

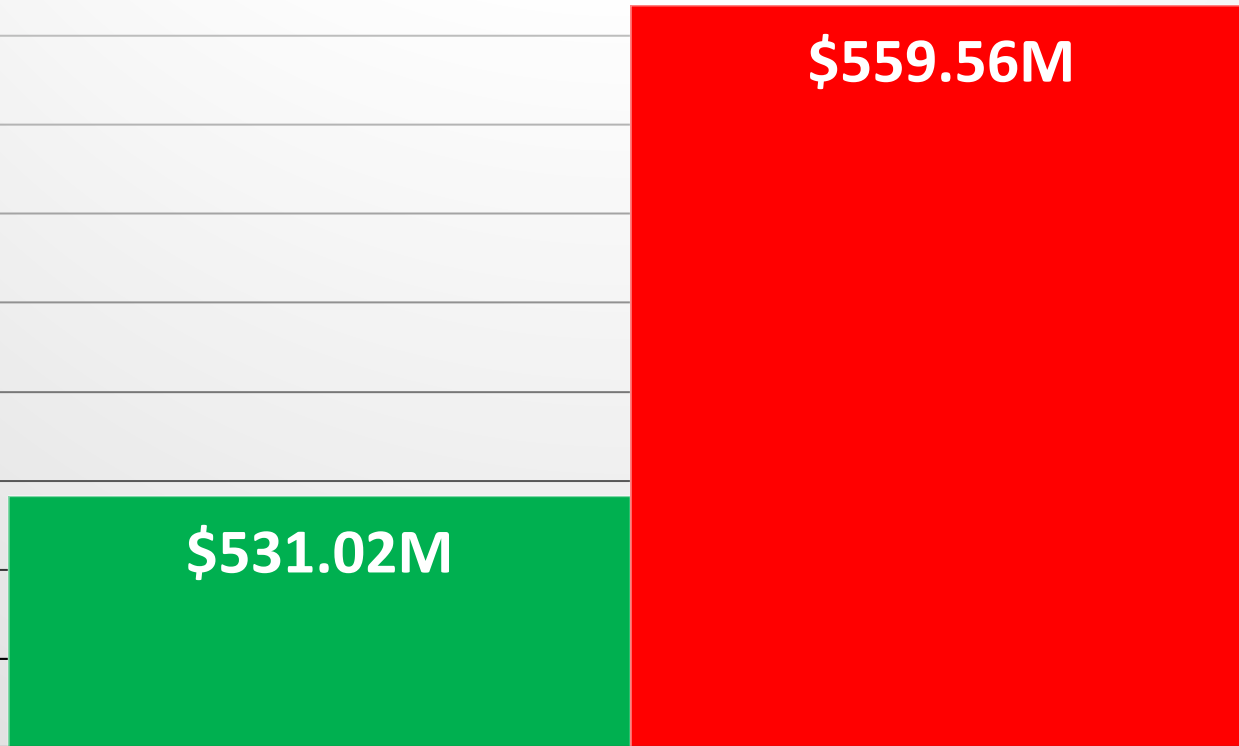
# **Sacramento City Unified School District 2018-19 Budget Proposal**

June 21, 2018

# Overview

- ❖ Budget revenue projections are based on the Governor's May Revise numbers per the recommendation of the Sacramento County Office of Education which provides fiscal oversight of the district.
- ❖ Expense projections are based on what we know today. Expense amounts could change after the budget is adopted.
- ❖ The district has 45 calendar days after adopting a budget to revise it based on the Governor's final signed budget.
- ❖ Call for Independent Financial Audit

