



Fiscal Recovery Plan

Board Meeting
November 19, 2020
Agenda Item No. 9.1

Overview

- History/Background on District's Budget
- District's Current Budget Status and [Multi-Year Projection \(MYP\)](#)
(based on [Revised Adopted Budget 2020-2021](#))
- Fiscal Recovery Plan
- Summary

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:** Reserves are created when revenues exceed expenditures. K-12 Districts maintain reserves for multiple reasons, two most common:
 - 1. Satisfy the State required % reserve - Reserve for Economic Uncertainties for SCUSD is 2% of the total general fund budgeted expenditures
 - 2. To maintain a prudent level above the required % to protect against the need to reduce service levels due to temporary revenue shortfalls or unpredicted expenditures (safety net)
- **Structural Deficit:** occurs when on-going expenditures exceed on-going revenues

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

Common Themes from Numerous Reviews

- This persistent imbalance (expenses exceeding revenues) has created the District's structural deficit
 - Last year's surplus was a result of one-time savings due to less spending during COVID-19
- The District has managed the deficit with one-time sources and reserves – a non-sustainable plan as these resources will eventually be depleted

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

(based on [Revised Adopted Budget 2020-2021](#))

| Sacramento City Unified School District | 2020-21 Revised Adopted Budget | 2021-22 Projected | 2022-23 Projected | 2023-24 Potential |
|---|---|----------------------|----------------------|----------------------|
| Beginning Fund Balance | 93,048,611 | 66,644,611 | 32,621,611 | (18,340,389) |
| Surplus/(Deficit) Spending | (26,404,000) | (34,023,000) | (50,962,000) | (60,000,000) |
| Ending Fund Balance | 66,644,611 | 32,621,611 | (18,340,389) | (78,340,389) |
| Less: Assignments and Reserves | 369,537 | 329,537 | 329,537 | 329,537 |
| 2% Reserve for Economic Uncertainty | 12,804,000 | 11,330,000 | 11,514,000 | 12,000,000 |
| Net Available Fund Balance after 2% REU | 53,471,074 | 20,962,074 | (30,183,926) | (90,669,926) |

Represents the Estimated COLA that will not be received
due to the State's Budget Reductions

| | 2020-2021 | 2021-2022 | 2022-2023 |
|--|--------------|---------------|---------------|
| *COLA % | 2.310% | 2.480% | 3.260% |
| Estimated COLA Amount | \$ 8,742,990 | \$ 19,188,559 | \$ 32,784,913 |
| Funded COLA | 0 | 0 | 0 |
| * SSC Dartboard Adopted State Budget for 2020-21 | | | |

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

(based on [Revised Adopted Budget 2020-2021](#))

On-going reductions of \$51M are required in order to balance the budget, satisfy the state mandated 2% reserve, and avoid fiscal insolvency.

Fiscal Recovery Scenario Eliminating the \$51 Million Deficit Effective 7/1/2021

Fiscal Recovery Plan Scenario #1 \$51M On-Going to Eliminate Deficit Spending

| | 2020-21 Revised Adopted Budget | 2021-22 Projected | 2022-23 Projected | 2023-24 Potential |
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| Revised Deficit Reduction Target | (26,404,000) | (34,023,000) | (50,962,000) | (60,000,000) |
| On-going budget reductions 2020-21 | | 51,000,000 | 51,000,000 | 51,000,000 |
| On-going budget reductions 2021-22 | | | - | - |
| On-going budget reductions 2022-23 | | | - | - |
| Cummulative On-Going Budget Reductions | - | 51,000,000 | 51,000,000 | 51,000,000 |
| Revised Surplus/(Deficit) | (26,404,000) | 16,977,000 | 38,000 | (9,000,000) |
| Net Available Fund Balance after 2% REU | 53,471,074 | 71,962,074 | 72,000,074 | 63,000,074 |

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

(based on [Revised Adopted Budget 2020-2021](#))

Scenario with \$15 Million of on-going reductions reflecting most of the non-negotiable items – still insufficient to eliminate the structural deficit

| Fiscal Recovery Plan Scenario #2 \$15M On-Going Budget Reductions | | | | |
|--|---|------------------------------|------------------------------|------------------------------|
| | 2020-21 Revised Adopted Budget | 2021-22 Projected | 2022-23 Projected | 2023-24 Potential |
| Deficit Spending as of Revised Adopted Budget (from above) | (26,404,000) | (34,023,000) | (50,962,000) | (60,000,000) |
| Revised Deficit Reduction Target | (26,404,000) | (34,023,000) | (50,962,000) | (60,000,000) |
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| Net Available Fund Balance after 2% REU | 53,471,074 | 35,962,074 | 74 | (44,999,926) |

