

10 Facts

About the Budget Fiasco at the Sacramento City Unified School District

1. Sac City District Revenues Have Increased by More than \$123 million since 2013-14.

According to audited financial statements, since 2013-14, the revenues for the Sacramento City Unified School District have increased from a budgeted \$381,121,215 (2013-14) to an actual \$504,534,628 (2017-18), an increase of \$123,413,413 or 32%.¹ In 2018-19, the District has budgeted for revenues of \$528,654,345, an increase of an additional 4.8% over its actual 2017-18 revenues.²

2. Superintendent Aguilar and the School Board Have Backtracked on Their Commitments to Students, Educators, and SCOE

To address Sac City's difficulty in recruiting and retaining educators who reflect the diversity of the District, and Sacramento City Teachers Association and the District agreed to a breakthrough agreement that was adopted by both parties in December 2017. The agreement included a commitment to redirect health plan savings to lower class sizes for student and increase other professional support staff like school nurses and psychologists. Another provision significantly revised the salary schedule for educators enabling the District to recruit and retain educators who reflect the diversity of our District.³

As part of that agreement and in response to concerns raised by the Sacramento County Office of Education (SCOE), *the Superintendent Aguilar and the School Board agreed to reprioritize its spending away from administrators, and with a renewed focus on the classroom.* Because of those assurances, on January 16, 2018 SCOE agreed with the Positive Certification of the District's revised 2017-18 budget. And again, in March 2018, the District submitted its Second Interim Budget for 2017-18 that had a Positive Certification that was approved by SCOE on April 16, 2018—**after the contract had been unanimously approved** by the School Board in December 2017. That is, on both January 16, 2018 and April 16, 2018, SCOE approved the Sac City budget

¹The District has placed its audited financial statements on its website, which can be accessed at <https://www.scusd.edu/budgets-financial-reports>. The exception is the most recent (2017-18) audited financial statement which can only be accessed through the board meeting packets, which is available here: https://d2qrgk75cp62cj.cloudfront.net/sites/main/files/file-attachments/revised_packet_12-6-18_0.pdf. The relevant pages are attached in Appendix A.

²The most recent budget is available on the District's website at: https://www.scusd.edu/sites/main/files/file-attachments/2018-19_revised_adopated_budget_10.04.18_signed_copy_to_scoe_10.08.18.pdf. The relevant page is attached as Appendix B.

³The tentative agreement can be found at: <http://sacteachers.org/wp-content/uploads/2017/12/TA-11-29-17.pdf>. The relevant pages are attached as Appendix C.

and concurred with its Positive Certification, after the contract was approved with the understanding the District would make cuts somewhere else in its budget.⁴

Contrary to their commitments, Mr. Aguilar and the school board backtracked on their commitments, refusing to follow up on its proposed rebalancing cuts with SCOE and instead continued its administrative spending binge: adding 18.8 new administrative positions and engaging in a fiscally imprudent \$6 million vacation buyout for top administrators, including payouts of \$135,000 and \$151,000 to two individual administrators. The District also embarked on new program initiatives and continued others without any additional source of funding for those programs.⁵

To hide the profligate administrative spending, Superintendent Aguilar then personally submitted a new 2018-19 budget in June 2018 that was manipulated numbers, was filled with accounting gimmicks and tricks and lacked the cuts promised to SCOE.⁶ In August 2018, that budget was rejected by SCOE bringing to light the District's financial mismanagement.⁷

Unfortunately, Mr. Aguilar and the school board didn't stop there. In November 2018, Superintendent Aguilar sued Sac City teachers in a frivolous attempt to backtrack on the signed, written agreement regarding a revised salary schedule.⁸ Aguilar and the District are now also refusing to implement the agreement that would use health plan savings to reduce class sizes and increase other professional support to students.⁹ As a result, SCTA has been forced to countersue

⁴The relevant documents can be found in Appendix D. The concerns raised by SCOE were made both orally and in a letter from David Gordon to Jorge Aguilar dated December 7, 2017 and in Appendix D. As part of its presentation to the board on December 7, 2017, the Chief Business Officer of Sac City presented the District's First Interim Budget which committed in writing: "The Board must take action on all necessary budget adjustments for 2018-19 and 2019-20, and the district must maintain its required 2% reserve for economic uncertainties." The board, of course, never made the required adjustments.

⁵According to the District's audited financial statement for fiscal year 2017-18, "The net increase to the total expenditure between Adopted and Year End Budget was \$29,095,760," (p.12), meaning the District spent over \$29 million more than originally budgeted. According to Chief Business Officer John Quinto, the District agreed to a vacation of payout of \$6 million for administrators and other highly paid staff in 2017-18. To date, the District has refused to provide the complete list of all employees who received the cash-out. The incomplete list, which has been provided, identifies 74 administrators who received payouts totaling \$1,720,455.27 or \$23,249 per administrator. Two administrators, Sue Gilmore ((\$151,483.42) and Mary Hardin Young (\$135,666.23) topped the list.

⁶The budget submitted on June 21, 2018 can be accessed at: https://www.scusd.edu/sites/main/files/file-attachments/9.3_2018-19_budget_for_all_funds_0.pdf. The major gimmick included in the budget is attached in Appendix E. On Line B 10, in its projections for years 2019-20 and 2020-21, the District indicates it will reduce its budget by \$22 million and \$40 million respectively, while failing to detail as required to specify how the cuts would actually occur, giving the impression of a budget that met state requirements. Superintendent Aguilar made a point of specifically proposing and signing the budget himself to indicate his imprint on the budget. SCOE in its letter to the District on August 22, 2018 (which is attached as Appendix F), rejected the budget primarily because of this gimmick.

⁷The SCOE rejection letter is attached in Appendix F.

⁸In an unprecedented action on November 16, 2018, the Sacramento City Unified School District sued the Sacramento City Teachers Association in Sacramento County Superior Court, Case No. 34-2018-00244737, to prevent SCTA from being able to proceed to arbitration to enforce the new salary schedule in the recently negotiated collective bargaining agreement.

⁹On Friday, December 14, 2018, the District refused to sign a memorandum of understanding that would implement the class size reductions and other staffing improvements as a result of health plan savings. A copy of MOU can be found in Appendix G.

the District simply to require Superintendent Aguilar and the school board to honor their previous commitments.¹⁰

3. Sac City's Revenue per Student is Higher than Surrounding Districts because of Sac City's Student Demographics

In 2013, the State of California enacted its Local Control Funding Formula for schools which was intended to direct state resources to those school districts with the greatest student need. In addition to base grants, school districts received additional funds from the state in the form of concentration and supplemental grants to those districts with higher percentages of students who are low-income, English learners, homeless or foster youth. Sac City has over 70% of our students who fit that criteria, substantially higher than surrounding districts like San Juan (52%) and Elk Grove (58.6%). In terms of real dollars, that means that Sac City receives approximately \$2,000 more per student than either San Juan or Elk Grove.¹¹

4. Deficit Spending Began with the Aguilar Administration in 2017-18

Because of the District's budget fiasco, the State of California by statute assigned a Fiscal Crisis Management Assistance Team (FCMAT) to provide a "Fiscal Health Risk Analysis" of Sac City. Although current Superintendent and school board have tried to avoid responsibility for the budget fiasco by blaming previous administrations, the FCMAT analysis makes it clear that "the district did not start deficit spending until 2017-18," the first year of Superintendent Aguilar's tenure.¹²

Prior to 2017-18, the District operated at surpluses. According to audited financial statements and FCMAT, the District's surpluses for the school years from 2013-14 through 2016-17 were as follows:

Fiscal Year	Surplus
2013-14	\$19,606,128 ¹³
2014-15	\$3,818,441 ¹⁴
2015-16	\$42,623,082 ¹⁵
2016-17	\$5,747,472 ¹⁶
Total	\$71,795,123

According to FCMAT, the Aguilar Administration's deficit spending in 2017-18 was **\$10,966,055**.¹⁷

¹⁰The SCTA countersuit was filed January 9, 2019 and is available at www.sacteachers.org.

¹¹A statistical profile of Sac City and surrounding districts can be found at: <https://www.cde.ca.gov/sd/profile/details.aspx?cds=34674390000000>

¹²The FCMAT report is attached as Appendix H.

¹³The Sac City Audited Financial Statement for 2013-14 can be accessed at:

¹⁴The Sac City Audited Financial Statement for 2014-15 can be accessed at:

¹⁵The Sac City Audited Financial Statement for 2015-16 can be accessed at:

¹⁶The surplus figure for 2016-17 is cited in the FCMAT report p. 14.

¹⁷The deficit figure for 2017-18 is cited in the FCMAT report p. 14.

