



Budget Update Presentation

Overview

- I. How we got here—Background/Timeline**
- II. What we are facing—Takeover**
- III. What have we done—Current Budget Situation**
- IV. How we spend our dollars—Searching For Outliers**
- V. What's next—Proposed plan**

How We Got Here

- California is 41st in Nation for Per Pupil Funding
- Declining enrollment
- Increases to Special Education costs
- Increases to employee compensation packages
- Increases to State Pensions costs
- High Health Benefits cost

Recent Background/Timeline



Consequences of a State Loan

Impacts of a Takeover

- District is “bailed out” by state loan with interest.
- Paying back the loan and interest becomes the priority. There would be less money to spend on our students.
- Student programs not required by education code (sports, arts, music, etc.) would be at high risk of being cut.
- Local control is lost. An appointed administrator takes over with a focus on repaying the state loan with interest.
- Recovery could take 10 or more years.
- Experts agree a takeover would be bad for our students and community.

Cost of State Takeover

\$21M

Average amount of principal and interest lost
when school districts undergo state takeover

SOURCE: Data Derived from Fiscal Crisis & Management Assistance Team Report

Source: California Department of Education "Loans to School Districts". Dated July 1, 2013
https://www.scusd.edu/sites/main/files/file-attachments/californiastateloanstoschool_1.pdf

Oakland Unified Case Study

The New York Times

Dream Ends for Oakland as State Takes Over

June 8, 2003

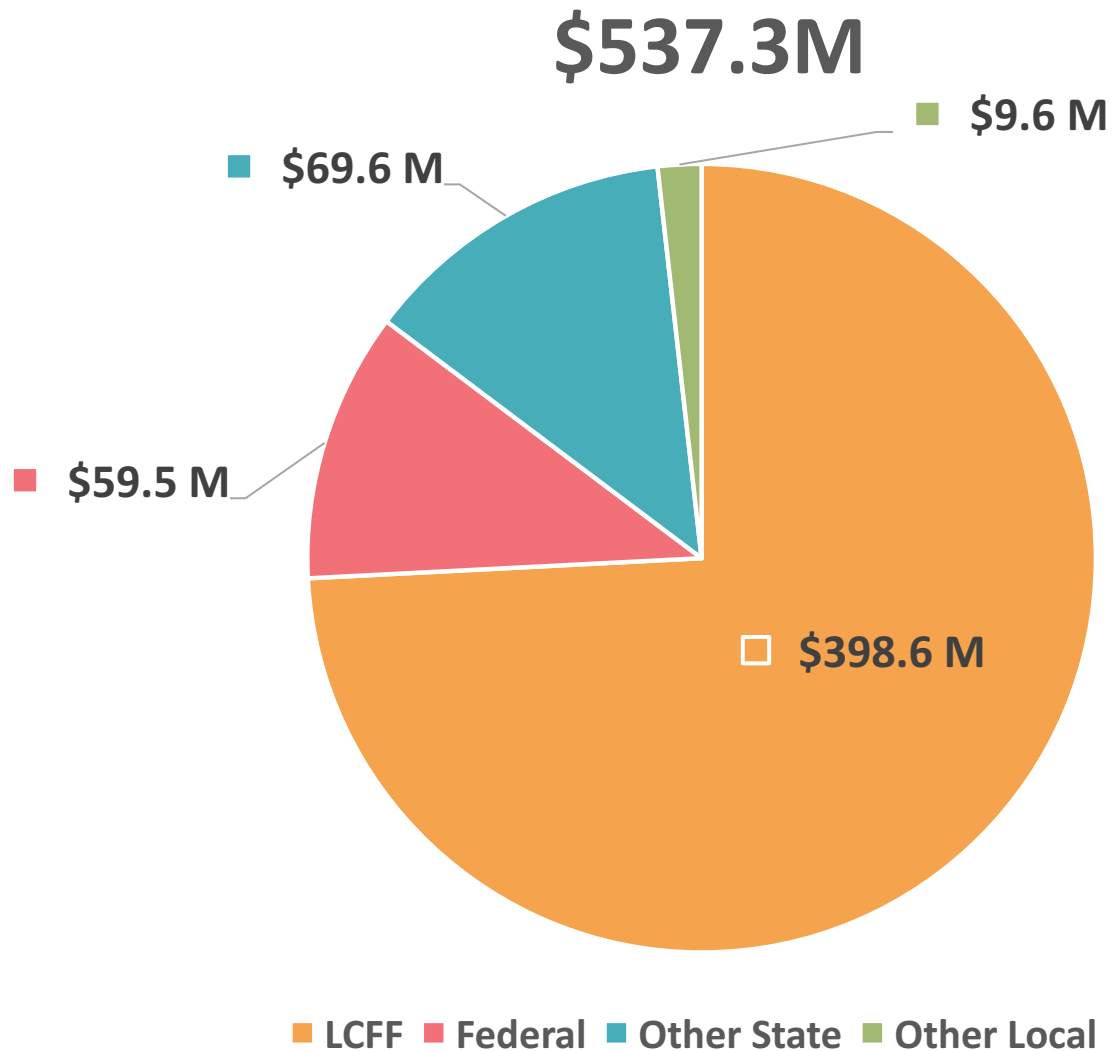
Amount of Loan	Amount of Principal & Interest Paid	Loan Issuance Date	Payoff Dates (As of July 1, 2013)
\$100 Million	\$53 Million	June 4, 2003	January 2023 GF -6/29/26

