Budget Presentation Agenda

- 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

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

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

Description	Unrestricted	Restricted	Total
Total Revenues	424,408,422	181,056,076	605,464,498
Total Expenditures	331,260,482		

Changes Since 2020-21 Second Interim

	Unrestricted	Restricted	Combined
Revenue			
[illegible]	0	0	0
[illegible]	0	281,994	281,994
[illegible]	0	11,940,786	11,940,786
[illegible]	78,302	23,332	101,634
Total Revenue	78,302	12,246,113	12,324,415
Expenditures			
[illegible]	(1,477,465)	3,246,519	1,769,055
[illegible]	(498,170)	5,483,305	4,985,135
[illegible]	(1,920,552)	861,137	(1,059,414)
[illegible]	(1,547,674)	(2,571,029)	(4,118,703)
[illegible]			

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

-

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-

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

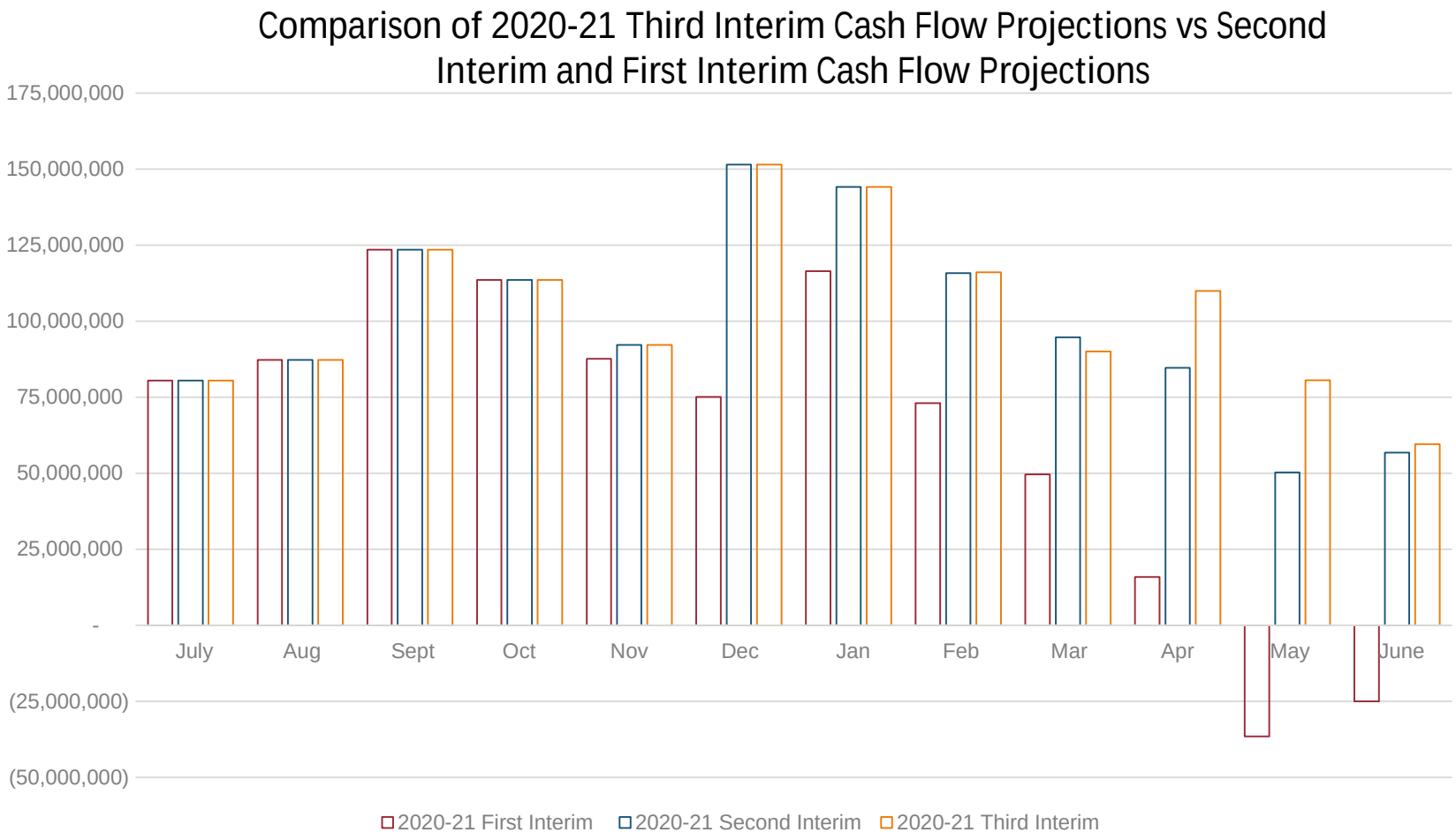
Multi-Year Projection (Total GF)			
Description	**Proposed 2020-21**	**Projected 2021-22**	**Projected 2022-23**
Total Revenues	617,788,912	557,495,038	543,052,196
Total Expenditures	610,127,418	576,825,176	570,549,693
Excess/(Deficiency)	**7,661,494**	**(19,330,138)**	**(27,497,497)**
Other Sources/Uses	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

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

[redacted]

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.

May Revision Big Picture – Leilani Aguinaldo

Director, Governmental Relations

- $17.7 billion more in Proposition 98 compared to the January Governor's Budget proposal

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 Correction Facilities Program, American Indian Education Centers, and the American Indian Early Childhood Education Program

© 2021 School Services of California In

Proposed Investments

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 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
[illegible]	[illegible]	[illegible]	[illegible]
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
-

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