



Budget and Fiscal Recovery Plan Update

Board Meeting
January 26, 2021
Agenda Item No. 7.2

Overview

- History/Background on District's Budget
- District's Current Budget Status and Multi-Year Projection (MYP)
(based on 2020-2021 First Interim Financial Report)
- Fiscal Recovery Plan discussion
- 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

- Methodology of District budget development process
- 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 2020-2021 1st Interim Financial Report)

	2020-21 1st Interim	2021-22 Proj	2022-23 Proj
Beginning Fund Balance	93,048,611	62,569,699	24,335,902
Surplus/(Deficit) Spending	(31,150,477)	(38,905,362)	(56,072,127)
Ending Fund Balance	62,569,699	24,335,902	(31,064,661)
2% Reserve for Economic Uncertainty	12,765,701	11,291,803	11,480,966
Net Available Fund Balance after 2% REU	49,473,336	12,713,437	(42,876,289)
Deficit Spending as of 1st Interim Budget (from above)	(31,150,477)	(38,905,362)	(56,072,127)

UPDATED District's Current Budget Status and Multi-Year Projection (MYP) – **Adjusted ONLY** for Governor's Proposed COLA, Unduplicated Percentage & Projected Enrollment

(based on 2020-2021 1st Interim Financial Report)

	2020-21 1st Interim	2021-22 Proj	2022-23 Proj
Beginning Fund Balance	93,048,611	62,569,699	24,335,902
Surplus/(Deficit) Spending	(31,150,477)	(38,905,362)	(56,072,127)
Ending Fund Balance	62,569,699	24,335,902	(31,064,661)
2% Reserve for Economic Uncertainty	12,765,701	11,291,803	11,480,966
Net Available Fund Balance after 2% REU	49,473,336	12,713,437	(42,876,289)
Deficit Spending as of 1st Interim Budget (from above)	(31,150,477)	(38,905,362)	(56,072,127)
<i>Adjust for UPP% @ 71.8%</i>	<i>6,246,111</i>	<i>5,970,550</i>	<i>5,661,571</i>
<i>Adjust for potential COLA +3.84% in 21-22</i>		<i>15,475,765</i>	<i>15,373,574</i>
<i>Adjust for potential COLA +1.28% in 22-23</i>			<i>5,305,580</i>
<i>Adjust for potential enrollment decline 600</i>			<i>(3,817,970)</i>
Revised Deficit Reduction Target	(24,904,366)	(17,459,047)	(33,549,372)

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

(based on 2020-2021 1st Interim Financial Report)

Assuming: UPP, COLA, & Projected Enrollment reductions of \$33M are required in order to balance the budget, satisfy the state mandated 2% reserve, and avoid fiscal insolvency.

Fiscal Recovery Plan Scenario #1 \$33M On-Going to Eliminate Deficit Spending			
	2020-21 1st Interim	2021-22 Projected	2022-23 Projected
Sacramento City Unified School District			
Deficit Spending as of 2020-2021 1st Interim Financial Report	(31,150,477)	(38,905,362)	(56,072,127)
Revised Deficit Reduction Target	(24,904,366)	(17,459,047)	(33,549,372)
On-going budget reductions 2020-21		33,000,000	33,000,000
On-going budget reductions 2021-22			-
On-going budget reductions 2022-23			-
Cummulative On-Going Budget Reductions	-	33,000,000	33,000,000
Revised Surplus/(Deficit)	(24,904,366)	15,540,953	(549,372)

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

(based on 2020-2021 1st Interim Financial Report)

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

Assuming: UPP, COLA, & Projected Enrollment reductions of \$33M are required in order to balance the budget, satisfy the state mandated 2% reserve, and avoid fiscal insolvency.

