



# SACRAMENTO CITY UNIFIED SCHOOL DISTRICT BOARD OF EDUCATION

Agenda Item 10.2

**Meeting Date:** February 7, 2019

**Subject:** Fiscal Recovery Plan

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

**Division:** Business Services

**Recommendation:** Continued review and update of the Fiscal Recovery Plan for Sacramento City USD to address the current disapproved 2018-19 budget and identify potential steps needed in order to address the budget deficit.

**Background/Rationale:** Education Code Section 42130 requires school districts to prepare Interim Financial Reports each year. The first of three interim financial reports was presented to the Board of Education for the 2018-19 year on December 6, 2018. The second interim report must be presented to the Board by the March 15 deadline.

The District received a letter from the Sacramento County Office of Education (SCOE) based on the District's Negative Certification status of the First Interim Financial Report that requires the District to submit a draft Fiscal Recovery Plan to SCOE by January 22.

Tonight, Staff will present a sample of the proposed Fiscal Recovery Plan for the District which includes the information that was used to identify potential reductions and the proposed plan to implement the reductions, and will update the timeline that was submitted to SCOE in December 2018.

**Financial Considerations:**

The next Fiscal Recovery Update will be presented to the Board in conjunction with the Second Interim Financial Report at the March 7, 2019 Board Meeting.

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

**Documents Attached:**

1. Executive Summary
2. Timeline

**Estimated Time:** 10 minutes

**Submitted by:** Dr. John Quinto, Chief Business Officer

**Approved by:** Jorge A. Aguilar, Superintendent

# Board of Education Executive Summary

## Business Services

Fiscal Recovery Plan

February 7, 2019



### I. Overview/History:

Due to the disapproved 2018-19 budget and the Negative Certification of the District as of the First Interim Financial Report that was presented at the December 6, 2018 Board Meeting, the District will continue to identify reductions and savings to address the current budget deficit.

The District engaged a demographer to update enrollment projections and is using that new data to determine staffing needs and develop staffing plans that are consistent with any negotiated ratios or industry standards. As a result, staff will bring recommendations forward for staffing reductions at the next board meeting consistent with our needs.

A significant component of the Fiscal Recovery Plan will be negotiated changes. To that end, all labor partners have an agenda item at tonight's meeting to sunshine their proposals for negotiations. Negotiations with four of the five labor partners have been scheduled and the District plans to meet with all labor partners right away to complete negotiations and effectuate necessary changes by July 1.

It is important for the District to maintain a balanced budget by eliminating deficit spending and meeting the State required 2% minimum reserve each year. As of First Interim, the District is projected to run out of cash in November 2019 and, if proposed cuts cannot be actualized prior to that, the District may have to request a loan from the State. The Sacramento County Office of Education has assigned a fiscal advisor to assist the district with budget balancing efforts. If a State loan is needed, a State Administrator will be assigned to make decisions in the place of the governing board and administrative staff.

### II. Driving Governance:

- Education Code section 42127 requires the Governing Board of each school district to adopt a budget on or before July 1st. 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 the subsequent two years. The County Office of Education will either approve, disapprove, or conditionally approve the district's budget.
- Education Code section 42130 requires the Superintendent to submit two reports to the Board of Education during each fiscal year. The first report shall cover the financial and budgetary status of the district for the period ending October 31<sup>st</sup>. All reports required shall be in a format or on forms prescribed by the Superintendent of Public Instruction.
- Education Code section 42131 requires the Board of Education to certify, in writing, whether the district is able to meet its financial obligations for the remainder of the fiscal year and, based on current forecasts, for the subsequent two fiscal years. Certifications shall be based on the Board's assessment of the district budget. Certifications shall be classified as positive, qualified or negative. This education code section also outlines the role of the County Office of Education.

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February 7, 2019



- Education Code section 42131 (3)(e) directs districts to provide additional reports to the County Office of Education as of June 1st, if a Qualified or Negative Certification is reported as of the Second Interim Report.

### III. Budget:

The Board must take action on all necessary budget adjustments for 2019-20 and 2020-21, and the district must maintain its required 2% reserve for economic uncertainties. The First Interim Financial Report included assumptions and projections made with the best information available at the time.

This Fiscal Recovery Report is intended to demonstrate the District's efforts between first and second interim to address its budget imbalance.

The Second Interim Financial Report will include the updated multiyear projections containing the adjustments, reductions (cuts) and savings that have been identified. A complete Fiscal Recovery Plan and updated timeline will also be presented in conjunction with the Second Interim Report.

### IV. Goals, Objectives, and Measures:

Follow the timeline, identify all budget cuts and savings, take action to implement such savings as required by law, District policy, and applicable bargaining agreements.

### V. Major Initiatives:

N/A

### VI. Results:

N/A

### VII. Lessons Learned/Next Steps:

- Follow the approved calendar with adjustments made as necessary.
- Update District Budget Timeline
- Continue to monitor the state budget and its impact on the district finances.
- Continue to engage stakeholders in the budget development process through community budget meetings.
- Work to complete negotiations with bargaining unit partners.
- Ensure compliance with all LCFF and LCAP requirements.

**UNRESTRICTED General Fund Multi-Year Projection**  
**Per First Interim Report 10/31/18**

	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
	<b>Budget</b>	<b>Proj</b>	<b>Proj</b>	<b>Proj</b>
Beginning Fund Balance	60,277,000	38,162,500	(3,855,000)	(54,325,000)
<b>Deficit Spending</b>	<b>(22,114,000)</b>	<b>(42,018,000)</b>	<b>(50,470,000)</b>	<b>(64,872,000)</b>
Ending Fund Balance	38,163,000	(3,855,500)	(54,325,000)	(119,197,000)
Less: Assignments and Reserves	6,546,000	545,500	545,000	545,000
<b>2% Reserve for Economic Uncertainty</b>	<b>11,222,000</b>	<b>11,423,000</b>	<b>11,794,000</b>	<b>12,183,000</b>
<b>Remaining Shortfall to Balance</b>	<b>20,395,000</b>	<b>(15,824,000)</b>	<b>(66,664,000)</b>	<b>(131,925,000)</b>
Impact of 2019-20 On-going Savings		-	-	-
Impact of 2020-21 Additional On-going Savings			-	-
Impact of 2021-22 Additional On-going Savings				-
New Fund Balance Amount		(3,855,500)	(54,325,000)	(119,197,000)
<b>Remaining Fund Balance to Balance</b>		<b>(15,824,000)</b>	<b>(66,664,000)</b>	<b>(131,925,000)</b>
<b>One-time resources remaining for Equity, Access and Social Justi</b>		<b>(15,824,000)</b>	<b>(66,664,000)</b>	<b>(131,925,000)</b>