

Sonora Union High School District

First Interim Budget Report for Fiscal Year 2022-23

EXECUTIVE SUMMARY

December 12, 2022

Board of Trustees

Nancy Scott, Board President

Keith Arnett, Board Member

Carla Bull, Board Member

Mike Holland, Board Member

David Wheeler, Board Member

Administration

Ed Pelfrey, Superintendent



INTRODUCTION:

The Executive Summary is an overview of the financial data reported in the Standardized Account Code Structure (SACS). It is to assist the Board and the public in understanding the information being reported on the SACS forms that are attached for review. The Sonora Union High School District (SUHSD) First Interim Budget Report for 2022-23 fiscal year is the first of two interim budget reports required each year by the California Education Code Section 42130.

The purpose of the First Interim is a revision of this year’s budget and shows the financial and budgetary status of the district for the period ending October 31, 2022. The report is a snapshot in time for which adjustments have been made and a time to discuss changes from the Adopted budget report. This report shows the Board where the district’s budget stands compared to what was originally budgeted regarding income and expenditures.

SUMMARY OF CHANGES SINCE ADOPTED BUDGET REPORTING

ENROLLMENT AND AVERAGE DAILY ATTENDANCE (ADA):

Enrollment for SUHSD on October 5, 2022 (Census Day) was 1087 which is an increase of 67 students from the projections at budget. The Average Daily Attendance has also increased significantly due to less impacts of COVID-19 restrictions than when the budget was being built when it was unknown if students were going to have to isolate and/or quarantine. As of November 30, 2022 the ADA is 988.69 compared to the Original Budget projection of 871.50. That puts the District-wide ADA at 91%. These numbers will be certified at P-1 and then be adjusted again at P-2. The District ADA has significant impacts for the funding of SUHSD because we have switched funding models for the 2022-23 year and beyond from being a Basic Aid District (Community Funded) that heavily relied on local property tax for revenues, and are now an LCFE (Local Control Funding Formula) Funded District.

CALPERS RATE ADJUSTMENT:

During budget projections in April we were advised to budget CalPERS at a rate of 26.1%. When CalPERS announced the new rate, the employer rate was decreased to 25.370%. This adjustment resulted in a \$28,650 savings.

Budget	Actuals	Difference
\$719,489	\$690,839	\$28,650

WORKERS COMPENSATION:

Workers Compensation costs decreased from budget projection to result in a slight decrease of \$7,187.

Budget	1st Interim	Group	
\$68,226	\$64,065	Certificated	
<u>\$40,255</u>	<u>\$37,229</u>	<u>Classified</u>	
\$108,481	\$101,294	Difference	\$7,187

REVENUES

New Restricted One-Time Funding:

These funds are subject to the parameters outlined by the California Department of Education (CDE). The following one-time grants have been approved by the state since July 1, 2022 when our budget was approved therefore, they were not included in the District's budget:

Learning Recovery E Block Grant Award Amount: \$720,694

Art, Music, I Discretionary Block Grant Award Amount: \$511,213

These revenues have been included in the Restricted General Fund for First Interim.

Property Taxes:

The County Auditor-Controller anticipates 3% growth in property taxes for 2022-23 an additional 3% growth for 2023-24, and flat for 2024-2025. Because we have changed from a Basic Aid (Community Funded) District to an LCFF Funded District due to the unprecedented raise in the Base Grant for the 2022-23 year, the property taxes that used to significantly fund the district now do not equal the funding level required by the state. Therefore, we receive more funding through the LCFF to make up the difference.

LCFF Sources:

Because of the change in becoming LCFF Funded, there was an increase of 6.0% in LCFF revenue. This 6% includes an increase in our Local Control and Accountability Plan (LCAP) from \$841,934 to \$879,726 that is to be spent on students that fall under the Supplemental Grant to target more specific needs.

Local Revenue:

Local Restricted revenues show a 237.1% increase of \$126,811 which is in correlation to the current change of the District paying 100% of several students that are in need of special services. The District is currently invoicing the County SELPA for reimbursement of 70% of these services. This will be reflected in additional Restricted expenditures for services.

General Fund Unrestricted and Restricted Revenues Changes

REVENUE	Adopted Budget 2022-23	1st Interim Report 2022-23	Budget vs 1st Interim
LCFF	\$12,247,000	\$12,981,726	\$734,726
Federal	\$56,528	\$56,528	\$0
Other State	\$200,531	\$226,553	\$26,022
Other Local	\$1,065,361	\$1,048,184	-\$17,177

Fund Transfers

Because the State extended free meals for all students, we did not need to make the budgeted \$50,000 transfer from the General Fund 01 to Fund 13.

The Adult Education Block Grant increased which makes it now fully fund the Adult Education program. Because of this, we did not need the budgeted transfer of \$26,119.71 from the General Fund 01 to Fund 11.

