Sacramento City Unified School District

2020-21 Second Interim Budget

Board Meeting
March 18, 2021
Agenda Item No. 7.3

Budget Presentation Agenda

Sacramento City Unified School District

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

California School District Financial Reporting Requirements

- Education Code 42130 – Requires school districts 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 and continued deficit spending
- 2020-21 Second Interim Negative Certification
- District is projecting a deficit in 2021-22 and 2022-23
  - Cash Flow continues to diminish rapidly
  - Fiscal Recovery Plan
  - Proposed State Budget
  - 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 Second Interim Report

- Total Revenues decreased by $2.3M
- 1X Expenditure Savings & Budget Adjustments decrease $40M
- Cash Flow positive through June 2021
- Revised Multi-Year Projections will meet the required 2% reserve for 2022-23
  - Deficit spending is not eliminated, projected $28M deficit
- Need a negotiated solution to achieve sufficient on-going reductions

2020-21 Second Interim Financial Report Compared to First Interim Financial Report

2020-21 Second Interim Budget			
Description	**Unrestricted**	**Restricted**	**Total**
Total Revenues	424,408,422	181,056,076	605,464,498
Total Expenditures	331,260,482	267,449,969	598,710,451
Excess/(Deficiency)	93,147,940	(86,393,894)	6,754,047
Other Sources/Uses	(88,395,361)	89,509,863	1,114,503
Net Increase/(Decrease)	**4,752,580**	**3,115,970**	**7,868,549**
Add: Beginning Fund Balance	84,699,103	8,349,508	93,048,611
Ending Fund Balance	**89,451,682**	**11,465,478**	**100,917,160**

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**

Changes Since 2020-21 First Interim

	Change in 2020-21 Since First Interim Budget		
	Unrestricted	**Restricted**	**Combined**
Revenue			
General Purpose	6,519,707	0	6,519,707
Federal Revenue	0	(6,907,748)	(6,907,748)
State Revenue	0	(971,028)	(971,028)
Local Revenue	60,985	(1,043,561)	(982,575)
Total Revenue	**6,580,692**	**(8,922,337)**	**(2,341,645)**
Certificated Salaries	(6,334,475)	(674,822)	(7,009,297)
Classified Salaries	(1,410,555)	(414,681)	(1,825,235)
Benefits	(2,575,149)	(239,528)	(2,814,677)
Books and Supplies	(3,465,011)	(17,840,791)	(21,305,802)
Other Services & Oper. Expenses	(4,055,764)	(3,522,649)	(7,578,414)
Capital Outlay	9,080	280,162	289,242
Transfer of Indirect 73xx	436,921	(438,906)	(1,985)
Total Expenditures	**(17,394,953)**	**(22,851,215)**	**(40,246,168)**
Deficit/Surplus	23,975,646	13,928,878	37,904,523
Transfers in/(out)	442,938	0	442,938
Contributions to Restricted	2,463,400	(2,463,400)	0
Net increase (decrease) in Fund Balance	**26,881,984**	**11,465,478**	**38,347,461**
Revolving/Stores/Prepaids	(1,659)	0	(1,659)
Reserve for Econ Uncertainty (2%)	(813,782)	0	(813,782)
Restricted Programs	0	11,465,478	11,465,478
Unappropriated Fund Balance	**27,697,425**	**0**	**27,697,425**

2020-21 Second Interim Changes in Current Year Unrestricted Revenues

- Increase in projected LCFF Revenue $6.5M
  - Recovered unduplicated pupil percentage (UPP) for 20-21

2020-21 Second Interim Changes in Current Year Unrestricted Expenses

- Decrease Salaries and Benefits $10.3M 1X savings/adjustments
- Decrease Supplies & Services $7.5M 1X savings/adjustments
- Additional Costs
  - Capital Outlay increase of $9K
  - Indirect Cost decrease of $437K due to restricted program adjustments
- Decrease Contributions - $2.5 million
  - 1X savings Special Education

