FIRST INTERIM FINANCIAL REPORT

Presented to the Governing Board on December 16, 2021
Topics

- Types of Interim Certifications
- Variance between First Interim and Second Interim
- Declining enrollment & expiration of hold harmless protection
- LAO’s Outlook on the State January Budget Proposal
- Updated Multi-Year Projection
  - What’s included?
  - What’s not included
- Certify Interim Report
Interim Certification

- Positive Certification – Certify that District *will* be able to meet its financial obligation for the current and subsequent two fiscal years.
- Qualified – *may* not meet
- Negative – *will not* be able to meet

**GUSD First Interim is self-certified as “Positive”**
2021-22 First Interim Expenditures by Major Fund

- General Fund: $177.52
- Building Fund: $92.37
- Food Service: $6.20
- Developer Fees: $1.81
- State Preschool: $1.18
- Self Insured Fund: $0.74
- Adult Ed: $0.40

Total Expenditures in all Funds: $280,216,341
### GENERAL FUND: Variance between interim reports

<table>
<thead>
<tr>
<th>Unrestricted Expenditures</th>
<th>Sept. Budget 2021-22</th>
<th>First Interim 2021-22</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$ 115,832,930</td>
<td>$ 115,824,707</td>
<td>$ (8,223)</td>
</tr>
<tr>
<td>Expenditures</td>
<td>$ 100,759,487</td>
<td>$ 100,880,052</td>
<td>$ 120,564</td>
</tr>
<tr>
<td>Excess/(Deficiency)</td>
<td>$ 15,073,443</td>
<td>$ 14,944,655</td>
<td>$ (128,787)</td>
</tr>
<tr>
<td>Other Financing &amp; Contribution</td>
<td>$ (19,069,043)</td>
<td>$ (18,949,043)</td>
<td>$ 120,000</td>
</tr>
<tr>
<td>Net Inc/Decr to Fund Balance</td>
<td>$ (3,995,600)</td>
<td>$ (4,004,388)</td>
<td>$ (8,787)</td>
</tr>
<tr>
<td>Beg Fund Balance</td>
<td>$ 40,412,285</td>
<td>$ 40,412,285</td>
<td>$ -</td>
</tr>
<tr>
<td>Ending Fund Balance</td>
<td>$ 36,416,685</td>
<td>$ 36,407,897</td>
<td>$ (8,787)</td>
</tr>
<tr>
<td>7% Min. Unrestricted Reserve</td>
<td>$ 11,974,659</td>
<td>$ 12,426,490</td>
<td>$ 451,831</td>
</tr>
<tr>
<td>% Unrestricted Reserve</td>
<td>21.26%</td>
<td>20.48%</td>
<td>-0.78%</td>
</tr>
<tr>
<td>Fiscal Year</td>
<td>LCFF Revenues (Millions)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-------------</td>
<td>-------------------------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2019-20</td>
<td>$107.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2020-21</td>
<td>$107.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2021-22</td>
<td>$112.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2022-23</td>
<td>$108.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2023-24</td>
<td>$111.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2024-25</td>
<td>$112.9</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- **Hold harmless provisions expire in 2022-23**
- **UPP 58% throughout forecast**

**Hold harmless protection**

- **GUSD declined by 314 students last year.**
- **Declined by 187 this year (prelim CBEDS).**
- **Projected to lose $5.2 million, after adding a projected 2.48% COLA in 2022-23!**

**MEGA COLA** (comp. factors)

- 5.07% for 2022-23
- 2.31% for 2020-21
- 1.7% for 2021-22
- 0.99% for 'extra'

**UPP**

- 3.54% for 2024-25

**COLA**

- 3.11% for 2023-24
- 2.48% for 2022-23
- 2.31% for 2020-21
- 1.7% for 2021-22
- 0.99% for 'extra'

**Hold harmless protection**

- $4.4 M
Hold harmless & Average daily attendance

- **Enrollment** – A snapshot of enrollment across the state on the First Wednesday of October.

- **Average Daily Attendance** – Funding in the state is based on actual daily attendance.
  - Historically, about 94%-95% of Enrollment for GUSD
  - Currently, GUSD’s ADA is about 93% at best.