5. The Aguilar Administration is the First in Sac City History to Submit a Budget that Was Rejected by the Sacramento County Office of Education

No administration in Sac City history has ever submitted a budget that was rejected by the Sacramento County Office of Education (SCOE) until the Aguilar Administration submitted its 2018-19 budget in June 2018. After the budget was rejected in August, Superintendent Aguilar assured the Sac City community that the District would make the necessary corrections to submit a new budget that would meet state requirements. In October 2018, the Aguilar Administration, with unanimous school board approval, submitted a second budget that it knew would also be rejected by SCOE. As expected, less than one week after it was submitted, SCOE rejected it.¹⁸

In December 2018, the District submitted its First Interim 2018-19 Budget as required by state law. The budget was submitted with a Negative Certification, a rare occurrence.¹⁹ Last year, for example; only four districts out of nearly 1100 in the State of California submitted budgets with Negative Certification.²⁰

6. The District Has Prioritized Spending on Administrators While Denying Resources to Classrooms

Since 2013-14, the District has increased the number of administrators from 166 to 269.8 in 2017-18, an increase of 63%. Under Superintendent Aguilar, the number increased from 251 to 269.8, an increase of 7.5% in 2017-18 alone.²¹

In addition, as a recent report from the California Department of Education and follow-up story in the Sacramento Bee (December 27, 2018) noted that while the average Sac City teacher is paid approximately 10% less than the statewide average of \$80,680 annually, Superintendent Jorge Aguilar with a salary of \$319,233 is paid 60% higher than the \$200,000 average superintendent salary throughout the state.²²

¹⁸In its presentation to the school board on October 4, 2018, the District committed to: "Identify and review viable options with labor partners and other stakeholder that the District could adopt to achieve cost savings and long-term financial sustainability and present viable cost savings and/or reductions to the Board on October 4, 2018." To date the District has refused to discuss a proposal from SCTA dated September 13, 2018 that would significantly reduce costs and create long-term financial sustainability. On December 13, 2018, SCTA made a new proposal that would save the District \$60 million. The original proposal, the District written commitment, and the SCTA December 13, 2018 proposal are contained in Appendix I.

¹⁹The submitted budget can be accessed here https://www.scusd.edu/sites/main/files/file-attachments/2018-19_revised_adopted_budget_10.04.18_signed_copy_to_scoe_10.08.18.pdf:

²⁰The list of District is made available by the California Department of Education at: <https://www.cde.ca.gov/fg/ir/second1718.asp>

²¹The relevant documents are attached in Appendix J.

²²The Bee story can be found at: <https://www.sacbee.com/site-services/databases/article3187034.html>

7. The \$11 million Deficit Spending in 2017-18 was Due to Fiscal Mismanagement and Misplaced Priorities

For the first time in several years, according to FCMAT, the District operated at deficit in 2017-18. Several factors contributed to the increase spending, including but not limited to:

- a. More Administrators: Adding 18.8 administrators to the District increased costs by \$3,000,000.²³
- b. Vacation Buyout for Administrators and Other Highly Paid Administrators: \$6 million.²⁴
- c. Superintendent's Summer School Program: This one-time initiative was not budgeted and cost the District \$3.8 million.²⁵
- d. Legal Expenses: The district expended over \$1 million, including paying over \$600,000 to SCTA for its legal expenses, litigating a losing law suit where the only issue to be resolved was the rate that the District would pay SCTA for its legal expenses.²⁶

These four expenses alone exceed the deficit amount of \$10.9 million.

8. The District's "leadership," particularly a lack of "experience and expertise" are a Major Contributing Factor to the Budget Fiasco

The FCMAT report is scathing in its assessment of the Aguilar administration.²⁷

- a. Experience and expertise: "The experience and expertise of the district's new CBO and the existing business office are limited, and the district's business team is not cohesive and is lacking in communication with other departments and sites." (p. 24)
- b. "Leadership issues": Among the handful of factors that are precipitating the district's insolvency include "leadership issues." (p. 25).
- c. Lack of position control: "The district's lack of proper position control also presents a risk to its fiscal solvency. The district lacks an accurate position control process or system that adheres to industry standards and best practices, and it does not use its financial system's full capacity to help generate accurate projections." (p. 24).
- d. Cash flow: The District prepares a cash flow statement for a 24-month period, "However, it was not being relied on because major concerns had been expressed regarding the accuracy of the information." (p. 10).

²³The approximate amount is calculated by multiplying 18.8 administrators times (x) \$165,000 per employee including statutory benefits for a total of \$3,102,200.

²⁴The \$6 million figure was provided by Chief Business Officer John Quinto in a meeting with SCTA on October 24, 2018.

²⁵The cost of this program appears to have changed. Recently the District estimated not continuing the program in 2019-20 would save the District \$3.8 million, see Attachment K

²⁶See, for example, the settlement agreement attached in Appendix L where the District agreed to pay SCTA more than \$688,000 for SCTA's attorneys fees. The estimate for the District's attorneys to litigate this matter is well over \$1 million.

²⁷The FCMAT report is in Appendix H.

- e. Use of general fund dollars before restricted funds: “The district’s restricted general fund ending balance increased from \$4,456,029 in 2014-15 to \$10,224,117 in 2017-18. This indicates unrestricted funds are being expended before restricted funds, which creates a potential liability because the district may be required to return unspent restricted funds to the grantor.” (p.9). “In addition, staff stated that some federal funds have gone unspent and have been returned to the federal government.” (p. 17).
- f. Alignment of the budget with the Local Control Accountability Plan (LCAP): “No evidence was provided that the LCAP and the budget are aligned with one another.” (p. 9).
- g. Budget Development: “The budget development process needs to be further refined so that all revenues and expenditures are reviewed and adjusted, not only those budgets with larger staffing allocations. A comprehensive budget development process is need [ed] for the entire budget to ensure all revenues and expenditures are understood and used according to the district’s goals and objectives.” (p. 8).
- h. Special Education: “The district is not correctly identifying the true cost of its special education programs.” (p. 17). “The district has an identification rate of 14.5%, while the statewide average identification rate is 11.5% and the countywide identification is 12.3%.” (p. 23).

9. The District’s Failure to Implement a Robust Intervention Program is a disservice to Students and a misuse of District Resources

As referenced in 7 (h) above, the District’s failure to implement a robust multi-tiered system of support has resulted in a higher percentage of students identified as special needs than statewide and countywide averages. Most importantly, this means students are not getting the services that they need, but this leadership failure also results in extra additional cost to the district. According to FCMAT, the District general fund expenditures on special education will increase from \$62,581,129 in 2015-16 to \$104,000,050 in 2020-21.

More than two years ago, the District paid for audit conducted by the Council of Great City Schools that made several very strong and detailed recommendations regarding special education and the need to implement a robust intervention program. The District has taken no steps to implement those recommendations.

According to FCMAT (p. 22), “The district’s 2018-19 budget plan indicates that this general fund contribution to special education will be \$73,590,731 and that its total special education expenditures will be \$107,398, 026, which means that its contribution will equal 68.52% of total expenditures for the program. The statewide average contribution rate is 64.5% as of 2016-17.”

Aligning Sac City with the statewide average would result in savings of \$4,317,400 per year.

10. The District Diverts Millions of Dollars to Consultants and Other Questionable Contracts

The District has entered into millions of contracts to outside consultants and other questionable contracts.

Three examples include:

1. CORE: Sac City currently pays approximately \$415,000 over the next three years to the CORE Districts, a consortium of 8 school districts that provides no quantifiable benefit to the District.²⁸
2. Data Sharing Agreement with UC Merced: In 2017, Sac City signed a data sharing agreement with UC Merced (which continues to employ Superintendent Jorge Aguilar) in which Sac City is required to pay \$1.75 million over four years to UC Merced. It is not clear what benefit Sac City is receiving through this arrangement.²⁹
3. Outside Legal Counsel: On June 21, 2018, Superintendent Aguilar proposed reducing the District's legal costs by \$1.5 million. Instead, the District actually increased its expenditures to outside attorneys by an additional \$1.2 million.³⁰

²⁸The CORE document can be found in Appendix M.

²⁹The agreement is attached as Appendix N. And despite his \$319,233 full-time position as the Superintendent of the Sacramento City Unified School District, Jorge Aguilar remains a paid employee at UC Merced.

³⁰In his presentation to the board on June 21, 2018, Mr. Aguilar committed to reducing legal costs by \$1.5 million. See Appendix O. The most recently adopted budget by the District actually increases the cost from its original 2018-19 by \$1.2 million.

