



David W. Gordon  
Superintendent

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May 4, 2023

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Jorge A. Aguilar, Superintendent  
Sacramento City Unified School District  
5735 47th Avenue  
Sacramento, CA 95824  
Sent via email to: [JAguilar@scusd.edu](mailto:JAguilar@scusd.edu)

Dear Superintendent Aguilar:

This is in response to your April 27, 2023, email regarding our support and review of Sacramento City Unified School District multi-year budget and interim fiscal report projections and our review of the fiscal impact of the district's collective bargaining agreements. Specifically, your email asked:

- Is Sac City appropriately including in our multi-year projections possible increased state revenues as well as costs of labor agreements and how do revenues and costs impact SCOPE's budget approval process?
- Are there specific fiscal guidelines that SCOPE has for Sac City's Board of Education to consider as part of the negotiations process given the requirement to produce a multi-year budget that shows 2% reserve for the current fiscal year as well as two subsequent fiscal years?

We believe that the district has appropriately included increased state revenues as well as costs of labor agreements in its multi-year projections to date. This is, in part, reflected by our approval of the district's last adopted budget and positive interim report certifications. We will continue to evaluate the district's revenue and cost projections as part of our budget approval process.

As stated in our April 20, 2023, letter, our approval of the district's budget is dependent in part on the district's ability to meet its 2% minimum reserve requirement for the 2023-2024, 2024-2025 and 2025-2026 fiscal years as well as the other standards and criteria adopted by the State Board of Education. We note that, even if the district is able to meet its minimum reserve requirement, there are other factors, such as significant projected ongoing deficits, declining enrollment, and use of one-time revenues for ongoing costs, which may put the future solvency of the district at risk. We recommend the district consider these factors when developing its budget and/or considering new commitments, including commitments resulting from negotiated agreements.

We also note that our appointed fiscal advisor supports district staff and board members with these issues by:

- Attending governing board closed session, cabinet, purchase review committee and other critical financial meetings to provide guidance and support;
- Confirming use by the district's fiscal staff of standard revenue assumptions along with only projecting known or estimable expenditure changes;
- Providing guidance on the minimum reserve requirement and other criteria for review of the budget and interim reports; and
- Monitoring the impact of all expenditure decisions including negotiated settlements on the deficits and fund balance of the district.

### Background

The Sacramento County Office of Education District Fiscal Services unit conducts reviews of district budgets and interim fiscal reports in accordance with the instructions and templates included in the Fiscal Crisis and Management Assistance Team's (FCMAT's) Fiscal Procedural Manual for Business Officials in California County Offices of Education (COE Fiscal Procedural Manual). These reviews include, but are not limited to, verifying that:

- The district provides assumptions which include a description of general fund and other funds for the current year and two subsequent years with planning factors such as COLA, STRS/PERS/UI rates, Lottery rates, etc., and that those assumptions are reasonable.
- The district's projection for certificated and classified salaries is reasonable given the change in FTE and salary increases, increases in step and column, and actuals to date.

Our reviews of the district's last adopted budget and two interim reports did not identify any issues with the assumptions it was using for revenue growth or for employee compensation. The district's average daily attendance estimates appear reasonable based on historical trends, and it uses the COLA projections calculated by the California Department of Finance and recommended by the California County Superintendents Business and Administration Services Committee. Furthermore, the district has appropriately included the costs of collective bargaining agreements adopted by its governing board in its multi-year projections.

Similar to budgets and interim reports, the District Fiscal Services unit also reviews district collective bargaining agreements (with the AB1200 disclosure documents) in accordance with FCMAT's COE Fiscal Procedural Manual instructions.

These reviews include assessing:

- The impact of the proposed agreement on unrestricted reserves and whether the district will continue to meet its minimum unrestricted reserve requirement for the current and two subsequent fiscal years.
- Whether the agreement creates or increases deficit spending in the current or subsequent years and whether the district has a plan to reduce deficit spending.
- That the Superintendent and Chief Business Official of the district have certified that the district can meet the costs incurred under the agreement in accordance with Government Code Sections 3540.2 and 3547.5.

The requirements and considerations for approval of the district's budget were provided in detail in our April 20, 2023, letter:

- The County Superintendent must examine the district's adopted budget to determine whether it complies with the standards and criteria adopted by the State Board of Education.
- The standards and criteria address several areas including minimum reserves, average daily attendance, enrollment, local control funding formula revenue, salaries and benefits, other revenues and expenditures, facilities maintenance, deficit spending, contingent liabilities, use of one-time revenues for ongoing expenditures, use of ongoing revenues for one-time expenditures, contingent revenues, contributions, long-term commitments, unfunded liabilities, status of labor agreements and the local control and accountability plan.
- The County Superintendent must disapprove a budget that does not provide adequate assurance that the district will meet its current and future obligations.

We conditionally approved the district's 2022-2023 Budget and maintained the fiscal advisor to support the district. Pursuant to Education Code section 42127.6, the fiscal advisor may assist the district to develop budget revisions, multi-year financial plans and the budget for the subsequent fiscal year, among other things, on behalf of the County Superintendent.

I hope this answers your questions. If you have any additional questions, please feel free to call Nicolas Schweizer, Associate Superintendent of Business Services, at (916) 228-2561.

Sincerely,



David W. Gordon  
Sacramento County Superintendent of Schools

DWG/NS

cc: Rose Ramos, Chief Business & Operations Officer, SCUSD  
Nicolas Schweizer, Associate Superintendent, SCOE  
Terri Ryland, Fiscal Advisor, SCOE