



# 2021-22 Second Interim Budget

Board Meeting  
March 17, 2022  
Agenda Item No. 8.3 |

# Budget Presentation Agenda

- Financial Reporting Requirements & District's Fiscal Status
- Budget Changes since 2021-22 First Interim
- Multi-Year Projections
- Budget Calendar
- FCMAT Matrix Update
- Summary & Approve the 2021-22 Second Interim Budget

# California School District Financial Reporting Requirements

- Education Code 42130 – Requires school districts to file their fiscal condition for TWO reporting periods, October 31 and January 31, including projections of the budget through June 30.
- Education Code 42131 – Requires the Board of Education to certify, based on current projections, whether or not the school district is able to meet its financial obligations for the current fiscal year and subsequent two fiscal years.
- Education Code 33127 – Requires a district that has received a negative certification of its interim report(s) to file a third report as of April 30.



# District's Fiscal Status

- District 2021-22 Adopted Budget was conditionally approved by SCOE
  - Fiscal Recovery Plan approved on December 16, 2021
    - \$5M one time in 22-23 and \$243K ongoing
- 2021-22 Second Interim Certification of Qualified
  - District is projecting a deficit in 2023-24 of \$6.17M
  - Enrollment decline
  - Unsettled Negotiations for certificated and classified bargaining units
  - Proposed State Budget
  - Fiscal Recovery Plan
  - Sacramento Office of Education (SCOE) Fiscal Advisor will remain assigned until deficit reduction plan is achieved
  - Stay and Rescind Authority

# Summary of Changes

## 2021-22 Second Interim Report

- Unrestricted revenues decreased by \$1.2M
- Restricted revenues increased by \$7.2M
- 1X Unrestricted expenditure savings & budget adjustments for a decrease of \$5.5M
- Restricted expenditures increased by \$4.9M for budget adjustments related to grant programs
- Contributions decreased by \$2.6M due special education budget adjustments

# Summary of Changes

## 2021-22 Second Interim Report

- Cash Flow remains positive through June 2024
- Multi-Year Projections will meet the required 2% reserve for the current year and two subsequent years
- Per BP 3100 an additional 3% has been assigned for reserve for economic uncertainty for a total of 5%
- Unrestricted deficit spending improved but not eliminated in 2023-24 (\$6.2M)
- Need Fiscal Recovery plan with sufficient on-going reductions to achieve a balanced budget (revenue = expenses)

# 2021-22 Second Interim Financial Report Compared to 2021-22 First Interim

2021-22 Second Interim Report			
Description	Unrestricted	Restricted	Total
Total Revenues	447,954,357	269,351,058	717,305,415
Total Expenditures	337,790,379	377,261,885	715,052,263
Excess/(Deficiency)	110,163,978	(107,910,827)	2,253,152
Other Sources/Uses	(90,298,902)	92,324,656	2,025,754
<b>Net Increase/(Decrease)</b>	<b>19,865,076</b>	<b>(15,586,171)</b>	<b>4,278,906</b>
Add: Beginning Fund Balance	103,708,114	22,198,603	125,906,717
<b>Ending Fund Balance</b>	<b>123,573,191</b>	<b>6,612,433</b>	<b>130,185,623</b>

2021-22 First Interim Budget			
Description	Unrestricted	Restricted	Total
Total Revenues	449,170,674	262,174,633	711,345,307
Total Expenditures	343,336,286	372,410,463	715,746,748
Excess/(Deficiency)	105,834,389	(110,235,830)	(4,401,442)
Other Sources/Uses	(92,894,159)	94,944,460	2,050,301
<b>Net Increase/(Decrease)</b>	<b>12,940,230</b>	<b>(15,291,370)</b>	<b>(2,351,141)</b>
Add: Beginning Fund Balance	103,708,114	22,198,603	125,906,717
<b>Ending Fund Balance</b>	<b>116,648,344</b>	<b>6,907,233</b>	<b>123,555,577</b>