Attachment A

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2014

	<u>Budget</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>
Revenues:				
LCFF:				
State apportionment	\$ 173,194,286	\$ 229,199,995	\$ 233,388,541	\$ 4,188,546
Local sources	<u>50,163,455</u>	<u>59,266,576</u>	<u>59,351,680</u>	<u>85,104</u>
Total LCFF	<u>223,357,741</u>	<u>288,466,571</u>	<u>292,740,221</u>	<u>4,273,650</u>
Federal sources	43,413,836	51,382,387	47,934,358	(3,448,029)
Other state sources	112,872,978	56,640,792	52,891,179	(3,749,613)
Other local sources	<u>1,476,660</u>	<u>11,010,474</u>	<u>12,249,399</u>	<u>1,238,925</u>
Total revenues	<u>381,121,215</u>	<u>407,500,224</u>	<u>405,815,157</u>	<u>(1,685,067)</u>
Expenditures:				
Certificated salaries	164,744,257	161,633,721	159,772,198	1,861,523
Classified salaries	48,498,232	50,894,159	49,708,213	1,185,946
Employee benefits	107,848,056	116,479,254	106,058,973	10,420,281
Books and supplies	14,496,788	13,680,128	12,645,150	1,034,978
Contract services and operating expenditures	48,701,733	57,518,795	55,459,661	2,059,134
Capital outlay	249,877	325,650	331,829	(6,179)
Other outgo	-	-	235,930	(235,930)
Debt service:				
Principal retirement	1,395,000	1,442,936	1,515,530	(72,594)
Interest	<u>730,000</u>	<u>734,203</u>	<u>481,545</u>	<u>252,658</u>
Total expenditures	<u>386,663,943</u>	<u>402,708,846</u>	<u>386,209,029</u>	<u>16,499,817</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(5,542,728)</u>	<u>4,791,378</u>	<u>19,606,128</u>	<u>14,814,750</u>
Other financing sources (uses):				
Transfers in	3,259,932	6,820,770	3,550,271	(3,270,499)
Transfers out	<u>-</u>	<u>(1,162,724)</u>	<u>(1,071,304)</u>	<u>91,420</u>
Total other financing sources (uses)	<u>3,259,932</u>	<u>5,658,046</u>	<u>2,478,967</u>	<u>(3,179,079)</u>
Change in fund balance	(2,282,796)	10,449,424	22,085,095	11,635,671
Fund balance, July 1, 2013	<u>19,409,345</u>	<u>19,409,345</u>	<u>19,409,345</u>	<u>-</u>
Fund balance, June 30, 2014	<u>\$ 17,126,549</u>	<u>\$ 29,858,769</u>	<u>\$ 41,494,440</u>	<u>\$ 11,635,671</u>

See accompanying notes to required supplementary information.

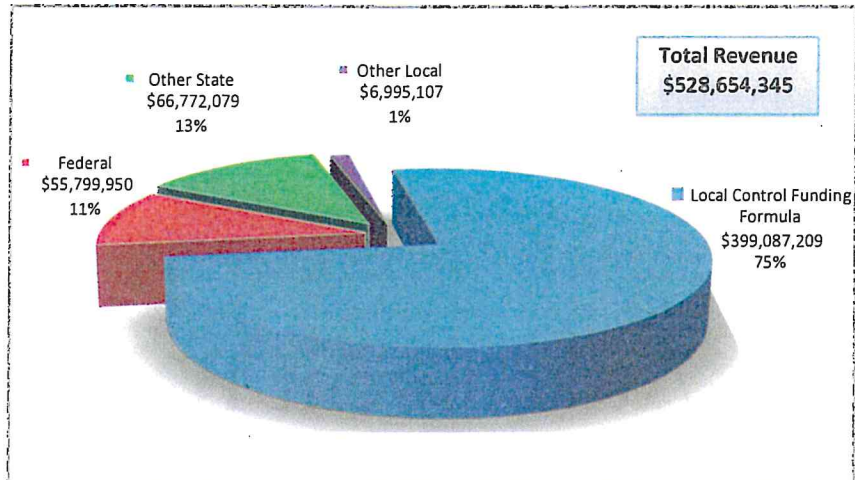
SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2018

	<u>Budget</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>
Revenues:				
LCFF:				
State apportionment	\$ 293,695,389	\$ 286,980,174	\$ 287,546,461	\$ 566,287
Local sources	<u>73,670,317</u>	<u>85,807,376</u>	<u>85,807,376</u>	<u>-</u>
Total LCFF	<u>367,365,706</u>	<u>372,787,550</u>	<u>373,353,837</u>	<u>566,287</u>
Federal sources	51,515,753	58,150,761	49,249,342	(8,901,419)
Other state sources	56,275,406	69,619,793	70,050,430	430,637
Other local sources	<u>4,962,063</u>	<u>11,193,466</u>	<u>11,881,019</u>	<u>687,553</u>
Total revenues	<u>480,118,928</u>	<u>511,751,570</u>	<u>504,534,628</u>	<u>(7,216,942)</u>
Expenditures:				
Current:				
Certificated salaries	197,337,618	197,720,844	196,143,370	1,577,474
Classified salaries	61,159,475	64,766,144	63,562,086	1,204,058
Employee benefits	160,938,613	160,770,978	160,839,811	(68,833)
Books and supplies	21,569,264	24,773,683	19,147,391	5,626,292
Contract services and operating expenditures	55,550,675	72,287,223	71,049,494	1,237,729
Other outgo	-	-	659,827	(659,827)
Capital outlay	2,665,254	6,430,486	2,202,829	4,227,657
Debt service:				
Principal retirement	-	2,220,292	2,218,576	1,716
Interest	<u>2,836,450</u>	<u>2,183,459</u>	<u>2,185,174</u>	<u>(1,715)</u>
Total expenditures	<u>502,057,349</u>	<u>531,153,109</u>	<u>518,008,558</u>	<u>13,144,551</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(21,938,421)</u>	<u>(19,401,539)</u>	<u>(13,473,930)</u>	<u>5,927,609</u>
Other financing sources (uses):				
Transfers in	3,413,895	3,515,921	3,755,901	239,980
Transfers out	<u>(1,730,000)</u>	<u>(2,341,129)</u>	<u>(1,248,027)</u>	<u>1,093,102</u>
Total other financing sources (uses)	<u>1,683,895</u>	<u>1,174,792</u>	<u>2,507,874</u>	<u>1,333,082</u>
Change in fund balance	(20,254,526)	(18,226,747)	(10,966,056)	7,260,691
Fund balance, July 1, 2017	<u>81,466,807</u>	<u>81,466,807</u>	<u>81,466,807</u>	<u>-</u>
Fund balance, June 30, 2018	<u>\$ 61,212,281</u>	<u>\$ 63,240,060</u>	<u>\$ 70,500,751</u>	<u>\$ 7,260,691</u>

See accompanying note to required supplementary information.

Attachment B

2018-19 Total General Fund Revenues Unrestricted and Restricted Combined



5

General Fund Revenue Changes at First Interim

General Fund Revenue – October 4th Budget Reconciled To 1st Interim - October 31st For FY 2018-19

General Fund	October 4 Budget	First Interim	Difference
LCFF Sources	\$ 398,504,903	\$ 399,087,209	\$ 582,306
Federal Revenue	\$ 53,970,361	\$ 55,799,950	\$ 1,829,589
Other State Revenue	\$ 67,215,792	\$ 66,772,079	\$ (443,713)
Other Local	\$ 6,694,121	\$ 6,995,107	\$ 300,986
Total Anticipated Revenues	\$ 526,385,177	\$ 528,654,345	\$ 2,269,168
<i>Contributions</i>	<i>\$ 89,134,727</i>	<i>\$ 89,459,927</i>	<i>\$ 325,200</i>

6

Attachment C

D.S. JA

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Framework Agreement ①
Sac City United School District
Sacramento City Teachers Assn
11/5/17 3:25 PM

① Salary agreement

July 1, 2016 - June 30, 2019

	7/1/16 - 6/30/17	7/1/17 - 6/30/18	7/1/18 - 6/30/19
July increase	2.5%	2.5%	2.5%

Adjusted to
salary schedule
last's proposed
structure

3.5%
Maximum
District
Representatives

2

School calendar

Within 60 days, the parties agree to meet and confer about the school calendar for the next 3 years. The meeting and confer shall include the start and end dates, as well as the semester end dates. One major underlying goal is to offer opportunities for enrichment for students to attend local institutions of higher education.

3

Destination District

Junior's language with the

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JA

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expression of the Committee to include other labor partners, leading community based organization leaders, and other community representatives. The Committee's ~~with~~ recommendations are advisory to the School board.

④ ~~The Union~~ Other Committees

The subject of other committees as proposed by the Union will be addressed by applicable law.

⑤ The Class Size and other staffing goals

The parties agree to the following non-binding goals for

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D7

(4)

class size and other statutory
ratios.

A)

Class size maximums

(1) ~~Elementary~~
primary (K-6) 24-1

(2) 7th 8th grade 24-1

(3) 9, 10, 11th grade For English, math,
social science, and science
28-1, for
all other subjects
35-1

B)

Special Day class

Elementary 12-1

SVC moderate to severe disabilities 8-1

SVC severe 12-1

(C) School Nurse

1 per 750 Students

(D) Librarians

1 for every secondary school
except opportunity schools.

(E) Program Specialists

1 per 500 Students

(F) Psychologists

1 per 1,000 students
with no more than 2 schools
per psychologist

(G) Behavioral Specialist

No more than 5 schools
per specialist

D7

The partners agree that the application of the savings as set forth in the partnership article 13 agreement will determine the available funds to achieve the agreed upon goals. If the funds are not sufficient to meet the goals, the partners will negotiate priorities.

(6)

CTE

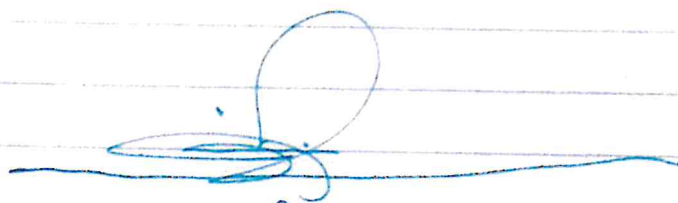
The partners with the steps ~~to make the business~~ p agree to negotiate for more state for the Partner CTE to achieve

Dis. JA
07

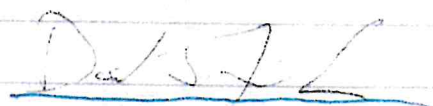
(7)

This agreement is
subject to the approval
of the City School Board
and the SCA bargaining team.