Fiscal Recovery Plan Scenario #2 \$15M On-Going Budget Reductions			
Sacramento City Unified School District	1st Interim 2020-21	2021-22 Projected	2022-23 Projected
Deficit Spending as of 2020-2021 1st Interim Financial Report	(31,150,477)	(38,905,362)	(56,072,127)
Revised Deficit Reduction Target	(24,904,366)	(17,459,047)	(33,549,372)
On-going budget reductions 2020-21		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
Revised Surplus/(Deficit)	(24,904,366)	(2,459,047)	(18,549,372)

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

(based on the 2020-2021 1st Interim Financial Report)

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)

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

(based on the 2020-2021 1st Interim Financial Report)

Consequences if Reductions are Not Achieved:

AB 1200 (EC §42127) 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 the 2020-2021 1st Interim Financial Report)

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 2020-2021 1st Interim Financial Report)

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

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

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

Budget Adjustments Implemented in Prior Years

2018-2019 and 2019-2020 Budget Adjustments			
(in millions)			
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
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FISCAL RECOVERY PLAN DISCUSSION

Fiscal Recovery Plan Categories for Discussion

- 1) Fiscal Recovery Plan elements of expenditures above staffing formulas
- 2) Fiscal Recovery Plan elements that are subject to March 15th/60-day layoff notice
- 3) Fiscal Recovery Plan elements that are NOT subject to March 15th/60-day layoff notice
- 4) Fiscal Recovery Plan elements that, if adopted, would eliminate an entire program or department
- 5) Fiscal Recovery Plan elements that could be implemented in 2021-2022 school year and/or where further studying would be necessary in order to develop new models for continued programming
- 6) Fiscal Recovery Plan elements where new, one-time funding sources could be used while looking for additional ongoing savings or reducing expenditures

PROPOSED FISCAL RECOVERY PLAN

Staffing (Above Formula and/or CBA), Supplies & Services

Fiscal Recovery Plan Presented December 10, 2020 Board Meeting		
Summary of Budget Reduction Options		
Non-negotiable Items		
Reference	Item	Potential Cost Savings
	(A) Over Base Ratio	
1	APs, Social Workers, Counselors Over Ratio	1,749,000
2	Central Depts - PD, Staff, Supplies	2,253,000
3	Programs/Sites Staff Over Formula	9,633,000
4	Dual Immersion, UGF portion	25,000
	(A) Over Base Ratio	13,660,000
	(B) Other Programs	4,941,000
	Total List of Potential Reductions	18,601,000

PROPOSED FISCAL RECOVERY PLAN

Staffing (Above Formula and/or CBA), Supplies & Services

List of (B) Other Programs

Reference	(B) Other Programs	Potential Cost Savings
5	VAPA/Music Teachers	837,000
6	Career Technical Education	925,000
7	Safe Schools	940,000
8	GATE	302,000
9	New Teacher Induction	237,000
10	Improvement, Accountability and School Support	1,200,000
11	After School /Youth Development	500,000
		4,941,000

PROPOSED FISCAL RECOVERY PLAN

Proposed Items to Align to Staffing Formula

Non-Negotiable Unrestricted General Fund Budget Reduction Options

Reference to 12/10/20 Plan	Reduction Item	Potential Cost Savings	Align to Staffing Formula
1	Social Workers	885,000	Yes
1	Assistant Principals above staffing ratio	629,000	Yes
1	Counselors above staffing ratio	235,000	Yes
2	Classified Staff	1,600,000	Yes
3	FTE above formula base (Reduce to Base FTEs)*	3,355,000	Yes
3	Inclusive Practices (Reduce to base FTEs)	1,852,000	Yes
3	Charter Contribution (New Tech, GW Carver)	1,100,000	Yes
3	Preschool Contribution (Unfunded portion)	564,000	Yes
3	Waldorf (Reduce to base FTEs)	229,000	Yes
4	Dual Immersion (unfunded portion)	25,000	Yes
Total Potential Cost Savings Aligning to Formula		10,474,000	

