



To: Board President and Board Members

From: Katrina Montgomery, Chief Financial Officer

Date: September 4, 2026

Subject: Tranche Two - Financial Reconciliation & Budget Review

Executive Summary

The Board President, on behalf of the Board officers, has requested a [two-phase](#) review of the FY 2025-26 District's financial projections and budget development process. The purpose is to establish a clear understanding of the factors that contributed to the operating deficit and the development of the FY2026-27 adopted budget, while identifying opportunities to strengthen future financial oversight, forecasting, and transparency.

The request is divided into two tranches:

- **Tranche One:** Establish the factual record of financial changes throughout FY2025-26 and the development of the FY2026-27 budget. [PDF Board Request - August 2026 - Tranche One.pdf](#)
- **Tranche Two:** Evaluate why variances occurred, why they were not identified earlier, and identify improvements to financial monitoring and governance.

This response also incorporates [follow-up questions](#) from Trustees regarding budget strategies, property monetization, recapture, forecast timing, historical variances, financial governance, and organizational capacity.

This Tranche Two response builds upon the factual reconciliation provided in Tranche One and provides additional analysis of the factors that contributed to changes in the District's FY2025-26 projected financial position. The review also addresses follow-up questions regarding the timing and recognition of financial changes, realization of budget strategies, property monetization, recapture, historical forecast variances, and the District's financial monitoring and governance practices.

Beginning in FY2026-27, the District is strengthening and formalizing existing financial monitoring practices. Enhancements include the use of historical revenue and expenditure patterns, recurring year-end forecasting, formal tracking of material budget strategies and assumptions, defined variance and escalation protocols, additional segregation and review within the financial reporting process, and clearer reporting of changes in the District's projected financial position.

These enhancements are intended to provide earlier identification, cleared documentation, and greater visibility of material financial changes, while preserving appropriate accountability for financial analysis, operational decision-making, executive oversight, and Board governance.

Tranche Two - What Happened and What Changes Going Forward

This response provides additional detail regarding the financial changes that occurred during FY2025-26, with particular focus on the expenditure categories contributing to the District's year-end variance. The analysis compares the Adopted Budget to the June 11 year-end projection of a \$95 million deficit.

Financial Position at Each Checkpoint

Financial Checkpoint	Projected Deficit	Change
FY2025-26 Adopted Budget	(\$19.7M)	-
June 11 Projection	(\$95.1M)	(\$75.4M)
Total Change from Adoption		(\$75.4M)

Note: Amounts may not sum due to rounding.

The majority of the changes from the Adopted Budget were already incorporated into the June 11 projection.

The analysis demonstrates that the majority of the change from the Adopted Budget was identified and incorporated into the District's financial forecast prior to year-end. By June 11, the projected deficit had increased from \$19.7 million to \$95.1 million.

Comparison: Adopted Budget → June 11 Projection

What changed from the assumptions used to adopt the FY2025-26 budget to the information known by June 11?

Category	Adopted	June 11 Projection	Impact
Revenue	\$1,589M	\$1,514M	-\$75.2M
Revenue - Budget Strategies	\$46.0M	\$16.9M	-\$29.1M
Recapture	\$715.5M	\$654.2M	-\$61.3M
Operating Expenditures	\$976.8M	\$971.7M	-\$5.1M
Expenditure - Budget Strategies	-\$37.5M	-	\$37.5M
Deficit	-\$19.7M	-\$95.1M	-\$75.4M

Note: Amounts may not sum due to rounding.

By June 11, the District's forecast had incorporated the significant revenue and expenditure pressures known at the point in the fiscal year, resulting in the projected \$95 million deficit.

Revenue Changes - Net Decrease of \$104.3M

Compared with the Adopted Budget, projected revenues decreased by a net of \$66.2 million, driven primarily by lower property tax collections. These reductions were partially offset by increases in state funding, interest earnings, SHARS, tuition fees, and insurance recoveries.

