

2021 - 2022

**FIRST
INTERIM
BUDGET**



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Our District

Empowering
Every Child
Every Day



Our Mission



Newhall School District students will become global citizens who think critically, solve problems, embrace diversity in people and viewpoints, and have a passion for learning and the arts.

Our Commitment

- ◆ **Collaborate and build on each other's strengths.**
- ◆ **Innovate for the future.**
- ◆ **Persevere through new and challenging learning opportunities.**
- ◆ **Excel and continuously strive for improvement.**



Newhall School District Governing Board



Brian Walters
President



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Clerk Pro Tem



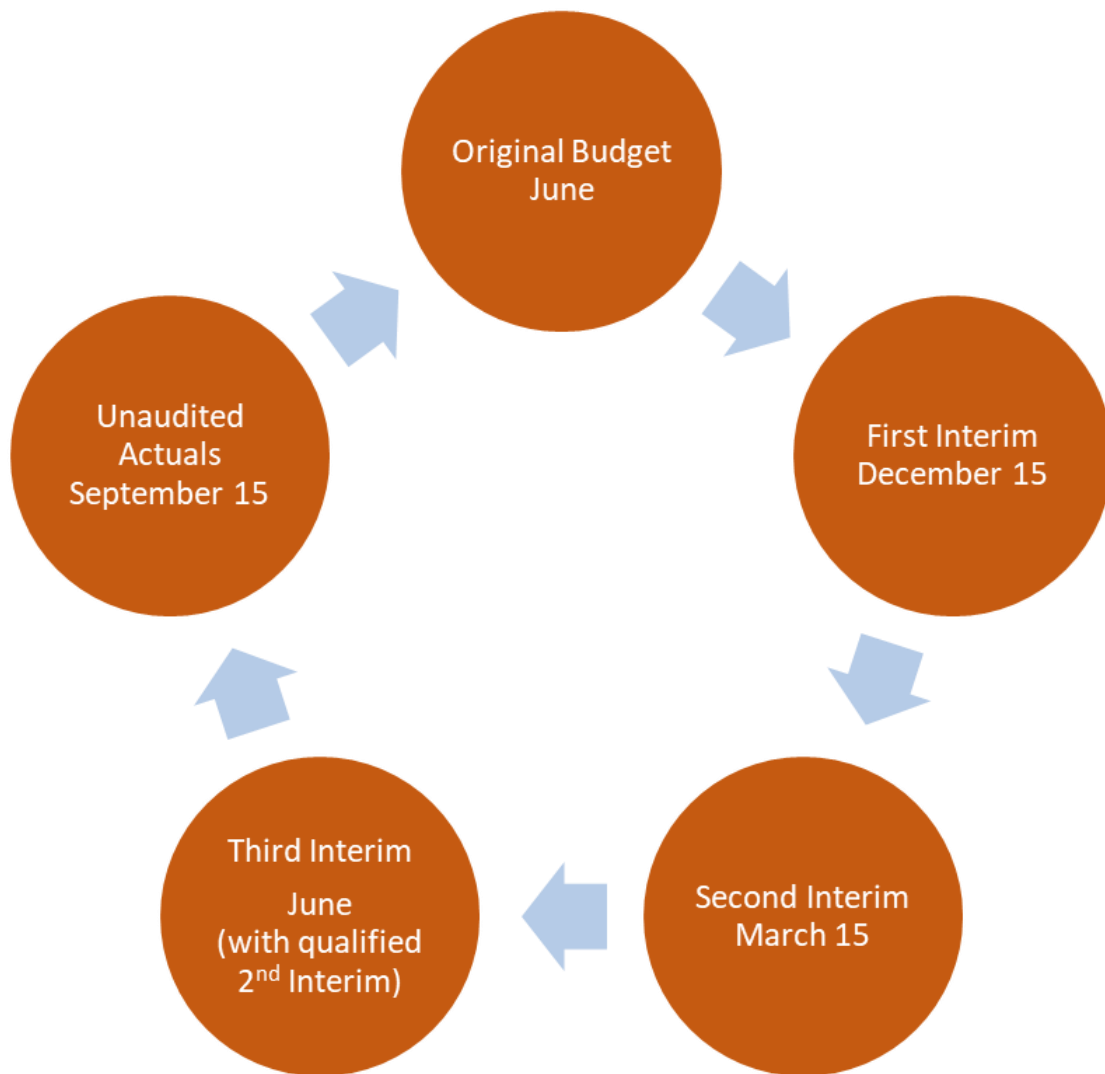
Suzan Solomon
Board Member



Isaiah Talley
Board Member



BUDGET CYCLE





NEWHALL SCHOOL DISTRICT

First Interim Budget Report FY 2021-2022

Budget Narrative and Assumptions

December 14, 2021

EXECUTIVE SUMMARY

The First Interim Budget is the first mandated review of the District's financial status during the fiscal year. This reporting period provides the District the opportunity to update the Adopted Budget with *actuals* through October 31st. At this time, the District has adjusted the Beginning Fund Balance from an estimated to actual balance based on Unaudited Actuals presented in September.

Revenue projections are updated with the Fall CBEDS enrollment data, award letters, and carryovers from the prior year. Expenditure projections are updated with the changes in staffing, step and column calculations, negotiation settlements, carryovers from prior year and other operating expense changes since the Adopted Budget. This budget is presented to the District's Governing Board, and then submitted to the Los Angeles County Office of Education (LACOE) with either a Positive, Qualified, or Negative Certification. The District is filing a **Positive** Budget Certification for this First Interim Budget Report meaning it can meet its financial obligations for the current and two subsequent fiscal years while maintaining the State minimum required reserve level of 3%.