Source 1: New York Times article, June 8, 2003. Link: <https://www.nytimes.com/2003/06/08/us/dream-ends-for-oakland-school-chief-as-state-takes-over.html>

Source 2: CA Dept. of Education: https://www.scusd.edu/sites/main/files/file-attachments/californiastateloanstoschool_1.pdf

Where We Are: Current Budget Situation

Total General Fund Revenues



Budget Cuts Made to Date

Board Approved Current Year Changes Prior to First Interim - \$21.1 Million

Amount	Reduction Item
\$5.0 million	Position Control true up (balance personnel budgets to actual cost)
\$5.0 million	Debt Service costs moved to facility fund
\$3.0 million	Lowering Other Post Employment Benefits (OPEB) contribution
\$1.5 million	Supplies and Services lowered to 2017-18 level
\$1.4 million	Utilities budget reduction
\$1.0 million	Central office classified reductions
\$1.0 million *	Legal settlement budget reduced
\$900,000 *	Special education transportation budget reduced
\$900,000 *	Visual and Performing Arts (VAPA)
\$800,000 *	Extended Learning Summer Program (ELSP) carryover
\$300,000	Student Services budget reduced
\$100,000	Board office reductions
	*One time

Budget Cuts Made to Date

- February/March Board Meetings - **\$7.8M** in personnel reductions
 - One-Stop Staffing (adjusted site budgets for projected enrollment needs)
 - Reduced contribution to Child Development Fund
 - Other positions
- Total of reductions
- First Interim (**\$21.1M**) and
- February/ March Board Action (**\$7.8M**)
= \$28.9M

Savings Still Needed

SACS SUMMARY UNRESTRICTED GENERAL FUND 2018/2019-2021/2022

	<u>Projected 2018/19</u>	<u>Projected 2019/20</u>	<u>Projected 2020/21</u>	<u>Projected 2021/22</u>
Ongoing Funds				
Revenues	\$414.11	\$426.58	\$434.27	\$443.46
- Contributions	\$83.55	\$98.71	\$106.03	\$113.34
- Expenses, Transfers in	\$346.70	\$347.54	\$355.01	\$361.17
- Supplemental/Concentration Expanded Programs			\$1.93	\$1.67
Ongoing Net Change in Fund Balance	(\$16.14)	(\$19.67)	(\$28.70)	(\$32.72)
One-Time Funds				
Revenues	\$7.10	\$0.00	\$0.00	\$0.00
- One-Time Expenses	\$0.00	\$0.00	\$6.00	\$4.00
One Time Net Change in Fund Balance	\$7.10	\$0.00	-\$6.00	-\$4.00
Total Unrestricted General Fund:				
Beginning Balance	\$60.28	\$51.23	\$31.56	-\$3.14
Ending Balance	\$51.23	\$31.56	-\$3.14	-\$39.86
Component of the Ending Balance				
Cash, Inventory, Prepaid Assets	\$0.55	\$0.55	\$0.55	\$0.55
Designated Funds	\$6.00	\$6.00	\$0.00	\$0.00
Reserve for One-Time Expenses and Carryover	\$0.00	\$0.00	\$0.00	\$0.00
Net Unrestricted General Fund Balance	\$44.69	\$25.02	-\$3.68	-\$40.40
Reserve level	8.02%	4.48%	-0.63%	-7.22%

The Recommended Plan

Recommended Plan for Unrestricted General Fund Multi-Year Projections

	<u>Projected 2018/19</u>	<u>Projected 2019/20</u>	<u>Projected 2020/21</u>	<u>Projected 2021/22</u>
Ongoing Funds				
Revenues	\$414.11	\$426.58	\$434.27	\$443.46
- Contributions	\$83.55	\$98.71	\$106.03	\$113.34
- Expenses, Transfers In	\$346.70	\$347.54	\$326.01	\$327.17
- Supplemental/Concentration Expanded Programs			\$1.93	\$1.67
Ongoing Net Change in Fund Balance	(\$16.14)	(\$19.67)	\$0.30	\$1.28
One-Time Funds				
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Reserve for One-Time Expenses/ Carryover	\$0.00	\$0.00	\$0.00	\$0.00
Net Unrestricted General Fund Balance	\$44.69	\$25.02	\$25.32	\$22.60
Required Ongoing Reductions			\$29.00	\$5.00
Change in Reserve	(\$15.24)	(\$19.67)	\$0.30	(\$2.72)
Reserve level	8.02%	4.48%	4.57%	4.07%

How Many Cuts/Savings Needed?

\$34M

Amount of cuts/savings needed to eliminate the structural budget deficit.

