



Campbell Union School District General Fund

Fund Balance Analysis

Governing Board Presentation

September 28, 2023



Purpose

- School funding can be complicated and difficult to understand.
- It is our desire to make it understandable so that Campbell community members may have a deeper understanding of the school district funding structure and specifically the uniqueness and vulnerability of Property tax funded District also known as Basic Aid District.
- To understand the importance of building and maintaining a prudent reserve to mitigate risks and challenges during economic uncertainties.

What We Will Cover

- School district revenue sources
- Components of General Fund balances
- General Fund Reserve
- Today's dollars on today's students
- General Fund ending balance trend

General Fund – The main operating fund

- **Two Basic Types of General Fund Revenue**

- ☐ **Restricted** - Can only be used for specific purposes

- Examples include: ELO, ESSER, Title I, Title II, Special Education fund, Proposition 28 Arts and Music in Schools (AMS), Proposition 20 Lottery fund and Local donation accounts.
 - We cannot build our on going expenditures out of these categorical funding. Restricted expenditures have to sunset at the end of the grant period.

- ☐ **Unrestricted** – General Operating Funds

- Local Control Funding Formula (LCFF)
 - Lottery non-proposition 20
 - Facility lease revenue
 - Interest revenue

General Fund Balances

General Fund balances are classified as:

- Nonspendable: Value of nonexpendable asset account including revolving cash, stores and prepaid expenditures.
- Restricted: Unspent balances of restricted funds.
- Committed: 17% Basic Aid reserve by formal Board action.
- Assigned: Set aside for specific purposes: Stimulus fund, textbook purchase fund and the site carryover.
- Unassigned:
 - Reserve for Economic Uncertainties: minimum 3% required by the State
 - Unappropriated amount: spendable amounts

General Fund Reserve

- One of the components of the General fund balance.
 - A one-time fund to mitigate risks and challenges of a changing economic environment and provide a back-up for revenue shortfalls.
- Education Code limits ADA-funded school district reserves to 10%. Property Tax-funded districts, also known as Basic Aid Districts, are exempted from this reserve cap requirement due to the funding volatility. Campbell Union School District is currently a Basic Aid District.
- The Government Finance Officers Association recommends school districts maintain reserves of at least two months of operating expenditures (equal to approximately a 17% reserve) to mitigate revenue shortfalls and unanticipated expenditures.
- In June 2022, CUSD's Board adopted the Unrestricted Fund Balance Reserve at the minimum of 20% of the General Fund Budgeted expenditures. This includes:
 - 17% Basic Aid reserve to help mitigate sudden unforeseeable changes in property tax revenue.
 - 3% State-required minimum reserve for economic uncertainties.

Need for General Fund Reserve

- Campbell Union School district became a community funded (Basic Aid) district in 2019-2020.
- Our LCFF revenue is funded strictly from the local property tax that has no direct relationship with the district enrollment or the State statutory cost-of-living adjustment (COLA).
- District does not receive additional unrestricted funds when enrollment grows (or is higher than estimated) other the Supplemental and Concentration grants for High need (Unduplicated) students.
- Long-term forecasts of property tax revenues are unreliable for Basic Aid Districts due to economic uncertainties.

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Need for General Fund Reserve (continued)

- Our District is not into deep Basic Aid status. Because the property tax and the student enrollment fluctuate from year to year, we may fall in and out of Basic Aid status, as happened to the district in the year of 2009.
- Our monthly operating cost is about \$10 million. The 17% Basic aid reserve of \$20M for 2023-2024 is just enough to cover our two months of operating expenses. The state required minimum reserve of 3% which is about \$3.3M will only cover less than 2 weeks of our expenditures.
- **In response, the Board approved 20% reserve to provide safety net to the district to soften the impact from the loss of property tax revenue and to mitigate the volatility of the local economy and the real estate market in the future. This is a one time set aside reserve out of the Unrestricted General Fund that can be used only for economic uncertainties.**

Spending today's dollars on today's students.



