



2019-20 First Interim Budget

Board Meeting
December 19, 2019
Agenda Item No.

Budget Presentation Agenda

- Financial Reporting Requirements & District's Fiscal Status
- 11/20/2019 Deficit Reduction Letter from Sacramento County Office of Education (SCOE)
- First Interim 2019-20 Budget Changes since Revised Adopted Budget
- Multi-Year Projections
- Budget Calendar
- FCMAT Matrix Update
- Summary & Approve the 2019-20 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.



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
 - District is projecting it will not meet its financial obligations in 2021-22
 - Sacramento Office of Education (SCOE) Fiscal Advisor will remain assigned until deficit reduction plan is achieved
 - Stay and Rescind

11/20/19 Letter from SCOE: Deficit Reduction Plan

- Recognized District's on-going reductions of more than \$30M but did not eliminate the structural deficit
- Current District goal is to cut an additional \$27M
- Acknowledged the District's review of additional expenditures (as follows) for possible reductions but would negatively impact students & therefore should no longer be considered:

11/20/19 Letter from SCOE: Deficit Reduction Plan

Programs No Longer Considered for Reduction:

- Athletics
- Music Equipment
- Instructional Technology
- PSAT/SAT Test Fees
- College & Career Visits
- Student Interventions for students not demonstrating grade readiness
- Leadership Positions for:
 - Master Schedule and Instruction
 - Social/Emotional Learning
 - Innovative Schools
 - GATE/AP Programs
 - Research and Data
 - New Teacher Induction

11/20/19 Letter from SCOE: Deficit Reduction Plan

- District has identified & acted on most non-negotiable items
- Unlikely to achieve \$27M in cuts without a solution that requires negotiations
- No later than 12/31/19 the District should provide a budget plan that achieves \$27M in reductions to eliminate deficit spending & avoid a crises

Summary of Multi-Year Projections 2019-20 Revised Adopted Budget vs 2019-20 First Interim Budget

2019-20 Revised Adopted Budget Multi-Year Report (official SACS - in millions)	Unaudited Actuals 2018-19	Revised Adopted 2019-20	Projected 2020-21	Projected 2021-22
Ongoing Net Change in Fund Balance (excludes 1X revenue & expenditures)	(\$6.25)	(\$11.47)	(\$22.13)	(\$26.97)
Net Unrestricted General Fund Balance (before 2% required reserve approx. \$11.5M avg)	\$52.86	\$45.27	\$23.15	(\$7.82)
Reserve Level	9.49%	7.80%	3.99%	(1.35%)
2019-20 First Interim Budget Multi-Year Report (Official SACS - in millions)	Unaudited Actuals 2018-19	Projected 1 st Interim 2019-20	Projected 2020-21	Projected 2021-22
Ongoing Net Change in Fund Balance (excludes 1X revenue & expenditures)	(\$6.25)	(\$4.68)	(\$22.62)	(\$25.83)
Net Unrestricted General Fund Balance (before 2% required reserve approx. \$11.5M avg)	\$52.86	\$52.82	\$30.18	\$.35
Reserve Level	9.49%	9.19%	5.13%	.06%

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 \$86M. The Districts' reserves above the statutory reserves for economic uncertainty are projected at well below the GFOA recommendations.

Summary of Changes in First Interim Report

- Recognition of LCFF revenues changes in current and future years due to changes in unduplicated percentages and enrollment
- Recognition of projected current year expenditure savings
- Recognition of future year pension rate changes
- Cash flows shows positive cash through October 2021 with cash challenges starting November 2021
- Revised Multi-Year Projection (while improved) does not have the required 2% reserve for 2021-22
- Need a negotiated solution to achieve **\$27 million**