This budget narrative and assumptions provides the Newhall School District with an infrastructure for preparing the proposed FY 2021-22 First Interim Budget Report. The predominant influences in the assumptions are from the State budget, information provided by LACOE, and internal documents such as the Local Control Accountability Plan (LCAP).

| EXECUTIVE SUMMARY | | | |
|---|------------------|-------------------|-------------|
| Changes from 45 Day Update | | | |
| | 45 Day Update | First Interim | Difference |
| REVENUE | 82,105,302 | 79,267,575 | (2,837,727) |
| EXPENDITURES | 77,672,805 | 79,654,416 | 1,981,611 |
| Net Increase /Decrease in Fund Balance | 4,432,497 | (386,841) | (4,819,338) |
| Beginning Balance | 14,005,318 | 14,005,318 | - |
| Ending Balance, 6/30/2022 (Projected) | 18,437,815 | 13,618,477 | - |
| COMPONENTS OF ENDING BALANCE | | | |
| Non-spendable (Restricted, Stores, etc.,) | 7,100,464 | 1,663,282 | (5,437,182) |
| Assigned (Supplemental Carryover, Site Carryover) | 2,179,579 | 1,927,559 | (252,020) |
| Reserves (Economic. Uncertainty (6%)) | 4,659,721 | 5,559,265 | 899,544 |
| Unassigned | 4,498,051 | 4,468,371 | (29,680) |
| Total Available Reserves - By Dollars | 9,157,772 | 10,027,636 | 869,864 |
| Total Available Reserves - By Percentage | 11.79% | 12.59% | 0.80% |

OVERALL ASSUMPTIONS

1. Enrollment projections, for the purpose of calculating state funding, are as follows:

The District projected enrollment of 5,817 for FY 2021-22 at Adopted Budget, a decrease of 103 students from the 2020-21 school year enrollment of 5,920. **However, at First Interim the District has updated its enrollment projection to 5,834 based on actual enrollment to date. This is an increase of 17 from the Adopted Budget projection, but an overall drop of 86 from the 2020-2021 school year.** The State funds school districts based on their Average Daily Attendance (ADA) rather than enrollment. The District is using **95.1%** to project the ADA for the current year and 96.6% for the two subsequent fiscal years, based on historical rates. This equates to a projected ADA of 5,559.75 for FY 2021-22. In normal years, the State will use the greater of a school District's prior year P2 ADA or current year projected P2 ADA. However, due to pandemic the State is holding districts hold harmless and will use 2019-2020 P2 ADA to calculate funding. Therefore, our budget projections will be based on the 2019-20 P2 ADA of 6,046.54 for FY 2021-22.