# Changes Since 2021-22 First Interim

	Changes since 2021-22 First Interim		
	Unrestricted	Restricted	Combined
<b>Revenue</b>			
General Purpose	(1,285,396)	-	(1,285,396)
Federal Revenue	-	3,202,087	3,202,087
State Revenue	-	3,853,622	3,853,622
Local Revenue	69,079	120,716	189,795
<b>Total Revenue</b>	<b>(1,216,317)</b>	<b>7,176,426</b>	<b>5,960,108</b>
<b>Expenditures</b>			
Certificated Salaries	50,437	602,079	652,516
Classified Salaries	(30,660)	248,896	218,235
Benefits	(2,480,845)	(1,119,626)	(3,600,471)
Books and Supplies	(1,866,092)	2,485,027	618,936
Other Services & Oper. Expenses	(1,355,350)	2,333,698	978,349
Capital Outlay	261,673	213,425	475,098
Other Outgo 7xxx	-	-	-
Transfer of Indirect 73xx	(125,071)	87,923	(37,148)
<b>Total Expenditures</b>	<b>(5,545,907)</b>	<b>4,851,422</b>	<b>(694,485)</b>
Deficit/Surplus	4,329,590	2,325,004	6,654,593
Transfers in/(out)	(24,547)	-	(24,547)
Contributions to Restricted	2,619,804	(2,619,804)	-
Net increase (decrease) in Fund Balance	<b>6,924,847</b>	<b>(294,800)</b>	<b>6,630,046</b>
Revolving/Stores/Prepays	(213)	-	(213)
Reserve for Econ Uncertainty (2%)	(13,399)	-	(13,399)
Restricted Programs	-	(294,800)	(294,800)
<b>Unappropriated Fund Balance</b>	<b>6,938,458</b>	<b>(0)</b>	<b>6,938,458</b>

- Total of \$6.6M change in ending fund balance from First Interim to Second Interim
- Represents a .93% change in overall budget

# 2021-22 Second Interim Changes in Revenue

Unrestricted Revenue Adjustments		
Category	Description	Adjustment
General Revenue	Decrease in projected LCFF due to updated ADA from P-1 report for non public schools and community day schools	(\$1.3M)
Local Revenue	Increase due to school donations	\$69K

Restricted Revenue Adjustments		
Category	Description	Adjustment
Federal Revenue	Increase due to budgeting \$2.2M for CSI and \$900K for Title V Programs	\$3.2M
State Revenue	Increase due to budgeting \$3.67M for the new Special Education Learning Recovery funds and \$190K in other state grants.	\$3.9M
Local Revenue	Increase due to budgeting \$61K for property claims reimbursement and \$60K for local grants	\$120K
Contributions	Decrease due to adjustments for benefits related to vacant positions as well as projected decreases in non-public schools budgets	(\$2.6M)

# 2021-22 Second Interim Changes in Current Year Expenditures

<b>Unrestricted 2021-22 Second Interim Expenditure Adjustments</b>		
<b>Category</b>	<b>Description</b>	<b>Adjustment</b>
Certificated Salaries	Increase due to salary adjustments	\$50K
Classified Salaries	Decrease due to salary adjustments/savings	(\$30K)
Benefits	Decrease due to budget adjustments related to pension costs, health/welfare benefits and OPEB.	(\$2.5M)
Books and Supplies	Decreased due to budget adjustments made in supplemental/concentration funds and donations	(\$1.9M)
Services	Decreased for budget adjustments made for travel, insurance and contracted services	(\$1.4M)
Capital Outlay	Increase primarily due to budget adjustments to purchase a new school bus for \$204k	\$261K

<b>Restricted 2021-22 Second Interim Expenditure Adjustments</b>		
<b>Category</b>	<b>Description</b>	<b>Adjustment</b>
Certificated Salaries	Increase due to budgeting \$1.1M for new special education Learning Recovery program which is offset by \$500k in budget adjustments to other categories for multiple restricted programs.	\$602K
Classified Salaries	Increased due to budgeting \$337K for new special education Learning Recovery program, which is offset by \$88k in budget adjustments to other categories for multiple restricted programs.	\$249K
Benefits	Decreased due to budget adjustments made in special education programs related to pension costs, health/welfare and OPEB costs.	(\$1.1M)
Books and Supplies	Increased due to budget adjustments made for CSI grant of \$1.1M, ESSER for \$600k, \$556k for the new special education Learning Recovery funds.	\$2.5M
Services	Increase due to budgeting \$1.1M for the CSI grant, \$1M for Title V program, \$530K for ESSER funds, \$1M for the new special education Learning Recovery funds and offset by a reduction of \$1.2M in special education contracts related to Non-Public Schools/Agencies.	\$2.3M
Capital Outlay	Increase primarily due budget adjustments in the Routine, Repair & Maintenance program for \$159k.	\$213K