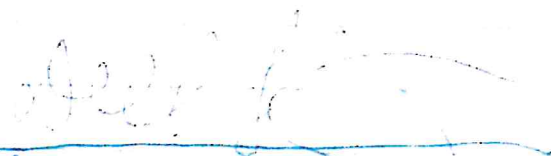
11/5/17



Jorge Aguilar
Superintendent



David
Fisher
President
SCA



Darrell Steinberg
Mayor

On Nov 6, 2017, at 8:49 AM, Jorge Aguilar <JAguilar@scusd.edu> wrote:

Mayor and SCTA colleagues,

Thank you – like the Destination District committee, I our board would want to ensure similar language to that piece. I will forward to members of our board shortly. See below:

The District and the Association commit to working with Mayor Steinberg and other labor partners and leading community-based organization to sponsor a 2020 ~~partial tax~~ ^{Bully Tax} that will enable the District to provide arts and music, restorative practices and other enhancements designed to enrich students' academic and cultural experiences, including summer school programs, to encourage students to stay in school to give all students an equal opportunity to graduate with the greatest number of postsecondary choices from the widest array of options.

ARTICLE 13 - EMPLOYEE BENEFITS

13.1 Health Insurance

13.1.1 The District and SCTA agree to negotiate in good faith on or before July 1, 2012, ^{to eliminate the} ~~potential~~ changes to the health plan consistent with this section. The Board shall provide all eligible employees with a choice of the Kaiser Plan and a mutually agreed upon alternative plan(s), which is currently HealthNet, HealthNet-BW. Summary plan descriptions of the health plans will be included in Appendix X. The level of benefits of the plan (e.g. out of pocket maximums, co-payments, services covered, network scope, etc.), when evaluated in the aggregate, may not be reduced, and the providers may only be changed through mutual agreement of the parties. The parties agree that any savings that result from making changes to health plans or in the reduction of health plan costs will be applied to the certificated bargaining unit. The parties will negotiate how to apply to the bargaining unit any such savings achieved by the District. Savings shall be defined as any total amount per plan that is lower on an actual cost basis. The annual anniversary date for health plan changes will be July 1st.

~~a. The HealthNet T2 program shall be eliminated as an offering effective November 1, 2003. The members in the T2 program shall transfer to the BW program effective November 1, 2003, per the switching program. The District and SCTA shall work cooperatively to ensure a smooth transition for the affected members.~~

~~All active and retired members in the HealthNet T2 health plan shall be transferred to HealthNet "BW" plan per HealthNet "switching" program. The parties shall work cooperatively to ensure a smooth transition for the affected members.~~

13.1.1.1 The Board shall fully pay the cost of the above health insurance plans for eligible employees, and will pay one-hundred percent (100%) of the premium cost for those dependents, including domestic partners and spouses, covered by the plans. In the event that a unit member has a spouse or domestic partner who is also employed by the District, the District shall pay only for one plan to cover the unit member and his/her spouse/domestic partner, provided that the benefits for any individual teacher are not reduced.

13.1.1.2 Teachers selecting single coverage shall receive a monthly cash refund (subject to taxes) effective 07/01/02 as follows:

	<u>2004-05 *</u>	<u>2005-06 *</u>
Kaiser Singles	\$65.61	
HealthNet-BW	\$45.07 / \$52.49	
HealthNet-T2		

* Rates shown are for FPLM (120hr)

These amounts shall be adjusted in future years by the amount of the negotiated salary increase. The single coverage refund shall be increased 1.75% effective July 1, 2004.

The parties agree that the single off-peak for the members enrolled in BW shall be maintained at the \$52.49 rate, provided that the District determines that the appropriate

Attachment D

Sacramento

Office of Education

MAILING: P.O. Box 269003, Sacramento, CA 95826-9003
PHYSICAL LOCATION: 10474 Mather Boulevard, Mather, CA
(916) 228-2500 • www.scoe.net

David W. Gordon
Superintendent

December 7, 2017

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Greg Geeting

Jacquelyn Levy

Jorge A. Aguilar, Superintendent
Sacramento City Unified School District
5735 47th Avenue
Sacramento, CA 95824

**Subject: Public Disclosure of Collective Bargaining Agreement
between Sacramento City Unified School District and
Sacramento City Teachers Association (SCTA)**

Dear Superintendent Aguilar:

We have reviewed the public disclosure of the collective bargaining agreement for the Sacramento City Teachers Association (SCTA). We appreciate the district submitting the disclosure to our office for review prior to the board meeting scheduled on December 7, 2017. The purpose of our review is to determine whether this agreement will have a material impact on the financial condition of the district in the current fiscal year and two subsequent fiscal years.

The agreement submitted covers the period beginning July 1, 2016 and ending June 30, 2019. This agreement provides a 2.5% salary increase effective July 1, 2016, an additional 2.5% effective July 1, 2017, and an additional 6.0% (2.5% for all and 3.5% to adjust the salary schedule) effective July 1, 2018. The fiscal impact of this proposed agreement results in total compensation increases of approximately \$4.8 million in 2016-2017, \$6.2 million in 2017-2018, and \$14.0 million in 2018-2019.

On November 27, 2017, staff from our office met with Sacramento City Unified business staff to discuss concerns regarding this agreement. Updated multi-year projections were provided to our office for this meeting which showed the fiscal impact of the proposed agreement to the current fiscal year and two subsequent fiscal years. Based on the projections provided by the district, it appears the district will be able to meet its required reserve for economic uncertainties for 2017-2018 and 2018-2019, but will need to make budget reductions of approximately \$15.6 million to meet minimum reserve requirements for 2019-2020. If budget reductions are not made, the district estimates that the unrestricted fund balance will decrease from \$73 million on July 1, 2017 to a negative ending fund balance of \$4 million on June 30, 2020.



Jorge A. Aguilar, Superintendent
December 7, 2017
Page 2

While the \$15.6 million in budget reductions will allow the district to meet reserve requirements through 2019-2020, it will not completely eliminate the on-going structural deficit of the district, which will require further cuts. Based on the review of the public disclosure and the multi-year projections provided by the district, our office has concerns over the district's ability to afford this compensation package and maintain on-going fiscal solvency.

In addition to our concerns regarding the affordability of the proposed compensation agreement, the district has yet to develop a viable long-term Other Post-Employment Benefits (OPEB) liability plan to solve the district's \$621 million unfunded OPEB obligation. Since 2006, my office has repeatedly requested a long-term OPEB funding plan and we must again take this opportunity to voice our concern regarding the lack of measurable and implemented progress towards the funding of the OPEB obligation.

If the board approves the proposed collective bargaining agreement as submitted to our office, we request that the district provide a detailed budget reduction plan for solving the \$15.6 million shortfall and the on-going structural deficit by December 15, 2017, with board approval by January 15, 2018. Any delay in resolving this issue will compromise the options available to the district.

Again, we appreciate the opportunity to review the public disclosure of collective bargaining agreement for SCTA in advance of the board meeting. Please submit a copy of the certified final agreement complete with the signatures of the Superintendent and Chief Business Officer as soon as the district finalizes the disclosure agreement. Signatures of both the Superintendent and the Chief Business Officer certifying that the district can meet the costs incurred under the collective bargaining agreement is a requirement of Government Code section 3547.5.

If you have any questions or concerns regarding our review of the SCTA Public Disclosure of Collective Bargaining Agreement, please feel free to call me.

Sincerely,



David W. Gordon
Sacramento County Superintendent of Schools

DWG/TS/dw

cc: Jay Hansen, Board President, SCUSD
Gerardo Castillo, Chief Business Officer, SCUSD
Tamara Sanchez, Assistant Superintendent, SCOE
Debra Wilkins, District Fiscal Services Director, SCOE

Sacramento

Office of Education

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David W. Gordon
Superintendent

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Jacquelyn Levy

January 16, 2018

Jorge A. Aguilar, Superintendent
Sacramento City Unified School District
5735 47th Avenue
Sacramento, CA 95824

SUBJECT: 2017-2018 First Period Interim Report

Dear Superintendent Aguilar:

After submission of the First Period Interim Report, the County Superintendent of Schools is required to review the report for adherence to the State-adopted Criteria and Standards pursuant to Education Code sections 42130-31 and 33127. The district filed a First Interim Report with a **positive** certification. Based on the multi-year projections and assumptions provided by the district, it appears the district will meet its 2% unrestricted reserve requirement for the current fiscal year and subsequent fiscal year, but will fall short by \$15.6 million in 2019-2020. We concur with the district's **positive** certification with the following comments:

- The multi-year projections submitted project that the unrestricted General Fund balance will decrease by \$15,922,720 in 2017-2018 and by \$28,124,245 in 2018-2019. In 2019-2020, the unrestricted General Fund balance decreases by \$17,505,690, assuming that the district makes budget reductions of \$15,646,863 before the 2019-2020 fiscal year.
- The district is projecting a decrease of 90 ADA for 2017-2018, a decrease of 95 ADA for 2018-2019, and decrease of 95 ADA for 2019-2020.
- It is noted that the projected contribution from the General Fund to the Child Development Fund is \$1.5 million.
- It is noted that the classified salary negotiations have not been settled for 2017-2018.

