

Executive Summary

Board President Request – Financial Reconciliation & Budget Review

Purpose

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.
- **Tranche Two:** Evaluate why variances occurred, why they were not identified earlier, and identify improvements to financial monitoring and governance.

FY 2025-26 End of Year (unaudited)

At the [June 11 Budget Update](#), the District presented a projected fiscal year-end deficit of \$95 million, which assumed the successful completion of a planned property monetization transaction for Brooke for \$16.9 million. As that transaction did not occur prior to June month-end, the comparable projected deficit would have been approximately \$112 million, excluding the anticipated one-time property sale proceeds.

The current projected deficit of \$105 million therefore reflects a \$7 million improvement compared with the June 11 projection on a comparable basis (excluding property monetization) because of spend reductions.

	FY 2025-26 Adopted Budget	FY 2025-26 Amended Budget	FY 2025-26 Projections <i>Presented June 11</i>	FY 2025-26 Projections <i>June Preliminary</i>
Revenue	\$1,580 M	\$1,542 M	\$1,514 M	\$1,511 M
Recapture	\$715 M	\$657 M	\$654 M	\$636 M
Operating Expenditures	\$976 M	\$1,006 M	\$972 M	\$980M
Net Change	-\$111 M	-\$121 M	-\$112 M	-\$105 M
Pending Property Monetization	\$45 M		\$17 M	
Strategies / Board Policy Alignment	\$47 M			
Adjusted Net Change	-\$19 M	-\$121 M	-\$95 M	-\$105 M

The FY 25-26 budget deficit grew by a net total of \$86 million. While some cost reductions were achieved, they were outweighed by higher-than-expected costs and reductions in local revenue, resulting in a larger projected deficit.

While that is a big shift, it comes down to three main moving parts: lost local income, recapture, state mandates and new expenses.

Lower Local Income (+\$132 Million to the Deficit)

We received significantly less local money than originally projected, which added \$132 million to our budget gap:

- \$79 million loss from property value adjustments (additional -2% decline) and property tax appeals.
- \$45 million delay in expected money from selling two district properties Former Rosedale site and Brooke
- \$8 million drop across other smaller local funding sources; grant revenue.....

State Recapture Relief (-\$87 Million Offset)

Because our local property values and revenues dropped, state rules automatically reduced how much money we had to send back to the state ("recapture"). As a result, a portion of the local revenue loss was offset by lower recapture payments - however, this adjustment is **not dollar-for-dollar**, and still results in revenue loss.

This provided \$87 million savings, which was specifically designed to help offset new legislative spending requirements:

- \$79 million savings in reduced recapture payments (meant to offset legislative requirements like Teacher Incentive Allotment and HB2)
- \$8 million gain in additional state funding adjustments.

Higher Operational Costs (+\$41 Million Net Increase)

Even with budget reductions, our required costs went up by a net \$41 million:

- +\$27 million for state-mandated programs (Teacher Incentive Allotment and HB2 compliance), **offset by recapture adjustment.**
- +\$26 million for required state retirement system (TRS) contributions.
- +\$12 million for departmental funding requests.
- +\$7 million for Facility expenses (MTN)
- -\$15 million saved by leaving open job positions unfilled (vacancy savings).
- -\$15 million saved through operational cost cuts across departments.



FY 2025-26 Strategies at Budget Adoption (June 2025)

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	-
State Funding from Legislation (Prelim Projection)	\$9.00 M	\$9.00 M
Property Insurance	\$3.00 M	\$3.00 M
PEIMS Reform	\$1.00 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	\$47.50 M	\$17.00 M

At the time of the FY 2025-26 budget adoption, the District identified approximately \$47.5 million in revenue and expenditure strategies - excluding the \$45 million in property monetization - 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 \$17.0 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 \$30.5 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.

