Sacramento City Unified School District

2020-21 First Interim Budget

Board Meeting
December 10, 2020
Agenda Item No. 9.2

Budget Presentation Agenda

Sacramento City Unified School District

- Financial Reporting Requirements & District's Fiscal Status
- First Interim 2020-21 Budget Changes since Revised Adopted Budget
- Multi-Year Projections
- Budget Calendar
- FCMAT Matrix Update
- Summary & Approve the 2020-21 First Interim Budget

California School District Financial Reporting Requirements

- Education Code 42130 – Requires the school district to file their fiscal condition for TWO reporting periods, October 31 and January 31, including projections of the budget through June 30.
- Education Code 42131 – Requires the Board of Education to certify, based on current projections, whether or not the school district is able to meet its financial obligations for the current fiscal year and subsequent two fiscal years.
- Education Code 33127 – Requires a district that has received a negative certification of its interim report(s) to file a third report as of April 30.

Sacramento City Unified School District

District's Fiscal Status

- District 2020-21 Revised Adopted Budget disapproved by SCOE
  - Due to 2022-23 Unrestricted General Fund negative ending balance
- 2020-21 First Interim Negative Certification
  - District is projecting it will not meet its financial obligations in 2022-23
  - Sacramento Office of Education (SCOE) Fiscal Advisor will remain assigned until deficit reduction plan is achieved
  - Stay and Rescind Authority

Summary of Changes
2020-21 First Interim Report

- Revenues decrease $6M
- 1X Expenditure Savings & Budget Adjustments decrease $2M
- Assuming 0% LCFF COLA Cash Flow positive through April 2021 with cash challenges starting May 2021
- Revised Multi-Year Projections will not meet the required 2% reserve for 2022-23
- Need a negotiated solution to achieve on-going reductions

2020-21 First Interim Financial Report Compared to Revised Adopted Budget

First Interim Budget 2020-21			
Description	**Unrestricted**	**Restricted**	**Total**
Total Revenues	417,827,730	189,978,413	607,806,143
Total Expenditures	348,655,435	290,301,184	638,956,619
Excess/(Deficiency)	69,172,295	(100,322,771)	(31,150,477)
Other Sources/Uses	(91,301,699)	91,973,263	671,565
Net Increase/(Decrease)	**(22,129,404)**	**(8,349,508)**	**(30,478,912)**
Add: Beginning Fund Balance	84,699,103	8,349,508	93,048,611
Ending Fund Balance	**62,569,699**	**0**	**62,569,699**

Revised Adopted Budget 2020-21			
Description	**Unrestricted**	**Restricted**	**Total**
Total Revenues	424,371,456	189,428,775	613,800,232
Total Expenditures	348,640,116	292,235,621	640,875,737
Excess/(Deficiency)	75,731,340	(102,806,845)	(27,075,505)
Other Sources/Uses	(93,785,773)	94,457,337	671,564
Net Increase/(Decrease)	**(18,054,433)**	**(8,349,508)**	**(26,403,941)**
Add: Beginning Fund Balance	84,699,103	8,349,508	93,048,611
Ending Fund Balance	**66,644,670**	**(0)**	**66,644,670**

Changes Since 2020-21 Revised Adopted Budget

	Change in 2020-21 Since REVISED Adopted Budget		
	Unrestricted	Restricted	Combined
Revenue			
General Purpose	(6,544,638)	0	(6,544,638)
Federal Revenue	0	581,136	581,136
State Revenue	0	(416,619)	(416,619)
Local Revenue	912	385,121	386,033
Total Revenue	**(6,543,726)**	**549,638**	**(5,994,088)**
Expenditures			
Certificated Salaries	959,995	2,400,406	3,360,401
Classified Salaries	719,080	1,348,279	2,067,360
Benefits	(2,487,426)	1,108,648	(1,378,778)
Books and Supplies	852,672	(13,058,893)	(12,206,221)
Other Services & Oper. Expenses	(427,300)	3,936,884	3,509,584
Capital Outlay	(7,997)	2,531,988	2,523,991
Other Outgo 7xxx	5,300	0	5,300
Transfer of Indirect 73xx	400,993	(201,748)	199,245
Total Expenditures	**15,318**	**(1,934,436)**	**(1,919,118)**
Deficit/Surplus	(6,559,044)	2,484,074	(4,074,970)
Contributions to Restricted	2,484,074	(2,484,074)	0
Net increase (decrease) in Fund Balance	**(4,074,970)**	**0**	**(4,074,970)**
Revolving/Stores/Prepaids	1,598	0	1,598
Reserve for Econ Uncertainty (2%)	(38,382)	0	(38,382)
Unappropriated Fund Balance	**(4,038,186)**	**0**	**(4,038,186)**

