



2019-20 Third Interim Financial Report

Board Meeting
May 21, 2020
Agenda Item No. 10.1

Budget Presentation Agenda

- Financial Reporting Requirements & District's Fiscal Status
- 2019-20 Third Interim Summary of Changes since First Interim
- Multi-Year Projections
- Budget Calendar
- FCMAT Matrix Update
- COVID-19 – Fiscal Considerations
- Approve the 2019-20 Third Interim Financial Report

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 qualified or negative certification of its interim report(s) to file a third report as of April 30.



District's Fiscal Status

- District 2019-20 Revised Adopted Budget disapproved by SCOE
 - Due to 2021-22 Unrestricted General Fund negative ending balance
- 2019-20 First Interim Negative Certification
- 2019-20 Second Interim Negative Certification
 - District is projecting it will not meet its financial obligations in 2021-22
 - Sacramento Office of Education (SCOE) Fiscal Advisor will remain assigned until Fiscal Recovery Plan is achieved
 - Stay and Rescind

Summary of Changes

2019-20 Third Interim Report

- Revenues increase \$4.4M
- 1X Expenditure Savings & Budget Adjustments decrease \$2.3M
- Assuming 0% LCFF COLA Cash Flow positive through May 2021 with cash challenges starting June 2021
- Revised Multi-Year Projections will not meet the required 2% reserve for 2021-22
- Need a negotiated solution to achieve on-going reductions

2019-20 Third Interim Compared to Second Interim Report

| Third Interim 2019-20 | | | |
|---------------------------------|-------------------|--------------------|--------------------|
| Description | Unrestricted | Restricted | Total |
| Total Revenues | 430,876,389 | 132,841,126 | 563,717,515 |
| Total Expenditures | 333,804,797 | 235,456,674 | 569,261,471 |
| Excess/(Deficiency) | 97,071,592 | (102,615,548) | (5,543,956) |
| Other Sources/Uses ¹ | (93,823,309) | 93,420,037 | (403,272) |
| Net Increase/(Decrease) | 3,248,282 | (9,195,511) | (5,947,228) |
| Add: Beginning Fund Balance | 61,133,835 | 9,195,511 | 70,329,345 |
| Ending Fund Balance | 64,382,117 | 0 | 64,382,117 |

| Second Interim 2019-20 | | | |
|---------------------------------|--------------------|--------------------|---------------------|
| Description | Unrestricted | Restricted | Total |
| Total Revenues | 431,001,040 | 128,253,065 | 559,254,104 |
| Total Expenditures | 335,285,635 | 236,314,706 | 571,600,341 |
| Excess/(Deficiency) | 95,715,405 | (108,061,642) | (12,346,237) |
| Other Sources/Uses ¹ | (98,292,281) | 98,866,131 | 573,850 |
| Net Increase/(Decrease) | (2,576,876) | (9,195,511) | (11,772,386) |
| Add: Beginning Fund Balance | 61,133,835 | 9,195,511 | 70,329,345 |
| Ending Fund Balance | 58,556,959 | 0 | 58,556,959 |

Changes Since 2019-20 Second Interim

| | Change in 2019-20 Since Second | | |
|---|--------------------------------|------------------|--------------------|
| | Unrestricted | Restricted | Combined |
| Revenue | | | |
| General Purpose | (215,716) | 0 | (215,716) |
| Federal Revenue | 0 | 3,616,806 | 3,616,806 |
| State Revenue | 0 | 758,119 | 758,119 |
| Local Revenue | 91,065 | 213,137 | 304,202 |
| Total Revenue | (124,651) | 4,588,061 | 4,463,410 |
| Expenditures | | | |
| Certificated Salaries | (2,575,870) | 702,274 | (1,873,596) |
| Classified Salaries | (1,315,403) | 299,090 | (1,016,312) |
| Benefits | 5,421 | 1,274,032 | 1,279,453 |
| Books and Supplies | 579,966 | (4,347,956) | (3,767,990) |
| Other Services & Oper. Expenses | 1,841,390 | 414,923 | 2,256,313 |
| Capital Outlay | 32,485 | 503,957 | 536,442 |
| Other Outgo 7xxx | 286,446 | 0 | 286,446 |
| Transfer of Indirect 73xx | (335,274) | 295,648 | (39,626) |
| Total Expenditures | (1,480,838) | (858,033) | (2,338,870) |
| Net increase (decrease) in Fund Balance | 5,825,158 | 0 | 5,825,158 |
| Ending Balance | 5,825,158 | 0 | 5,825,158 |
| Reserve for Econ Uncertainty (2%) | (27,235) | 0 | (27,235) |

2019-20 Third Interim Changes in Current Year Unrestricted Revenues

- Decrease in projected LCFF Revenue \$215K
 - Decrease in ADA Non-Public & Community Day Schools
- Local revenues increase
 - \$91K grants/donations