2. Both site and staffing budget allocations are by formulas as follows:

Site budget formula = \$75 per enrolled student for LCFF Base funding.

Staffing for teaching is based on:

- Transitional Kindergarten/Kindergarten – 3rd 26:1
- Grades 4, 5, 6 30:1

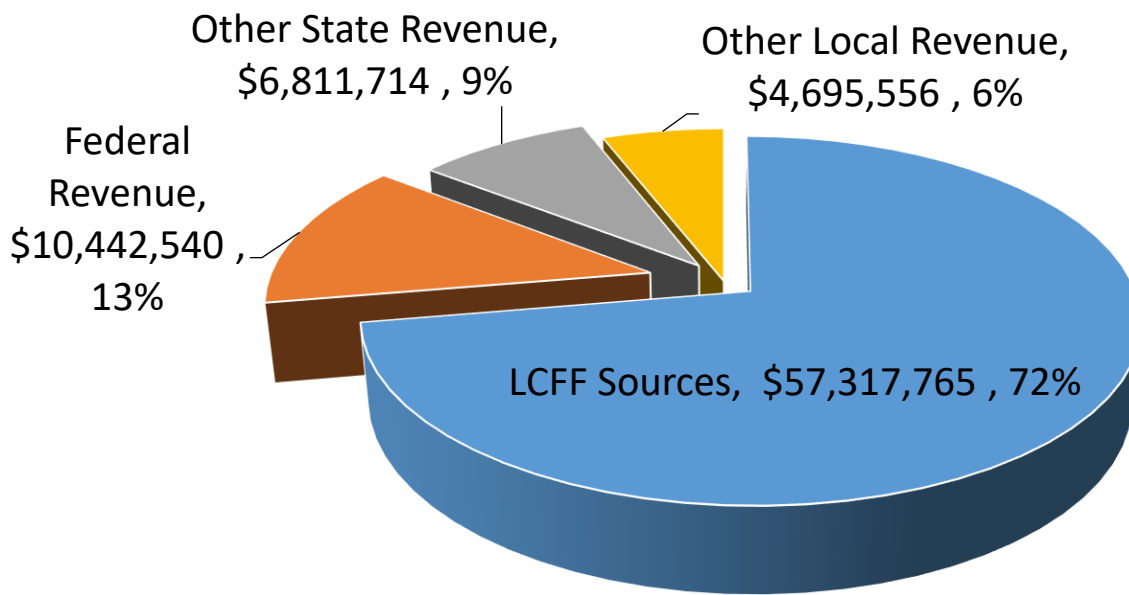
BEGINNING FUND BALANCE

3. At First Interim, the General Fund Beginning Balance is **\$14,005,318**. **This is an increase of \$1,808,999 from the Adopted Budget** which reflected a beginning Fund Balance of \$12,196,319 (Estimated Actuals, June 2020).

REVENUE

Total Revenues \$79,267,575

Source - 21-22 First Interim SACS Report



LOCAL CONTROL FUNDING FORMULA

- The Local Control Funding Formula (LCFF) for 2021-2022 is estimated to be an average of **\$9,479** per ADA (Base, Supplemental Grants, and K-3 adjustment). The Supplemental funding estimate is **\$4,748,464**. The Supplemental Grant is intended to be used for the improvement of, or increase in, services for English Language Learners, Economically Disadvantaged and Foster students (unduplicated pupil count). The improvement of, and increase in, services must be greater than the 2020-21 year. Staff will be tracking use of the funding based on the District's Local Control Accountability Plan (LCAP).

The LCFF also includes Education Protection Act (EPA) funds. Per the direction from LACOE, the District must have a Governing Board-approved spending plan each fiscal year. The District will use this funding for Instruction in FY 2021-22.

