



SACRAMENTO CITY UNIFIED SCHOOL DISTRICT BOARD OF EDUCATION

Agenda Item 9.1

Meeting Date: March 21, 2019

Subject: Fiscal Recovery Plan 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: Approve the Fiscal Recovery Plan Update with the proposed budget solutions presented at the March 21, 2019 Board Meeting.

Background/Rationale: The District has a significant budget deficit that is expected to grow in future years if corrective action is not taken. Due to budgetary concerns, the District is committed to reducing its spending for the next two years by thirty-five million dollars (\$35,000,000) in order to balance the budget and maintain the state-mandated 2% reserve.

Tonight, staff will present a proposed budget solution for a student centered fiscal recovery plan which will include the following budget items: One Stop Staffing Adjustment, Child Development and Savings proposed to be achieved through negotiations.

Financial Considerations: The total proposed budget savings of \$35,000,000.

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

Documents Attached:

1. Executive Summary
2. Proposed Budget Solutions

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 Update

March 21, 2019



I. Overview/History:

Student Centered Fiscal Recovery Plan

The Sacramento City Unified School District ("District") has a significant budget deficit that is expected to grow in future years if corrective action is not taken. Due to budgetary concerns, the District is committed to reducing its spending for the next two years by thirty-five million dollars (\$35,000,000) in order to balance the budget and maintain the state-mandated 2% reserve.

We believe that students should be at the center of all budget decisions and that all employees should work collaboratively to protect funding for core academic programs and services to keep cuts away from areas that directly affect our students. District staff has already identified and the Board has moved forward in making reductions, but we can make even greater strides in saving our schools and carrying out our core values of equity, access, and social justice. As we continue this work, we are guided by our core values and reminded that these values are not limited to our students, but should be applied when making decisions related to our employees. In our work with our bargaining partners, we will seek to identify the budget and program reductions necessary to save our schools from a takeover based on parity relative to a union's size and relative to the total costs to the District.

As part of the District's initial proposals to our bargaining partners, the District has identified three primary areas from which reductions will be made to further our student-centered fiscal recovery plan: reductions in positions; reductions in expenditures; and negotiated agreements with our labor partners.

Reductions In Positions

The District's Business Department, in conjunction with the Superintendent and the Human Resources Department, has already made cuts to vacant administrator or management level positions that were closed/eliminated, for a combined \$1 million in cuts, and \$100,000 in cuts to the Board Office as reflected in the First Interim Budget presented to the Board December 6, 2018. Prior to First Interim, the District had already made \$320,000 in cuts to the Student Services Department Budget. The Board of Education approved reductions at both the February 21, 2019 and the March 7, 2019 Board meetings. At the February 21, 2019 meeting the Board approved Resolution 3053, which was a reduction in particular kinds of services of certificated employees, and Resolution 3056, which was a notice of layoffs for classified employees. This included some unrepresented management positions. At the March 7, 2019, Board Meeting, the Board approved Resolution 3058 which included numerous layoffs of Central Office unrepresented and represented certificated management positions. The Board also adopted Resolution 3059, eliminating classified positions, the majority of which were administration and management positions. The District hopes that these layoff notices may be rescinded should our efforts to address important structural costs discussed below be realized. As set out in the Board's March 7, 2019, Save our Schools Resolution, Resolution 3060, the District is committed to maintaining the currently very low unrestricted cost for unrepresented management for the upcoming 2019-2020 school year.

Board of Education Executive Summary

Business Services

Fiscal Recovery Plan Update

March 21, 2019



In addition to reduction of positions at the District office and administrator level, the District's team has been working to make staffing adjustments that are consistent with student enrollment numbers. To this end, the Budget Office, Human Resource Services, and department leads and school site administrators have examined staffing in light of the latest enrollment projections that show a significant decline in student enrollment for next year. This process requires the District to identify those positions that are impacted by declining student enrollment for the 2019-20 school year and has eliminated those positions through the layoff process.

Finally, the District has been required to contribute significant general unrestricted funds to support the Child Development Program over the years. Moreover, this program has had ongoing issues with regulatory compliance. Therefore, the District will be reducing its Child Development Program beginning with the 2019-20 fiscal year in order to focus on its core mission of serving TK-12 grade students. Unfortunately, this will require the elimination of positions in the program as needed based on these reduced services.

Reductions in Expenditures

On December 12, 2018, our Superintendent issued a memorandum placing a freeze on certain District expenditures and requiring other expenditures to be reviewed by a purchasing review committee. This has resulted thus far in \$1.5 million dollars of savings by holding sites to supplies and services at 2017-18 levels. The District is continuing to analyze and identify areas of additional expenditure costs savings.

Negotiated Changes

The District is committed to working with its labor partners and unrepresented employees to identify areas where savings may be achieved in a manner that is fair and proportionate with their share of the budget. In accordance with the District's core values, the District has identified areas within the scope of negotiations that we will propose to negotiate with all labor partners and employees regarding making shared sacrifices for the sake of the District's students and the District's fiscal solvency. Significantly, the District is seeking to rebalance employee healthcare benefit contributions with a goal toward returning to District contributions that are in parity to comparable school districts while providing high quality benefit plans to its employees.

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

Board of Education Executive Summary

Business Services

Fiscal Recovery Plan Update

March 21, 2019



status of the district for the period ending October 31st. 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.
- 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 Fiscal Recovery Plan brings forth a potential savings of approximately \$35 million.

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:

The Fiscal Recovery Plan update presented tonight at the March 21, 2019 Board Meeting identifies a potential savings of approximately \$35 million.

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.

Sacramento City Unified School District – Student Centered Fiscal Recovery Plan
Proposed Budget Solutions

Current General Fund Expenditures/ Revenues		Projected 2019-20 General Fund Savings
1	One Stop Staffing Adjustment*	\$5,100,000
2	Child Development*	\$1,200,000
3	Savings proposed to be achieved through negotiations	\$28,700,000
	Total	\$35,000,000

*Non-negotiable items included in 2018-19 2nd Interim report