



SACRAMENTO CITY UNIFIED SCHOOL DISTRICT BOARD OF EDUCATION

Agenda Item 9.4

Meeting Date: June 20, 2019

Subject: Adopt Proposed Fiscal Year 2019-20 Budget for All Funds and Education Protection Account

- Information Item Only
- Approval on Consent Agenda
- Conference (for discussion only)
- Conference/First Reading (Action Anticipated: _____)
- Conference/Action
- Action
- Public Hearing

Division: Business Services

Recommendation: Adopt the proposed 2019-20 Budget for all funds presented as a Public Hearing Item at the June 6, 2019 Board Meeting.

Background/Rationale: At the June 6, 2018 Board meeting, a public hearing was conducted on the proposed 2019-20 budget for all funds. Administration is now requesting action to adopt the proposed budget. As indicated at the prior Board meeting, by June 30th of each year, the school district must adopt a budget for all funds for the ensuing fiscal year. Prior to adoption of the budget, the Board must conduct a public hearing. This is in accordance with state prescribed procedures for single budget adoption, which require that the budget be adopted and submitted to the County Office of Education on state required forms by June 30th. The 2019-20 Budget establishes expenditure authority for the district to conduct business for the next fiscal year.

The proposed 2019-20 budget is based on the May Budget Revision that was presented by the Governor on May 9, 2019 and incorporates recommendations from the Sacramento County Office of Education. While the Governor's May Budget Revision is a very significant event in the process, the final impact to the District will not be known until the State budget is signed. School districts have 45 days after the final State budget is signed to amend and resubmit their budget. The proposed 2019-20 budget takes into consideration the priorities from stakeholders as discussed at the LCAP presentations, some of Superintendent Initiatives and budget committee meetings.

Per the public notice, the proposed 2019-20 budget completed were available for viewing on June 3, 2019 at the District office. In addition, the proposed 2019-20 budget was posted to the website, June 3, 2019 around 7:00 PM.

Financial Considerations: The proposed budget establishes expenditure authority for all funds.

LCAP Goal(s): Family and Community Empowerment; Operational Excellence

Documents Attached:

1. Executive Summary
2. Adopted Budget Summary All Funds

Estimated Time of Presentation: 20 minutes

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Amari Watkins, Director, Accounting Services

Approved by: Jorge A. Aguilar, Superintendent

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I. OVERVIEW/HISTORY:

This document provides an overview of the budget process and a timeline used in preparing the 2019-2020 Proposed Budget. The Governor's Budget Proposal for 2019-2020 was first released on January 10, 2019. The 2019-2020 Proposed Budget is based on the Governor's May Revise that was recently released on May 9, 2019, as this is the last fully vetted information available and it is advised by School Services of California, as well as common practice for districts, that these be the assumptions that are used when adopting a final budget. The Proposed Fiscal Year 2019-2020 Budget was presented at the June 6th Board Meeting and the budget documents were made available to the public on June 3rd at the District Office and on the district website.

The 2019-2020 Adopted Budget incorporates recommendations from the Sacramento County Office of Education (SCOE), the Superintendent and input from stakeholders. The Superintendent took seriously the recommendations made by the Local Control Accountability Plan (LCAP) Advisory Committee and the Board of Education. Staff will continue to closely monitor the state budget situation and will incorporate any changes, if needed, from the final State Budget in a budget revision in August 2019.

Detailed information for the 2019-2020 Proposed Adopted Budget and the multi-year projections were presented and discussed at the June 6, 2019 Board meeting, and a Public Hearing was held at that time. All information remained the same as is posted on the District's website. The information is provided for the Board of Education at the end of the summary.

Budget Updates:

- On December 6th - Staff presented a budget timeline and process for preparing the 2019-2020 Adopted Budget that aligns with the LCAP. The process of developing a school district budget is an ongoing function that must be addressed by the Board of Education and administration throughout the school year.
- *One Stop Staffing* - During the months of January and February, the Academic, Budget and Human Resources teams met with each school and central departments to develop the budget for 2019-2020. During these *One Stop Staffing* meetings, the budget for the current year was reviewed as well as the proposed staffing levels for the upcoming school year.
- February/March - Reduction in Force resolutions were approved by the Board of Education that included adjustments for certificated and classified positions based on *One Stop Staffing* and other management positions.