STATE REVENUE

5. The District has state funding, outside of the LCFF, as enumerated below:
- ASES funding is estimated at \$493,480 for FY 2021-22, this is an increase of 93,973 over prior year.
 - **Special Education funding estimate in the First Interim Budget is \$4,177,540, an increase of \$469,843 from the Adopted Budget estimate of \$3,707,697.** Estimates are based on current Special Education Local Plan Area (SELPA) calculations.
 - Lottery funding is estimated to be \$199 per funded ADA multiplied by a factor of 1.04446. **The First Interim Budget estimate is \$1,318,328, an increase of \$38,426 from the Adopted Budget estimate of \$1,279,866.**
 - Mandated Costs Reimbursement is received through the Mandated Block Grant with funding of \$32.66 per ADA. The First Interim Budget estimate of \$198,266, a minor increase of \$18.

FEDERAL REVENUE

6. Title I, Title II, Title III and Title IV funding estimates are based on prior year awards adjusted for decrease in enrollment. The IDEA budgets are based on estimates from the SCV SELPA. The Medi-Cal budget is based on actuals received to date and prior year funding. MAA funding is budgeted as the funding is received.

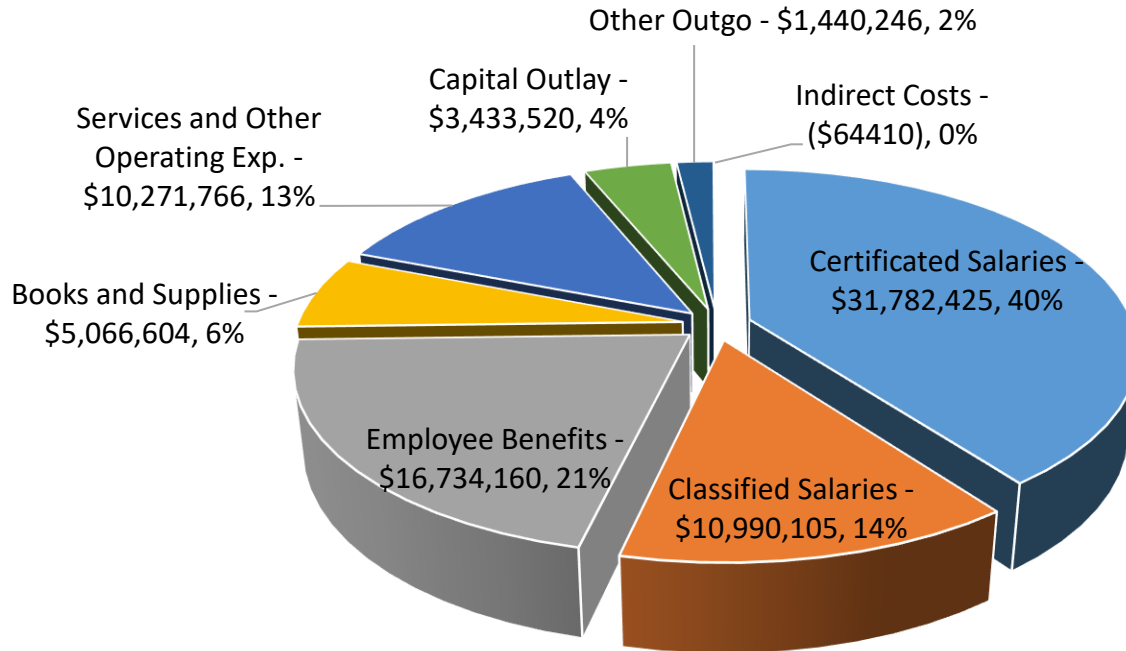
The Federal Revenue estimates are shown below:

| Federal Revenue Estimates | | | | |
|--------------------------------|----------------------|------------------|---------------|------------------|
| Funding Source | 21/22 Adopted Budget | 21/22 First Int. | Change | Due To: |
| Title I | \$890,965 | \$1,607,347 | \$716,382 | Carryover |
| IDEA Local Assistance | \$964,310 | \$974,581 | \$10,271 | Revise Calc. |
| IDEA Local Assist-Priv Schools | \$1,219 | \$2,489 | \$1,270 | Revise Calc. |
| IDEA Federal Preschool | \$51,246 | \$48,923 | (\$2,323) | Revise Calc. |
| IDEA Preschool Staff Dev | \$553 | \$554 | \$1 | Revise Calc. |
| Title II | \$167,860 | \$490,130 | \$322,270 | Carryover |
| Title III | \$164,196 | \$442,140 | \$277,944 | Carryover |
| Title IV | \$68,292 | \$101,846 | \$33,554 | Carryover |
| Medi-Cal | \$100,000 | \$143,324 | \$43,324 | Actuals Received |
| MAA (Prior Years Funding) | \$75,000 | \$75,000 | \$0 | N/A |
| ESSER | \$0 | \$47,134 | \$47,134 | Carryover |
| ESSER II | \$2,994,794 | \$2,986,435 | (\$8,359) | Updated Exp. |
| ESSER III | \$6,707,012 | \$3,462,548 | (\$3,244,464) | Updated Exp. |
| LLM (GEER) | \$0 | \$60,089 | \$60,089 | Carryover |

EXPENDITURES

Total Expenditures \$79,654,416

Source - 21-22 First Interim SACS Report



NET INCREASE/DECREASE IN FUND BALANCE

- At Adopted Budget, the District projected a net fund balance **increase** (revenue less expenditures) of \$4,572,299. **At First Interim, the District is projecting a net fund balance decrease of \$386,841.** The Multi-Year Projection (MYP) indicates a Fund Balance decrease of \$2,075,452 in 2022-23 and a decrease of \$950,753 in 2023-24.

The Fund Balance decreases in 2022-23 and 2023-24 reflected in the MYP are a result of lower revenue projections related to lower LCFF revenues due to declining enrollment and ongoing employee salary and related benefit cost increases.

SALARIES

8. Salaries for FY 2021-22 have increased **\$626,159 from Adopted Budget**. This is mainly due to a staff increase to eliminate combo classes.

STEP & COLUMN

9. Step and Column increases reflect longevity of employment and can vary from year to year. As shown in the table below. The FY 2021-22 First Interim estimate is \$898,434, equivalent to a 2.13% salary increase for all employees.

| Step & Column | History | % of Increase |
|-------------------------|------------------|---------------|
| 2017-18 | \$661,960 | 2.16% |
| 2018-19 | \$896,576 | 1.94% |
| 2019-20 | \$777,219 | 1.92% |
| 2020-21 | \$759,828 | 1.78% |
| 2021-22 Estimate | \$898,434 | 2.13% |

STATUTORY BENEFITS

10. Statutory benefit rates are budgeted as follows:

| | | | |
|--------------|--------------------------|---------------------|-------------------------|
| STRS | 16.92% (16.15% in 20/21) | Medicare | 1.45% |
| PERS | 22.91% (20.7% in 20/21) | Workers Comp | 1.984% (1.93% in 20/21) |
| OASDI | 6.20% | Unemployment | 0.5% (0.05% in 20/21) |

The School Services of California estimates the following percentages for STRS and PERS in the two out years.

| | 2022-23 | 2023-24 |
|------|---------|---------|
| STRS | 19.10% | 19.10% |
| PERS | 26.10% | 27.10% |

11. GASB 68 requires districts to include STRS On-Behalf Pension Contribution estimates in the District financials. The revised FY 2021-22 income estimate of \$3,110,266 is to be included in the budget. This is offset by an equal amount of expenditure of \$3,110,266 included in the budget.

HEALTH BENEFITS

12. ACTIVE EMPLOYEES

The health insurance premium “cap” currently negotiated is \$8,054 per year for full time employees who are covered by employee representative master agreements. For 2021-22, all budgets continue to reflect this “cap” for employees covered by collective bargaining agreements (Newhall Teachers Association (NTA) and Newhall Educational Support Personnel (NESP)).