Unrestricted General Fund 2022-2023 Unaudited Actuals vs 2023-2024 Adopted Budget

| | 2022-2023 Unaudited Actuals | 2023-2024 Adopted Budget | Variance |
|--|--------------------------------|-----------------------------|-----------------------|
| Revenue | | | |
| LCFF Revenue | \$90,193,895 | \$91,325,873 | \$1,131,978 |
| Federal Revenues | \$0 | \$0 | \$0 |
| Other State Revenues | \$9,011,607 | \$1,185,314 | (\$7,826,293) |
| Other Local Revenues | \$6,432,913 | \$4,251,214 | (\$2,181,699) |
| Contribution | (\$19,735,685) | (\$21,412,881) | (\$1,677,196) |
| Total Revenue | \$85,902,730 | \$75,349,520 | (\$10,553,210) |
| Expenditures | | | |
| Certificated Salaries | \$38,167,183 | \$40,336,021 | \$2,168,838 |
| Classified Salaries | \$9,216,156 | \$10,542,356 | \$1,326,200 |
| Employee Benefits- Health & Welfare | \$6,524,562 | \$7,021,022 | \$496,460 |
| Employee Benefits- Statutory | \$11,806,000 | \$12,671,213 | \$865,213 |
| Books and Supplies | \$1,998,664 | \$1,626,360 | (\$372,304) |
| Services and Other Operating Expenses | \$6,197,400 | \$6,077,499 | (\$119,901) |
| Capital Outlay | \$55,868 | \$118,404 | \$62,536 |
| Other Outgo (Transfers of Indirect cost) | (\$699,053) | (\$810,531) | (\$111,478) |
| Total Expenditures | \$73,266,780 | \$77,582,344 | \$4,315,564 |
| Interfund Transfer-In | \$0 | \$600,000 | \$600,000 |
| Interfund Transfer-out | \$600,000 | \$600,000 | \$0 |
| Beginning Fund Balance | \$29,600,481 | \$41,636,431 | \$12,035,950 |
| Excess (deficiency) of Rev. over Exp. | \$12,035,950 | (\$2,232,824) | (\$14,268,774) |
| Ending Fund Balance | \$41,636,431 | \$39,403,606 | (\$2,232,824) |

Restricted General Fund 2022-2023 Unaudited Actuals vs 2023-2024 Adopted Budget

| | 2022-2023 Unaudited Actuals | 2023-2024 Adopted Budget | Variance |
|--|--------------------------------|-----------------------------|-----------------------|
| Revenue | | | |
| LCFF Revenue | \$1,187,529 | \$850,403 | (\$337,126) |
| Federal Revenues | \$6,570,141 | \$5,513,832 | (\$1,056,309) |
| Other State Revenues | \$16,994,382 | \$9,033,408 | (\$7,960,974) |
| Other Local Revenues | \$2,573,401 | \$1,168,401 | (\$1,405,000) |
| Contribution | \$19,735,685 | \$21,412,881 | \$1,677,196 |
| Total Revenue | \$47,061,138 | \$37,978,925 | (\$9,082,213) |
| Expenditures | | | |
| Certificated Salaries | \$9,896,199 | \$10,842,495 | \$946,296 |
| Classified Salaries | \$6,513,151 | \$7,177,016 | \$663,865 |
| Employee Benefits- Health & Welfare | \$1,660,371 | \$1,950,056 | \$289,685 |
| Employee Benefits- Statutory | \$8,708,094 | \$9,529,813 | \$821,719 |
| Books and Supplies | \$2,615,597 | \$2,919,136 | \$303,539 |
| Services and Other Operating Expenses | \$7,743,650 | \$6,284,648 | (\$1,459,002) |
| Capital Outlay | \$789,332 | \$20,000 | (\$769,332) |
| Other Outgo (Transfers of Indirect cost) | \$1,028,369 | \$1,213,033 | \$184,664 |
| Total Expenditures | \$38,954,763 | \$39,936,197 | \$981,434 |
| Interfund Transfer-In | \$63,500 | \$120,000 | \$56,500 |
| Interfund Transfer-out | \$0 | \$0 | \$0 |
| Beginning Fund Balance | \$9,206,088 | \$17,375,963 | \$8,169,875 |
| Excess (deficiency) of Rev. over Exp. | \$8,169,875 | (\$1,837,272) | (\$10,007,147) |
| Ending Fund Balance | \$17,375,963 | \$15,538,691 | (\$1,837,272) |

