

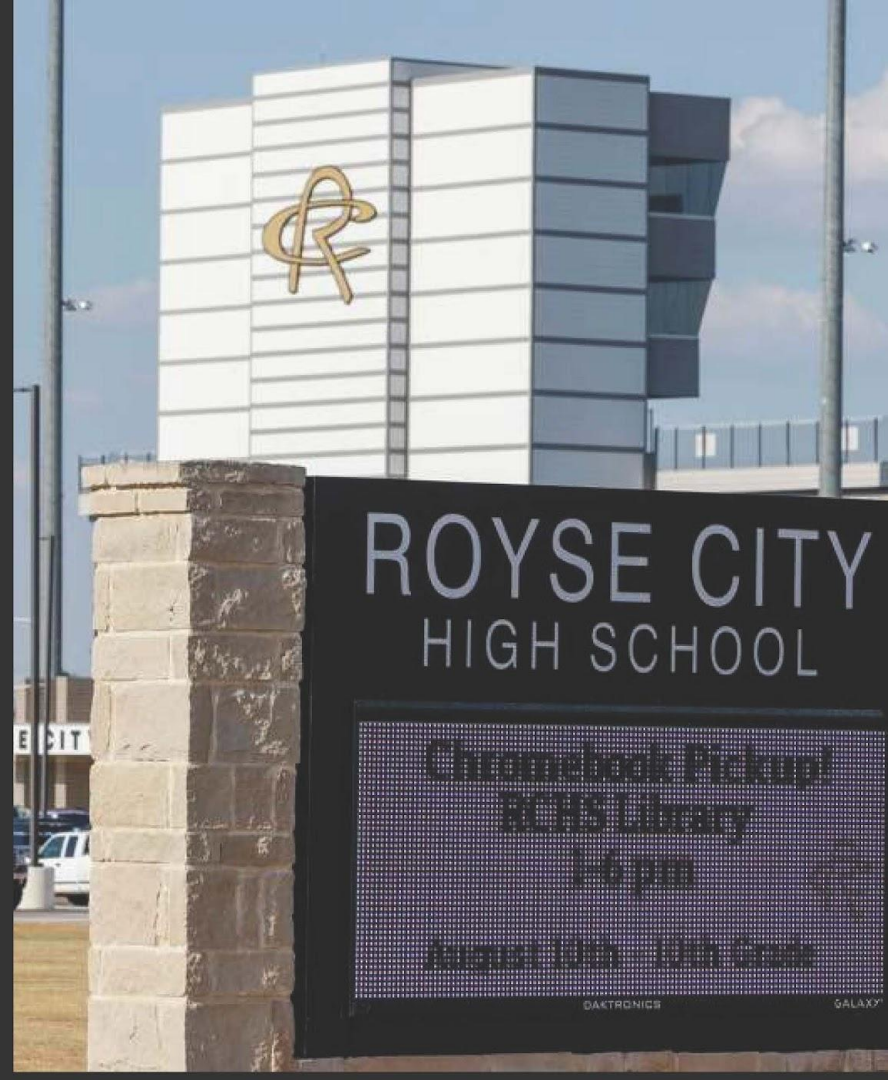
Royse City ISD District Financial Status Update

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Purpose of This Presentation

Transparency

Provide a clear, honest picture of the district's current financial position.

Context

Explain the key factors that contributed to the current situation.

Projections

Review updated revenue and expenditure forecasts based on actual data.

Impact

Discuss what this means for future budgets and cash flow planning.



How Did We Get Here?



Budget Amendment #1 — The Root Cause

Increased Total Revenues by \$8,070,641

- Additional state revenues generated through new and revised funding allotments resulting from HB 2
 - Teacher Retention Allotment (TRA)
 - Support Staff Retention Allotment (SSRT)
 - Special Ed Evaluation Allotments
 - Allotment for Basic Costs

Increased Total Expenditures by \$7,259,300

- Compensation increases associated with Teacher Retention Allotment and other mandated programmatic costs resulting from HB 2
 - Mandatory Salary Increases for teachers with 3 or more years
 - Mandatory Salary Increases for teachers with more than five