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- April/May – Presentations were made to the Board of Education on the proposed staffing levels at schools, school allocations and possible program reductions.
- On June 6th – Staff presented the Proposed Fiscal Year 2019-2020 Budget.
- Ongoing Weekly Meeting between the District, SCOE, and the SCOE Fiscal Advisor to collaborate and discuss the expectations of the budget for 2019-2020 and beyond.

II. Driving Governance:

- Education Code section 42127 requires the Governing Board of each school district to adopt a budget on or before July 1st. Article XIII section 36(e)(6) requires the Governing Board to approve Education Protection Account proposed expenditures in open session of a public meeting. The budget to be adopted shall be prepared in accordance with Education Code section 42126. The adopted budget shall be submitted to the County Office of Education. The County Office of Education will determine if the district will be able to meet its financial obligations during the fiscal year and ensure a financial plan that will enable the district to satisfy its multi-year financial commitments.

III. Budget:

Following the Executive Summary is a chart that summarizes the 2019-2020 Proposed Adopted Budget for All Funds.

IV. Goals, Objectives and Measures:

Adopt the 2019-2020 Proposed Budget at the June 20, 2019 Board meeting.

V. Major Initiatives:

- Adopt the 2019-2020 final Proposed Budget at the June 20, 2019 Board meeting.
- Continued analysis of information from the State and its impact on the District's budget.
- Budget Revision within 45 days from signing of State Budget, if needed.

VI. Results:

Budget development for 2019-2020 has followed the timeline approved by the Board. With the adoption of the 2019-2020 Proposed Budget, the expenditure authority for 2019-2020 will be in place and the June 30, 2019 timeline will be met.

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VII. Lessons Learned/Next Steps:

- Continue to monitor the State budget and its impact on District finances.
- Continue to obtain stakeholders' input, follow the LCAP process and meet with bargaining units to seek cost reductions and long-term budget savings.

Additional Information on Budget Services 2019-2020 Financial Documents

Per the Board's request, the following information has been made available on the website:

<https://www.scusd.edu/2019-2020-fiscal-year>

- 1) Program Impact Sheets and Justification Statements for Reinstating Positions for nine management positions included to be retained in the 2019-2020 budget.
- 2) School Staffing and Budget Allocations – This document outlines the staffing parameters utilized to determine the staffing levels based on the school type and projected enrollment at each site.
- 3) Staffing Allocations for Teacher Positions by School Site – These reports show the projected enrollment for 2019-2020, and teacher positions based on the proposed enrollment. In addition, the report shows the additional teacher positions provided above the staffing parameter levels that are funded with Supplemental/Concentration funds or Title I funds totaling approximately 90 positions.

Below is the information included in the 2019-2020 Proposed Adopted Budget presented at the June 6, 2019 Board meeting.

Governor's Revised State Budget Proposal - "May Revision"

Governor Newsom released his proposed Revised State budget on May 9th for the upcoming 2019-2020 fiscal year. Due to strong April tax revenues, the Governor was able to preserve the majority of his proposals and continue his "California for All" vision from January. The Governor's budget, while not forecasting a recession, is based on conservative economic and revenue assumptions. However, as in prior years, the May Revision emphasizes that continued economic growth is dependent on consumer spending, which relies heavily on wage and salary increases, as well as investments. Even though a recession is not forecasted, the May Revision includes an additional \$1.2 billion deposit into the Rainy Day Fund, which results in the reserve balance being \$16.5 billion in 2019-2020; projecting to reach its constitutional cap of 10% of General Fund revenues in 2020-2021. Additionally, the May Revision also proposes a deposit of \$389 million into the Public School System Stabilization Account.

For 2019-2020, this Proposition 98 guarantee continues to be funded based on approximately

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38% (education's portion) of the State's General Fund revenues. Therefore, the May Revision proposes a Proposition 98 guarantee of \$81.1 billion, which is an increase of \$389.3 million from the Governor's January Budget.