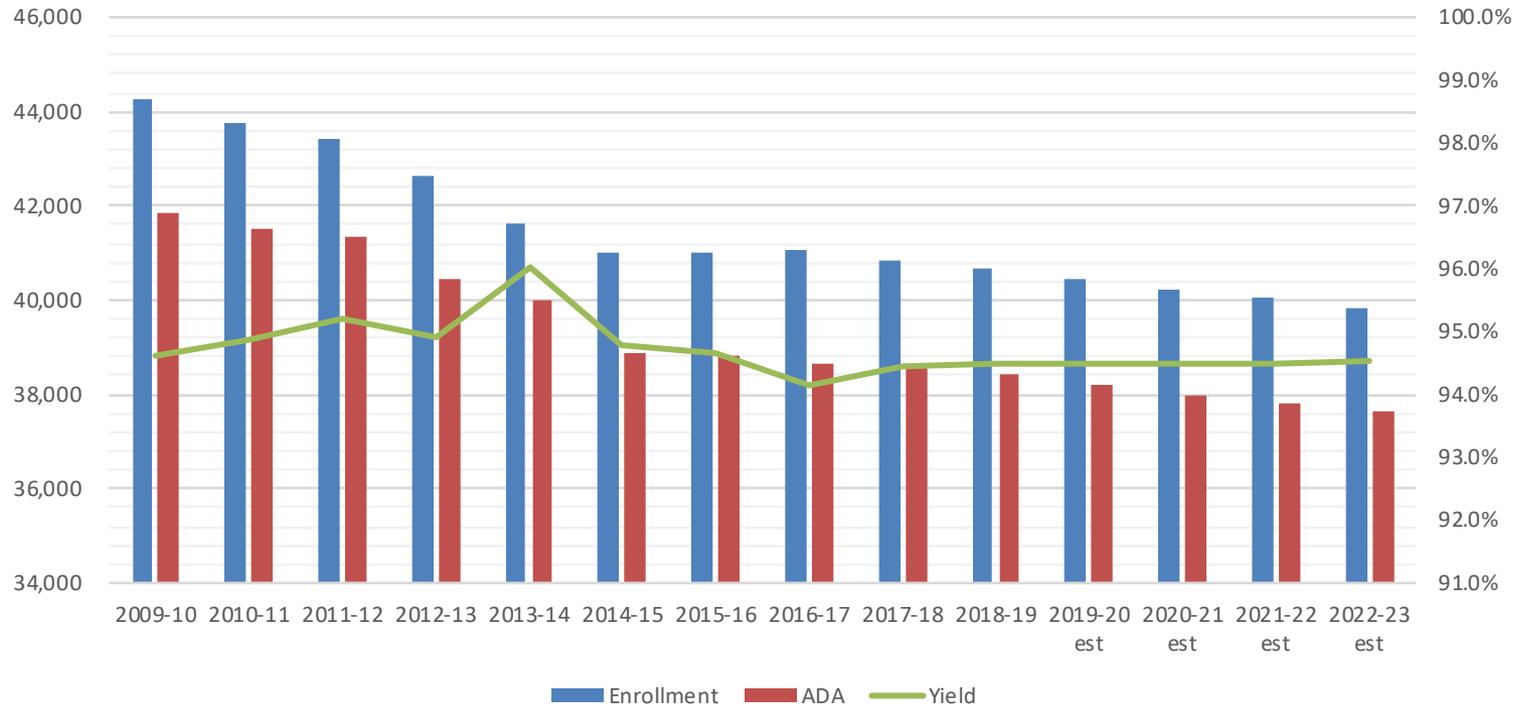
First Interim 2019/20 Current Year Unrestricted Revenues

- Decrease in projected LCFF Revenue – (\$300,000)
 - Unduplicated count percentage lower
- Increase in projected Local Revenue - \$100,000

First Interim 2019/20 Current Year Unrestricted Expenses

- Captured savings where appropriate most one-time savings based on historical percentages
 - Salaries and Benefits - \$2.8 million lower overall
 - Supplies, Services, Capital Outlay - \$2.2 million overall
- Additional Costs
 - Other Tuition - \$150,000
 - Indirect Cost - \$378,000
- Contributions - \$3.1 million lower
 - \$1.0 million one-time savings
- Transfers Out - \$218,000 lower to dependent charter schools
- Remove \$2.6 million of \$4.2 million reserved for possible for teacher salary restructure

