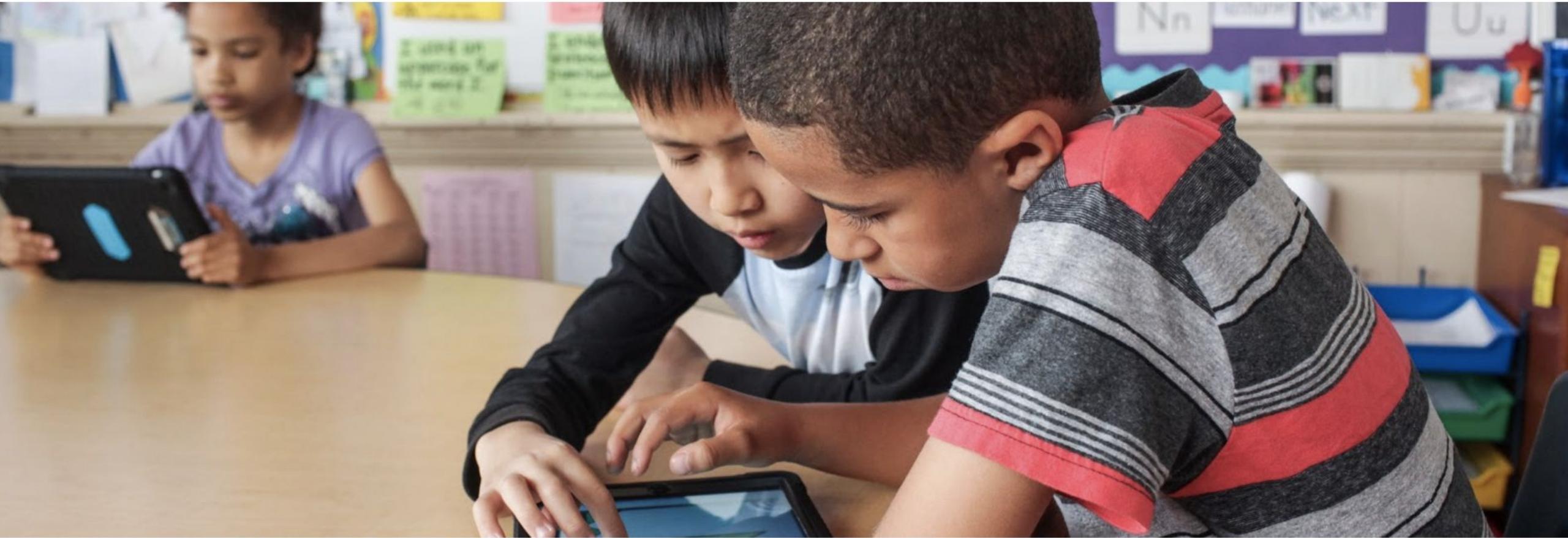




SFUSD Budget Updates and 2024-25 First Interim



December 10, 2024

Revised 12/7/24

Agenda

First Interim Report

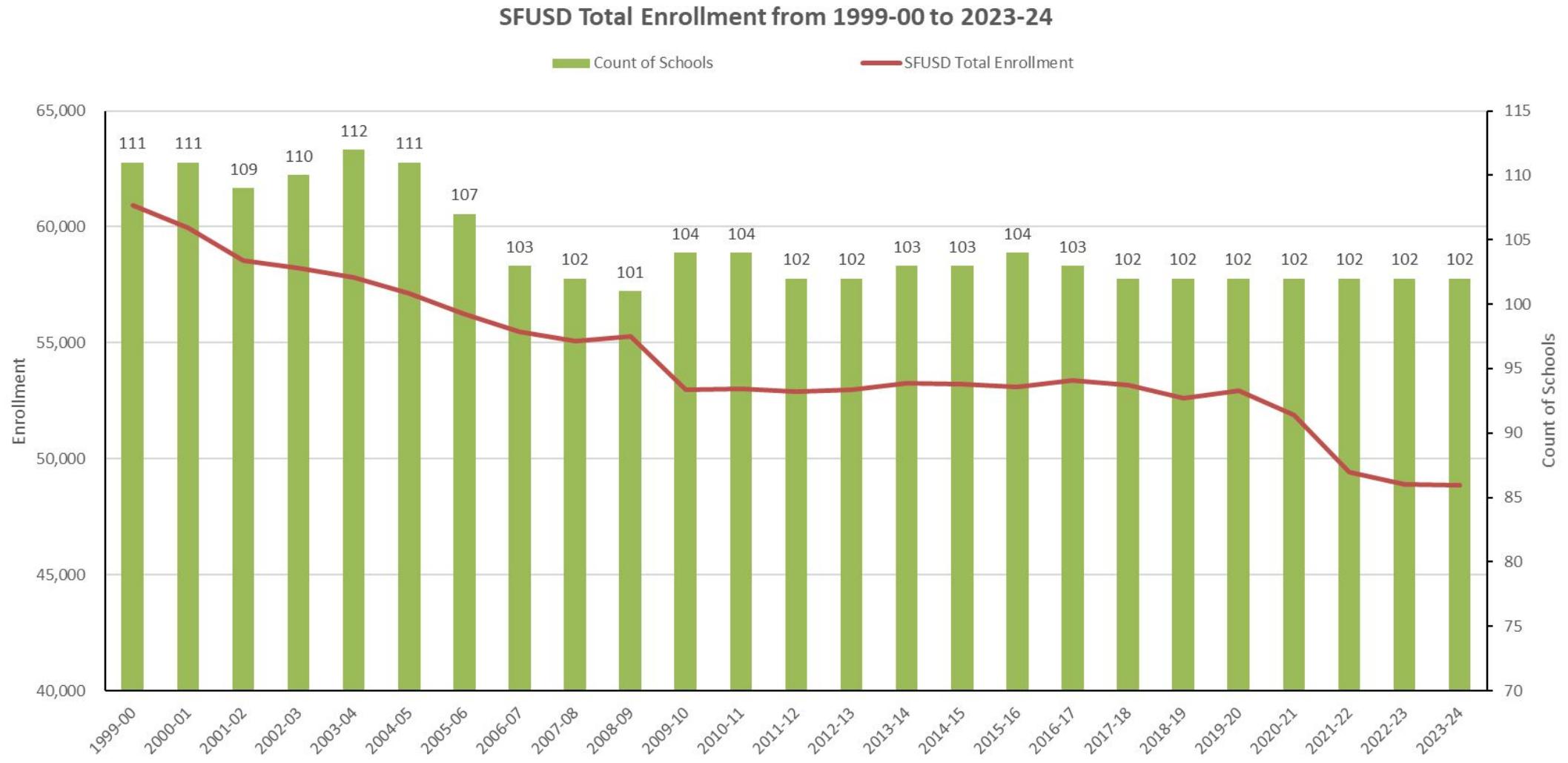
Budget Assumptions

Fiscal Stabilization Plan

Legislative Analyst Office (LAO) Update

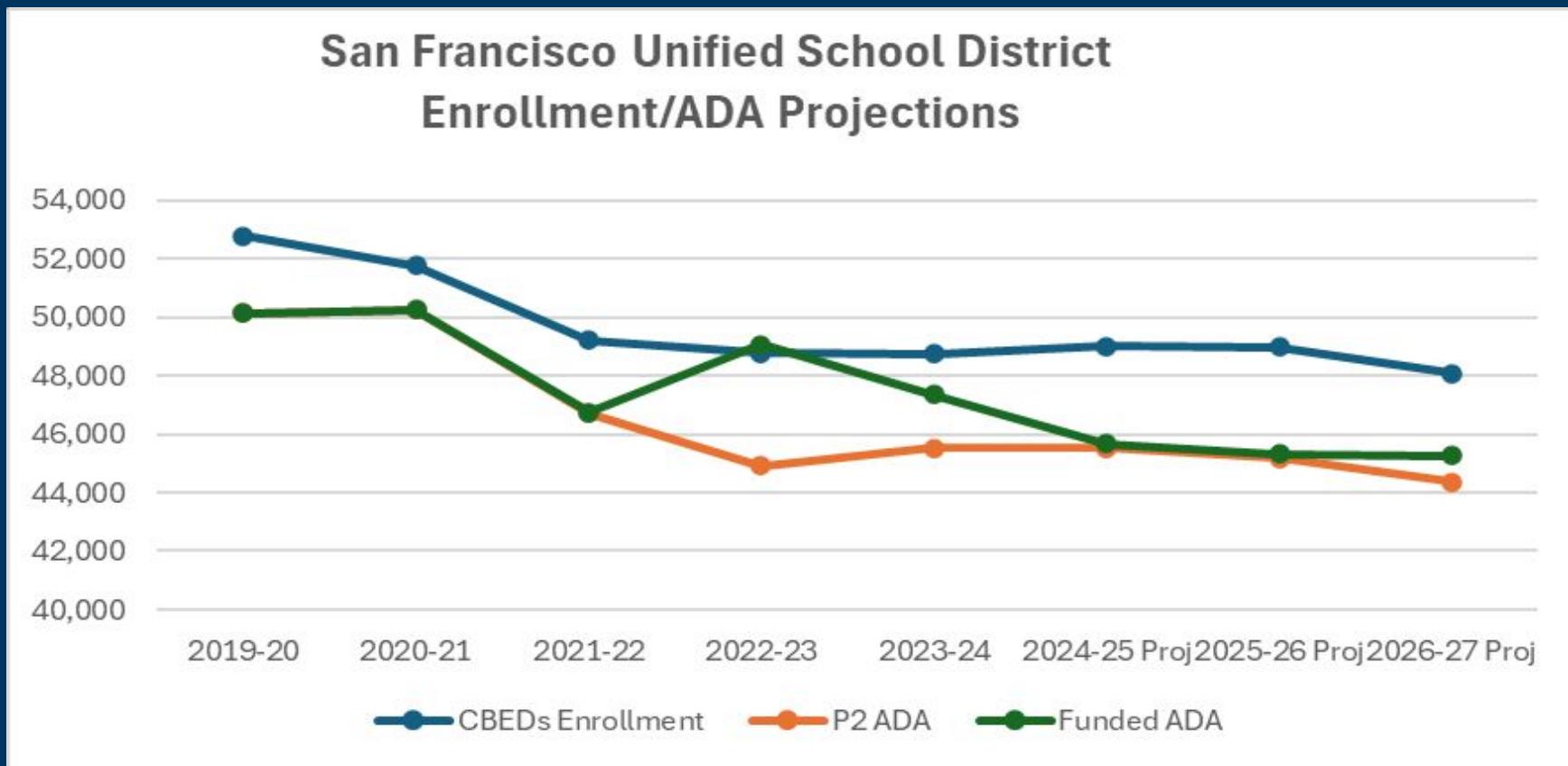
- The LAO reports revenues are better than previously projected.
 - This news comes with a caution of offsets to the revenue with higher spending.
 - The outlook for 2025-26 anticipates a balanced budget for 2025-26, but likely deficits in subsequent years past 2025-26 leaving lawmakers with difficult decisions for program reductions and/or increased revenue.
 - Anticipate little to no changes even with modest increases offset by increased expenses.
 - There are still several months of hearings before the May Revise will be released, which is a key component for K-12 educational agencies to complete budget development for 2025-26.

Enrollment declines means less money for SFUSD



Source: Data notes: based on CBEDS annual summary reports. Not including charter, county, or Early Education schools with PK/TK only.