- **Property Tax collections - \$74.3M decrease.** Primarily driven by declining property values between the April 2025 preliminary values and July 2025 certified values (additional -2% decline), as well as additional reductions resulting from successful property value protests.
- **Available School Fund & Foundation School Program - \$2.9M decrease.** Reflects updated state funding estimates based on property values, student data, and changes enacted during the 89th Texas Legislature. Impacted net change including \$9 million budget reduction strategy at the time of budget adoption.
- **Sale of Real & Personal Property - \$1.2M decrease.** Lower-than-budgeted proceeds from the sale of surplus District property, equipment, and technology devices.
- **Travis County Apple Blossom Program - \$3.1M decrease.** Program revenue was reclassified to the appropriate grant fund and therefore is no longer reflected as General Fund revenue.
- **PEIMS reform - \$1.0M decrease.** Identified as a budget reduction strategy at the time of budget adoption.
- **Other Revenue - \$4.9M decrease.** Primarily attributed to lower revenues associated with athletic activities, other revenue from local sources, and federal indirect costs.
- **Property Monetization - \$28.1M decrease.** Reflects the delay in sale for the Rosedale property, as well as an adjustment in price for the Brooke property.
- **School Health & Related Services (SHARS) - \$3.0M increase.** Reflects the recognition of reimbursements associated with two fiscal years within FY2025-26. This represents a timing/accounting impact rather than an increase in the underlying reimbursement level.
- **Interest Earnings - \$5.0M increase.** Higher-than-budgeted earnings resulting from cash investment activity and interest rates.
- **Tuition Fees - \$1.3M increase.** Higher-than-budgeted tuition revenue associated primarily with early childhood programs.
- **Insurance Recovery - \$1.8M increase.** Insurance proceeds associated with property and vehicle claims, which offset corresponding repair and replacement expenditures.

Recapture Changes - Net Decrease of \$61.3M

- **Purchase of Attendance Credits - \$61.3M decrease.** Reflects updated state funding estimates based on property values, student data, and changes enacted during the 89th Texas Legislature.
 - Approximately \$27.3M of the decrease is attributable to additional state funding associated with the Teacher Incentive Allotment, Teacher Retention Allotment, and Support Staff Retention Allotment. Corresponding expenditures associated with these allotments are reflected within Operating Expenditures; therefore, this portion of the recapture reduction does not represent an equivalent improvement to the District's projected financial positions.

Operating Expenditure Changes - Net Increase of \$32.4M

Budget Redistribution: Certain decreases reflected within individual expenditure categories represent the redistribution of existing budget authority to other organizations or expenditure categories and do not represent equivalent savings to the General Fund. Corresponding expenditures are reflected within the applicable categories above.

- **Payroll Costs - \$12.5M net increase**

- *Teacher & Support Staff Retention Allotment - \$21.0M increase.* Reflects compensation expenditures associated with the Teacher and Support Staff Retention Allotments. The majority of these costs are offset by the corresponding recapture adjustment described above.
- *Teacher Incentive Allotment - \$6.3M increase.* Reflects compensation expenditures associated with the Teacher Incentive Allotment and is offset by the corresponding recapture adjustment described above.
- *Vacancy Savings - \$33.4M decrease.* Reflects additional salary savings generated by vacant positions during FY 2025-26, above the \$15.3M in vacancy savings already incorporated into the Adopted Budget.
- *Function Pay and/or Stipends - \$3.8M increase.* Reflects higher-than-budgeted costs associated with supplemental pay and stipends.
- *Employer Contributed Benefits - \$6.0M decrease.* Reflects updated benefit costs based on actual payroll and base-pay activity.
- *Teacher Retirement - \$21.0M increase.* Reflects adjustments necessary to account for the State Minimum Salary Schedule requirements for eligible teacher and administrator positions, as well as additional employer costs associated with the Teacher and Support Staff Retention Allotments that are not covered by additional funding.