Tranche One - What Happened

Tranche One establishes the factual record of financial changes throughout FY 2025–26 and their impact on the FY 2026–27 budget via five key deliverables:

1. **Integrated Checkpoint Table:** A single reconciliation tracking revenue and expenditure drivers across Checkpoints A–D (\$63.26M in Dec, \$49M in Feb, \$16M in Mar, and \$95M in June).
 - **Note on Checkpoint C (March 26): The actual deficit presented was \$49M; the \$16M figure represents the remaining unidentified savings required to reach the target, not the deficit itself.*
2. **Deficit Split:** Proportional breakdown of the FY 2025–26 deficit driven by revenue shortfalls vs. expenditure overages.
3. **\$54M Savings Audit:** Accounting of the March 26 cost-reduction strategies, itemizing realized vs. unrealized savings.
4. **Disclosure Timeline:** Mapping for Checkpoints A–D showing when variances were known internally vs. when shared with the Board and public.
5. **FY 2026–27 Baseline Analysis:** Breakdown of the \$181M planning deficit and narrative explaining how FY 2025–26 shifts informed final budget adoption.

1 - Board Presentation Checkpoint Reconciliation to June 11, 2026 Presentation.

The FY2025-26 projected operating deficit evolved throughout the fiscal year as updated financial information became available. The changes were driven by certified property values replacing preliminary estimates, successive enrollment and attendance updates that affected state funding and recapture, revisions to projected property monetization, and changes in anticipated year-end expenditures.

Board Presentation*	Starting Deficit	Revenue Changes	Recapture Changes	Expense Changes	Ending Deficit
December 2025	-\$19.75M	-\$103.98M	-\$63.44M	+\$2.97M	-\$63.26M
February 2026	-\$63.26M	+\$11.67M	+\$7.22M	-\$9.04M	-\$49.76M
March 2026	-\$49.76M	-	-	-	-\$49.76M
June 2026	-\$49.76M	-\$11.99M	-\$5.09M	+\$38.43M	-\$95.10M
FY2025-26	-\$19.75M	-\$104.30M	-\$61.31M	+\$32.37M	-\$95.10M

*Other budget updates presented in April & May 2026

*Note: The table reflects the FY 2025-26 deficit projections as of each Board presendate date (requested in Tranche One) and is intended to show how the projected deficit changed as updated financial information became available. The June 2026 column reflects the **June 11, 2026 Board presentation**, which was based on preliminary May financial close information and fourth six-weeks student data.*

2 - Revenue & Expenditure Adjustments

Revenue

Adopted Budget	Projections (presented June 2026)	Variance
\$1.635B	\$1.531B	-\$104.30M

Revenue decreased by \$104.30 million from the Adopted Budget to the June 2026 projection. The decrease was primarily driven by lower-than-budgeted local revenue resulting from certified property values replacing preliminary estimates, updated enrollment and attendance data that reduced state funding, legislative funding adjustments, and a \$28 million (\$26M Rosedale & \$2M Brooke) reduction in projected property monetization due to the delayed sale of one property and a revised valuation of another. These decreases were partially offset by higher-than-anticipated interest earnings recognized during the fiscal year.

The decrease in revenue can be attributed to the following:

- Property Value Loss: **-\$74.3M** (additional -2% decline)
- Property Monetization Adjustments: **-\$28.1M** (delays and value adjustments)
- Other Revenue Changes: **-\$1.9M**

Expenditure

Adopted Budget	Projections (presented June 2026)	Variance
\$939.30M	\$971.67M	+\$32.37M

The projected expenditure increase of \$32.37 million is attributable to changes made after adoption of the FY2025-26 budget. During the fiscal year, the budget was amended to recognize additional expenditures, including funding associated with legislative changes (HB2) and other approved operating needs. While spending controls and cost-saving measures were implemented, the level of savings realized was insufficient to fully offset these additional appropriations, including the need to absorb revenue shortfalls associated with reduced property monetization.

The increase in expenditures can be attributed to the following, some offset by spending controls:

- HB2 Teacher and Support Staff Retention Allotment - **\$21.0M** (offset with Recapture adjustments)
- Teacher Incentive Allotment - **\$6.3M** (offset with Recapture adjustments)
- Maintenance Tax Note - **\$4.8M** (offset with Assigned fund balance)