Enrollment Trends



1st Interim County Office of Education (COE)

In Millions				
	2024-25 Adopted Budget	2024-25 First Interim	2025-26 Projected Budget	2026-27 Projected Budget
Beginning Balance	\$ 13.00	\$ 13.00	\$ 10.30	\$ 13.00
Total Revenues	19.70	20.00	23.60	24.00
Total Expenditures Including transfers	19.30	22.80	21.00	20.80
Net Increase/(Decrease)	\$ 0.45	\$ (2.70)	\$ 2.80	\$ 3.28
Ending Fund Balance	\$ 13.50	\$ 10.30	\$ 13.00	\$ 17.10

Budget Assumptions

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

2024/25 1st Interim - Budget Assumptions

	2024/25	2025/26	2026/27
Description	1st Interim	Projection Year 1	Projection Year 2
Enrollment (CBEDS) Projected with NPS and Post Seniors	49,185	48,520	47,636
Projected Funded Average Daily Attendance (ADA) - 3 yr Aveage SFUSD Special Ed ADA in County Program	45,682	45,324	45,273
Based on SSC Dartboard			
Statutory COLA	1.07%	2.46%	2.46%
Augmentation	0.00%	0.00%	0.00%
Declining Enrollment Impact	-3.03%	-0.70%	0.00%
Effective Change in LCFF	-1.96%	1.76%	2.46%
LCFF Target Base			
LCFF CSR	\$ 15,325,644	\$ 15,948,102	\$ 16,301,177
LCFF CTE	\$ 4,540,522	\$ 4,515,828	\$ 4,642,834
LCFF Unduplicated Count Percentage	58.20%	60.14%	60.59%
LCFF Entitlement	\$ 634,448,231	\$ 645,639,076	\$ 662,187,474
LCFF Entitlement PER ADA	\$ 13,888	\$ 14,261	\$ 14,732

1st Interim - Without Reductions

SFUSD Unrestricted and Restricted General Fund Projections <i>Before</i> Implementation of Planned Adjustments (\$ in Millions)									
SFUSD	2024–25	2025–26	2026–27	2024–25	2025–26	2026–27	2024–25	2025–26	2026–27
	UNRESTRICTED			RESTRICTED			TOTALS		
Beginning Fund Balance	\$229.30	\$118.70	(\$9.20)	\$238.90	\$167.90	\$80.20	\$468.20	\$286.60	\$71.00
Deficit Spending Before Planned Adjustments	(110.60)	(127.90)	(118.30)	(70.90)	(87.50)	55.20	(181.50)	(215.40)	(63.10)
Restricted Ending Balance									
Ending Fund Balance	\$118.70	(\$9.20)	(\$127.40)	\$167.90	\$80.20	\$135.30	\$286.60	\$71.00	\$7.90
Minimum 2% Reserve for Economic Uncertainties	\$28.20	\$28.60	\$26.60				\$28.20	\$28.60	\$26.60
Minimum Reserve Level Met	Yes	No	No				Yes	No	No

Other Funds

Fund #	Fund Description	Beginning Fund Balance	Ending Fund Balance
11	Adult Ed	\$ 455,209	0
12	Child Development	25,530,410	\$ 29,751,750
13	Child Nutrition	21,185,826	16,348,827
14	Deferred Maintenance	25,329,253	10,435,613
21	Building Fund	300,100,791	137,413,162
25	Capital Facilities	42,857,261	5,233,764
30	Building - Lease Purchase	978,344	0.00
35	County School Facilities	837,484	348,579
40	Special Reserve for Capital Outlay	13,021,235	1,456,584