SOURCE: SCUSD 3rd Interim Report, May 16, 2019

Where We Spend Our Dollars: District Review

91% of SCUSD Unrestricted General Fund Pays for Employee Benefits & Salaries

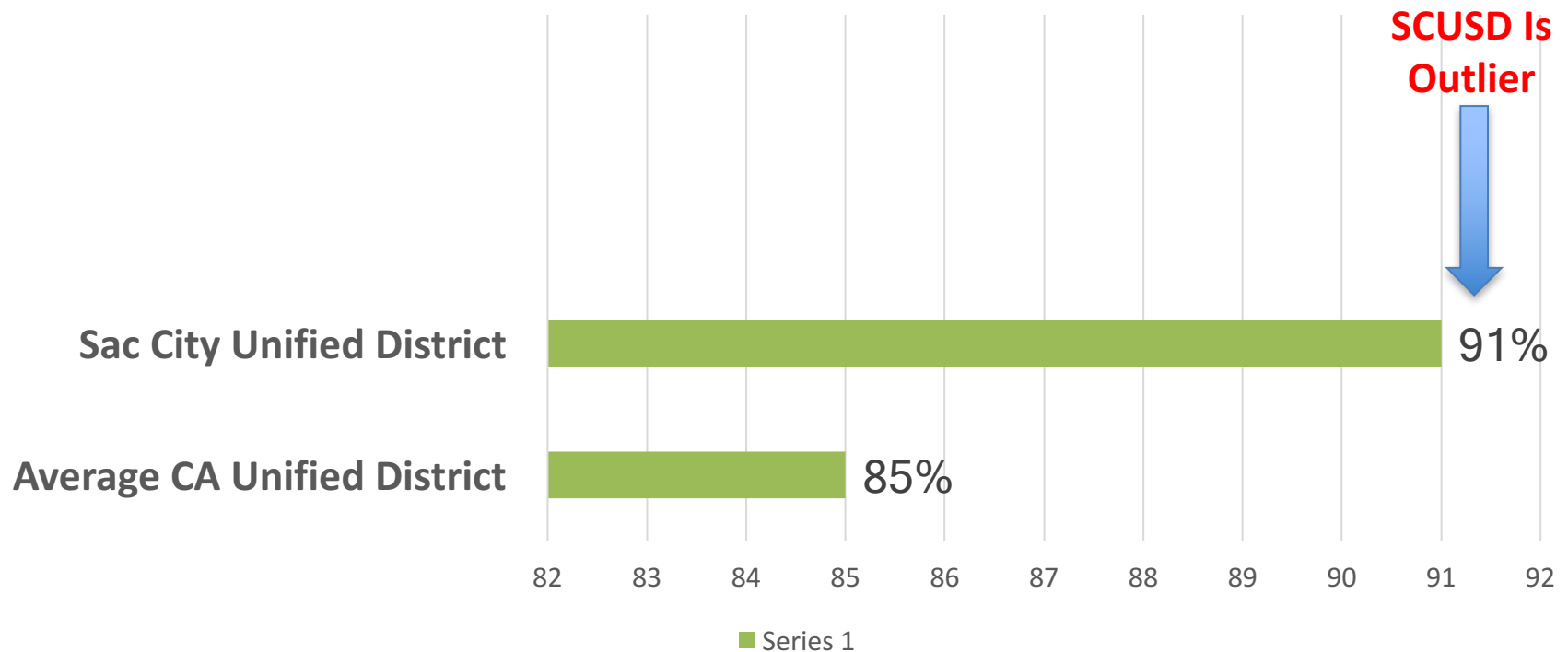
Salaries & Benefits



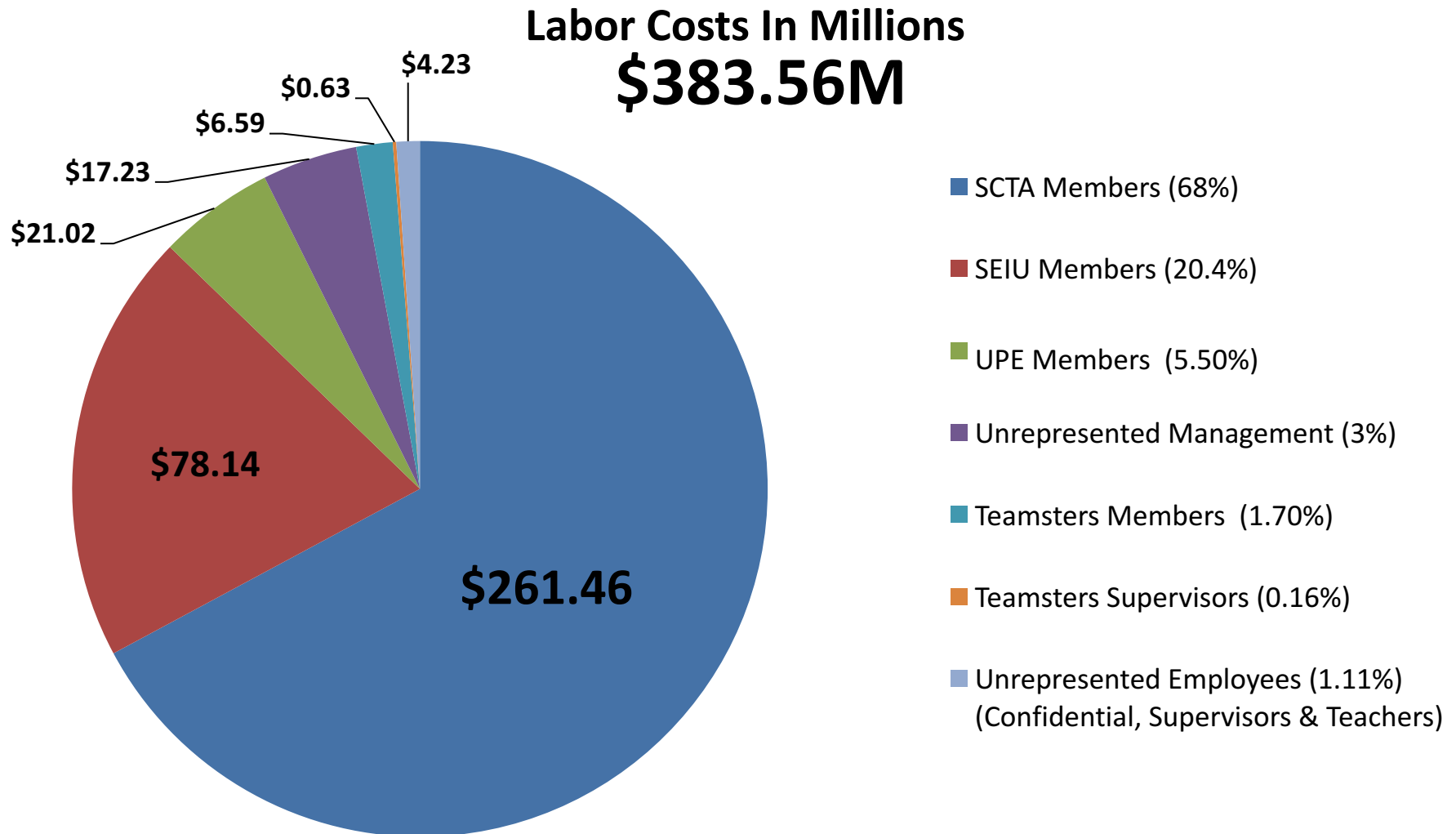
Source: 2018 FCMAT SCUSD Fiscal Health Report (see page 17). Link: https://www.scusd.edu/sites/main/files/file-attachments/sacramento_city_usd_fhra_final_12-12-2018_002.pdf