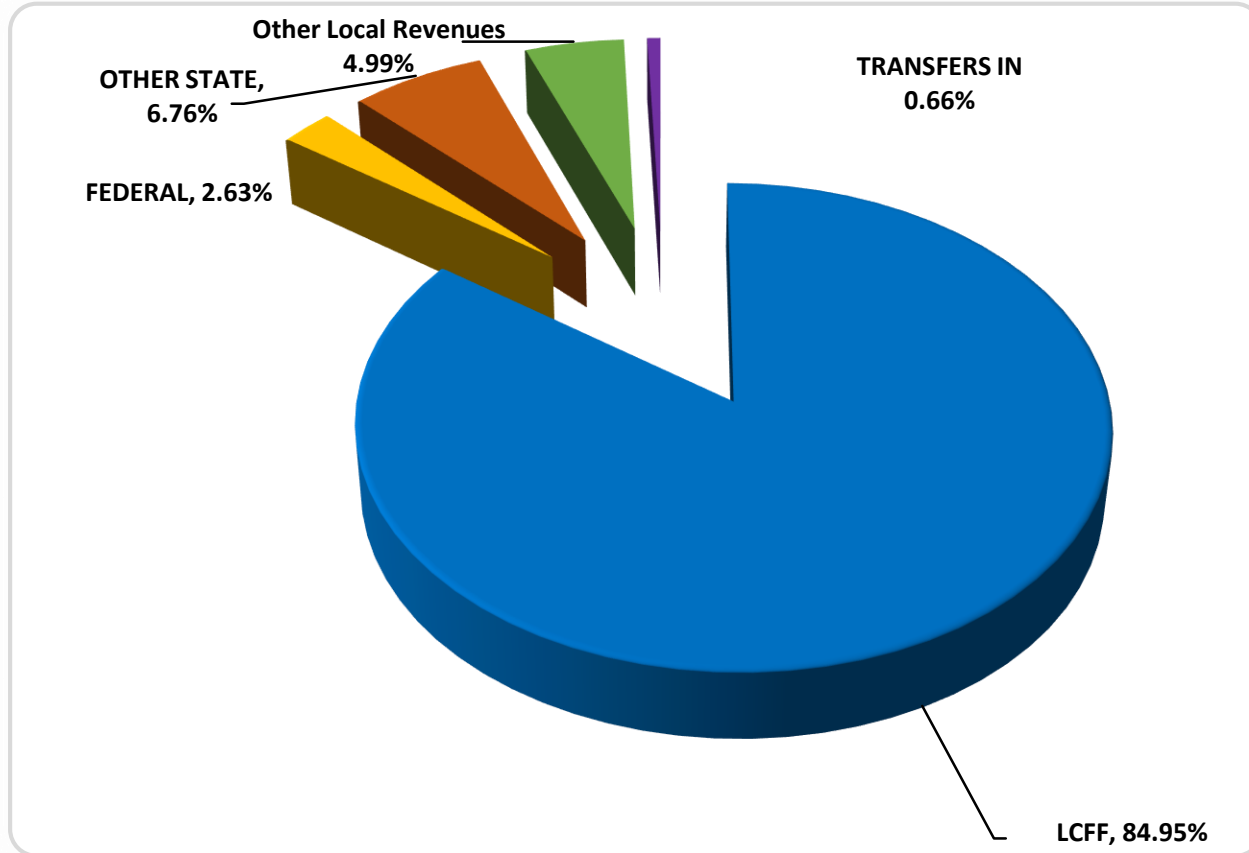
Total General Fund 2022-2023 Unaudited Actuals vs 2023-2024 Adopted Budget

| | 2022-2023 Unaudited Actuals | 2023-2024 Adopted Budget | Variance |
|--|--------------------------------|-----------------------------|-----------------------|
| Revenue | | | |
| LCFF Revenue | \$91,381,424 | \$92,176,276 | \$794,852 |
| Federal Revenues | \$6,570,141 | \$5,513,832 | (\$1,056,309) |
| Other State Revenues | \$26,005,990 | \$10,218,722 | (\$15,787,267) |
| Other Local Revenues | \$9,006,313 | \$5,419,615 | (\$3,586,699) |
| Total Revenue | \$132,963,868 | \$113,328,445 | \$4,199,808 |
| Expenditures | | | |
| Certificated Salaries | \$48,063,382 | \$51,178,516 | \$3,115,134 |
| Classified Salaries | \$15,729,306 | \$17,719,372 | \$1,990,065 |
| Employee Benefits- Health & Welfare | \$8,184,933 | \$8,971,078 | \$786,145 |
| Employee Benefits- Statutory | \$20,514,093 | \$22,201,026 | \$1,686,932 |
| Books and Supplies | \$4,614,262 | \$4,545,496 | (\$68,765) |
| Services and Other Operating Expenses | \$13,941,050 | \$12,362,147 | (\$1,578,903) |
| Capital Outlay | \$845,201 | \$138,404 | (\$706,796) |
| Other Outgo (Transfers of Indirect cost) | \$329,316 | \$402,502 | \$73,186 |
| Total Expenditures | \$112,221,543 | \$117,518,541 | \$5,296,998 |
| Interfund Transfer-In | \$63,500 | \$720,000 | \$656,500 |
| Interfund Transfer-out | \$600,000 | \$600,000 | \$0 |
| Beginning Fund Balance | \$38,806,569 | \$59,012,394 | \$20,205,825 |
| Excess (deficiency) of Rev. over Exp. | \$20,205,825 | (\$4,070,096) | (\$24,275,921) |
| Ending Fund Balance | \$59,012,394 | \$54,942,298 | (\$4,070,096) |