Where Revenue Projections Missed the Mark

Local Revenue (M&O) Estimates

Increase in Homestead Exemption to \$140K:

- Reduced Taxable Values
- Reduced Frozen Levy
- Problems associated with reporting values to Comptroller

State Revenue (M&O) Estimates

Overestimating Data Assumptions:

- Student Growth/ADA
- Special Population Data
- Teacher Data
- TEA changed method of calculating Hold Harmless on Frozen levy

Interest & Sinking (I&S)

Debt Capacity Constraints:

- Taxable Value Growth Slowed
- I&S Rate at Maximum (\$.50)
- Limited Remaining Debt Capacity

Understanding SOF Estimates vs. Actual Earned Revenue

TEA SOF Estimates

What the state uses for funding:

- Based on projected district data
- Uses budgeted tax collections from PEIMS snapshot
- Attendance data lags behind actual ADA
- Updated throughout the year as data becomes available
- Adjusts state aid and cash flow periodically

State Revenue (M&O) Estimates

What districts must monitor internally:

- Actual ADA and WADA
- Update tax collections regularly
- Review PEIMS and special population data each six weeks
- Compare estimated earned revenue to projected budget
- Adjust financial projections throughout the year
- Prepare for the year-end settle-up adjustments

What We Know Today



**UPDATED
REVENUE
EXPECTATIONS
(LOWER)**



**UPDATED
EXPENDITURE
EXPECTATIONS
(GAP CREATED)**



**SETTLE-UP
IMPACT
(MINIMAL)**



**CURRENT FUND
BALANCE AND
CASH POSITION
(REDUCED)**

Current Financial Reality

With updated data now available, the district has a clearer picture of its current financial position. While revenues have come in lower than originally projected, the district has implemented cost containment measures and closely monitored spending throughout the year. As a result, actual expenditures are projected to come in below the revised budget, helping reduce the overall deficit impact on fund balance.

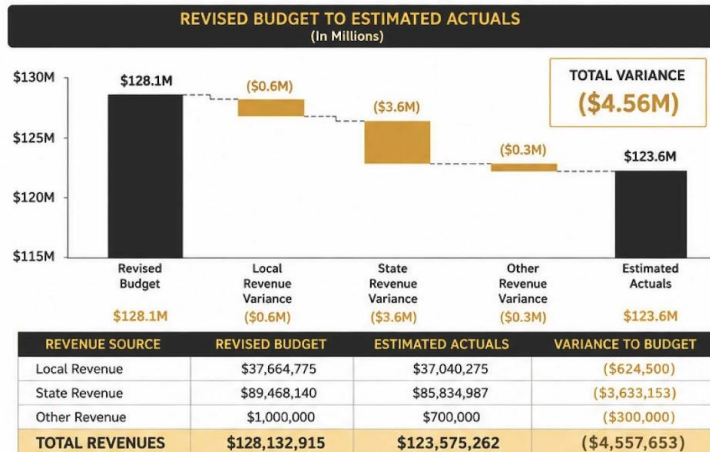
Areas of concern moving forward:

- Ongoing pressure from lower-than-anticipated revenues
- Maintaining alignment between recurring revenues and expenditures
- Preserving fund balance and long-term financial stability
- Continued monitoring of operational costs and spending trends

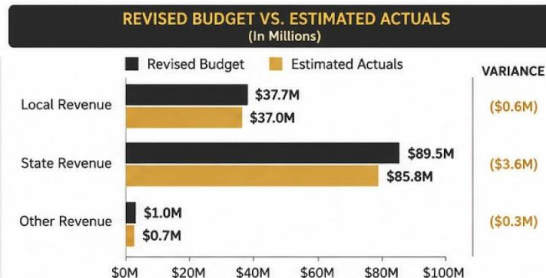
What We Know Today

REVENUE PROJECTIONS MISSED THE MARK

Actual Revenues Fell Below Revised Budget Projections by \$4.56 Million



Note: Amounts may not foot due to rounding.



- KEY TAKEAWAYS**
- Total revenue came in \$4.56 million below revised budget.
 - State revenue variance of (\$3.63M) was the primary driver.
 - Overestimation of key funding data elements impacted results.
 - Continued monitoring of data and collections is essential.