How Does SCUSD Compare?

% of Each Unrestricted General Fund Dollar Spent
On Benefits & Salaries



SCUSD's Labor Costs By Employee Group*



**The true cost of implementation needs to be verified pending recent arbitration.*

SOURCE: Sacramento City Unified School District Financial Database at 2nd Interim (January 31, 2019)

Options For Closing Budget Deficit?

“Look at where your outliers are...”

Mike Fine, Executive Director, FCMAT

December 13, 2018

SCUSD Board of Education Presentation

Source: 12/13/18 FCMAT presentation at SCUSD Board of Education meeting—Minute 2:03:15.

Link: <https://www.youtube.com/watch?v=aExgHGq9Ez0&t=9s>

Searching For Outliers

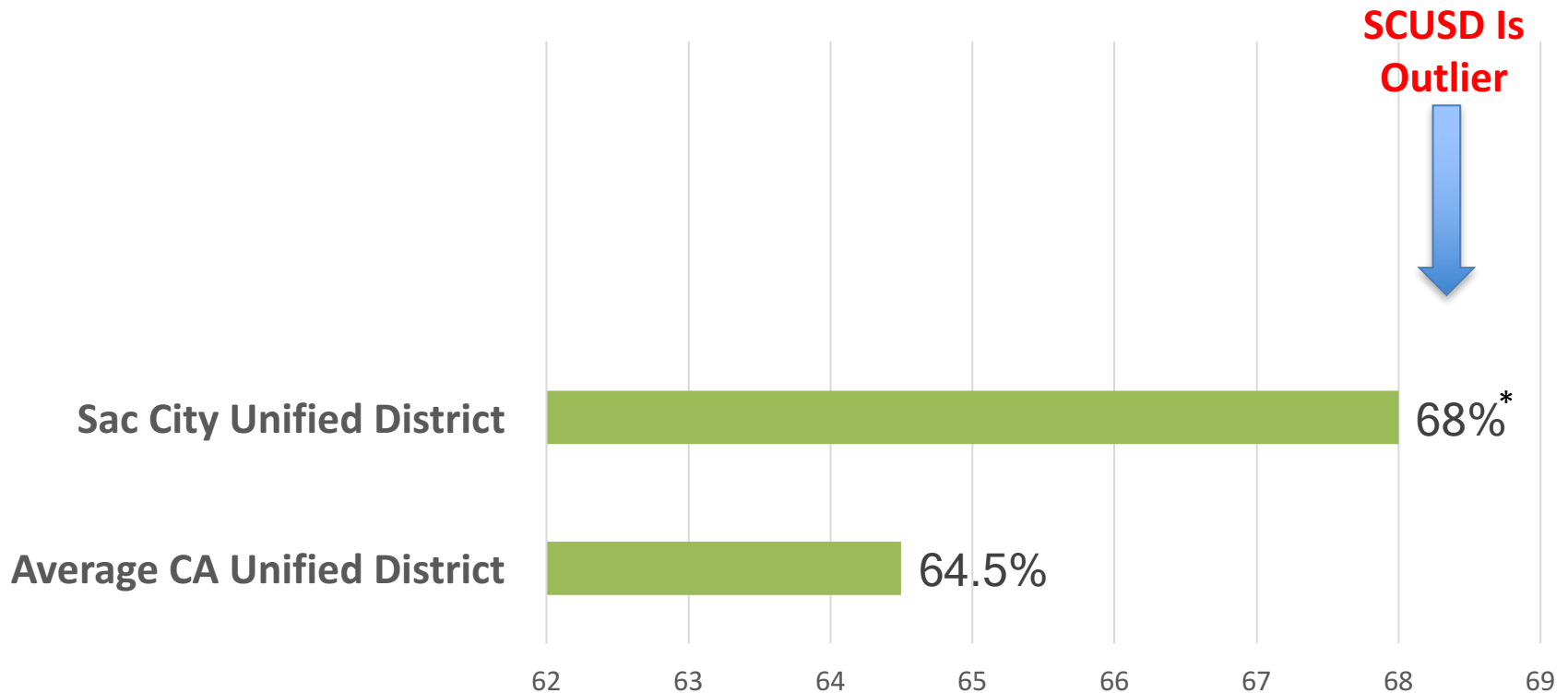


- ✓ Special Education
- ✓ Health Benefits

Searching For Outliers: Special Education

How Does SCUSD Compare?

\$84,379,731 in General Fund
contributions goes towards Special Ed.



**This percent has grown and does not account for reductions made*
Source: 2018 FCMAT SCUSD Fiscal Health Report (see page 24-25)

Searching For Outliers: Health Benefits

Average Health Cost Comparison

Health Insurance Costs—District pays the max rate of \$34,804 for 553 employees

Rank	School District	Avg. Active Employee District Contribution to Health Care Per FTE*	Max District Contribution to Health Care for Active Employees Per FTE
1	Sacramento City USD	\$21,659	\$34,804
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: 2017-18 J-90 report

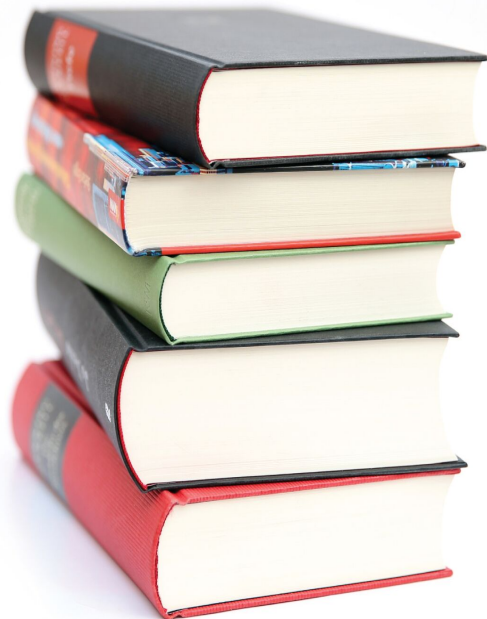
* Full-time equivalent (FTE)

Current & Retiree Health Care Costs (Local Comparison)

HEALTH BENEFITS COST PER STUDENT

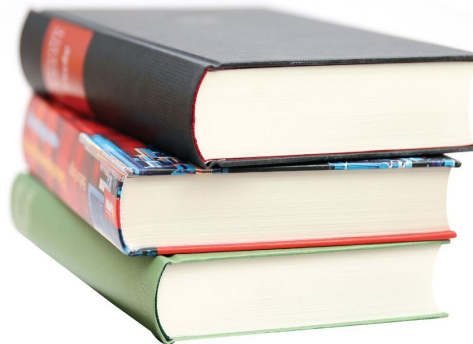
INCLUDES CURRENT AND RETIRED (OPEB) EMPLOYEES

