

Budget and Fiscal Recovery Plan Update

Board Meeting
January 26, 2021
Agenda Item No. 7.2

Setting Context

Definitions

- **One-time Resources:** funding that is one-time and not recurring, examples are donations, a one-time grant, unexpended funds (carryover)
- **Reserves:** R.2 446.y7.dees ar at nnexexpn(e d)-3.7(i)-18(at)-1u:u



History/Background

District's Budget Reviewed by Numerous Independent Entities:

1. Fact Finding Report - 2017
2. Fiscal Crisis & Management Assistance Team (FCMAT) - 2018
3. Policy Analysis for California Education (PACE) - 2019
4. Fiscal Crisis & Management Assistance Team (FCMAT) - 2020
5. Sacramento County Office of Education (SCOE) Analyses - Ongoing
6. California State Auditor - 2019



History/Background

Common Themes from Numerous Reviews

- District's budget has been operating a structural deficit for several years due to on-going expenditures exceeding on-going revenues
- Employee salaries and benefits account for approximately 90% of the *unrestricted* budget
- The District's benefit structure for active employees and retirees is one of the highest in the region
- Salaries and benefits continue to increase year over year yet revenue does not increase at the same rate or remains flat



History/Background



District's Current Budget Status and Multi-Year Projection (MYP)

(based on 2020-2021 1st Interim Financial Report)

	2020-21 1st	2021-22 Proj	2022-23 Proj
	Interim		
Beginning Fund Balance	93,048,611	62,569,699	24,335,902
Surplus/(Deficit) Spending	(31,150,477)	(38,905,362)	(56,072,127)
Ending Fund Balance	62,569,699	24,335,902	(31,064,661)
2% Reserve for Economic Uncertainty	12,765,701	11,291,803	11,480,966
Net Available Fund Balance after 2% REU			

UPDATED District's Current Budget Status and Multi-Year Projection (MYP) – **Adjusted ONLY** for Governor's Proposed COLA, Unduplicated Percentage & Projected Enrollment

(based on 2020-2021 1st Interim Financial Report)

	2020-21 1st Interim	2021-22 Proj	2022-23 Proj
Beginning Fund Balance	93,048,611	62,569,699	24,335,902
Surplus/(Deficit) Spending	(31,150,477)	(38,905,362)	(56,072,127)
Ending Fund Balance	62,569,699	24,335,902	(31,064,661)
2% Reserve for Economic Uncertainty	12,765,701	11,291,803	11,480,966
Net Available Fund Balance after 2% REU	49,473,336	12,713,437	(42,876,289)
Deficit Spending as of 1st Interim Budget (from above)	(31,150,477)	(38,905,362)	(56,072,127)
<i>Adjust for UPP% @ 71.8%</i>	6,246,111	5,970,550	5,661,571
<i>Adjust for potential COLA +3.84% in 21-22</i>		15,475,765	15,373,574
<i>Adjust for potential COLA +1.28% in 22-23</i>			5,305,580
<i>Adjust for potential enrollment decline 600</i>			(3,817,970)
Revised Deficit Reduction Target	(24,904,366)	(17,459,047)	(33,549,372)



Scenario with \$15 Million of on-

District's Current Budget Status and Multi-Year Projection (MYP)

(based on the 2020-2021 1st Interim Financial Report)

Consequences if Reductions are Not Achieved:

AB 1200 (EC §42127) provides:

- Oversight to ensure districts are adequately prepared to meet their financial obligations
- Trigger for a State Loan
 - Cash Insolvency
- Conditions for State Loan
 - Per Assembly Bill 1840 – responsibilities shift to the State Superintendent to the County Superintendent of Schools (CSS) who assumes all legal rights, duties, and powers of the governing board of the district.
 - CSS appoints an administrator to act on behalf of the CSS
 - District Board is Advisory only – loss of local control

District's Current Budget Status and Multi-Year Projection (MYP)

(based on the 2020-2021 1st Interim Financial Report)

Consequences if Reductions are Not Achieved:

Examples of Outstanding and Repaid State Loans as of July 1, 2020

District	Date	Amount of Loan	Amount Estimated to be Paid Above Principal (Interest)	Status
Vallejo City Unified	2004 - 2007	60,000,000	8,856,915	Outstanding
Oakland Unified	2003 - 2006	100,000,000	18,559,131	Outstanding
West Contra Costa Unified	1990 - 1991	28,525,000	19,163,620	Repaid