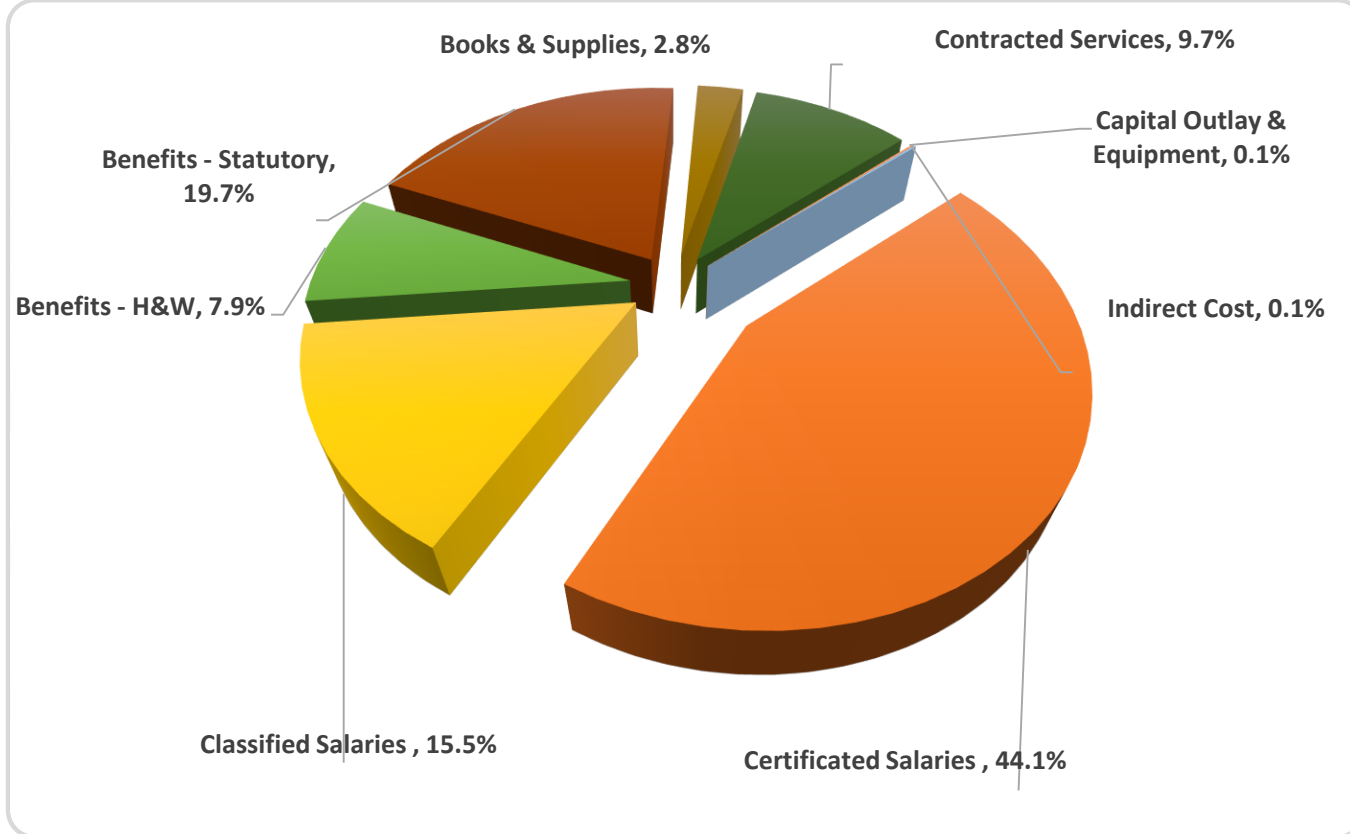
2022-2023 Unaudited Actuals vs 2023-2024 Adopted Budget