LCFF Cost-of-Living-Adjustment (COLA): Funding for the Local Control Funding Formula (LCFF) is in its second year of being funded at target levels (i.e. 100% of full implementation), and is expected to increase by \$1.96 billion based on a 2019-2020 cost-of-living-adjustment (COLA) of 3.26%; slightly lower than January's estimate of a 3.46% COLA (\$2 billion increase). Illustrated below is a comparison of the COLA percentages:

	2018-19	2019-20	2020-21	2021-22
Annual COLA – Enacted (June 2018)	3.70%*	2.57%	2.67%	3.42%
Annual COLA – Proposed (January 2019)	3.70%*	3.46%	2.86%	2.92%
Annual COLA – Revised (May 2019)	3.70%*	3.26%	3.00%	2.80%

* COLA relating to programs other than LCFF is 2.71%

One-Time Discretionary Funding: Unlike in past years, the 2019-2020 May Revision does not propose any one-time Proposition 98 discretionary funding, which remains unchanged from the Governor's January proposal.

Additional 2019-2020 Proposed Budget Components: Additional components of the Governor's 2019-2020 budget contains the following:

- In addition to the COLA impacting the LCFF, the COLA also impacts other education programs that are funded outside of the LCFF (i.e. mandate block grant, special education, preschool, child nutrition, etc.). Cash flow payments from the state utilize the normal appropriation schedule.
- STRS employer contribution rates were decreased per May Revise from 17.10% to 16.70% for 2019-2020 and 18.1% for both 2020-2021 and 2021-2022.
- PERS employer contribution rates were increased by the PERS board in April 2019 from 20.70% to 20.733% in 2019-2020 and 23.40% to 23.6% in 2020-2021 and 24.9% in 2021-2022.
- Special Education - The Governor's May Revision proposes an increase to the January Special Education Concentration Grant proposal which is estimated at \$15 million in ongoing and \$4 million in one-time funding for the District. These funds are not included in the 2019-2020 Proposed Budget as there is ongoing discussion whether these funds will be included in the final State Budget as proposed and has been rejected by the Assembly and Senate Education Committees.

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The assumptions utilized for the 2019-2020 Proposed Budget include the provisions outlined above. Additional assumptions include projected enrollment, changes in benefit rates, indirect rates, and changes in the District's health contribution. Below is a summary version of the multi-year report included in the SACS report. This report includes all the reductions made in 2018-2019 and any Board approved reductions for future years. It also assumes no other reductions are made. The report shows the District will have a negative ending balance in 2021-2022 if no other reductions are made. The District must both eliminate the deficit spending and have at least the state-mandated reserves of 2%. A recommended plan that eliminates deficit spending and maintains a reserve of 4% is also included.

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SACS Summary Unrestricted General Fund 2018/19-2021/2022

	Projected 2018/19	Proposed 2019/20	Projected 2020/21	Projected 2021/22
Ongoing Funds				
Revenues	\$415.75	\$427.99	\$436.28	\$445.01
-Contributions	\$82.30	\$98.14	\$105.46	\$112.77
- Expenses, Sources/Uses	\$346.71	\$342.20	\$349.81	\$356.21
- Supplemental/Concentration Expanded Progr	\$0.00		\$2.06	\$1.59
Ongoing Net Change in Fund Balance	(\$13.26)	(\$12.35)	(\$21.05)	(\$25.56)
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	\$54.11	\$41.76	\$14.71
Ending Balance	\$54.11	\$41.76	\$14.71	-\$14.85
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	\$47.57	\$35.22	\$14.17	-\$15.40
Required Ongoing Reductions				
Change in Reserve	(\$12.36)	(\$12.35)	(\$21.05)	(\$29.56)
Reserve level	8.54%	6.44%	2.48%	-2.63%

Summary Recommendation

On the following page is a multi-year plan that maintains a 4% reserve level for all years and eliminates deficit spending. The Board should consider adopting a reserve policy that outlines required reserve levels for both stable and unstable economic times.