# Multi-Year Projections Revenue Assumptions

## Unrestricted Revenue Projections 2022-23 and 2023-24

2022-23 Unrestricted Revenue Projections	
General Purpose	LCFF COLA 5.33% with a funded ADA of 36,991. Funded ADA projection reflects the use of the 3 year average proposal using actual 2019-20, actual 2020-21 and 2021-22 projected ADA.
Federal, State & Local	Federal, State and Local revenue projected to remain constant

2023-24 Unrestricted Revenue Projections	
General Purpose	LCFF COLA 3.61% with a funded ADA of 35,771. Funded ADA projection reflects the use of the 3 year average proposal using actual 2020-21, projected 2021-22 and projected 2022-23 ADA.
Federal, State & Local	Federal, State and Local revenue projected to remain constant

## Restricted Revenue Projections 2022-23 and 2023-24

2022-23 Restricted Revenue Projections		
Category	Description	Adjustment
Federal Revenue	Decreased to remove Title I, II, II, IV and other federal programs carryover of \$10.7M and remove one-time ESSER, ESSER II, GEER I, ELO-G funds of \$77.6M	(\$88.3M)
State Revenue	Decrease to remove state programs carryover of \$6.9M, \$3.7M for Learning Recovery funds and \$4.8M to remove one-time ELO-G and IPI funds, offset by \$4.2M for increased AB602 special education funding	(\$11.2M)
Local Revenue	Reduced by \$2.6M to remove local grant sources	(\$2.6M)
Contributions	Increased for Special Education expenditures and the add back of \$2.6M in 21-22 2nd interim savings	\$4.6M

2023-24 Restricted Revenue Projections		
Category	Description	Adjustment
Federal Revenue	Increased for remaining ESSER III Funds	\$671K
State & Local	State and Local revenue projected to remain unchanged.	-
Contributions	Special Education contributions increased by \$6.6M for increased expenditures per historical trends	\$6.6M

# Unrestricted Multi-Year Projection Assumptions

2022-23 Unrestricted Expenditure Projections		
Category	Description	Adjustment
Certificated Salaries	Net decrease includes adjustments for step and column increases of \$2.3M, adding back savings from 2021-22 for \$3.2M, Fiscal Recovery plan reductions of \$100K and projected \$6.4M savings from reductions due to enrollment decline from the 2021-22 Adopted Budget projections of 39,703 to the 22-23 enrollment projections of 36,543 a loss of 3,160 students	(\$1.1M)
Classified Salaries	Classified salaries remain flat after adjusting for step and column increase of \$254K, adding back 2021-22 one-time savings for \$163K offset by Fiscal Recovery plan reductions of \$51k and classified reductions of \$366K	-
Benefits	STRS & PERS increases of \$4.4M, adding back 2021-22 one-time benefit savings of \$4.1M, an 8% increase for health benefits for \$4.3M offset by the salary adjustments mentioned above for \$2.5M	\$10.3M
Book & Supplies	Net decrease for the Fiscal Recovery plan reduction of \$5.0M offset by increased LCAP S&C adjustments of \$190K and to add back of one-time 2021-22 2nd Interim savings of \$1.6M	(\$3.2M)
Services	Increase due to adding back 2021-22 2nd interim savings of \$2.9M and budgeting for increased LCAP supplemental and concentration funds of \$190K	\$3.2M
Capital Outlay	Reduced by \$302K from 2021-22 one-time expenses	(\$302K)
Indirect Costs	Adjusted per program adjustments described above.	-

2023-24 Unrestricted Expenditure Projections		
Category	Description	Adjustment
Certificated Salaries	Net increase due to step and column of \$2.3M offset by FTE adjustments for enrollment decline at \$500K	\$1.8M
Classified Salaries	Adjusted by \$254K for step and column	\$254K
Benefits	Increase reflects the salary changes above, applicable rates for PERS & STRS, Unemployment Insurance and 8% increase for health benefits	\$4.3M
Book & Supplies	Net increase for the add back of \$5M related to the Fiscal Recover Plan reductions and offset by LCAP supplemental concentration adjustment of \$650K	\$4.4M
Services	Decrease due to LCAP supplemental concentration adjustments	(\$650K)
Capital Outlay	Remains constant	-
Indirect Costs	Remains constant	-

