

First Interim Financial Report Fiscal Year 2023-24

Board of Education
December 12, 2023

Agenda

- Budget Timeline
- Overview of 1st Interim
- Multi-Year Projection
- State and District Outlook

Purpose of a First Interim

- Midyear update to the current fiscal year 2023–24 General Fund budget and a forecast of the next two fiscal years
- Local educational agencies (LEAs) required to file two reports during a fiscal year (interim reports) on the status of the LEA's financial health
- The first interim report is due **December 15** for the period ending October 31
 - A *positive* certification indicates that based on current projections, the District will meet its financial obligations for the current fiscal year and two subsequent years
 - A *qualified* certification indicates that the District may not be able to meet its financial obligations for the current or two subsequent fiscal year
 - A *negative* certification indicates that the District will not be able to meet its financial obligations for the current or subsequent fiscal year

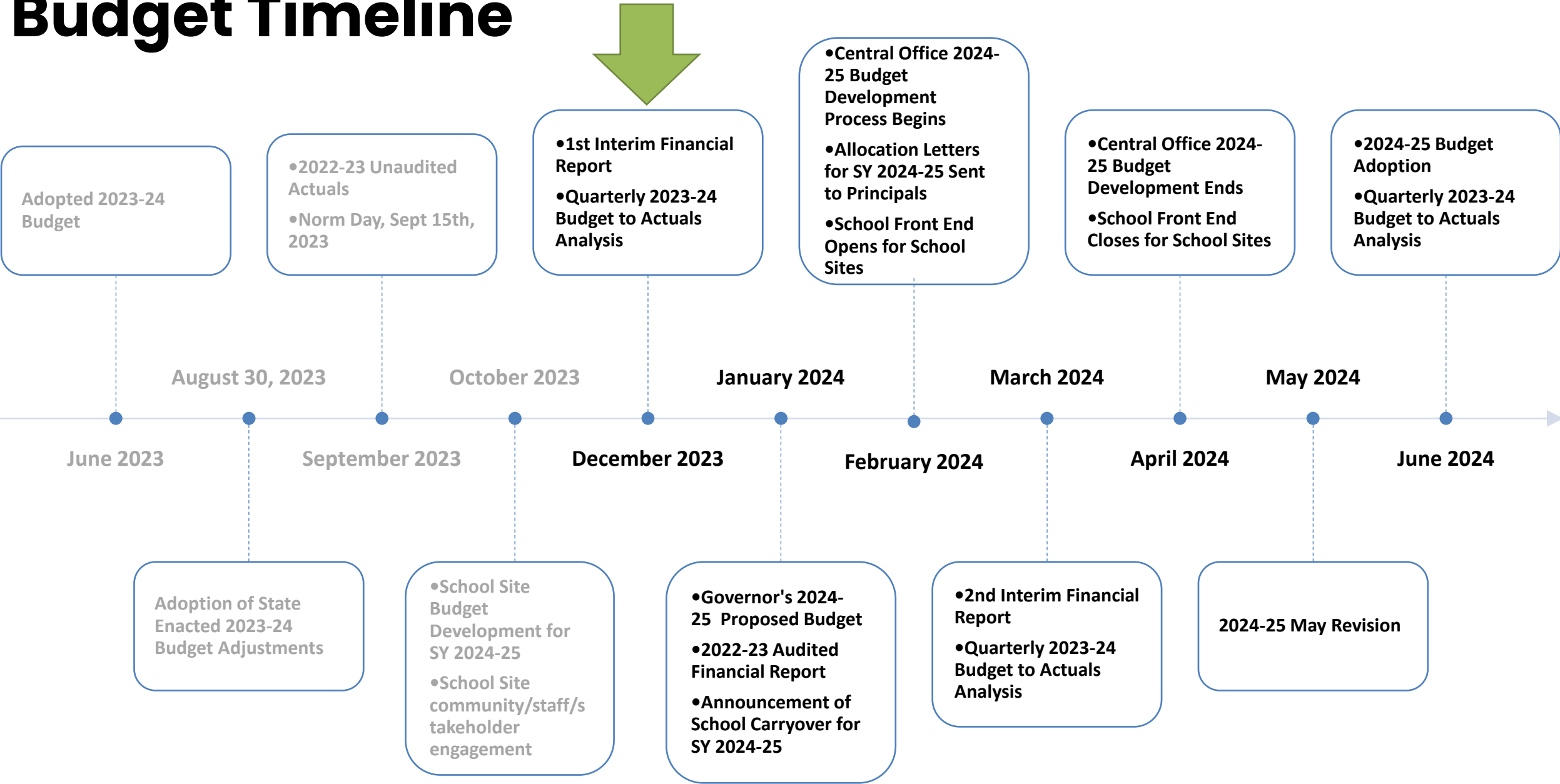
Based on current available information, recommend the Board certify as **“Positive”**, meaning the District is able to meet obligations for the current year and the next two years