\$2,502



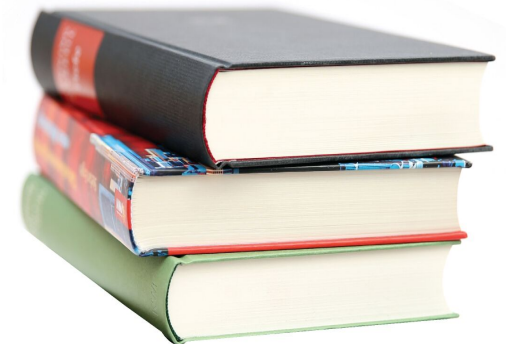
SAC CITY

\$1,397



SAN JUAN USD

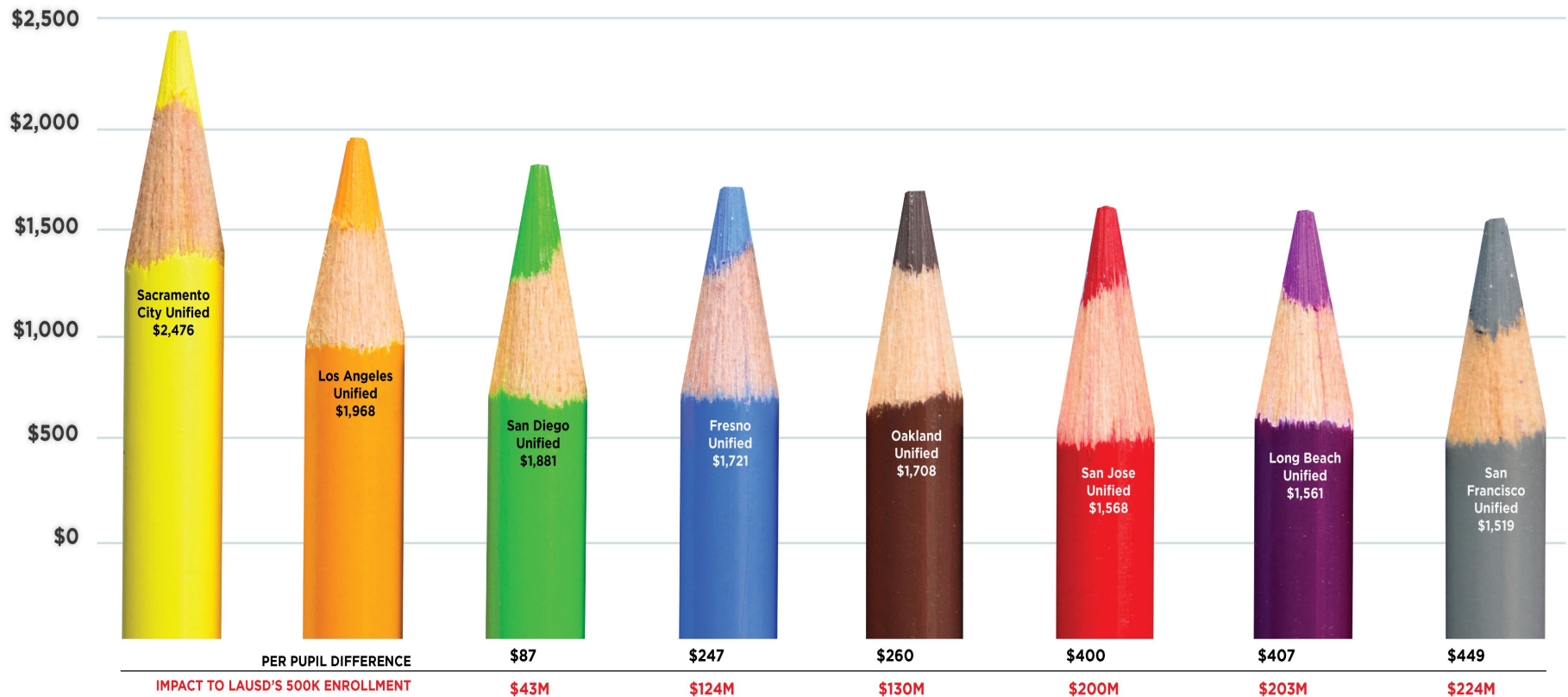
\$1,215



ELK GROVE

