



# Lowell Joint School District

Tradition of Excellence Since 1906

*“Home of Scholars and Champions”*

## Second Interim Financial Report as of January 31, 2023

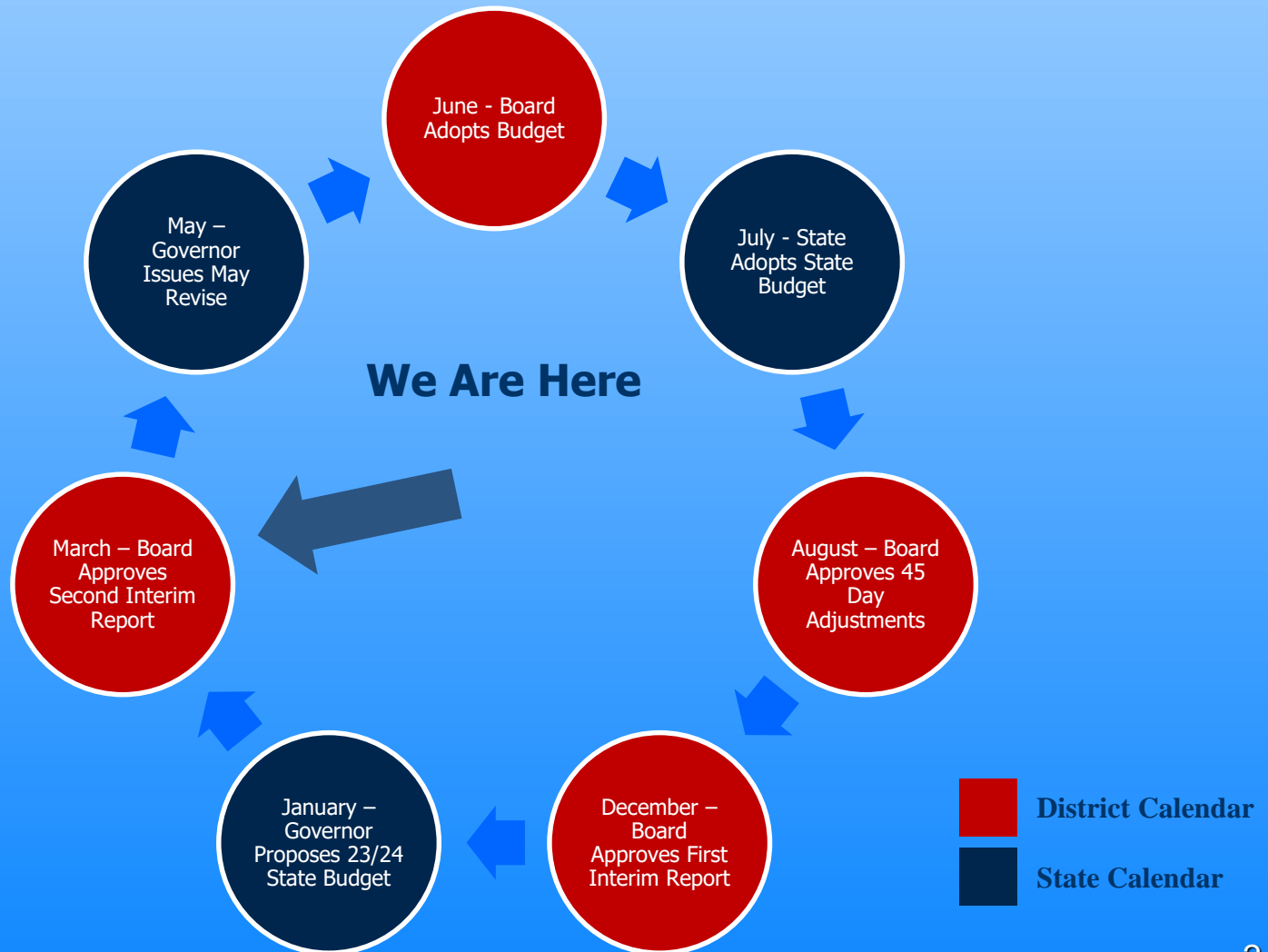
Presented to the Board of Trustees  
March 6, 2023





# 2022/23

## Annual Budget Cycle





# 2022/23 Second Interim Assumptions

## General Fund Revenue

- **Local Control Funding Formula (LCFF)**
  - **COLA 6.56% (unchanged)**
  - **LCFF Investment 6.70% (unchanged)**
  - **Supplemental Grant \$3.0 million**
  - **ADA: 3,004 (3 year average)**
  - **ADA Actual: 2,819.10**
  - **Official enrollment of 3,011 (Through January, 2023)  
38 students less than 2021/22 CBEDS of 3,047**
  - **Seat attendance has declined from traditional 97% to 93.6% as well, which negatively affects ongoing funding by approximately \$1,050,000 per year**



# 2022/23 Revenue

	First Interim	Second Interim	Change
LCFF	\$ 32,936,548	\$ 32,670,033	\$ (266,515)
Federal Income	\$ 3,918,895	\$ 3,940,649	\$ 21,754
Other State Income	\$ 7,103,650	\$ 6,717,694	\$ (385,956)
Other Local Income	\$ 3,204,644	\$ 3,329,735	\$ 125,091
<b>Sub Total</b>	<b>\$ 47,163,737</b>	<b>\$ 46,658,112</b>	<b>\$ (505,625)</b>
Interfund Transfer In	\$ 0	\$ 0	\$ 0
<b>Total</b>	<b>\$ 47,163,737</b>	<b>\$ 46,658,112</b>	<b>\$ (505,625)</b>