We request that the district provide the following:

- It is noted that with the release of the 2018-2019 proposed Governor's Budget on January 10, 2018, the district estimates that they will receive additional funding of \$20.2 million in 2018-2019, which will cover the \$15.6 million shortfall in 2019-2020. The district estimates that this additional revenue will be made up of \$11.4 million in one-time revenues and \$8.8 million in on-going revenues. While this additional funding might allow the district to meet its minimum reserve requirement for 2019-2020, we are concerned that using one-time funds to pay for on-going expenses only perpetuates the district's on-going structural deficit. In short, it is a poor business practice for the district to be paying on-going expenses such as the costs incurred from the recent collective bargaining agreement with one-time monies. We suggest that the district instead consider on-going budget reductions to offset the additional expenses, with the goal of eliminating deficit spending.

It is suggested that a more productive use of the one-time monies given the district's overall fiscal situation would be to deposit the funds in the district's Other Post-Employment Benefits (OPEB) Trust Fund. This will create compounded investment earnings that will serve to pay down the district's \$621 million unfunded OPEB liability.

We continue our request that the district provide the following:

- In our letter dated September 15, 2017, we requested that the district submit a viable long-term OPEB liability plan with the First Interim Budget Report. A plan was not submitted with the First Interim Report. We note that \$3 million has been set aside in reserves for funding the OPEB liability.

Since 2007, my office has repeatedly requested a long-term OPEB funding plan, and we must again voice our concern regarding the lack of measurable and implemented progress towards the funding of the OPEB obligation, which now exceeds \$621 million. The above mentioned \$3 million contribution falls woefully short of the annual amount needed to pay down the current liability. The continued lack of urgency to address this obligation only increases the encroachment into the General Fund which cannot be sustained without further eroding educational programs. As always, the Sacramento County Office of Education staff is available to assist the district in this endeavor.

Please submit a viable long-term OPEB liability plan with the Second Interim Budget Report. The plan must include an actuarially-sound liability reduction plan allowing the district to fund the promised retiree benefits. Continuing to transfer these escalating costs to the General Fund drains resources which should be dedicated to fund programs for students.

- Before the district's board of education takes any action on a proposed collective bargaining agreement, the district must meet the public disclosure requirements of Government Code section 3547.5 and the California Code of Regulations Title V, section 15449. **Please submit the public disclosure of the collective bargaining agreement to the county office for review at least ten (10) working days prior to the date the governing board will take action on the proposed bargaining agreements.** This form must also be available to the public at least ten (10) working days prior to the date the governing board will take action on the proposed bargaining agreements. Also, as provided by the State Criteria and Standards, when labor contract negotiations are settled after the adoption of the district's budget, the district must analyze the budget to determine the effect of the settlement, and the governing board must certify to the validity of the analysis within 45 days of the final settlement. Within this 45-day period, the District Superintendent must also send the County Superintendent any revisions to the district's current budget necessary to fulfill the terms of the agreement.

We continue our request that the district provide the following:

- Notify us immediately, and provide for our review, any changes to the budget.
- Continue to closely monitor future enrollment trends and inform us of budget adjustments should enrollment trends fluctuate.

We would like to thank your staff for their cooperation during our review process.

If you have any questions or concerns regarding this review, please feel free to call Debra Wilkins at (916) 228-2294.

Sincerely,



David W. Gordon
Sacramento County Superintendent of Schools

DWG/TS/dw

cc: Jessie Ryan, Board President, SCUSD
Gerardo Castillo, Chief Business Officer, SCUSD
Tamara Sanchez, Assistant Superintendent, SCOE
Debra Wilkins, District Fiscal Services Director, SCOE

NOTICE OF CRITERIA AND STANDARDS REVIEW. This interim report was based upon and reviewed using the state-adopted Criteria and Standards. (Pursuant to Education Code (EC) sections 33129 and 42130)

Signed: _____ Date: _____
District Superintendent or Designee

NOTICE OF INTERIM REVIEW. All action shall be taken on this report during a regular or authorized special meeting of the governing board.

To the County Superintendent of Schools:

This interim report and certification of financial condition are hereby filed by the governing board of the school district. (Pursuant to EC Section 42131)

Meeting Date: March 15, 2018

Signed: _____
President of the Governing Board

CERTIFICATION OF FINANCIAL CONDITION

☒ POSITIVE CERTIFICATION

As President of the Governing Board of this school district, I certify that based upon current projections this district will meet its financial obligations for the current fiscal year and subsequent two fiscal years.

☐ QUALIFIED CERTIFICATION

As President of the Governing Board of this school district, I certify that based upon current projections this district may not meet its financial obligations for the current fiscal year or two subsequent fiscal years.

☐ NEGATIVE CERTIFICATION

As President of the Governing Board of this school district, I certify that based upon current projections this district will be unable to meet its financial obligations for the remainder of the current fiscal year or for the subsequent fiscal year.

Contact person for additional information on the interim report:

Name: Gloria Chung Telephone: (916) 643-9405
Title: Director, Budget E-mail: Gloria@scusd.edu

Criteria and Standards Review Summary

The following summary is automatically completed based on data provided in the Criteria and Standards Review form (Form 01CSI). Criteria and standards that are "Not Met," and supplemental information and additional fiscal indicators that are "Yes," may indicate areas of potential concern, which could affect the interim report certification, and should be carefully reviewed.

CRITERIA AND STANDARDS			Met	Not Met
1	Average Daily Attendance	Funded ADA for any of the current or two subsequent fiscal years has not changed by more than two percent since first interim.	X	

Sacramento

Office of Education

MAILING: P.O. Box 269003, Sacramento, CA 95826-9003
PHYSICAL LOCATION: 10474 Mather Boulevard, Mather, CA
(916) 228-2500 • www.scoe.net

David W. Gordon
Superintendent

April 16, 2018

BOARD OF EDUCATION

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Vice President

Joanne Ahola

Heather Davis

Harold Fong, M.S.W.

Bina Lefkowitz

Jacquelyn Levy

Jorge A. Aguilar, Superintendent
Sacramento City Unified School District
5735 47th Avenue
Sacramento, CA 95824

SUBJECT: 2017-2018 Second Period Interim Report

Dear Superintendent Aguilar:

After submission of the Second Period Interim Report, the County Superintendent of Schools is required to review the report for adherence to the State-adopted Criteria and Standards pursuant to Education Code sections 42130-31 and 33127. The district filed a Second Interim Report with a **positive** certification. Based on the multi-year projections and assumptions provided by the district, it appears the district will meet its 2% unrestricted reserve requirement for the current fiscal year and two subsequent fiscal years. We concur with the district's **positive** certification with the following comments:

- The multi-year projections submitted project that the unrestricted General Fund balance will decrease by \$13,919,229 in 2017-2018, \$4,829,415 in 2018-2019, and \$21,856,204 in 2019-2020. Deficit spending is reduced in 2018-2019 due to the \$11.4 million in one-time funds available to the district which partially masks the structural deficit issue facing the district.
- The district is projecting decreases of 90 ADA for 2017-2018, 90 ADA for 2018-2019, and 90 ADA for 2019-2020.
- It is noted that the projected contribution from the General Fund to the Child Development Fund has increased from \$1.5 million at First Interim to \$1.7 million at Second Interim.

We request that the district provide the following:

- In our letter dated January 16, 2018, we expressed our concern with the district using 2018-2019 one-time funds to pay for on-going expenses and we suggested the district consider on-going budget



reductions to offset additional expenses with the goal of eliminating deficit spending. The district still has an on-going structural deficit problem that will require budget reductions with the goal of eliminating deficit spending and maintaining fiscal solvency. Please submit, with the 2018-2019 Adopted Budget, a board-approved budget reduction plan. The plan must be viable and reverse the deficit spending trend. It should include supporting on-going expenditures from on-going revenue sources. Any delay in resolving the structural deficit could compromise the options available to the district to maintain fiscal solvency.

We continue our request that the district provide the following:

- In our letter dated January 16, 2018, we also requested that the district submit a viable long-term Other Post-Employment Benefits (OPEB) liability plan with the Second Interim Budget Report. A plan was not submitted with the Second Interim Report. We note that \$3 million has been set aside in the CalPERS California Employer's Retiree Benefit Trust (CERBT) for funding the OPEB liability.

Since 2007, my office has repeatedly requested a workable long-term OPEB funding plan, and we must again voice our concern regarding the lack of measurable and implemented progress towards the funding of the OPEB obligation, which now exceeds \$621 million. The above mentioned \$3 million contribution falls woefully short of the annual amount needed to pay down the current liability. The continued lack of urgency to address this obligation only increases the encroachment into the General Fund which cannot be sustained without further eroding educational programs. As always, the Sacramento County Office of Education staff is available to assist the district in this endeavor.

Please submit a viable long-term OPEB liability plan with the 2018-2019 Adopted Budget. The plan must include an actuarially-sound liability reduction plan allowing the district to fund the promised retiree benefits. Continuing to transfer these escalating costs to the General Fund drains resources which should be dedicated to fund programs for students.

- Notify us immediately, and provide for our review, any changes to the budget.
- Continue to closely monitor future enrollment trends and inform us of budget adjustments should enrollment trends fluctuate.