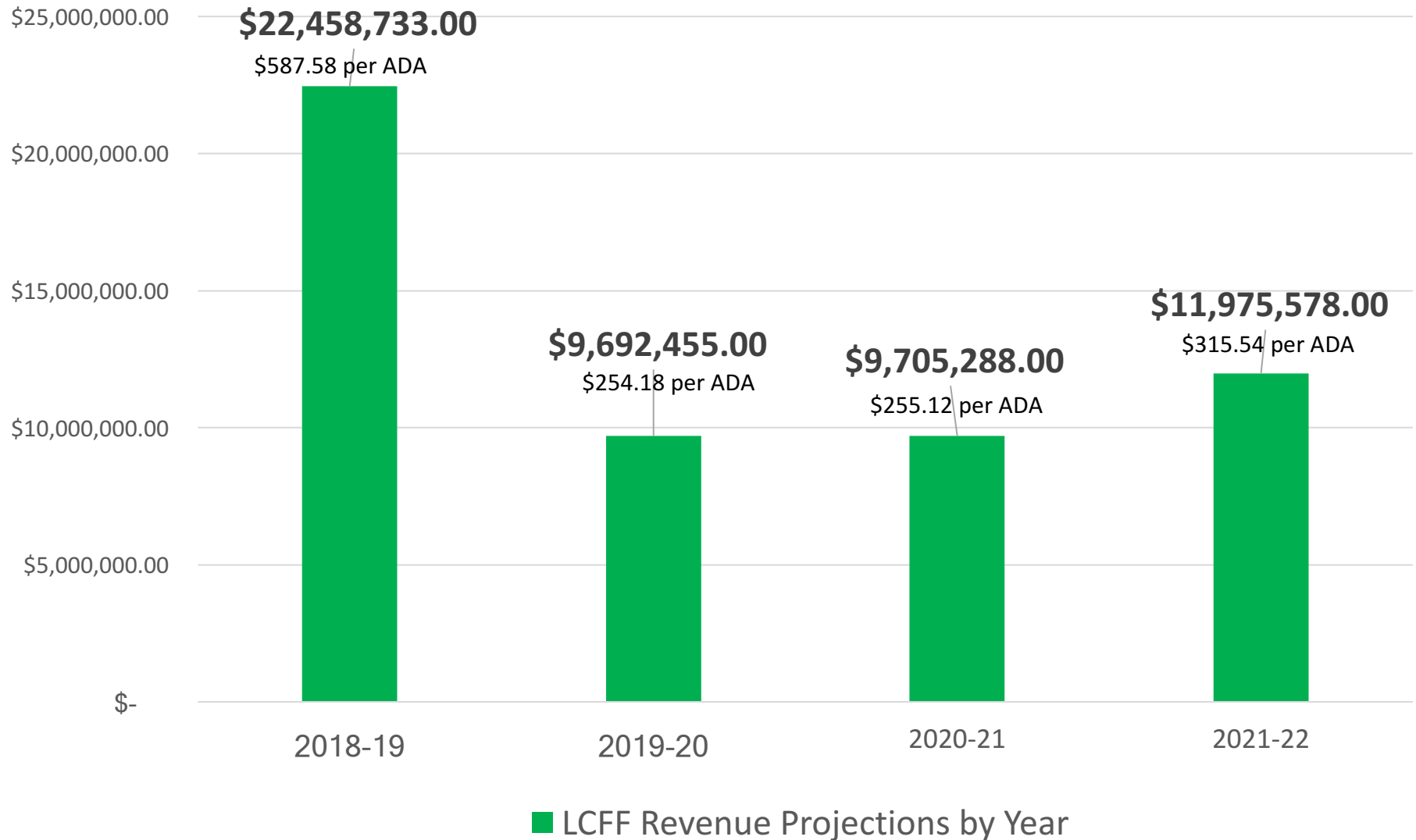
# Comparison of Revenues and Expenses



**2018-19 REVENUES VS. EXPENSES**

■ Revenues ■ Expenses

# Challenge 1: Less LCFF Future Funding Increases

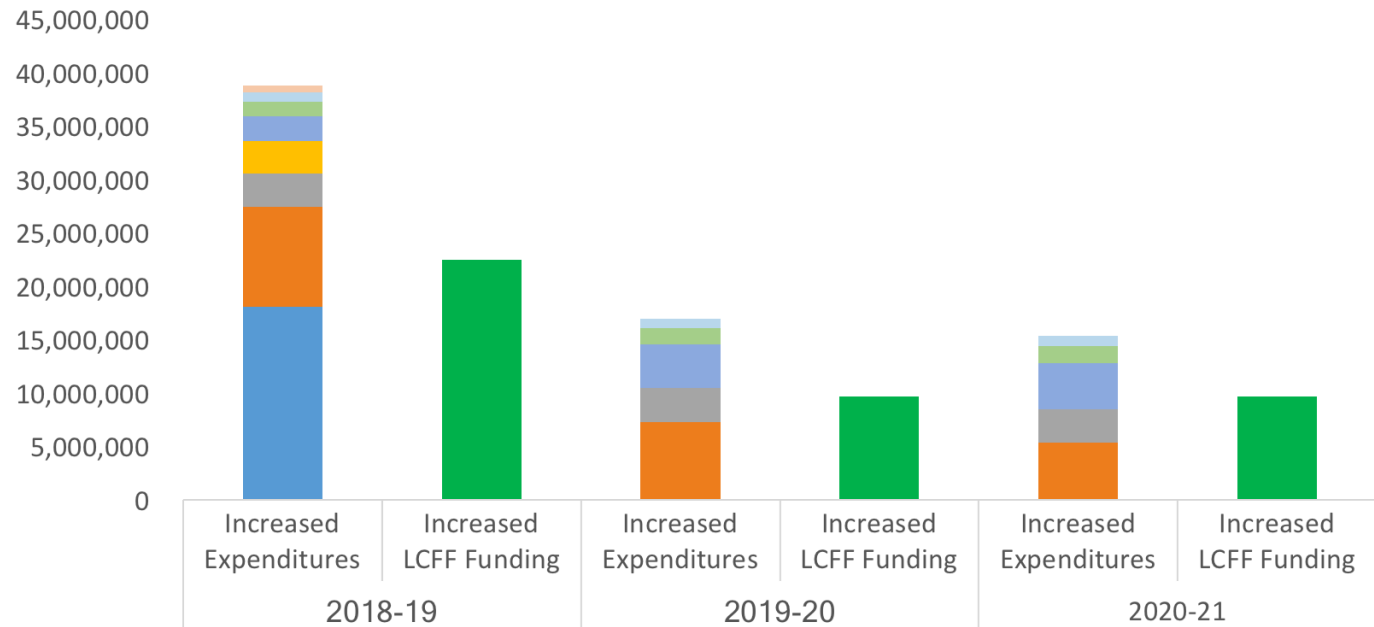


**Data Source: California Department of Finance and School Services of California**

# Are Current LCFF Revenues Sufficient To Cover Expenses?

Estimated Revenues	Amount
New 2018-19 LCFF Revenue (Ongoing)	\$22,458,733
New 2018-19 Discretionary Revenue ( <b>One-Time</b> )	\$13,270,760
<b>Total Revenue Increases</b>	<b><u>\$35,729,493</u></b>

# Challenge 2: Costs Are Increasing And Outpace LCFF Revenue Increases



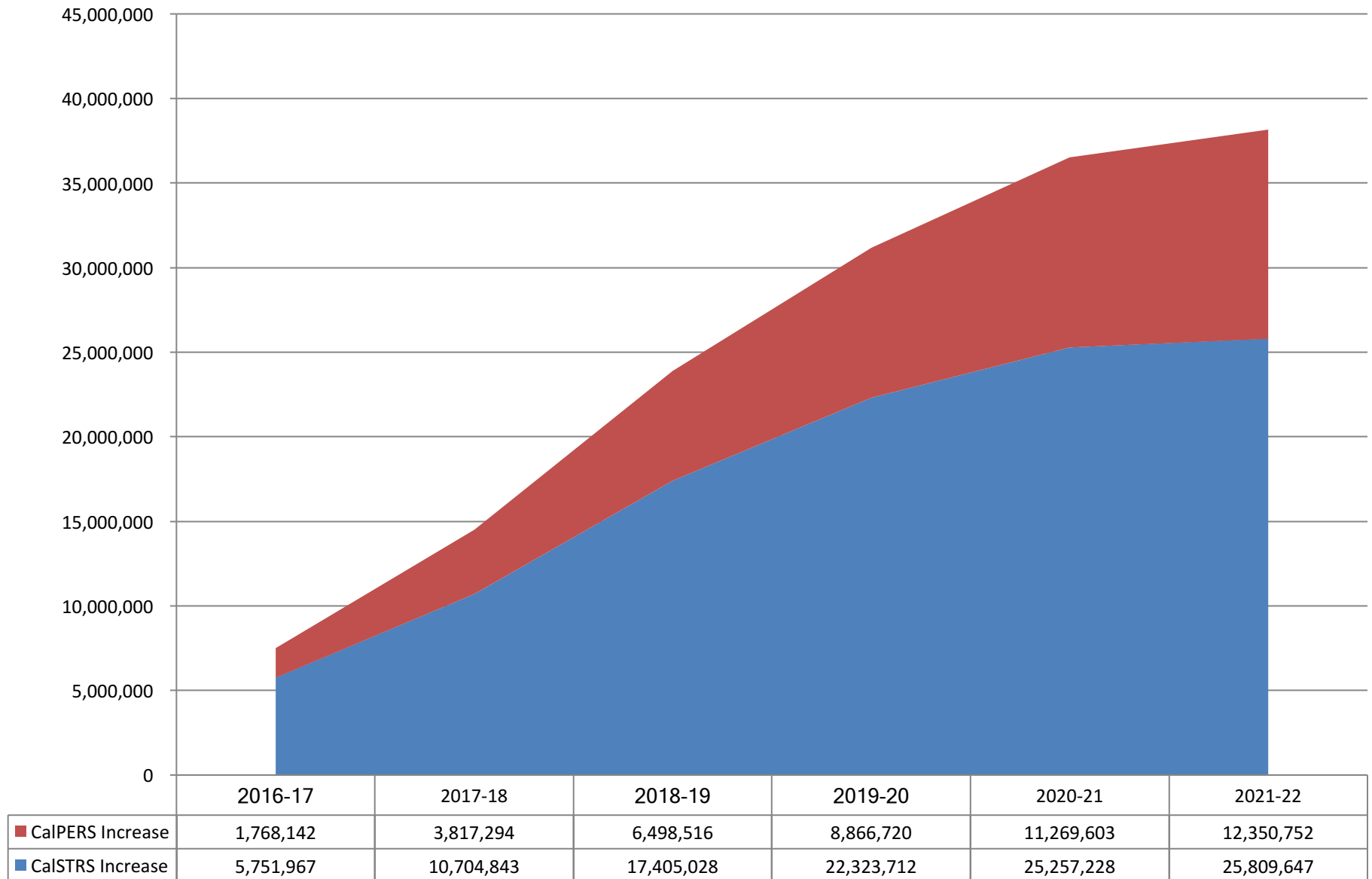
■ Increased LCFF Funding		22,458,733		9,692,455		9,705,288
■ Child Dev Contribution	645,207					
■ Routine, Repair and Maintenance Contribution	883,829		928,020		974,421	
■ Special Ed Contributions	1,412,308		1,482,923		1,557,069	
■ Health Benefits	2,283,635		4,107,799		4,313,189	
■ OPEB Contribution	3,000,000					
■ Step and Column	3,158,414		3,158,414		3,158,414	
■ PERS/STRS	9,381,405		7,286,888		5,336,399	
■ Employee Compensation Agreements	18,049,386					