# 2022/23 Second Interim Assumptions

## General Fund Revenue – Major Changes from First Interim

- **LCFF Revenue** **<\$266.5K>**
  - Declining Enrollment
  
- **State Revenue** **<\$386K>**
  - Arts/Music Instructional Materials Grant Reduction
  
- **Local Revenue** **+\$126K**
  - Increase in Interest



# 2022/23 Second Interim Assumptions

## General Fund Expenditures

### ➤ **Salary**

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

### ➤ **Health and Welfare**

- **Maximum medical benefits package \$24,682**

### ➤ **STRS pension rate increase 2.18% (19.10% from 16.92%)**

- **Approximate \$380,000 increase**

### ➤ **PERS pension rate increase 2.46% (25.37% from 22.91 %)**

- **Approximate \$150,000 increase**



# **2022/23 Second 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

	First Interim	Second Interim	Change
Certificated Salaries	\$ 17,366,331	\$ 17,475,779	\$ 109,448
Classified Salaries	\$ 6,046,194	\$ 6,153,703	\$ 107,509
Employee Benefits	\$ 10,638,530	\$ 10,696,386	\$ 57,856
Books & Supplies	\$ 5,613,211	\$ 5,489,530	\$ (123,681)
Services/Operating Exp.	\$ 7,232,790	\$ 6,847,428	\$ (385,362)
Capital Outlay	\$ 6,000	\$ 100,000	\$ 94,000
Other Outgo/Xfers Out	\$ 192,852	\$ 192,852	\$ 0
<b>Total</b>	<b>\$ 47,095,908</b>	<b>\$ 46,955,678</b>	<b>\$ (140,230)</b>





# 2022/23 Second Interim Assumptions

## General Fund Expenditures Changes from First Interim

- **Certificated Salaries – No Significant Change**
- **Classified Salaries**
  - Added M&O Position
  - Reclassification of Directors
- **Statutory and Health Benefits - No Significant Change**
- **Books & Supplies <\$124K>**
  - Reduction of Grant Funded Expenditures
- **Services/Operating <385K>**
  - Reduction of Grant Funded Expenditures
- **Capital Outlay +\$94K**
  - **Equipment Purchases**
- **Other Outgoing, Transfers In/Out - No Significant change**



# 2022/23 Second 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 \$940,000**
- **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 Second 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**
    - 8.13% in 2023/24 (increase from 5.38%)
    - 3.54% in 2024/25 (decrease from 4.02%)
    - 3.31% in 2025/26 (decrease from 3.72%)
  - **ADA**
    - Reduce ADA by 10 in 2023/24 due to seat attendance instability (94% 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 (\$1.2M)**
- **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

## Expenditure 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 increase of 1.63% (27.00% from 25.37%)**
  - **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**

## **Expenditure Assumptions**

**(Subsequent Years)**

- **2023/24 Other District Expenses**  
**\$100,000 Special education contribution increase**
- **2023/24 Consumer Price Index (CPI) 3.44% cost increase**  
**for supplies, services, utilities, contracted services, insurance**  
**services, non-public schools (Increase from 2.58% at FI)**
- **2024/25 Consumer Price Index (CPI) 2.77% (Increase from**  
**2.20% at FI)**
- **+\$50,000 November 2024 Board election cost added**



# 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 increase of 1.10% (28.10 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

	22/23 Second Interim	23/24 Projected Budget	24/25 Projected Budget
Total Revenue and Transfers In	\$ 47,163,737	\$ 42,752,744	\$ 44,148,027
Total Expenditures & Outgoing	\$ 47,095,908	\$ 44,057,276	\$ 45,233,366
<b>Change in Fund Balance</b>	<b>\$ (297,566)</b>	<b>\$ (1,190,333)</b>	<b>\$ (2,161,684)</b>
Beginning Balance	\$ 14,137,137	\$ 13,839,571	\$ 12,649,238
<b>Ending Balance</b>	<b>\$ 13,839,571</b>	<b>\$ 12,649,238</b>	<b>\$ 10,487,554</b>
<b>Components of Fund Balance</b>			
Reserved/Restricted Amounts	\$ 1,065,622	\$ 1,065,622	\$ 1,065,622
Economic Uncertainties	\$ 2,354,795	\$ 2,223,786	\$ 2,286,192
Assignments/Commitments	\$ 8,659,533	\$ 0	\$ 0
Revolving Cash	\$ 30,000	\$ 30,000	\$ 30,000
Undesignated Amount	<b>\$ 1,729,621</b>	<b>\$ 9,329,830</b>	<b>\$ 7,105,740</b>



# 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 May Revise will update the State budget proposal from January, 2023**
- **The Legislative Analyst's Office**
  - **Revenue report predicts a \$22.5B deficit for the California State Budget**
  - **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 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.**
  - **Increased Cafeteria Worker hours from 2.0 to 3.75**



# 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?