2020-21 Second Interim Changes in Current Year Restricted Revenues

- Decrease in projected Federal Revenue $6.9M
  - Revenue adjusted to reflect projected decrease spending
- Decrease in projected State Revenue $971K
  - Revenue adjusted to reflect projected decrease spending
- Decrease projected Local Revenue $1M
  - Revenue adjusted to reflect projected decrease spending
- Decrease Contributions $2.5 million
  - 1X savings Special Education

2020-21 Second Interim Changes in Current Year Restricted Expenses

- Decrease Salaries and Benefits $1.3M 1X savings/adjustments
- Decrease Supplies & Services $21M 1X savings/adjustments
- Additional Costs
  - Capital Outlay increase of $280K – adjustment for CARES related purchases
  - Indirect Cost decrease of $439K to align with program changes

Multi-Year Projection Assumptions

Unrestricted Revenues

- 21-22 Projected 3.84% COLA for LCFF
- 22-23 Projected 1.28% COLA for LCFF
- Prior to COVID-19 enrollment was projected to decline by approximately .5% or 200 students each year
- Current enrollment is trending significantly lower than projected at approximately 39,000, about 1,405 less students or a 3.5% decline
- Projections after next year include a 1% decline

Restricted Revenues

- 21-22 & 22-23 Remove 1X COVID-19 Relief Funds, Expiring Programs like SIG, & 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 $700K in 21-22 & $5.1M in 22-23
- Increase in Health 8% estimated for certificated and 8.5% for classified – total projected $5M in 21-22 & 8% estimated for all in 22-23 $5.2M
- Adjusted Books & Supplies in both years to remove 1X expenses for textbooks, COVID-19 Expenditures and expiring resources expenses (SIG) and 1X Carryover (Title I)
- $4.5M decrease in expenditures related to Fiscal Recovery Plan
- Increase Utilities projected $267K in 21-22 & $78K in 22-23
- Increases in Special Education projected at $11M 21-22 & $7.4M 22-23