# No Revenues Are Left After Paying 2018-19 General Fund Required Expenses

<b>Additional LCFF Revenue for 2018-19 (Ongoing)</b>	<b>\$22,458,733</b>
<b>One-time Discretionary Funds</b>	<b>\$13,270,760</b>
<b>Total Revenues</b>	<b>\$35,729,493</b>

<b>General Fund Unrestricted Required/Statutory Cost Increases</b>	<b>Amount</b>
Projected Increase in Step and Column - Certificated	(\$2,512,848)
Projected Increase in Step and Column - Classified	(\$645,566)
Projected Increase in Health Benefit costs - 3%	(\$2,283,635)
Increase in STRS Contribution	(\$6,700,184)
Increase in CalPERS Contribution	(\$2,681,221)
Increase Contribution to Special Ed	(\$1,412,308)
Increase Contribution to Child Development Fund	(\$645,207)
Increase Contribution to Routine, Repair, and Maintenance	(\$883,829)
Agreements for Employee Compensation	(\$18,049,386)
OPEB (Retirement Health Benefits)	(\$3,000,000)
<b>Total Required/Statutory Cost</b>	<b>(\$38,814,184)</b>
Increase in Statutory Cost and Settlements are greater than Increase in Revenues*	(\$3,084,691)

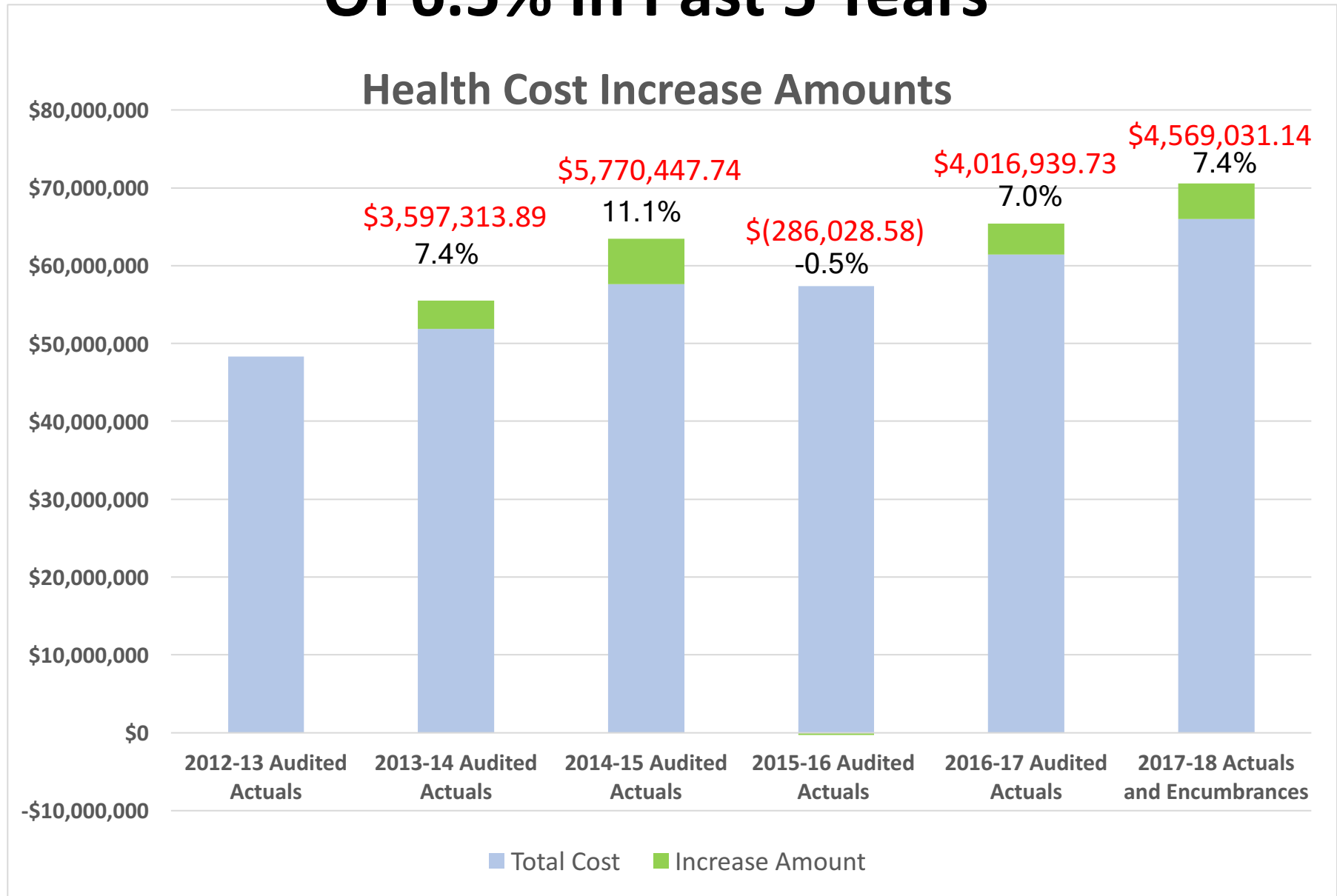
# Increasing Pension Expenses Expected To Outpace Ongoing LCFF Revenue