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Recommended Plan For Unrestricted General Fund 2018/19-2021/2022

	Projected 2018/19	Proposed 2019/20	Projected 2020/21	Projected 2021/22
Ongoing Funds				
Revenues	\$415.75	\$427.99	\$436.28	\$445.01
-Contributions	\$82.30	\$98.14	\$105.46	\$112.77
- Expenses, Sources/Uses	\$346.71	\$342.20	\$333.81	\$330.21
- Supplemental/Concentration Expanded Progr	\$0.00		\$2.06	\$1.59
Ongoing Net Change in Fund Balance	(\$13.26)	(\$12.35)	(\$5.05)	\$0.44
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	\$54.11	\$41.76	\$30.71
Ending Balance	\$54.11	\$41.76	\$30.71	\$27.15
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	\$47.57	\$35.22	\$30.17	\$26.60
Required Ongoing Reductions			\$16.00	\$10.00
Change in Reserve	(\$12.36)	(\$12.35)	(\$5.05)	(\$3.56)
Reserve level	8.54%	6.44%	5.43%	4.63%

After consideration of these factors, the Multi-Year Report indicates that the District must make ongoing adjustments of \$16 million no later than July 1, 2020 and an additional \$10 million in ongoing adjustments no later than July 1, 2021 to eliminate the ongoing deficit spending, maintain a reserve level of 4%, and maintain a positive cash balance. This reduction timeline provides the District time to work with their labor partners on a negotiated solution to address the deficit spending and address the high cost of health care.

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Any reductions made earlier than this timeframe significantly reduces the amount of adjustments that would be needed.

Estimates for 2018-2019

In preparation of the 2019-2020 Proposed Budget, an analysis was completed to estimate the 2018-2019 ending balance. The Third Interim projected a net Unrestricted General Fund ending balance of \$44.69 million. The revised projected Unrestricted General Fund ending balance is \$47.57 million. The difference is due mainly to the following components:

- Recognition of local income for services the District provides to independent charters of \$1.5 million
- Increase in Special Education revenue based on latest attendance and AB602 projected funding levels of \$1.2 million

Assigned Funds

The 2018-2019 Ending Fund Balance includes designated funds totaling \$6.0 million. This includes \$6 million for grades 6-12 science textbooks.

2019-2020 Proposed Budget

Local Control Funding Formula (LCFF) – As mentioned earlier, the 2019-2020 Proposed Budget assumes the State COLA of 3.26% for 2019-2020, which equates to an increase of \$13.0 million (\$9.6 base, and \$3.4 million Supplemental/Concentration funding). As shown in the Standards and Criteria, the District is projected to have enrollment decline and as such will be funded on the prior year attendance.

Education Protection Account - As required by the passage of Proposition 30 in November 2012, a public hearing must be conducted to discuss and approve utilization of Education Protection Account (EPA) funds for the 2019-2020 fiscal year. This public hearing may be conducted with the budget public hearing. All K-12 local agencies have the sole authority to determine how the funds are spent, providing salaries and benefits not used for administrators or any other administrative costs (as determined through the account code structure).

In addition, it is required for the annual financial audit to include verification that EPA funds were used as specified by Proposition 30, and the additional cost of the audit would be an allowable expense from the EPA. If EPA funds are not expended in accordance with the requirements of Proposition 30, civil or criminal penalties could be incurred.

For 2019-2020, the EPA funds are estimated to be 14% of the LCFF funds. This equates to \$58.4 million. All funds will be used to support teacher salary and benefit costs.

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Education Protection Account (EPA) Budget	
2019-20 Fiscal Year	
Description	Amount
BEGINNING BALANCE	\$0
BUDGETED EPA REVENUES:	
<i>Estimated EPA Funds</i>	\$58,437,867
BUDGETED EPA EXPENDITURES:	
<i>Certificated Instructional Salaries</i>	\$37,815,173
<i>Certificated Instructional Benefits</i>	\$20,622,694
TOTAL	\$58,437,867
ENDING BALANCE	\$0

School Site Investments – As presented at the May 2, 2019 Board meeting, the 2019-2020 Proposed Budget continues support of the staffing parameters at school sites and multiple additional investments to support the instructional program.

Class Size Reduction investments - Classroom teacher investments are provided per the collective bargaining agreement. In addition, 2019-2020 budget includes approximately 90 additional classroom teacher FTE above the base staffing parameters to ensure lower class sizes and focused instruction for students in Title I schools. The increased investment totals \$9.0 million and is funded through Supplemental/Concentration and Title I funds. This action also reduced the number of teachers' positions noticed in the February reduction in force resolution.

