



# 2021-22 Third Interim Financial Report

Board Meeting  
May 19, 2022  
Agenda Item No. 10.1

# Acronyms

<b>1x</b>	One time	<b>LCFF</b>	Local Control Funding Formula
<b>ADA</b>	Average Daily Attendance	<b>MYP</b>	Multi - Year Projections
<b>ASES</b>	After School Education & Safety Program	<b>P-2</b>	Second Period Reporting Cycle
<b>COLA</b>	Cost of Living Adjustment	<b>PD</b>	Professional Development
<b>FCMAT</b>	Fiscal Crisis & Management Assistance Team	<b>PERS</b>	California Public Employees' Retirement System
<b>FRP</b>	Fiscal Recovery Plan	<b>SCOE</b>	Sacramento County Office of Education
<b>GFOA</b>	Government Finance Officers Association	<b>STRS</b>	California State Teachers Retirement System
<b>LCAP</b>	Local Control Accountability Plan	<b>UPP</b>	Unduplicated Pupil Percentage

# Budget Presentation Agenda

- Financial Reporting Requirements & District's Fiscal Status
- 2021-22 Third Interim Budget Changes since Second Interim
- Multi-Year Projections (MYP)
- Budget Calendar
- May Revise
- Summary

# 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 conditionally approved by SCOE
- District 2021-22 Second Interim Budget received “negative” certification by SCOE
  - Fiscal implications of negotiation settlements
  - Projected fiscal penalties related to eight days of school closures
  - Declining enrollment
- District is projecting deficit spending in 22-23 and 23-24
  - Cash Flow continues to diminish
  - Fiscal Recovery Plan
  - SCOE Fiscal Advisor will remain assigned until deficit reduction plan is achieved
  - Stay and Rescind Authority

# Summary of Changes

## 2021-22 Third Interim Report

- Total revenues decreased by \$44.9M primarily due to budgeting for projected fiscal penalties for school closures
- Increase of \$35.3M in total expenditures
  - Increase in salaries and benefits related to negotiation settlements with labor partners
- Cash Flow positive through June 2024
- Revised MYP will meet the required 2% reserve for 23-24
  - Deficit spending is not eliminated, projected @ \$76.2M

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

2021-22 Third Interim Budget			
Description	Unrestricted	Restricted	Total
Total Revenues	401,485,758	270,878,111	672,363,869
Total Expenditures	370,462,507	379,902,990	750,365,497
Excess/(Deficiency)	31,023,250	(109,024,879)	(78,001,628)
Other Sources/Uses	(90,541,481)	92,324,656	1,783,175
<b>Net Increase/(Decrease)</b>	<b>(59,518,231)</b>	<b>(16,700,223)</b>	<b>(76,218,453)</b>
Add: Beginning Fund Balance	103,708,114	22,198,603	125,906,717
<b>Ending Fund Balance</b>	<b>44,189,884</b>	<b>5,498,380</b>	<b>49,688,264</b>

2021-22 Second Interim Budget			
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>

# Changes Since 2021-22 Second Interim

	Changes since 2021-22 Second Interim Budget		
	Unrestricted	Restricted	Combined
<b>Revenue</b>			
General Purpose	(46,522,297)	-	(46,522,297)
Federal Revenue	-	242,356	242,356
State Revenue	-	1,254,696	1,254,696
Local Revenue	53,698	30,000	83,698
<b>Total Revenue</b>	<b>(46,468,599)</b>	<b>1,527,052</b>	<b>(44,941,547)</b>
<b>Expenditures</b>			
Certificated Salaries	8,466,372	11,872,828	20,339,200
Classified Salaries	16,007,407	(1,433,564)	14,573,844
Benefits	7,239,356	(23,807)	7,215,549
Books and Supplies	202,574	(6,239,008)	(6,036,435)
Other Services & Oper. Expenses	310,244	(2,534,817)	(2,224,573)
Capital Outlay	163,251	1,045,250	1,208,501
Other Outgo 7xxx	455,155	-	455,155
Transfer of Indirect 73xx	(172,231)	(45,777)	(218,008)
<b>Total Expenditures</b>	<b>32,672,129</b>	<b>2,641,105</b>	<b>35,313,234</b>
Deficit/Surplus	(79,140,728)	(1,114,052.91)	(80,254,781)
Other Sources/(uses)	-	-	-
Transfers in/(out)	(242,579)	-	(242,579)
Contributions to Restricted	-	-	-
Net increase (decrease) in Fund Balance	<b>(79,383,307)</b>	<b>(1,114,053)</b>	<b>(80,497,360)</b>
Beginning Balance	-	-	-
<b>Ending Balance</b>	<b>(79,383,307)</b>	<b>(1,114,053)</b>	<b>(80,497,360)</b>