SILVER LININGS – POSITIVE IMPACTS

Stronger Outcomes Reduce the Impact to Fund Balance

1 ADDITIONAL STATE FUNDING TO BE BOOKED +\$1,665,282

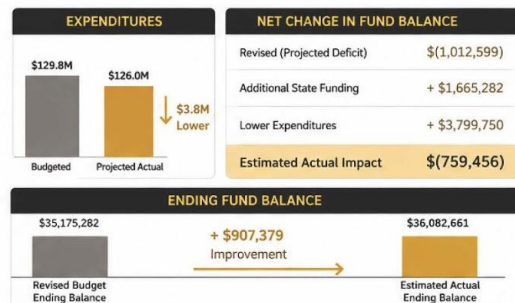
Property value study completed on 2023–2024 results in additional state funding in 25–26.

Due to the first increase in the Homestead exemption from \$40K–\$100K and its effect on frozen levies and values reported to the state.

2 LOWER THAN BUDGETED SPENDING +\$3,799,750

Projected actual expenditures are \$126.0M vs. \$129.8M budgeted.

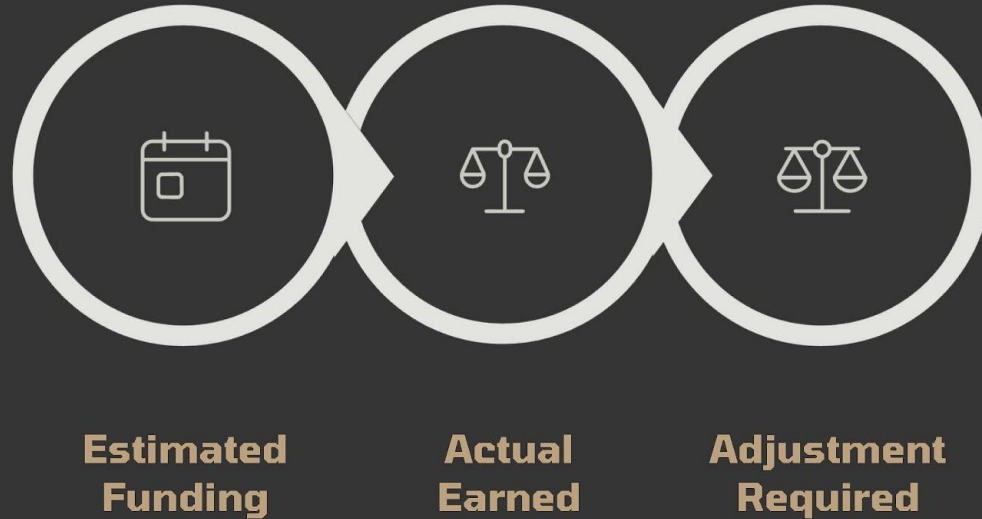
Efficient spending helps reduce the overall impact to fund balance.



★ STRONGER THAN ANTICIPATED REVENUE AND LOWER SPENDING REDUCE THE IMPACT TO FUND BALANCE TO \$759,456.

The Settle-Up Impact

Texas school finance uses a **settle-up process** to reconcile estimated state funding with actual earned funding at year-end.

