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August 10, 2020

Elaine M. Howle
California State Auditor
621 Capitol Mall, Suite 1200
Sacramento, CA 95814

RE: Audit 2019-108 August Update

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 August 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. Unfortunately, as we reported in July, the District's attempts to discuss a successor contract with the Sacramento City Teachers Association (SCTA) have been delayed by the focus on the reopening of our schools on September 3rd, including the need to establish an effective distance learning program for our students and staff. For example, although we sought to meet to discuss successor contract issues with SCTA on July 28, 2020, SCTA focused solely on distance learning related issues. The District is hopeful that it will be able to come to an agreement soon with SCTA concerning distance learning and then be able to quickly shift the focus back to successor contract negotiations.

Update on Budget Policies and Practices

At the June 25, 2020 Board Meeting, District CBO Rose Ramos presented for discussion additional revisions to Board Policy 3100, Reserve for Economic Uncertainty and Use of One-Time Funds. https://www.scusd.edu/sites/main/files/file-attachments/combined_6-25-20.pdf. The proposed policy as presented at the Board Meeting states in relevant part:

Reserve for Economic Uncertainty

Per BP 3100, the Board shall establish and maintain a general fund reserve for economic uncertainty that meets or exceeds the requirements of 5 CCR 15443. The reserve for economic uncertainty for the District will be established at no less than 5% of total general fund expenditures. In the event that the District falls below the 5% level, the percentage level will be restored at a rate of no less than one percent per year until the five percent level is reached. In the event that restoring the reserve at a rate of 1% per year will result in a negative impact to

students due to reductions in student programs, the Board can elect to restore the reserve at a rate less than 1% per year. Implementation for establishing the 5% minimum reserve level is recommended to begin fiscal year 2022-2023 or after the deficit is eliminated.

One-Time Funds

One-Time funding should be used for one-time expenditures and shall only be used for an on-going expenditure as a last resort. As part of the approval of the annual budget, the Board shall consider any proposed use of One-Time funding and shall take separate action to approve such uses.

Budget staff is incorporating additional feedback received at the June 25 meeting and will bring the proposed policy back for another reading before the Board this fall.

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