Proposed Budget	Change
LCFF	\$ 33,359,234	\$ 35,414,827	\$ 2,055,593
Federal Income	\$ 3,954,571	\$ 3,026,539	\$ (928,032)
Other State Income	\$ 6,907,089	\$ 1,252,484	\$ (5,654,605)
Other Local Income	\$ 3,712,910	\$ 3,670,975	\$ (41,935)
Sub Total	\$ 47,933,804	\$ 43,364,825	\$ (4,568,979)
Interfund Transfer In	\$ 0	\$ 0	\$ 0
Total	\$ 47,933,804	\$ 43,364,825	\$ (4,568,979)



2023-24 Budget Revenue

General Fund Revenue

Major Changes from 2022-23 Estimated Actuals

- **LCFF Revenue** **+\$2.1M**
 - Increased COLA
 - ADA Hold Harmless

- **Federal Revenue** **<\$900K>**
 - One-Time Federal COVID Funds Expiring

- **State Revenue** **<\$5.7M>**
 - One-Time State Funds Expiring
 - Arts/Music Instructional Materials Grant Reduction



2023-24 Budget Assumptions

General Fund Expenditures

- **Local Control Accountability Plan (LCAP)**
- **Salaries**
 - **Budget per Board Approved Salary Schedules**
 - **Minimum Wage Increase to \$16.00 on January 1, 2024**
 - **Step, Column and Longevity: Actuals for 2022-23**
- **Health and Welfare**
 - **Maximum medical benefits package remains at Kaiser Family Rate**



2023-24 Budget Assumptions

General Fund Expenditures

➤ Pension Costs

- **STRS pension rate of 19.10% (Unchanged from 2022-23)**
 - Increases \$50,000 due to Step and Column movement
- **PERS pension rate increase 1.31% (26.68 from 25.37%)**
 - Approximate \$80,000 increase

➤ Supplies

- **Elementary school site budgets at \$80 per student and \$127 at Rancho Intermediate per student (a 6% increase over prior year)**
- **2022-23 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**
- **Department Budgets Increase by Consumer Price Index of 3.54%**



2023-24 Budget Assumptions

General Fund Expenditures

➤ Utilities

- Increasing rates

➤ Insurance

- Increases (property value increase, pool rate increase, excess insurance carrier increase (fires, cybersecurity, abuse claims))



2023-24 Budget Expenditures

	2022-23 Estimated Actuals	2023-24 Proposed Budget	Change
Certificated Salaries	\$ 17,475,779	\$ 18,212,940	\$ 737,161
Classified Salaries	\$ 6,153,703	\$ 6,265,126	\$ 111,423
Employee Benefits	\$ 10,696,386	\$ 10,639,264	\$ (57,122)
Books & Supplies	\$ 4,732,818	\$ 2,892,414	\$ (1,840,404)
Services/Operating Exp.	\$ 7,107,978	\$ 3,588,357	\$ (3,519,621)
Capital Outlay	\$ 48,000	\$ 101,699	\$ 53,699
Other Outgo/Xfers Out	\$ 334,047	\$ 339,622	\$ 5,575
Total	\$ 46,548,711	\$ 42,039,422	\$ (4,509,289)



2023-24 Budget Assumptions

General Fund Expenditures

Changes from 2022-23 Estimated Actuals

- **Certificated Salaries** **+\$737K**
 - Step & Column and additional teachers
- **Classified Salaries** **+\$154K**
 - Step & Column
 - Added M&O and Positions
- **Statutory and Health Benefits - No Significant Change**
- **Books & Supplies** **<\$1.8M>**
 - Reduction of Grant Funded Expenditures and one time dollars
- **Services/Operating** **<\$3.5M>**
 - Reduction of Grant Funded Expenditures and one time dollars
- **Capital Outlay – No Significant Change**
- **Other Outgoing, Transfers In/Out - No Significant change**



2023-24 Budget Assumptions

General Fund Reserve

- **Ending balance projected at \$ 16.8 Million**
- **The Designation For Economic Uncertainties Reserve is 5% per board policy (state minimum is 3%)**
- **Education Code 42127(a)(2)(B&C) requires explanation of amounts above 3%. This additional 2% above the state required minimum is approximately \$927,000**
- **If the district were to reserve one month's payroll, the total would be 8% (approximately \$3,000,000)**
- **U.S. General Services Administration recommends 17% reserves**



2023-24 Budget Assumptions

General Fund Reserve

- **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.**



Cost of Declining Enrollment/ADA

➤ Example:

➤ 2022-23

- Enrollment of 3,050
- ADA of 98% = \$27.8M
- ADA of 93% = \$26.4M

➤ 2023-24 – COLA 8.22%

- Enrollment of 3,000
- ADA of 98% = \$29.6M
- ADA of 93% = \$28.1M

➤ The increase of \$1.7M is 6.4%, not 8.22%

- This is before factoring for PERS and H&W increases



Multi-year Projections

Revenue Assumptions

(Future Years)

