



# SACRAMENTO CITY UNIFIED SCHOOL DISTRICT BOARD OF EDUCATION

Agenda Item# 10.1

**Meeting Date:** June 23, 2022

**Subject:** Resolution No.3279 of the Board of Education of the Sacramento City Unified School District Designating Certain General Funds as Committed Fund Balance

- Information Item Only
- Approval on Consent Agenda
- Conference (for discussion only)
- Conference/Second Reading (Action Anticipated: \_\_\_\_\_)
- Conference/Action
- Action
- Public Hearing

**Division:** Business Services

**Recommendation:** Approve Resolution No.3279 , to commits utilizing portions of its general fund ending balance, as indicated by the committed fund classification in its financial statements, for the following purposes:

Purpose	Estimated Amount
Professional Learning	\$3,100,000
History/Social Science and World Language Textbook Adoption	\$13,000,000
Multi-Tiered Systems of Support	\$400,000
EPOCH anti-bias and anti-racist professional learning	\$400,000
Communications	\$60,000
Summer school programs	\$5,000,000
Transitional Kindergarten support	\$48,000
3% Additional Reserve per board policy 3100	\$19,431,681

**Background/Rationale:** In order to comply with California Education Code 42127.01 (a) which imposes a 10% cap on districts' combined assigned and unassigned reserves. The 10% cap is based on the total general fund expenditures, transfers out and other uses.

Failure to comply may result in one of the following consequences:

1. Disapproved budget
2. Conditionally approved budget and requirement to address the excess fund balance to receive approval

3. Approved budget with comment regarding excess fund balance and directive to remedy the condition

**Financial Considerations:** Commit funds for intended purposes in order to comply with Education Code 42127.01(a).

**LCAP Goal(s):** Family and Community Empowerment; Operational Excellence

**Documents Attached:**

1. Executive Summary
2. Resolution 3279

<p><b>Estimated Time of Presentation:</b> 10 minutes <b>Submitted by:</b> Rose Ramos, Chief Business Officer <b>Approved by:</b> Jorge A. Aguilar, Superintendent</p>
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# Board of Education Executive Summary

## Business Services

Resolution to Commit Funds

June 23, 2022



### I. OVERVIEW/HISTORY:

Proposition 2 was approved by California voters in 2014 to establish the Public School System Stabilization Account (PSSSA). The intent of this reserve also referred to as the Proposition 98 rainy day fund is to protect schools by providing stability to the state budget during fiscally challenging periods. Education Code 42127.01(a) further states that when the PSSA balance reaches or exceeds 3% of the total Proposition 98 expenditures, a 10% cap on districts' combined assigned and unassigned reserves is triggered. The State's 2021-2022 budget included deposits into the PSSSA triggering the 10% cap for school districts effective for the 2022-2023 budget. Additionally, the Governor's 2022-2023 budget proposal includes additional deposits into the PSSSA which may cause the 10% cap to remain in effect beyond 2022-2023.

School districts with reserves above the 10% cap have three options to satisfy this requirement:

1. Spend down the excess reserves on one-time programs supported by a defined plan. For example, a technology initiative, a facility project, etc.
2. Seek a temporary waiver from the county superintendent per Education Code 42127.01(b). Education Code Section 42127.01(b) provides that a district may be exempt from the cap for up to two consecutive fiscal years within a three-year period based on documents indicating that extraordinary fiscal circumstances substantiate the need for the excess reserves. Further, the statute requires a district to do all of the following:
  - a. Provide a statement that substantiates the need for a combined assigned and unassigned ending general fund balance that is more than 10%.
  - b. Identify the funding amounts in the budget adopted by the district that are associated with extraordinary fiscal circumstances.
  - c. Provide documentation that no other fiscal resources are available to fund the extraordinary fiscal circumstances. Keep in mind if extraordinary fiscal circumstances exist, then so does the justification to commit funds.