First Interim Highlights

- The First Interim Financial Report projects a General Fund (unassigned / unappropriated) ending balance of **\$574.0 million** in 2023-24
 - This ending balance is \$446.8 million higher than reported at Revised Budget in August, and \$396.2 million higher than the budget as of October 31, 2023
- The multi-year changes in expenditures and revenues result in a cumulative ending balance of **\$63.2 million by the end of 2025-26**
 - This is an increase from the \$22.6 million reported at Revised Budget in August

As always, these projections are a point in time reflection of what is currently known about actual and planned spending

Budget Timeline

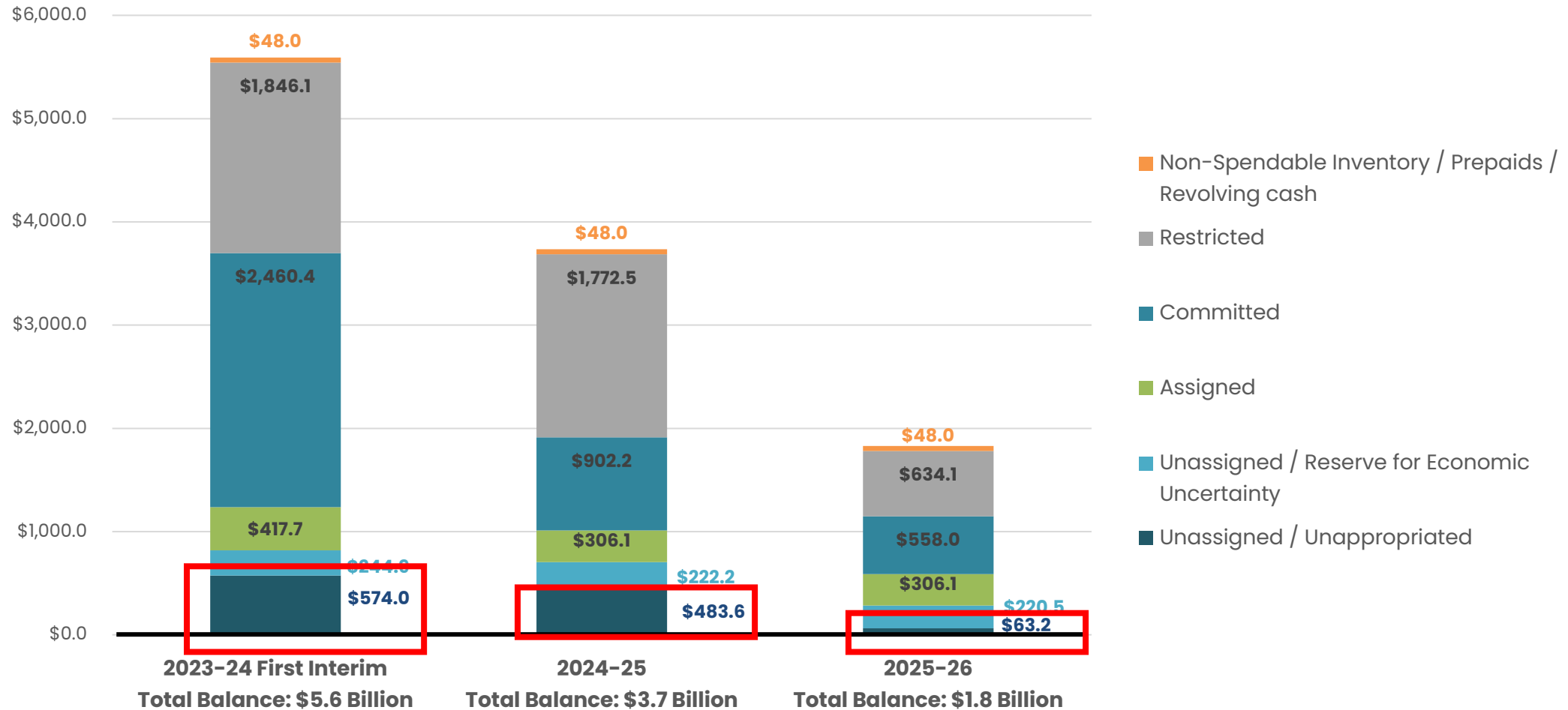


Important Context for First Interim

- Increase to the 2023–24 Unassigned/Unappropriated ending balance largely **due to additional transfers to ESSER 3**
- This is **one-time** good news, as ESSER 3 is expiring 9/30/2024
- Unassigned/Unappropriated ending balances do not always improve at each checkpoint in a Fiscal Year's life cycle
 - Example: 2021–22 Unassigned/Unappropriated ending balance was \$421.5 Million **lower** in September than estimated in August

