Sacramento City Unified School District

2020-21 Third Interim Budget

Board Meeting
May 20, 2021
Agenda Item No. 10.1

Budget Presentation Agenda

Sacramento City Unified School District

- Financial Reporting Requirements & District's Fiscal Status
- Third Interim 2020-21 Budget Changes since Second Interim 2020-21 Budget
- Multi-Year Projections
- Budget Calendar
- FCMAT Matrix Update
- CARES Funds
- May Revise
- Summary

California School District Financial Reporting Requirements

- Education Code 42130 – Requires school districts 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.

Sacramento City Unified School District

District's Fiscal Status

- District 2020-21 Revised Adopted Budget disapproved by SCOE
  - Due to 2022-23 Unrestricted General Fund negative ending balance and continued deficit spending
- District is projecting deficit spending in 21-22 and 22-23
  - Cash Flow continues to diminish
  - Fiscal Recovery Plan
  - Sacramento Office of Education (SCOE) Fiscal Advisor will remain assigned until deficit reduction plan is achieved
  - Stay and Rescind Authority

Summary of Changes
2020-21 Third Interim Report

- Total Revenues increased by $12.3M primarily due to budgeting the In Person Instruction Grant of $11.7M
- Increase of $11.4M in 1X expenditures
  - Increase in restricted salaries and benefits to pay out stipends related to MOUs with labor partners
  - Increase in services and operating costs as well as capital outlay due to budgeting for COVID related purchases
- Decrease of $6M unrestricted expenditures for 1X savings
- Cash Flow positive through June 2021
- Revised Multi-Year Projections will meet the required 2% reserve for 2022-23
  - Deficit spending is not eliminated, projected $27.5M deficit

2020-21 Third Interim Financial Report Compared to Second Interim Financial Report

2020-21 Third Interim Budget			
Description	**Unrestricted**	**Restricted**	**Total**
Total Revenues	424,486,724	193,302,188	617,788,912
Total Expenditures	325,195,686	284,931,733	610,127,418
Excess/(Deficiency)	99,291,038	(91,629,544)	7,661,494
Other Sources/Uses	(88,395,361)	89,509,863	1,114,503
Net Increase/(Decrease)	**10,895,678**	**(2,119,681)**	**8,775,997**
Add: Beginning Fund Balance	84,699,103	8,349,508	93,048,611
Ending Fund Balance	**95,594,781**	**6,229,827**	**101,824,608**

2020-21 Second Interim Budget			
Description	**Unrestricted**	**Restricted**	**Total**
Total Revenues	424,408,422	181,056,076	605,464,498
Total Expenditures	331,260,482	267,449,969	598,710,451
Excess/(Deficiency)	93,147,940	(86,393,894)	6,754,047
Other Sources/Uses	(88,395,361)	89,509,863	1,114,503
Net Increase/(Decrease)	**4,752,580**	**3,115,970**	**7,868,549**
Add: Beginning Fund Balance	84,699,103	8,349,508	93,048,611
Ending Fund Balance	**89,451,682**	**11,465,478**	**100,917,160**

Changes Since 2020-21 Second Interim

	Change in 2020-21 Since Second Interim Budget		
	Unrestricted	**Restricted**	**Combined**
Revenue			
General Purpose	0	0	0
Federal Revenue	0	281,994	281,994
State Revenue	0	11,940,786	11,940,786
Local Revenue	78,302	23,332	101,634
Total Revenue	**78,302**	**12,246,113**	**12,324,415**
Expenditures			
Certificated Salaries	(1,477,465)	3,246,519	1,769,055
Classified Salaries	(498,170)	5,483,305	4,985,135
Benefits	(1,920,552)	861,137	(1,059,414)
Books and Supplies	(1,547,674)	(2,571,029)	(4,118,703)
Other Services & Oper. Expenses	(11,062)	8,737,326	8,726,263
Capital Outlay	76,370	1,156,625	1,232,995
Other Outgo 7xxx	0	0	0
Transfer of Indirect 73xx	(686,243)	567,880	(118,363)
Total Expenditures	**(6,064,796)**	**17,481,763**	**11,416,967**
Deficit/Surplus	6,143,098	(5,235,651)	907,447
Other Sources/(uses)	0	0	0
Transfers in/(out)	0	0	0
Contributions to Restricted	0	0	0
Net increase (decrease) in Fund Balance	**6,143,098**	**(5,235,651)**	**907,447**
Revolving/Stores/Prepaids	(200)	0	(200)
Reserve for Econ Uncertainty (2%)	228,339	0	228,339
Restricted Programs	0	(5,235,651)	(5,235,651)
Unappropriated Fund Balance	**5,914,959**	**(0)**	**5,914,959**