- **Local Control Funding Formula Sources:**
 - **COLA**
 - 8.22% in 2023-24
 - 3.94% in 2024-25
 - 3.29% in 2025-26
 - 3.19% in 2026-27
 - **ADA**
 - Reduce ADA by 10 in 2024-25 due to seat attendance instability (94% vs Historic 97%)
 - No ADA change in 2025-26 (wait to see what occurs in 2023-24 enrollment)



Multi-year Projections

Revenue Assumptions

(Future Years)

- **One-Time Learning Loss Recovery Grant Removed (\$3.2M)**
- **One-Time Arts & Music Instructional Materials Grant Reduced/Removed (\$900K)**
- **Proposition 28 – Arts Education Funding (\$460K ongoing)**
- **Other one-time pandemic funds continue to support permanent staff and web based subscriptions into 23/24**



Multi-year Projections

Expenditure Assumptions

(Subsequent Years)

➤ 2024-25 Other District Expenses

- \$100,000 Special education contribution increase**
- 2024-25 Consumer Price Index (CPI) 3.02% cost increase for supplies, services, utilities, contracted services, insurance services, non-public schools**
- 2025-26 Consumer Price Index (CPI) 2.64%**
- \$50,000 November 2024 Board election cost added**



Multi-year Projections

Expenditure Assumptions

(Future 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 22/23)**
 - **PERS pension increase of 1.02% (27.70% from 26.68%)**
 - **Add One Dual Language teacher for fifth grade class**
 - **Add two Pre-School teachers**
 - **Furniture replacement**
 - **Vehicle replacement**
 - **Chromebook Replacement**
 - **Irrevocable Trust Payment**



Multi-year Projections

Expense Assumptions

(Subsequent Years)

- **2025-26 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 increase of 1.30% (28.30 from 27.00%)**
 - **Add one Dual Language FTE for sixth grade class**
 - **Add two Pre-School teachers**
 - **Furniture replacement**
 - **Vehicle replacement**
 - **Chromebook Replacement**
 - **Irrevocable Trust Payment**



Multi-year General Fund Summary

	2023-24 Proposed Budget	2024-25 Projected Budget	2025-26 Projected Budget
Total Revenue and Transfers In	\$ 43,364,825	\$ 42,569,366	\$ 43,259,721
Total Expenditures & Outgoing	\$ 42,039,422	\$ 45,106,996	\$ 46,056,548
Change in Fund Balance	\$ 1,325,403	\$ (2,537,630)	\$ (2,796,827)
Beginning Balance	\$ 15,522,230	\$ 16,847,633	\$ 14,310,003
Ending Balance	\$ 16,847,633	\$ 14,310,003	\$ 11,513,176
Components of Fund Balance			
Reserved/Restricted Amounts	\$ 2,075,654	\$ 1,075,654	\$ 75,654
Economic Uncertainties	\$ 2,101,971	\$ 2,255,350	\$ 2,302,827
Assignments/Commitments	\$ 11,116,632	\$ 6,808,000	\$ 5,808,000
Revolving Cash	\$ 30,000	\$ 30,000	\$ 30,000
Undesignated Amount	\$ 1,523,376	\$ 4,140,999	\$ 3,296,695



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....

- **Updates to the District budget will be provided at the August 7, 2023 Board meeting after the State budget is adopted.**

- **The Legislative Analyst's Office**
 - **Revenue report predicts a \$31B deficit for the California State Budget**
 - **Deficit is being addressed through cuts in the out years**
 - **Projected \$2.0B 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 preparing to host Rancho Starbuck Intermediate School for the 2023-24 school year while their campus is updated with new roofing, HVAC, fire alarm, electrical, and sewer lines where necessary.**



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)**



2023-24 Facilities Funds

➤ **Four Funds**

- Deferred Maintenance – planned maintenance projects
- Capital Facilities - developer fees for student growth impacts
- Special Reserve for Capital Outlay – capital facilities projects
- Building Fund – General Obligation Bond projects
 - Measure LL projects are accounted for here!
 - \$48 million was authorized by voters in November 2018
 - \$14 million was issued in July, 2019
 - \$34 million issued in October, 2020
 - Maybrook, Olita, El Portal, Jordan, Macy, and Meadow Green completed so far. Rancho Starbuck begins in the Summer, 2023.



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.**
- **Increased Cafeteria Worker hours from 2.0 to 3.75**
- **Nutrition Services continues to operate profitably with no contributions necessary from the General Fund**



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 classes in 2024-25**



2023-24 Multi-Year Projection Budget Report

Approval of the District's 2023-24
Proposed Adopted Budget is
Recommended



2023-24 Multi-Year Projection Budget Report

A sincere “Thank You” to the
Business Services Team!

Chelle Price – Director of Fiscal Services

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Darlene Hernandez

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Jeanette Trevino



QUESTIONS?