| Components of Ending Fund Balance | | | |
|---------------------------------------|-----------------------------------|--------------------------------|----------------------|
| | 2022-2023 Unaudited Actuals | 2023-2024 Adopted Budget | |
| | Total Fund | Total Fund | Variance |
| a) Nonspendable | \$1,772,410 | \$1,010,000 | (\$762,410) |
| b) Restricted Balance | \$17,375,963 | \$15,538,691 | (\$1,837,272) |
| c) Committed | | | |
| Basic Aid 17% Reserve | \$19,179,663 | \$20,080,152 | \$900,489 |
| d) Assigned: | | | |
| Stimulus Replacement | \$1,500,000 | \$1,500,000 | \$0 |
| e) Unassigned/Unappropriated: | | | |
| 3% Reserve for Economic Uncertainties | \$3,163,456 | \$3,331,364 | \$167,908 |
| Unassigned/Unappropriated Amount | \$16,020,902 | \$13,482,091 | (\$2,538,811) |
| Ending Fund Balance: June 30 | \$59,012,394 | \$54,942,298 | (\$4,070,096) |

Total General Fund 2023-2024 Adopted Budget : Ongoing Revenue

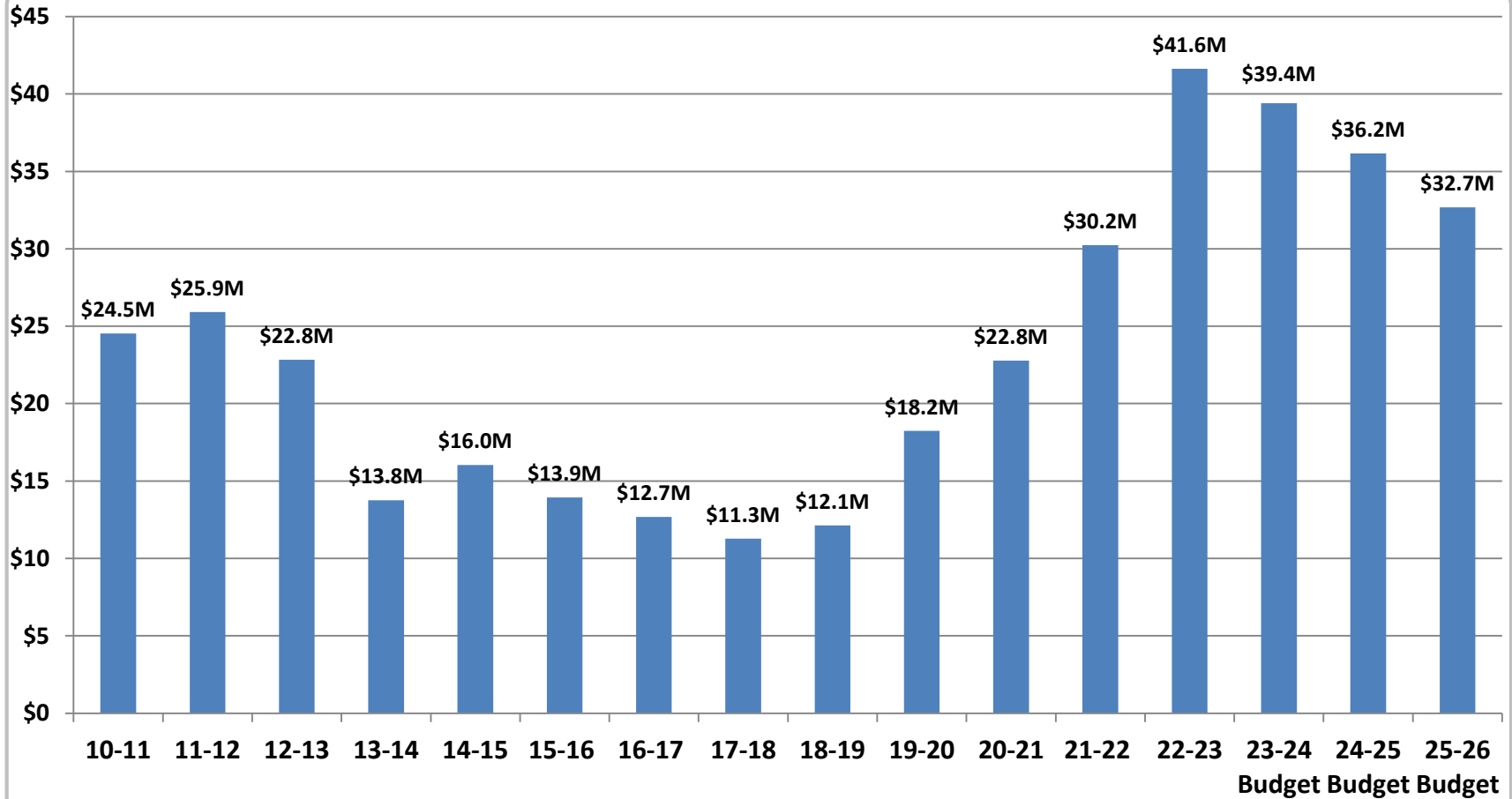


Total General Fund 2023-2024 Adopted Budget : Ongoing Expenditures

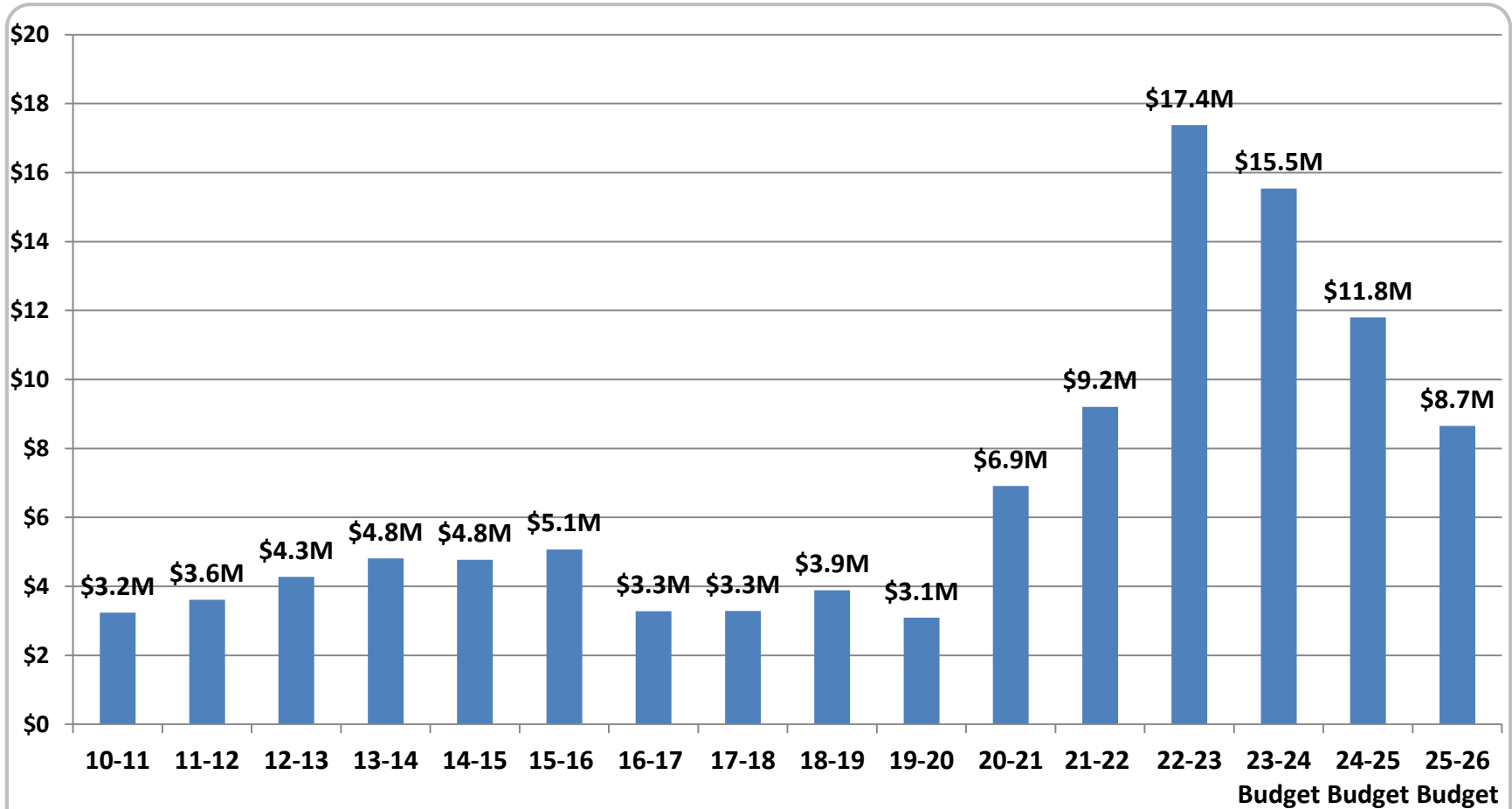


**Salary and Benefits represent 87% of the total ongoing cost for 2023-2024.
Historically this percentage was 85%.**

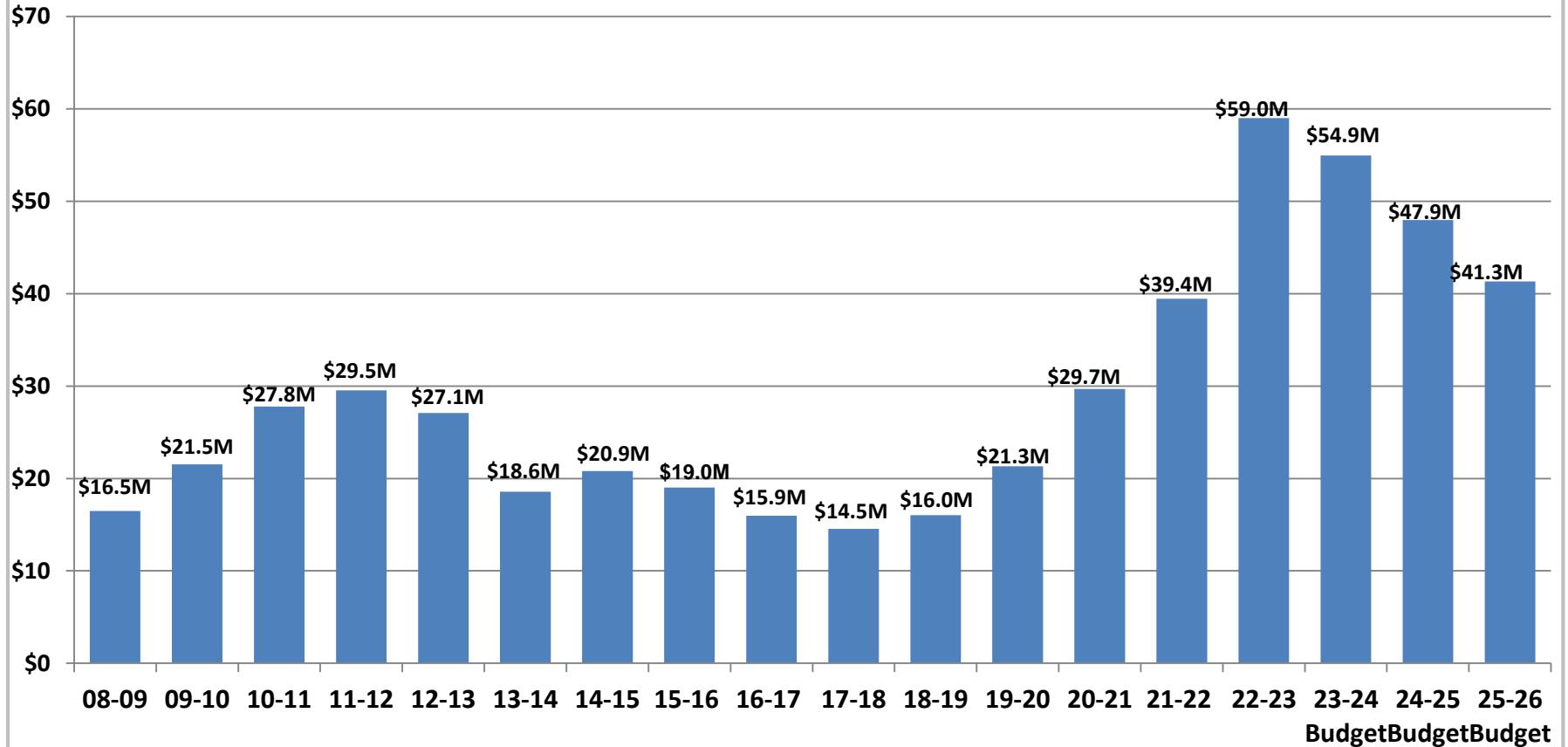
Unrestricted General Fund Ending Balance