Elementary school site investments for each site include:

- Classroom teacher investments provided per the collective bargaining agreement. Resources include additional teachers for prep time, and at K-8 schools a librarian and counselor support.
- Safety investment of a campus monitor at each K-8 elementary school.
- Clerical investments include an office manager, and office assistant.
- Custodial investments include a school plant operations manager and custodian.
- Administration investments include a principal and assistant principal depending upon school enrollment.

Middle school site investments for each site include:

- Classroom teacher investments provided per the collective bargaining agreement. Resources include additional teachers for prep time, music teachers, librarian and counselor support.
- Safety investment of a campus monitor.
- Clerical investments include an office manager, and 3 to 4 additional clerical support.

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- Custodial investments include a school plant operations manager and two custodians.
- Administration investments include a principal and assistant principal.

High school site investments for each site include:

- Classroom teacher investments provided per the collective bargaining agreement. Resources include additional teachers such as a librarian, Small Learning Community teacher and counselor support.
- Safety investment of campus monitors.
- Clerical investments include an office manager, and 3.5 to 10 additional clerical support.
- Custodial investments include a school plant operations manager and two custodians.
- Administration investments include a principal and assistant principal.

School Site Funds – As presented at the May 2, 2019 Board meeting, the 2019-2020 Proposed Budget includes school site allocations for a total allocation of approximately \$18.8 million. In addition, all schools continue to receive approximately \$2.5 million in instructional classroom supplies.

Restructure of the Teacher Salary Schedule – While work still needs to be completed to confirm the actual increase to the restructuring of the teacher salary schedule, an estimated increase of 7.3% equating to a total of approximately \$15 million for the General Fund, Child Development and Charter School Fund has been allocated in the appropriate fund.

Student Support Initiatives – The 2019-2020 Proposed Budget includes the continuing and new support for the following initiatives from Supplemental/Concentration funds unless noted differently:

- Academic Stipends – in the Proposed Budget, academic stipends to department chairs are no longer combined with athletic and extracurricular stipends. In order to ensure academic stipends are provided to appropriate academic department chairs, a separate allocation of \$210,000 is included.
- PSAT/SAT – the Proposed Budget continues support of all students grades 8, 9 and 10 to take the PSAT test, all grade 11 students to take the SAT test and support for grade 12 students to take the SAT test in the fall for an estimated cost of \$192,000.
- AP Tests – the Proposed Budget continues support for students to take Advanced Placement tests for an estimated cost of \$500,000.
- College and Career Visits – The Proposed Budget allocates funding for students throughout their K-12 experience to have the opportunity to visit colleges/universities and businesses for an estimated cost of \$250,000.
- Athletics – To ensure equity and access for students at the high school level, a redistribution of existing funds totaling \$2 million for extracurricular and athletic support is recommended

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in the following categories:

- Continue the programs at the elementary and middle school level which includes:
 - Elementary School support for the flag football, basketball and STRIDE running programs for a total of \$358,000.
 - Middle School support for athletic and non-athletic activities of \$16K at regular middle schools and \$5K at K-8 and smaller middle schools for a total of \$163,000.
- Expand support at the High Schools from \$1.2 million to \$1.5 million to include:
 - Extracurricular stipends for nine stipends such as newspaper, speech/debate, student advisory, yearbook, and musical directors.
 - Athletics to cover all CIF sports currently on the extra pay for extra duties schedule which expands offerings by nine sports teams, including sports that are not currently offered at certain sites.
- Increasing Grade Level Readiness Rates – The Proposed Budget allocates Title I and Supplemental/Concentration funding for student interventions for students who are not demonstrating grade readiness with an estimated cost of \$1.5 million. Interventions will include winter break, after school, weekend and summer intervention programs.
- African American Achievement Task Force (AAATF) – The Proposed Budget allocates \$150,000 to support the implementation of the Board approved AAATF recommendations. Among other things, the funds will assist with the overall planning process and implementation of creating a districtwide African American Advisory committee and the accountability sub-committee.
- Need-based scholarships for Experiential Learning – The Proposed Budget allocates \$100,000 in funding to support students and families to participate in milestone experiential learning activities. Additional support will be sought from foundations and other entities in order to grow this fund.
- Student Clubs/Organizations – the Proposed Budget allocates \$50,000 in funding for additional stipends to support an expansion of clubs/organizations at schools that lack student engagement opportunities to promote civic engagement.
- Increased Support for Fingerprinting of Parent Volunteers – the Proposed Budget allocates \$25,000 to offset fingerprinting fees.
- Music, Instructional Technology Support, and other Classroom Equipment Refresh – the Proposed Budget allocates funding to keep student technology current, as well as replenish, repair, and update musical instruments and other visual and performing arts equipment. The allocation for these items totals \$500,000.