Cash Flow

\$540,718,170

June 30, 2024 - Ending Balance

June 30, 2025
Ending Balance

\$359,169,043

Difference
Year-Over-Year Percentage
Difference



\$181,549,127



33.6%

June 30, 2026
Ending Balance

\$143,762,206

Difference
Year-Over-Year Percentage
Difference



\$215,406,837



60%

June 30, 2027
Ending Balance

\$80,644,721

Difference
Year-Over-Year Percentage
Difference



\$63,117,485



43.9%

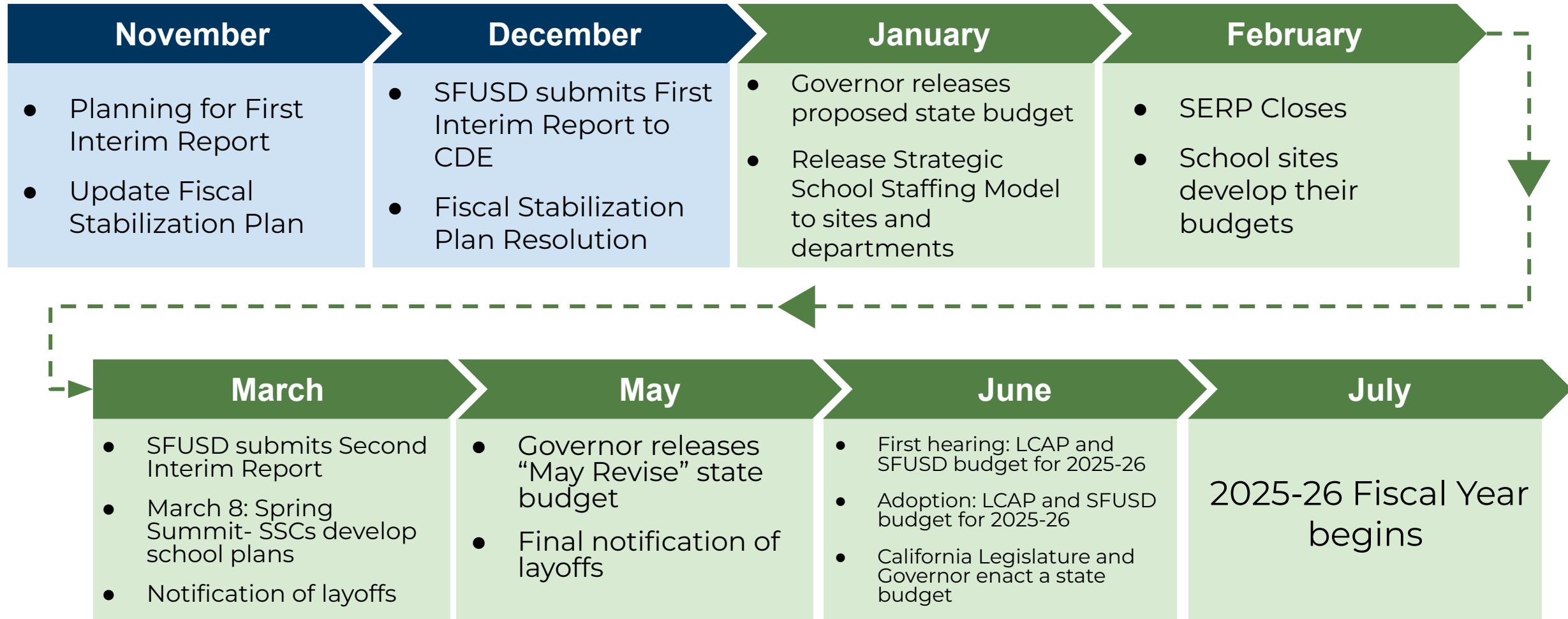
Contributions

In Dollars	2020-21	2021-22	2022-23	2023-24	2024-25
Total Expenditures	\$923,852,560	\$1,162,117,541	\$1,103,850,846	\$1,228,275,605	\$1,408,358,240
Total Encroachment	93,790,719	120,369,046	141,278,428	194,019,017	221,830,207
Routine Repair and Maintenance (RRMA)	27,715,576	34,863,526	33,115,525	38,240,000	38,291,000
Special Education	66,075,142	85,505,519	108,162,903	142,295,573	183,539,207
Dollar Change		19,430,377	22,657,383	34,132,669	41,243,634