2020-21 Third Interim Changes in Current Year Unrestricted Revenues

- Increase in local revenue of $78K
- LCFF revenue calculated on Second Interim projections and remains unchanged

2020-21 Third Interim Changes in Current Year Unrestricted Expenses

- Decrease Salaries and Benefits $3.9M 1X savings/adjustments
- Decrease Supplies & Services $1.5M 1X savings/adjustments
- Additional Costs
  - Capital Outlay increase of $76K
  - Indirect Cost decrease of $686K due to restricted program adjustments

2020-21 Third Interim Changes in Current Year Restricted Revenues

- Increase in Federal Revenue of $282K
  - Increase in IDEA funding, Carl Perkins and federal programs
- Increase in projected State Revenue $11.9M
  - Primarily due to budgeting of In Person Instruction grant
- Increase in projected Local Revenue $23K
  - Adjusted to reflect one-time donation funds

2020-21 Third Interim Changes in Current Year Restricted Expenses

- Increase Salaries and Benefits $9.6 1X
  - Adjustment to pay out stipends related to MOUs with labor partners
- Increase in supplies and services of $6.1M for 1x budget adjustments
- Additional Costs
  - Capital Outlay increase of $1.1M – adjustment for CARES/COVID related purchases
  - Indirect Cost increase of $568K to align with increased restricted revenues and program changes

Multi-Year Projection Assumptions

Unrestricted Revenues

- 21-22 Projected 3.84% COLA for LCFF
- 22-23 Projected 1.28% COLA for LCFF
- Prior to COVID-19 enrollment was projected to decline by approximately .5% or 200 students each year
- Current enrollment is trending significantly lower than projected at approximately 39,000, about 1,405 less students or a 3.5% decline
- Projections after next year include a 1% decline

Restricted Revenues

- 21-22 & 22-23 Remove 1X COVID-19 Relief Funds, Expiring Programs like SIG, & Carryover

Multi-Year Projection Assumptions

Expenditure Changes Over 2021-22 and 2022-23

- Increase in step & column projected $2M each year for certificated and $400K for classified
- Adjust contribution for STRS and PERS – total projected $2.1M in 21-22 & $3M in 22-23
- Increase in Health 0% estimated for certificated and 8.5% for classified – total projected $1.5M in 21-22 & 8% estimated for all in 22-23 $4.7M
- Increase in Unemployment Insurance in 21-22 and 22-23 of $3M
- Adjusted Books & Supplies in both years to remove 1X expenses textbooks, remove 1X COVID-19 Expenditures (CARES Funded) and remove expiring resources expenses (SIG) and 1X Carryover (Title I)
- Increases in Special Education total projected $18.4M ($11M FY 21-22 & $7.4M FY 22-23)