**Data Source: CalPERS and CalSTRS**

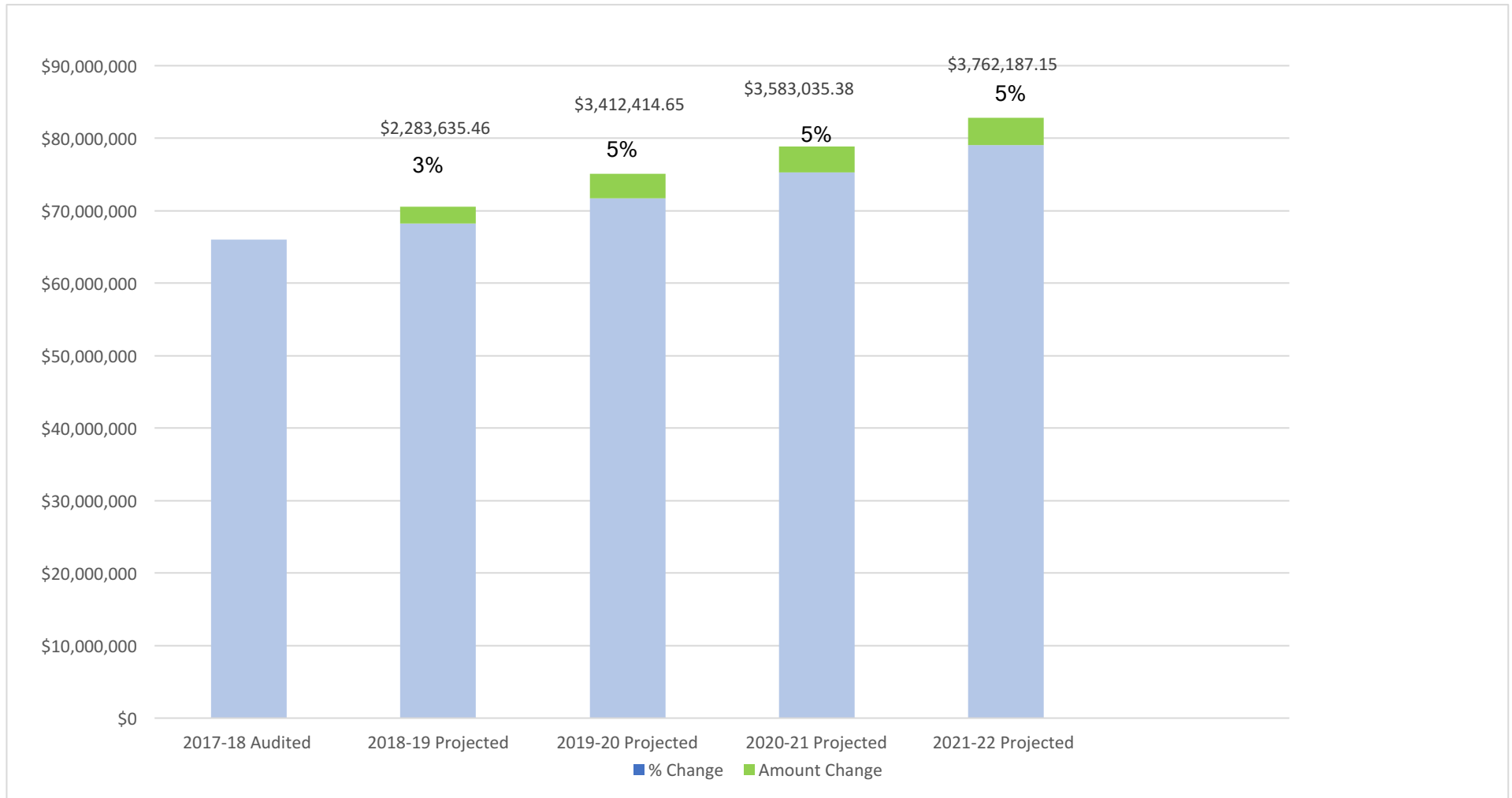


# Increased District Health Costs An Average Of 6.5% In Past 5 Years



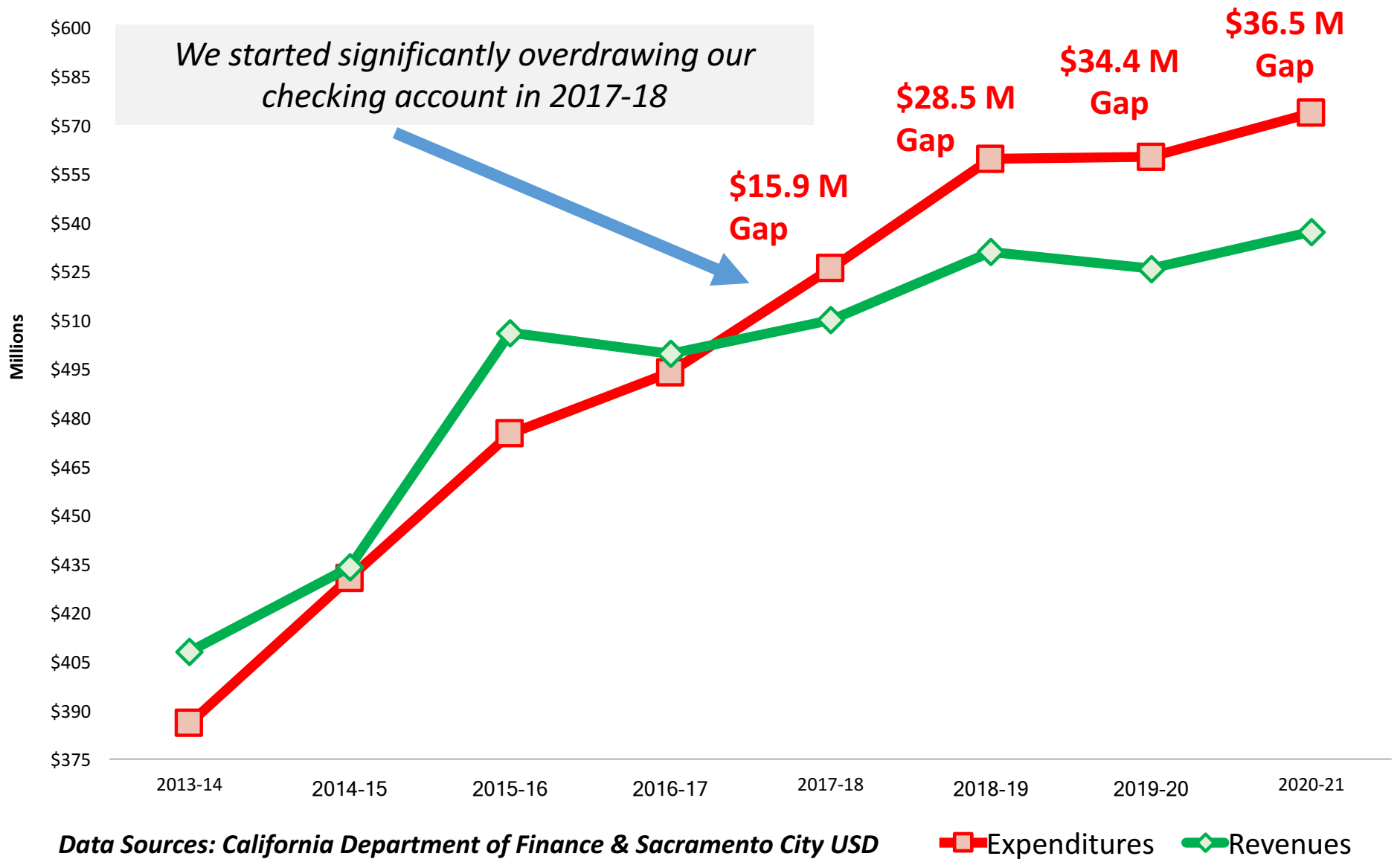
Source: Sacramento City Unified School District Audited Annual Reports - <http://www.scusd.edu/financial-presentations-information>

