MEMORANDUM

DATE: April 15, 2020

TO: Contra Costa County CBO/DBOs

FROM: Bill Clark, Deputy Superintendent

SUBJECT: 2020-21 Budget Development Assumptions

Yesterday, BASC released the Common Message - April 2020 Best Practices in Times of Fiscal Crisis. The Message outlines actions to be completed during the next 30 days. These actions include:

- Update the recently submitted 2019-20 Second Interim Multiyear Projection changing the LCFF calculation to assume a Zero COLA for the 2020-21 and 2021-22 fiscal years.


- “The intent is to be thinking about how to address a multitude of situations the LEA may find itself in once the full and actual impact of the pandemic is determined.”

Our office provides the following additional information to assist you as you complete the assessment outlined in the April 2020 Common Message.

FCMAT’s Mike Fine provided the following recommendations at the recently completed state BASC meeting:

- Prepare cash flow analysis now before the May Revise – move June apportionment to July.

- Prepare budget projection now – Zero COLA, Remove Special Ed Funding.

- Don’t assume the federal COLA will be used.
• Use this month to plan and develop a solid understanding of what the worst case would look like.

• Hold on to fund balance, hold on to cash, reduce expenditures to maximize your flexibility to deal with the coming uncertainty.

• First messaging will be May revise the full picture will not emerge until August or September.

• Expect expenditure triggers to be in place to reduce funding mid-year. This is the reason you need to maximize your options and flexibility.

• August 15 layoff – Do not count on this. There is a good chance this will be made inoperative. If it is available, you must be very diligent in order to meet its requirements in a timely fashion. Requires significant planning. Layoffs come back as subs which can reduce savings.

• Not convinced this crisis will go away quickly. Need to be looking ahead to 2021-22.

Your district should complete the following during the next 30 days:

• Prepare a revised cash flow for the 2020-21 and 2021-22 fiscal years assuming a Zero COLA, no additional special education funding. It is possible for a local school agency to have a positive ending balance but run out of cash, especially if our state policy makers decide to resort to cash deferrals as a solution for the state’s financial woes, which are now a likely outcome. Your DBS Advisor has already completed a revised cash flow. Please contact them if you would like assistance with this work.

• Prepare a 2020-21 multiyear projection using the same assumptions used for the revised cash flow. Additional assumptions would include a possible one percent PERS & STRS rate increase, possible health benefit increases, changes in enrollment projections and ADA (data must be good and reliable), an analysis of all vacant positions as part of a complete evaluation of position control to ensure all positions are accounted for and approved.

• Develop an expenditure reduction plan outlining specific steps to conserve cash and reduce expenditures. It is important to invest the time necessary to reconcile all general ledger accounts, capture current year budget savings, effectively utilize restricted programs by moving allowable expenditures so these resources are spent first, specifically those with carryover restrictions, cancel all but the most essential contracts, accelerate cash collections, and/or by delaying cash outlays. These are all critical steps that need to be implemented now to ensure your district remains fiscally solvent.

• Consider options like an early retirement or lump sum severance package in the event certificated staffing reductions need to be made for the 2020-21 fiscal year. A cost/benefit analysis can indicate whether an early retirement incentive can have a positive impact on your work force and your budget.
• Evaluate budget reductions and adjustments necessary to maintain a positive budget certification based on the Zero COLA assumptions.

Note - For district negotiation salary settlements, you must submit the required AB1200 disclosure packet using the Zero COLA assumptions outlined in this memo for the County Office to certify any future salary settlements.

We plan to discuss this memo in greater detail at our Thursday Update meeting. Please let me know if you have any questions or suggestions.