



SACRAMENTO CITY UNIFIED SCHOOL DISTRICT BOARD OF EDUCATION

Agenda Item 10.2

Meeting Date: February 4, 2021

Subject: Resolution No. 3180: Recognition of District Structural Deficit

- Information Item Only
- Approval on Consent Agenda
- Conference (for discussion only)
- Conference/First Reading (Action Anticipated: February 4, 2021)
- Conference/Action
- Action
- Public Hearing

Division: Office of the Superintendent

Recommendation: Resolution No. 3180: Recognition of District Structural Deficit

Background/Rationale: The District's structural deficit has been analyzed by numerous independent entities, include the Fiscal Crisis & Management Assistance Team (FCMAT), the California State Auditor, the Sacramento County Office of Education, and the Policy Analysis for California Education (PACE). Each of these independent entities have offered recommendations aimed at reducing the District's Structural Deficit. The proposed Resolution aims to recognize the District's fiscal challenges and to establish the goal of taking actions to address such.

Financial Considerations: The proposed Resolution is directed at recognizing and addressing the District's Structural Deficit.

LCAP Goal(s): Operational Excellence

Documents Attached:

1. Resolution No. 3180 will be provided Monday, February 1st

<p>Estimated Time of Presentation: 15 minutes Submitted by: President Pritchett, Board of Education Approved by: Jorge A. Aguilar, Superintendent</p>
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SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
BOARD OF EDUCATION
RESOLUTION NO. 3180

RESOLUTION ON RECOGNITION OF STRUCTURAL DEFICIT

WHEREAS, the Sacramento City Unified School District (“District”) is facing a significant structural budget deficit in the unrestricted General Fund and independent entities expect that deficit to grow in future years if corrective action is not taken, because as noted by the State Auditor, the district spends more than it receives in revenue and its costs are growing faster than its revenues (Audit Report at Figure 9, pg. 35); and

WHEREAS, the Board of Education understands that there are long-time challenges related to the District’s structural budget which have been recognized by independent entities for approximately two decades, as observed by the State Auditor, “[d]espite receiving warnings regarding its health benefit costs from entities that have reviewed its budgets since 2003, Sacramento Unified has not taken sufficient action to control those costs when negotiating any of the six agreements that it has entered into with its teachers union since then.” (Audit Report at pg. 2); and

WHEREAS, the Board of Education is fully aware that an ongoing structural deficit can be solved through a sufficient increase in ongoing General Fund revenues, reductions in district costs for employee salaries and benefits, cuts to programs or services, or a combination of the above, as recognized by the State Auditor, “Sacramento Unified cannot achieve cost savings significant enough to balance its budget without addressing its three largest categories of expenditures: salaries; benefits; and contracts, services, and other operating expenses” (Audit Report at pg. 9); and

WHEREAS, the District and Board value the hard work and contributions of its employees and believes its employees deserve based, non-adversarial approach to collective bargaining, as noted in Board Policy 4000 and

WHEREAS, the Board recognizes such collaboration is important for the short-term and long-term fiscal health of the district and that building capacity in school systems and partners “

to increase collaboration and

the latest factors released by the Department of Finance (DOF) and Fiscal Crisis & Management Assistance Team (FCMAT) tools that districts are expected to utilize as planning factors, including primarily State-required reports and key information regarding budget assumptions, multi-year projections, and cash flow reports (First Interim Report Assumptions at pg. 187; FCMAT 2020 Report at pg. 6); and

WHEREAS, the Sacramento County Office of Education disapproved the District's adopted budget for the 2018-2019, the 2019-2020, and the 2020-2021 fiscal years on the basis of a structural budget deficit, cash flow insufficiencies, and negative fund balance projections, which are projected to lead to a failure to meet ongoing expenses and the state-mandated 2% reserve, and thereby trigger the need for a state loan and takeover of the District; and

WHEREAS, State Takeover or "receiversen04 Tc tvn0 1S1 csfe(-)Tjf0tucakeov /Ce t 16-11(e t)-ca6-11(a

WHEREAS, the Board of Education recognizes that the District does not currently provide a large number of targeted student supports and programs through the unrestricted General Fund which it can consider eliminating for cost savings [as stated by SCOE in its letter of Nov. 20, 2019](#); and

WHEREAS, the Board of Education recognizes that employee compensation for current levels of student supports and programs is the District's largest on-going cost. Currently, [salaries and benefits for such student supports and programs make up 88% of unrestricted General fund at First Interim Budget Update](#) (First Interim at pg. 184), and this number generally fluctuates between 88%-91% yearly. According to FCMAT, "[\[t\]he statewide average for unified school districts as of 2016-17 \(the latest data available\) is 84.63%. At 2018-19 first interim, the district is exceeding the statewide average by 6.37%.](#)" (FCMAT 2018 at pg. 17.) In addition to accounting for 88% of the unrestricted General Fund budget, salaries and benefits account for approximately [80% of General Fund Unrestricted and Restricted Budget, \(Audit Report at pg. 11, Figure 3\)](#); and

WHEREAS, the Board recognizes that the District has been able to supplement its budget and temporarily mitigate its deficit with Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and recent Coronavirus Response and Relief Supplemental Appropriations Act of 2021 (CRRSA Act) **one-time restricted revenues** which must be [spent for specific COVID related purposes](#) as further [outlined by the California Department of Education \(CDE\) and School Services of California](#) (SSC) (Adopted Budget at pg. 7-31), and the Board of Education understands that these funds are one-time restricted funds and non-sustainable as they must be expended by June 2021, December 2021, September 2022, and June 2023; and

WHEREAS, the Board understands the following:

1. The District accounts for these above **one-time restricted revenues** by using a placeholder of the "Books and Supplies" budget line in its Restricted General Fund Budget;
2. Current standard budget practice is to set up the carryover budget in the Books and Supplies budget line until final decisions are made as to what type of expenditure

able to manage in the short run through temporary interfund transfers, short term borrowing, and possibly a waiver of the state revenue cash deferrals, with more significant cash shortages occurring however in **March of 2022** (First Interim at pgs. 195-196), and although the Governor's January

provide a foundation for solvency and reinvestment in critical priorities that serve students and families.

PASSED AND ADOPTED by the Sacramento City Unified School District Board of Education on this ____ day of _____ 2021, by the following vote:

AYES: _____

NOES: _____

ABSTAIN: _____

ABSENT: _____

ATTESTED TO:

Jorge A. Aguilar
Secretary of the Board of Education

Christina Pritchett
President of the Board of Education