

# 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 1<sup>st</sup> Interim Financial Report)**

	<b>2020-21 1st</b>	<b>2021-22 Proj</b>	<b>2022-23 Proj</b>
	<b>Interim</b>		
Beginning Fund Balance	93,048,611	62,569,699	24,335,902
<b>Surplus/(Deficit) Spending</b>	<b>(31,150,477)</b>	<b>(38,905,362)</b>	<b>(56,072,127)</b>
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			

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# 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 1<sup>st</sup> 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
<b>Surplus/(Deficit) Spending</b>	<b>(31,150,477)</b>	<b>(38,905,362)</b>	<b>(56,072,127)</b>
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	<b>(42,876,289)</b>
Deficit Spending as of 1st Interim Budget (from above)	<b>(31,150,477)</b>	<b>(38,905,362)</b>	<b>(56,072,127)</b>
<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)
<b>Revised Deficit Reduction Target</b>	<b>(24,904,366)</b>	<b>(17,459,047)</b>	<b>(33,549,372)</b>







Scenario with \$15 Million of on-



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

(based on the 2020-2021 1<sup>st</sup> 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 1<sup>st</sup> 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

<b>Negotiable Items and Potential Savings</b>		
<b>Item</b>	<b>Example</b>	<b>Potential Cost Savings</b>
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

<b>Certificated Salaries and Benefits, 2018-19</b> Comparative Analysis of Summer School Teacher Pay Rate, 2018-19 Ranked by District Name			
Rank	School District	Pay	Rate
1	<b>Sacramento USD</b>	<b>44.44</b>	<b>per hour</b>
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
	<b>(A) Over Base Ratio</b>	
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
	<b>(A) Over Base Ratio</b>	<b>13,660,000</b>
	<b>(B) Other Programs</b>	<b>4,941,000</b>
	<b>Total List of Potential Reductions</b>	<b>18,601,000</b>

# PROPOSED FISCAL RECOVERY PLAN

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

### List of (B) Other Programs

<b>Reference</b>	<b>(B) Other Programs</b>	<b>Potential Cost Savings</b>
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
		<b>4,941,000</b>



# 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

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

<b>Non-Negotiable Unrestricted General Fund Budget Reduction Options</b>
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<b>Reference to 12/10/20 Plan</b>	<b>Reduction Item</b>	<b>Potential Cost Savings</b>	<b>Subject to March 15 or 60 Day Layoff Notice</b>
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
	<b>Total Potential Cost Savings Items Not Subject to LayOff</b>	<b>2,086,000</b>	

# 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