2019-20 Proposed Revised Adopted Budget

Board Meeting
October 3, 2019
Agenda Item No. 9.1
Outline Budget Presentation

• Purpose of Proposed Revised Adopted Budget
• Sacramento County Office of Education (SCOE)
• Summary of Multi-Year Projections Adopted Budget v. Proposed Revised Adopted Budget
• Proposed Revised 2019-20 Budget Changes since Adopted Budget
• Multi-Year Projections
  – Recommended Plan Multi-Year Report
• Summary
• Public Hearing on Proposed Revised Adopted Budget
Purpose of Proposed Revised Adopted Budget

• District 2019-20 Adopted Budget disapproved by SCOE
  – Due to 2021-22 Unrestricted General Fund negative ending balance
• Education Code 42127 requires District to develop and approve a Revised Adopted Budget by Oct 8, 2019
  – Public Notice and Public Hearing is required
• Include latest information
SCOE Recognition of District Progress

• Considerable progress to stabilize budget since 2018-19 Adopted Budget
• Reductions did not remove the structural deficit
• Cash insolvency delayed -- risk not eliminated
• Acknowledged improved processes in:
  – Enrollment projections
  – Hiring
  – Purchasing
• Successfully recruited CBO and CAO
SCOE Suggested Next Steps

• Accelerate negotiations
• Hire and train budget and payroll staff to stay current on all required reporting
• Document “One-Stop Staffing” process and streamline hiring to ensure budget is accurate
• Evaluate staffing ratios, class sizes, caseloads in regular and specialty programs for costs and limited opportunities for students
• Adhere to budget calendar
• Continue to improve budget assumption documentation
Summary of Multi-Year Projections
June 2019 vs October 2019

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<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Ongoing Net Change in Fund Balance</td>
<td>($13.26)</td>
<td>($12.35)</td>
<td>($21.05)</td>
<td>($25.56)</td>
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<tr>
<td>Net Unrestricted General Fund Balance</td>
<td>$47.57</td>
<td>$35.22</td>
<td>$14.17</td>
<td>($15.40)</td>
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<tr>
<td>Reserve Level</td>
<td>8.54%</td>
<td>6.44%</td>
<td>2.48%</td>
<td>(2.63%)</td>
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</tr>
<tr>
<td>Net Unrestricted General Fund Balance</td>
<td>$52.86</td>
<td>$45.27</td>
<td>$23.15</td>
<td>($7.82)</td>
</tr>
<tr>
<td>Reserve Level</td>
<td>9.49%</td>
<td>7.80%</td>
<td>3.99%</td>
<td>(1.35%)</td>
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# 2018/19 Budget Adjustments

<table>
<thead>
<tr>
<th>Month</th>
<th>Ongoing Current Yr</th>
<th>Ongoing Future Yrs</th>
<th>One-Time</th>
<th>Items</th>
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<tbody>
<tr>
<td>December 2018</td>
<td>$17.5</td>
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<td>$3.6</td>
<td>Position Control, Debt Service, OPEB, Central Office Personnel, Supplies, Services, Utilities</td>
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<td>Feb/March 2019</td>
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<td>$7.8</td>
<td></td>
<td>Personnel Changes for 19/20</td>
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<td>May 2019</td>
<td>$8.3</td>
<td>$12.7</td>
<td>$2.5</td>
<td>Spec Ed expenditures, LCFF, Utilize Restricted Funds, Charter Oversight revenue and Interest</td>
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<tr>
<td>June 2019</td>
<td>$2.9</td>
<td></td>
<td></td>
<td>Special Ed revenue, District Services revenue (custodial, utilities from charters)</td>
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<tr>
<td>September 2019</td>
<td>$1.0</td>
<td></td>
<td>$6.0</td>
<td>Interest revenue, One-time expenditure savings</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$29.7</strong></td>
<td><strong>$20.5</strong></td>
<td><strong>$12.1</strong></td>
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</table>

