SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
BOARD OF EDUCATION

Agenda Item# 13.1o

Meeting Date: June 6, 2024

Subject: Approve 2023-24 Third Interim Financial Report

- ☐ Information Item Only
- ☒ Approval on Consent Agenda
- ☐ Conference (for discussion only)
- ☐ Conference/First Reading (Action Anticipated: _____)
- ☐ Conference/Action
- ☐ Action
- ☐ Public Hearing

Division: Business Services

Recommendation: Approve the 2023-24 Third Interim Financial Report.

Background/Rationale: Education Code Section 42130 requires school districts to prepare Interim Financial Reports each year. The intent of these reports is to provide an "early warning" system to indicate whether a district can meet its current or future year financial obligations. This is the third of three interim financial reports presented to the Board of Education for the 2023-24 year. The report provides actual financial information as of April 30, 2024, projections for the remaining 2023-24 fiscal year and multi-year projections for 2024-25 and 2025-26 fiscal years.

Financial Considerations: The District is pr

Graduates; Operational Excellence

III. Goals, Objectives and Major Initiatives

- Update budget and actual trend data with financial projections, follow the budget timeline, and take action on all necessary budget adjustments.
- Use the Third Interim Financial Report to guide preparation for the 2023-24 Unaudited Actuals
- Use the Third Interim Financial Report information to guide budget development for FY 2024-25
- Continued analysis of information from the State and its impact on the District's budget

IV. Results

Budget development for 2024-25 will follow the calendar and timeline approved by the Board. Required Board actions will take place in a timely manner to ensure an Adopted Budget is in place on or before July 1, 2024.

V. Lessons Learned/Next Steps

- Follow the approved calendar with adjustments made as necessary.
- Continue to monitor the state budget and its impact on the district finances.
- Continue to engage stakeholders in the budget development process through community budget meetings.
- Meet and communicate with bargaining unit partners.
- Ensure compliance with all LCFF and LCAP requirements.

2023-24 Third Interim Financial Report

School district budgets are not static, but instead are constantly being revised to respond to decisions at the State and Federal levels, as well as to the expenditure needs of the district. District staff closely monitor enrollment, average daily attendance, State and Federal revenue and other areas that could impact the budget in the current or outlying years. The District's 2023-24 Third Interim Financial Report is budgeted using an 8.22% COLA for 2023-24, .76% for 2024-25, and 2.66% for 2025-26.

The Third Interim Financial Report includes assumptions and projections made with the best information available for the reporting period, and the documents attached are primarily State-required reports but also include district documents that provide additional related financial details. Key information includes the budget assumptions, multi-year projections, and cash flow reports.

Board of Education Executive Summary

Business Services

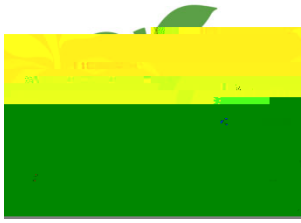
2023-24 Third Interim Financial Report Page 1 of 6

General Fund Contributions to Restricted Programs

Contribution of unrestricted resources to restricted programs are necessary to cover restricted program expenditures in excess of revenue.

General Fund Summary

The District's 2023-24 General Fund projects a total operating deficit of ($60.3) million resulting in an estimated ending fund balance of $203.3 million. The components of the District's fund balance are as follows: revolving cash & other nonspendables - $325K; restricted programs - $124.8 M; economic uncertainty - $17.4M; In accordance with SB 858 a detail description of assigned & unassigned balances is illustrated in the following table.



unrestricted classified cost increases. Other classified salary adjustments include a recent bargaining agreement settlement that included a 4% salary increase for 2023-24 retroactive July 1st 2023 and an additional 2% ongoing for 2024-25 for Teamsters Classified Supervisors and Teamsters Local 150 labor partners.