# Restricted Multi-Year Projection Assumptions

2022-23 Restricted Expenditure Projections		
Category	Description	Adjustment
Certificated Salaries	Net decrease due to salary adjustments include removing one-time COVID funding sources of \$13.6M, \$1.1M in Learning Recovery funds and adding \$2.7M in special education staffing offset by \$382K step and column costs	(\$11.7M)
Classified Salaries	Net decrease due to removing one-time COVID funding sources of \$4.7M, \$337K in Learning Recovery funds and local resources of \$273K, adding back \$936K in special education staffing offset by step costs of \$132K.	(\$4.2M)
Benefits	Net decrease includes \$1.6M increase due to above salary adjustments, \$2.1M in Special Ed related to increased staffing offset by the removal of \$7.3M one time COVID funding, \$540K in Learning Recovery funds and removal of \$172K local resources.	(\$4.4M)
Book & Supplies	Decreased to remove one-time expenditures including COVID relief of \$23.1M, carryover of \$8.5M (Title I, Title IV, CTEIG, etc.), \$556K for Learning Recovery funds and local resources carryover of \$1.1M	(\$33.3M)
Services	Reduced to remove one-time expenditures including one-time COVID funding of \$41.2M, \$1M for Learning Recovery funds, removal of Federal and State carryover of \$8.5M, \$900K in local resources and offset by additional special education services of \$3.1M	(\$48.5M)
Capital Outlay	Reduced by \$5.5M to remove one-time COVID expenditures	(\$5.5M)
Budget Reduction	Adjustments of \$2.6M required for self-sustaining programs due to statutory and health care benefits increases	(\$2.54M)

2023-24 Restricted Expenditure Projections		
Category	Description	Adjustment
Certificated Salaries	Increase includes step and column costs of \$323K and additional special education staffing of \$2.2M	\$2.5M
Classified Salaries	Adjusted for step and column costs of \$116K and additional special education staffing of \$606K	\$722K
Benefits	Adjustments reflect effects of salary changes noted above, applicable rates for PERS & STRS, Unemployment Insurance and the increase for health benefits	\$2.5M
Book & Supplies	Increased for budgeting remaining ESSER III funds increased special education costs	\$361K
Services	Adjusted to budget remaining ESSER III funds and \$1.9M for additional special education services	\$2.2M
Budget Reduction	Adjustments of \$3.7M required for self-sustaining programs due to statutory and health care benefits increases	(\$3.7M)

# General Fund Multi-Year Projections

Description	Proposed 2021-22	Projected 2022-23	Projected 2023-24
Total Revenues	717,305,415	622,661,456	623,340,295
Total Expenditures	715,052,263	614,235,674	631,538,838
Excess/(Deficiency)	2,253,152	8,425,782	(8,198,543)
Other Sources/Uses	2,025,754	2,025,754	2,025,754
<b>Net Increase/(Decrease)</b>	<b>4,278,906</b>	<b>10,451,536</b>	<b>(6,172,789)</b>
Add: Beginning Fund Balance	125,906,717	130,185,623	140,637,159
<b>Ending Fund Balance</b>	<b>130,185,623</b>	<b>140,637,159</b>	<b>134,464,370</b>