Based on current employee enrollment information, health benefit costs up to the District cap level in FY 2021-22 are projected to be **\$3,111,315**. It should be noted that employee health benefits are negotiable. Actual health premium projections are based on projected premium rates and current employees eligible to receive health benefit plans.

The health insurance premium for management and confidential employees is based on a 3-tier cap. All employees in these classifications contribute out of pocket to benefit costs that exceed the cap. The District does not pay for premium cost increases above the cap.

RETIREES

The District estimate for providing retiree health benefits in the First Interim Budget is \$374,066. There is no change from Adopted Budget. The estimate is based on projected retiree enrollment in health benefit plans information, including additional retirees for FY 2021-22.

| NSD Cost | Retiree Health Benefits History |
|-------------------------|---------------------------------|
| 2017-18 | \$369,431 |
| 2018-19 | \$350,979 |
| 2019-20 | \$356,065 |
| 2020-21 | \$374,066 |
| 2021-22 Estimate | \$374,066 |

NEGOTIATIONS

13. Negotiations for FY 2021-22 are not finalized. As a result, the MYP in the First Interim Budget **does not include** the cost of any 2021-22 settlements, which could increase expenditures in the future.

SPECIAL EDUCATION

14. Special Education expenditure budgets will be reduced where possible, however Special Education budgets are developed based on the needs of the students and therefore cannot be reduced to match revenue. Below is a historical table of the General Fund Special Education Contribution.

| Special Education | Contribution | % of General Fund |
|-------------------------|--------------------|-------------------|
| 2017-18 | \$6,669,821 | 10.20% |
| 2018-19 | \$7,744,166 | 11.50% |
| 2019-20 | \$7,092,793 | 10.30% |
| 2020-21 | \$7,105,169 | 10.29% |
| 2021-22 Estimate | \$7,719,086 | 9.69% |

PRESCHOOL

15. The District preschool programs at times require contributions from the General Fund.

| Preschool Contribution | |
|-------------------------|-----------------|
| 2017-18 | \$25,500 |
| 2018-19 | \$47,616 |
| 2019-20 | \$74,480 |
| 2020-21 | \$50,770 |
| 2021-22 Estimate | \$83,099 |

PROPERTY & LIABILITY INSURANCE

16. The property and liability insurance premiums **updated estimate in the First Interim Budget is \$543,489, a decrease of \$12,750 from the Adopted Budget of \$556,249.**

UTILITIES

17. The 2021-22 Adopted Budget estimate was \$1,682,760. **The First Interim Budget estimate is \$1,652,760.**

| Utility Costs | |
|-------------------------|--|
| 2017-18 | \$1,657,135 |
| 2018-19 | \$1,467,968 |
| 2019-20 | \$1,400,880 (sites shut down for 3 mo., COVID) |
| 2020-21 | \$1,482,026 |
| 2021-22 Estimate | \$1,652,760 |

LONG TERM DEBT

18. The District entered into a long-term energy savings contract in 2014-15 for energy efficiency projects. A Capital Lease was issued in March 2015 to cover the cost of the improvements needed to realize energy savings. The payment estimate in FY 2021-22 Budget is \$107,147.

TRANSPORTATION

19. Transportation costs for 2021-22 were projected to be \$1,401,000 in the Adopted Budget. **This estimate has increased to \$1,863,060 in the First Interim Budget, an increase of \$462,060 due to transportation needs returning more to normal.** An actual cost and budget summary is as follows:

| Transportation | Expenditures | Encroachment/ Underfunding |
|-------------------------|--------------------|-------------------------------|
| 2016-17 | \$1,547,247 | \$1,387,961 |
| 2017-18 | \$1,547,247 | \$1,414,957 |
| 2018-19 | \$2,031,413 | \$1,872,127 |
| 2019-20 | \$1,909,366 | \$1,750,080 |
| 2020-21 | \$1,559,249 | \$1,399,963 |
| 2021-22 Estimate | \$1,863,060 | \$1,703,774 |

Transportation funding has not changed from \$159,286 since 2008-09. The funding is unrestricted and part of the LCFF but the District must use this funding for Transportation purposes.