2019-20 Third Interim Changes in Current Year Unrestricted Expenses

- Decrease Salaries and Benefits - \$3.9M 1x savings/vacancies/adjustments
- Increase Supplies & Services – \$2.4
- Additional Costs
 - Capital Outlay - \$32K
 - Indirect Cost - \$335K
- Decrease Contributions - \$5.4 million
 - 1x savings/vacancies/adjustments

2019-20 Third Interim Changes in Current Year Restricted Revenues

- Increase in projected Federal Revenue – \$3.6M
 - Revenue adjusted to award allocations
- Increase in projected State Revenue – \$758K
 - \$666K COVID-19 Relief
 - \$45K CTE/CPA
 - \$45K Clean Tech Renewable Energy
- Increase projected Local Revenue
 - \$213K Grants/Donations
- Decrease Contributions - \$5.4 million
 - 1x savings/vacancies/adjustments

2019-20 Third Interim Changes in Current Year Restricted Expenses

- Increase Salaries and Benefits – \$2.2M budget adjustments
- Decrease Supplies & Services – \$3.4M adjusted for budget adjustments/reallocations
- Other
 - Indirect Cost – increase \$300K to align with program changes

Multi-Year Projection Assumptions

Revenues – LCFF COLA

- 20-21 & 21-22 - 0% in projected MYP

| LCFF Revenue Changes from 2019-20 2nd Interim | 2020-2021 | 2021-2022 |
|---|-------------|--------------|
| 0% COLA both years | (8,500,000) | (20,300,000) |

Multi-Year Projection Assumptions

Expenditure Changes Over 2020-21 and 2021-22

- Increase contribution for STRS and PERS per statute - \$3.5 million
- Increase in Health 7% est. for future years - \$4.8 million
- Increase Utilities (estimates per various authorities) - \$500K
- Increases in Special Education - \$14.1 million (\$7.1 million FY 20-21 & \$7 million FY 21-22)
- Decrease teaching positions due to declining enrollment - \$800K
- COVID-19 Expenditures (CARES Funded) \$9M