# Future Health Cost Projections Outpace Future LCFF Revenues



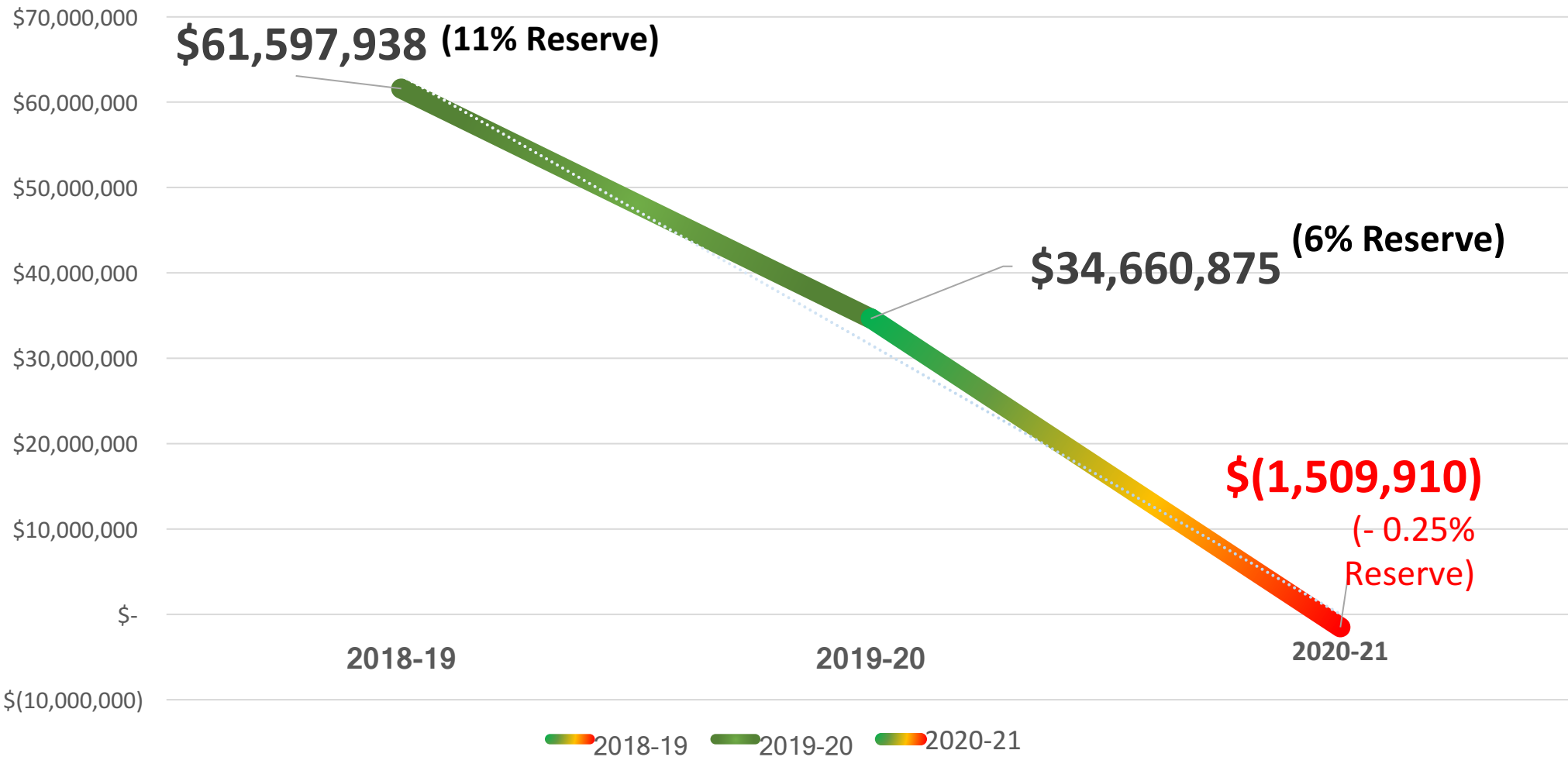
**Cost Projections Source: California HealthCare Foundation March 2017 Report [“California Employer Health Benefits: Prices Up, Coverage Down”](#) which presents data compiled from the 2016 California Employer Health Benefits Survey.**

# Challenge 3: Gaps Between Expenses and Revenues



# Challenge 4: Effect on Reserves

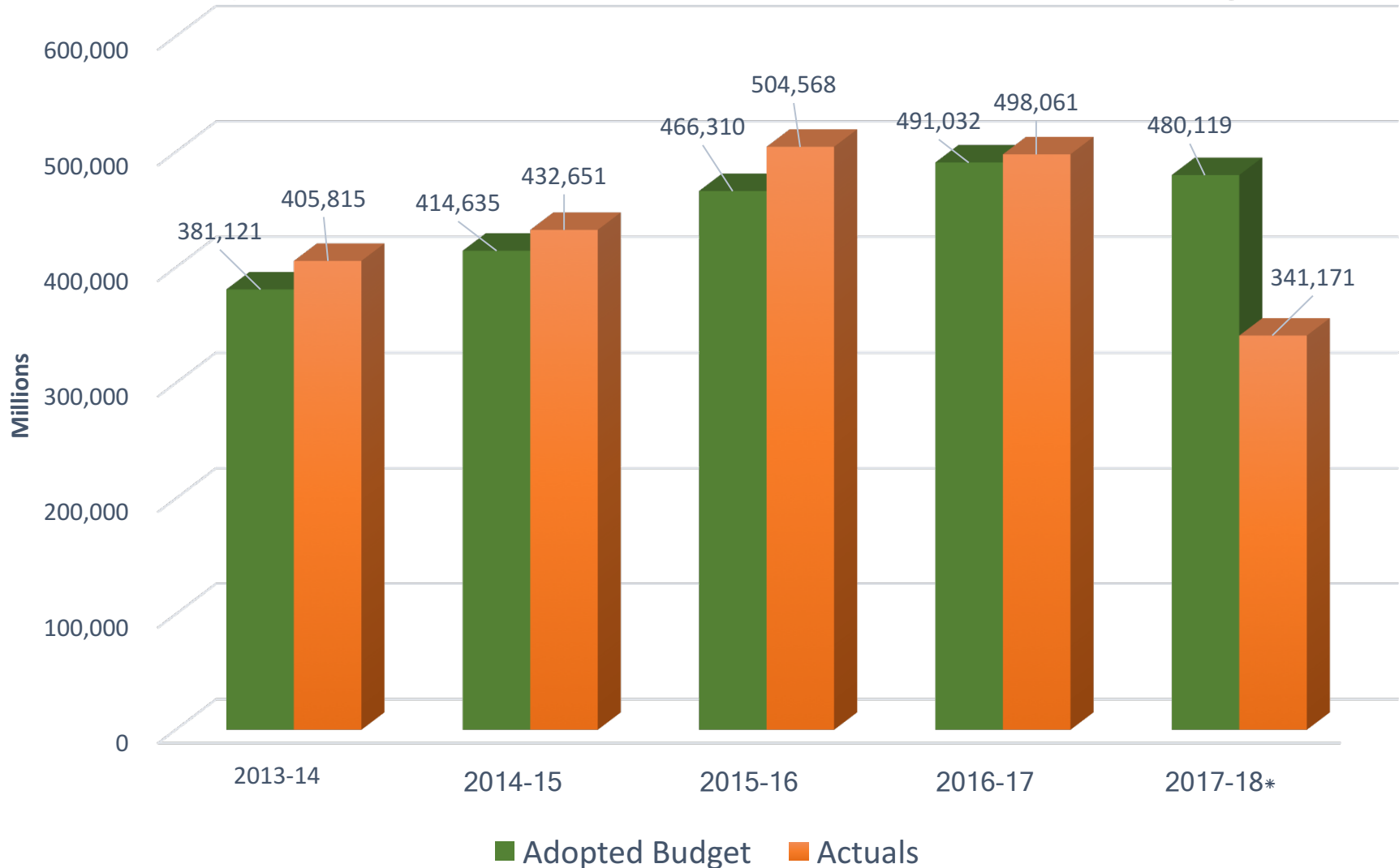
*In order to pay our expenses we have draw from our reserves. This will bring our reserve down to \$34.6M in 2018-19. If this continues, we will wipe out our reserves in 2 years.*



**2% reserve amounts to \$10,762,555 in 2019-20 and \$10,663,864 in 2020-21** <sup>12</sup>

# **How Revenue & Expenses Are Calculated And Projected**

# Adopted Revenue vs. Actual Revenue Based on Independent Financial Audit Findings\*



\* 2017-18 Year-End does not close until late August. Crowe Horwath is the independent auditor.

