



Fiscal Recovery Plan

Board Meeting
November 19, 2020
Agenda Item No. 9.1

Overview

- History/Background on District's Budget
- District's Current Budget Status and [Multi-Year Projection \(MYP\)](#)
(based on [Revised Adopted Budget 2020-2021](#))
- Fiscal Recovery Plan
- Summary

Setting Context

Definitions

- **One-time Resources:** funding that is one-time and not recurring, examples are donations, a one-time grant, unexpended funds (carryover)
- **Reserves:** Reserves are created when revenues exceed expenditures. K-12 Districts maintain reserves for multiple reasons, two most common:
 - 1. Satisfy the State required % reserve - Reserve for Economic Uncertainties for SCUSD is 2% of the total general fund budgeted expenditures
 - 2. To maintain a prudent level above the required % to protect against the need to reduce service levels due to temporary revenue shortfalls or unpredicted expenditures (safety net)
- **Structural Deficit:** occurs when on-going expenditures exceed on-going revenues

History/Background

District's Budget Reviewed by Numerous Independent Entities:

1. [Fact Finding Report - 2017](#)
2. [Fiscal Crisis & Management Assistance Team \(FCMAT\) - 2018](#)
3. [Policy Analysis for California Education \(PACE\) - 2019](#)
4. [Fiscal Crisis & Management Assistance Team \(FCMAT\) - 2020](#)
5. [Sacramento County Office of Education \(SCOE\) Analyses - Ongoing](#)
6. [California State Auditor - 2019](#)

History/Background

Common Themes from Numerous Reviews

- District's budget has been operating a structural deficit for several years due to on-going expenditures exceeding on-going revenues
- Employee salaries and benefits account for approximately 90% of the *unrestricted* budget
- [The District's benefit structure for active employees and retirees is one of the highest in the region](#)
- Salaries and benefits continue to increase year over year yet revenue does not increase at the same rate or remains flat

History/Background

Common Themes from Numerous Reviews

- This persistent imbalance (expenses exceeding revenues) has created the District's structural deficit
 - Last year's surplus was a result of one-time savings due to less spending during COVID-19
- The District has managed the deficit with one-time sources and reserves – a non-sustainable plan as these resources will eventually be depleted

District's Current Budget Status and Multi-Year Projection (MYP)

(based on [Revised Adopted Budget 2020-2021](#))

Sacramento City Unified School District	2020-21 Revised Adopted Budget	2021-22 Projected	2022-23 Projected	2023-24 Potential
Beginning Fund Balance	93,048,611	66,644,611	32,621,611	(18,340,389)
Surplus/(Deficit) Spending	(26,404,000)	(34,023,000)	(50,962,000)	(60,000,000)
Ending Fund Balance	66,644,611	32,621,611	(18,340,389)	(78,340,389)
Less: Assignments and Reserves	369,537	329,537	329,537	329,537
2% Reserve for Economic Uncertainty	12,804,000	11,330,000	11,514,000	12,000,000
Net Available Fund Balance after 2% REU	53,471,074	20,962,074	(30,183,926)	(90,669,926)

Represents the Estimated COLA that will not be received
due to the State's Budget Reductions

	2020-2021	2021-2022	2022-2023
*COLA %	2.310%	2.480%	3.260%
Estimated COLA Amount	\$ 8,742,990	\$ 19,188,559	\$ 32,784,913
Funded COLA	0	0	0
* SSC Dartboard Adopted State Budget for 2020-21			

District's Current Budget Status and Multi-Year Projection (MYP)

(based on [Revised Adopted Budget 2020-2021](#))

On-going reductions of \$51M are required in order to balance the budget, satisfy the state mandated 2% reserve, and avoid fiscal insolvency.