General Fund Multi-Year Projections

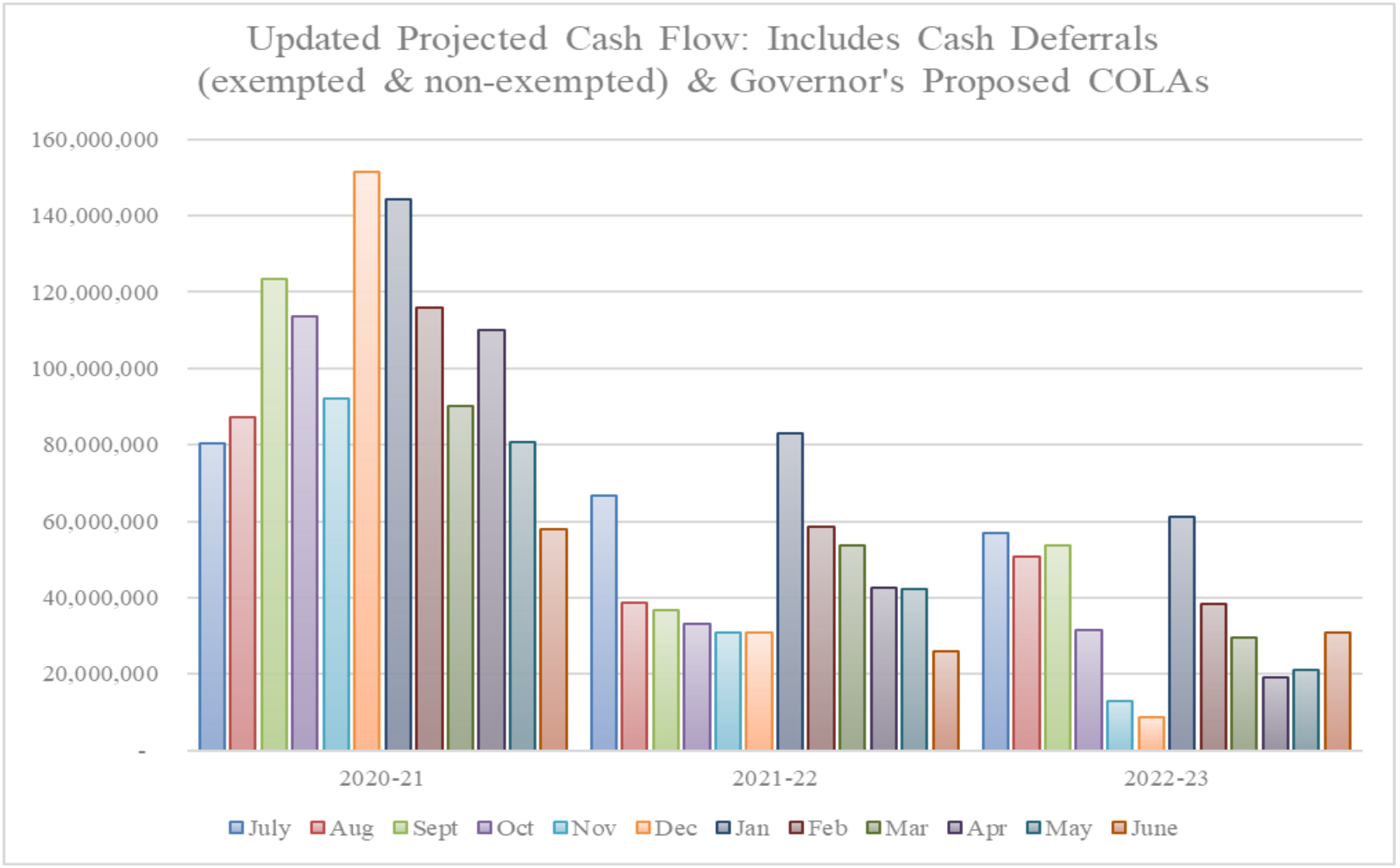
Multi-Year Projection (Total GF)			
Description	**Proposed 2020-21**	**Projected 2021-22**	**Projected 2022-23**
Total Revenues	617,788,912	557,495,038	543,052,196
Total Expenditures	610,127,418	576,825,176	570,549,693
Excess/(Deficiency)	**7,661,494**	**(19,330,138)**	**(27,497,497)**
Other Sources/Uses	1,114,503	1,678,503	1,678,503
Net Increase/(Decrease)	8,775,997	(17,651,635)	(25,818,994)
Add: Beginning Fund Balanc	93,048,611	101,824,608	84,172,972
Ending Fund Balance	**101,824,608**	**84,172,972**	**58,353,978**

Multi-Year Projections Include:

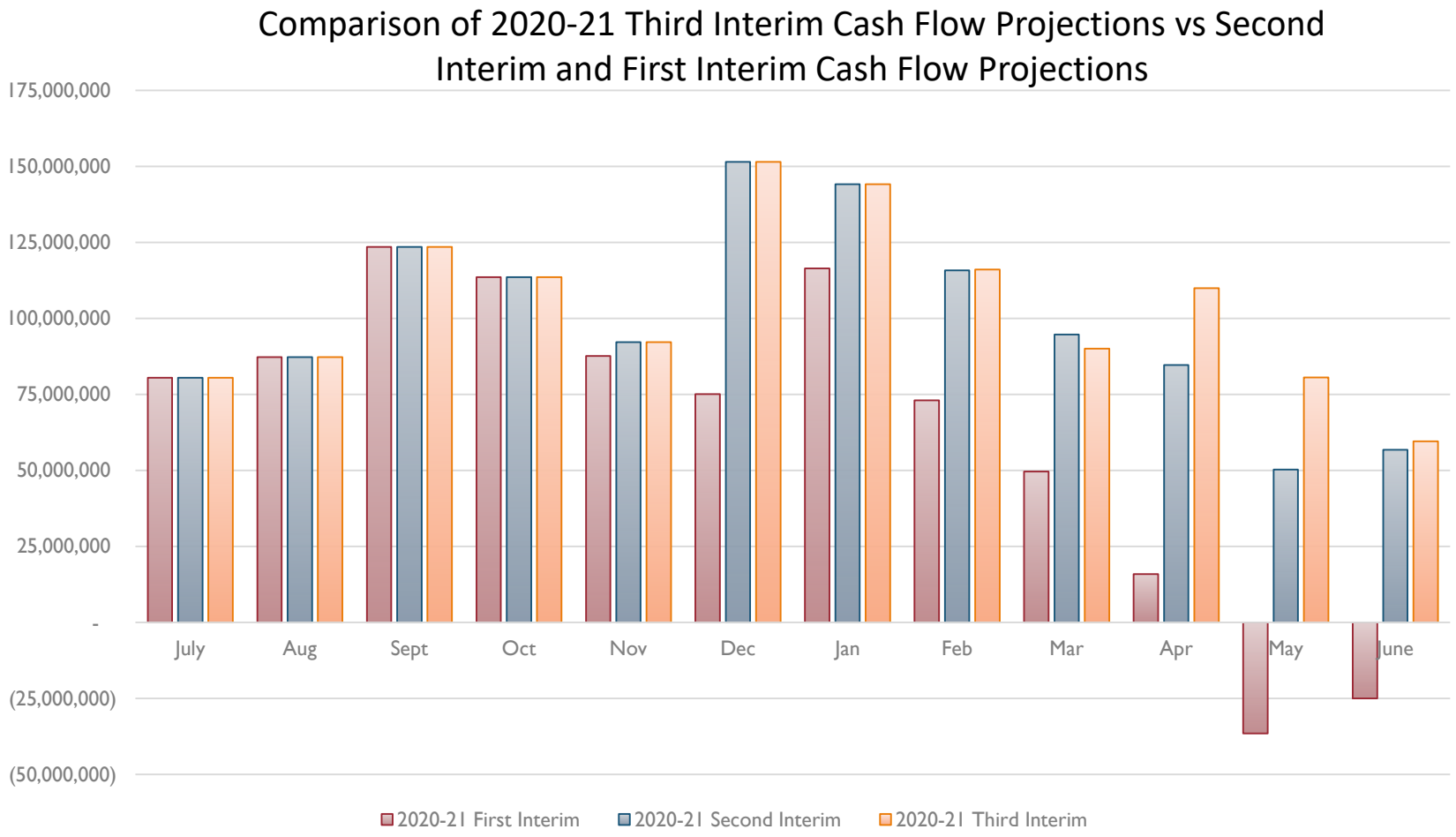
- 3.84% COLA for 2021-22
- 1.28% COLA for 2022-23

The target to eliminate deficit spending is $27.5M

Multi-Year Cash Flow Projection



Cash Flow Comparison



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 $75M based on the 2020-2021 Third Interim Financial Report.

2020-2021 Budget Calendar and Timeline

Sacramento City Unified School District

2020-2021 Budget Calendar and Timeline

Board Date	Compliance Date	Action/Board Item
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)
April		Classified Lay Off Notices, as Needed
April	April 24, 2020	P2 Report
May (2nd Board Meeting)		Board Discussion of the Projected "May Revise"
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
August		Interfund Transfers Resolution
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)
December	December 15, 2020	Board Approval of First Interim Report and Revised Budget (will include FCMAT Update and Budget Calendar)
March	March 31, 2021	Presentation of Independent Audit Report

Fiscal Crisis Management Assistance Team (FCMAT) Fiscal Health Risk Analysis Update

- Fiscal Health Risk Analysis conducted October 2018
- 60 deficiencies were identified
- Provided recommended corrective actions
- Matrix used to track District's progress in implementing corrective actions
- Regular updates presented with Interim Financial Reports
- Matrix is available on District website

FCMAT Updates Presented	Number Identified FCMAT Findings	FCMAT Findings Updated this period	FCMAT Findings Completed this period	FCMAT Findings Completed	FCMAT Findings Remaining
February 28, 2019	60	28	0	0	60
April 11, 2019	60	18	18	18	42
June 13, 2019	60	23	1	19	41
July 23, 2019	60	10	0	19	41
November 20, 2019	60	31	7	26	34
December 19, 2019	60	0	0	26	34
March 19, 2020	60	26	1	27	33
May 8, 2020	60	36	*1	26	34**
December 10, 2020	60	28	1	27	33
March 18, 2021	60	21	3	30	30
May 20, 2021	60	20	0	30	30

*one item was moved to "completed" status while another item was moved from "complete" to "in progress".

