



David W. Gordon
Superintendent

September 15, 2022

Board of Education

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Jorge A. Aguilar, Superintendent
Sacramento City Unified School District
5735 47th Avenue
Sacramento, CA 95824

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O. Alfred Brown, Sr.

SUBJECT: 2022-2023 Adopted Budget Report

Mariana Corona Sabeniano Dear Superintendent Aguilar:

Harold Fong, MSW

Bina Lefkovitz

(916) 228-2500

www.scoe.net

Education Code section 42127(c) requires the County Superintendent to determine whether the budget adopted by the governing board of each school district in the county complies with the criteria and standards for fiscal stability adopted by the State Board of Education, allows the school district to meet its financial obligations during the fiscal year, and is consistent with a financial plan that will enable the school district to satisfy its multiyear financial commitments. As a result, we indicated in our response to the district's Third Interim Report that the district's 2022-2023 Budget must include multi-year projections that meet the district's 2% unrestricted reserve requirement for all years and address the district's structural deficit in order to be approved.

The recently adopted 2022-2023 state budget includes additional ongoing and one-time funding for school districts which mitigates the district's structural deficit over the next few years. As a result, it appears the district will meet its 2% unrestricted reserve requirement for the current fiscal year and two subsequent fiscal years. In addition, the district's 45-day budget revision indicates that the Unrestricted General Fund balance will increase by \$27.3 million in 2022-2023, by \$19.7 million in 2023-2024, and by \$5.9 million in 2024-2025.

However, in the longer term, the district is facing reduced revenue due to declining enrollment and significant ongoing fiscal pressures for program services. Furthermore, although the district has settled with its certificated and classified bargaining units to extend the 2016-2019 collective bargaining agreements through June 30, 2023, the agreements allow for reopeners on salary for 2022-2023 and beyond.

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OFFICE OF THE SUPERINTENDENT
Sacramento City Unified School District

The district has received significant additional one-time federal and state funding to address learning loss during the pandemic and to provide additional supports for its students. However, this funding will expire in the next few years and, as a result, the district needs to identify ongoing funding to replace the one-time funding or plan to terminate the services and staff being funded.

We also note that, from 2018-2019 through to the current fiscal year, the district adopted several fiscal recovery plans and implemented \$58.1 million in ongoing solutions and \$21.9 million in one-time solutions. With the fiscal pressures the district faces and the significant reductions the district has already made, it has limited ability to absorb additional cost increases.

For these reasons, we are **conditionally approving** the district's 2022-2023 Budget. As part of our conditional approval, we encourage the district to refrain from taking actions that would further increase its ongoing costs and preserve its reserves to avoid the potential for future insolvency, budget cuts and layoffs, and the harmful impacts these have on students. We are also continuing to maintain the current fiscal advisor to support the district. In addition, we request:

- Immediate notification to us and the fiscal advisor, and provide for our review, any significant changes to revenues, expenditures, or the budget.
- Regular updates on any negotiations occurring between the district and its labor partners.
- Regular updates on current and projected enrollment trends and inform us of budget and staffing adjustments necessary to accommodate enrollment fluctuations.
- A copy of studies, reports, evaluations, or audits commissioned by the school district or a state agency as soon as they are available to the district.
- Before the district's board of education takes any action on a proposed collective bargaining agreement, the district must meet the public disclosure requirements of Government Code section 3547.5. **Please submit the public disclosure of the collective bargaining agreement to the county office for review at least ten (10) working days prior to the date the governing board will take action on the proposed bargaining agreements.** This information must also be available to the public prior to the date the governing board will take action on the proposed bargaining agreements, in accordance with Brown Act requirements. Also, as provided by the State Criteria and Standards section 15451(b)(C) and

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Education Code section 42142, when labor contract negotiations are settled after the adoption of the district's budget, the district must provide the County Superintendent a fiscal analysis of the agreement and its effect on the budget and, within 45 days of adoption of the agreement, any revisions to the district's current budget necessary to fulfill the terms of the agreement.

We would like to thank your staff for their cooperation during our review process. If you have any questions about the adopted budget, please contact Nicolas Schweizer, Associate Superintendent of Business Services, at (916) 228-2561.

Sincerely,



David W. Gordon
Sacramento County Superintendent of Schools

DWG/NS/sl

cc: Christina Pritchett, Board President, SCUSD
Rose Ramos, Chief Business & Operations Officer, SCUSD
Dr. Nancy Herota, Deputy Superintendent, SCOE
Nicolas Schweizer, Associate Superintendent, SCOE
Sharmila LaPorte, District Fiscal Services Director, SCOE
Terri Ryland, Fiscal Advisor, SCOE
Michael H. Fine, Chief Executive Officer, FCMAT
Abel Guillen, Deputy Superintendent, CDE
Betty T. Yee, California State Controller