# General Fund Multi-Year Projections

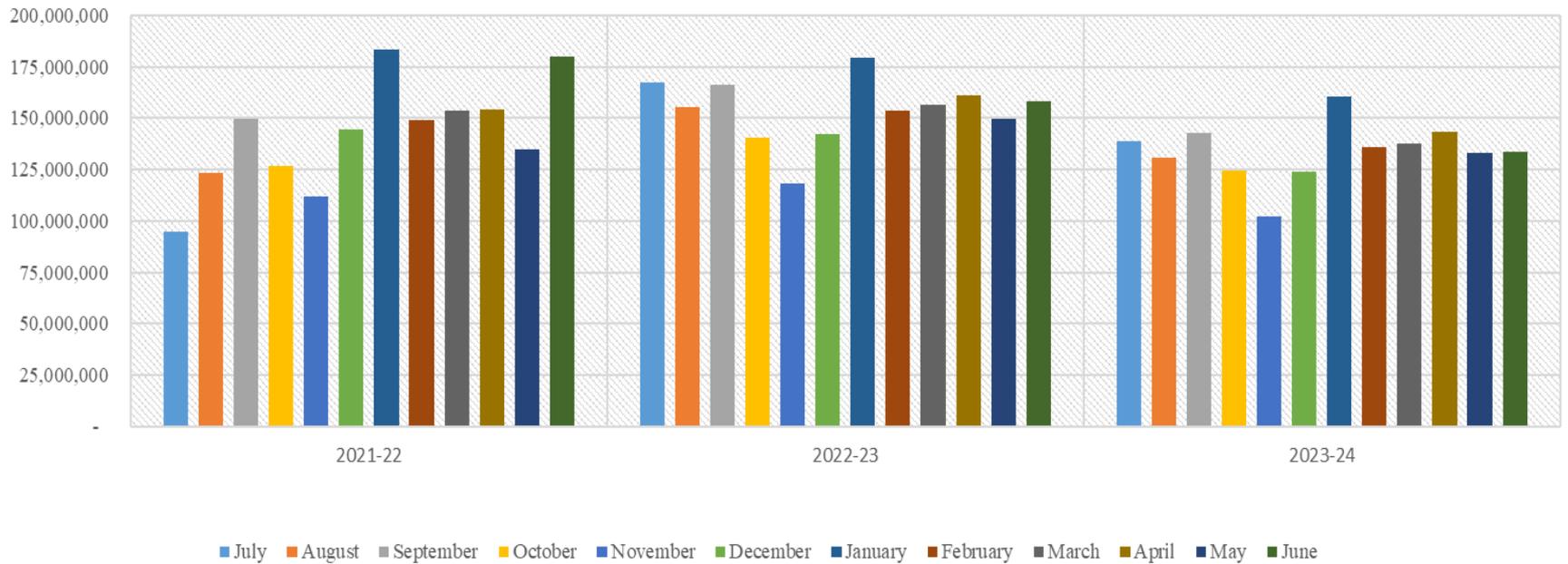
## Without CARES/COVID

Description	Second Interim 2021-22	Projected 2022-23	Projected 2023-24
Total Revenues	583,563,178	571,410,992	571,418,747
Total Expenditures	569,867,462	566,579,619	583,211,699
Excess/(Deficiency)	13,695,717	4,831,373	(11,792,952)
Other Sources/Uses	2,025,754	2,025,754	2,025,754
<b>Net Increase/(Decrease)</b>	<b>15,721,471</b>	<b>6,857,127</b>	<b>(9,767,198)</b>
Add: Beginning Fund Balance	110,869,743	126,591,214	133,448,341
<b>Ending Fund Balance</b>	<b>126,591,214</b>	<b>133,448,341</b>	<b>123,681,143</b>

Difference is due to indirect costs that are not charged due to removal of CARES/COVID funds.

# Multi-Year Cash Flow Projection

2021-22 Second Interim Cash Flow Projections



# GFOA Recommended Reserves

The Government Finance Officers Association (GFOA) recommends a prudent reserve of 17%, representing two months' average payroll – for the District two months' average payroll is approximately \$82M based on the 2021-22 Second Interim Financial Report.

# 2021-22 Budget Calendar and Timeline

Date	Description
December 2021	Board Approval of First Interim Report (includes FCMAT Update and Budget Calendar)
January 2022	2021-22 P1 Attendance Report
January 2022	Governor's January Budget Proposal for 2022-23 Budget Year
January 2022	2022-23 Budget Development Process Underway
February 2022	Board Approval of 2020-21 Independent Audit Report
March 2022	Certificated & Classified Lay Off Notices as Needed
March 2022	Board Approval of Second Interim Report (includes FCMAT Update and Budget Calendar)
April 2022	2021-22 P2 Attendance Report
May 2022	Governor's May Revise Budget for 2022-23 Budget Year
May 2022	Board Approval of Third Interim Report
June 2022	Public Hearing for 2022-23 LCAP & Proposed Budget
June 2022	Adoption of 2022-23 LCAP & Proposed Budget (Subsequent Board Meeting)
July 2022	2022-23 Fiscal Year Begins
July 2022	2021-22 Annual Attendance Report
August 2022	45 Day Budget Revise, as Needed
September 2022	2021-22 Unaudited Actuals (Establishes Actual Beginning Balances For 2022-23)
September 2022	Board Approval of GANN Resolution
December 2022	Board Approval of First Interim Report and Revised Budget (will include FCMAT Update and Budget Calendar)