Enrollment Trend

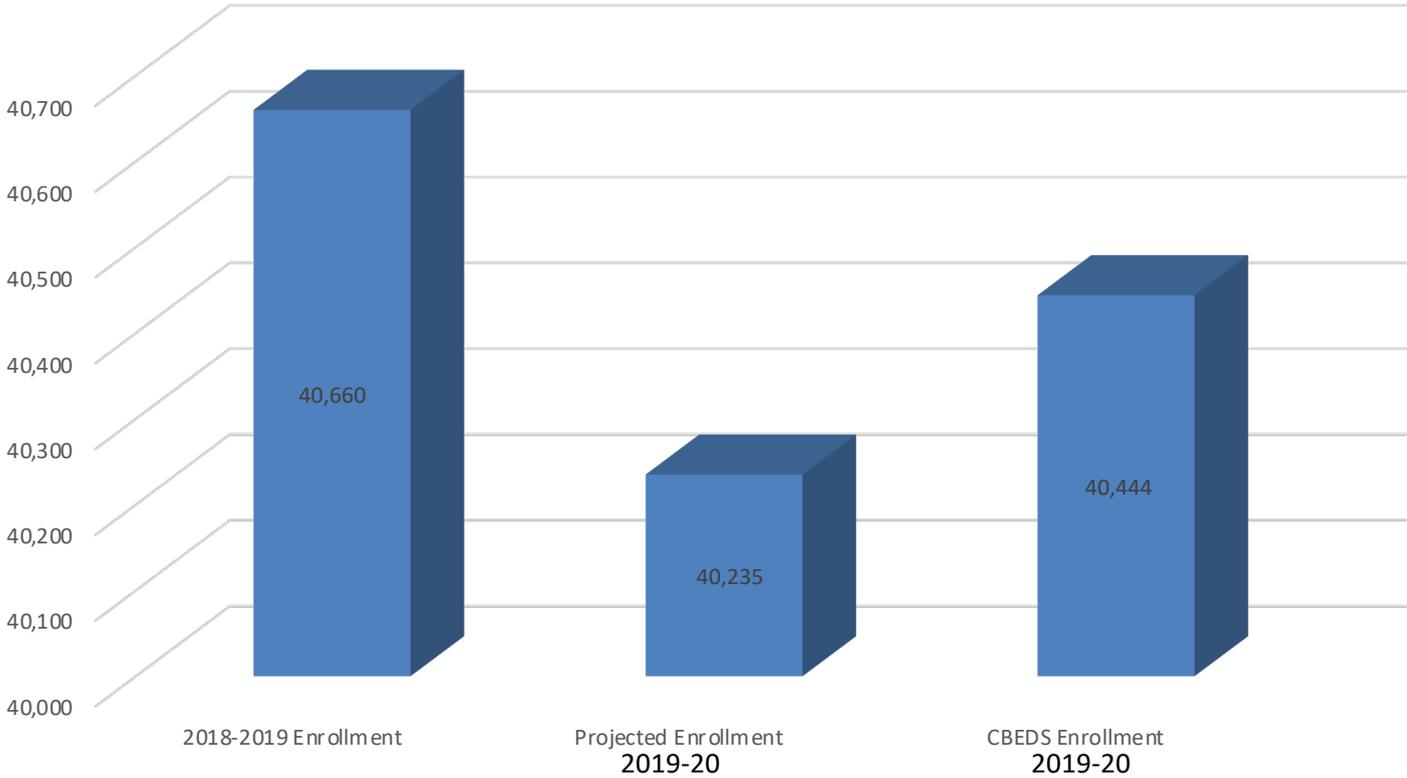


CBEDS: Actuals 2009-10 through 2019-20

Projected: 2020-21 through 2022-23

ENROLLMENT

2018-19 Actual, 2019-20 Projected & 2019-20 CBEDS Preliminary



Sacramento City Unified School District

Historical ADA and Enrollment

	ADA				Enrollment			
	Projected ADA	Actual ADA (P2)	ADA Variance	ADA Variance %	Projected Enrollment	Actual Enrollment (CBEDS)	Enrollment Variance	Enrollment Variance %
2015-16	38,171	38,867	696	1.8%	40,605	41,027	422	1.0%
2016-17	38,471	38,673	202	0.5%	40,603	41,079	524	1.2%
2017-18	38,635	38,601	34	0.0%	40,940	40,852	(88)	-0.2%
2018-19	38,560	38,425	(65)	-0.3%	40,610	40,660	50	0.1%
2019-20	38,091	P2 Due 5/1/20			40,235	CBEDS due 10/31/19		

Multi-Year Projection Assumptions

Revenues – LCFF COLA

- 20-21 - 3.0% - \$10 million
- 21-22 - 2.8% - \$9 million

Expenditure Changes Over 2020-21 and 2021-22

- Increase contribution for STRS and PERS per statute - \$3.5 million
- Increase in Health 4% est. for future years - \$3.6 million
- Increase charter school contribution - \$0.8 million
 - Decrease from Revised Adopted Budget - \$148,000
- Increase utilities (estimates per various authorities) - \$1.1 million
- Increases in Special Education - \$16.9 million (\$9.6 million FY 20-21 & \$7.3 million FY 21-22)
- Decrease teaching positions due to declining enrollment - \$1 million

