



Budget and Fiscal Recovery Plan Update

Board Meeting
November 4, 2021
Agenda Item No. 9.1

Overview

- History/Background on District's Budget
- District's Current Budget Status and Multi-Year Projection (MYP)
(based on 2021-2022 Adopted Budget Updated with State Enacted Budget & Beginning Fund Balance)
- Fiscal Recovery Plan Discussion
- Q&A
- Board Action December 16th 2021

Background

Definitions

- **Structural Deficit:** occurs when on-going expenditures exceed on-going revenues
- **One-time Resources:** funding that is one-time and not recurring, examples are donations, a one-time grant, unexpended funds (carryover)
 - **BP 3100 Revised 3/4/21 Use of One-Time Funds** – Not to be used for ongoing expenditures unless Board approved
- **Reserves:** Reserves are created when revenues exceed expenditures and are a one-time source of funds. 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)
 - **BP3100 Revised 3/4/21 Reserves** - Increased from minimum 2% to 5% effective 2022-2023 or after deficit is eliminated

History/Background

- District's budget has been operating a structural deficit for several years due to on-going expenditures exceeding on-going revenues
 - Fiscal year 2019-20 and 2020-21 surpluses were 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
- Employee salaries and benefits account for approximately 91% 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

District's Current Budget Status and Multi-Year Projection

Budget Adjustments Implemented in Prior Years

2018-19, 2019-20 & 2020-21 Budget Adjustments			
Approval Date	Ongoing (in millions)	One-Time (in millions)	Items
December 2018	17.50	3.60	Position Control, Debt Service, OPEB, Central Office Personnel, Supplies, Services & Utilities
February/March 2019	7.80	-	Staffing adjustments - aligning to enrollment for 2019-20
May 2019	21.00	2.50	Special Education expenditures, LCFF, Utilized Restricted Funds, Charter Oversight Revenue & Interest
June 2019	2.90	-	Special Education Revenue, District Services revenue (custodial, utilities from charters)
September 2019	1.00	6.00	Interest revenue, One-time expenditures savings
February 2021	4.50	-	Central Office Supplies, Professional Development, Travel, Transportation (Non Special Education), College & Career Visits, Social Workers, Counselors, After School/Youth Development, Preschool Contribution
Totals	54.70	12.10	

Budget Adjustments in 2021-22

Board Approved 2/4/21

2021-22 Budget Adjustments		
Item	Action	Savings
Travel - LCFF BASE	Eliminated for 21-22 Budget	\$90,000
Professional Development - LCFF BASE	Eliminated for 21-22 Budget	\$108,000
Site Discretionary Supplies	Eliminated for 21-22 Budget	\$275,000
20% Central Office Supplies & Contracts - LCFF BASE	Eliminated for 21-22 Budget	\$455,000
Transportation	Eliminated for 21-22 Budget	\$1,100,000
After School - LCFF BASE	<i>Shifted to COVID Funding for 21-22 Budget</i>	\$500,000
Preschool Contribution - LCFF BASE	<i>Shifted to COVID Funding for 21-22 Budget</i>	\$564,000
College & Career Visits - LCFF BASE	<i>Shifted to COVID Funding for 21-22 Budget</i>	\$288,000
Social Workers	<i>Shifted to COVID Funding for 21-22 Budget</i>	\$885,000
Counselors Above Staffing Ratio	<i>Shifted to COVID Funding for 21-22 Budget</i>	\$235,000
Total Budget Reductions in 2021-22 From Prior Fiscal Recovery Plan:		4,500,000

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

Based on 2021-2022 Adopted Budget with Budget Updates and Updated Beginning Fund Balance

*Includes 1,600 Enrollment Decline

Sacramento City Unified School District	2021-22 Budget Update	2022-23 Projected	2023-24 Projected
Beginning Fund Balance - <i>Unaudited Actuals</i>	\$103,708,114	\$101,513,250	\$66,787,538
Surplus/ (Deficit) Spending	(\$2,194,864)	(\$34,725,712)	(\$39,292,599)
Ending Fund Balance	\$101,513,250	\$66,787,538	\$27,494,939
Less: Assignments & Reserves	\$79,281,726	\$44,556,014	\$10,263,415
2% Reserve for Economic Uncertainty	\$11,920,193	\$12,335,433	\$12,307,291
Net Available Fund Balance after 2% REU	\$10,311,331	\$9,896,091	\$4,924,233

