



# SACRAMENTO CITY UNIFIED SCHOOL DISTRICT BOARD OF EDUCATION

Agenda Item 7.2

**Meeting Date:** February 21, 2019

**Subject:** AB 1200 Update

- 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:** Receive report on the potential consequences of fiscal insolvency from Dave Gordon, Sacramento County Superintendent of Schools, and Mike Fine, Executive Director, Fiscal Crisis Management Assistance Team.

**Background/Rationale:** Education Code Section 42135 details the actions of the state and county office of education in the case of an emergency apportionment, and Education Code Section 42127.6 et seq details the oversight responsibilities of the county office of education when a district's budget is disapproved or their interim report contains a negative certification. AB1840 amended certain provisions of EC §42135 as they relate to actions to be taken by the superintendent of the county when an emergency apportionment is required.

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 Fiscal Recovery Plan to SCOE along with the Second Interim Report.

**Financial Considerations:** A completed Fiscal Recovery Plan 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

Estimated Time: 30 minutes

Submitted by: Michael Fine, FCMAT Executive Director

David Gordon, Sacramento County Office of Education Superintendent

Approved by: Jorge A. Aguilar, Superintendent

# Board of Education Executive Summary

## Business Services

AB 1200 Update

February 21, 2019



### **I. OVERVIEW/HISTORY:**

Due to the disapproved 2018-19 budget and the Negative Certification of the District as of the First Interim Report, the District will continue to identify reductions and savings to address the current budget deficit. A Fiscal Recovery Plan will be presented along with the Second Interim Report at the March 7, 2019 board meeting.

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 will 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, an Administrator will be assigned to make decisions in the place of the governing board and administrative staff.

### **II. DRIVING GOVERNANCE:**

Education Code Section 42127.6 et seq. details the oversight responsibilities of the county office of education when a district's budget is disapproved or their interim report contains a negative certification, and Education Code Section 42135 details the actions of the state and county office of education in the case of an emergency apportionment. AB1840 amended certain provisions of Education Code §42135 as they relate to actions to be taken by the superintendent of the county when an emergency apportionment is required.

### **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 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.

# Board of Education Executive Summary

## Business Services

AB 1200 Update

February 21, 2019



### 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.