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July 20, 2020

Elaine M. Howle
California State Auditor
621 Capitol Mall, Suite 1200
Sacramento, CA 95814
RE: Update Audit 2019-108

RE: Monthly Update on SCUSD Budget and Negotiation Efforts

Dear Ms. Howle,

Thank you for your May 19, 2020 letter requesting that the District provide monthly updates to keep your office apprised of important developments related to the District's budget and the recommendations contained in the audit report. This letter is the District's July update consistent with that request.

As you are aware, the solution to the District's budget deficit will be found through negotiations for a successor contract with our bargaining partners, and specifically related to achieving a balanced District contribution to its employees' health care plans. The largest portion of savings from putting a cap on health benefit plans comes from our certificated employees represented by SCTA, for whom the District pays the full cost of up to and including the family plan rate under the Kaiser and Health Net Family Plans. This is why the District has continued requesting from SCTA that they come to the table and begin negotiations since November of 2018. On June 9, 2020, we held just the second negotiations session with the Sacramento City Teachers Association (SCTA), which included a budget presentation requested by SCTA from District Chief Business Officer, Rose Ramos. SCTA also submitted four proposals of their own (see attached). These proposals would add significantly to the budget through spending on new programs and SCTA positions and largely impede upon management rights. Importantly, SCTA did not provide counter-proposals to or specifically address the District's proposals, including that relating to instituting a reasonable District healthcare contribution consistent with other public entities. SCTA's Article 13 health care proposal maintained the structure of the current CBA's disputed health plan language concerning which the parties recently concluded an arbitration hearing. This SCTA healthcare proposal would take unrealized and speculative "savings" resulting from a switch to the CalPERS health plan pool and then allocate such for new spending and hiring of SCTA and SEIU positions. On July 10, 2020, during our meeting with SCTA regarding potential reopening of schools, the District's team made clear that it was rejecting SCTA's healthcare related proposal.

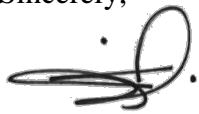
In addition, and as you are also no doubt aware, the District is currently analyzing how to reopen its schools for the upcoming school year beginning on September 3, 2020. As part of this process, there will certainly be areas where we will discuss the needs and concerns of our employees with District labor unions, and on June 23, 2020, we held an

initial meeting with SCTA on this subject, and recently held meetings on July 2, and July 10. Prior to the June 23 meeting, SCTA sent a communication on June 19, 2020 (attached) requesting that our negotiations with SCTA on both a successor contract and reopening schools be combined because the issues are “so intertwined and cannot easily be extricated.” The District responded by clearly stating that while we believe engaging in negotiations with SCTA on both a successor contract and on those negotiable effects of reopening our District schools are critically important, we do not believe that these issues can or should be negotiated at the same negotiations table. While SCTA may try to intertwine these two negotiations tables, the District believes that they are not intertwined and they can and should be bifurcated and handled at separately. The issues involved at each table are different and, for the District, will require different team members to be present at the two negotiation tables.

The District is concerned that these events would delay important negotiations on a successor contract by intertwining issues related to reopening of schools or the institution or distance learning. For example, in the first portion of our reopening meeting on June 23, SCTA focused on budget related questions and passed a proposal for CBA Article 11, Safety, that included substantial new language such as requiring sinks be placed in every classroom in the District. Again, the District believes it is more appropriate to deal with the reopening of schools related issues separately and distinctly from the negotiations for our successor contract. This remains true even now that the District has announced that it will be beginning the year with full remote learning consistent with the state’s direction issued on July 17, 2020.

Thank you as always for taking the time to work with the District to address its serious budget challenges. It remains our sincere commitment to overcome these obstacles while staying laser focused on our goal of providing access to high quality educational opportunities for all of our students.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Aguilar", with a stylized flourish at the end.

Jorge A. Aguilar
Superintendent