Fiscal Recovery Scenario Eliminating the \$51 Million Deficit Effective 7/1/2021

Fiscal Recovery Plan Scenario #1 \$51M On-Going to Eliminate Deficit Spending

	2020-21 Revised Adopted Budget	2021-22 Projected	2022-23 Projected	2023-24 Potential
Deficit Spending as of Revised Adopted Budget (from above)	(26,404,000)	(34,023,000)	(50,962,000)	(60,000,000)
Revised Deficit Reduction Target	(26,404,000)	(34,023,000)	(50,962,000)	(60,000,000)
On-going budget reductions 2020-21		51,000,000	51,000,000	51,000,000
On-going budget reductions 2021-22			-	-
On-going budget reductions 2022-23			-	-
Cummulative On-Going Budget Reductions	-	51,000,000	51,000,000	51,000,000
Revised Surplus/(Deficit)	(26,404,000)	16,977,000	38,000	(9,000,000)
Net Available Fund Balance after 2% REU	53,471,074	71,962,074	72,000,074	63,000,074

District's Current Budget Status and Multi-Year Projection (MYP)

(based on [Revised Adopted Budget 2020-2021](#))

Scenario with \$15 Million of on-going reductions reflecting most of the non-negotiable items – still insufficient to eliminate the structural deficit

Fiscal Recovery Plan Scenario #2 \$15M On-Going Budget Reductions				
	2020-21 Revised Adopted Budget	2021-22 Projected	2022-23 Projected	2023-24 Potential
Deficit Spending as of Revised Adopted Budget (from above)	(26,404,000)	(34,023,000)	(50,962,000)	(60,000,000)
Revised Deficit Reduction Target	(26,404,000)	(34,023,000)	(50,962,000)	(60,000,000)
On-going budget reductions 2020-21		15,000,000	15,000,000	15,000,000
On-going budget reductions 2021-22			-	-
On-going budget reductions 2022-23				-
Cummulative On-Going Budget Reductions	-	15,000,000	15,000,000	15,000,000
Revised Surplus/(Deficit)	(26,404,000)	(19,023,000)	(35,962,000)	(45,000,000)
Net Available Fund Balance after 2% REU	53,471,074	35,962,074	74	(44,999,926)

District's Current Budget Status and Multi-Year Projections (MYP)

(based on [Revised Adopted Budget 2020-2021](#))

Consequences if Reductions are Not Achieved:

- The District is projected to experience serious cash challenges by March 2022 and will be at risk of an emergency apportionment (State Loan)
- The District's deficit is projected to increase to \$60M by 2023-2024

District's Current Budget Status and Multi-Year Projection (MYP)

(based on Revised Adopted Budget 2020-2021)

Consequences if Reductions are Not Achieved:

AB 1200 provides:

- Oversight to ensure districts are adequately prepared to meet their financial obligations
- Trigger for a State Loan
 - Cash Insolvency
- Conditions for State Loan
 - Per Assembly Bill 1840 – responsibilities shift to the State Superintendent to the County Superintendent of Schools (CSS) who assumes all legal rights, duties, and powers of the governing board of the district.
 - CSS appoints an administrator to act on behalf of the CSS
 - District Board is Advisory only – loss of local control

District's Current Budget Status and Multi-Year Projection (MYP)

(based on Revised Adopted Budget 2020-2021)

Consequences if Reductions are Not Achieved:

Examples of Outstanding and Repaid State Loans as of July 1, 2020

District	Date	Amount of Loan	Amount Estimated to be Paid Above Principal (Interest)	Status
Vallejo City Unified	2004 - 2007	60,000,000	8,856,915	Outstanding
Oakland Unified	2003 - 2006	100,000,000	18,559,131	Outstanding
West Contra Costa Unified	1990 - 1991	28,525,000	19,163,620	Repaid

Source: CDE

District's Current Budget Status and Multi-Year Projection (MYP)

(based on Revised Adopted Budget 2020-2021)

Consequences if Reductions are Not Achieved and State Loan is Triggered:

- Reductions will be imposed on the District
- Reductions will be sufficient to resolve insolvency and repay the loan, plus interest
- Imposed Reductions will be more than the District's target reductions in order to satisfy the added cost of interest for the loan
- Additional Programs, Services, & Staffing will be reduced to achieve fiscal solvency and satisfy the repayment of the loan

District's Current Budget Status and Multi-Year Projection (MYP)

(based on Revised Adopted Budget 2020-2021)

Budget Adjustments Implemented in Prior Years

2018-2019 and 2019-2020 Budget Adjustments			
<i>(in millions)</i>			
Approval Date	Ongoing	One-Time	Items
December 2018	17.5	3.6	Position Control, Debt Service, OPEB, Central Office Personnel, Supplies, Services, Utilities
February/March 2019	7.8		Staffing adjustments - aligning to enrollment for 2019-2020
May 2019	21	2.5	Special Ed expenditures, LCFF, Utilized Restricted Funds, Charter Oversight Revenue and Interest
June 2019	2.9		Special Ed Revenue, District Services revenue (custodial, utilities from charters)
September 2019	1.0	6.0	Interest revenue, One-time expenditures savings

PROPOSED FISCAL RECOVERY PLAN

Items Subject to Negotiations

Negotiable Items and Potential Savings		
Item	Example	Potential Cost Savings
Health Benefits	Reduce District Contribution to Employee only/75% other	18,793,471
Dental & Vision Benefits	Reduce District Contribution to Employee only	3,132,000
Cash In-Lieu of Benefits	Assume 3% Participation	1,400,000
Other Contract Items	OPEB 1% Employee Contribution	2,000,000
Other Contract Items	Escalation factors	TBD
Furlough Day	Cost of 1 day, Districtwide	1,736,000
Cost of 1%	Cost of 1% Salary increase/decrease Districtwide	3,476,000

PROPOSED FISCAL RECOVERY PLAN

Items Subject to Negotiations

Item	Negotiable Items and Potential Savings Example	General Fund		Other Funds	Totals
		Unrestricted	Restricted		
Health Benefits	Reduce District Contribution to Employee only/75% other	12,215,756	4,698,368	1,879,347	18,793,471
Dental & Vision	Reduce District Contribution to Employee only	2,035,800	783,000	313,200	3,132,000
Cash In-Lieu	Assume 3% Participation	910,000	350,000	140,000	1,400,000
Other Contract Items	OPEB 1% Employee Contribution	1,300,000	500,000	200,000	2,000,000
Other Contract Items	Escalation factors				-
Furlough Day	Cost of 1 day	1,156,792	418,702	160,562	1,736,057
Cost of 1%	Cost of 1% Salary increase/decrease Districtwide	2,259,400	869,000	347,600	3,476,000

	Revised Adopted Budget 2020-2021 General Fund Health Benefits		
	Unrestricted	Restricted	Totals
Cost	57,257,440	23,691,638	80,949,078
Percent of Budget	9%	4%	13%

PROPOSED FISCAL RECOVERY PLAN

Negotiable Items – Health Benefits Compared to Neighboring Districts

Rank	School District	Avg. Active Employee District Contribution Per FTE*	Max District Contribution to Health Care for Active Employees Per FTE
1	Sacramento City USD	\$21,427	\$31,493
2	San Juan USD	\$14,860	\$22,184
3	Elk Grove USD	\$13,432	\$17,147
4	Twin Rivers USD	\$9,290	\$13,621
5	Natomas USD	\$8,291	\$11,976

Source: 2019-20 J-90 report

*Full-time equivalent (FTE)

PROPOSED FISCAL RECOVERY PLAN

Negotiable Items – Substitute Costs Compared to Neighboring Districts

Certificated Substitutes Day-to-Day Full Day Salary Rates			
Rank	School District	Ave. Daily Sub Cost	Max Daily Sub Cost
1	Sacramento City USD	\$222	\$243
2	Twin Rivers USD	\$155	\$185
3	Natomas USD	\$150	\$185
4	San Juan USD	\$135	\$180
5	Elk Grove USD	\$135	\$175