Source: SCUSD audited financial reports: <http://www.scusd.edu/financial-presentations-information>

# Fluidity Of Budget Decisions Is Why Districts Are Advised By SCOE To Use May Revise Data

June 7 <sup>th</sup>	June 12 <sup>th</sup>	June 13 <sup>th</sup>
May Revise additional LCFF projected to be <b>\$395,472,932</b>	Tentative budget deal reached and LCFF projected to be <b>\$397,268,501</b>	Tentative budget deal reportedly includes an Increase on LCFF-COLA
One time funds projected to be <b>\$13,270,760</b>	One time funds now projected to be only <b>\$6,482,112</b>	Amount of Increase on LCFF-COLA is <b>\$836,585</b>
Total state funding to district projected to be <b>\$408,743,692</b>	Total state funding to district projected to be <b>\$403,750,613</b>	Total state funding to district projected to be <b>\$404,587,198</b>

**Net Loss Compared May Revise \$4.156 M**

# Budget Revenues Are Constantly Changing

2016-17 General Fund Revenues	June 2016 Adopted	October 2016 1 <sup>st</sup> Interim	January 2017 2 <sup>nd</sup> Interim	September 2017 Actuals
TOTAL REVS	\$491,032,371	\$506,945,144	\$511,152,837	\$498,061,477

## The Adopted Budget Revenues are less than 1<sup>st</sup> Interim because:

- The Board adopts its budget based on May Revised projections, but the state budget is not final until June 30<sup>th</sup>. The 1<sup>st</sup> interim is when the final state budget numbers are known (which may include one-time funds) and the district's books are closed for the previous year.
- Changes due to closing the 2015-16 Fiscal Year and including carryover such as \$2M in Title I, \$11.4 M in Emergency Repair Program, \$2.5 in CTE Incentive grant.

## The 2<sup>nd</sup> Interim Revenues do not have much variance with the 1st Interim Revenues because there is more predictability at this point in the cycle. The changes that occurred were because:

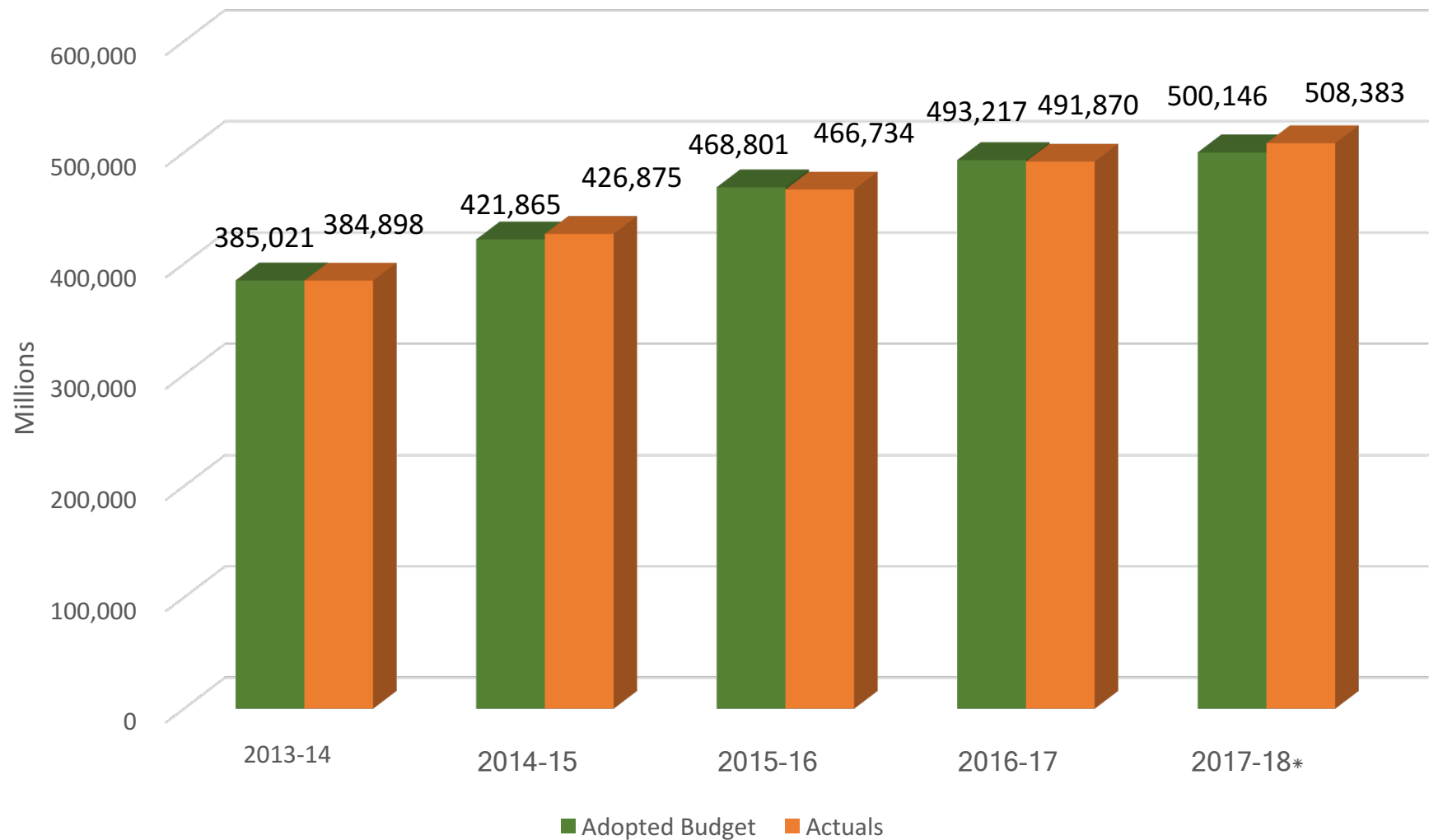
- Budget was adjusted as grants and revenues were received (i.e. \$3.3M SIG grant and \$0.9M in Leases and Rentals)

## The Actual Revenues are different by \$7 million (\$491M vs. \$498M) from the Adopted Budget Revenues because:

- Actual carryover is higher than originally estimated. For example, the carryover for the Emergency Repair funds was originally estimated at \$13.4M. Actual revenue received was \$20.4 M, a difference of \$7M.
- The Actual LCFF is based on final ADA, 38,905.79, numbers instead of estimated ADA, 38,869.70, at adopted, a decrease of \$2.4 M due to a drop in our unduplicated percentage.