### Impact of Hold Harmless

<table>
<thead>
<tr>
<th>Year</th>
<th>Enrollment</th>
<th>Funded ADA</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019-20</td>
<td>11,135</td>
<td>10,600</td>
</tr>
<tr>
<td>2020-21</td>
<td>10,821</td>
<td>10,600</td>
</tr>
<tr>
<td>2021-22</td>
<td>10,636</td>
<td>10,600</td>
</tr>
<tr>
<td>2022-23</td>
<td>10,466</td>
<td>9,890</td>
</tr>
</tbody>
</table>

- $7,586,350 revenue loss!
- Revenue loss is offset by positive COLA of 2.48% in 2022-23
- -710 ADA!
Proposition 98 is estimated to be about $12 billion above 2021-22 budget level

The “big three” taxes (personal income, sales, and corporate taxes) outperforming budget expectations.

- Prop 98 Minimum Guarantee expected to grow by about $11.6 billion
- State required to provide $10 billion in one-time funding – state Legislature could look to allocate this “settle up” for schools or community college programs.

2022–23 Fiscal Outlook estimates schools will see $20 billion for new commitments
LAO estimates the state will have about $9.5 billion for “new commitments” after funding the COLA.

Higher COLA should soften the “Fiscal Cliff” – but GUSD has to address declining enrollment.
LAO Comments on State Surplus

- Earmark $2.5 billion from the state surplus to mitigate impacts of a higher inflation scenario
- Options for allocating targeted funds for schools
- Accelerate Expanded Learning Opportunities Program (ELO-P).
- Equalize LCFF “add-ons” --- for example Transportation entitlement.
  - equalization would be based on a minimum funding per student and not based on a historical amount.
- Full implementation of Special Education Reforms
- Address pension obligations and costs
- Improve climate resiliency and emergency preparedness
- Make an optional Proposition 98 Reserve Deposit
A projection is a forecast – not a prediction!
Declining Enrollment *(Excludes Navigator Charter School)*

* 2021-22 Preliminary, October 6, 2021 (“CBEDS” Enrollment).

Source: data from DataQuest; includes NPS, Excludes Navigator.
Mandated Employer Pension Costs from the State

Total CalSTRS and CalPERS (Employer Mandated) Share

Excludes other employer mandated rates: unemployment insurance, workers compensation, etc.
What’s included in the Multi-Year Projection

<table>
<thead>
<tr>
<th>REVENUE ASSUMPTIONS</th>
<th>EXPENDITURE ASSUMPTIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ Funded Cost of Living Adjustments (COLAs)</td>
<td>▪ Includes $500k million placeholder budget cuts to correspond to decline in enrollment.</td>
</tr>
<tr>
<td>- 5.07% for 2021-22 (&quot;MEGA&quot; COLA)</td>
<td>▪ Includes changes in employer mandated CalSTRS and CalPERS rates</td>
</tr>
<tr>
<td>- 2.48% for 2022-23</td>
<td>▪ Reduces the total contributions to Special Education by $120k for 2021-22.</td>
</tr>
<tr>
<td>- 3.11% for 2023-24</td>
<td>▪ Adds the corresponding expenditures of the grants/entitlements</td>
</tr>
<tr>
<td>▪ Incorporates DecisionInsites’ projected decline in enrollment as follows:</td>
<td></td>
</tr>
<tr>
<td>- 179 decline in 2022-23</td>
<td></td>
</tr>
<tr>
<td>- 187 decline in 2023-24</td>
<td></td>
</tr>
<tr>
<td>▪ Educator Effectiveness Grant $2,280,296 (one-time)</td>
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</tr>
<tr>
<td>▪ American Rescue Plan-Homeless Children &amp; Youth: $41,397 (one-time)</td>
<td></td>
</tr>
<tr>
<td>▪ Special Ed Dispute Prevention: $151,404 (one-time)</td>
<td></td>
</tr>
<tr>
<td>▪ Special Ed Learning Recovery: $851,648 (one-time)</td>
<td></td>
</tr>
<tr>
<td>▪ Expanded Learning Opportunities Program: $2,099,245 (on-going*)</td>
<td></td>
</tr>
</tbody>
</table>

As of First Interim Financial Report (December 2020)
Not included in the Budget

- **Cal. Prek Planning Implementation Grant**
  - Preliminary estimate: $127,832
  - Must be spent by June 30, 2024