Note that FCMAT recommends against seeking a county superintendent waiver unless the county superintendent has expressed a willingness to consider such waivers. Also, a waiver is valid only for up to two consecutive years.

# Board of Education Executive Summary

## Business Services

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3. Reclassify any unassigned or assigned components of the fund balance to the committed or restricted category of the fund balance consistent with GASB 54. Committing funds will include the following key provisions:
  - a. Committed fund balance includes amounts constrained to specific purposes by the Board.
  - b. All commitments of funds shall be approved by a majority vote of the Board. The constraints shall be imposed no later than the end of the reporting period (June 30), although the actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements.

**The District recommends option 3, board approval to commit funds in order to comply with the 10% cap limitation.**

## II. DRIVING GOVERNANCE:

- Education Code section 42103 requires the governing board of each school district shall hold a public hearing on the proposed budget in a school district facility, or some other place conveniently accessible to the residents of the school district for public inspection.
- Education Code section 42127 requires the Governing Board of each school district to adopt a budget on or before July 1st. Article XIII section 36(e)(6) requires the Governing Board to approve Education Protection Account proposed expenditures in open session of a public meeting. The budget to be adopted shall be prepared in accordance with Education Code section 42126. The adopted budget shall be submitted to the County Office of Education. The County Office of Education will determine if the district will be able to meet its financial obligations during the fiscal year and ensure a financial plan that will enable the district to satisfy its multi-year financial commitments.

## III. BUDGET:

The District's 2022-23 General Fund projects a total operating increase of \$42.1 million resulting in an estimated ending fund balance of \$109.5 million. After accounting for restricted balances and non-spendable funds, the total assigned and unassigned is projected at \$96.7M approximately. The District's 10% reserve cap is calculated at \$64.7M approximately, therefore, reserves are estimated at \$31.9M above the cap. The table below provides the calculations.

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	<b>2022-23 Proposed Budget</b>
Projected Ending Fund Balance	109,458,734.76
Less Restricted amount	(12,406,217.10)
Less Nonspendable	(325,000.00)
<b>Total Assigned/Unassigned</b>	<b>96,727,517.66</b>
Total Expenditures	650,065,110.11
Plus (Less) transfers in/out	(2,342,426.00)
Total Net Expenditures	647,722,684.11
<b>10% Reserve Cap</b>	<b>64,772,268.41</b>
<b>Amount Above Reserve Cap (Minimum to be Committed)</b>	<b>31,955,249.25</b>

The District recommends the following one-time commitments for unfunded programs in the 2022-2023 budget.

Purpose	Estimated Amount
Professional Learning	\$3,100,000
History/Social Science and World Language Textbook Adoption	\$13,000,000
Multi-Tiered Systems of Support	\$400,000
EPOCH anti-bias and anti-racist professional learning	\$400,000
Communications	\$60,000
Summer school programs	\$5,000,000
Transitional Kindergarten support	\$48,000
3% Additional Reserve per board policy 3100	\$19,431,681

The District recommends committing approximately \$41.4M for the unfunded programs listed above and this action will address the 10% reserve cap of \$64.7M. The reserve will be reduced to an estimated \$55.2M.

<b>2022-2023 Proposed Budget</b>	
Projected Assigned/Unassigned Fund Balance	96,727,518
Proposed Commitments	41,439,681
<b>Estimated Assigned/Unassigned Fund Balance After Commitments</b>	<b>\$55,287,837</b>
(approximately \$9.4M below 10% reserve cap)	

# Board of Education Executive Summary

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Note that the Board will retain the authority to change the purposes and/or amounts throughout the 2022-2023 fiscal year but this action must occur prior to the close of the 2022-2023 fiscal year. The District will monitor these purposes and provide a status report at each interim reporting period or as needed.

Finally and as noted during the June 9, 2022 Board meeting, the State Budget has not yet been finalized, therefore, the District will likely revise the 2022-2023 proposed adopted budget to reflect the State enacted budgetary items for school districts. Per Education Code 42127, school districts have 45 days after the Governor signs the annual State Budget Act to revise revenues and expenditures to reflect the funding made available by the Budget Act. These revisions may affect the 10% reserve cap calculation.