2020-21 First Interim Changes in Current Year Unrestricted Revenues

- Decrease in projected LCFF Revenue $6.5M
  - Decrease in unduplicated pupil percentage (UPP) for 20-21
    - 4,400 decline as this point in time from the prior year
  - SB 98 Hold Harmless provision which funds ADA based on 2019-20 but does not apply to Supplemental and Concentration funding
  - District has until 12/31/20 to improve the collection of income verification documentation to increase UPP

2020-21 First Interim Changes in Current Year Unrestricted Expenses

- Decrease Salaries and Benefits $808K 1x savings/adjustments
- Increase Supplies & Services $853K budgeting site donations
- Additional Costs
  - Other Services decrease of $427K
  - Capital Outlay decrease of $8K
  - Indirect Cost decrease of $401K due to restricted program adjustments
- Decrease Contributions - $2.5 million
  - 1x savings Non-Public Schools Contracts & Routine Restricted Maintenance Flexibility

2020-21 First Interim Changes in Current Year Restricted Revenues

- Increase in projected Federal Revenue $581K
  - Revenue adjusted to award allocations
- Decrease in projected State Revenue $417K
  - Revenue adjusted to award allocations
- Increase projected Local Revenue $386K
  - Grants
- Decrease Contributions $2.5 million
  - 1x savings Non-Public Schools Contracts & Routine Restricted Maintenance Flexibility

2020-21 First Interim Changes in Current Year Restricted Expenses

- Increase Salaries and Benefits $4.8M budget adjustments
- Decrease Supplies & Services $13M adjusted for budget adjustments/reallocations
- Additional Costs
  - Other Services increase of $4M
  - Capital Outlay increase of $2.5M
  - Indirect Cost decrease of $202K to align with program changes

Multi-Year Projection Assumptions

Revenues – LCFF COLA

- 21-22 & 22-23 0% COLA in projected MYP
- Prior to COVID-19 Enrollment was projected to decline by approximately 200 students each year
- Current enrollment is trending significantly lower than projected at approximately 39,000 which is 1,500 less
- If enrollment does not recover, the projected loss in LCFF revenue is estimated at $15 Million