Source: District websites current salary schedules 2020-2021

PROPOSED FISCAL RECOVERY PLAN

Negotiable Items – Summer School Teacher Pay Rate Compared to Neighboring Districts

Certificated Salaries and Benefits, 2018-19 Comparative Analysis of Summer School Teacher Pay Rate, 2018-19 Ranked by District Name			
Rank	School District	Pay	Rate
1	Sacramento USD	44.44	per hour
2	San Juan USD	36.72 - 46.92	0-10 years, \$36.72; 11+ years
3	Elk Grove USD	40.00	per hour
4	Natomas USD	40.00	per hour
5	Twin Rivers USD	40.00	per hour
6	Folsom-Cordova USD	35.33	per hour
Copyright 2020, School Services			

PROPOSED FISCAL RECOVERY PLAN

Negotiable Items – Other Positions as Compared to Other Districts

Other Positions Subject to Negotiations	Total Unrestricted Funded
Counselors	\$6,307,980
Librarians	\$1,502,020

PROPOSED FISCAL RECOVERY PLAN

Background Information

Review of Books/Supplies (object code 4000) Revised Adopted
Budget 2020-2021

Books & Supplies	Amount	% of Total
Unrestricted	\$13,668,847	13%
Restricted	\$87,590,690	87%
Total	\$101,259,537	100%

Examples of Supply Items:

Chromebooks, technology equipment, textbooks, athletic equipment,
repair parts, tires, fuel, oil, custodial supplies, instructional materials, etc.

PROPOSED FISCAL RECOVERY PLAN

Background Information

Review of Books/Supplies (object code 4000) - Unrestricted

Site/Department	Amount	Site/Department	Amount
Above \$100K		Above \$100K	
District Wide	\$ 4,494,582	Career & Technical Preparation	\$ 183,107
Equity, Access & Excellence	\$ 1,233,067	Luther Burbank HS	\$ 164,443
Curriculum & Professional Development	\$ 1,057,900	California MS	\$ 156,030
Transportation	\$ 1,000,000	John Still K-8	\$ 153,597
John F. Kennedy HS	\$ 391,372	Facilities Support	\$ 151,000
Operations	\$ 348,000	Rosemont HS	\$ 133,915
CK McClatchy	\$ 285,035	Elder Creek ES	\$ 132,230
Hiram Johnson	\$ 239,888	Kit Carson	\$ 131,386
Strategy & Innovation Office	\$ 228,565	Risk Management	\$ 130,000
Centralized Department	\$ 665,274		
34 Departments budgets range from \$500 - \$88K			
All Other School Sites	\$ 2,389,457	Total Budgeted Unrestricted Books & Supplies	\$13,668,847
Allocation is \$51 per student			

PROPOSED FISCAL RECOVERY PLAN

Background Information

Review of Books/Supplies (object code 4000) - Restricted

	Title	Amount	% of Total
\$1M and Above			
	Coronavirus Relief Funds	\$ 46,255,044	53%
	RRMA	\$ 7,404,972	8%
	SIG	\$ 5,853,929	7%
	Title I	\$ 5,195,439	6%
	State LLMF	\$ 3,497,424	4%
	Restricted Lottery	\$ 2,851,008	3%
	Title IV	\$ 2,810,885	3%
	ESSA CSI	\$ 2,079,966	2%
	Other Local	\$ 1,745,038	2%
	Medi Cal	\$ 1,542,644	2%
	SPED IDEA Base Grant Entitlement	\$ 1,371,367	2%
	CTE Incentive Grant	\$ 1,289,857	1%
All Other Resources		\$ 5,693,117	6%
	\$380 - \$980K		
Total Budgeted Restricted Books & Supplies		\$ 87,590,690	100%