Audit Extension

- District was notified on Dec. 2, 2024 of pending items that will necessitate an audit extension for the completion of the 2023-24 Annual Audit
- District has requested an extension to Feb. 15, 2025

SFUSD's budgeting process



Fiscal Stabilization Plan: Eliminating the Structural Deficit

SFUSD Structural Deficit

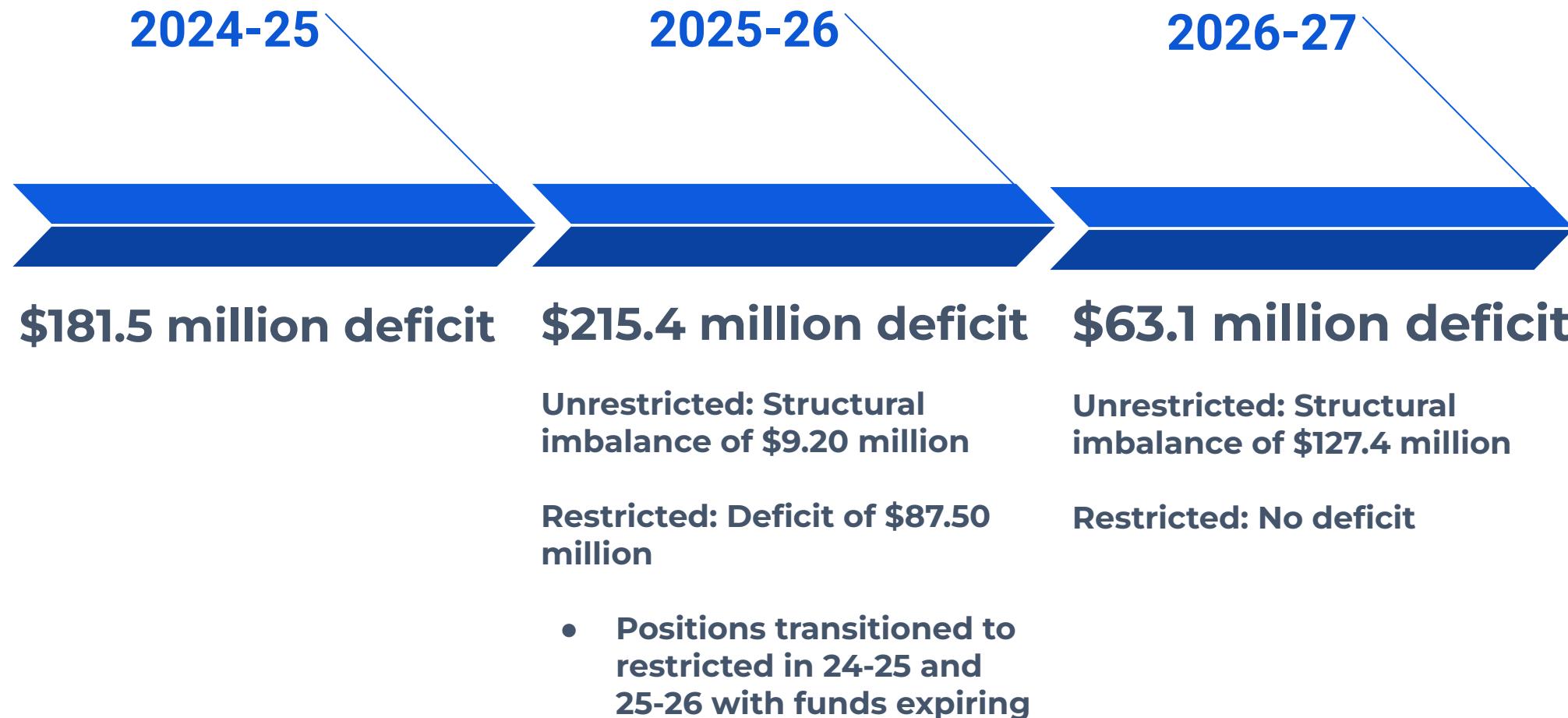
- A structural deficit (rather than just deficit spending) is when a District has a negative ending fund balance. The deficit goes beyond spending more than revenues in a given year.
- SFUSD is projected to have a deficit of \$127.9 million and a structural deficit of \$9.2 million in 2025-26 in the Unrestricted General Fund (UGF)
- This pattern is repeated in the 2026-27 fiscal year with a continued deficit and higher structural deficit of \$127.4 million.