Source: CDE

District's Current Budget Status and Multi-Year Projection (MYP)

(based on 2020-2021 1st Interim Financial Report)

Consequences if Reductions are Not Achieved and State Loan is Triggered:

- Reductions are imposed on the District
- Reductions are meant to be sufficient to resolve insolvency and repay the loan, plus interest
- Imposed Reductions are greater than the District's target reductions in order to satisfy the added cost of interest for the loan
- Additional Programs, Services, & Staffing are reduced to achieve fiscal solvency and satisfy the repayment of the loan

District's Current Budget Status and Multi-Year Projection (MYP)

Budget Adjustments Implemented in Prior Years

PROPOSED FISCAL RECOVERY PLAN

Items Subject to Negotiations

Negotiable Items and Potential Savings		
Item	Example	Potential Cost Savings
Health Benefits	Reduce District Contribution to Employee only/75% other	18,793,471
Dental & Vision Benefits	Reduce District Contribution to Employee only	3,132,000
Cash In-Lieu of Benefits	Assume 3% Participation	1,400,000
Other Contract Items	OPEB 1% Employee Contribution	2,000,000
Other Contract Items	Escalation factors	TBD
Furlough Day	Cost of 1 day, Districtwide	1,736,000
Cost of 1%	Cost of 1% Salary increase/decrease Districtwide	3,476,000

PROPOSED FISCAL RECOVERY PLAN

Negotiable Items – Health Benefits Compared to Neighboring Districts

Rank	School District	Avg. Active Employee District Contribution Per FTE*	Max District Contribution to Health Care for Active Employees Per FTE
1	Sacramento City USD	\$21,427	\$31,493
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: 2019-20 J-90 report

*Full-time equivalent (FTE)

PROPOSED FISCAL RECOVERY PLAN

Negotiable Items – Substitute Costs Compared to Neighboring Districts

Certificated Substitutes Day-to-Day Full Day Salary Rates			
Rank	School District	Ave. Daily Sub Cost	Max Daily Sub Cost
1	Sacramento City USD	\$222	\$243
2	Twin Rivers USD	\$155	\$185
3	Natomas USD	\$150	\$185
4	San Juan USD	\$135	\$180
5	Elk Grove USD	\$135	\$175

Source: District websites current salary schedules 2020-2021

PROPOSED FISCAL RECOVERY PLAN

Negotiable Items – Summer School Teacher Pay Rate Compared to Neighboring Districts

Certificated Salaries and Benefits, 2018-19 Comparative Analysis of Summer School Teacher Pay Rate, 2018-19 Ranked by District Name			
Rank	School District	Pay	Rate
1	Sacramento USD	44.44	per hour
2	San Juan USD	36.72 - 46.92	0-10 years, \$36.72; 11+ years
3	Elk Grove USD	40.00	per hour
4	Natomas USD	40.00	per hour
5	Twin Rivers USD	40.00	per hour
6	Folsom-Cordova USD	35.33	per hour
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FISCAL RECOVERY PLAN DISCUSSION

Fiscal Recovery Plan Categories for Discussion

- 1) Fiscal Recovery Plan elements of expenditures above staffing formulas
- 2) Fiscal Recovery Plan elements that are subject to M(ect)-1.7()5.8(jf)-1

PROPOSED FISCAL RECOVERY PLAN

Staffing (Above Formula and/or CBA), Supplies & Services

Fiscal Recovery Plan Presented December 10, 2020 Board Meeting

Summary of Budget Reduction Options

Non-negotiable Items

Reference	Item	Potential Cost Savings
	(A) Over Base Ratio	
1	APs, Social Workers, Counselors Over Ratio	1,749,000
2	Central Depts - PD, Staff, Supplies	2,253,000
3	Programs/Sites Staff Over Formula	9,633,000
4	Dual Immersion, UGF portion	25,000
	(A) Over Base Ratio	13,660,000
	(B) Other Programs	4,941,000
	Total List of Potential Reductions	18,601,000

PROPOSED FISCAL RECOVERY PLAN

Staffing (Above Formula and/or CBA), Supplies & Services

List of (B) Other Programs

Reference	(B) Other Programs	Potential Cost Savings
5	VAPA/Music Teachers	837,000
6	Career Technical Education	925,000
7	Safe Schools	940,000
8	GATE	302,000
9	New Teacher Induction	237,000
10	Improvement, Accountability and School Support	1,200,000
11	After School /Youth Development	500,000
		4,941,000