DEFERRED MAINTENANCE

20. This funding has been rolled into the LCFF funding plan beginning with the 2013-14 year and is no longer separately funded. Transfers to Fund 14.0 are needed to be able to adequately maintain school facilities. **Due to the projected deficit spending, the district is not including this transfer in the First Interim Budget.** This contribution can be made at a later time in the fiscal year.

LEGAL FEES

21. The Adopted Budget estimate was \$485,000. **The estimate is also \$485,000 in the First Interim Budget.** Below is a chart of our historical legal costs:

| Legal Fees | |
|-------------------------|------------------|
| 2017-18 | \$220,973 |
| 2018-19 | \$320,747 |
| 2019-20 | \$212,483 |
| 2020-21 | \$460,143 |
| 2021-22 Estimate | \$485,000 |

INDIRECT COSTS

22. Inter-program indirect costs will be calculated at the maximum allowable rate per program. The District-approved indirect cost rate for 2021-22 is 8.34%.

FOOD SERVICES

23. The Newhall School District is a member of the Santa Clarita Valley School Food Services Agency (SCVSFSA), now known as School Day Cafe, which provides breakfast and lunch to all schools in

the Newhall School District, Castaic Union School District, Saugus Union School District and Sulphur Springs School District.

The SCVSFSA reimburses member Districts a portion of “direct costs” associated with food service operations at each school. Direct costs include utilities, waste disposal, custodial, supervision, supplies and other related costs. For the 2021-22 fiscal year the estimate is currently \$0. The SCVSFSA Board will be discussing possible direct cost returns to the District for 2021-22.

LACOE SERVICES

24. Based on preliminary information from LACOE, staff will budget \$124,514 for services in the 2021-22 First Interim. The services provided by LACOE include: Information Systems, Accounting, Payroll and Budget. Included in the amount above is an additional payment of \$74,814 for a new accounting system. This additional payment is being made for five years, starting with the 2017-18 fiscal year. The district will be paying for both accounting systems during the five-year implementation period.

THEFT & VANDALISM

25. \$5,000 is included in the 2021-22 **First Interim** for site loss due to theft and vandalism.

| Vandalism History | |
|-------------------------|----------------|
| 2016-17 | \$6,814 |
| 2017-18 | \$4,379 |
| 2018-19 | \$5,535 |
| 2019-20 | \$0 |
| 2020-21 | \$0 |
| 2021-22 Estimate | \$5,000 |

TRANSFERS OUT

26. A contribution is required from the General Fund to support funding shortfalls in various programs. Transfers Out are budgeted as shown in the detail below.

| Transfers Out | 2021-22 First Interim |
|-----------------------------|-----------------------|
| State Preschool | \$83,099 |
| District Preschools | \$0 |
| Deferred Maintenance | \$0 |
| Spec. Res. Retiree Benefits | \$0 |
| Spec. Res. Capital Outlay | \$0 |

RESERVE FOR ECONOMIC UNCERTAINTIES

27. The Governing Board has adopted a Reserve for Economic Uncertainty policy that calls for a reserve of 6%. The First Interim Budget reflects a projected reserve of **12.59% for FY 2021-22, 11.51% for FY 2022-23, and 10.93% for FY 2023-24.**

Beginning with the 2015-16 Adopted Budget the District must describe the amount of unassigned and assigned fund balances in excess of the state minimum reserve of 3% and how the excess will be used. The District's excess reserve (greater than 3%) will be used to maintain positive cash flow and to ensure funding for more teachers if a decline in enrollment does not materialize.

ROUTINE REPAIR & RESTRICTED MAINTENANCE

28. The District is required to contribute 3% of the General Fund expenditures to the Routine Restricted Maintenance Account (RRMA). The 2021-22 Adopted Budget showed an estimated contribution of \$2,061,655. **The First Interim Budget estimate is \$2,033,906.**

Districts are allowed to remove the STRS on-behalf contribution and any one time COVID funds from their total expenditures when calculating the contribution amount. This lowers the required contribution by approximately \$398,492.