Restricted General Fund Ending Balance

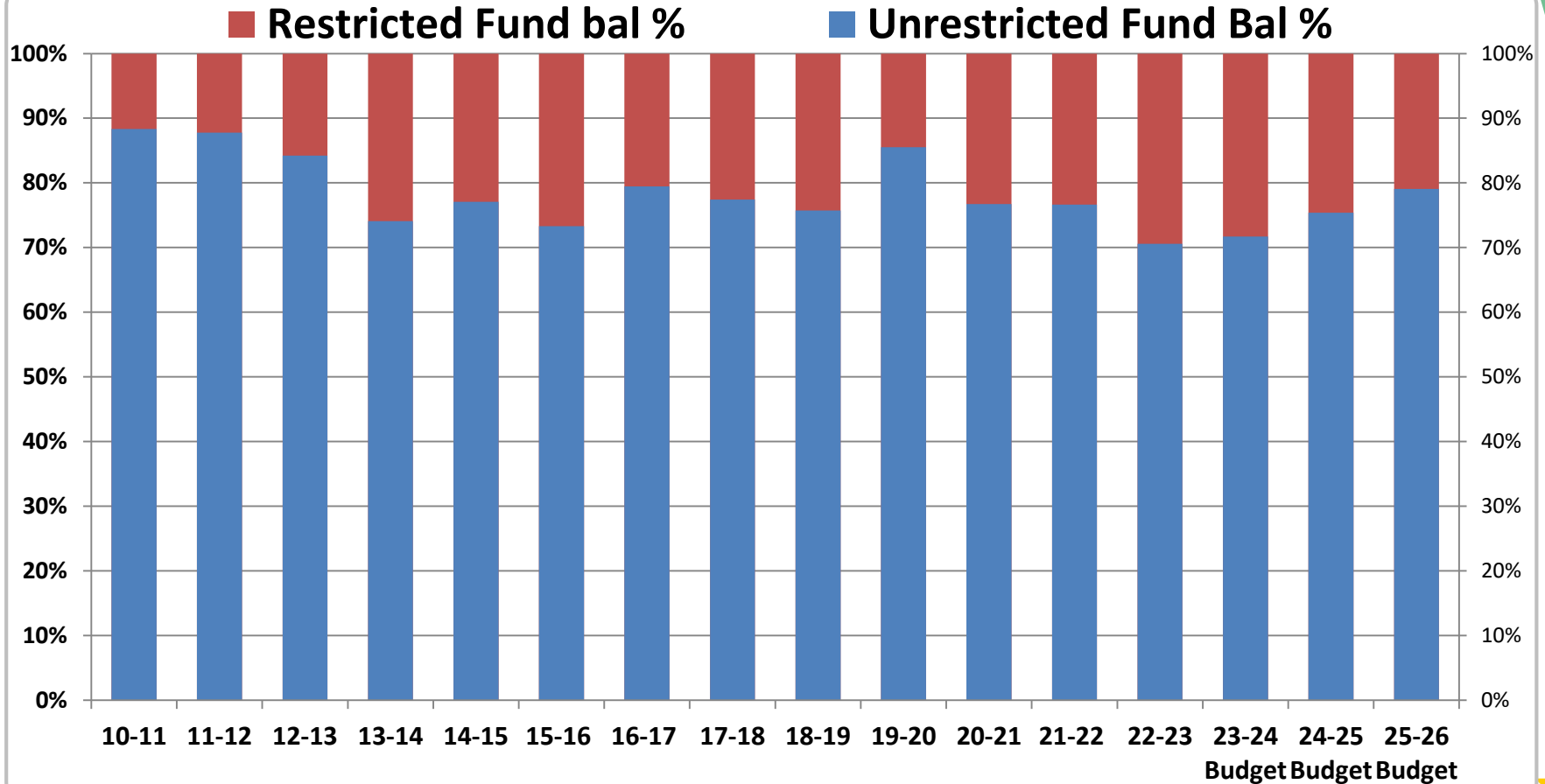


Total General Fund Ending Balance



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Total General Fund Balance Trend in %



Road Ahead

- Sunset of one-time grants
- Ongoing Revenue vs Ongoing Expenditures
- Prudent Budget Reserve
- Build a balanced budget