- Approved Additional Funding Requests - **\$8.9M**
 - School Consolidations - \$1.2M (operational costs)
 - Instructional Materials - \$2.0M (supplemental to state allotments)
 - Board of Trustees - \$0.4M (Audit & Consulting Services, Election costs & Food/Refreshments)
 - Communications & Enrollment - \$0.2M (Part time hourly positions, software and contract costs)
 - Talent Strategy - \$2.0M (University Instructors contract)
 - Technology - \$0.4M (Software)
 - Teaching Learning & Leading - \$1.0M (various costs)
 - Operations - \$1.7M (Utilities, contract costs, supplies, city & county fees)
- Offset of spending controls of **\$8.5M**

Recapture

Adopted Budget	Projections (presented June 2026)	Variance
\$715M	\$654M	-\$61M

As a “property-rich” district, the district sends local property tax revenue above its state-entitlement baseline back to Texas through Recapture. Because total tax collections dropped, the district’s local revenue exceeded its entitlement by a much smaller gap, causing the state payment to decrease.

At the same time, new state requirements - specifically compliance under HB2 and expanding teacher compensation through the Teacher Incentive Allotment (TIA) - added \$27 million in local obligations. Under state formulas, these new spending mandates raise the district’s baseline funding entitlement.

Instead of sending those dollars to the state, the district retains \$61 million locally. This decrease converts local tax losses and mandated costs into a lower recapture payment.



3 - \$54M Identified Strategies - March 2026

During the [March 26th](#) Board Budget Update presentation, the district/organization had identified \$54 million in targeted savings strategies, which included:

Financial Performance Summary

Area	Benchmark/Prior Target	Current Estimate	Variance
Estimated Additional Revenue (Transportation Stop Arm)	\$2.0M	\$1.9M	-\$107k (Unfavorable)
Special Education Contracts (Reduce reliance on contractors)	\$2M	\$2M	- (Favorable)
Actual vs Budget Stronger Control (due to implemented controls)	\$34M	\$6.5M	-\$27.5M (Unfavorable)
Estimated Payroll Savings (due to hiring freeze)	\$12.0M	\$14.2M	+\$2.2M (Favorable)
Property Value/Hold Harmless Adjustment	\$4.0M	\$4.0M	- (Favorable)
	\$54.0 M	\$28.6M	-\$25.4M (Unfavorable)

Beginning with FY 2026-27 financial reporting, the District is refining its existing methodology for evaluating revenue and expenditure performance against budget. In prior years, the District used a straight-line methodology that compared year-to-year activity to 1/12 of the annual budget for each month. This approach provided a consistent framework for monitoring financial performance and was effective when year-to-year revenue and expenditure patterns were more predictable.

As the District's financial position has become more sensitive to changes in property values, enrollment, attendance, state funding, and other revenue assumptions, relatively small variances can have a more significant impact on projected year-end results. Accordingly, the District is strengthening its monitoring approach to provide greater precision and earlier identification of emerging financial trends.

Beginning in FY 2026-27, monthly financial activity will be evaluated against historical revenue and expenditure patterns in addition to the adopted budget. District financial activity does not occur uniformly throughout the year. Revenues are affected by the timing of property tax collections, state funding, and other funding sources, while expenditures vary based on payroll cycles, contractual obligations, the instructional calendar, utilities, transportation, and other operational factors. Incorporating these historical patterns will provide a more meaningful benchmark for assessing current-year performance.

This refined methodology will allow the District to better distinguish normal seasonal fluctuations from variances that may require additional review, updated projections, or corrective action. The change builds upon the District's existing financial monitoring strategy and is intended to improve the reliability and

timeliness of financial projections in an environment where smaller changes in key assumptions can have a material financial impact.

This change does not alter the adopted budget or financial targets. Rather, it strengthens the District's monitoring and reporting practices by more closely aligning financial thresholds with when revenues are actually received and expenditures are incurred throughout the fiscal year.

4 - Timeline of Financials & Projections

Financial results and projections are updated throughout the fiscal year as monthly financial closes are completed and new information becomes available. This includes updated revenue and expenditure activity, enrollment and attendance data, property value information, and other assumptions affecting the District's year-end financial position. Updated financial information is reviewed internally and subsequently incorporated into the monthly board agendas.

February 2026 - Fiscal Forecast

At the February 2026 Fiscal Forecast, the District identified approximately \$70M in total reductions needed to achieve its projected financial target. At the time, approximately \$29 million in budget-to-actual savings had been identified, including savings associated with vacancies and other expenditure activity. These estimates reflected the financial information and student data available at the time of the forecast. As additional months of actual financial activity became available, some of the initially projected budget-to-actual savings did not materialize at the levels previously anticipated.