- **Professional and Contracted Services - \$6.2M net decrease**

- *Special Education Professional Services - \$2.6M decrease.* Reflects updated projected costs for contracted special education services.
- *Nursing Professional Services - \$5.2M decrease.* Reflects the transition of certain nursing services from contracted providers to District-employed positions. Corresponding costs are reflected within payroll expenditures.
- *Maintenance Tax Note costs - \$5.3M increase.* Reflects professional services, repairs and maintenance, and other contracted costs associated with projects financed through the Maintenance Tax Note. These expenditures are offset by assigned fund balance designated for this purpose.
- *School Consolidation costs - \$0.3M increase.* Reflects costs associated with the FY2026-27 school consolidations, including moving, consulting and other contracted services to be completed prior to the new school year.
- *Utilities - \$8.5M decrease.* Reflects lower-than-budgeted utility costs, primarily for electricity.
- *SHARS consulting services - \$0.8M increase.* Reflects higher-than-budgeted costs associated with SHARS billing and consulting services.

- *Other Contracted services - \$3.7M increase.* Reflects additional contracted-service costs across multiple programs, including University Instructors, ESL and Bilingual Academies, campus agreements, and other District services.
- **Supplies and Materials - \$11.0M net decrease**
 - *Instructional Materials - \$1.6M increase.* Reflects additional costs for academic instructional resources, related to IXL, the MAP online assessment platform, and Maneuvering the Middle.
 - *BLEND/Canvas- \$0.3M increase.* Reflects additional costs associated with the District's BLEND/Canvas learning management system.
 - *Department Equipment and Furniture - \$0.7M decrease.* Reflects the redistribution of budget to other expenditure categories based on departmental spending needs. Corresponding expenditures may therefore be reflected elsewhere within Operating Expenditures.
 - *Campus General Supplies - \$3.9M decrease.* Reflects lower expenditures against campus allocations, including campus per-pupil and program allocations for athletics, fine arts, AVID, Special Education, Gifted and Talented, and other programs.
 - *Department General Supplies - \$0.8M decrease.* Reflects lower expenditures against departmental non-staffing allocations.
 - *Unallocated General Supplies distributed - \$7.5M decrease.* Reflects the redistribution of centrally budgeted funds to other organizations and expenditure categories. Corresponding expenditures may therefore be reflected elsewhere within Operating Expenditures.
- **Other Operating Costs - \$2.5M net decrease**
 - *Transportation Miscellaneous Costs - \$1.0M decrease.* Reflects lower expenditures against departmental non-staffing allocations.
 - *Unallocated Miscellaneous Costs distributed - \$1.5M decrease.* Reflects the redistribution of centrally budgeted funds to other organizations and expenditure categories. Corresponding expenditures may therefore be reflected elsewhere within Operating Expenditures.
- **Capital Outlay - \$2.4M net increase**
 - *Maintenance Tax Note costs - \$3.1M increase.* Reflects capital outlay associated with repairs and maintenance projects financed through the Maintenance Tax Note. These expenditures are offset by assigned fund balance designated for this purpose.
 - *Department Capital Outlay - \$0.7M decrease.* Reflects the redistribution of budget to other expenditure categories based on departmental spending needs.
- **Other Uses - \$0.2M net decrease**
 - *Legal Settlements - \$0.2M decrease.* Reflects the redistribution of budget to other expenditure categories based on departmental spending needs within Special Education and Legal Services.

Expenditure Budget Strategies - \$37.5M net increase

- Unrealized expenditure strategies - \$37.5M net increase.** The Adopted Budget included expenditure reduction strategies that required additional actions during FY2025-26 to achieve the full budgeted savings. While portions of these strategies were implemented and savings were realized in the areas above, the actions taken were not sufficient to achieve the full amount assumed at adoption. The remaining \$37.5 million was therefore incorporated as an expenditure increase in the June 11 projection to remove the unrealized savings assumption.