Amounts in millions

Summary of Changes in Proposed Revised Adopted

- Recognition of additional State one-time revenues
- Recognition of one-time expenditures
- Recognition of increase local income and contract reductions
- Recognition of additional 9.2% cost for restructuring the teacher salary schedule for substitutes and stipends
- Recognition of additional teacher positions and utilization of restricted funds for positions above baseline
- Cash flows shows positive cash through October 2020 and major cash challenges starting October 2021
- Revised Multi-Year Projection (while improved) has a negative ending balance for 2021-22 Unrestricted General Fund
- Need a negotiated solution to achieve $27 million
Revenue Changes Since Original Adopted Budget

- Increase in State Revenues – 8/15 Board Meeting
  - Lottery - $120,000
  - One Time Funds
    - Special Education Equalization $2.2 million
    - Special Education Preschool - $4.2 million - Unrestricted

- Increase in Local Revenues
  - Interest Revenue - $589,000
  - Other Local Revenue - $100,000
Proposed Expenditures Changes Since Original Adopted Budget

• Additional Teacher Salary Restructure Cost for Unrestricted General Fund - $1.3 million
  – Substitutes, Stipends, Adult Education Salaries

• Staffing of Schools -
  – Added 22.2 FTE due to enrollment and program needs
    • Teachers above baseline increased from 89 to 127 positions
    • 30 additional teacher positions with Title I funds
  – Additional classified positions per staffing parameters 2 FTE
  – Head teacher/school athletics stipends at smaller secondary schools - $50,000
Enrollment Trend

CBEDS: 2009-10 through 2018-19
Projected: 2019-20 through 2022-23
2019-20 Projected Enrollment vs. Preliminary Enrollment

Projected Enrollment: 40,235

Preliminary Enrollment - 9/11/19: 40,455
Proposed Expenditures Changes Since Original Adopted Budget

• Graduation Costs for Memorial Auditorium - $46,500
• SCOE Community Day, SCOE Special Education Excess Cost – $370,000
• Restricted Routine Maintenance increased $1 million
  – Maintains 3% of General Fund as required
• Expenditure savings – Totaling $701,000
  – Utilities based on 2018-19 actuals – $215,000 savings
  – Contract Saving based on 2018-19 – $486,000 savings
• Reprioritize existing funds
  – Legal Services budget to fund paralegal position
Proposed Expenditures Since Original Adopted Budget

• **Unrestricted One-Time Expenditures** - Totaling $1.97 million
  – Waldorf Second Year Training - $20,000
  – Teacher Stipends for Science Book Adoption - $200,000
  – AED Equipment – $72,000
  – Student Interim Assessment - $25,000
  – Designations
    • Donations, Computer Replacement Program, Computer Blade Server, Sites Saturday Incentive, Lost Books - $1.65 million

• **Special Education One-Time Expenditures** - $1.77 million
  – Professional Learning - $1.2 million
  – IEP Team to assist with backlog for one year - $551,000
  – Release Time for Preschool Teacher for Desired Results Development Profile - $15,000
Multi-Year Projection Assumptions

Revenues – LCFF COLA

• 20-21 - 3.0% - $8.4 million
• 21-22 - 2.8% - $8.75 million

Expenditure Changes Over 2020-21 and 2021-22

• Increase contribution for STRS and PERS per statute - $3.4 million
• Increase in Health 4% est. for future years - $3.6 million
• Increase charter school contribution - $0.7 million
• Increase utilities (estimates per various authorities) - $1.1 million
• Increases in Special Education - $14.6 million ($7.3 million each year)
• Decrease teaching positions due to declining enrollment - $1.5 million
## SACS Unrestricted General Fund – OFFICIAL REPORT

### Multi-Year Projections

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<tbody>
<tr>
<td><strong>Ongoing Funds</strong></td>
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<tr>
<td>Revenues</td>
<td>$418.86</td>
<td>$429.08</td>
<td>$437.21</td>
<td>$445.96</td>
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<td>- Contributions</td>
<td>$83.28</td>
<td>$100.01</td>
<td>$107.69</td>
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<td>- Expenses, Sources/Uses</td>
<td>$341.83</td>
<td>$340.54</td>
<td>$349.59</td>
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<td>- Supplemental/Concentration Expanded Programs</td>
<td>$0.00</td>
<td>$2.06</td>
<td>$1.59</td>
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<tr>
<td>Ongoing Net Change in Fund Balance</td>
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<tr>
<td><strong>One-Time Funds</strong></td>
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<tr>
<td>Revenues</td>
<td>$7.10</td>
<td>$4.20</td>
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<tr>
<td>- One-Time Expenses</td>
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<td>One Time Net Change in Fund Balance</td>
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<td>($4.00)</td>
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<tr>
<td><strong>Total Unrestricted General Fund:</strong></td>
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<tr>
<td>Beginning Balance</td>
<td>$60.28</td>
<td>$61.13</td>
<td>$51.62</td>
<td>$23.50</td>
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<tr>
<td>Ending Balance</td>
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<td>$51.62</td>
<td>$23.50</td>
<td>($7.47)</td>
</tr>
</tbody>
</table>