SFUSD Structural Deficit

- The District has a fund balance in 2024-25 to cover the deficit and the mandatory ending fund balance components.
 - However, in 2025-26 and 2026-27, that is not the case and significant reductions are necessary in order to meet our minimum statutory reserve requirements.
- The District has developed a Fiscal Stabilization Plan to fully eliminate deficit spending by 2026-27 with reductions, as follows:
 - 2025-26 - \$113.8 million
 - 2026-27 - \$13 million

Deficits and Structural Imbalances

If no action is taken...



1st Interim - With Reductions

SFUSD Unrestricted and Restricted General Fund Projections <i>After</i> Implementation of Planned Adjustments (\$ in Millions)									
SFUSD	2024–25	2025–26	2026–27	2024–25	2025–26	2026–27	2024–25	2025–26	2026–27
	UNRESTRICTED			RESTRICTED			TOTALS		
Beginning Fund Balance	\$229.30	\$118.70	\$42.10	\$238.90	\$167.90	\$142.20	\$468.20	\$286.60	\$184.30
Deficit Spending Before Planned Adjustments	(110.60)	(76.70)	(13.60)	(70.90)	(25.50)	67.20	(181.50)	(102.20)	53.60
Restricted Balance				\$167.90	\$142.20	\$209.30	167.90	80.20	135.30
Ending Fund Balance	\$118.70	\$42.10	\$28.50				\$286.60	\$184.30	\$237.80
Minimum 2% Reserve for Economic Uncertainties	\$28.20	\$28.60	\$26.60				\$28.20	\$28.60	\$26.60
Minimum Reserve Level Met	Yes	Yes	Yes				Yes	Yes	Yes

Staffing Model Update

- SFUSD's 2025-26 Fiscal Stabilization Plan anticipates a districtwide reduction of **\$113 million** in 25-26 and **\$13 million** in 26-27.
- These reductions will impact both Unrestricted and Restricted Resources.
- SFUSD developed its first School Staffing and Budget Resource Guide for the 2024-25 budget development process
 - This guide provides clear, transparent, and predictable allocations and to support district wide strategies to meet our goals and guardrails.
 - The staffing model and the Resource Guide will be updated again for the 2025-26 budget development
 - The District completed an After Action Review of the process in September and October 2024 and will use that information in operationalizing the process for 2025-26.

Supplemental Early Retirement Plan

- The District took the proactive step to pursue a SERP to reduce potential layoffs
- A SERP is a program offered to long-term employees to retire early by offering them additional financial benefits outside of their regular pension
 - If approved by board, would offer retirees 60% of salary
 - Would allow the district to reduce expenditures through non-replacement or replacing higher-paid staff with lower-paid new hires
 - The participation in a SERP is voluntary and based on specific eligibility criteria set by the District

Potential Staff Reductions Process

- Review Central Office positions that can be eliminated
- Site positions will be determined by staffing model
 - Review vacancies and overstaffing by credential areas
 - Will likely need to reduce PKS (particular kinds of services)
- Certificated and para staff notices by 3/15
- Civil Service staff noticed by 5/15 (45 day notice required)

Budget Reductions

- Review of all District contracts
 - Assess the current purpose and needs
- Review of all technology applications
 - Assess the current purpose and needs
- Review of all materials and supplies