Budget Reduction Strategies

The Adopted Budget incorporated revenue and expenditure strategies that required subsequent operational actions or financial conditions to achieve the amounts assumed at adopted. As the fiscal year progressed, Finance evaluated the realization of these strategies and incorporated updated assumptions into the year-end forecast.

Expenditure Strategy Item	Estimate	Actualized
Central Office Restructure	\$10.00 M	\$2.00 M
Supplementary Programs	\$0.50 M	-
Special Education (Contract Costs/Financial Monitoring)	\$7.00 M	\$2.00 M
Centralized Special Education Placement	\$2.00 M	-
Property Insurance	\$3.00 M	\$3.00 M
Master Schedule Efficiency	\$2.50 M	-
10% Campus Non-Staff	\$0.80 M	-
5% Department Budgets (staff/non-staff)	\$3.00 M	-
PPfT Reconciliation	\$1.00 M	\$1.00 M
Benefits Contribution (hold)	\$4.00 M	-
Other (Admin / Stipends)	\$3.75 M+	-
Total Expenditure Strategies	\$37.50 M	\$8.00 M

At the time of the FY 2025-26 budget adoption, the District identified approximately \$37.5 million in expenditure strategies - intended to support the adopted budget and maintain the District's targeted fund balance. Several of these strategies were based on preliminary estimates, anticipated operational changes, or savings initiatives that required implementation during the fiscal year.

As the year progressed, approximately \$8.0 million of the originally identified strategies were actualized. Several of the larger anticipated savings did not materialize at the levels assumed in the adopted budget. Most notably, savings associated with the Central Office Restructure and Special Education contract costs and financial monitoring were lower than originally estimated, while several other strategies did not generate measurable savings during the fiscal year.

The difference between the original estimates and actual results created an additional budgetary pressure of approximately \$29.5 million. As these variances became known, the District was required to redefine savings strategies and implement additional mid-year spending controls to mitigate the impact on the General Fund. These actions were intended to reduce expenditures while responding to financial conditions that differed from the assumptions incorporated into the adopted budget.

Inclusion of a strategy in the Adoption Budget represented an assumption regarding the financial outcome expected from subsequent actions; it did not, by itself, constitute realized savings. As information became available regarding implementation and actual results, the forecast was adjusted to reflect the amount expected to be realized.

Expenditure Detail - Budget Categories

Expenditure Category	Adopted	June 11 Projection	Adopted → June 11 Projection
Payroll Costs	\$849.3M	\$861.7M	\$12.5M
Professional and Contracted Services	\$74.5M	\$68.3M	-\$6.2M
Supplies and Materials	\$36.2M	\$25.2M	-\$11.0M
Other Operating Costs	\$11.6M	\$9.2M	-\$2.5M
Debt Services	\$0.3M	\$0.3M	-
Capital Outlay	\$4.6M	\$7.0M	\$2.4M
Other Uses Legal Settlements	\$0.3M	\$0.1M	-\$0.2M
Expenditure - Budget Strategies	-\$37.5M	-	\$37.5M
Operating Expenditures	\$939.3M	\$971.7M	-\$75.4M

Note: Amounts may not sum due to rounding.

Why Changes Were Not Reflected Through Budget Amendments

Budget amendments adjust spending authority within the legally adopted budget. Year-end projections estimate the District's anticipated financial position based on actual activity, commitments, operational trends, and updated revenue and expenditure assumptions.

While expenditures were recorded through the District's financial system, the FY2025-26 monitoring methodology did not consistently translate emerging expenditure trends into updated full-year projections as quickly as necessary.

As a result, the issue identified through this review is primarily one of forecasting and escalation, rather than recording expenditures.