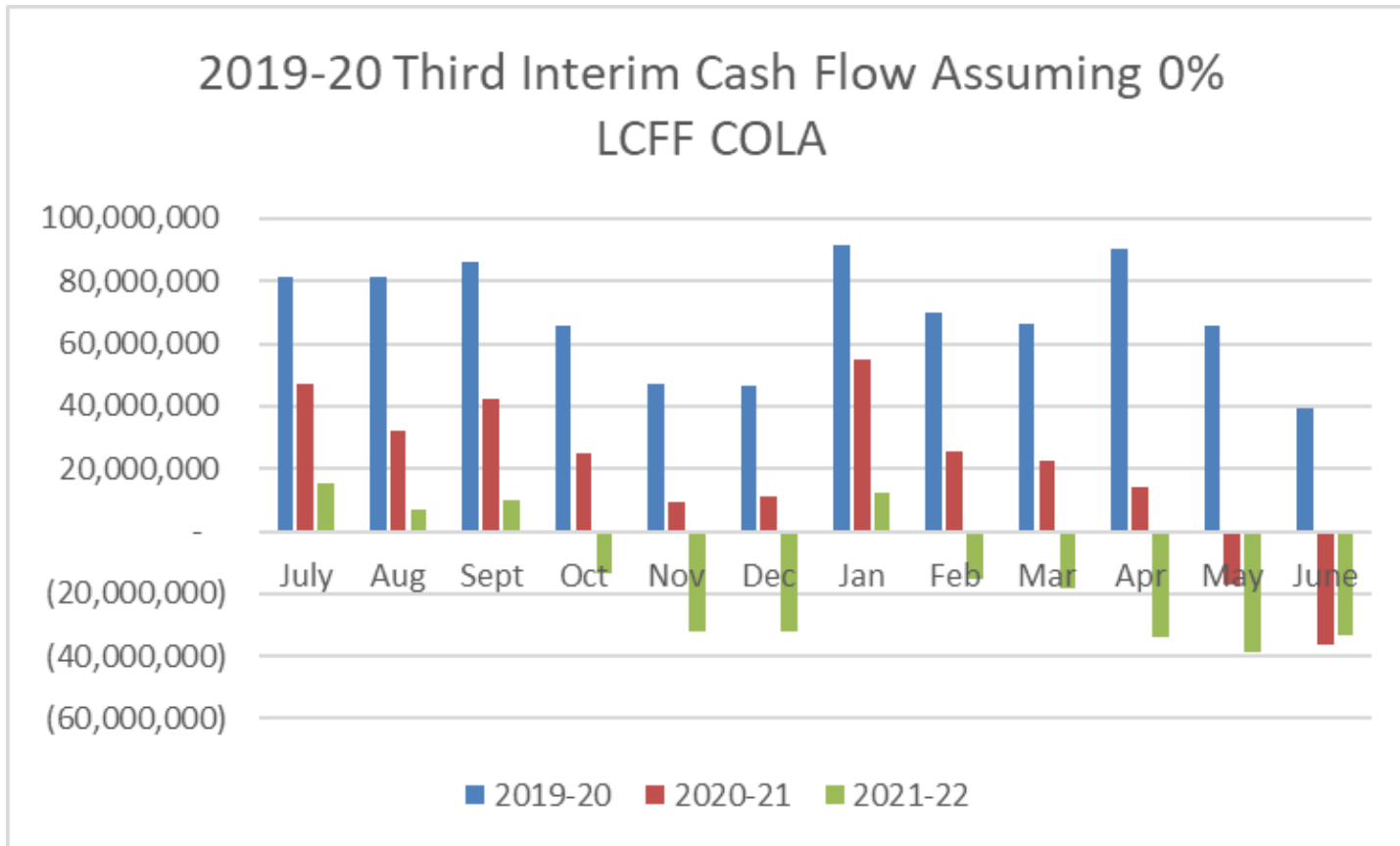
General Fund Multi-Year Projections

| Multi-Year Projection (Total GF) 0% LCFF COLA | | | |
|---|--------------------------|----------------------|----------------------|
| Description | Third Interim 2019-20 | Projected 2020-21 | Projected 2021-22 |
| Total Revenues | 563,717,515 | 566,425,688 | 530,894,668 |
| Total Expenditures | 569,261,471 | 603,511,187 | 592,283,822 |
| Excess/(Deficiency) | (5,543,956) | (37,085,499) | (61,389,154) |
| Other Sources/Uses | (403,272) | (403,272) | (403,272) |
| Net Increase/(Decrease) | (5,947,228) | (37,488,771) | (61,792,426) |
| Add: Beginning Fund Balance | 70,329,345 | 64,382,117 | 26,893,345 |
| Ending Fund Balance | 64,382,117 | 26,893,345 | (34,899,081) |

- At a 0% COLA scenario, the target to eliminate deficit spending is \$62M
 - Yet, we now know the target is greater due to funding below the 0% level

Multi-Year Cash Flow Projection 0% COLA

Includes additional May 2021 Deferral



Cash Flow Projections

Projected Average Cash Flow Needs in 2019-20

| Month(s) | Cash Needs | Notes: |
|-----------------|-------------------|-----------------------------|
| July | \$8M | Lowest |
| August | \$18M | Lower than average |
| June | \$57M | Highest |
| Sept - June | \$49M | Average per month |
| 3 Months | \$160M | Cumulative highest 3 months |

Based on 2019-20 projected cash flow

GFOA Recommended Reserves

The Government Finance Officers Association (GFOA) recommends a minimum reserve of 17%, representing two months' average payroll – for the District two months' average payroll is approximately \$86M. 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 | 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) |
| June | | Board Approval of LCAP |
| June | July 1, 2020 | Public Hearing for 2020-21 LCAP and Proposed Budget |
| June | July 1, 2020 | Adoption of 2020-21 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 (if applicable) |
| 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) |
| December | December 15, 2020 | 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 | 27 | 33 |
| *one item was moved to "completed" status while another item was moved from "complete" to "in progress". | | | | | |

The next update will be presented with 2020-21 Budget in June 2020.

May Revise – State Budget

- State Financial Picture/COVID-19's impact on the Economy
 - \$54B projected State Deficit
 - \$41.2 B revenue decline
 - Funding Reductions & Relief for K12

May Revise – State Budget for K12

- LCFF funding reduction 10% eliminating the 2.31% COLA – effective reduction of 7.92% per SSC
 - 3 scenarios
 - LCFF cash deferral from June 2020 to July 2020*
 - \$27M approximately
 - Spec Education funding increase to \$645 base*
 - \$2.5M approximately
 - *STRS & PERS employer rate decreases in 2020-21 \$6M approx. and 2021-22 \$5.6M approx.*
 - COVID-19 Federal CARES - \$16M*
 - State Funding COVID-19 Relief - \$660K*
- * These factors reflected in tonight's 3rd Interim

Summary

- In the Prior Year 2018-19 District implemented more than \$30 million in reductions

| Date | Ongoing Current Yr | Ongoing Future Yrs | One-Time | Items |
|----------------|--------------------|--------------------|----------|---|
| December 2018 | \$17.5 | | \$3.6 | Position Control, Debt Service, OPEB, Central Office Personnel, Supplies, Services, Utilities |
| Feb/March 2019 | | \$7.8 | | Personnel Changes for 19/20 |
| May 2019 | \$8.3 | \$12.7 | \$2.5 | Spec Ed expenditures, LCFF, Utilize 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 expenditure savings |
| Total | \$29.7 | \$20.5 | \$12.1 | |

Summary

- Fiscal Recovery Plan with an ongoing solution is required to achieve fiscal solvency
- Next reporting period 2020-21 Budget in June 2020

Approve 2019-20 Third Interim Financial Report