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

(Based on 2021-2022 Adopted Budget with Budget Updates and Updated Beginning Fund Balance)

Consequences if Reductions are Not Achieved and the Deficit Persists:

- The District's cash balance will deteriorate
- The District's ending fund balance will diminish to zero
- The District will be unable to satisfy its obligations (pay for all expenditures)

Fiscal Recovery Plan

- 1) Fiscal Recovery Plan Scenarios to Eliminate Deficit
 - A. Fiscal Recovery Plan - Subject to Negotiations
 - B. Fiscal Recovery Plan - Central Department Programs
 - C. Fiscal Recovery Plan - School Site Programs Considered in Previous FRP Discussions
 - D. Fiscal Recovery Plan - Above Staffing Formula and/or CBA Considered in Previous FRP Discussions
- 2) New Classified Layoff Process

Fiscal Recovery Plan – Scenario #1

\$39.3M On-Going Budget Reduction Effective 7/1/2022

*Assumes enrollment of 38,039

Sacramento City Unified School District	2021-22 Budget Update	2022-23 Projected	2023-24 Projected
PROJECTED Deficit Spending as of the 2021-22 Budget Update <i>(Enrollment projections @ 38,039)</i>	(\$2,194,864)	(\$34,725,712)	(\$39,292,599)
<i>On-going budget reductions 2022-23</i>		\$39,300,000	\$39,300,000
<i>On-going budget reductions 2023-24</i>			\$39,300,000
<i>On-going budget reductions 2024-25</i>			
Cummulative On-Going Budget Reductions	\$0	\$39,300,000	\$39,300,000
REVISED Surplus/(Deficit) Spending		\$4,574,288	\$7,401

Fiscal Recovery Plan – Scenario #2

\$19.65M On-Going Budget Reduction Effective 7/1/2022 Each Year

*Assumes enrollment of 38,039

Sacramento City Unified School District	2021-22 Budget Update	2022-23 Projected	2023-24 Projected
PROJECTED Deficit Spending as of the 2021-22 Budget Update <i>(Enrollment projections @ 38,039)</i>	(\$2,194,864)	(\$34,725,712)	(\$39,292,599)
<i>On-going budget reductions 2022-23</i>		\$19,650,000	\$19,650,000
<i>On-going budget reductions 2023-24</i>			\$19,650,000
<i>On-going budget reductions 2024-25</i>			
Cummulative On-Going Budget Reductions	\$0	\$19,650,000	\$39,300,000
REVISED Surplus/(Deficit) Spending		(\$15,075,712)	\$7,401

Proposed Fiscal Recovery Plan

Items Subject to Negotiations

DISTRICTWIDE PROPOSALS - SUBJECT TO NEGOTIATIONS		
Item	Action	Potential Cost Savings
Health Benefits	Reduce District Contribution to 100% employee only (any plan) & 75% of Kaiser Rate for ee plus1 or ee plus family plan	\$17,708,933
Health Benefits	Reduce District Contribution to Kaiser rate:100% employee only & 75% for ee plus1 and 75% for ee plus family plan	\$18,744,093
Dental & Vision Benefits	Reduce to 80% per Tier	\$1,421,022
Dental & Vision Benefits	Reduce to employee only	\$2,986,951
CompleteCare (Keenan Program)	\$400 Cash In-lieu of Benefits assuming 3% participation	\$1,152,703
CompleteCare (Keenan Program)	\$500 Cash In-lieu of Benefits assuming 3% participation	\$1,071,209
Furlough Days	Currently 181, reduce by 1 day	\$1,822,752
1% Salary Reductions	Reduce	\$3,498,368

Proposed Fiscal Recovery Plan

Important Considerations

- Several items, aligning staffing to approved ratios, will be implemented during budget development as a routine matter
- Supplemental/Concentration must be spent to “improve or increase services” to identified students and will be carried over and accumulated until spent on supplemental items. These dollars **cannot** be spent on Base program costs.
- Additional Concentration funds must be spent to increase school site staffing and also **cannot** be spent on Base program costs.
- Unrestricted General Fund: 2 Categories
 1. Base
 2. Supplemental & Concentration (S&C)

