



2021-22 Third Interim Financial Report

Board Meeting
May 19, 2022
Agenda Item No. 10.1

Acronyms

1x	One time	LCFF	Local Control Funding Formula
ADA	Average Daily Attendance	MYP	Multi - Year Projections
ASES	After School Education & Safety Program	P-2	



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			

Changes Since 2021-22 Second Interim

	Unrestricted	Restricted	Combined
Revenue			
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
Total Revenue	(46,468,599)	1,527,052	(44,941,547)
Expenditures			
Certificated Salaries	8,466,372	11,872,828	20,339,200

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 21st 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 2nd interim report*
- 2023-24 LCFF COLA @ 3.61%
 - *Funded ADA @ 35,227 down 544 from 2nd 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-



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



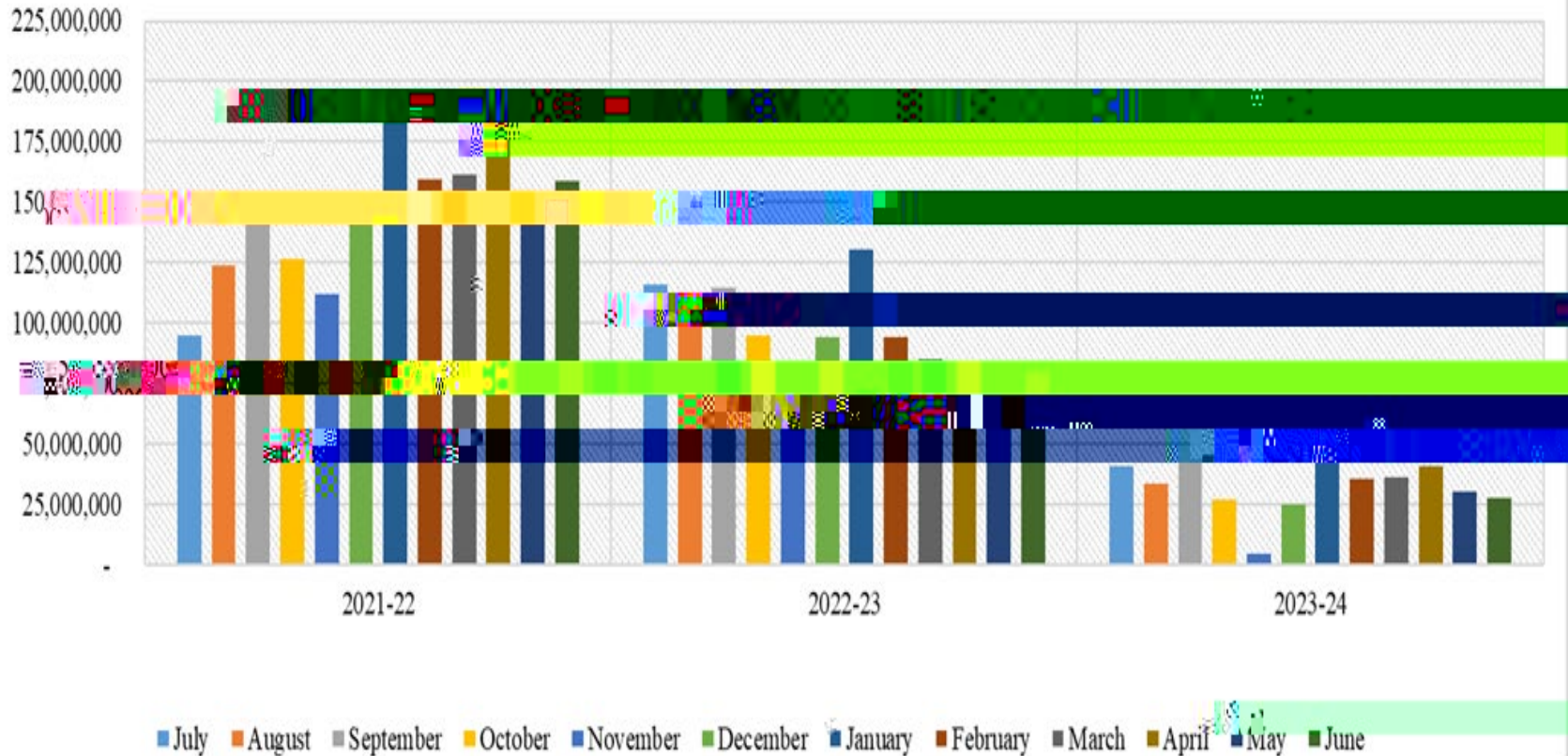
General Fund MYP

MYP Includes:

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MYP Cash Flow

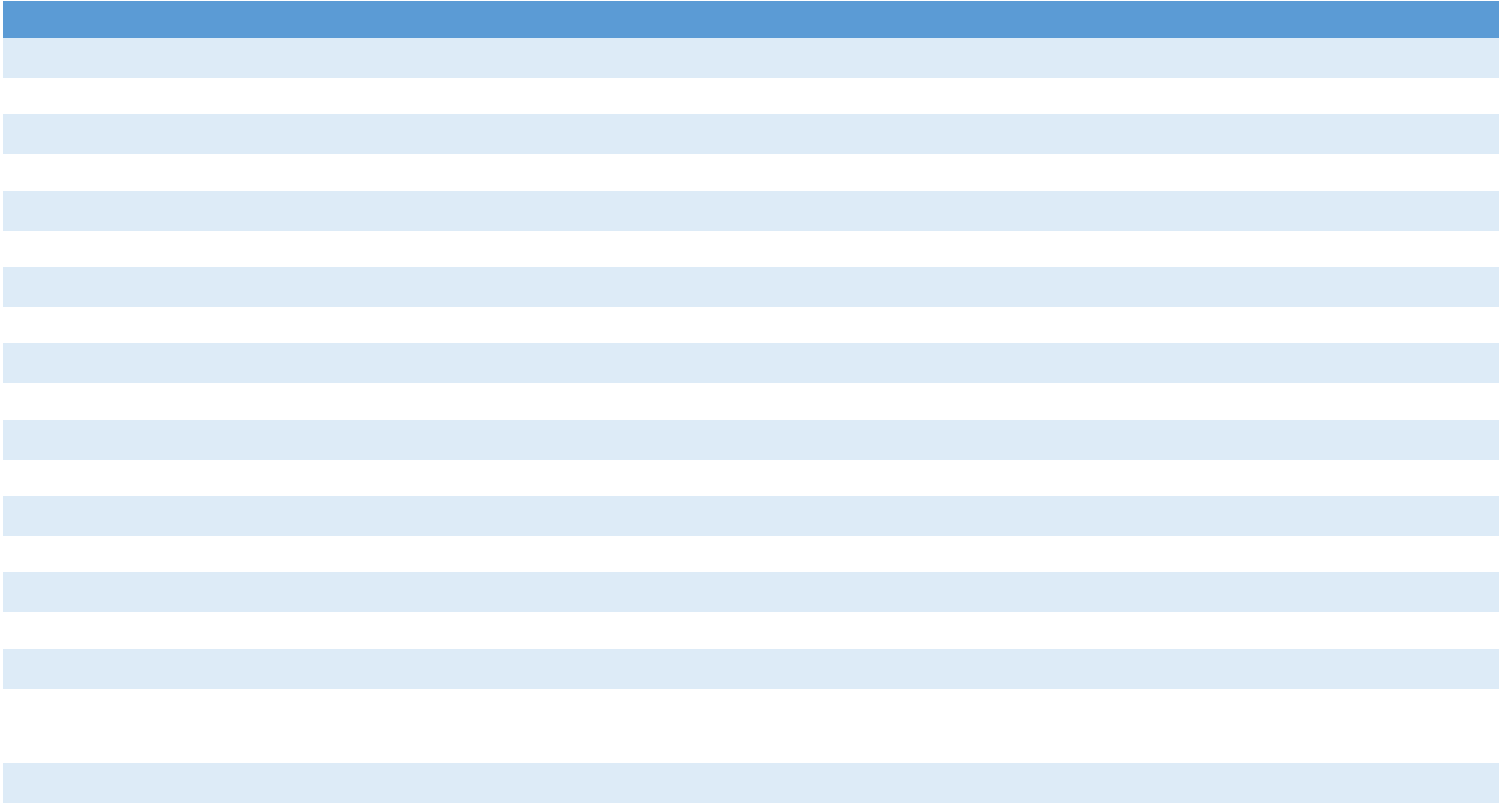
2021-22 Third Interim Cash Flow Projections



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



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