Revenues – Federal

- 21-22 & 22-23 Remove 1X COVID-19 Relief Funds, Expiring Programs, & Carryover

Multi-Year Projection Assumptions

Expenditure Changes Over 2021-22 and 2022-23

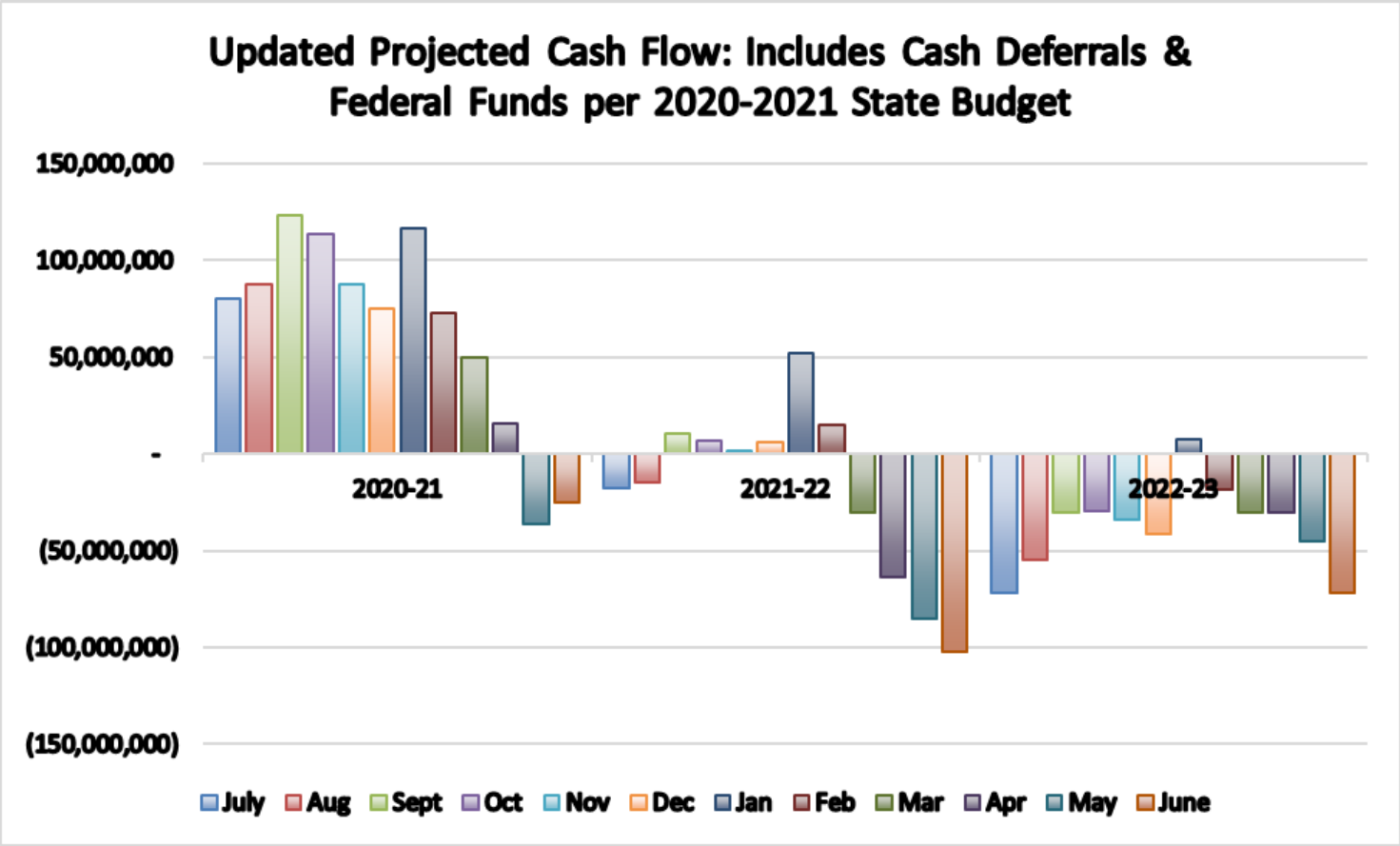
- Increase in step & column projected $2M each year for certificated and $400K for classified
- Adjust contribution for STRS and PERS per statute – total projected $970K in 21-22 & $6M in 22-23
- Increase in Health 8% estimated for certificated and 8.5% for classified – total projected $5M in 21-22 & $6M in 22-23
- Adjusted Books & Supplies in both years to remove 1X expenses textbooks, remove 1X COVID-19 Expenditures (CARES Funded) and remove expiring resources expenses (SIG) and 1X Carryover (Title I)
- Increase Utilities (estimates per various authorities) projected $267K in 21-22 & $78K in 22-23
- Increases in Special Education total projected $16M ($8.5M FY 21-22 & $7.4M FY 22-23)

General Fund Multi-Year Projections

Multi-Year Projection (Total GF)			
Description	**1st Interim 2020-21**	**Projected 2021-22**	**Projected 2022-23**
Total Revenues	607,806,143	526,356,365	518,647,752
Total Expenditures	638,956,619	565,261,727	574,719,879
Excess/(Deficiency)	(31,150,477)	(38,905,362)	(56,072,127)
Other Sources/Uses	671,565	671,565	671,565
Net Increase/(Decrease)	**(30,478,912)**	**(38,233,797)**	**(55,400,562)**
Add: Beginning Fund Balance	93,048,611	62,569,699	24,335,902
Ending Fund Balance	**62,569,699**	**24,335,902**	**(31,064,661)**