Proposed Fiscal Recovery Plan

Central Departments & District Wide

CENTRAL DEPARTMENT PROGRAMS	
Item	Potential Cost Savings
15% Central Office Staffing Reductions - LCFF BASE	\$3,640,000
20% Central Office Discretionary - LCFF BASE	\$3,200,000
Textbook Adoption Budget - LCFF BASE	\$5,054,000
New Teacher Induction - LCFF BASE	\$243,174
Staffing Adjustment to Enrollment Decline - LCFF BASE	\$6,900,000
15% Central Office Staffing Reductions - LCFF S&C	\$1,930,000
20% Central Office Discretionary - LCFF S&C	\$551,000
TOTAL LCFF BASE	\$19,037,174
TOTAL LCFF S&C	\$2,481,000
TOTAL UNRESTRICTED GENERAL FUND	\$21,518,174

Programs/Services Considered in Previous Fiscal Recovery Plan Discussions Not Impacted by CBA

SCHOOL SITE PROGRAMS	
Item	Potential Cost Savings
Charters - LCFF BASE	\$266,000
20% Site Discretionary Supplies - LCAP BASE	\$555,000
College & Career Visits - LCFF S&C*	\$690,598
Small Schools/Specialty Programs - LCFF S&C	\$3,930,863
Alternative Ed - LCFF S&C	\$1,606,151
Waldorf/Specialty Programs - LCAP S&C	\$869,558
Inclusive Practices/Specialty Programs - LCAP S&C	\$1,689,905
Elementary Sports - LCFF S&C*	\$379,192
VAPA - LCFF S&C	\$785,444
VAPA Music Equipment - LCFF Base	\$78,500
Dual Immersion - LCFF S&C	\$953,227
TOTAL LCFF BASE	\$899,500
TOTAL LCFF S&C	\$10,904,938
TOTAL UNRESTRICTED GENERAL FUND	\$11,804,438

*College and career visits and Elementary sports shifted to COVID funding source for 2021-22 budget

Proposed Fiscal Recovery Plan

Staffing Above Formula and/or CBA Considered in Previous Fiscal Recovery Plan Discussions