Board Consent Budget Amendments

July 2025 Budget Amendment	August 2025 Budget Amendment	September 2025 Budget Amendment	October 2025 Budget Amendment
November 2025 Budget Amendment	December 2025 Budget Amendment	January 2026 Budget Amendment	February 2026 Budget Amendment
March 2026 Budget Amendment	Final Budget (4th Quarter) Budget Amendment		

Why Adopted → June 11 Changed

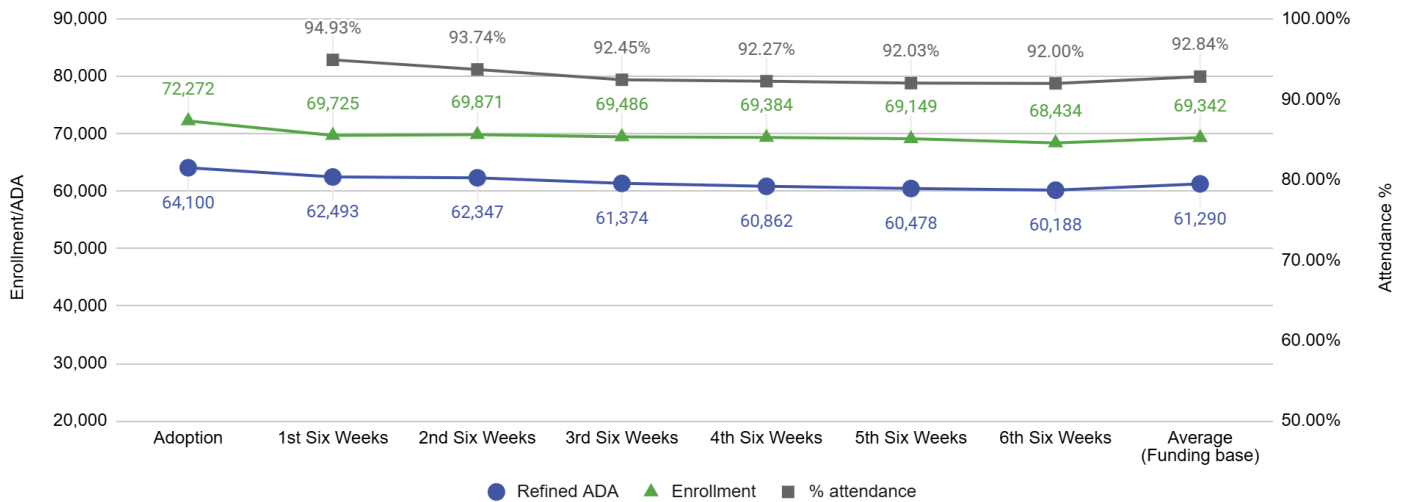
The June 11 projection represented a year-end forecast based on the most current information available at the time, including the May unfinalized general ledger close and fifth six-weeks student attendance data. Because the projection was prepared before completion of May 2026, it necessarily included estimates and assumptions for activity that had not yet occurred or been fully recorded.

As the District completed the fiscal year and progressed through the May month-end close process, additional information became available and previously estimated amounts could be refined. Changes between the June 11 projection and June unaudited results primarily reflect the following:

- **Completion of year-end financial activity.** Additional revenues and expenditures were recorded through June 30, providing a more complete picture of actual fiscal-year activity - however, FY 2025-26 will not be finalized until the annual audit is completed and reviews/suggestions are implemented.
- **Refinement of accruals and estimates.** Estimates for obligations and revenues attributable to FY2025-26 were updated as additional documentation and year-end information became available.
- **Updated revenue information.** Property tax collections and values, investment earnings, state funding, indirect cost recoveries, and other revenue estimates were updated based on information received after development of the June 11 projection.
- **Updates student data.** The June 11 projection incorporated fifth six-weeks attendance data; year-end estimates incorporated sixth six-weeks data and other updated information used in determining state funding and recapture.
- **Validation of expenditure and savings assumptions.** As actual year-end activity became available, projected expenditures and anticipated savings could be evaluated against actual results and adjusted where necessary.
- **Property monetization recognition.** The June 11 projection included anticipated proceeds from property monetization. As the accounting treatment was further evaluated, it was determined that applicable accounting standards did not permit recognition of the revenue in FY2025-26 because the capital asset transactions were not finalized within the fiscal year. The anticipated revenue was therefore removed from the June unaudited results and will be recognized in the fiscal year in which the applicable recognition criteria are met.