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

(based on [Revised Adopted Budget 2020-2021](#))

Consequences if Reductions are Not Achieved:

- The District is projected to experience serious cash challenges by March 2022 and will be at risk of an emergency apportionment (State Loan)
- The District's deficit is projected to increase to \$60M by 2023-2024

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

(based on Revised Adopted Budget 2020-2021)

Consequences if Reductions are Not Achieved:

AB 1200 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 Revised Adopted Budget 2020-2021)

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 Revised Adopted Budget 2020-2021)

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

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

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

(based on Revised Adopted Budget 2020-2021)

Budget Adjustments Implemented in Prior Years

| 2018-2019 and 2019-2020 Budget Adjustments | | | |
|---|----------------|-----------------|--|
| <i>(in millions)</i> | | | |
| Approval Date | Ongoing | One-Time | Items |
| December 2018 | 17.5 | 3.6 | Position Control, Debt Service, OPEB, Central Office Personnel, Supplies, Services, Utilities |
| February/March 2019 | 7.8 | | Staffing adjustments - aligning to enrollment for 2019-2020 |
| May 2019 | 21 | 2.5 | Special Ed expenditures, LCFF, Utilized Restricted Funds, Charter Oversight Revenue and Interest |
| June 2019 | 2.9 | | Special Ed Revenue, District Services revenue (custodial, utilities from charters) |
| September 2019 | 1.0 | 6.0 | Interest revenue, One-time expenditures savings |

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

Items Subject to Negotiations

| Item | Negotiable Items and Potential Savings Example | General Fund | | Other Funds | Totals |
|----------------------|---|--------------|------------|-------------|------------|
| | | Unrestricted | Restricted | | |
| Health Benefits | Reduce District Contribution to Employee only/75% other | 12,215,756 | 4,698,368 | 1,879,347 | 18,793,471 |
| Dental & Vision | Reduce District Contribution to Employee only | 2,035,800 | 783,000 | 313,200 | 3,132,000 |
| Cash In-Lieu | Assume 3% Participation | 910,000 | 350,000 | 140,000 | 1,400,000 |
| Other Contract Items | OPEB 1% Employee Contribution | 1,300,000 | 500,000 | 200,000 | 2,000,000 |
| Other Contract Items | Escalation factors | | | | - |
| Furlough Day | Cost of 1 day | 1,156,792 | 418,702 | 160,562 | 1,736,057 |
| Cost of 1% | Cost of 1% Salary increase/decrease Districtwide | 2,259,400 | 869,000 | 347,600 | 3,476,000 |

| Revised Adopted Budget 2020-2021 General Fund Health Benefits | | | |
|---|--------------|------------|------------|
| | Unrestricted | Restricted | Totals |
| Cost | 57,257,440 | 23,691,638 | 80,949,078 |
| Percent of Budget | 9% | 4% | 13% |

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 |
| Copyright 2020, School Services | | | |

PROPOSED FISCAL RECOVERY PLAN

Negotiable Items – Other Positions as Compared to Other Districts

| Other Positions Subject to Negotiations | Total Unrestricted Funded |
|--|----------------------------------|
| Counselors | \$6,307,980 |
| Librarians | \$1,502,020 |

PROPOSED FISCAL RECOVERY PLAN

Background Information

Review of Books/Supplies (object code 4000) Revised Adopted
Budget 2020-2021

| Books & Supplies | Amount | % of Total |
|------------------|---------------|------------|
| Unrestricted | \$13,668,847 | 13% |
| Restricted | \$87,590,690 | 87% |
| Total | \$101,259,537 | 100% |

Examples of Supply Items:

Chromebooks, technology equipment, textbooks, athletic equipment,
repair parts, tires, fuel, oil, custodial supplies, instructional materials, etc.

PROPOSED FISCAL RECOVERY PLAN

Background Information

Review of Books/Supplies (object code 4000) - Unrestricted

| Site/Department | Amount | Site/Department | Amount |
|---|---------------------|---|---------------------|
| Above \$100K | | Above \$100K | |
| District Wide | \$ 4,494,582 | Career & Technical Preparation | \$ 183,107 |
| Equity, Access & Excellence | \$ 1,233,067 | Luther Burbank HS | \$ 164,443 |
| Curriculum & Professional Development | \$ 1,057,900 | California MS | \$ 156,030 |
| Transportation | \$ 1,000,000 | John Still K-8 | \$ 153,597 |
| John F. Kennedy HS | \$ 391,372 | Facilities Support | \$ 151,000 |
| Operations | \$ 348,000 | Rosemont HS | \$ 133,915 |
| CK McClatchy | \$ 285,035 | Elder Creek ES | \$ 132,230 |
| Hiram Johnson | \$ 239,888 | Kit Carson | \$ 131,386 |
| Strategy & Innovation Office | \$ 228,565 | Risk Management | \$ 130,000 |
| | | | |
| Centralized Department | \$ 665,274 | | |
| 34 Departments budgets range from \$500 - \$88K | | | |
| All Other School Sites | \$ 2,389,457 | Total Budgeted Unrestricted Books & Supplies | \$13,668,847 |
| Allocation is \$51 per student | | | |