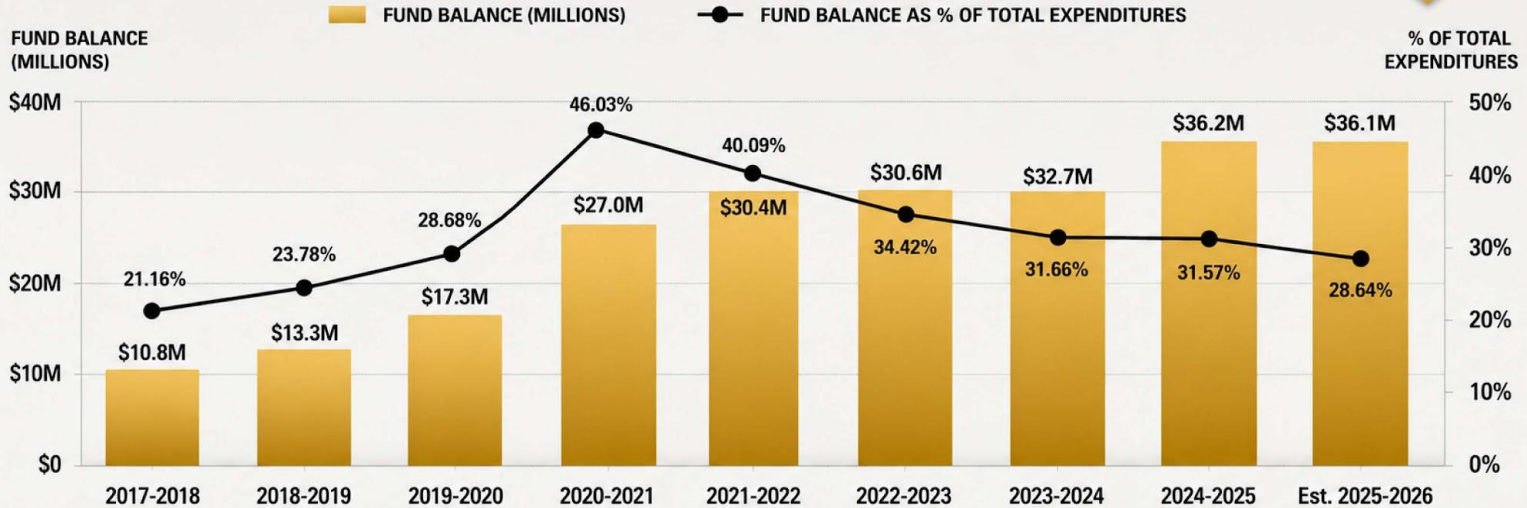


Because the district is not expected to receive more state funding during the year than it ultimately earned, a minimal, if any, settle-up adjustment will be required - Funding has been adjusted to be in line with current ADA information and adjusted each six weeks to minimize future settle up impacts.

Projected Fund Balance Impact

FUND BALANCE OVER TIME

GROWTH IN FUND BALANCE AND PERCENT OF TOTAL EXPENDITURES



\$10.8M → \$36.1M
FUND BALANCE GROWTH
2017-2018 TO EST. 2025-2026



9.36%
AVERAGE ANNUAL
INCREASE
(2018-2019 TO EST. 2025-2026)



28.64%
EST. FUND BALANCE AS %
OF TOTAL EXPENDITURES
2025-2026



STRONG FINANCIAL POSITION
FUND BALANCE REMAINS ABOVE
25% OF TOTAL EXPENDITURES
OVER THE LAST 6 YEARS

Note: 2025-2026 figures are estimated.



Lessons Learned

Conservative Revenue Forecasting

Future budgets must be built on revenue assumptions grounded in historical data and realistic collection rates — not optimistic projections.

Ongoing Financial Monitoring

Monthly reviews of revenue collections, state funding updates, and expenditure trends are essential to catch variances early.

Legislative Clarity

HB 2 and future state finance legislation must be fully understood and validated before being incorporated into budget assumptions.

Next Steps — Moving Forward

01

Finalize Updated Projections

Complete revised revenue and expenditure projections based on current actuals and settle-up estimates.

02

Monitor Settle-Up Impact

Track the final settle-up calculation and its effect on fund balance and cash flow throughout the remainder of the fiscal year.

03

Build FY 2026–2027 Conservatively

Use conservative, data-driven assumptions when developing the next fiscal year's budget — prioritizing sustainability over optimism.

04

Continue Monthly Monitoring

Implement a structured monthly financial review process to ensure the board and administration stay informed in real time.

05

Evaluate Long-Term Impact

Assess how this year's experience affects multi-year financial planning and identify structural changes needed for long-term stability.

A Commitment to Financial Stewardship

This moment is an opportunity to strengthen the district's financial foundation. With transparent reporting, conservative planning, and disciplined monitoring, the district is well-positioned to move forward responsibly.

Transparency

Honest, timely communication with the board and community

Accountability

Rigorous monitoring and responsible decision-making

Sustainability

Long-term financial health for students, staff, and families