SACS Unrestricted General Fund Multi-Year Projections

Unrestricted General Fund 2019/20-2021/22 (in millions)			
2019/20 First Interim Report			
	<u>First Interim Report</u>		
	Projected 2019/20	Projected 2020/21	Projected 2021/22
Ongoing Funds			
Revenues	\$428.90	\$438.65	\$447.77
Contributions	\$96.94	\$106.52	\$113.84
Expenses, Sources/Uses	\$336.64	\$352.95	\$358.36
Supplemental/Concentration Expanded Programs		\$1.80	\$1.40
Ongoing Net Change in Fund Balance	(\$4.68)	(\$22.62)	(\$25.83)
One-Time Funds			
Revenues	\$4.20	\$0.00	\$0.00
One-Time Expenses	\$1.50	\$6.00	\$4.00
One Time Net Change in Fund Balance	\$2.71	(\$6.00)	(\$4.00)
Total Unrestricted General Fund:			
Beginning Balance	\$61.13	\$59.15	\$30.53
Ending Balance	\$59.15	\$30.53	\$0.70
Components of the Ending Balance			
Cash, Inventory, Prepaid Assets	\$0.33	\$0.35	\$0.35
Designated Funds Science Textbooks	\$6.00	\$0.00	\$0.00
Reserve for Economic Uncertainties 2%	\$11.49	\$11.22	\$11.75
Unassigned/Unappropriated (after 2%)	\$41.33	\$18.96	-\$11.40
Net Unrestricted General Fund Balance	\$52.82	\$30.18	\$0.35
Change in Unrestricted General Fund Balance	(\$0.04)	(\$22.64)	(\$29.83)
Reserve level	9.19%	5.13%	0.06%

Unrestricted General Fund Multi-Year Projections with Ongoing \$27M Solution

2019-20 First Interim Unrestricted General Fund 2018-19 thru 2021-2022 (in millions)			
<i>assumes ongoing \$27M solution</i>	Projected 2019/20	Projected 2020/21	Projected 2021/22
Ongoing Funds			
Revenues	\$428.90	\$438.65	\$447.77
Contributions	(\$96.94)	(\$106.52)	(\$113.84)
Expenses, Sources/Uses	(\$336.65)	(\$325.95)	(\$331.36)
Supplemental/Concentration Expanded Programs		(\$1.80)	(\$1.40)
Ongoing Net Change in Fund Balance	(\$4.69)	\$4.38	\$1.17
One-Time Funds			
Revenues	\$4.20	\$0.00	\$0.00
One-Time Expenses	(\$1.50)	(\$6.00)	(\$4.00)
One Time Net Change in Fund Balance	\$2.71	(\$6.00)	(\$4.00)
Total Unrestricted General Fund:			
Beginning Balance	\$61.13	\$59.14	\$57.52
Ending Balance	\$59.14	\$57.52	\$54.69
Components of the Ending Balance			
Cash, Inventory, Prepaid Assets	\$0.33	\$0.35	\$0.35
Designated Funds	\$6.00	\$0.00	\$0.00
Reserve for Economic Uncertainties 2%	\$11.49	\$11.22	\$11.75
Unassigned/Unappropriated	\$41.32	\$45.95	\$42.59
Net Unrestricted General Fund Balance	\$52.81	\$57.17	\$54.34
Required Ongoing Reductions		\$27.00	
Change in the Unrestricted General Fund Balance	(\$0.05)	\$4.36	(\$2.83)
Reserve level	9.19%	10.19%	9.25%

Potential Future Risk/Opportunity

Risk

- Legislative Analyst's Office's (LAO's) Fiscal Outlook revised the projected COLA from 3% to 1.79% for 2021-22 and for 2022-23. This represents a potential revenue reduction of approx. \$5M per year and if materializes will not only worsen the District's fiscal status but accelerate the crises

Opportunity

- LAO also estimates more than \$2B in available funds for 2020-21 which may be available to school districts