Current & Retiree Health Care Costs (Statewide Comparison)

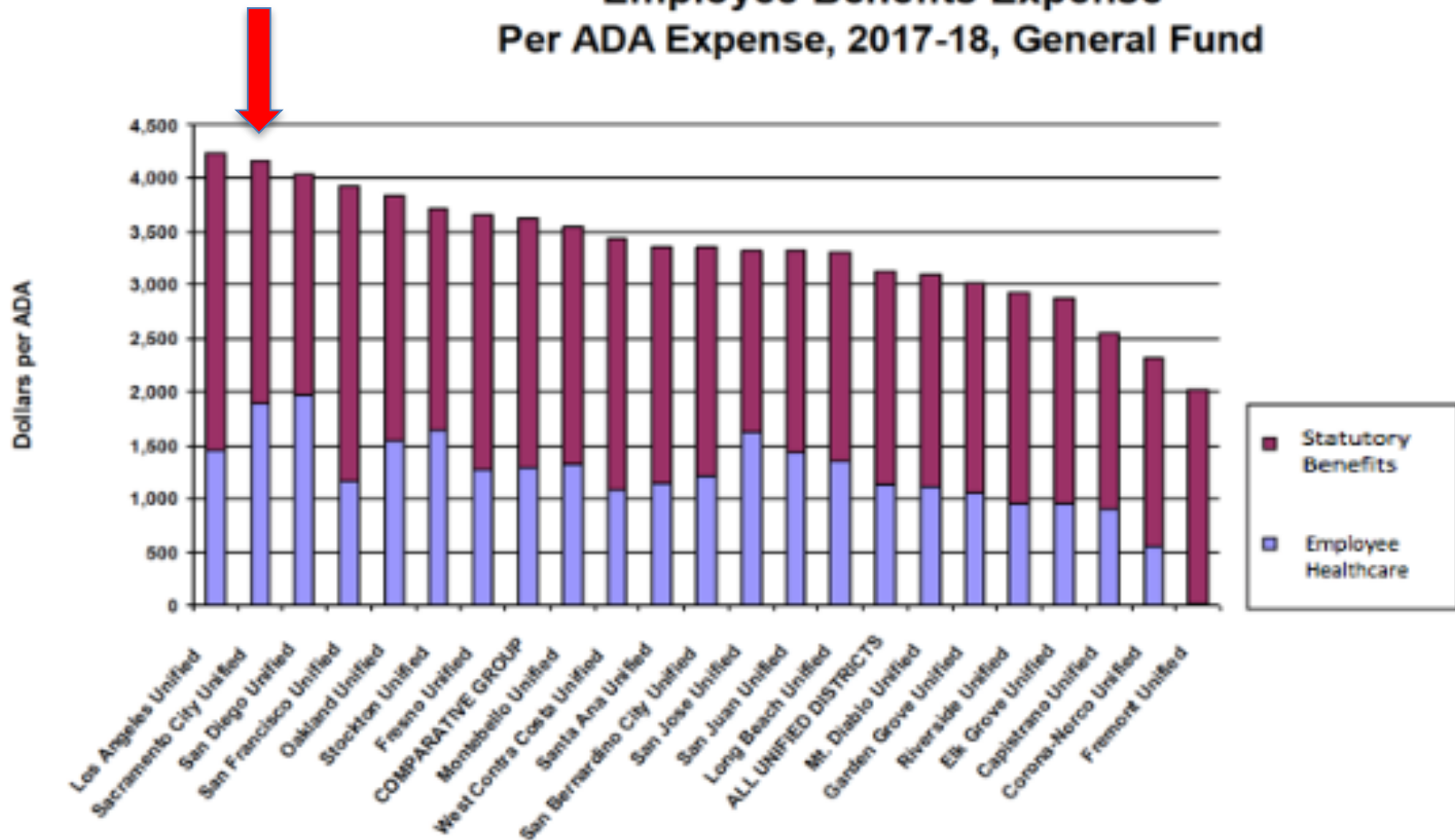
PER PUPIL HEALTH CARE COST COMPARISON FY 2016/17



