

**ALBANY UNIFIED SCHOOL DISTRICT  
BOARD AGENDA BACKUP**

**Regular Meeting of March 12, 2024**

**ITEM:** 2023-2024 SECOND INTERIM FINANCIAL REPORT

**PREPARED BY:** JACKIE KIM, CHIEF BUSINESS OFFICIAL

**TYPE OF ITEM:** REVIEW AND ACTION

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**PURPOSE:** To review and approve the current financial status of the District and approve the positive certification for the 2023-2024 2<sup>nd</sup> Interim Report.

**BACKGROUND INFORMATION:** The 2<sup>nd</sup> Interim Financial Report is the second of two interim budget reports required by AB 1200, which was passed into law in 1991, and became effective on January 1, 1992. AB 1200 was enacted to establish a process of fiscal monitoring to ensure fiscal solvency for school districts and county offices. Districts are required by Education Code 42130 to submit a report on their financial status as of October 31 and January 31. The purpose of the report is to determine an appropriate certification to the State of California regarding the District's ability to meet its financial obligations for the current and two subsequent fiscal years. The Alameda County Office of Education is responsible for reviewing the report and the District's positive certification.

**DETAILS:** The 2<sup>nd</sup> Interim Report updates the current budget year and two subsequent years based on the Governor's Budget proposal for the following year, updates in revenues driven by attendance, and updates any adjustments on Board priorities or spending. This report helps provide a basis for the following year's budget planning process.

On January 10, 2024, Governor Gavin Newsom released the proposed state budget for 2024-25. The Governor's Budget revealed that state tax collections for 2022-23, which were delayed to October and November 2023, were approximately \$43 billion lower than anticipated. As a result, the state has an estimated \$37.9 billion budget deficit. The budget addresses this deficit by reserve draw-downs, spending reductions, new revenue proposals, internal borrowing, funding delays, funding shifts, and deferrals. The governor does not propose significant reductions to education programs, but the proposed cost-of-living adjustment (COLA), as calculated, is significantly less than in recent years. The Governor's Budget includes a 0.76% COLA to the LCFF that, when combined with population growth adjustments, will result in a decrease of roughly \$1.4 billion in discretionary funds for school districts. At the time of the budget proposal, two data points needed to calculate the final statutory COLA for 2024-25 were still outstanding.

The 2024-2025 Adopted Budget will be presented in June and will incorporate any assumption changes from the Governor's Revised Budget Proposal from May.

This 2023-24 Second Interim Budget report includes the following major changes:

- Reduced projected COLA to 0.76%
- Additional revenue due to passage of Measure G
- 3% salary increases due to passage of Measure G
- \$1.8 million budget reduction

**KEY QUESTIONS/ANSWERS:**

1. What are the possible types of certifications for the budget?
  - a. A **Positive Certification** means the District **WILL** be able to meet all of its financial obligations for the current and two subsequent years.
  - b. A **Qualified Certification** means the District **MAY NOT** be able to meet all of its financial obligations for the current and two subsequent years.
    - i. May result in additional oversight from the County Office of Education
  - c. A **Negative Certification** means the District **WILL NOT** be able to meet all of its financial obligations for the current and two subsequent years.
    - i. Additional measures from the County Office of Education and State may be required to ensure fiscal solvency and fiscal stability.

**FINANCIAL INFORMATION: Combined General Fund**

Description	2023-24 2nd Interim	2024-25 Projected	2025-26 Projected
<b>REVENUES</b>			
General Purpose Revenue	41,153,075	41,247,874	42,067,571
Federal Revenue	1,089,662	1,089,662	1,089,662
State Revenue	9,630,209	8,990,448	8,994,791
Local Revenue	10,001,883	12,271,883	12,400,462
<b>TOTAL REVENUES</b>	<b>61,874,829</b>	<b>63,599,867</b>	<b>64,552,486</b>
<b>EXPENDITURES</b>			
Certificated Salaries	25,507,883	25,603,310	26,064,169
Classified Salaries	9,692,083	9,644,308	9,817,906
Benefits	19,280,165	19,810,441	20,420,281
Books and Supplies	2,052,987	1,586,674	1,979,515
Other Services & Oper. Exp	9,501,722	8,494,253	8,447,497
Capital Outlay	39,467	-	-
3% Salary Increases (Due to Parcel Tax Passage)		1,275,000	1,298,000
Reduction		(1,800,000)	(1,800,000)
Other Outgo (F)	241,867	-	-
Transfer of Indirect Costs	(366,940)	(366,940)	(366,940)
<b>TOTAL EXPENDITURES</b>	<b>65,949,234</b>	<b>64,247,046</b>	<b>65,860,428</b>
<b>Net Increase (Decrease)</b>	<b>(4,074,405)</b>	<b>(647,179)</b>	<b>(1,307,942)</b>
<b>FUND BALANCE, RESERVES</b>			
Estimated Beginning Balance	10,677,152	6,602,747	5,955,568
<b>Estimated Ending Balance</b>	<b>6,602,747</b>	<b>5,955,568</b>	<b>4,647,626</b>
Nonspendable	25,000	25,000	25,000
Restricted	2,265,205	1,989,105	1,989,105
Reserve for Economic Uncertainties @ 3%	1,978,500	1,927,500	1,975,900
Unassigned - Other	2,334,042	2,013,963	657,621
<b>Total - Est. Fund Balance</b>	<b>6,602,747</b>	<b>5,955,568</b>	<b>4,647,626</b>
<b>Fund Balance Reserve Percentage</b>	<b>6.54%</b>	<b>6.13%</b>	<b>4.00%</b>

**STRATEGIC GOALS ADDRESSED:** This Board Item addresses



**Objective #1:** Assess and Increase Academic Success.

*Goal: We will provide a comprehensive educational experience with expanded opportunities for engagement, assessment, and academic growth so that all students will achieve their fullest potential.*



**Objective #2:** Support the Whole Child.

*Goal: We will foster the social and emotional growth of all students, implement an array of strategies to increase student engagement, identify individual socio-emotional and behavioral needs, and apply collaborative appropriate interventions.*



**Objective #3:** Communicate and Lead Together.

*Goal: All stakeholders will collaborate and communicate about decisions that guide the sites and district.*

<p><b>RECOMMENDATION:</b> To review and approve the current financial status of the District and approve the positive certification for the 2023-2024 Second Interim Report</p>
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