# Adopted Expenses vs. Actual Expenses Based On Independent Audit Findings\*



\* 2017-18 shows Actuals and Encumbrances. Crowe Horwath is independent auditor.

**Actual Expenditures are very close to Adopted Budget Expenditures. Actuals Expenditures are greater than adopted budget in four of the five years.**

# Budget Expenses Also Constantly Changing

2016-17 General Fund Expenses	June 2016 Adopted	October 2016 1 <sup>st</sup> Interim	January 2017 2 <sup>nd</sup> Interim	June 2017 Unaudited Actuals
TOTAL EXPENSES	\$493,216,616	\$513,658,427	\$511,635,571	\$491,870,201

**What changed between June 2016 and October 2016 (\$493M v. \$513M):**

- 1<sup>st</sup> Interim reflects State Adopted budget rather than May Revision
- Also includes the 2015-16 Carryover of \$18.3M.

**What changed between October 2016 and January 2017 (\$513.6M v. \$511.6M):**

- Budget was adjusted for salary savings due to vacancies totaling \$4.0M
- When grant funding comes through, such as the \$3.3M SIG grant received after 1<sup>st</sup> Interim, it is recorded on the 2<sup>nd</sup> Interim.

**What changed between June 2016 and June 2017 (\$493.2M v. \$491.8M):**

- Very little variance. Only \$1.3M difference or 0.002%.

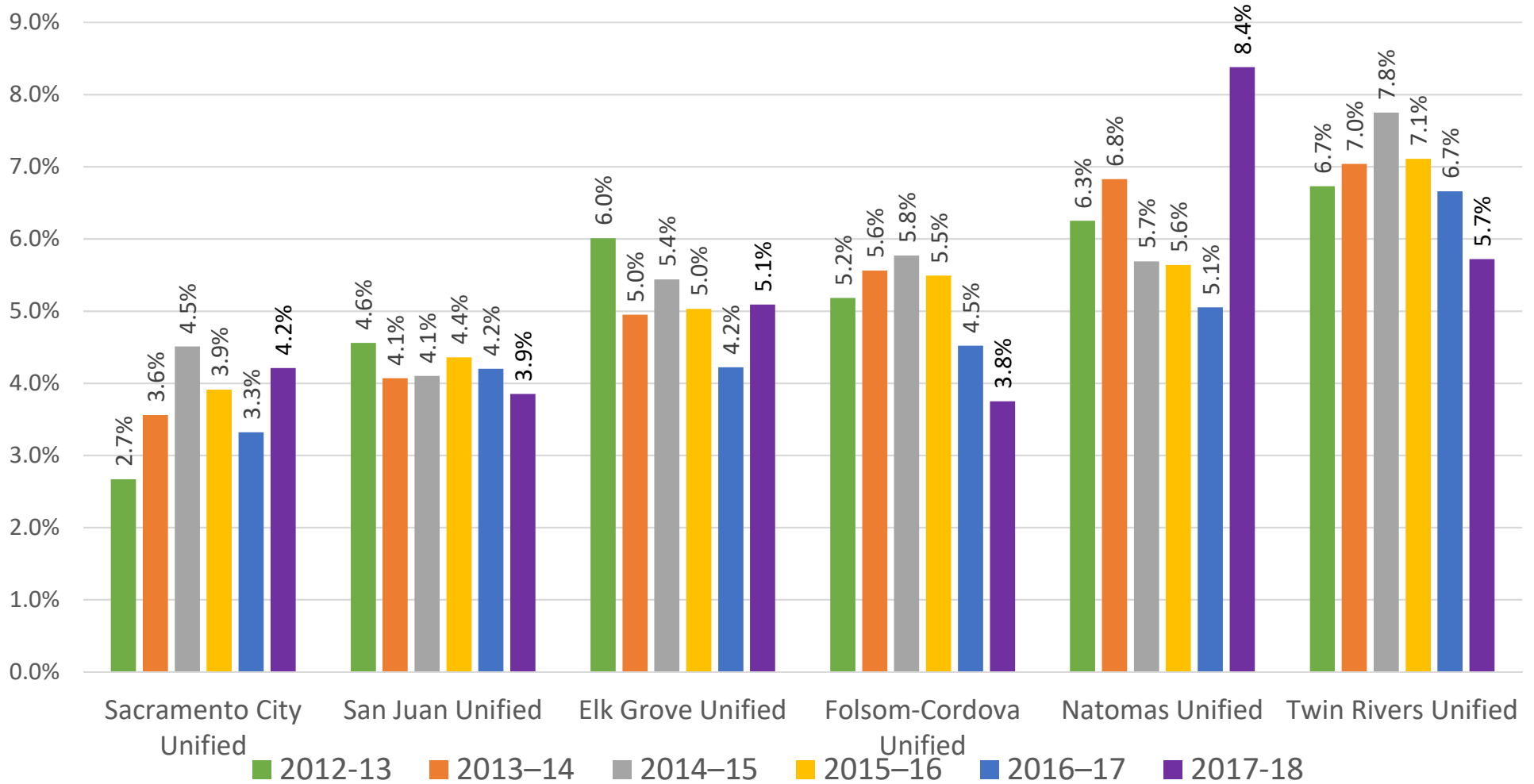
# **Assessment of Revenue Generating and Cost Savings Options**

# Revenue Generating Options – How Likely or Viable is Each?

Revenue Generating Option	Potential Amount of Revenue Increase	How likely or viable of an option is this to help us avoid receivership by 2020-21?
<b>Increasing enrollment by 2018-19</b>	5,485 students would generate over \$28.5 M for the fiscal year to close deficit.	<b>Very unlikely. Would require massive influx of students to the district.</b>
<b>New developments—Delta Shores, Railyards, others.</b>	Nothing until 2028.	<b>Not a viable option. Revenue increases won't materialize until 2028.</b>
<b>Increased revenues and/or one-time funds from the state</b>	Projections for increased LCFF are already calculated in our district projections.	<b>Large increases in future LCFF very unlikely. Cannot depend on this to make projections.</b>
<b>2020 Parcel Tax Increase Measure on Ballot</b>	\$6 million	<b>Not viable short-term solution. If passed, revenues wouldn't arrive in time to avoid receivership.</b>

# **Cost Saving Options for Reducing \$28.5M Deficit for 2018-19**

# Percentage of Administrative Expenses Allocated to Central Office\*



Source: <https://www.cde.ca.gov/fg/ac/ic/documents/icr1415to1819.xlsx>

\*NOTE: Information reported each fiscal year is from 2 years prior.

