

LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT

Report to the Board of Education

2021-2022 Second Period Interim Financial Report

The 2021-22 Second Interim Report has been prepared based on the Governor's January Budget Proposal. The report is a snapshot in time of the District's revenue and expenditure forecasts for the current year as well as a projection for the subsequent two years.

Changes since First Interim

As of January 31, 2022 the ending fund balance increased by a total of \$591,733.

Revenue

There were no changes to revenue impacting the ending fund balance.

Expenditures

The budgets for unfilled positions were decreased based on actual use this year. The estimated savings is \$575,823. These savings will be earmarked for Board prioritized competitive compensation adjustments.

Our indirect costs charged to restricted funds increased by \$15,910.

Assumptions used for the Second Interim

2021-22 2nd Interim Assumptions

- Revenue based on FCMAT LCFF calculator
- Funded Cost of Living Adjustment (COLA) = 5.07%
- CALPADS enrollment was 13,006
- Using prior year Average Daily Attendance (ADA) of 13,195
- Projected Parcel Tax revenue of \$4 million
- Lottery = \$163.00 unrestricted and \$65.00 restricted per ADA
- STRS employer rate = 16.92%
- PERS employer rate = 22.91%
- One-time federal funds of \$7.7 million
- One-time state funds of \$5.5 million

Multi-Year Projection (MYP) Assumptions

2022-23

- Revenue based on FCMAT LCFF calculator
- Cost of Living Adjustment (COLA) = 5.33%
- Using Governor's proposal of a three year average ADA = 12,832
- Measure G Parcel Tax expires June 2022, projection assumes renewal otherwise additional \$4 million in reductions will be required
- Lottery = \$163.00 unrestricted and \$65.00 restricted per ADA
- STRS employer rate = 19.10%
- PERS employer rate = 26.10%

2023-24

- Revenue based on FCMAT LCFF calculator
- Cost of Living Adjustment (COLA) = 3.61%
- Projected ADA = 12,484
- Measure G Parcel Tax expires June 2022, projection assumes renewal otherwise additional \$4 million in reductions will be required
- Lottery = \$163.00 unrestricted and \$65.00 restricted per ADA
- STRS employer rate = 19.10%
- PERS employer rate = 27.10%

State Budget

The Legislative Analyst's Office (LAO) released its [2022-23 Budget Overview](#) of Governor Gavin Newsom's State Budget proposal in January. There are some interesting perspectives in the LAO's analysis that could impact State Budget negotiations and K-14 education.

The LAO estimates that the State has a surplus of \$29 billion to allocate in the 2022-23 State Budget, which is \$8 billion more than Governor Newsom's estimates. The difference is largely because the Administration excludes investments that it deems obligated spending for items that the LAO sees as discretionary. The \$45.7 billion surplus that the Governor highlighted in his press conference unveiling his State Budget did not exclude year-over-year obligated State expenses, including its Proposition 98 obligations.

Despite differences in the size of the State Budget surplus, the LAO believes that the Governor's multiyear revenue assumptions are a reasonable "middle of the road" approach to forecasting. The Governor uses more cautious and conservative estimates when compared to the LAO's most recent projections. The Legislature could adopt higher revenue assumptions than the Governor's to develop its version of the 2022-23 State Budget over the coming months, but doing so would limit the Legislature's ability to increase proposed investments as the State's revenue picture becomes clearer in May.

The Governor's State Budget allocates \$17.3 billion in one-time spending, anticipates a \$6.2 billion reduction in revenues, increases contributions to the State's rainy-day fund while also paying down other outstanding debts and liabilities. The LAO credits the Newsom Administration for its cautious multiyear revenue estimates but is concerned that the negative balance in the rainy-day fund in 2023-24 relies on too many risky assumptions. Therefore, the LAO encourages the Legislature to put more aside in State reserves than what is proposed by the Governor.

This is just the beginning of the budget process. We look forward to the release of the Governor's 2022-23 May Revise.

Summary

As of the Second Interim, the District's projected ending fund balance for the 2021-22 fiscal year is \$6,584,753. Of this amount, we are designating \$50,000 for the revolving fund, \$150,000 in estimated warehouse inventory, and \$5,578,818 as a 3% reserve for economic uncertainty. This allows \$805,935 to be set aside for Board prioritized competitive compensation adjustments.