- **A-G Completion Improvement Grant**
  - Preliminary estimate: $874,766
  - Must be spent by June 30, 2026
  - Must have an approved plan by April 1, 2022.
### Multi-Year Projection (prior to any TA with Bargaining Units)

<table>
<thead>
<tr>
<th></th>
<th>2021-22 1st INTERIM (93% ADA)</th>
<th>2022-23 Projection (94.5% thereafter)</th>
<th>2023-24 Projection</th>
<th>2024-25 Projection</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Unrestricted</td>
<td>Restricted</td>
<td>Total</td>
<td>Unrestricted</td>
</tr>
<tr>
<td>LFT</td>
<td>112,012,16</td>
<td>3,301,227</td>
<td>115,313,387</td>
<td>107,618,935</td>
</tr>
<tr>
<td>Instructional Aides</td>
<td>53,316</td>
<td>2,971,276</td>
<td>56,287,591</td>
<td>49,635,785</td>
</tr>
<tr>
<td>One-Time Revenue (Special)</td>
<td>160,000</td>
<td>160,000</td>
<td>-</td>
<td>160,000</td>
</tr>
<tr>
<td>Revenue from ADD</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Federal Revenues</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other State Revenues</td>
<td>2,041,737</td>
<td>14,775,265</td>
<td>16,817,002</td>
<td>2,041,737</td>
</tr>
<tr>
<td>Local Revenues</td>
<td>16,459,309</td>
<td>3,590,531</td>
<td>20,050,840</td>
<td>16,459,309</td>
</tr>
<tr>
<td><strong>EXPENDITURES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Personnel Compensation</strong></td>
<td>-</td>
<td>(500,000)</td>
<td>(500,000)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Personnel Compensation</strong></td>
<td>-</td>
<td>(500,000)</td>
<td>(500,000)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Non-Personnel Compensation</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Non-Personnel Compensation</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL EXPENDITURES</strong></td>
<td>100,000,025</td>
<td>76,644,213</td>
<td>177,651,239</td>
<td>97,391,948</td>
</tr>
<tr>
<td><strong>Net Income (Decrease)</strong></td>
<td>(14,004,388)</td>
<td>(7,604,722)</td>
<td>(21,609,110)</td>
<td>(0)</td>
</tr>
<tr>
<td><strong>FUND BALANCE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beginning Fund Balance</td>
<td>40,142,285</td>
<td>7,604,721</td>
<td>47,746,006</td>
<td>36,407,857</td>
</tr>
<tr>
<td>Minimum Reserve</td>
<td>$ 12,476,490</td>
<td>$ 9,151,781</td>
<td>$ 21,628,271</td>
<td>$ 12,914,985</td>
</tr>
<tr>
<td><strong>UNRESTRICTED RESERVE</strong></td>
<td>80.42%</td>
<td>23.27%</td>
<td>80.42%</td>
<td>19.56%</td>
</tr>
</tbody>
</table>
## Multi-Year Projection – UNRESTRICTED GF ONLY

<table>
<thead>
<tr>
<th></th>
<th>2021-22 1st INTERIM (93% ADA)</th>
<th>2022-23 Projection</th>
<th>2023-24 Projection</th>
<th>2024-25 Projection</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES</strong></td>
<td>Unrestricted</td>
<td>Unrestricted</td>
<td>Unrestricted</td>
<td>Unrestricted</td>
</tr>
<tr>
<td>LCFF</td>
<td>112,042,154</td>
<td>107,678,906</td>
<td>110,543,443</td>
<td>112,432,029</td>
</tr>
<tr>
<td>Increase to Supp &amp; Conc.</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>One Time Revenues (Sp Ed)</td>
<td>531,316</td>
<td>497,553</td>
<td>456,691</td>
<td>453,182</td>
</tr>
<tr>
<td>Revenue from ADB</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Federal Revenues</td>
<td>160,000</td>
<td>200,000</td>
<td>200,000</td>
<td>200,000</td>
</tr>
<tr>
<td>Other State Revenues</td>
<td>2,041,737</td>
<td>2,041,737</td>
<td>2,041,737</td>
<td>2,041,737</td>
</tr>
<tr>
<td>Other Local Revenues</td>
<td>1,049,500</td>
<td>1,049,500</td>
<td>1,049,500</td>
<td>1,049,500</td>
</tr>
<tr>
<td><strong>TOTAL, REVENUES</strong></td>
<td>115,824,707</td>
<td>111,468,096</td>
<td>114,291,371</td>
<td>116,176,448</td>
</tr>
</tbody>
</table>