March 2026 - Updated Financial Projection

At the March 2026 Voting Meeting, an updated projection was presented as part of the Superintendent's report. Based on the February financial close and the most current enrollment and ADA information available at the time, the District projected that approximately \$54 million in additional reductions would be necessary to achieve the targeted year-end financial position. The change from the February Fiscal Forecast reflected updated actual financial activity and revised projections as additional information became available.

April 2026 - Continued Monitoring

The April 2026 financial update continued to reflect the February financial close because the subsequent monthly close had not yet been completed in time for preparation and publication of the Board materials. Accordingly, the underlying financial projection remained consistent with the information previously presented in March. Updated projections were incorporated into subsequent reporting once the next financial close and updated student data became available.

These updates illustrate the District's ongoing financial monitoring process: projections represented the District's best estimate based on the financial and operational information available at each reporting point and were revised as actual results and updated assumptions became known.

In response to the Board's request regarding Checkpoints A through D, the timeline below details the two-step reporting cycle used throughout the fiscal year:

- **Internal Identification:** When financial estimates, ADA updates, and operational projections were first compiled and reviewed by district leadership during internal monthly closes.
- **Board & Public Disclosure:** When those figures were formally published (typically via Friday agenda postings) and presented at public Board Information Sessions and Regular Meetings.

This chronological record reflects how management tracked evolving fiscal conditions internally before formalizing recommendations for Board review.

Date/Event	Key Milestone/Action Item	Impact/Status
February 16, 2026 Internal Operations	Preparation of Fiscal Forecast Financials & Projections	Third six-weeks ADA update, revised property valuation, additional interest earnings, and projected year-end savings.
February 18, 2026 Internal Operations	Preparation of January Budget, Financials & Projections	Formatted January actuals and projections for leadership review.
February 25, 2026 Board Regular/Voting Meeting	Fiscal Forecast	Presentation of Fiscal Forecast
March 9, 2026 Internal Operations	Preparation of February Budget, Financials & Projections	Prepared February actuals, budget variance, and preliminary projections.
March 12, 2026 Board Info Session	Agenda 6.1 - Monthly Financials Report and Budget Amendment Report for January 2026	Posted the Friday before the meeting
March 26, 2026 Board Regular/Voting Meeting	Budget Update	No material changes; February forecast carried forward.
April 9, 2026 Board Info Session	Agenda 8.3 - Monthly Financials Report and Budget Amendment Report for February 2026	Posted the Friday before the meeting
April 13, 2026 Internal Operations	Preparation of March Budget, Financials & Projections	Compiled March operational actuals and revised projections.
May 7, 2026 Board Info Session	Agenda 7.6 - Monthly Financials Report and Budget Amendment Report for March 2026	Posted the Friday before the meeting
May 30, 2026 Internal Operations	Preparation of April Budget, Financials & Projections	Compiled April operational actuals and revised projections.
June 2, 2026 Internal Operations	Preparation of May Preliminary Budget, Financials & Projections	Compiled preliminary May performance figures for executive leadership review.
June 3, 2026 Internal Operations	Executive Projection Review	Briefed Superintendent on estimated projections based on May preliminary financials.

June 11, 2026 Board Info Session	Agenda 7.9 - Monthly Financials Report for April 2026 and Final Budget Amendment Report for FY 2025-26 Budget Update	Consent items posted the Friday before the meeting Fourth six-weeks ADA update and revised expenditure projections reflecting that anticipated savings were no longer expected to be realized.
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5 - FY2026-27 Budget Development & FY2025-26 Deficit Impact

Prior to applying targeted cost-savings strategies, our projected deficit expanded by \$52.74M—moving from an FY2025-26 gross deficit of \$127M to a FY 2026-27 preliminary projected gross deficit of \$181M.