	2017-18
Percentage of Central Positions	4.2%
Cost of Central Positions	\$ 13,895,247.00

# Amount of External Contract Expenses

**Total Restricted &  
Unrestricted Funds**

**\$2,275,514**

# **2018-19 Budget Recommendations**



# Distribution Of Expenses Per Dollar

81¢ Salaries & Benefits



12¢ Operational Expenses

6¢ Books & Supplies

1¢ Equipment

# Every Dollar Saved Is A Dollar More For Our Students



# Cost of Maintaining Existing Programs

2018 - 2019 Programs we have to fund out of our budget due to loss of funding		
	Amount of Funding Lost	General Funds
Induction Programs	\$ 2,669,988	\$ 1,050,000
New Technology High School	\$ 576,120	\$ 300,000
Luther Burbank High School QEIA	\$ 2,086,996	\$ 800,000
Curriculum & Professional Development	\$ 750,000	\$ 121,000
Student Support Services	\$ 348,503	\$ 64,622
<b>Total Funding to Replace Loss of Funding</b>	<b>\$ 6,431,607</b>	<b>\$ 2,335,622</b>

# Cost Of Maintaining Existing Programs That Cost More In 2018-19

2018 - 2019 Programs we have to fund out of our budget due to loss of funding		
	Amount of Funding Lost	General Funds
Child Development	\$ 1,500,000	\$ 2,345,207
Youth Engagement	\$ 891,400	\$ 1,700,000
Career and Technical Education	\$ 772,306	\$ 850,000
<b>Total Funding to Replace Loss of Funding</b>	<b>\$ 3,163,706</b>	<b>\$ 4,895,207</b>

# Proposed 2018-19 One-Time Investments In Equity, Access and Social Justice

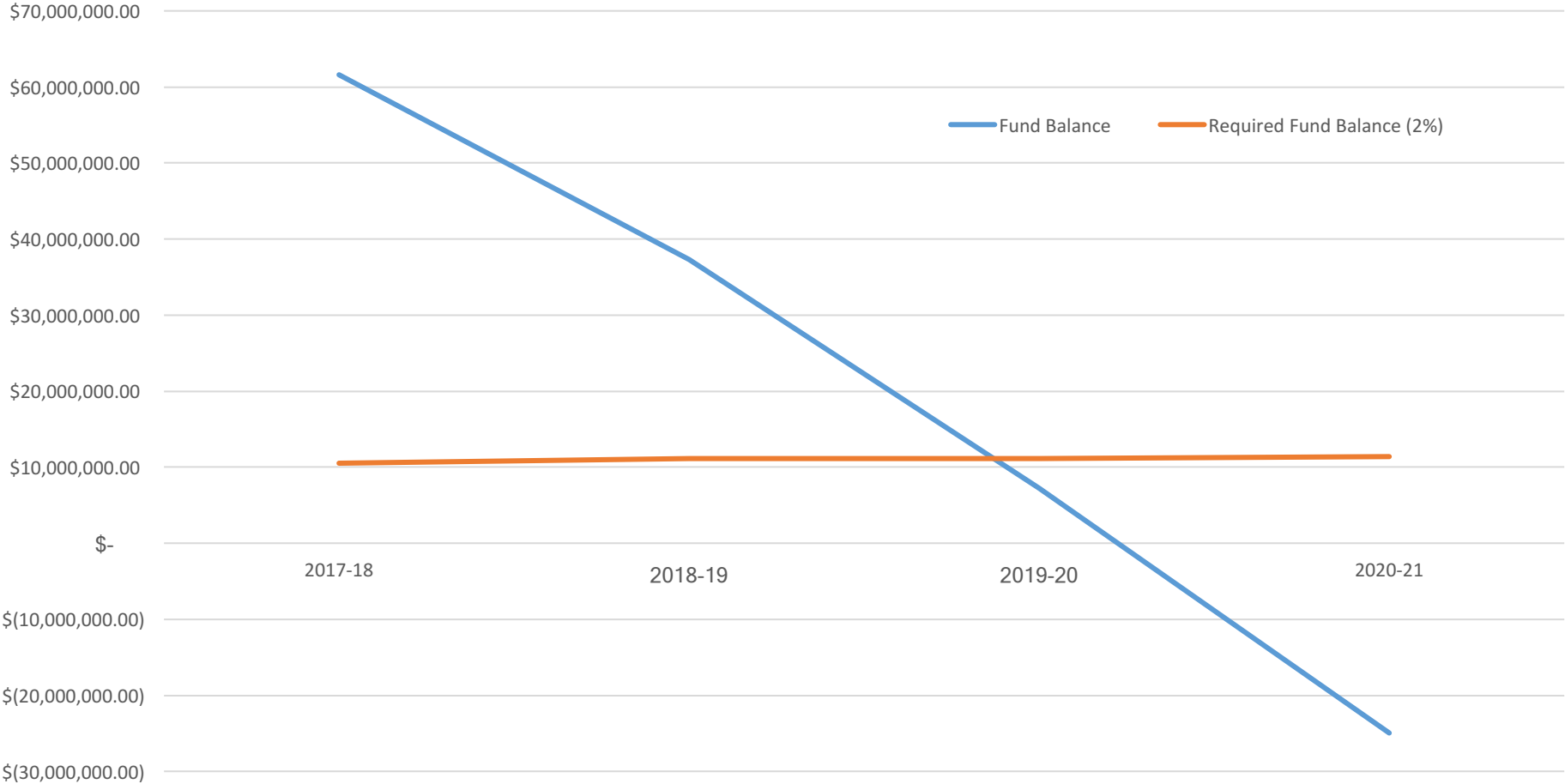
2018 - 2019 Programs added for Equity, Access, and Social Justice Guiding Principle	
Safe Haven – DACA Pipeline Credentialing Program	\$ 50,000
Expanding PSAT & SAT Assessments (Grades 8, 9, 10, 11)	\$ 34,686
Advance Placement and IB Testing (one-time) to offer 1,177 more AP exams to students	\$ 136,030
Student Leadership Conferences	\$ 50,000
Grade Level Readiness Initiative (i.e. Grad Task Force, Low-Performing/High-Risk Student Interventions)	\$ 350,000
<b>Total Investments Added</b>	<b>\$ 620,716</b>

# 2018-19 Proposed Expense Reductions

## Areas where cost savings can be achieved by increasing reductions

Eliminating Expanded Learning Summer Program	\$	3,000,000
Central office hiring freeze	\$	500,000
Dual Immersion-Bilingual Aides Title 1 Funding Shift	\$	360,000
Central office position cuts	\$	165,000
Student services (travel & other non-service related costs)	\$	150,000
Administrative mentorship	\$	100,000
HR recruitment budget	\$	5,000
<b>Total Reductions</b>	<b>\$</b>	<b>4,280,000</b>

# Long-Term Fund Balance Projections with 2018-19 Reductions



	Revenues	Deficit/Surplus	Fund Balance	Required Fund Balance (2%)
<b>2017-18</b>	\$ 510,017,684.00		\$ 61,597,938.00	\$ 10,518,519.44
<b>2018-19</b>	\$ 531,028,304.00	\$ (24,256,611.00)	\$ 37,341,327.00	\$ 11,105,698.30
<b>2019-20</b>	\$ 525,834,985.00	\$ (30,080,365.00)	\$ 7,260,962.00	\$ 11,118,307.00
<b>2020-21</b>	\$ 537,150,366.00	\$ (32,218,301.00)	\$ (24,957,339.00)	\$ 11,387,373.34

# Next Steps

- ❖ Budget revenue projections will be updated after final state budget is signed by the Governor.
- ❖ District will close 2017-18 Fiscal Year and add any carryover.
- ❖ District has 45 days after adopting a budget to revise it based on the Governor's final signed budget and other changes.