PROPOSED FISCAL RECOVERY PLAN

PROPOSED FISCAL RECOVERY PLAN

Proposed Items Subject to March 15th or 60 Day

PROPOSED FISCAL RECOVERY PLAN

Proposed Items Subject to March 15th or 60 Day Layoff Notice (these two slides total 16.5M)

Non-Negotiable Unrestricted General Fund Budget Reduction Options
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Reference to 12/10/20 Plan	Reduction Item	Potential Cost Savings	Subject to March 15 or 60 Day Layoff Notice
3	Waldorf (Reduce to base FTEs)	229,000	Yes
4	Dual Immersion (unfunded portion)	25,000	Yes
5	VAPA/Music Teachers Secondary School	837,000	Yes
6	Career Technical Education - Required district match	925,000	Yes
7	Safe Schools	940,000	Yes
8	GATE (1.5 FTE)	302,000	Yes
9	New Teacher Induction	237,000	Yes
10	Improvement, Accountability and School Support	1,200,000	Yes
11	After School /Youth Development	500,000	Yes
	Total Potential Cost Savings Items Subject to March 15 or 60 Day Layoff Notice	16,515,000	

PROPOSED FISCAL RECOVERY PLAN

Proposed Items Subject to March 15th or 60 Day Layoff Notice

Non-Negotiable Unrestricted General Fund Budget Reduction Options
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Reference to 12/10/20 Plan	Reduction Item	Potential Cost Savings	Subject to March 15 or 60 Day Layoff Notice
2	15% Centralized Supplies	455,000	No
2	Professional Development	108,000	No
2	Travel	90,000	No
3	GATE (elim paying for IB & AP tests)	500,000	No
3	Elementary Sports	370,000	No
3	College & Career Visits	288,000	No
3	Site Discretionary Supplies (15% reduction)	275,000	No
	Total Potential Cost Savings Items Not Subject to LayOff	2,086,000	

PROPOSED FISCAL RECOVERY PLAN

Proposed Items Subject to Program Elimination

Non-Negotiable Unrestricted General Fund Budget Reduction Options

Reference
to
12/10/20
Plan

Reduction Item

Potential Cost
Savings

Program/Dept
Service
Elimination

PROPOSED FISCAL RECOVERY PLAN

Proposed Items Requiring Further Analysis for

PROPOSED FISCAL RECOVERY PLAN

Proposed Items Not Subject to Potential Restructure

Non-Negotiable Unrestricted General Fund Budget Reduction Options

Reference to 12/10/20 Plan	Reduction Item	Potential Cost Savings	School/Program Restructure
1	Social Workers	885,000	No
1	Assistant Principals above staffing ratio	629,000	No
1	Counselors above staffing ratio	235,000	No
2	Classified Staff	1,600,000	No
2	15% Centralized Supplies	455,000	No
2	Professional Development	108,000	No
2	Travel	90,000	No
3	Transportation - Non-Spec Ed (elim school closure routes)	1,100,000	No
3	Preschool Contribution (Unfunded portion)	564,000	No
3	GATE (elim paying for IB & AP tests)	500,000	No
3	Elementary Sports	370,000	No
3	College & Career Visits	288,000	No
3	Site Discretionary Supplies (15% reduction)	275,000	No
4	Dual Immersion (unfunded portion)	25,000	No
5	VAPA/Music Teachers Secondary School	837,000	No
6	Career Technical Education - Required district match	925,000	No
7	Safe Schools	940,000	No
8	GATE (1.5 FTE)	302,000	No
9	New Teacher Induction	237,000	No
10	Improvement, Accountability and School Support	1,200,000	No
11	After School /Youth Development	500,000	No

PROPOSED FISCAL RECOVERY PLAN

Proposed Items Potential Alternative Funding Source

Non-Negotiable Unrestricted General Fund Budget Reduction Options

Reference

to

12/10/20

Plan

Reduction Item

Potential Cost

Savings

Potential Alternative

Funding Source

1	Social Workers	885,000	Temporary CARES Funding
1	Counselors above staffing ratio	235,000	Temporary CARES Funding
11			

Q & A