SOURCE: 2016/17 UNAUDITED ACTUAL STANDARDIZED ACCOUNT CODE STRUCTURE. CALCULATION: ALL FUNDS UNAUDITED ACTUAL EXPENDITURES BY OBJECT, HEALTH AND WELFARE BENEFITS (3401, 3402); OPEB (3701, 3702, 3751, 3752). DIVIDED BY: ENROLLMENT, CALPADS REPORT #117
LAUSD NOTES: EXPENSE WAS CALCULATED USING CONTRIBUTION TO DISTRICT HEALTH & WELFARE FUND (67) EXCLUDING CONTRIBUTION TO IRREVOCABLE OPEB (71).

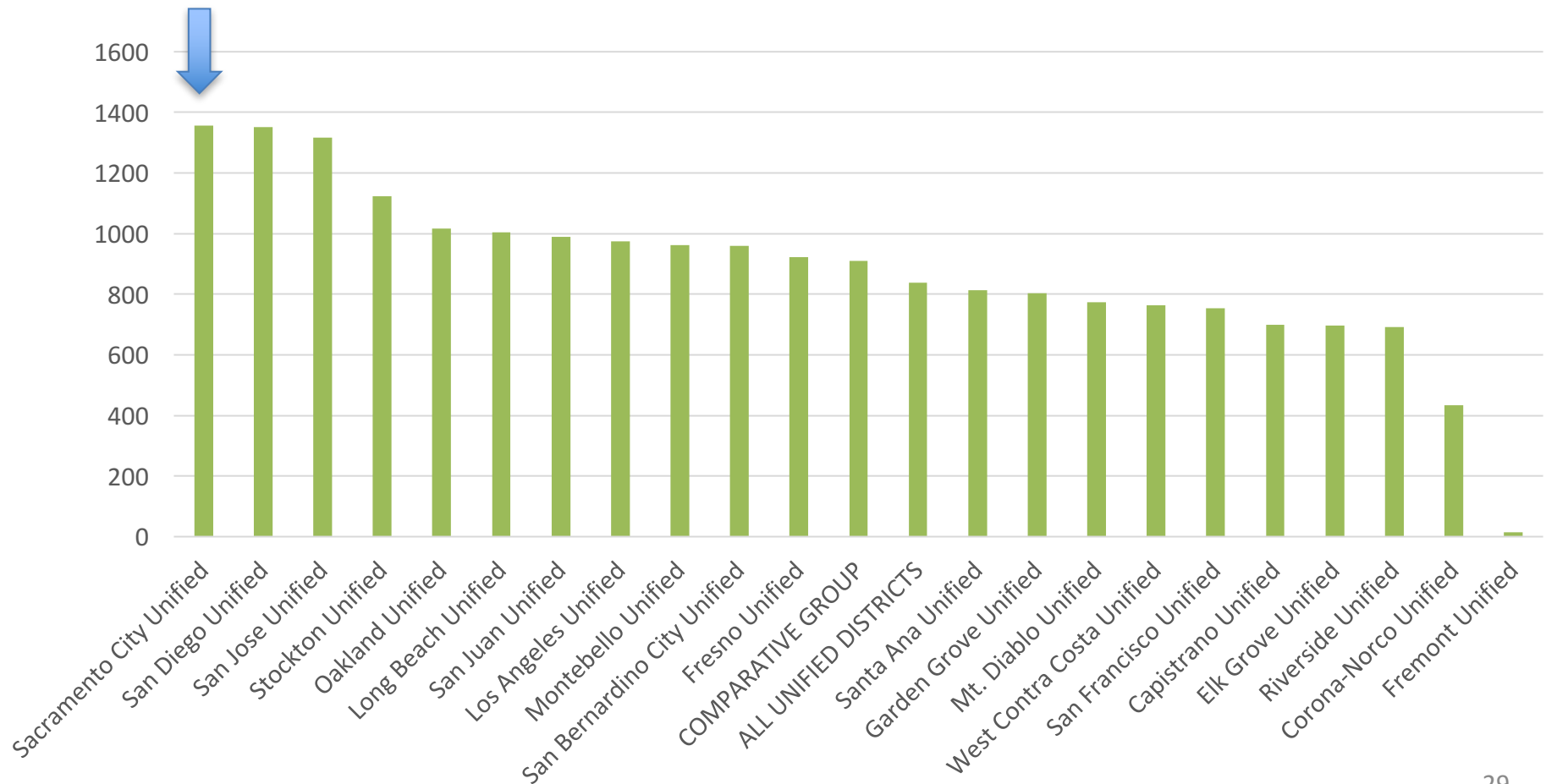
Employee Benefits—Statewide Comparison

**Sacramento City Unified
Employee Benefits Expense
Per ADA Expense, 2017-18, General Fund**



Health and Welfare Benefit Expense Statewide Comparison

Unrestricted Health and Welfare Benefit Expense
Per ADA for 2017-18
Both Current and Retired Employees