Jorge A. Aguilar, Superintendent
April 16, 2018
Page 3

We would like to thank your staff for their cooperation during our review process.

If you have any questions or concerns regarding this review, please feel free to call Debra Wilkins at (916) 228-2294.

Sincerely,



David W. Gordon
Sacramento County Superintendent of Schools

DWG/TS/dw

cc: Jessie Ryan, Board President, SCUSD
Gerardo Castillo, Chief Business Officer, SCUSD
Tamara Sanchez, Assistant Superintendent, SCOE
Debra Wilkins, District Fiscal Services Director, SCOE

Board of Education Executive Summary

Business Services

First Interim Financial Report 2017-2018

December 7, 2017



III. BUDGET:

The budget is a fluid document, and while the budget is balanced for 2017-2018, there are many unknowns at this time. In preparing the assumptions for the multi-year projection items such as one-time funds used to balance 2017-2018, increased costs for step and column salary increases as well as health benefit increases must be factored in. The first interim includes the recent settlement with UPE and SCTA. Revenue increases based on state projections for LCFF as well as enrollment are included in the multi-year projections. Staff continues to closely monitor enrollment, average daily attendance, state revenue and other areas that could impact the budget in the current or outlying years. The district has not settled agreements with CSA, SEIU, and Teamsters for FY 2017-18, 2018-19, and 2019-20. Due to the recent settlement, the District's deficit spending is increasing. By 2019-20 the fund balance will be depleted.

The Board must take action on all necessary budget adjustments for 2018-19 and 2019-20, and the district must maintain its required 2% reserve for economic uncertainties. The First Interim Financial Report includes assumptions and projections made with the best available information available at the time.

IV. Goals, Objectives, and Measures:

Maintain a balanced budget for FY 2017-18 and continue to follow the timeline to ensure a balanced 2018-2019 budget. It will be important to reduce the reliance on one-time funds used to balance the budget.

V. Major Initiatives:

Use the First Interim Financial Report information to help guide budget development for FY 2018-19 and 2019-20.

VI. Results:

Budget development for FY 2018-19 will follow the calendar approved by the Board. Required Board actions will take place to ensure a balanced Adopted Budget is in place on or before July 1, 2018.

Attachment E

ANNUAL BUDGET REPORT:
July 1, 2018 Budget Adoption

Insert "X" in applicable boxes:

☒ This budget was developed using the state-adopted Criteria and Standards. It includes the expenditures necessary to implement the Local Control and Accountability Plan (LCAP) or annual update to the LCAP that will be effective for the budget year. The budget was filed and adopted subsequent to a public hearing by the governing board of the school district pursuant to Education Code sections 33129, 42127, 52060, 52061, and 52062.

☒ If the budget includes a combined assigned and unassigned ending fund balance above the minimum recommended reserve for economic uncertainties, at its public hearing, the school district complied with the requirements of subparagraphs (B) and (C) of paragraph (2) of subdivision (a) of Education Code Section 42127.

Budget available for inspection at:

Public Hearing:

Place: SCUSD - Budget Services

Date: June 04, 2018

Place: Board Meeting Room-Serna Center

Date: June 07, 2018

Time: 06:00 PM

Adoption Date: June 21, 2018

Signed: 

Clerk/Secretary of the Governing Board

(Original signature required)

Contact person for additional information on the budget reports:

Name: Gloria Chung

Telephone: 916-643-9405

Title: Director of Fiscal Services

E-mail: Gloria@scusd.edu

Criteria and Standards Review Summary

The following summary is automatically completed based on data provided in the Criteria and Standards Review (Form 01CS). Criteria and standards that are "Not Met," and supplemental information and additional fiscal indicators that are "Yes," may indicate areas of potential concern for fiscal solvency purposes and should be carefully reviewed.

CRITERIA AND STANDARDS			Met	Not Met
1	Average Daily Attendance	Budgeted (funded) ADA has not been overestimated by more than the standard for the prior fiscal year, or two or more of the previous three fiscal years.	X	

CRITERIA AND STANDARDS (continued)			Met	Not Met
2	Enrollment	Enrollment has not been overestimated by more than the standard for the prior fiscal year, or two or more of the previous three fiscal years.	X	
3	ADA to Enrollment	Projected second period (P-2) ADA to enrollment ratio is consistent with historical ratios for the budget and two subsequent fiscal years.	X	
4	Local Control Funding Formula (LCFF) Revenue	Projected change in LCFF revenue is within the standard for the budget and two subsequent fiscal years.	X	
5	Salaries and Benefits	Projected ratios of total unrestricted salaries and benefits to total unrestricted general fund expenditures are consistent with historical ratios for the budget and two subsequent fiscal years.		X
6a	Other Revenues	Projected operating revenues (e.g., federal, other state, and other local) are within the standard for the budget and two subsequent fiscal years.		X
6b	Other Expenditures	Projected operating expenditures (e.g., books and supplies, and services and other operating) are within the standard for the budget and two subsequent fiscal years.	X	
7	Ongoing and Major Maintenance Account	If applicable, required contribution to the ongoing and major maintenance account (i.e., restricted maintenance account) is included in the budget.	X	
8	Deficit Spending	Unrestricted deficit spending, if any, has not exceeded the standard for two or more of the last three fiscal years.	X	
9	Fund Balance	Unrestricted general fund beginning balance has not been overestimated by more than the standard for two or more of the last three fiscal years.	X	
10	Reserves	Projected available reserves (e.g., reserve for economic uncertainties, unassigned/unappropriated amounts) meet minimum requirements for the budget and two subsequent fiscal years.	X	

SUPPLEMENTAL INFORMATION			No	Yes
S1	Contingent Liabilities	Are there known or contingent liabilities (e.g., financial or program audits, litigation, state compliance reviews) that may impact the budget?	X	
S2	Using One-time Revenues to Fund Ongoing Expenditures	Are there ongoing general fund expenditures in excess of one percent of the total general fund expenditures that are funded with one-time resources?		X
S3	Using Ongoing Revenues to Fund One-time Expenditures	Are there large non-recurring general fund expenditures that are funded with ongoing general fund revenues?	X	
S4	Contingent Revenues	Are any projected revenues for the budget or two subsequent fiscal years contingent on reauthorization by the local government, special legislation, or other definitive act (e.g., parcel taxes, forest reserves)?	X	
S5	Contributions	Have contributions from unrestricted to restricted resources, or transfers to or from the general fund to cover operating deficits, changed by more than the standard for the budget or two subsequent fiscal years?		X

ADDITIONAL FISCAL INDICATORS (continued)			No	Yes
A6	Uncapped Health Benefits	Does the district provide uncapped (100% employer paid) health benefits for current or retired employees?		X
A7	Independent Financial System	Is the district's financial system independent from the county office system?		X
A8	Fiscal Distress Reports	Does the district have any reports that indicate fiscal distress? If yes, provide copies to the COE, pursuant to EC 42127.6(a).	X	
A9	Change of CBO or Superintendent	Have there been personnel changes in the superintendent or chief business official (CBO) positions within the last 12 months?		X