Safety – The 2019-2020 Proposed Budget includes \$1.5 million to support the overall safety of the District. Staff is currently evaluating the best way of utilizing these funds and will provide more details not later than the beginning of the school year.

Positions – In addition to the prior 9 FTE in management position reductions this fiscal year, at

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the March 2019 Board meeting, 17.2 FTE in management positions were noticed for possible reduction in force. In partnership with SCOE, staff reevaluated the impact of the following nine positions and returning the following positions with modifications in funding sources as shown below as modifications in duties.

Position	Fees	Base	Supp/Con	Restricted
Charter School Director	1.00			
Gate Coordinator		0.50		0.50
Induction Coordinator		0.85		0.15
Linked Learning Coordinator			0.50	0.50
Master Scheduler			1.00	
Research Data Coordinator II			1.00	
Science Coordinator		0.50		0.50
SEL Director			1.00	
VAPA Coordinator			0.75	0.25
Total	1.00	1.85	4.25	1.90

The Unrestricted General Fund is supporting the positions identified as LCFF Base and Supplemental/Concentration funds. In addition, the charter school director position cost will be supported by the charter school oversight fees. Lastly, while the March action did include reducing a Multilingual Coordinator, this was a second position. The 2019-2020 budget does include one Multilingual Coordinator. The Unrestricted General Fund support for these positions is approximately \$1.1 million.

Routine Restricted Maintenance (RRM) - As mentioned in the Third Interim report, the RRM budget must be maintained at 3% of the General Fund actual expenditures starting in 2019-2020. Proposition 51 requires that any LEA which receives funding pursuant to the Leroy F. Green School Facilities Act of 1998 after April 1, 2017, be required to contribute 3% to RRM. However, the State Criteria and Standards require the District contribute an amount equal to 3% of the proposed General Fund Budget. For 2019-2020 the budget for contribution to the RRM account is increased by \$4.1 million. The multi-year projections assume the same level for future years. However, the actual contribution level needs to be at least the 3% of the actual General Fund expenditures. Therefore, it is important to keep reviewing this requirement with each State report to ensure compliance as the budget increases or note the opportunity to adjust if the budget decreases.

Special Education – As mentioned in the Third Interim Report, the changes in the special education contribution are related to three different factors: lower projected program increases,

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indirect costs, and the salary schedule restructure. In addition, the proposed budget includes an increase in AB602 revenue of \$1.2 million over Third Interim projections. For the 2019-2020 budget year, the contribution level is increasing \$5.6 million.

Indirect – As mentioned in the Third Interim Report, the Proposed 2019-2020 budget includes charging indirect costs to the allowable level on all programs. This includes special education and routine restricted maintenance. These two program increases the indirect cost by \$3.7 million. The total indirect cost is \$7.8 million.

Other Funds – The following section includes other funds that either need support from the Unrestricted General Fund or are providing support for expenses that could have been supported by the Unrestricted General Fund. All Other Funds programs are supported within their funding sources.