- At a 0% COLA, the target to eliminate deficit spending is $56M

Multi-Year Cash Flow Projection 0% COLA



GFOA Recommended Reserves

The Government Finance Officers Association (GFOA) recommends a prudent reserve of 17%, representing two months' average payroll – for the District two months' average payroll is approximately $76M based on the 2020-2021 1st Interim Financial Report. The Districts' reserves above the statutory reserves for economic uncertainty are projected at well below the GFOA recommendations.

2020-2021 Budget Calendar and Timeline

Sacramento City Unified School District

2020-2021 Budget Calendar and Timeline

Board Date	Compliance Date	Action/Board Item
March	March 15, 2020	Certificated Lay Off Notices to Meet March 15 Deadline, as Needed
March	March 15, 2020	Board Approval of Second Interim Report (will include FCMAT Update)
April		Classified Lay Off Notices, as Needed
April	April 24, 2020	P2 Report
May (2nd Board Meeting)		Board Discussion of the Projected "May Revise"
May	June 1, 2020	Board Approval of Third Interim Financial Report (will include FCMAT Update)
May		Month 8 Enrollment and Attendance Report
June		Board Approval of LCAP
June	July 1, 2020	Public Hearing for 2019-20 LCAP and Proposed Budget
June	July 1, 2020	Adoption of 2019-20 LCAP and Proposed Budget
August		Interfund Transfers Resolution
September	September 15, 2020	Unaudited Actuals (will include FCMAT Update)
September	September 15, 2020	GANN Resolution
October	October 8, 2020	Revised Budget Hearing and Approval
October	November 8, 2020	Waiver of Budget Committee
October		Annual Developer Fee Report (5 year report)
December	December 15, 2020	Board Approval of First Interim Report and Revised Budget (will include FCMAT Update and Budget Calendar)
March	March 31, 2021	Presentation of Independent Audit Report

Fiscal Crisis Management Assistance Team (FCMAT) Fiscal Health Risk Analysis Update

- Fiscal Health Risk Analysis conducted October 2018
- 60 deficiencies were identified
- Provided recommended corrective actions
- Matrix used to track District's progress in implementing corrective actions
- Regular updates presented with Interim Financial Reports
- Matrix is available on District website

FCMAT Updates Presented	Number Identified FCMAT Findings	FCMAT Findings Updated this period	FCMAT Findings Completed this period	FCMAT Findings Completed	FCMAT Findings Remaining
February 28, 2019	60	28	0	0	60
April 11, 2019	60	18	18	18	42
June 13, 2019	60	23	1	19	41
July 23, 2019	60	10	0	19	41
November 20, 2019	60	31	7	26	34
December 19, 2019	60	0	0	26	34
March 19, 2020	60	26	1	27	33
May 8, 2020	60	36	*1	26	34**
December 10, 2020	60	28	1	27	33
*one item was moved to "completed" status while another item was moved from "complete" to "in progress".					
**two items were moved from "completed" status to "in progess" during the May 8, 2020 update.					

The next update will be presented with 2020-21 2nd Interim in March 2021.

Potential Future Risk/Opportunity

Risks

- Uncertainty regarding the State Budget and fiscal impact on K12 Districts
- Additional unfunded COVID-19 related expenses
- Significant decline in enrollment

Opportunities

- Improved State Budget and funding for K12 Districts,
- Recover enrollment
- Fiscal Recovery Plan sufficient to restore the District's fiscal stability

The Governor's 2021 January Proposed Budget will provide additional information

Summary

- District has implemented more than $50 million in ongoing and 1X reductions
- A $56 million ongoing solution is required to achieve fiscal solvency
- Next reporting period Second Interim March 2021

Approve 2020-21 First Interim Budget