General Fund Multi-Year Projections

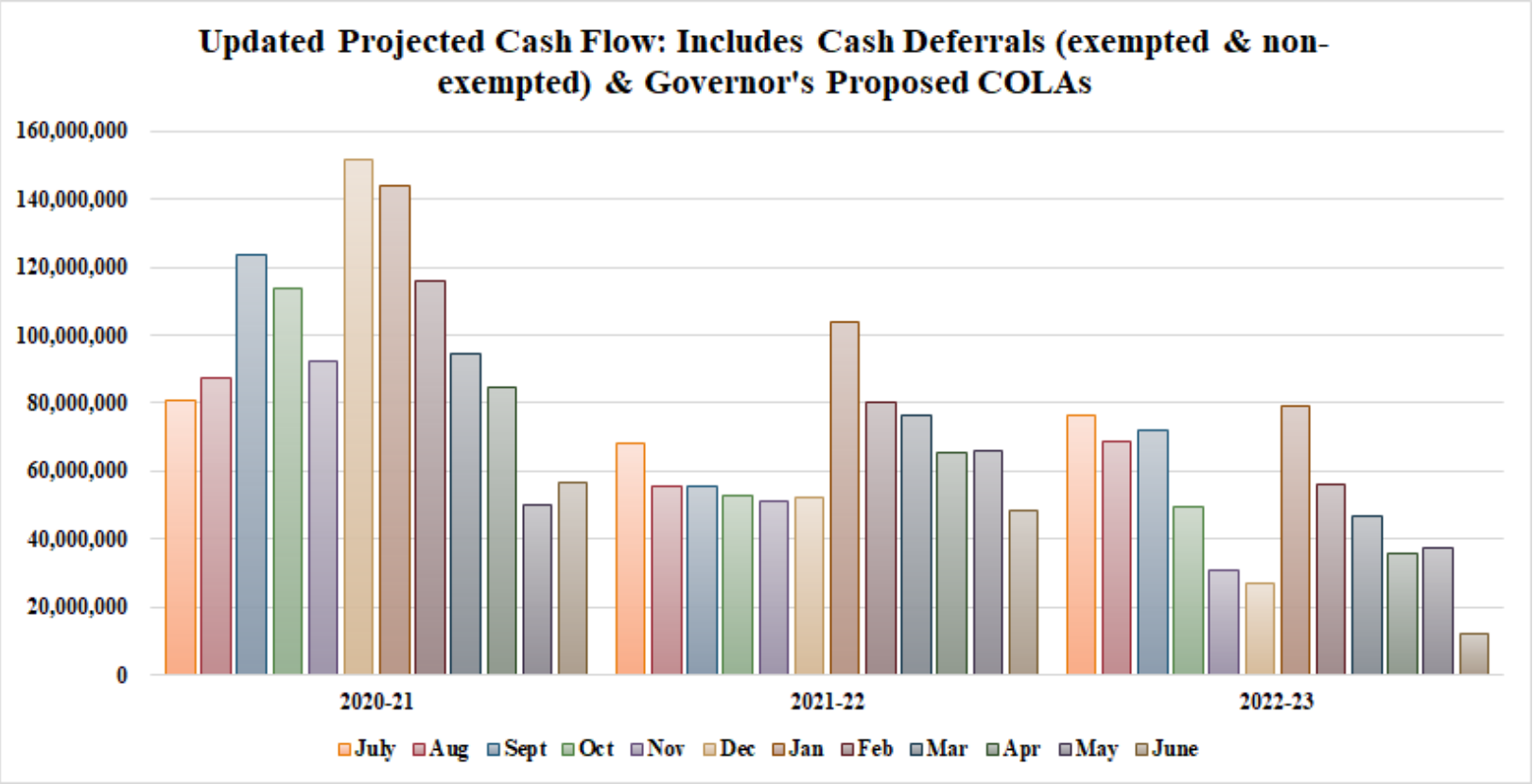
Multi-Year Projection (Total GF)			
Description	**Proposed 2020-21**	**Projected 2021-22**	**Projected 2022-23**
Total Revenues	605,464,498	557,213,043	542,770,201
Total Expenditures	598,710,451	581,523,777	570,810,356
Excess/(Deficiency)	6,754,047	**(24,310,734)**	**(28,040,155)**
Other Sources/Uses	1,114,503	1,678,503	1,678,503
Net Increase/(Decrease)	**7,868,549**	**(22,632,231)**	**(26,361,653)**
Add: Beginning Fund Balance	93,048,611	100,917,160	78,284,929
Ending Fund Balance	**100,917,160**	**78,284,929**	**51,923,276**

Multi-Year Projections Include:

- 3.84% COLA for 2021-22
- 1.28% COLA for 2022-23

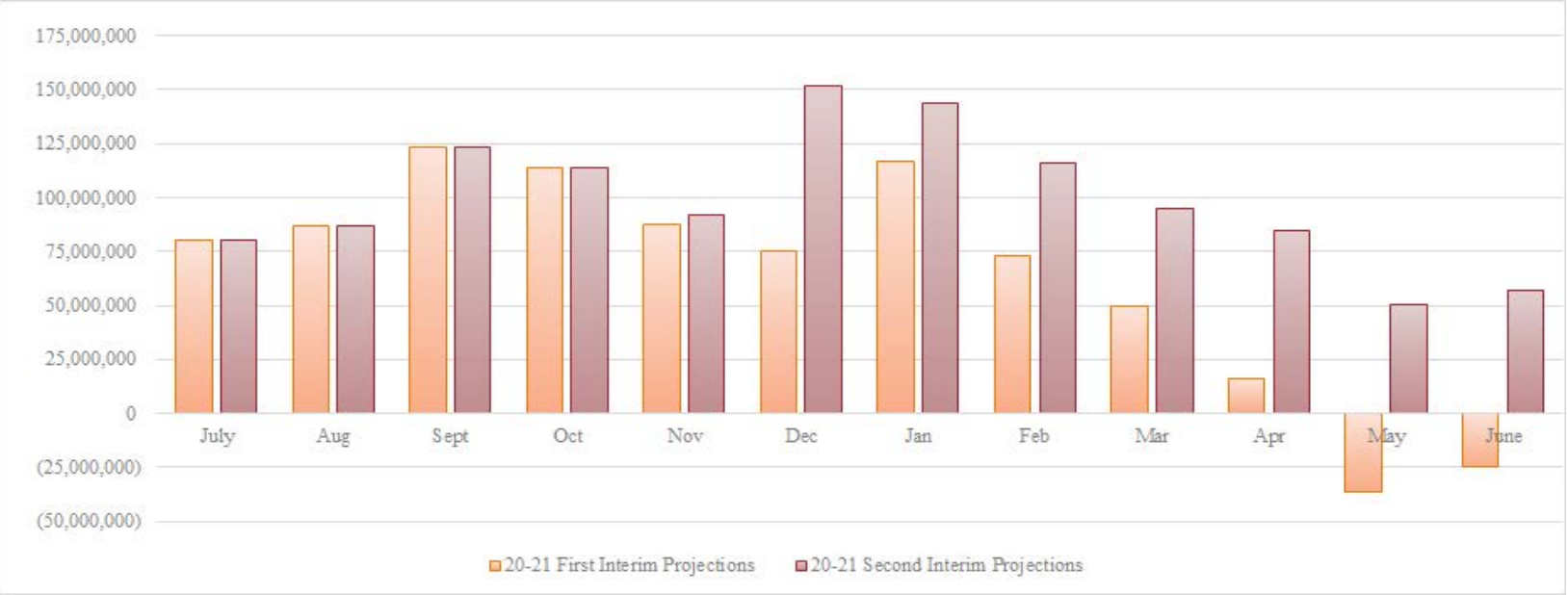
The target to eliminate deficit spending is $28M

Multi-Year Cash Flow Projection



Cash Flow Comparison

2020-21 Second Interim Cash Flow Projections vs First Interim Cash Flow Projections



2020-21 2nd Interim Projected Cash Flow Improvement as of 6/30/21	
1st Interim Cash Balance - June 30, 2021	(25,007,510)
2nd Interim Cash Balance - June 30, 2021	56,778,919
Projected Cash Improvement (Change)	81,786,429
Primary Cash Changes:	
Exempted Deferrals	40,469,996
1x Projected Savings	40,246,168

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 $75M based on the 2020-2021 2nd Interim Financial Report.

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
March 18, 2021	60	21	3	30	30

*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 3rd Interim.

CARES Funds

Funding Overview

Resource	Description	Allocation	Expiration Date
3220	CR	34,085,392	5/31/2021
7420	GF	3,497,424	6/30/2021
3210	ESSER	15,770,510	9/30/2022
3215	GEER	2,950,972	9/30/2022
3212	ESSER II	67,636,765	9/30/2023
NA	ESSER III*	147,157,259	9/30/2023

*ESSER III funds are estimated per Ed Source and pending official notification.

Student Services Equity Index

Equity Indices

Equity indices provide a framework for "seeing the system". The goal of the indices is to provide a robust way to allocate resources on not just student enrollment but also include other research based criteria to ensure that all resources are optimized to serve all students regardless of their profile.