- **Adult Education Fund** – The 2019-2020 Proposed Budget includes support from the Unrestricted General Fund for the parent participation program totaling \$360,000. This is a similar level as the 2018-2019 school year. All other Adult Education programs are self-supporting.
- **Child Development Fund** – The 2019-2020 Proposed Budget includes support for the Head Start and State preschool programs and includes estimated support from the Unrestricted General Fund of \$847,000. District preschools will serve 1,120 three- to five-year-old children in 42 classrooms at 33 sites. Children will gain pre-academic skills to prepare them for kindergarten in classrooms open 3-6.5 hours daily. In addition, the school-age based program supported by fees has been restructured to be self-supporting. This program will support a summer program at Matsuyama and Leonardo da Vinci school sites and before and after school care at the Leonardo da Vinci, Martin L. King Jr., Matsuyama, and Theodore Judah school sites during the school year. Staff will need to continue to evaluate the fee structure to ensure it stays self-supporting. This action restores approximately 6 certificated FTE and 1.5 classified FTE.
- **Charter School Fund** - As mentioned in the 2018-2019 Third Interim Report, George Washington Carver and New Tech are facing financial challenges and will need support from the Unrestricted General Fund unless enrollment increases and/or other adjustments are made. A complete review of all dependent charter schools shows that all are deficit spending. While most can cover the proposed 2019-2020 year, in addition to the two schools already mentioned, New Joseph Bonnheim will also need support in 2019-2020. The total estimated support is \$626,746 (George Washington Carver - \$368,611, New Joseph Bonnheim - \$203,420 and New Tech - \$54,715). The support for these schools also impacts the future years. See more information in the Multi-Year Items section.

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- Capital Projects Fund for Blended Component Units (Mello Roos) and Developer Fees Fund – The 2019-2020 Proposed Budget assumes the continued support for the Lease Revenue Bonds with a total estimated debt service cost of \$5.5 million.

Multi-Year Items

Local Control Funding Formula for 2020-2021 and 2021-2022 - The multi-year projections include LCFF funding increase at the levels mentioned earlier in the report: \$8.4 million in 2020-2021 and \$8.7 million in 2021-2022.

Supplemental/Concentration Funds – The LCFF is providing approximately \$76 million in Supplemental/Concentration funding for 2019-2020. This is an increase over the current year of \$3.38 million. Preliminary work shows that the District has budgeted all Supplemental/Concentration funds for 2019-2020. These funds will increase by \$2.06 million in 2020-2021 and \$1.59 million in 2021-2022. The multi-year projection includes reserving \$624,000 in additional support for the ELSP program in 2020-2021 and reserves the remaining funds for the increased cost/service for these programs.

Restructure of the Teacher Salary Schedule – Recently, an arbitrator ruled on the restructuring of the teachers' salary schedule. This change adds different columns and steps and allows for teachers to increase their salary faster with advanced degrees and class units. At this time, it is not known how this will impact the cost of teachers from one year to the next (called cost of step/column). No new adjustment was made for this change in the multi-year projections.

Teaching Positions in 2020-2021 and 2021-2022 - Due to declining enrollment, staffing parameters require 8 less positions in 2020-2021 and 13 less positions in 2021-2022, a decrease of \$516,000 and \$958,000 respectively.

PERS and STRS for 2019-2020 and 2020-2021 - The multi-year projections include funding employer costs for PERS and STRS at the levels mentioned earlier in the report, an increase for the Unrestricted General Fund of \$3.4 million in 2020-2021 and an additional \$462,000 in 2021-2022.

Health Contribution - In accordance with the current employee bargaining agreements, the multi-year projections include the District's contributions for health costs. Future years include an estimated 4% increase in health costs. The District's contribution from the Unrestricted General Fund is estimated to increase by \$1.8 million in 2020-2021 and \$1.8 million for 2021-2022.

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Utilities – The multi-year projections include increases of \$540,000 in 2020-2021 and \$578,000 in 2021-2022 based on historical usage and notification of percentage increases.

Indirect Rate for 2020-2021 and 2021-2022 - The 2017-2018 Unaudited Actual Financial Report projected the 2019-2020 indirect rate at 4.50%. The multi-year projection assumes this rate through 2020-2021.

Contributions/Transfers Out for 2020-2021 and 2021-2022 - The multi-year projection for contributions increased for Special Education and Routine Restricted Maintenance by \$7.3 million for 2020-2021 and \$7.3 million for 2021-2022. In addition, the multi-year projection includes Transfers Out to the Adult Education Fund, Child Development Fund and Charter School Fund.