This information is not included in the First Interim Budget

The Governors 2020 January Proposed Budget will provide additional information

2020-2021 Budget Calendar and Timeline

Sacramento City Unified School District

2020-2021 Budget Calendar and Timeline

Board Date	Compliance Date	Action/Board Item
January		LCFF/LCAP Community Meeting (Future LCAP Meetings will be determined)
January		Budget Revision
January	January 8, 2020	P1 Report
January		Month 4 Enrollment and Attendance Report
February (2nd Board Meeting)		Board Budget Update on January's Governor's Budget Proposal and Budget Recommendations
February		Month 5 Enrollment and Attendance Report
March		Board Action on 2019-20 Recommended Budget Reductions
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)
March	March *	Bond Oversight Committee Report (deadline in March)
March		Month 6 Enrollment and Attendance Report

2020-2021 Budget Calendar and Timeline (continued)

April		Classified Lay Off Notices, as Needed
April		Budget Revision
April	April 24, 2020	P2 Report
April		Month 7 Enrollment and Attendance Report
May (2nd Board Meeting)		Board Discussion of the Projected "May Revise" and Approval of the Final 2019-20 Budget Balancing Recommendations
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
June		Month 9 Enrollment and Attendance Report

2020-2021 Budget Calendar and Timeline (continued)

August		45 Day Budget Revision
August		Interfund Transfers Resolution
August		Month 10 Enrollment and Attendance Report
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)
October		Month 1 Enrollment and Attendance Report
November		Budget Revision
November		Month 2 Enrollment and Attendance 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
December		Month 3 Enrollment and Attendance Report

Fiscal Crises Management Assistance Team (FCMAT)

Fiscal Health Risk Analysis Update

- Fiscal Health Risk Analysis conducted October 2018
- Identified 60 areas with deficiencies
- Provided recommended corrective actions
- Matrix used to track District’s progress in implementing corrective actions
- Regular updates presented at Fiscal Transparency and Accountability Committee (FTAC) Meetings
- Matrix is available on District website

Summary of Corrective Actions Implemented

Fiscal Transparency and Accountability Committee (FTAC) Meeting Date	Number of Identified FCMAT Findings	FCMAT Findings Addressed this period	FCMAT Findings Completed this period	Total FCMAT Findings Completed to Date	Total FCMAT Findings Remaining to Date
February 28, 2019	60	28	0		
April 11, 2019	60	18	18		
June 13, 2019	60	23	1		
July 23, 2019	60	10	0		
November 20, 2019	60	31	6	26	34

The District will provide regular updates with each Financial Interim Report. The next update will be presented with 2nd Interim Report in March 2020.

FCMAT Findings Completed this Period

FCMAT Finding Question:	District's Corrective Action Status:	Status:
<p>Does the district include facility needs when adopting a budget?</p>	<p>Facility needs are discussed whenever general obligation bonds are sold, approximately every two years but may not occur when the District adopts the budget the District does allocate 3% of general fund expenditures to the Routine Repair and Maintenance for facility maintenance need</p>	<p>Completed</p>
<p>Does the district have an up-to-date long-range facilities master plan?</p>	<p>A Facilities Master Plan (FMP) was Board approved June 20, 2019 and DLR Group was awarded the contract and will complete the FMP by the Spring of 2020.</p>	<p>Completed</p>

FCMAT Findings Completed this Period (continued)

FCMAT Finding Question:	District's Corrective Action Status:	Status:
Is the district using the same financial system as its county office of education?	SCOE's staff has been trained in Escape (District's system) and is currently working in ESCAPE to access and review fiscal data	Completed
If the district is using a separate financial system from its county office of education and is not fiscally independent, is there an automated interface with the financial system used by the county office of education?	SCOE has access to the District's system (Escape) for needed oversight and data entry.	Completed

FCMAT Findings Completed this Period (continued)

FCMAT Finding Question:	District's Corrective Action Status:	Status:
<p>If the district is using a separate financial system from its county office of education, has the district provided the county office with direct access so the county office can provide oversight, review and assistance?</p>	<p>SCOE has been trained and has Escape access to provide needed oversight, review and assistance</p>	<p>Completed</p>
<p>Does the district account for all positions and costs?</p>	<p>As of 7/22/19 the position control conversion was completed The District will continue to implement position control features and provide staff training</p>	<p>Completed</p>

Summary

- District has implemented more than \$30 million in ongoing reductions
- A \$27 million ongoing solution is required to avoid a crisis
- Next reporting period Second Interim March 2020

Approve 2019-20 First Interim Budget