Description	Object Codes	2018-19 Budget (Form 01) (A)	% Change (Cols. C-A/A) (B)	2019-20 Projection (C)	% Change (Cols. E-C/C) (D)	2020-21 Projection (E)
(Enter projections for subsequent years 1 and 2 in Columns C and E; current year - Column A - is extracted)						
A. REVENUES AND OTHER FINANCING SOURCES						
1. LCFF/Revenue Limit Sources	8010-8099	395,472,932.00	2.45%	405,165,387.00	2.40%	414,870,675.00
2. Federal Revenues	8100-8299	0.00	0.00%		0.00%	
3. Other State Revenues	8300-8599	20,649,631.00	-63.35%	7,568,507.98	2.67%	7,770,587.15
4. Other Local Revenues	8600-8799	3,771,624.00	0.00%	3,771,624.00	0.00%	3,771,624.00
5. Other Financing Sources						
a. Transfers In	8900-8929	1,903,369.00	2.57%	1,952,285.58	2.67%	2,004,411.61
b. Other Sources	8930-8979	0.00	0.00%		0.00%	
c. Contributions	8980-8999	(77,441,727.33)	2.21%	(79,153,484.72)	5.20%	(83,266,882.76)
6. Total (Sum lines A1 thru A5c)		344,355,828.67	-1.47%	339,304,319.84	1.72%	345,190,415.00
B. EXPENDITURES AND OTHER FINANCING USES						
1. Certificated Salaries						
a. Base Salaries				167,178,458.57		166,637,410.82
b. Step & Column Adjustment				1,935,099.25		2,032,976.41
c. Cost-of-Living Adjustment						
d. Other Adjustments				(2,476,147.00)		
e. Total Certificated Salaries (Sum lines B1a thru B1d)	1000-1999	167,178,458.57	-0.32%	166,637,410.82	1.22%	168,670,387.23
2. Classified Salaries						
a. Base Salaries				43,547,115.99		43,908,453.59
b. Step & Column Adjustment				484,174.60		638,626.80
c. Cost-of-Living Adjustment						
d. Other Adjustments				(122,837.00)		
e. Total Classified Salaries (Sum lines B2a thru B2d)	2000-2999	43,547,115.99	0.83%	43,908,453.59	1.50%	44,567,080.39
3. Employee Benefits	3000-3999	118,630,157.65	5.13%	124,716,632.28	5.61%	131,707,946.69
4. Books and Supplies	4000-4999	10,494,424.58	-3.56%	10,120,934.58	0.00%	10,120,934.58
5. Services and Other Operating Expenditures	5000-5999	27,759,009.12	1.62%	28,209,009.12	1.60%	28,659,009.12
6. Capital Outlay	6000-6999	166,698.14	0.00%	166,698.14	0.00%	166,698.14
7. Other Outgo (excluding Transfers of Indirect Costs)	7100-7299, 7400-7499	5,005,046.00	9.23%	5,467,014.00	-0.03%	5,465,334.00
8. Other Outgo - Transfers of Indirect Costs	7300-7399	(4,363,225.33)	0.00%	(4,363,225.33)	0.00%	(4,363,225.33)
9. Other Financing Uses						
a. Transfers Out	7600-7629	2,875,207.00	-78.71%	612,178.00	0.00%	612,178.00
b. Other Uses	7630-7699	0.00	0.00%	0.00	0.00%	
10. Other Adjustments (Explain in Section F below)				(22,068,043.71)		(40,455,927.82)
11. Total (Sum lines B1 thru B10)		371,292,891.72	-4.82%	353,407,061.49	-2.34%	345,190,415.00
C. NET INCREASE (DECREASE) IN FUND BALANCE (Line A6 minus line B11)						
		(26,937,063.05)		(14,102,741.65)		0.00
D. FUND BALANCE						
1. Net Beginning Fund Balance (Form 01, line F1e)		61,597,937.70		34,660,874.65		20,558,133.00
2. Ending Fund Balance (Sum lines C and D1)		34,660,874.65		20,558,133.00		20,558,133.00
3. Components of Ending Fund Balance						
a. Nonspendable	9710-9719	545,000.00		545,000.00		545,000.00
b. Restricted	9740					
c. Committed						
1. Stabilization Arrangements	9750	0.00				
2. Other Commitments	9760	0.00				
d. Assigned	9780	14,102,741.65				
e. Unassigned/Unappropriated						
1. Reserve for Economic Uncertainties	9789	20,013,133.00		20,013,133.00		20,013,133.00
2. Unassigned/Unappropriated	9790	0.00		0.00		0.00
f. Total Components of Ending Fund Balance (Line D3f must agree with line D2)		34,660,874.65		20,558,133.00		20,558,133.00

District never provided explanation as required.

Attachment F

Sacramento Office of Education

County

MAILING: P.O. Box 269003, Sacramento, CA 95826-9003
PHYSICAL LOCATION: 10474 Mather Boulevard, Mather, CA
(916) 228-2500 • www.scoe.net

RECEIVED

AUG 24 2018

David W. Gordon
Superintendent

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August 22, 2018

Jorge A. Aguilar, Superintendent
Sacramento City Unified School District
5735 47th Avenue
Sacramento, CA 95824

OFFICE OF THE SUPERINTENDENT
Sacramento City Unified School District

SUBJECT: 2018-2019 Adopted Budget Report

Dear Superintendent Aguilar:

In accordance with the provisions in Education Code sections 42127(c)(1)(2) and 33127, we have examined the district's 2018-2019 Adopted Budget to determine whether it complies with the Criteria and Standards adopted by the State Board of Education. Based on our review of the district assumptions and multi-year projections, it appears that the district will meet its 2018-2019 minimum reserve requirement, but will fall short in the two subsequent fiscal years by approximately \$22.1 million in 2019-2020, and \$40 million in 2020-2021. The 2019-2020 shortfall leaves the district with a negative fund balance. Therefore, the district's Adopted Budget is **disapproved**.

In letters from this office dated December 7, 2017, January 16, 2018, and April 16, 2018, we discussed our concerns with the district's on-going structural deficit problem, and the need for the district to submit a board-approved budget reduction plan to reverse the deficit spending trend. To date, no such plan has been received by this office.

Since our review of the district's second interim budget, the district's fiscal situation has worsened. While revenues have remained relatively stable, unrestricted expenditures in 2018-2019 and 2019-2020 have increased significantly even though the district has been asked to solve its structural deficit problem. Since the district's submission of the second interim report, unrestricted expenditures increased from approximately \$348 million to \$371 million in 2018-2019; and from approximately \$359 million to \$375 million in 2019-2020.

In response to this disapproved budget, and as provided in Education Code section 42127(d), the County Superintendent may assign a fiscal advisor to assist the district in developing a budget that can be approved. On or before

Jorge A. Aguilar, Superintendent
August 22, 2018
Page 2

October 8, 2018, the governing board of the district shall revise the adopted budget to include any response to the recommendations of the County Superintendent, adopt the revised budget, and file the revised budget with the County Superintendent. Before revising the budget, the governing board of the district shall hold a public hearing regarding the proposed revisions. If the County Superintendent is unable to approve the revised budget, the County Superintendent shall invoke his duties under Education Code sections 42127.1 through 42127.3.

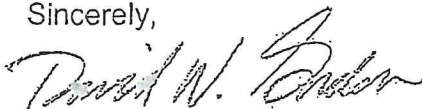
By October 8, 2018, the district shall submit a viable board-approved budget plan that will reverse the deficit spending trend. The plan should include support of on-going expenditures from on-going revenue sources, along with a timeline showing when and how each line item adjustment will be implemented. This office will assign a fiscal advisor to assist the district during this process. While the district must reverse its deficit spending in time to meet minimum reserve levels in 2019-2020 through 2020-2021, this office recommends that the district begin making cuts immediately, as any delay in resolving the structural deficit could compromise the options available to the district to maintain fiscal solvency.

We continue our request that the district provide the following:

- Notify us immediately, and provide for our review, any changes to the budget.
- Continue to closely monitor future enrollment trends and inform us of budget adjustments should enrollment trends fluctuate.

Attached for your reference are copies of the letters noted above. If you have any questions or concerns regarding this review, please feel free to call Tamara Sanchez at 916-228-2551.

Sincerely,



David W. Gordon
Sacramento County Superintendent of Schools

DWG/TS/dw

cc: Jessie Ryan, Board President, SCUSD
Tamara Sanchez, Assistant Superintendent, SCOE
Debra Wilkins, District Fiscal Services Director, SCOE
Crowe Horwath, LLP, Auditor

Attachment G

Memorandum of Understanding
By & Between
The Sacramento City Teachers Association
&
The Sacramento City Unified School District

Regarding Health Plan Savings and Implementation of Class Size
& Other Staffing Improvements

In November/December 2017, the Sacramento City Teachers Association (SCTA) and the Sacramento City Unified School District (SCUSD) agreed in Article 13.1.1 and Mayor's Steinberg's handwritten Framework Agreement that they would work together regarding health plan costs.

Working in conjunction with the California Education Coalition for Health Care Reform (CECHR) the parties agreed to consider health care plan changes provided that "the level of benefits of plan (e.g. out of pocket maximums, co-payments, services covered, network scope, etc.), when evaluated in the aggregate, may not be reduced, and the providers may only be changed through mutual agreement of the parties," as set forth in Article 13.1.1 of the parties' collective bargaining agreement. More specifically, the parties further agreed "that the application of the savings as set forth in the parties' tentative agreement article 13 agreement will determine the available funds to achieve the agreed upon goals. If the funds are not sufficient to meet the goals, the parties will negotiate priorities." The relevant contract provisions are attached as Appendix A.

Working together, the parties have already achieved approximately \$5,000,000 in health plan savings.

Consistent with that agreement, the parties hereby agree as follows:

1. The parties will together with the CECHR to transition the purchase of health insurance for SCTA-represented employees through the California Public Employees Retirement System (CalPERS) **effective on July 1, 2019**. The timeline is attached as Appendix B.
2. The parties have previously agreed to mutually-determined "Class Size and Other Staffing Goals" as set forth in Appendix C.
3. Based on the savings already achieved, the District's estimation of additional savings of \$16,000,000 to \$17,000,000, and the savings association with an accelerated timeline, the parties agree that the "available funds" as set forth and quoted above in the tentative agreement is \$17,000,000.

4. Based on the parties' previous discussion (and attached as Appendix D), the number of positions that need to be added to achieve the parties mutually-agreed upon "Class size and Other Staffing Goals," an additional 219.5 would need to be added.
5. The parties agree that the cost per FTE is \$77,331, as provided for in Attachment E.
6. Accordingly, the District will implement and incorporate the Class Size and Other Staffing Goals as new contractual class size and staffing requirements into the contract. The new positions will be added commencing with the 2019-20 school year. The parties will revise the contract language to reflect with new Class Size and Other Staffing levels.
7. In order to achieve additional savings of approximately \$3 million for 2018-19, the Association also agrees that the District may suspend its 1.5% payroll contribution to the jointly-administered GASB fund as set forth in Article 13.11.2(B) for the 2016-17 and 2017-18 school years. See Attachment A.