Student Services Equity Index

- Student Services Equity Index uses early warning data to create the student-needs driven index
- Need Rating is based on staffing ratio of 50:1 for the number of students enrolled with the following risk indicators
  - attendance equal or less than 90%
  - 2+ suspension incidents
  - or 4+ behavior referrals
- A weighted formula for each school equates to FTE
- Allocating FTE where student need is greatest
- Allows the district to assess and respond to student needs

Equity Indices

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Student Services Equity Index

Please select elements that you want to include :

Base High Need Student

- [x] Student Services Staffing Based on 1:50 Ratio
- [x] Est 2019-20 Enrollment of Students With Red/Purple Attend or Red Behavior
- [x] Est 2019-20 Enrollment
- [x] Students in LCFF Unduplicated Count
- [x] Students At Risk for CSEC
- [x] Students With Severe Chronic Absenteeism
- [x] Students With Severe Misbehavior

Select

Potential Future Risk/Opportunity

Risks

- Uncertainty regarding the State Budget and fiscal impact on K12 Districts
- 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 May Revise Budget will provide additional information

District's Fiscal Status

- District 2020-21 Revised Adopted Budget disapproved by SCOE
  - Due to 2022-23 Unrestricted General Fund negative ending balance and continued deficit spending, represents the 3rd Disapproved Budget
- 2020-21 Second Interim Negative Certification
  - District is projecting a deficit in 2021-22 and 2022-23
  - Cash Flow continues to diminish rapidly
  - Enrollment Decline
  - Fiscal Recovery Plan
  - Proposed State Budget
  - Sacramento Office of Education (SCOE) Fiscal Advisor will remain assigned until deficit reduction plan is achieved
  - Stay and Rescind Authority

District's Fiscal Status

Scenario #1 Enrollment Decline 3.5% and Includes Proposed COLAs			
Multi-Year Projection (Total GF)			
Description	**Proposed 2020-21**	**Projected 2021-22**	**Projected 2022-23**
Total Revenues	605,464,498	557,236,896	521,146,894
Total Expenditures	598,710,451	581,523,777	570,810,356
Excess/(Deficiency)	**6,754,047**	**(24,286,881)**	**(49,663,462)**
Other Sources/Uses	1,114,503	1,678,503	1,678,503
Net Increase/(Decrease)	**7,868,549**	**(22,608,378)**	**(47,984,960)**
Add: Beginning Fund Balance	93,048,611	100,917,160	78,308,782
Ending Fund Balance	**100,917,160**	**78,308,782**	**30,323,822**

- 3.5% Enrollment Decline = $21.6M approximate revenue loss

District's Fiscal Status

Scenario #2 Enrollment Decline 3.5% and 0 COLA			
Multi-Year Projection (Total GF)			
Description	**Proposed 2020-21**	**Projected 2021-22**	**Projected 2022-23**
Total Revenues	605,464,498	541,744,462	501,642,010
Total Expenditures	598,710,451	581,523,777	570,810,356
Excess/(Deficiency)	**6,754,047**	**(39,779,315)**	**(69,168,346)**
Other Sources/Uses	1,114,503	1,678,503	1,678,503
Net Increase/(Decrease)	**7,868,549**	**(38,100,812)**	**(67,489,844)**
Add: Beginning Fund Balance	93,048,611	100,917,160	62,816,348
Ending Fund Balance	**100,917,160**	**62,816,348**	**(4,673,496)**

- 3.5% Enrollment Decline = $21.6M approximate revenue loss
- If proposed COLA does not materialize:
  - 2021-22 COLA 3.84% --> 0% = $15.5M approximate revenue loss
  - 2022-23 COLA 1.28% --> 0% = $19.5M approximate revenue loss

Sacramento County Office of Education - District's Fiscal Status

Criteria for Certification of Fiscal Stability and the Continuation of County Office Oversight provided by the Sacramento County Office of Education

Summary

- District has implemented more than $50 million in ongoing and 1X reductions
- 2/4/21 Board Approved Fiscal Recovery Plan $4.5M
- A $28 million ongoing solution is required to achieve fiscal solvency
- Next reporting period is Third Interim in May 2021

Approve 2020-21 Second Interim Budget