Collectively, these updates resulted in a \$10.3 million net unfavorable change from the June 11 projection deficit of \$95.1 million to the June unaudited deficit of \$105.4 million. The net change reflects several offsetting movements including lower projected revenue, removal of the property monetization revenue strategy, reduced recapture expense, and higher operating expenditures.

Student Data Attendance Trend



Source: OnData Suite

Student data represents one of the several significant variables affecting state funding and recapture. Because funding calculations ultimately incorporate applicable average student data, financial estimates are refined as additional reporting periods become available.

The Adopted Budget was developed using projected enrollment of 72,272 students and refined ADA of 64,100. Actual student data fluctuated throughout the six reporting periods; however, state funding is ultimately informed by applicable average student data rather than any single six-weeks reporting period.

Based on the final average data used for funding purposes, enrollment was 69,342 students, approximately 2,930 students below the level assumed at adoption, while refined ADA averaged 61,290, approximately 2,810 below the adopted assumption. These changes in student data contributed to the revision of Foundation School Program funding and recapture estimates reflected in the District's year-end financial projections.

The six-weeks data shown above illustrates how enrollment, attendance, and refined ADA developed throughout the year. While each reporting period provided updated information for forecasting purposes, the financial impact reflected in the year-end budget comparison is based on the change between the assumptions incorporated at adoption and the applicable average data used for funding.

Historical Forecast Variance - Five Year Analysis

Fiscal Year	Fiscal Forecast	June Unaudited / Final	Change
FY2021-22*	-\$28.6M Deficit	\$31.6M Surplus	+\$60.2M
FY2022-23*	\$2.6M Surplus	\$52.4M Surplus	+\$49.8M
FY2023-24**	-\$31.0M Deficit	-\$58.8M Deficit	-\$27.8M
FY2024-25***	-\$110.0M Deficit	-\$28.9M Deficit	+\$81.1M
FY2025-26	-\$49.0M Deficit (Fiscal Forecast)	-\$95.1M Deficit June 11 Projection	-\$46.1M

*Impacted by ESSER funding, allowable subplanting

**Impacted by Recapture calculation, related to student data attendance

***Impacted by Maintenance Tax Note

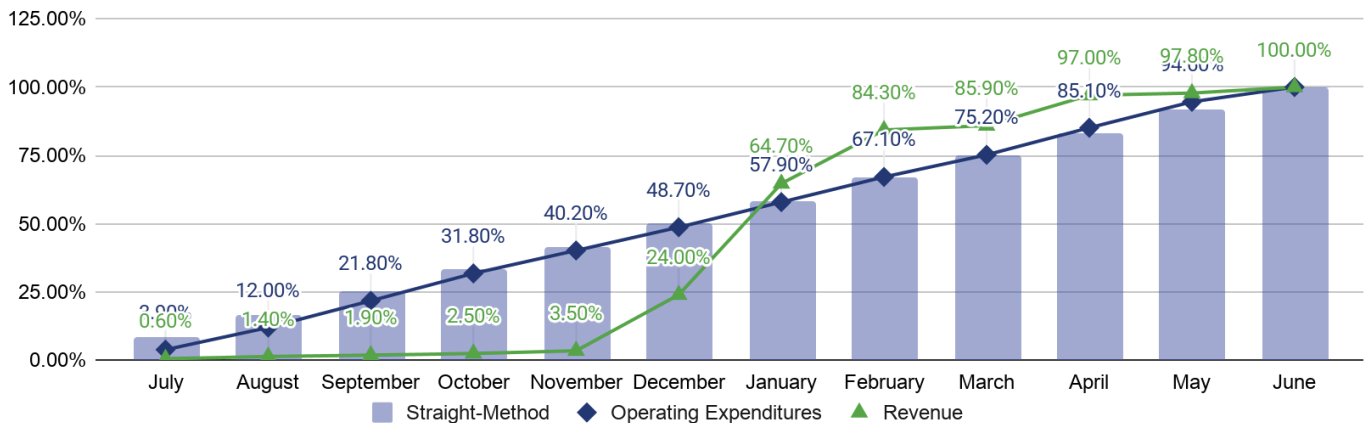
FY2026-27 Changes to Financial Monitoring