PROPOSED FISCAL RECOVERY PLAN

Proposed Items Subject to March 15th or 60 Day Layoff Notice

Non-Negotiable Unrestricted General Fund Budget Reduction Options

Reference to 12/10/20 Plan	Reduction Item	Potential Cost Savings	Subject to March 15 or 60 Day Layoff Notice
1	Social Workers	885,000	Yes
1	Assistant Principals above staffing ratio	629,000	Yes
1	Counselors above staffing ratio	235,000	Yes
2	Classified Staff	1,600,000	Yes
3	FTE above formula base (Reduce to Base FTEs)*	3,355,000	Yes
3	Inclusive Practices (Reduce to base FTEs)	1,852,000	Yes
3	Charter Contribution (New Tech, GW Carver)	1,100,000	Yes
3	Transportation - Non-Spec Ed (elim school closure routes)	1,100,000	Yes
3	Preschool Contribution (Unfunded portion)	564,000	Yes

* Details Provided on Slide to Follow

PROPOSED FISCAL RECOVERY PLAN

Proposed Items Subject to March 15th or 60 Day Layoff Notice (these two slides total 16.5M)

Non-Negotiable Unrestricted General Fund Budget Reduction Options

Reference to 12/10/20 Plan	Reduction Item	Potential Cost Savings	Subject to March 15 or 60 Day Layoff Notice
3	Waldorf (Reduce to base FTEs)	229,000	Yes
4	Dual Immersion (unfunded portion)	25,000	Yes
5	VAPA/Music Teachers Secondary School	837,000	Yes
6	Career Technical Education - Required district match	925,000	Yes
7	Safe Schools	940,000	Yes
8	GATE (1.5 FTE)	302,000	Yes
9	New Teacher Induction	237,000	Yes
10	Improvement, Accountability and School Support	1,200,000	Yes
11	After School /Youth Development	500,000	Yes
	Total Potential Cost Savings Items Subject to March 15 or 60 Day Layoff Notice	16,515,000	

PROPOSED FISCAL RECOVERY PLAN

Proposed Items Subject to March 15th or 60 Day Layoff Notice

Non-Negotiable Unrestricted General Fund Budget Reduction Options
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Reference to 12/10/20 Plan	Reduction Item	Potential Cost Savings	Subject to March 15 or 60 Day Layoff
3	FTE above formula base (Reduce to Base FTEs)	3,355,000	
	School Sites		
	Rosa Parks: 2 FTE Office Techs, 1 FTE AP	353,000	Yes
	John Still: 1.5 FTE Clerks, 1 FTE Operations, 5.8 Teachers	932,000	Yes
	MLK: .2 FTE Teacher	25,000	Yes
	LDV: 1.6 FTE Teachers	245,000	Yes
	SES: 3 FTE Teachers	303,000	Yes
	Kit Carsen (IB): 5 FTE Teachers	565,000	Yes
	Caleb Greenwood (IB): 1 FTE Training Spec, .84 FTE EL IA	189,000	Yes
	Health Professions: .25 FTE Clerk, .5 FTE Office Tech, 6.6 Teachers	743,000	Yes
		3,355,000	

* Details For Item #3

PROPOSED FISCAL RECOVERY PLAN

Proposed Items Subject to March 15th or 60 Day Layoff Notice

Non-Negotiable Unrestricted General Fund Budget Reduction Options

Reference to 12/10/20 Plan	Reduction Item	Potential Cost Savings	Subject to March 15 or 60 Day Layoff Notice
2	15% Centralized Supplies	455,000	No
2	Professional Development	108,000	No
2	Travel	90,000	No
3	GATE (elim paying for IB & AP tests)	500,000	No
3	Elementary Sports	370,000	No
3	College & Career Visits	288,000	No
3	Site Discretionary Supplies (15% reduction)	275,000	No
	Total Potential Cost Savings Items Not Subject to LayOff	2,086,000	