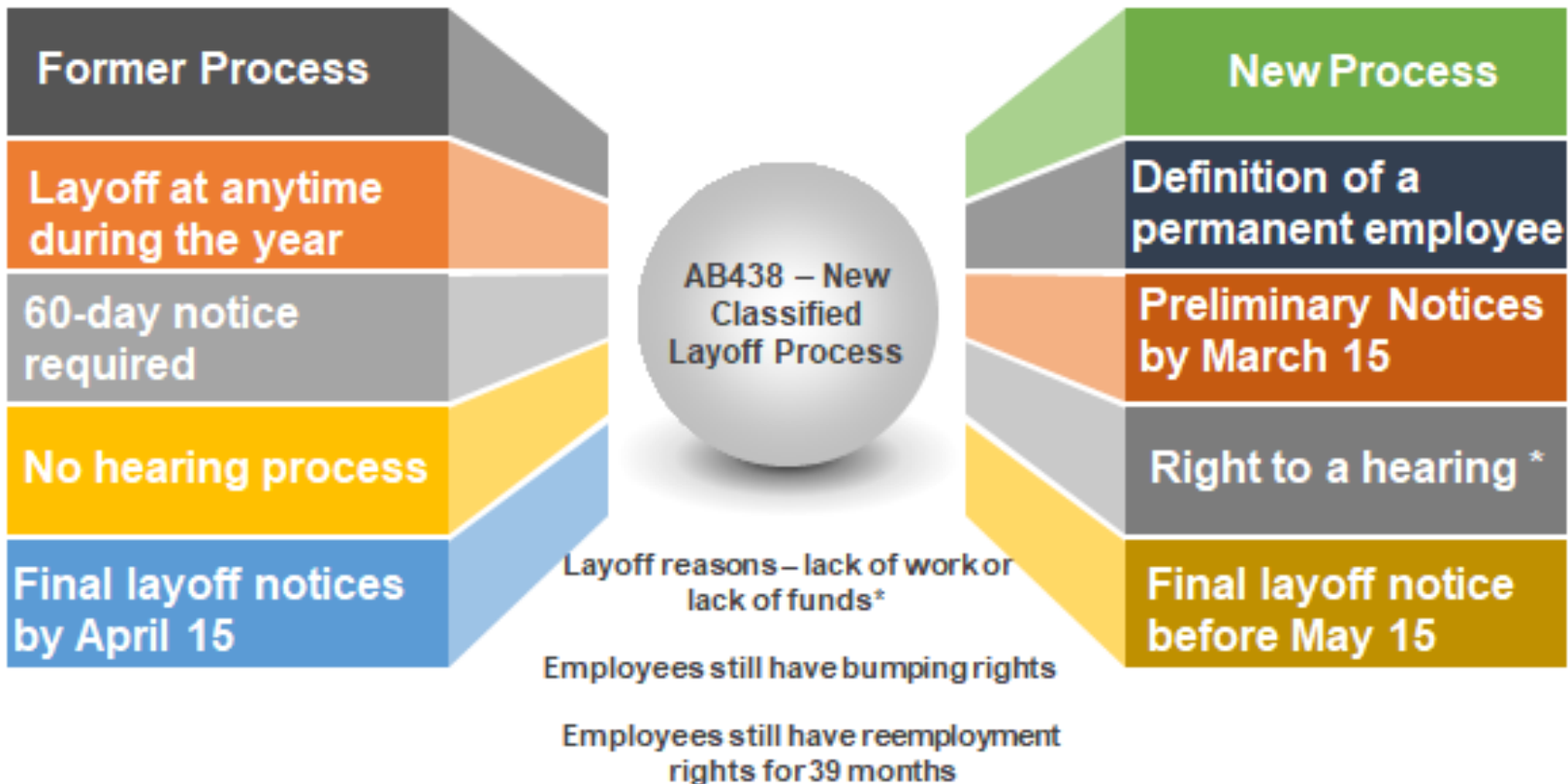
SCHOOL SITE PROGRAMS - STAFFING CONSIDERATIONS	
Item	Potential Cost Savings
1.33 FTE Assistant Principal - Elementary - LCFF S&C	\$200,564
8.0 FTE Assistant Principal - Middle School - LCFF BASE	\$1,244,800
14.0 FTE Assistant Principal - High School - LCFF BASE	\$2,245,600
2.0 FTE Assistant Principal - High School - LCFF S&C	\$320,800
3.0 FTE Assistant Principal - K-8 Schools - LCFF BASE	\$452,400
1.5 FTE Assistant Principal - K-8 Schools - LCFF S&C	\$226,200
11.1 FTE Librarian - LCFF S&C	\$1,557,330
9.3 FTE Counselor, High School - LCFF BASE	\$1,203,420
23.65 FTE Counselor, High School - LCFF S&C	\$3,060,310
1 FTE Counselor, High School Continuation - LCFF BASE	\$129,400
15.9 FTE Counselor, Middle School - LCFF BASE*	\$2,057,460
.4 FTE Counselor, Middle School - LCFF S&C	\$51,760
7.26 FTE Social Worker - LCFF S&C**	\$1,129,656
TOTAL LCFF BASE	\$7,333,080
TOTAL LCFF S&C	\$6,546,620
TOTAL UNRESTRICTED GENERAL FUND	\$13,879,700

*\$235K in reductions to Counselors above ratio were shifted to COVID funding source for 2021-22 budget

**885K in reductions to Social Workers were shifted to COVID funding source for 2021-22 budget

Fiscal Recovery Plan Staffing Considerations

AB438 – New Classified Layoff Process



Summary and Q&A

A Board approved Fiscal Recovery Plan is required by 12/16/21

- The condition for the “conditional approval” of the adopted budget is that an implementable deficit reduction plan is approved by the Board by 12/16/21.
- SCOE fiscal responsibilities continue until structural deficit is eliminated

Q & A