	FY 2024-25 Adopted	FY 2024-25 Audit	FY 2025-26 Adopted Budget	FY 2025-26 Projections*	FY 2026-27 Preliminary	FY 2026-27 Adopted
Revenue	\$1,697 M	\$1,718 M	\$1,580 M	\$1,514 M	\$1,453 M	\$1,537 M**
Recapture	\$954 M	\$772 M	\$715 M	\$654 M	\$603 M	\$630 M
Operating Expenditures	\$ 821 M	\$975 M	\$992 M	\$972 M	\$1,031 M	\$888 M
Net Change	-\$78 M	-\$29 M	-\$127 M	-\$112 M	-\$181 M	\$19 M
Pending Property Monetization			\$45 M	\$17 M		
Vacancy Savings			\$15 M			
Other Strategies	\$37 M		\$47 M			
Adjusted Net Change	-\$41 M	-\$29 M	-\$19 M	-\$95 M	-\$181 M	\$19 M

*Presented June 11, 2026

**Includes \$60M of property monetization, identified as "other resources"

The FY 2026-27 preliminary budget reflects a significant change from the FY 2025-26 projected year-end deficit - **\$52.74M** (-\$127M minus -\$181M), between FY 2025-26 & FY 2026-27). This change is driven primarily by updated revenue assumptions, particularly property values, as well as expenditure commitments and adjustments that carry forward into FY 2026-27.

The most significant factor is the \$136.5 million decrease associated with the property value assumptions. This change reflects the cumulative impact of declining property values across the two fiscal years. The FY 2025-26 has an **additional 2% decline** in property values after adoption, while the FY 2026-27 preliminary budget assumed a **further 5% decline** based on the information available during budget development. Together, these changes substantially redacted projected local property tax revenue and affected the corresponding calculation of recapture.

Additional revenue changes include adjustments to the Apple Blossom grant (\$3.1 million) and SHARS reimbursements (\$3.9 million). These reductions are partially offset by a \$9.8 million increase in state aid.

Several expenditure adjustments also contribute to the change in the preliminary deficit:

- **School Improvement (TAP) Investment** — \$17.0 million increase: Reflects additional resources included in the preliminary budget to support school improvement initiatives.
- **Stipends** — \$4.6 million increase: Reflects additional stipend expenditures included in the preliminary budget.
- **Enrollment Adjustments, Staffing Guidelines and Consolidations** — \$20.0 million decrease: Reflects expenditure reductions resulting from updated enrollment assumptions, adherence to staffing guidelines, and campus consolidations. These reductions partially offset other expenditure and revenue pressures.

Certain changes increase the amounts reported within the District's revenues and expenditures but do not have an equivalent impact on the projected deficit because they have corresponding offsets:

- **TRS On-Behalf** — \$10.7 million increase: The District recognizes an equivalent increase in both revenue and expenditures; therefore, the adjustment has no net impact on fund balance.
- **Teacher Incentive Allotment (TIA) Stipends** — \$6.3 million increase: The increased stipend expenditure is accompanied by a corresponding adjustment to recapture, reducing the net impact on the District's financial position.
- **HB 2 Adjustments** — \$21.6 million increase: Similarly, these expenditures are accompanied by an adjustment to recapture.

Overall, the movement from the FY 2025-26 projected deficit to the FY 2026-27 preliminary deficit is primarily revenue-driven, with the property value adjustment representing the most significant financial pressure. While the preliminary budget includes expenditure increases associated with compensation and school improvement investments, the District has also incorporated approximately \$20 million in expenditure reductions associated with enrollment, staffing guidelines, and consolidations.

It is important to note that not every change between the two fiscal years has a dollar-for-dollar impact on the deficit. Certain items, including TRS on-behalf, TIA, and HB 2-related adjustments, have corresponding revenue or recapture offsets. Accordingly, the change in the preliminary deficit is best understood by considering the net financial impact of the adjustments, rather than the gross change in revenues or expenditures individually.

Additional FY 2026-27 Reductions to Support Fund Balance Restoration

By the end of May 2026, preliminary May financial results had been presented to the Superintendent and indicated that the FY 2025-26 year-end unassigned fund balance would not meet the previously anticipated

10% projection. Accordingly, District leadership was aware of the projected fund balance shortfall prior to the June 11, 2026 budget update, requiring the District to reassess the level of expenditure reductions necessary for FY 2026-27.