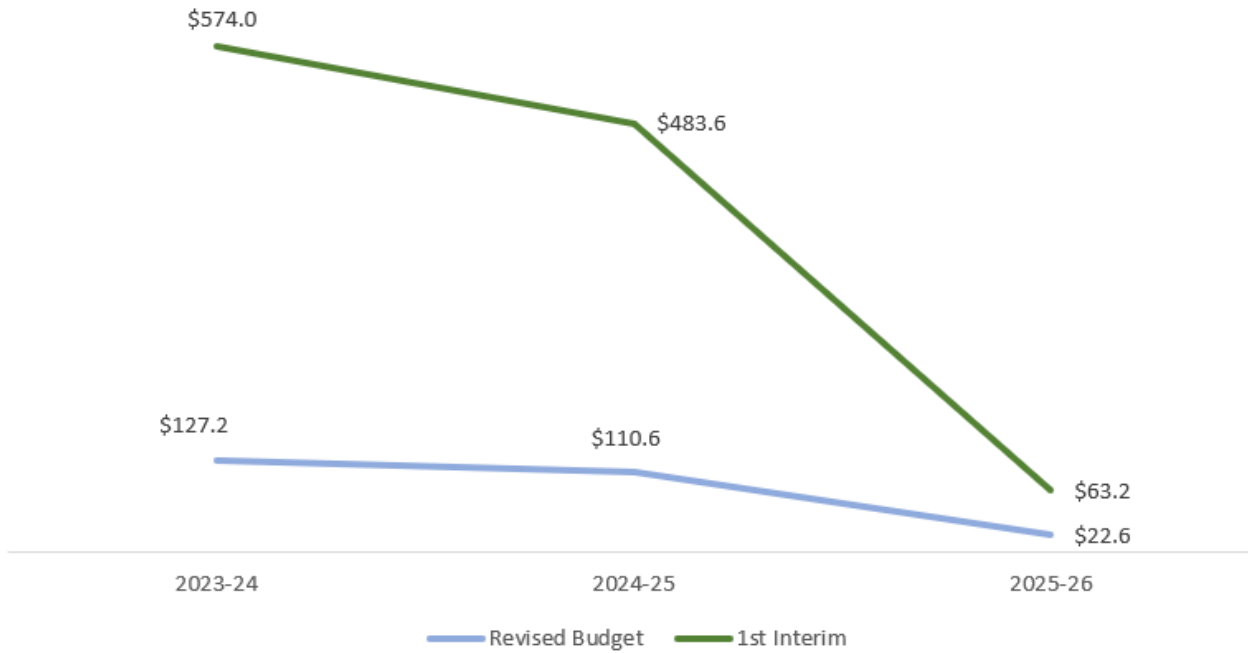
Multi-Year Projection: Ending Balances

Components of General Fund Ending Balance
(Amounts in Millions)



Multi-Year Projection

Unassigned/Unappropriated Ending Balance amounts in millions



(in millions)	2023-24	2024-25	2025-26
Estimated Ending Balance at Revised Budget (August)	\$127.2	\$110.6	\$22.6
1 st Interim Estimated Balances	\$574.0	\$483.6	\$63.2
Change	\$446.8	\$373.0	\$40.6

New Factors Reflected in Multi-Year Projection

Since we last presented to the Board for the August Revised Budget, the following **new factors have been incorporated** into the Multi-Year Projection:

- Health and Welfare Benefits Agreement
- District-Represented and Non-Represented Classifications Compensation Proposal
- Maximization of grants that provide relief to Unrestricted General Fund

Factors Not Reflected in Multi-Year Projection

- Future changes in compensation
- Potential impact of economic downturn
- Any future potential additional unrealized loss on cash balances
- Additional OPEB Trust contributions
- State's January proposed budget
 - Projected 2024-25 COLA of 1.27% compared to current assumption of 3.94%
 - Other potential reductions from the State's budget
- Potential reductions in federal funding
- Potential new major programmatic investments
- Cost of ESSER positions where alternative funding sources not identified

Fiscal Outlook

- State Fiscal Outlook:
 - California faces a \$68B deficit according to a December Legislative Analyst Office's Fiscal Outlook for 2024-25
 - State economy is currently in mild downturn
 - A recession occurrence will result in a further reduction to revenues
 - LAO's estimate of statutory COLA in 2024-25 is about 1.27 percent due to slowing inflation
 - Governor's 2024-25 Proposed Budget to be released in January 2024
- LA Unified Fiscal Outlook:
 - Continues to be challenged with deficit spending
 - Enrollment declined more than projected in 2023-24, and the long-term trend of declining enrollment is projected to continue
 - Each 1% increase in attendance generates approximately \$66M in revenue

Multi-Year Projection: Ending Balances

Components of General Fund Ending Balance
(Amounts in Millions)