# 2021-22 Third Interim Changes in Current Year Unrestricted Revenues

- LCFF revenues decreased overall by \$46.5M
  - Increase of \$486k due to updated P-2 report
  - Offset by projected \$47M penalties for 8 days of school closures
- Local revenues increased by \$54k for local donations

# 2021-22 Third Interim Changes in Current Year Unrestricted Expenses

- Increase Salaries and Benefits \$31.7M primarily for negotiation settlements
- Increase Supplies & Services \$513K in budget adjustments
- Capital Outlay increase of \$163K
- Other outgo increase of \$455K

# 2021-22 Third Interim Changes in Current Year Restricted Revenues

- Increase in Federal Revenue of \$242K
  - Budgeting carryover for 21<sup>st</sup> Century after school grant
- Increase in projected State Revenue \$1.25M
  - Primarily due to budgeting of ASES after school grant
- Increase in projected Local Revenue \$30K
  - Adjusted to reflect 1x donation funds

# 2021-22 Third Interim Changes in Current Year Restricted Expenses

- Increase Salaries and Benefits \$10.4M
  - Budget adjustments related to negotiation settlements
- Decrease in supplies and services of \$8.8M for 1x budget adjustments to offset negotiation settlements
- Capital Outlay increase of \$1.0M – adjustment for CARES/COVID related purchases
- Transfers Out increase of \$243K to other funds related to negotiation settlements

# MYP Assumptions

## Unrestricted Revenues

- 2022-23 LCFF COLA @ 6.56%, up from 5.33%
  - *Funded ADA @ 36,420 down 571 from 2<sup>nd</sup> interim report*
- 2023-24 LCFF COLA @ 3.61%
  - *Funded ADA @ 35,227 down 544 from 2<sup>nd</sup> interim report*
- Utilizing 3 year ADA averaging proposal
- Contributions increase \$4.6M in 22-23 and \$6.6M in 23-24 for projected increase in Special Education expenditures

## Restricted Revenues

- 22-23 State Revenue increase of \$4.2M for increased Special Education funding
- 22-23 Remove 1x COVID-19 relief funds, prior year carryover and expiring grants
- 23-24 budget remaining ESSER III funds

# MYP Assumptions

## 2022-23 Expenditure Changes

- Removed 1x stipends of \$17.3M related to negotiations
- Savings of \$6.8M in salaries from reductions related to enrollment decline
- Increases for step & column for both certificated at \$2.8M and classified salaries for \$492k
- Increases for STRS and PERS at \$5.1M
- Increase in health & welfare benefits at 8%
- FRP adjustments of \$5.3M, 1x savings of \$5M for textbooks
- Adjusted supplies and contracted services by \$88.8M to remove 1x expenses related to COVID-19 funds, prior year carryover and expiring grants
- Special Education increased expenses at \$8.8M
  - Includes adding back 2021-22 savings

# MYP Assumptions

## 2023-24 Expenditure Changes

- Increases for step & column for both certificated and classified salaries at \$3.1M
- Decrease in certificate salaries related to enrollment decline at \$493K and the removal of 3 PD days at \$3.1M
- Adjustments made for STRS and PERS rates
- Health & welfare benefits adjusted for projected 8% increase
- Adjusted books and supplies by \$5M to add back FRP 1x savings from 2022-23

# General Fund MYP

Description	2021-22 Third Interim Budget	Projected 2022-23	Projected 2023-24
Total Revenues	672,363,869	621,404,490	622,137,994
Total Expenditures	750,365,497	625,069,098	638,674,082
Excess/(Deficiency)	(78,001,628)	(3,664,608)	(16,536,089)
Other Sources/Uses	1,783,175	1,783,175	1,783,175
<b>Net Increase/(Decrease)</b>	<b>(76,218,453)</b>	<b>(1,881,433)</b>	<b>(14,752,914)</b>
Add: Beginning Fund Balance	125,906,717	49,688,264	47,806,831
<b>Ending Fund Balance</b>	<b>49,688,264</b>	<b>47,806,831</b>	<b>33,053,917</b>