PROPOSED FISCAL RECOVERY PLAN

Background Information

Review of Contracts \$1 Million and above (object code 5000)

Vendor	Amount	Funding Source	Service
Learning Solutions	\$ 6,000,000	Restricted/Non-Discretionary	Behavior Inclusion Services
Sacramento Chinese Community	\$ 5,042,107	Restricted/Non-Discretionary	AfterSchool Program/Expanded Learning
JabberGym Inc.	\$ 2,800,000	Restricted/Non-Discretionary	OT/PT/ Speech Onsite Services
Speech Pathology Group Inc.	\$ 2,400,000	Restricted/Non-Discretionary	Onsite Speech Services
Sierra School at Eastern Extension	\$ 2,000,000	Restricted/Non-Discretionary	Non-Public School Services
Kadiant LLC	\$ 1,600,000	Restricted/Non-Discretionary	Non-Public School Services
Applied Behavioral Consultants Inc.	\$ 1,400,000	Restricted/Non-Discretionary	Non-Public School Services
Point Quest Education Inc.	\$ 1,200,000	Restricted/Non-Discretionary	Non-Public School Services
Action Supportive Care Service	\$ 1,000,000	Restricted/Non-Discretionary	Nursing Services
Lozano Smith Attorneys at Law	\$ 2,000,000	Unrestricted/Discretionary	General Counsel/Legal Services
School Insurance Authority	\$ 1,900,000	Unrestricted/Discretionary	Property/Liability Insurance
Total Contracts \$1 Million and above	\$ 27,342,107		
	86%	Restricted/Non-Discretionary	
	14%	Unrestricted/Discretionary	

PROPOSED FISCAL RECOVERY PLAN

Background Information

Contracts – Legal Expenses

- [14 Active Administrative Litigation matters involving bargaining partners \(13 SCTA and 1 SEIU\)](#)
- Consist of Unfair Practice Charges filed with Public Employment Relations Board (PERB) or Arbitrations resulting from collective bargaining agreement grievances.
- Approximately 60% of the costs associated with outside counsel are attributable to these labor related claims and ongoing labor negotiations
- Numerous efforts are being made internally to proactively address areas of legal concern before issues arise, and more matters are being handled in-house including but not limited to, initial responses to labor disputes, employment complaints, parent complaints, oversight and trainings such as Title IX student harassment concerns, Public Records Act requests, and contract/MOU review

PROPOSED FISCAL RECOVERY PLAN

Non-Negotiable Items Reviewed Staffing & Non-Mandated Services

1. Reviewed Class Sizes in Grades 4th– 8th
2. Identified Staffing above base formula and collective bargaining agreements
3. Reviewed Non-Mandated Services

PROPOSED FISCAL RECOVERY PLAN

Staffing Review: Class Sizes

- [FCMAT Letter of 9/15/20](#) indicated grades 4-8 class sizes averaged slightly higher than 21:1
 - They used data that was reported on a state class size penalty report that included more than just classroom teachers (approx. 189 additional staff)
 - Their calculation included regular education students, plus approximately 300 special ed
- For reference, CBA maximum class sizes are
 - 33 for grades 4-6
 - 31 for grades 7-8

PROPOSED FISCAL RECOVERY PLAN

Staffing Review: FCMAT Class Size Calculation

- FCMAT based their calculations on state Class Size Penalty report

Original 2019-20 P2 Class Size Penalty Report Submitted to CDE and basis for FCMAT recommendation	
Total Number of Pupils Enrolled Grades 4 - 8	16,119
Total Number of FTE Classroom Teachers	757.0
Avg. Number of Pupils Enrolled per FTE Classroom Teachers	21.3

PROPOSED FISCAL RECOVERY PLAN

Staffing Review: Exclusions Required

- The numbers used by FCMAT came from a report with a different purpose. Adjustments were needed to:
 - Exclude resource teachers
 - Exclude special education teachers, and 291 students
 - Exclude charter school teachers
 - Exclude Success Academy and Capital City
 - Exclude HS teachers in SES grades 7-8
 - Exclude non-classroom admin, classified, and home/hospital
 - Exclude Prep teachers
- Overall, 189 FTEs were removed from the calculation