| Component of the Ending Balance | | | | |
| Cash, Inventory, Prepaid Assets | $0.35 | $0.35 | $0.35 | $0.35 |
| Designated Funds          | $6.00     | $6.00 | $0.00 | $0.00 |
| Reserve for One-Time Expenses and Carryover | $1.92 | $0.00 | $0.00 | $0.00 |

| Net Unrestricted General Fund Balance | $52.86 | $45.27 | $23.15 | ($7.82) |

### Change in the Unrestricted General Fund Balance

|                      | ($7.07) | ($7.58) | ($22.13) | ($30.97) |
| Reserve level        | 9.49%   | 7.80%   | 3.99%    | -1.35%   |

10/3/2019

Proposed Revised Adopted 2019-20 Budget
# Recommended Plan for Unrestricted General Fund

## Multi-Year Projections

<table>
<thead>
<tr>
<th>Recommended Plan For Unrestricted General Fund 2018/19-2021/2022</th>
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<tr>
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</tbody>
</table>
### Ongoing Funds

- **Revenues**
  - $418.86
  - $429.08
  - $437.21
  - $445.96

- **Contributions**
  - $83.28
  - $100.01
  - $107.69
  - $115.00

- **Expenses, Sources/Uses**
  - $341.83
  - $340.54
  - $333.59
  - $329.35

- **Supplemental/Concentration Expanded Programs**
  - $2.06
  - $1.59

**Ongoing Net Change in Fund Balance**

<table>
<thead>
<tr>
<th></th>
<th>($6.25)</th>
<th>($11.47)</th>
<th>($6.13)</th>
<th>0.02</th>
</tr>
</thead>
</table>
### One-Time Funds

- **Revenues**
  - $7.10
  - $4.20
  - $0.00
  - $0.00

- **One-Time Expenses**
  - $0.00
  - $2.23
  - $6.00
  - $4.00

**One Time Net Change in Fund Balance**

<table>
<thead>
<tr>
<th></th>
<th>7.10</th>
<th>1.97</th>
<th>($6.00)</th>
<th>($4.00)</th>
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### Total Unrestricted General Fund:

**Beginning Balance**

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<tr>
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<th>60.28</th>
<th>61.13</th>
<th>51.62</th>
<th>39.50</th>
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</table>
**Ending Balance**

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<tr>
<th></th>
<th>61.13</th>
<th>51.62</th>
<th>39.50</th>
<th>35.52</th>
</tr>
</thead>
</table>
### Component of the Ending Balance

- **Cash, Inventory, Prepaid Assets**
  - $0.35
  - $0.35
  - $0.35
  - $0.35

- **Designated Funds**
  - $6.00
  - $6.00
  - $0.00
  - $0.00

- **Reserve for One-Time Expenses and Carryover**
  - $1.92
  - $0.00
  - $0.00
  - $0.00

**Net Unrestricted General Fund Balance**

<table>
<thead>
<tr>
<th></th>
<th>52.86</th>
<th>45.27</th>
<th>39.15</th>
<th>35.17</th>
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### Required Ongoing Reductions

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<th>$11.00</th>
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### Change in the Unrestricted General Fund Balance

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<th>($7.58)</th>
<th>($6.13)</th>
<th>($3.98)</th>
</tr>
</thead>
</table>
**Reserve level**

|  | 9.49% | 7.80% | 6.93% | 6.19% |
Summary

• District has implemented reductions
• Options are limited to personnel costs
• Solution required to avoid a crisis
• Passage of time is a problem for SCUSD
Conduct Public Hearing