PROPOSED FISCAL RECOVERY PLAN

Background Information

Review of Books/Supplies (object code 4000) - Restricted

| | Title | Amount | % of Total |
|---|----------------------------------|----------------------|-------------|
| \$1M and Above | | | |
| | Coronavirus Relief Funds | \$ 46,255,044 | 53% |
| | RRMA | \$ 7,404,972 | 8% |
| | SIG | \$ 5,853,929 | 7% |
| | Title I | \$ 5,195,439 | 6% |
| | State LLMF | \$ 3,497,424 | 4% |
| | Restricted Lottery | \$ 2,851,008 | 3% |
| | Title IV | \$ 2,810,885 | 3% |
| | ESSA CSI | \$ 2,079,966 | 2% |
| | Other Local | \$ 1,745,038 | 2% |
| | Medi Cal | \$ 1,542,644 | 2% |
| | SPED IDEA Base Grant Entitlement | \$ 1,371,367 | 2% |
| | CTE Incentive Grant | \$ 1,289,857 | 1% |
| All Other Resources | | \$ 5,693,117 | 6% |
| | \$380 - \$980K | | |
| Total Budgeted Restricted Books & Supplies | | \$ 87,590,690 | 100% |

PROPOSED FISCAL RECOVERY PLAN

Background Information

Review of Contracts \$1 Million and above (object code 5000)

| Vendor | Amount | Funding Source | Service |
|--|----------------------|------------------------------|--|
| Learning Solutions | \$ 6,000,000 | Restricted/Non-Discretionary | Behavior Inclusion Services |
| Sacramento Chinese Community | \$ 5,042,107 | Restricted/Non-Discretionary | AfterSchool Program/Expanded Learning |
| JabberGym Inc. | \$ 2,800,000 | Restricted/Non-Discretionary | OT/PT/ Speech Onsite Services |
| Speech Pathology Group Inc. | \$ 2,400,000 | Restricted/Non-Discretionary | Onsite Speech Services |
| Sierra School at Eastern Extension | \$ 2,000,000 | Restricted/Non-Discretionary | Non-Public School Services |
| Kadiant LLC | \$ 1,600,000 | Restricted/Non-Discretionary | Non-Public School Services |
| Applied Behavioral Consultants Inc. | \$ 1,400,000 | Restricted/Non-Discretionary | Non-Public School Services |
| Point Quest Education Inc. | \$ 1,200,000 | Restricted/Non-Discretionary | Non-Public School Services |
| Action Supportive Care Service | \$ 1,000,000 | Restricted/Non-Discretionary | Nursing Services |
| Lozano Smith Attorneys at Law | \$ 2,000,000 | Unrestricted/Discretionary | General Counsel/Legal Services |
| School Insurance Authority | \$ 1,900,000 | Unrestricted/Discretionary | Property/Liability Insurance |
| Total Contracts \$1 Million and above | \$ 27,342,107 | | |
| | 86% | Restricted/Non-Discretionary | |
| | 14% | Unrestricted/Discretionary | |

PROPOSED FISCAL RECOVERY PLAN

Background Information

Contracts – Legal Expenses

- [14 Active Administrative Litigation matters involving bargaining partners \(13 SCTA and 1 SEIU\)](#)
- Consist of Unfair Practice Charges filed with Public Employment Relations Board (PERB) or Arbitrations resulting from collective bargaining agreement grievances.
- Approximately 60% of the costs associated with outside counsel are attributable to these labor related claims and ongoing labor negotiations
- Numerous efforts are being made internally to proactively address areas of legal concern before issues arise, and more matters are being handled in-house including but not limited to, initial responses to labor disputes, employment complaints, parent complaints, oversight and trainings such as Title IX student harassment concerns, Public Records Act requests, and contract/MOU review

PROPOSED FISCAL RECOVERY PLAN

Non-Negotiable Items Reviewed Staffing & Non-Mandated Services

1. Reviewed Class Sizes in Grades 4th– 8th
2. Identified Staffing above base formula and collective bargaining agreements
3. Reviewed Non-Mandated Services