- STRS contribution to remain flat and PERS contribution projected increase of 1.12%
- Adjustments to benefits include adding back one-time savings of $3M recognized in the 2023-24 Second Interim report offset by the removal of $5.6M in one-time retroactive costs realized in 2023-24 and an estimated healthcare cost increase of $5.4M. Other adjustments include increased statutory benefits costs and a reduction of $3.5M of OPEB contributions related to the bargaining settlement agreement for 2023-24 and 2024-25. Additionally, one-time restricted funding sources were used to offset a portion of estimated unrestricted benefits increases.
- Books and Supplies are projected to increase slightly to restore a one-time reduction in supplies as of the 2023-24 Second Interim report.
- Services have been decreased to account for the removal of one-time district contract costs in 23-24.
- Capital o%0 Tw < >Tj /TT8yo increase

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crease in special education supplies.
ased due to additional special education services.
to increase due to the program adjustments above.

The District estimates that the General Fund proj

Table of Combined Unrestricted and Restricted Ending Fund Balance

Cash Flow

The 2023-24 Third Interim report and multi-year projections show that the District projects a positive cash balance through June 2026, however cash balances continue to decline and the district will continue to closely monitor cash flow in order to ensure the District has sufficient cash reserves to satisfy its obligations.

2023-24 Third Interim Multi-Year Projections

Conclusion

The District is projected to satisfy the 2% required reserve for economic uncertainties in 2023-24 and 2024-25, but projects a negative fund balance in 2025-26 at the Third Interim report. Additionally, cash flow projections indicate positive cash flow through June 2026 but are projected to steadily decline and the District will continue to closely monitor cash flow. The District projects an unrestricted deficit of ($54.9M) for 2023-24, ($110.6M) for 2024-25 and ($78.9M) in 2025-26. The primary changes since the District's 2023-24 First Interim report are the inclusion of costs related to bargaining agreement settlements reached since the First Interim report that are retroactive to the 2022-23 fiscal year, the inclusion of the projected costs of the certificated bargaining agreement reached for the 2023-24 and 2024-25 years, and a significant reduction to LCFF funding in the 2024-25 and 2025-26 years. The Third Interim budget and multiyear projections support that the District is projected to be able to meet its financial obligations for the current and first subsequent year, but may be unable to meet its financial obligations for the 2025-26 year.

Risks:

Uncertainty regarding on-going State funding for K12 Districts, the potential future impact of a recessionary economy including potential adjustments to funding rates, enrollment, and projected deficit spending, decreases in fund balance, and declining cash flow.

Opportunities:

Improved State Budget and funding for K12 Districts, stable/increased enrollment, potential to make up the instructional days lost during the 2021-22 school year through the State waiver process, and continued District strategic planning to achieve a balanced budget.

Sacramento City Unified School District

Board of Education

Lavinia Grace Phillips, President, Area 7
Jasjit Singh, Vice President, Area 2
Chinua Rhodes, 2nd Vice President, Area 5
Tara Jeane, Area 1

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	Unrestricted	Restricted	Combined	Unrestricted	Restricted	Combined	Unrestricted	Restricted	Combined
Revenue									
General Purpose	500,355,264	2,478,216	502,833,480	486,482,344	2,478,216	488,960,560	487,662,339	2,478,216	490,140,555
Federal Revenue	-	157,711,903	157,711,903	-	40,320,735	40,320,735	-	40,320,735	40,320,735
State Revenue	12,193,830	127,068,758	139,262,588	16,083,823	108,830,159	124,913,983	16,083,823	108,830,159	124,913,983
Local Revenue	7,877,703	5,790,793	13,668,496	4,688,824	2,224,108	6,912,932	4,688,824	2,224,108	6,912,932
Total Revenue	520,426,797	293,049,670	813,476,467	507,254,991	153,853,219	661,108,210	508,434,986	153,853,219	662,288,205
Expenditures									
Certificated Salaries	220,037,217	92,447,265	312,484,482	216,356,889	94,810,956	311,167,845	222,246,540	70,609,457	292,855,997
Classified Salaries	53,134,055	37,751,960	90,886,015	48,480,826	39,182,256	87,663,082	49,895,421	29,224,849	79,120,270
Benefits	139,679,571	87,980,697	227,660,268	136,911,542	101,003,981	237,915,523	148,387,639	84,478,117	232,865,757
Books and Supplies	8,649,616	48,571,851	57,221,467	8,769,616	13,003,156	21,772,772	8,769,616	13,112,380	21,881,996
Other Services & Oper. Expenses	35,750,339	120,081,775	155,832,114	31,654,695					