**two items were moved from "completed" status to "in progress" during the May 8, 2020 update.

The next update will be presented with 2020-21 Unaudited Actuals.

COVID Mitigation Relief Funds

Funding Overview

Resource	Short Description	Description	Allocation	Expiration Date
7388	SB117	SB117 COVID Relief	666,159	
3220	CR	Coronavirus Relief Funds	34,085,392	5/31/2021
7420	GF	General Fund	3,497,424	6/30/2021
3210	ESSER	Elementary and Secondary School Emergency Relief I	15,858,535	9/30/2022
3215	GEER	Governor's Emergency Education Relief	2,855,750	9/30/2022
3212	ESSER II	Elementary and Secondary School Emergency Relief II	67,632,182	9/30/2023
NA	ESSER III*	Elementary and Secondary School Emergency Relief III	147,157,259	9/30/2024
7425 & 7426	ELO	Expanded Learning Grant	28,585,878	8/31/2022
7422	IPI**	In Person Instruction	11,653,130	8/31/2022

*ESSER III funds are estimated per Ed Source and pending official notification.

**Estimated In Person Instruction allocation.

Board Workshop Scheduled for June 2021

May Revision—Big Picture – Leilani Aguinaldo

Director, Governmental Relations

- $17.7 billion more in Proposition 98 compared to the January Governor's Budget proposal
- Total amount in Public School System Stabilization Account of $4.6 billion
  - Triggers statutory cap on local reserves in fiscal year 2022–23
- Remaining deferral balance of $2.6 billion
- STRS and PERS Employer Rate Increases
- Special Education funding increase to base

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Cost-of-Living Adjustments

COLA	Programs
5.07% (mega)	Local Control Funding Formula
4.05% (compounded)	Special education
1.70% (statutory)	Other categorical programs—Child Nutrition, State Preschool, Youth in Foster Care, Mandate Block Grant, Adults in Correctional Facilities Program, American Indian Education Centers, and the American Indian Early Childhood Education Program

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Proposed Investments

Program	Amount
Reducing adult-to-student ratios (65% concentration grant augmentation)	$1.1 billion
Targeted Intervention Grant	$2.6 billion
In-Person Instruction Health and Safety Grant	$2 billion
Expanded Learning Time (after school and summer school)	$1 billion in 2021–22, increasing to $5 billion in 2025–26
Community Schools	$3 billion
Educator workforce	$3.3 billion total
Universal Transitional Kindergarten (UTK)	$900 million in 2022–23, increasing to $2.7 billion in 2024–25
UTK staff to reduce TK ratios	$380 million in 2022–23, increasing to $740 million in 2024–25
School Nutrition	$150 million

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May Revise Proposed COLAs

- Proposed LCFF COLA 5.07% $5M approx.
- Special Ed COLA 4.05% for AB 602 $1M approx.
- 3rd Interim Excludes:
  - Actual balances (available after books are closed)
  - Expanded Learning Opportunities Grant
  - ESSER II/ESSER III Additional Federal Relief (above CARES)

Multi-Year Projections (MYP)
Assuming +5.07% LCFF COLA & +4.05% Special Ed

- LCFF increase of $5M per year for 21-22 and 22-23
- AB602 increase of $1M per year for 21-22 and 22-23

	Projection 2021-22 Combined	Projection 2022-23 Combined	Projection 2023-24 Combined
Total Revenue	563,451,172	549,005,017	551,217,033
Total Expenditures	576,825,176	570,549,693	586,827,357
Deficit/Surplus	(13,374,004)	(21,544,676)	(35,610,324)
Ending Balance	90,129,106	70,262,933	36,331,111

Ending Balance before 2% required reserve approx. $12M

Potential Future Risk/Opportunity

Risks

- Uncertainty regarding the State Budget and fiscal impact on K12 Districts
- Significant decline in enrollment

Opportunities

- Improved State Budget and funding for K12 Districts
- Recover enrollment
- Fiscal Recovery Plan sufficient to restore the District's fiscal stability

Summary

- District has implemented more than $50 million in ongoing and 1X reductions
- 2/4/21 Board Approved Fiscal Recovery Plan $4.5M
- A $27.5 million ongoing solution is required to achieve fiscal solvency
- Next reporting period is Adopted Budget in June 2021

Q & A Third Interim Budget