Historical Spending Patterns

Beginning in FY2026-27, monthly financial monitoring thresholds will be based on the District's three-year historical revenue and expenditure patterns, replacing the prior straight-line methodology that assumed activity occurred evenly throughout the fiscal year.

Historical thresholds reflect the cumulative percentage of annual revenues and expenditures typically recognized through each monitoring period. The methodology assumes 100% utilization of the annual budget, providing a more conservative baseline for identifying potential budget pressures.

This approach allows Finance to distinguish between normal seasonal spending patterns and activity that may indicate an emerging year-end variance.



Fiscal-Year Forecasting

Beginning with the completion of the first six-weeks reporting period, the Finance Division will develop a full-year financial forecast for the General Fund. The forecast will incorporate year-to-date actual activity, historical spending and revenue patterns, evaluation of commitments, updated revenue information, student data, and other material information available at the time of preparation.

The forecast will be updated as part of the District's monthly financial reporting process throughout the remainder of the fiscal year. Each update will identify the current projected year-end financial position and material changes from the prior forecast, including the primary factors contributing to those changes.

Variance Thresholds

Actual financial activity and updated year-end projections will be evaluated against established monitoring thresholds and the annual budget. Material deviations from expected performance will require additional review and, as appropriate:

- Department explanation of the underlying cause;
- Revision of the applicable year-end projection;
- Finance review and validation of the financial impact; and
- Escalation to District leadership when corrective action or additional oversight is warranted.

Variance monitoring will focus on both the magnitude of the financial impact and changes in projected year-end results, allowing emerging financial pressures to be identified and communicated earlier in the fiscal year.

Budget Strategy Monitoring

Revenue and expenditure strategies incorporated into the Adopted Budget will be monitored separately from routine operating activity. Finance will track the implementation status, amount realized to date, projected year-end realization, and variance from the budgeted assumptions for material strategies.

When available information indicates that a strategy is unlikely to achieve its budgeted value, the projected financial impact will be incorporated into the District's year-end forecast rather than remaining as an assumed budgetary savings.

The District will also continue and enhance its quarterly financial review meetings with Executive Directors across the organization. These meetings will provide leaders with regular, standardized information regarding organizational spending, budget performance, and compliance with established financial requirements. The revised process will strengthen accountability, support earlier identification of emerging budgetary issues, and provide an additional opportunity for Finance and department leadership to address necessary corrective actions.

Financial Statement Preparation and Review

Beginning in FY2026-27, the Finance Division will transition responsibility for the preparation of monthly financial statements to additional members of the Finance team. This change will provide greater segregation between the preparation and review functions, creating an additional layer of review before financial information is finalized and incorporated into District financial reporting.

The revised process will provide for independent review of financial statement activity, significant variances, unusual transactions, and other items that may affect the District's projected financial position. It will also broaden institutional knowledge of the financial reporting process and strengthen continuity within the Finance Division.

Governance and Financial Communication

Roles and Responsibilities

Finance Division

Develops financial forecasts; monitors actual activity and assumptions; identifies and quantifies financial risks; evaluates budget strategies; and communicates financial analysis through established reporting and leadership channels.

Chief Financial Officer

Provides financial oversight, validated material financial projections and risks, and communicates significant financial matters through the District's executive and governance structure.

Superintendent

Evaluates financial information alongside operations and organizational considerations, directs corrective actions and implementation strategies, and determines executive actions necessary to address identified financial risks.

Board of Trustees

Receives financial reporting, exercises governance and budgetary oversight, and considers policy, budget amendments, and other actions requiring Board authority.