Board Expenditure Reduction Resolution

BOARD OF EDUCATION RESOLUTION

BOARD EXPENDITURE REDUCTION & COMMITMENTS SUPPLEMENTAL CERTIFICATION

WHEREAS, the San Francisco Unified School District's unwavering priority is to create strong, supportive learning environments for each and every student in each and every school each and every day. Strong schools have excellent instruction, nurturing environments, prepared and collaborative staff, robust programming and reliable resources. Strong schools also have the resources and structures to accelerate learning for the students we have historically underserved. We have heard our families loud and clear. They want access to an array of academic options, strong instruction, and holistic support. We are committed to creating a district where each and every student attends a strong school every day. Each one of these five areas on the left has specific structures and programs that will be in place in all schools in the fall of 2025; and

WHEREAS, the San Francisco Board of Education has a fiduciary duty to meet its financial obligations in the 2024-25 fiscal year and two subsequent years pursuant to Education Code 42127 while balancing the academic needs of the students within the district; and

WHEREAS, Board Policy 3460: Financial Reports and Accountability states:

"The Governing Board is committed to ensuring public accountability and the fiscal health of the district. The Board shall adopt sound fiscal policies, oversee the district's financial condition, and continually evaluate whether the district's budget and financial operations support the district's goals for student achievement."; and

WHEREAS, Board Policy 3460: Financial Reports and Accountability further states:

Fiscal Stabilization: Operational Issues and Key Milestones

Goals/ Milestones to resolve SFUSD's Fiscal Crisis

25

Goals/Milestones by December 31, 2024

- SERP process begins on December 11, 2024
- Review and validate 2026-27 restricted funding available for transition of unrestricted expenditures
- Begin preparation for 2nd interim through review of all Resources, cash flow, and any required budget transfers and journal entries
- Complete the updated staffing model for review with leadership, including LEAD
- Seniority list (Classified and Certificated) verified by December 15th

Goals/Milestones by January 31, 2025

- Continue preparation for 2nd Interim as system will allow
- Establish meeting schedule for initial review of budget development and staffing model with sites and departments
- Submit 2023-24 Annual Audit
- Begin Budget Development in Frontline

Goals/Milestones by February 15, 2025

- Make adjustments based on Annual Audit
- Review position control processes
- Begin aligning 2025-26 budget to reduce unrestricted general fund expenditures and clearly identify any one-time expenditures still included in the budget

Goals/Milestones by February 25

- SERP submitted to Board with final results
- Balance URGF and Restricted General Fund with the projected reductions identified
- Seniority list (Classified and Certificated) finalized by October 15th and verified by December 15th



SFUSD Plan of Action

*Priority Areas

- 1. Deficit Spending & Use of One-time Resources:**
 - a. **Status Update-Work in Progress**
 - i. Address structural deficit
 - ii. Use of one time resources to balance budget (or carry over)
- 2. Budget Development:**
 - a. **Status Update-Work in Progress**
 - i. Adjust number of teachers and other staff to align with declining enrollment
- 3. Position Control:**
 - a. **Status Update-Work in Progress**
 - i. Review and adjust the working system to track filled and vacant positions
- 4. Fiscal Systems and Fiscal Reporting:**
 - a. **Status Update-Work in Progress**
 - i. Review and adjust a functional and integrated system that provides accurate payroll/personnel and financial information.
- 5. Declining Enrollment:**
 - a. **Status Update-Work in Progress**
 - i. Staffing and budget projections should be based on historical data, industry standard methods.
 - ii. Monitor enrollment and ADA monthly through established reports to school sites monthly
- 6. Other:**
 - a. **Status Update-Work in Progress**
 - i. Ongoing training from industry experts
 - ii. Actively participate in Statewide regional workshop
 - iii. Review and adjust, as necessary staffing in HR and Business Services

Thank you!