Throughout this period, the Finance Division was actively working to reduce expenditures and identify additional savings opportunities. Financial projections were recalculated multiple times as updated information became available to ensure District leadership was provided with the most current and accurate estimate of the District's financial position. This included incorporating updated actual expenditures, projected savings, revenue assumptions, property values, enrollment and attendance data, and other information affecting the year-end projection.

These ongoing reviews also include evaluating whether previously identified budget-to-actual and vacancy savings were materializing as projected. While savings were achieved, they did not materialize at the level necessary to fully offset the additional revenue and expenditure pressures identified during the year.

In response, the District incorporated an additional \$20 million in expenditure reductions into the FY 2026-27 budget. These reductions were added specifically to improve the District's financial position and begin rebuilding the unassigned fund balance.

The \$20 million reduction target represents an intentional step toward fund balance restoration while the District continues to evaluate recurring revenues, expenditures, and additional opportunities for structural budget alignment. Rebuilding fund balance will require a multi-year approach, and these reductions represent an initial action toward strengthening the District's financial position and increasing available reserves.

At the time of adoption, the FY 2026–27 budget projected an ending unassigned fund balance of 13.0%.

FY 2026-27 Property Monetization Impact

Completion of the Brooke property sale would increase the ending fund balance by approximately \$16.9 million, improving the projected unassigned fund balance to 13.7%. Completion of both the Brooke and Rosedale property sales would increase the ending fund balance by a combined \$42.9 million, resulting in a projected unassigned fund balance of 16.6%, exceeding the Board's 15% minimum fund balance target.

While property monetization would significantly strengthen the District's financial position and improve available cash reserves, these proceeds represent one-time revenue and do not address the District's ongoing structural budget challenges. Continued recurring budget solutions will be necessary to maintain long-term fiscal sustainability.

Ongoing Financial Management and Lessons Learned

Throughout FY 2025-26, the District actively worked to manage expenditures and reduce spending as financial conditions changed. Financial results and projections were reviewed multiple times each month, allowing leadership to incorporate the most current available information and adjust strategies as updated revenue, enrollment, attendance, property value, and expenditure data became available. The District also

regularly engaged the Board through budget workshops, financial updates, and other budget discussions throughout the year.

Budget-to-actual savings, including vacancy and other expenditure savings, were an intentional component of the District's financial strategy. As the fiscal year progressed, however, actual savings did not materialize at the level originally projected. At the same time, changes in property values, enrollment and attendance, and other financial assumptions created additional pressure on the District's financial position. These developments required the District to continually reassess its projections and ultimately identify additional expenditure reductions for FY 2026-27.

The District is incorporating lessons learned from FY 2025-26 into its financial monitoring and forecasting practices. Beginning in FY 2026-27, improvements include:

- **Trend-based financial monitoring:** Evaluating monthly revenue and expenditure activity against historical spending and collection patterns rather than relying primarily on a straight-line 1/12 methodology.
- **More frequent projection updates:** Incorporating updated property values, enrollment, attendance, revenue, and expenditure trends into projections as information becomes available to identify emerging variances earlier.
- **Enhanced transparency and reporting:** Providing clearer connections between the timing of internal financial updates, changes in projections, management actions, and information subsequently presented to the Board and public.

These improvements build upon the District's existing financial management practices and are intended to increase the timeliness, reliability, and transparency of financial projections while allowing the District to respond more quickly as financial conditions change.

Finance Operations

While Finance staff continued to closely monitor FY 2025-26 financial activity, the department was simultaneously engaged in the development and balancing of the FY 2026-27 budget. With limited staff capacity, this work required the Finance team to manage more than \$200 million in budget adjustments while continuing to evaluate the District's evolving current-year financial position.

The FY 2026-27 budget development process was extensive and iterative. Finance staff met multiple times with each division leader, along with other District leadership, to review proposed budgets, evaluate spending needs, identify reductions and adjustments, and require justification for budgeted expenditures. Budget assumptions and projections were continually updated as more current financial information became available.

These efforts occurred concurrently with the monitoring and closeout of FY 2025-26, requiring the same Finance staff to manage two significant and interconnected financial processes: assessing the District's



current-year financial position while simultaneously developing a balanced and sustainable plan for the subsequent fiscal year.

Tranche Two Release: Scheduled for September 4, 2026.