### EXPENDITURES

| Placeholder cuts (22-23) Declining Enroll. | (500,000) | (500,000) | (500,000) | (500,000) |
| Placeholder cuts (23-24) Declining Enroll. | (500,000) | (500,000) | (500,000) | (500,000) |
| Placeholder cuts (24-25) Declining Enroll. | (500,000) | (500,000) | (500,000) | (500,000) |

| Certified                  | 47,430,560 | 48,142,019 | 48,864,149 | 49,597,111 |
| Classified                 | 13,486,003 | 13,688,293 | 13,893,618 | 14,102,022 |
| Employee Benefits          | 21,212,845 | 22,205,098 | 23,759,076 | 24,136,802 |
| Books & Supplies           | 8,474,333  | 3,949,394  | 3,949,394  | 3,949,394  |
| Services & Operating Expenses | 11,269,051 | 8,860,400 | 8,860,400 | 8,860,400 |
| Capital Outlay             | 84,896     | 252,325    | 252,325    | 252,325    |
| Other Outgo                | 420,910    | 447,717    | 449,358    | 449,358    |
| Transfers of Indirect Costs | (1,498,546) | (778,300) | (793,248) | (804,864) |
| **TOTAL, EXPENDITURES**    | 100,880,052 | 97,361,946 | 98,235,072 | 99,042,548 |

| Transfers out              | -          | -          | -          | -          |
| Contributions              | (18,949,043) | (19,233,279) | (19,521,778) | (19,814,604) |
| **TOTAL, OTHER SOURCES/USES** | (18,949,043) | (19,233,279) | (19,521,778) | (19,814,604) |

| NET INCREASE (DECREASE)    | (4,004,388) | (5,127,128) | (3,465,478) | (2,680,704) |

### FUND BALANCE

| Minimum RESERVE $           | 12,426,490 | 9,815,780  | 9,913,977  | 9,974,115  |

| UNRESTRICTED RESERVE       | 20.48%     | 22.27%     | 19.60%     | 17.60%     |
### Other Funds

<table>
<thead>
<tr>
<th>Fund</th>
<th>Description</th>
<th>Beginning Fund Balance</th>
<th>Revenue</th>
<th>Expenditures</th>
<th>Ending Fund Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>11</td>
<td>Adult Education</td>
<td>$92,243</td>
<td>$309,211</td>
<td>$401,454</td>
<td>$-</td>
</tr>
<tr>
<td>12</td>
<td>Child Development</td>
<td>$218,098</td>
<td>$1,140,980</td>
<td>$1,183,426</td>
<td>$175,652</td>
</tr>
<tr>
<td>13</td>
<td>Cafeteria Fund</td>
<td>$94,051</td>
<td>$6,357,000</td>
<td>$6,197,000</td>
<td>$254,051</td>
</tr>
<tr>
<td>21</td>
<td>Building fund</td>
<td>$110,496,944</td>
<td>$800,000</td>
<td>$92,367,114</td>
<td>$18,929,830</td>
</tr>
<tr>
<td>25</td>
<td>Capital Facilities/Developer Fees</td>
<td>$1,914,151</td>
<td>$720,000</td>
<td>$1,805,250</td>
<td>$828,901</td>
</tr>
<tr>
<td>35</td>
<td>County School Facilities</td>
<td>$2,461,782</td>
<td>$40,000</td>
<td>$-</td>
<td>$2,501,782</td>
</tr>
<tr>
<td>67</td>
<td>Self Insurance</td>
<td>$2,456,419</td>
<td>$969,166</td>
<td>$740,806</td>
<td>$2,684,779</td>
</tr>
<tr>
<td>73</td>
<td>Foundation Trust</td>
<td>$834,317</td>
<td>$26,000</td>
<td>$17,250</td>
<td>$843,067</td>
</tr>
</tbody>
</table>
Recommended Board Action

- Approve the First Interim Report with a Positive Certification.