## MYP Includes:

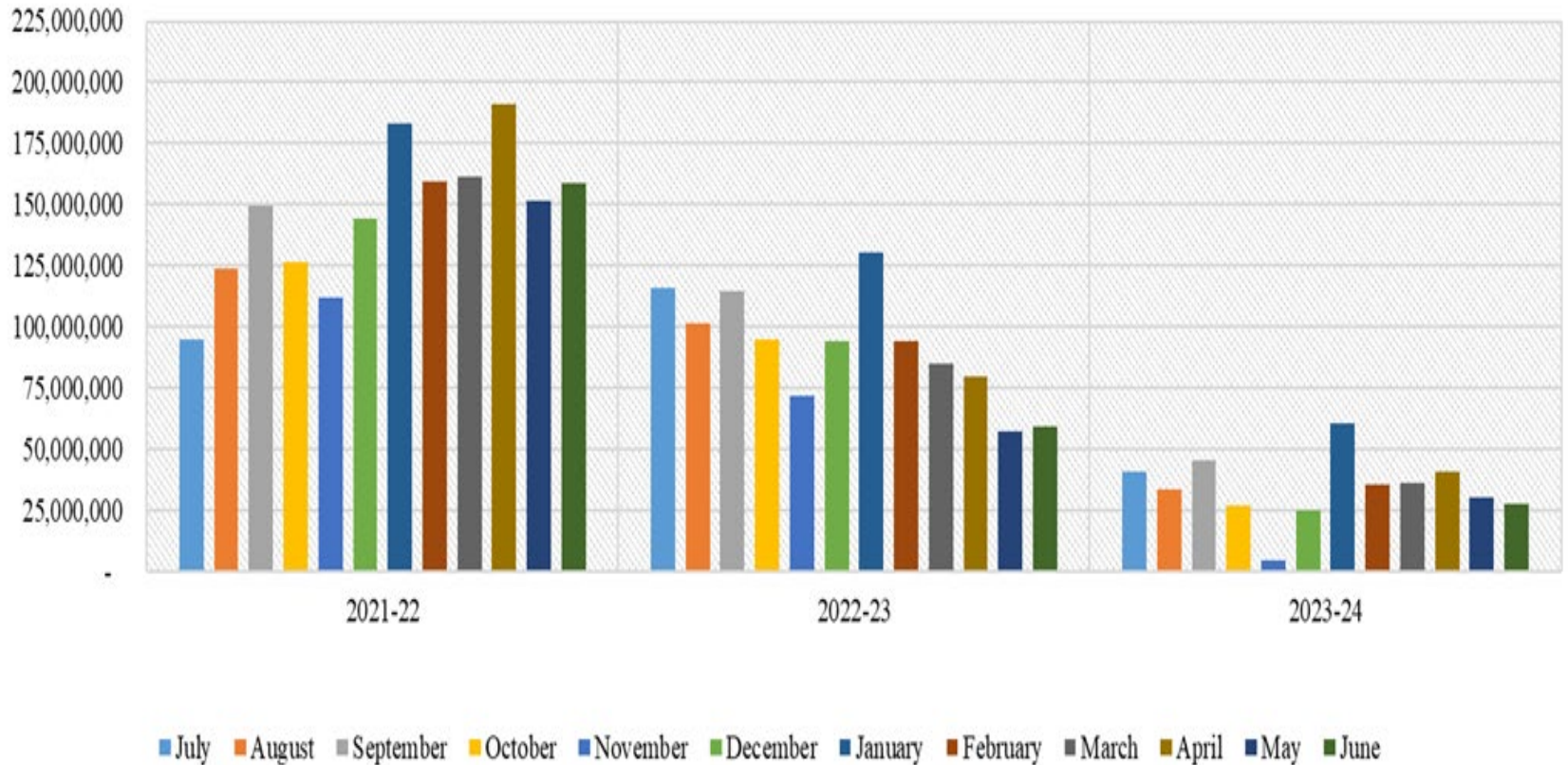
- 6.56% COLA for 2022-23
- 3.61% COLA for 2023-24

The target to eliminate deficit spending is \$14.75M



# MYP Cash Flow

## 2021-22 Third Interim Cash Flow Projections



# GFOA Recommended Reserves

The Government Finance Officers Association 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 Third 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)



# May Revise Update

- 2022-23 Additional COLA of 3% above 6.56%
  - Projected increase of \$12.2M per year
- \$8B in 1x discretionary funds at \$1,350/ADA
  - \$44.5M to \$51.3M depends on what ADA is used
- 2021-22 attendance ratio from 2019-20 @ 94.6% up from 21-22 ratio of 85.9%
  - Projected average increase of \$14.6M per year with 6.56% COLA or \$26.3M per year with 9.56% COLA

# Potential Future Risk/Opportunity

## Risks

- Uncertainty regarding the State Budget and fiscal impact on K-12 Districts
- Additional unfunded COVID-19 related expenses
- Significant decline in enrollment
- Economic downturn

## Opportunities

- Improved State Budget and funding for K-12 Districts
- Recover enrollment
- FRP sufficient to restore the District's fiscal stability

# Summary

- District has implemented more than \$50M in ongoing and 1x reductions
- 2/4/21 Board Approved FRP for \$4.5M
- 12/16/21 Board Approved FRP \$243K ongoing and \$5M 1x in 2022-23
- A \$14.75 million ongoing solution is required to achieve balanced budget
- Next reporting period is 2022-23 Adopted Budget in June 2022

# Questions