MULTI-YEAR PROJECTION

29. As part of the First Interim Budget, the District is required, to include a Multi-Year Projection (MYP) that includes the current budget year plus the next two fiscal years, or out years.

In viewing the Multi-Year Projections, an important consideration is that the projections are only a "snapshot" in time (**October 31, 2021**). Data in the MYP is always changing and these changes are presented in subsequent financial reports.

The MYP is built using the latest information from a variety of sources such as the School Services of California (SSC), Los Angeles County Office of Education (LACOE), California Department of Education (CDE) and other Newhall School District planning documents such as the Local Control Accountability Plan (LCAP). Revenues are based mainly on Average Daily Attendance and are adjusted for projected Cost of Living Adjustments (COLA). The District continues to experience declining enrollment, which in turn, limits the amount of its revenues. Enrollment projections have been updated in **the First Interim Budget Report based upon current projected enrollment.**

Step and Column increase projections are included. STRS and PERS cost adjustments are included in subsequent year projections. Supplies and other operating budgets have also been adjusted based on enrollment and changing Consumer Price Index (CPI) rates.

2021-22 Adopted Budget Multi-Year Projection (MYP)

| | FY 20/21 | FY 21/22 | FY 22/23 |
|---|-------------------|------------------|------------------|
| REVENUE | 79,267,575 | 71,523,829 | 70,270,909 |
| EXPENDITURES | 79,654,417 | 73,599,281 | 71,221,662 |
| Net Incr/Decr in Fund Balance | (386,842) | (2,075,452) | (950,753) |
| Beginning Balance | 14,005,318 | 13,618,476 | 11,543,024 |
| Ending Balance, 6/30/ (Proj.) | 13,618,476 | 11,543,024 | 10,592,271 |
| COMPONENTS OF ENDING BALANCE | | | |
| Non-spendable (Restricted, Stores, etc.) | 1,663,281 | 1,370,814 | 1,107,232 |
| Assigned (Supplemental Carryover) | 1,927,559 | 1,704,454 | 1,701,262 |
| Reserve for Econ. Uncert. (6%) | 5,559,265 | 4,518,138 | 4,202,992 |
| Unassigned | 4,468,371 | 3,949,618 | 3,580,785 |
| Total Available Reserves - By Dollars | 10,027,636 | 8,467,756 | 7,783,777 |
| Total Available Reserves - By Percentage | 12.59% | 11.51% | 10.93% |

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OTHER FUNDS

30. The District's Other Funds are budgeted as shown in detail below:

| Fund | Description | Beginning Balance | Revenues | Expenditures | Ending Balance |
|---------------------------|--|---------------------|--------------------|--------------------|---------------------|
| 12 | CHILD DEVELOPMENT | \$33,729 | \$986,550 | \$963,550 | \$56,729 |
| 14 | DEFERRED MAINTENANCE | \$250,794 | \$1,000 | \$219,250 | \$32,544 |
| 20 | SPECIAL RESERVE FOR POST-EMPLOYMENT BENEFITS | \$852,256 | \$5,000 | \$0 | \$857,256 |
| 25 | CAPITAL FACILITIES | \$1,609,024 | \$1,010,000 | \$22,500 | \$2,596,524 |
| 40 | SPECIAL RESERVE FOR CAPITAL OUTLAY | \$15,765,679 | \$119,116 | \$513,000 | \$15,371,795 |
| TOTAL -OTHER FUNDS | | \$18,511,482 | \$2,121,666 | \$1,718,300 | \$18,914,848 |

CONCLUSION

The 2021-22 First Interim was developed using information from a variety of sources and assumptions as stated in this narrative. The District is filing a **Positive Budget Certification** with the First Interim Budget Report. The budget will be revised as needed in the Second Interim Budget Report to be presented to the Governing Board by March 15, 2022. Projections in the Governor's proposed FY 2022-2023 in January will be incorporated into the Second Interim Budget Report.