- **Adult Education Fund** - A similar level of support as the proposed 2019-2020 year to the Adult Education Fund of approximately \$360,000 to support the parent participation program
- **Child Development Fund** – For 2019-2020 and future years, the support to the Child Development program is estimated to be \$847,000 each year.
- **Charter School Fund** – All of the dependent charter schools are currently deficit spending for the proposed 2019-2020 year and future years. Some of the schools have a reserve and as such are not impacting the Unrestricted General Fund. However, four of the district-sponsored charter schools (Bowling Green McCoy, George Washington Carver, New Joseph Bonnheim and New Tech) are projected to need financial support in future years. In addition, Bowling Green McCoy is projecting an ending balance of zero for 2021-2022 and may likely also need support, if changes are not made. The multi-year projection includes an increased contribution of \$366,000 for 2020-2021 and an additional increase of \$327,000 for 2021-2022, bringing the total support to over \$1.3 million if no adjustments are made.

Charter School	2019-2020	2020-2021	2021-2022
New Tech	\$ 54,715	\$ 123,867	\$ 175,574
New Joseph Bonnheim	\$ 203,420	\$ 162,534	\$ 98,037
Bowling Green McCoy	\$ 0	\$ 187,460	\$ 377,122
George Washington Carver	\$ 368,611	\$ 518,432	\$ 668,908
Total Charter Contribution	\$ 626,746	\$ 992,293	\$ 1,319,641
Increase Over Prior Year	\$ 626,746	\$ 365,547	\$ 327,348

Textbooks - The multi-year projection includes \$6 million for grades 6-12 science books in 2020-2021 and \$4 million for grades K-5 in 2021-2022 from the Unrestricted General Fund. In addition, Restricted Lottery will support the ELA second year payment in 2019-2020 of \$1.5 million.

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Starting in 2020-2021 the Restricted Lottery will support math materials for grades K-6 totaling \$1 million on an annual basis.

Minimum Wage - Senate Bill 3 (SB 3) incrementally increases California's minimum wage to \$15 per hour. The increases began in January 2017 and will continue through 2023. The District is compliant with the current year wage requirements. While there currently are positions that will need to be increased in future years, the multi-year projection does not include additional funds for this purpose.

Other Post-Employment Benefits (OPEB) - The District provides post-employment benefits for employees meeting the age and years of service requirement and currently has an unfunded OPEB liability of \$780.5 million. The District participates in the CalPERS trust. It is estimated that \$77 million of the liability will be funded as of June 30, 2019 and the majority of these funds were paid by the District.

For the 2018-2019 year, health costs for retirees total approximately \$17.3 million. In addition, in accordance with the bargaining agreement with SCTA, the District also contributes to the OPEB beyond the current year pay-as-you-go health costs. For 2018-2019, the estimated excess cost is approximately \$7 million. Since the District is in negative certification, the District could choose to reduce the District contribution to the actual current year retiree health costs (pay-as-you-go). The Proposed Budget Report assumes that the OPEB contribution will be made pursuant to SCOE's February 15, 2019 letter analyzing SCTA's budget ideas. As SCOE emphasized in that letter, the District's commitments to the annual payments are projected to increase over time and stated that: "Until decisions are made on staffing and health care plans, decisions on budgeting OPEB contributions should be delayed."

Cashflow Reports – The District prepared cash flows based on the SACS multi-year report. Based upon the analysis completed for the Proposed Budget, the District projects having a positive cash balance through October 2020. The cash balances go negative for a couple months and the District should be able to handle that through temporary interfund transfers. However, as shown in the cashflow reports, the District will have major cash challenges in October 2021. Cash is always closely monitored in order to ensure the District is liquid to satisfy its obligations.

Conclusion:

With the current year and future projected deficit spending, the projected budget and multi-year projections show that the District will be able to meet its financial obligations for the 2019-2020 and 2020-2021 years. However, without a negotiated solution, the District will have a negative ending balance in 2021-2022.

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It is imperative that the District move forward with all labor partners for a negotiated solution.

The following chart summarizes the 2019-2020 Proposed Adopted Budget for All Funds.