# Fiscal Crisis Management Assistance Team (FCMAT) Fiscal Health Risk Analysis Update

- Fiscal Health Risk Analysis conducted October 2018
- 60 deficiencies were identified
- Provided recommended corrective actions
- Matrix used to track District's progress in implementing corrective actions
- Regular updates presented with Interim Financial Reports
- Matrix is available on District website

FCMAT Updates Presented	Number Identified FCMAT Findings	FCMAT Findings Updated this period	FCMAT Findings Completed this period	FCMAT Findings Completed	FCMAT Findings Remaining
February 28, 2019	60	28	0	0	60
April 11, 2019	60	18	18	18	42
June 13, 2019	60	23	1	19	41
July 23, 2019	60	10	0	19	41
November 20, 2019	60	31	7	26	34
December 19, 2019	60	0	0	26	34
March 19, 2020	60	26	1	27	33
May 8, 2020	60	36	*1	26	34**
December 10, 2020	60	28	1	27	33
March 18, 2021	60	21	3	30	30
May 20, 2021	60	20	0	30	30
September 16, 2021	60	8	0	30	30
December 16, 2021	60	28	4	34	26
March 17, 2022	60	25	5	39	21

\*one item was moved to "completed" status while another item was moved from "complete" to "in progress"

\*\*two items were moved from "completed" status to "in progress" during the May 8, 2020 update.

The next update will be presented with 2021-22 3rd Interim.

# Potential Future Risk/Opportunity

## Risks

- Significant decline in enrollment
- Uncertainty regarding the State Budget and fiscal impact on K12 Districts
- 3 Year ADA Proposal compared to Current Law

Description	2021-22	2022-23	2023-24
21-22 2nd Interim 3 Year ADA Proposal	\$ 434,484,520	\$ 442,008,001	\$ 442,015,756
21-22 2nd Interim Current Law	\$ 434,484,520	\$ 416,434,930	\$ 429,685,419
<b>Totals</b>	\$ -	\$ 25,573,071	\$ 12,330,337

- Multi-Year Projections with 4<sup>th</sup> Year

Description	Second Interim 2021-22	Projected 2022-23	Projected 2023-24	Projected 2024-25
Total Revenues	717,305,415	622,661,456	623,340,295	624,804,497
Total Expenditures	715,052,263	614,235,674	631,538,838	646,627,314
Excess/(Deficiency)	2,253,152	8,425,782	(8,198,543)	(21,822,817)
Other Sources/Uses	2,025,754	2,025,754	2,025,754	2,025,754
<b>Net Increase/(Decrease)</b>	<b>4,278,906</b>	<b>10,451,536</b>	<b>(6,172,789)</b>	<b>(19,797,063)</b>
Add: Beginning Fund Balance	125,906,717	130,185,623	140,637,159	134,464,370
<b>Ending Fund Balance</b>	<b>130,185,623</b>	<b>140,637,159</b>	<b>134,464,370</b>	<b>114,667,307</b>

# Potential Future Risk/Opportunity

## Opportunities

- Improved State Budget and funding for K12 Districts
- Recover enrollment
- Fiscal Recovery Plan sufficient to restore the District's fiscal stability

The Governor's 2022-23 May Revise Budget proposal will provide additional information

# District's Fiscal Status

- District 2021-22 Adopted Budget conditionally approved by SCOE
- 2021-22 Second Interim Qualified Certification
  - Structural deficit continues at (\$6.2M) in 2023-24
  - Enrollment Decline
  - Unsettled negotiations for both certificated and classified bargaining units
  - Proposed State Budget
  - Sacramento Office of Education (SCOE) Fiscal Advisor will remain assigned
  - Stay and Rescind Authority

# Summary

- District has implemented more than \$50 million in ongoing and 1X reductions
- 2/4/21 Board Approved Fiscal Recovery Plan \$4.5M
- 12/16/21 Board Approved Fiscal Recovery Plan \$243K ongoing and \$5M one time in 2022-23
- A \$6.2 million ongoing solution is required to achieve fiscal solvency
- Next reporting period is Third Interim in May 2022

# Approve 2021-22 Second Interim Budget