PROPOSED FISCAL RECOVERY PLAN

Staffing Review: Class Sizes

- [FCMAT Letter of 9/15/20](#) indicated grades 4-8 class sizes averaged slightly higher than 21:1
 - They used data that was reported on a state class size penalty report that included more than just classroom teachers (approx. 189 additional staff)
 - Their calculation included regular education students, plus approximately 300 special ed
- For reference, CBA maximum class sizes are
 - 33 for grades 4-6
 - 31 for grades 7-8

PROPOSED FISCAL RECOVERY PLAN

Staffing Review: FCMAT Class Size Calculation

- FCMAT based their calculations on state Class Size Penalty report

| Original 2019-20 P2 Class Size Penalty Report Submitted to CDE and basis for FCMAT recommendation | |
|---|--------|
| Total Number of Pupils Enrolled Grades 4 - 8 | 16,119 |
| Total Number of FTE Classroom Teachers | 757.0 |
| Avg. Number of Pupils Enrolled per FTE Classroom Teachers | 21.3 |

PROPOSED FISCAL RECOVERY PLAN

Staffing Review: Exclusions Required

- The numbers used by FCMAT came from a report with a different purpose. Adjustments were needed to:
 - Exclude resource teachers
 - Exclude special education teachers, and 291 students
 - Exclude charter school teachers
 - Exclude Success Academy and Capital City
 - Exclude HS teachers in SES grades 7-8
 - Exclude non-classroom admin, classified, and home/hospital
 - Exclude Prep teachers
- Overall, 189 FTEs were removed from the calculation

PROPOSED FISCAL RECOVERY PLAN

Staffing Review: SCUSD Calculated Class Size

- Once only classroom teachers and regular education student counts were used for the calculation, a much higher class size average resulted

| Per SCUSD Detailed Records | Per FCMAT Letter | *Revised Comparable Data | Difference | Explanations |
|---|------------------|--------------------------|------------|---|
| Total Number of Pupils Enrolled Grades 4 - 8 | 16,119 | 15,828 | 291 | removed special ed students |
| Total Number of FTE Classroom Teachers | 757.00 | 567.90 | 189.10 | removed FTE per notes in previous slide |
| Avg. Number of Pupils Enrolled per FTE Classroom Teachers | 21.3 | 27.9 | 6.6 | Avg. Number of Pupils Enrolled per FTE Classroom Teachers |

PROPOSED FISCAL RECOVERY PLAN

PROPOSED FISCAL RECOVERY PLAN

Staffing (Above Formula & CBA), Supplies & Services

| Summary of Budget Reduction Options | | |
|--|-------------------------------|--|
| Non-negotiable Items | | |
| Item | Potential Cost Savings | |
| APs, Social Workers, Counselors Over Ratio (A) | 1,749,000 | |
| Central Depts - PD, Staff, Supplies | 2,253,000 | |
| Programs/Sites Staff Over Formula | 9,633,000 | |
| Dual Immersion, UGF portion | 25,000 | |
| Staff Recommendations | 13,660,000 | |
| Special Programs - To Discuss (B) | 4,941,000 | |
| List of Potential Reductions | 18,601,000 | |

(A) Note that counselors and librarian staffing ratios are included in the SCTA CBA.

CBA prevents the reduction of 57.1 FTE in this area, or \$7.5M

PROPOSED FISCAL RECOVERY PLAN

Staffing (Above Formula & CBA), Supplies & Services

| (B) Staff does not recommend, but possible: | Potential Cost Savings | Consider Including on List |
|--|-----------------------------------|---------------------------------------|
| VAPA/Music Teachers | 837,000 | 837,000 |
| Career Technical Education | 925,000 | 925,000 |
| Safe Schools | 939,590 | 940,000 |
| GATE | 302,000 | 302,000 |
| New Teacher Induction | 236,579 | 237,000 |
| Improvement, Accountability and School Support | 1,200,000 | 1,200,000 |
| After School /Youth Development | 500,000 | 500,000 |
| | | 4,941,000 |

SUMMARY

- Districts financial reports must include a certification of whether or not a District is able to meet its financial obligations for the current and two subsequent years.
- As of Revised Adopted Budget for 2020-21 the District is projecting that it will not satisfy this requirement:

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SUMMARY

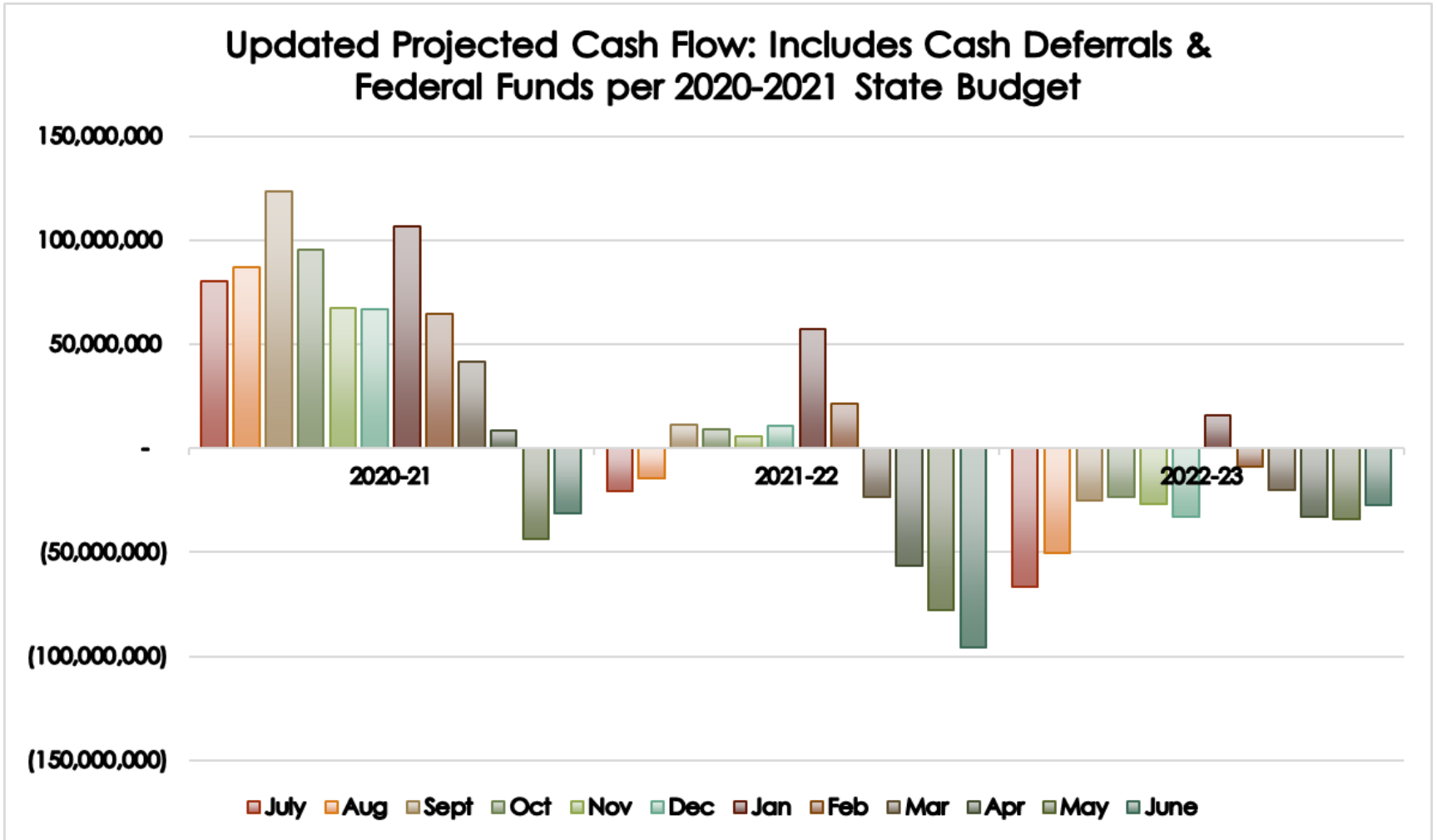
Cash Flow is also projected to be a challenge starting in May 2021 and the District may be able to manage a few months with:

- Temporary interfund transfers
- Short term borrowings
- and possibly a waiver of the cash deferrals

However, if a Fiscal Recovery Plan is not implemented July 1 , 2021 the District is projected to experience serious cash issues by March 2022 and will be at risk of an emergency apportionment (State Loan).

- SCOEs fiscal responsibilities continue until structural deficit is eliminated

SUMMARY



SUMMARY

On-going reductions of \$51M are required in order to balance the budget, satisfy the state mandated 2% reserve, and avoid fiscal insolvency.

Fiscal Recovery Scenario Eliminating the \$51 Million Deficit Effective 7/1/2021

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SUMMARY

Scenario of \$15 Million on-going reductions, reflects most of the non-negotiable items (insufficient to eliminate the deficit)

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Q & A