PROPOSED FISCAL RECOVERY PLAN

Proposed Items Subject to Program Elimination

Non-Negotiable Unrestricted General Fund Budget Reduction Options			
Reference to 12/10/20 Plan	Reduction Item	Potential Cost Savings	Program/Dept Service Elimination
3	Elementary Sports	370,000	Yes
3	College & Career Visits	288,000	Yes
7	Safe Schools	940,000	Yes
10	Improvement, Accountability and School Support	1,200,000	Yes
	Total Potential Cost Savings Program Elimination	2,798,000	

PROPOSED FISCAL RECOVERY PLAN

Proposed Items Requiring Further Analysis for Elimination and/or Potential Restructure

Non-Negotiable Unrestricted General Fund Budget Reduction Options
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Reference to 12/10/20 Plan	Reduction Item	Potential Cost Savings	School/Program Restructure
3	Rosa Parks: 2 FTE Office Techs, 1 FTE AP	353,000	Yes
3	John Still: 1.5 FTE Clerks, 1 FTE Operations, 5.8 Teachers	932,000	Yes
3	MLK: .2 FTE Teacher	25,000	Yes
3	LDV: 1.6 FTE Teachers	245,000	Yes
3	SES: 3 FTE Teachers	303,000	Yes
3	Kit Carsen (IB): 5 FTE Teachers	565,000	Yes
3	Caleb Greenwood (IB): 1 FTE Training Spec, .84 FTE EL IA	189,000	Yes
3	Health Professions: .25 FTE Clerk, .5 FTE Office Tech, 6.6 Teachers	743,000	Yes
3	Inclusive Practices (Reduce to base FTEs)	1,852,000	Yes
3	Charter Contribution (New Tech, GW Carver)	1,100,000	Yes
3	Waldorf (Reduce to base FTEs)	229,000	Yes
	Total Potential Cost Savings Items School/Program Restructure	6,536,000	

PROPOSED FISCAL RECOVERY PLAN

Proposed Items Not Subject to Potential Restructure

Non-Negotiable Unrestricted General Fund Budget Reduction Options

Reference to 12/10/20 Plan	Reduction Item	Potential Cost Savings	School/Program Restructure
1	Social Workers	885,000	No
1	Assistant Principals above staffing ratio	629,000	No
1	Counselors above staffing ratio	235,000	No
2	Classified Staff	1,600,000	No
2	15% Centralized Supplies	455,000	No
2	Professional Development	108,000	No
2	Travel	90,000	No
3	Transportation - Non-Spec Ed (elim school closure routes)	1,100,000	No
3	Preschool Contribution (Unfunded portion)	564,000	No
3	GATE (elim paying for IB & AP tests)	500,000	No
3	Elementary Sports	370,000	No
3	College & Career Visits	288,000	No
3	Site Discretionary Supplies (15% reduction)	275,000	No
4	Dual Immersion (unfunded portion)	25,000	No
5	VAPA/Music Teachers Secondary School	837,000	No
6	Career Technical Education - Required district match	925,000	No
7	Safe Schools	940,000	No
8	GATE (1.5 FTE)	302,000	No
9	New Teacher Induction	237,000	No
10	Improvement, Accountability and School Support	1,200,000	No
11	After School /Youth Development	500,000	No

PROPOSED FISCAL RECOVERY PLAN

Proposed Items Potential Alternative Funding Source

Non-Negotiable Unrestricted General Fund Budget Reduction Options			
Reference to 12/10/20 Plan	Reduction Item	Potential Cost Savings	Potential Alternative Funding Source
1	Social Workers	885,000	Temporary CARES Funding
1	Counselors above staffing ratio	235,000	Temporary CARES Funding
11	After School /Youth Development	500,000	Temporary CARES Funding
Total Potential Cost Savings Alternative Funding		1,620,000	

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

- 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 2020-21 1st Interim Financial Report the District projected that it will not satisfy this requirement.

Q & A