PROPOSED FISCAL RECOVERY PLAN

Staffing Review: SCUSD Calculated Class Size

- Once only classroom teachers and regular education student counts were used for the calculation, a much higher class size average resulted

Per SCUSD Detailed Records	Per FCMAT Letter	*Revised Comparable Data	Difference	Explanations
Total Number of Pupils Enrolled Grades 4 - 8	16,119	15,828	291	removed special ed students
Total Number of FTE Classroom Teachers	757.00	567.90	189.10	removed FTE per notes in previous slide
Avg. Number of Pupils Enrolled per FTE Classroom Teachers	21.3	27.9	6.6	Avg. Number of Pupils Enrolled per FTE Classroom Teachers

PROPOSED FISCAL RECOVERY PLAN

PROPOSED FISCAL RECOVERY PLAN

Staffing (Above Formula & CBA), Supplies & Services

Summary of Budget Reduction Options		
Non-negotiable Items		
Item	Potential Cost Savings	
APs, Social Workers, Counselors Over Ratio (A)	1,749,000	
Central Depts - PD, Staff, Supplies	2,253,000	
Programs/Sites Staff Over Formula	9,633,000	
Dual Immersion, UGF portion	25,000	
Staff Recommendations	13,660,000	
Special Programs - To Discuss (B)	4,941,000	
<u>List of Potential Reductions</u>	18,601,000	

(A) Note that counselors and librarian staffing ratios are included in the SCTA CBA.

CBA prevents the reduction of 57.1 FTE in this area, or \$7.5M

PROPOSED FISCAL RECOVERY PLAN

Staffing (Above Formula & CBA), Supplies & Services

(B) Staff does not recommend, but possible:	Potential Cost Savings	Consider Including on List
VAPA/Music Teachers	837,000	837,000
Career Technical Education	925,000	925,000
Safe Schools	939,590	940,000
GATE	302,000	302,000
New Teacher Induction	236,579	237,000
Improvement, Accountability and School Support	1,200,000	1,200,000
After School /Youth Development	500,000	500,000
		4,941,000

SUMMARY

- Districts financial reports must include a certification of whether or not a District is able to meet its financial obligations for the current and two subsequent years.
- As of Revised Adopted Budget for 2020-21 the District is projecting that it will not satisfy this requirement:

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SUMMARY

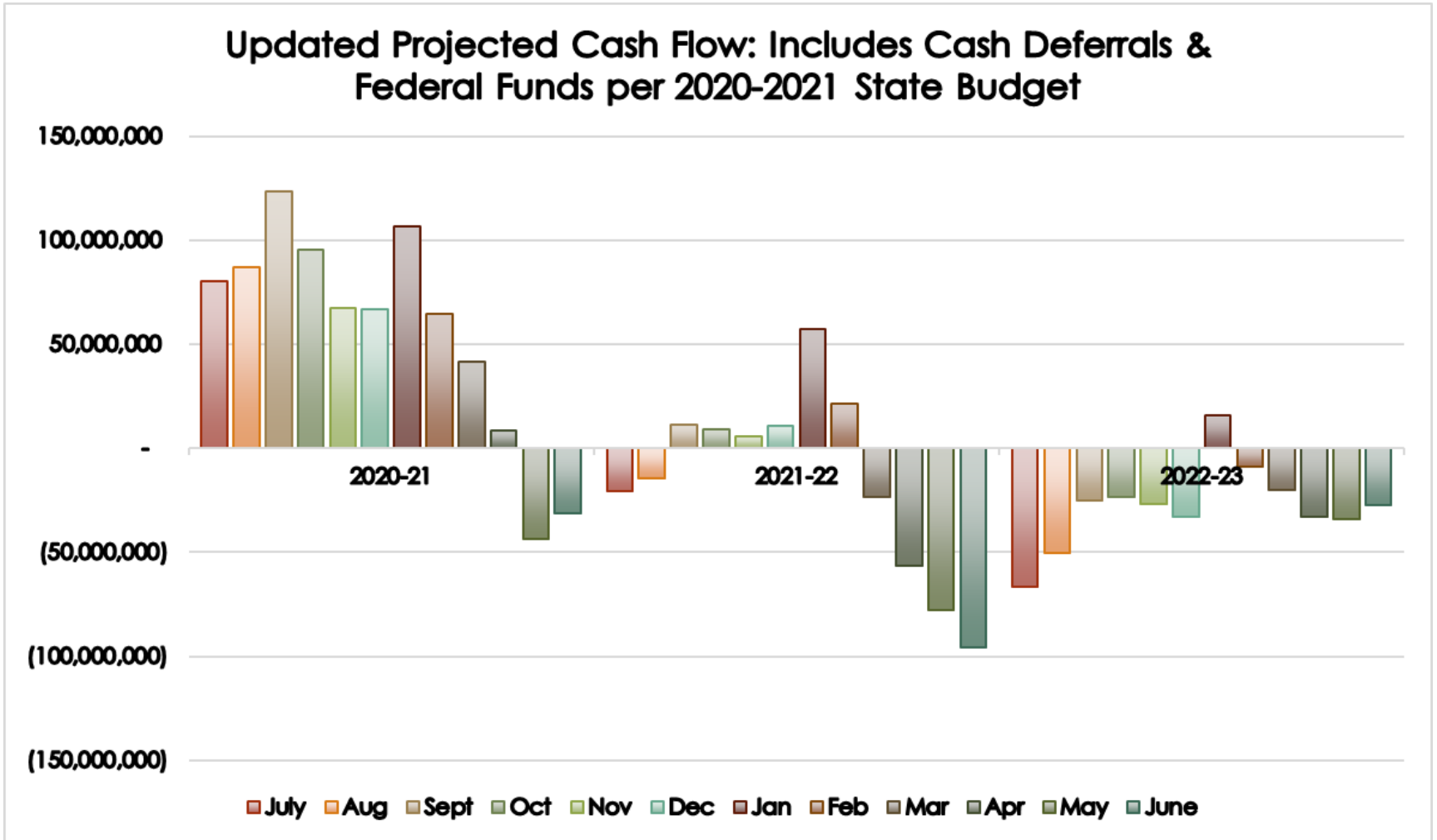
Cash Flow is also projected to be a challenge starting in May 2021 and the District may be able to manage a few months with:

- Temporary interfund transfers
- Short term borrowings
- and possibly a waiver of the cash deferrals

However, if a Fiscal Recovery Plan is not implemented July 1 , 2021 the District is projected to experience serious cash issues by March 2022 and will be at risk of an emergency apportionment (State Loan).

- SCOEs fiscal responsibilities continue until structural deficit is eliminated

SUMMARY



SUMMARY

On-going reductions of \$51M are required in order to balance the budget, satisfy the state mandated 2% reserve, and avoid fiscal insolvency.

Fiscal Recovery Scenario Eliminating the \$51 Million Deficit Effective 7/1/2021

Fiscal Recovery Plan Scenario #1 \$51M On-Going to Eliminate Deficit Spending				
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SUMMARY

Scenario of \$15 Million on-going reductions, reflects most of the non-negotiable items (insufficient to eliminate the deficit)

Fiscal Recovery Plan Scenario #2 \$15M On-Going Budget Reductions				
	2020-21 Revised Adopted Budget	2021-22 Projected	2022-23 Projected	2023-24 Potential
Deficit Spending as of Revised Adopted Budget (from above)	(26,404,000)	(34,023,000)	(50,962,000)	(60,000,000)
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Q & A