Financial Escalation and Communication

The District's [organizational structure](#) includes an additional level of executive oversight between the Finance function and the Superintendent. Notwithstanding these changes, the Chief Financial Officer regularly meets with the Superintendent and Senior Chief of Business and Operations and General Counsel. These meetings create opportunities for providing changes in the District's financial outlook directly to executive leadership.

Beginning in FY2026-27, the District will ensure there are adequate forums for escalation of material financial risks and forecast changes, including the level of variance requiring escalation, responsible parties, timing of communication, and documentation of significant changes in the District's projected financial position.

Defined financial reporting and escalation protocols will provide a consistent mechanism for communicating significant changes in the District's financial outlook regardless of where the Finance function resides organizationally.

Internal Audit

The Board Audit Committee has reviewed the proposed job description for the internal auditor positions. The District is working to establish the positions within the budget, with postings anticipated by mid-September 2026.

Prior to positing, the proposed job description may be provided to the full Board for review and feedback. This provides an opportunity for trustees to identify any additional qualifications or competencies they believe should be incorporated, including expectations related to financial knowledge, financial controls, risk assessment, and financial auditing. Any recommended revisions will be evaluated and incorporated, as appropriate, prior to postings.

The District also anticipates involving members of the Board Audit Committee in the interview process. Participation by additional trustees may be considered, as appropriate and in consultation with Legal Services.

Financial Monitoring: Existing Practices and FY2026-27 Enhancements

The District had established financial monitoring and forecasting practices in place during FY2025-26, and prior years, including monthly financial reporting, year-end projections, monitoring of revenue and expenditure assumptions, and communication of identified financial risks to District leadership. The changes outlined below are intended to strengthen and formalize these existing practices, particularly the methodology used to identify variances, the documentation of changes in projected results, and the process for escalating and communicating material financial risks.

Forecasting

Enhance existing forecasting practices. Finance will continue to prepare year-end financial projections throughout the fiscal year. Beginning in FY2026-27, material assumptions will be tracked through a more formalized process that documents actual performance, projected realization, and changes from prior estimates.

Variance Escalation

Formalize variance escalation protocols. Material financial variances and risks will continue to be communicated to District leadership. Beginning in FY2026-27, defined escalation protocols will establish the

thresholds, documentation, responsible parties, and communication expectations associated with significant changes to the District's projected financial position.

Board Financial Reporting

Strengthen transparency of forecast changes. Board financial reporting will provide greater visibility into changes in the District's projected year-end financial position, including material changes from prior forecasts and the primary factors driving those changes. This enhanced reporting will create a more direct and consistent record of significant financial developments as they occur.

Implementation Capacity

The District's ability to sustain enhanced financial monitoring and reporting is dependent upon adequate staffing capacity within the Finance Division. These enhancements represent additional recurring responsibilities and must be balanced with the Division's existing budget development, position management/reconciliation, financial monitoring, reporting, and operational requirements.

The District should periodically evaluate whether staffing, systems, and analytical resources are sufficient to sustain frequency and level of analysis expected under the enhanced framework.

These enhancements are not intended to replace the District's existing financial monitoring practices. Rather, they are designed to strengthen the methodology, documentation, escalation, and transparency surrounding those practices so that material changes in the District's financial outlook are consistently reflected in forecasts and communicated through established reporting channels.

Analysis of Review

The review demonstrates that the District's financial position changed materially from the assumptions incorporated into the FY2025-26 Adopted Budget. The majority of that change had been incorporated into the District's forecast by June 11, when the projected deficit reached \$95.1 million.

The review also demonstrates the importance of distinguishing among financial identification, forecast recognition, operational decisions-making, executive escalation, and Board communication. These functions are not interchangeable.

The FY2026-27 enhancements are therefore intended to strengthen the documentation and visibility of an existing financial monitoring process - particularly by formally tracking budget strategies, documenting forecast-to-forecast changes, establishing escalation protocols, and providing clearer recurring reporting of changes in the District's projected financial position.