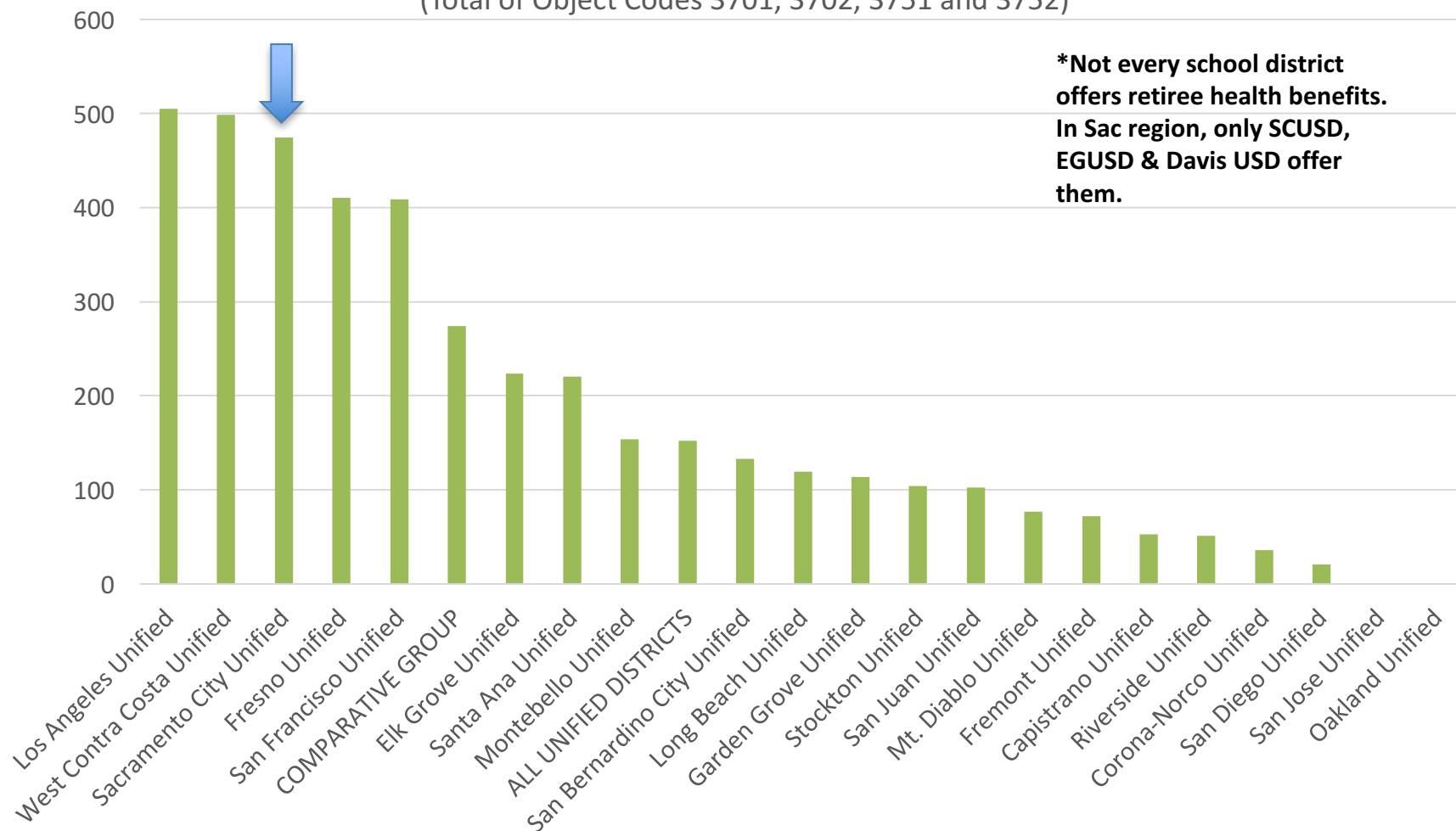


Retiree Health Benefits Expense Comparison*

Unrestricted *Other Post Employment Benefits (OPEB)*

Expense Per ADA for 2017-18

(Total of Object Codes 3701, 3702, 3751 and 3752)



\$11M to \$16M

Amount SCUSD is estimated to save per year
if it is able to switch to a more affordable
health plan with comparable benefits

SOURCE: Information provided to SCUSD by CECHCR

Next Steps

The Recommended Plan

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2%

Amount school districts
are required to have in
reserves per state law.

+

3 Years

Number of years in advance that the school district must
budget for and maintain 2% required reserve.

October 2020

Date that SCUSD is projected to run out of cash. This would trigger a state takeover of the district.

Questions?