EXPENDITURES

Personnel Changes Affecting Projected Budget:

Classified Budgeted FTE – 58.49 Classified 1st Interim FTE – 58.93

Additional Approved FTE:

- 3.0 Hours Paraprofessional Bilingual Preferred*
- 4.5 Hours Campus Supervisor*
- 2.0 Hours Senior Office Specialist - Transportation*
- 1.0 Hour Food Service Worker*

Reduced FTE Since Budget:

6.96 Hours in Special Education Bus Drivers (*budgeted at 6/hours per driver*)

Certificated Budgeted FTE – 57.21 Certificated 1st Interim FTE – 58.41

Additional Approved FTE Since Budget:

- 0.2 FTE Adaptive PE*
- 0.2 FTE Cassina Teacher*
- 0.2 FTE Drama*
- 0.4 FTE English*
- 0.2 FTE Social Studies*

General Fund Unrestricted and Restricted Expenditure Changes

EXPENDITURES	Adopted Budget 2022-23	1st Interim Report 202122	1st Interim vs Budget Variance
Certificated Salaries	\$4,887,080	\$5,099,649	\$212,569
Classified Salaries	\$2,910,160	\$3,110,350	\$200,191
Employee Benefits	\$3,750,442	\$3,844,384	\$93,923
Books & Supplies	\$1,085,144	\$1,208,395	\$123,250
Services & Operations	\$1,796,315	\$2,063,006	\$266,691
Capital Outlay	\$134,100	\$341,788	\$207,688

Unrestricted Increased Spending: \$291,065.26
Restricted Increased Spending: \$894,550.41
Total Restricted and Unrestricted Increase: \$1,185,615.67

MULTI-YEAR PROJECTION ASSUMPTIONS

For the Multi Year Projection the following were changes taken into consideration based on the latest information available from Business and Administration Steering Committee (BASC) and the Legislative Analyst’s Office (LAO).

PLANNING FACTORS	2022-23	2023-24	2024-25
LCFF COLA	5.07%	5.38%	4.02%
LCFF Investment	6.70%	0.00%	0.00%
STRS Employer Rates	19.10%	19.10%	19.10%
PERS Employer Rates	25.37%	25.20%	24.60%
Lottery - Unrestricted per ADA	\$170	\$170	\$170
Lottery - Prop. 20 per ADA	\$67	\$67	\$67
Mandated Block Grant 9-12 per ADA	63.17	64.74	66.75

STRS & PERS PENSION PROJECTIONS:

Increases to the employer contributions to the Public Employees Retirement System (PERS) continue to be of concern as depicted below:

PENSION	2021-22	2022-23	2023-24	2024-25
CalSTRS Employer Rate	16.92%	19.10%	19.10%	19.10%
CalPERS Employer Rate	22.91%	25.37%	25.20%	24.60%

Rates in the 2023-24 years and beyond are estimates and subject to change based on determination by the respective governing boards. Increases to employer contributions of both systems have continued to affect expenditures.

SPECIAL EDUCATION LOCAL PLAN AREA (SELPA):

The SELPA estimated special education projected increases are at least 6%-8% for the 2023-24 year and again at least 6%-8% for 2024-25. We increased expenditures by \$86,798 from the budget to reflect the SELPAs 1st Interim adjustments.

STATUS OF NEGOTIATIONS:

Because Classified negotiations for the 2021-22 year were not determined by the end of the 2021-22 fiscal year, they were not reflected in the 2022-23 budget but are now included as additional expenditures in 1st Interim.

The 2022-23 negotiations for all bargaining groups have not started so there are currently no costs added to the Multi-Year Projection to reflect any increase in salaries or benefits.

CASH POSITION:

Currently SUHSD has sufficient cash reserves to meet its obligations. A cash-flow analysis projecting cash balances through the end of the fiscal year has been prepared and is included in this report. Because the District is being funded through LCFF, the revenue is apportioned more often than just December and April when taxes are collected. Because of this the \$1,000,000 intra-fund transfer from Fund 17 to the General Fund (01) to cover cash flow that has occurred for several years will not need to occur.

FUND BALANCE/RESERVES

Unaudited Actuals:

Increase in Unrestricted Reserves: \$626,069.30

Increase in Restricted Reserves: \$294,100.40

Total Increase in Reserves: \$920,169.70

Current Projected Deficit Spending:

Unrestricted: None

Restricted: None

Total projected decrease in reserves: None

Current Projected Increase/Decrease in Fund Balance for the 2022/23 Fiscal Year:

Unrestricted: \$597,475.65

Restricted: \$1,988,351.51

Total Projected Increase: \$2,585,837.16

Total Available Reserves: \$2,879,549.72

Total Assigned: \$2,668,569.55

Total Available Reserve by Percent: 17.81%

This District saw an increase in Unrestricted reserves at Unaudited Actuals due to decreased excess special education costs, some COVID-19 monies being spent on salary savings for COVID-19 related expenses, no deficit spending, and an increase in LCFF funding without current expenditures tied to the increase in revenues which all comes together to currently help the District Reserves.

Board Policy 3100 states that the district's Reserve for Economic Uncertainties (REU) will consist of no less than 12 percent of the General Fund expenditures. The current projected assigned to REU is \$2,747,829.00 which consists of 17 percent meeting Board Policy 3100.

Board Policy 3100 states that the district will maintain a separate reserve for district cash flow consisting of no less than 10 percent of General Fund expenditures. Fund 17 consists of \$1,802,099.64 which is 11 percent meeting Board Policy 3100.

SUMMARY:

It has been several years that we have been on the cusp of bordering as an LCFF funded District. The last several years have seen the district with always more property taxes to have kept us a Community Funded which eased the revenue burden that the COVID-19 pandemic brought.

This year with the unprecedented Base Grant increase, it has pushed us back into being funded through the LCFF, although we do not see such a windfall as we were receiving excess property tax revenues. Many districts around the state saw a windfall of unrestricted money through the increased Base Grant, whereas receiving excess property tax SUHSD did not see a windfall but did have a significant increase in LCFF revenues. This is always a good thing for a school district, especially the one we call ours, as we empower students to be academically excellent, career and/or college ready, and hold ourselves to be accountable, respectful and engaged citizens.

Based on this First Interim Report, it is recommended the Board of Trustees approve a **positive** certification that our District will be able to meet its financial obligations for the current year and subsequent two years.