### IV. GOALS, OBJECTIVES AND MEASURES:

Maintain fiscal solvency, restore stability and address the long term financial issues of the District.

### V. MAJOR INITIATIVES:

- Continued analysis of information from the State and its impact on the District's Budget
- Budget Revision within 45 days from signing of State Budget

### VI. RESULTS:

Budget development for 2022-23 has followed the timeline approved by the Board. With the approval of the 2022-23 Proposed Budget, the expenditure authority for 2022-23 will be in place and the June 30, 2022 timeline will be met.

### VII. LESSONS LEARNED/NEXT STEPS:

- Continue to monitor the State budget and its impact on District finances.
- Continue to obtain stakeholders' input, follow the LCAP process and meet with bargaining units to seek cost reductions and long-term budget savings.
- The district will discuss and adopt the 2022-23 final Proposed Budget at the June 23, 2022 Board meeting.

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**

**BOARD RESOLUTION TO COMMIT FUNDS**

**RESOLUTION #3279 OF THE BOARD OF EDUCATION OF THE SACRAMENTO CITY UNIFIED SCHOOL DISTRICT DESIGNATING CERTAIN GENERAL FUNDS AS COMMITTED FUND BALANCE**

**WHEREAS**, the Governmental Standards Accounting Board (GASB) has issued Statement No. 54, establishing a hierarchy clarifying constraints that govern how a government entity can use amounts reported as fund balance; and

**WHEREAS**, the Sacramento City Unified School District Board of Education (Board) has previously adopted Board Policy 3100 acknowledging its authority to commit, assign, or evaluate existing fund-balance classifications and identify the intended uses of committed or assigned funds; and

**WHEREAS**, the committed fund balance classification reflects amounts subject to specific internal constraints self-imposed by the Board; and

**WHEREAS**, once the committed fund-balance constraints are imposed, it requires the constraint to be revised, removed or redirected for other purposes by the Board in the same manner as the Board originally approved the commitment; and

**WHEREAS**, the Board has determined it has specific needs that it elects to fund with portions of its General Fund ending fund balance.

**NOW, THEREFORE, BE IT RESOLVED**, that the Sacramento City Unified School District Board of Education, hereby commits to utilizing portions of its general fund ending balance, as indicated by the committed fund classification in its financial statements, for the following purposes:

<b>Purpose</b>	<b>Estimated Amount</b>
Professional Learning Communities (PLC)	\$3,100,000
History/Social Science and World Language Textbook Adoption	\$13,000,000
Multi-Tiered Systems of Support (MTSS)	\$400,000
EPOCH anti-bias and anti-racist professional learning	\$400,000
Summer school programs	\$5,000,000
Transitional Kindergarten support	\$48,000
Declining enrollment mitigation	\$11,600,000
3% Additional Reserve per board policy 3100	\$19,431,681

**BE IT FURTHER RESOLVED**, that such funds cannot be used for any purposes other than directed above, unless the Board adopts a successor resolution to revise or remove the constraint, or otherwise redirect the funds for other purposes; and

**BE IT FURTHER RESOLVED**, that the district's Superintendent, or their designee, is hereby authorized and directed to finalize the amounts to be committed for the purposes directed above based on the unaudited actual financial report for fiscal year 2022-23 no later than September 15, 2023.

Approved, passed and adopted by the Board of Education of the Sacramento City UNified School District on the 23 day of June, 2022:

AYES: \_\_\_\_\_

NOTES: \_\_\_\_\_

ABSETENTIONS: \_\_\_\_\_

\_\_\_\_\_  
President of the  
Governing Board of the \_\_\_\_\_  
School District

Attested to: \_\_\_\_\_  
Clerk of the  
Governing Board of the \_\_\_\_\_  
School District