For the Association:

For the District:

Date

Date

Attachment H



CSIS California School Information Services

Sacramento City Unified School District

Fiscal Health Risk Analysis

December 12, 2018

Michael H. Fine
Chief Executive Officer



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About FCMAT

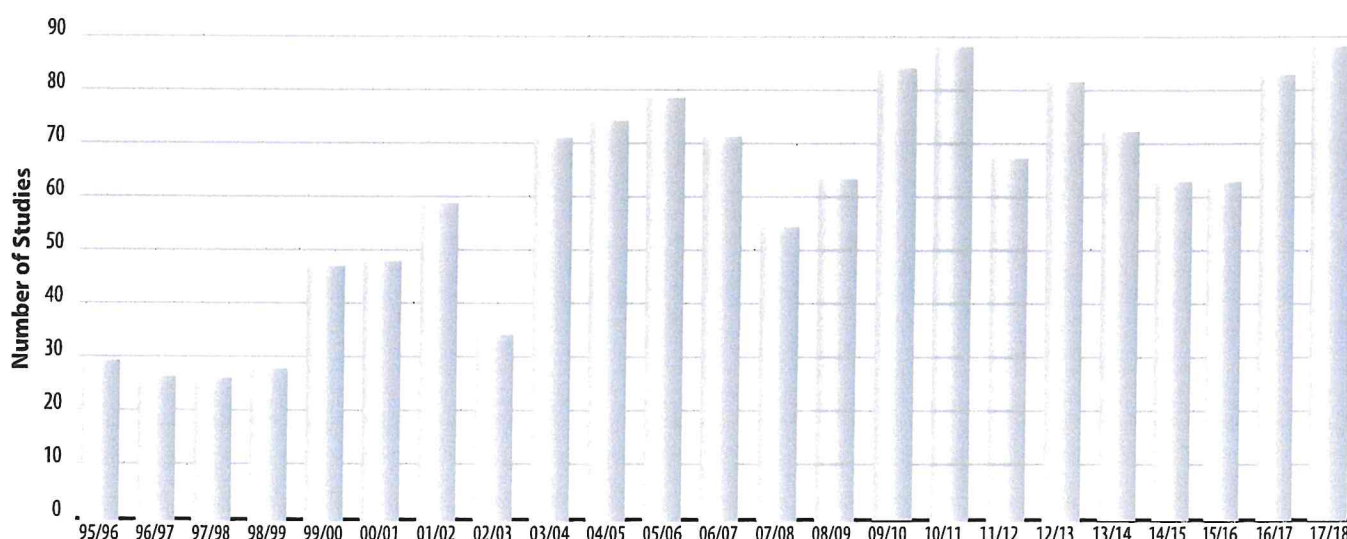
FCMAT's primary mission is to assist California's local K-14 educational agencies to identify, prevent, and resolve financial, human resources and data management challenges. FCMAT provides fiscal and data management assistance, professional development training, product development and other related school business and data services. FCMAT's fiscal and management assistance services are used not just to help avert fiscal crisis, but to promote sound financial practices, support the training and development of chief business officials and help to create efficient organizational operations. FCMAT's data management services are used to help local educational agencies (LEAs) meet state reporting responsibilities, improve data quality, and inform instructional program decisions.

FCMAT may be requested to provide fiscal crisis or management assistance by a school district, charter school, community college, county office of education, the state Superintendent of Public Instruction, or the Legislature.

When a request or assignment is received, FCMAT assembles a study team that works closely with the LEA to define the scope of work, conduct on-site fieldwork and provide a written report with findings and recommendations to help resolve issues, overcome challenges and plan for the future.

FCMAT has continued to make adjustments in the types of support provided based on the changing dynamics of K-14 LEAs and the implementation of major educational reforms.

Studies by Fiscal Year



FCMAT also develops and provides numerous publications, software tools, workshops and professional development opportunities to help LEAs operate more effectively and fulfill their fiscal oversight and data management responsibilities. The California School Information Services (CSIS) division of FCMAT assists the California Department of Education with the implementation of the California Longitudinal Pupil Achievement Data System (CALPADS). CSIS also hosts and maintains the Ed-Data website (www.ed-data.org) and provides technical expertise to the Ed-Data partnership: the California Department of Education, EdSource and FCMAT.

FCMAT was created by Assembly Bill (AB) 1200 in 1992 to assist LEAs to meet and sustain their financial obligations. AB 107 in 1997 charged FCMAT with responsibility for CSIS and its statewide data management work. AB 1115 in 1999 codified CSIS' mission.

AB 1200 is also a statewide plan for county offices of education and school districts to work together locally to improve fiscal procedures and accountability standards. AB 2756 (2004) provides specific responsibilities to FCMAT with regard to districts that have received emergency state loans.

In January 2006, Senate Bill 430 (charter schools) and AB 1366 (community colleges) became law and expanded FCMAT's services to those types of LEAs.

On September 17, 2018 AB 1840 became effective. This legislation changed how fiscally insolvent districts are administered once an emergency appropriation has been made, shifting the former state-centric system to be more consistent with the principles of local control, and providing new responsibilities to FCMAT associated with the process.

Since 1992, FCMAT has been engaged to perform more than 1,000 reviews for LEAs, including school districts, county offices of education, charter schools and community colleges. The Kern County Superintendent of Schools is the administrative agent for FCMAT. The team is led by Michael H. Fine, Chief Executive Officer, with funding derived through appropriations in the state budget and a modest fee schedule for charges to requesting agencies.

Introduction

Historically, FCMAT has not engaged directly with school districts showing distress until it has been invited to do so by the district or the county superintendent. The state's 2018-19 Budget Act provides for FCMAT to offer "more proactive and preventive services to fiscally distressed school districts by automatically engaging with a district under the following conditions:

- Disapproved budget
- Negative interim report certification
- Three consecutive qualified interim report certifications
- Downgrade of an interim certification by the county superintendent
- "Lack of going concern" designation

Under these conditions, FCMAT will perform a fiscal health risk analysis to determine the level of fiscal risk. FCMAT has updated its Fiscal Health Risk Analysis (FHRA) tool that weights each question based on high, medium and low risk. The analysis will not be performed more than once in a 12-month period per district, and the engagement will be coordinated with the county superintendent and build on their oversight process and activities already in place per AB 1200. There is no cost to the county superintendent or to the district for the analysis.

Study Guidelines

FCMAT entered into the study agreement with the Sacramento City Unified School District on September 27, 2018.

FCMAT visited the district on October 15-18, 2018 to conduct interviews, collect data and review documents. This report is the result of those activities.

FCMAT's reports focus on systems and processes that may need improvement. Those that may be functioning well are generally not commented on in FCMAT's reports. In writing its reports, FCMAT uses the Associated Press Stylebook, a comprehensive guide to usage and accepted style that emphasizes conciseness and clarity. In addition, this guide emphasizes plain language, discourages the use of jargon and capitalizes relatively few terms.

Study Team

The team was composed of the following members:

Michelle Giacomini
FCMAT Deputy Executive Officer
Petaluma, CA

Tamara Ethier
FCMAT Intervention Specialist
Davis, CA

Eric D. Smith
FCMAT Intervention Specialist
Templeton, CA

Scott Sexsmith
FCMAT Intervention Specialist
Auburn, CA

John Lotze
FCMAT Technical Writer
Bakersfield, CA

Each team member reviewed the draft report to confirm accuracy and achieve consensus on the final recommendations.



Fiscal Health Risk Analysis

For K-12 Local Educational Agencies



CSIS California School Information Services

The Fiscal Crisis and Management Assistance Team (FCMAT) has developed the Fiscal Health Risk Analysis (FHRA) as a tool to help evaluate a school district's fiscal health and risk of insolvency in the current and two subsequent fiscal years.

The FHRA includes 20 sections, each containing specific questions. Each section and specific question is included based on FCMAT's work since the inception of AB 1200; they are the common indicators of risk or potential insolvency for districts that have neared insolvency and needed assistance from outside agencies. Each section of this analysis is critical to an organization, and lack of attention to these critical areas will eventually lead to financial insolvency and loss of local control.

The greater the number of "no" answers to the questions in the analysis, the higher the score, which points to a greater potential risk of insolvency or fiscal issues for the district. Not all sections in the analysis, and not all questions within each section, carry equal weight; some are deemed more important and thus count more heavily toward or against a district's fiscal stability percentage. For this tool, 100% is the highest total risk that can be scored. A "yes" or "n/a" answer is assigned a score of 0, so the risk percentage increases only with a "no" answer.

To help the district, narratives are included for responses that are marked as "no" so the district can better understand the reason for the response and actions that may be needed to obtain a "yes" answer.

Identifying issues early is the key to maintaining fiscal health. Diligent planning will enable a district to better understand its financial objectives and strategies to sustain a high level of fiscal efficiency and overall solvency. A district should consider completing the FHRA annually to assess its own fiscal health risk and progress over time.

District or LEA Name: Sacramento City Unified School District

Dates of Fieldwork: October 15 -18, 2018

Annual Independent Audit Report

Yes No N/A

- Can the district correct the audit findings without affecting its fiscal health (i.e., no material apportionment or internal control findings)? ☒ ☐ ☐
- Has the independent audit report been completed and presented to the board within the statutory timeline? ☒ ☐ ☐
- Did the district receive an independent audit report without material findings? ☒ ☐ ☐
- Has the district corrected all audit findings? ☐ ☒ ☐

The district has only partially implemented the findings related to student body funds and student attendance from the 2015, 2016 and 2017 audits. Student body findings identified in the 2015 audit have been reported as partially implemented through the 2017 audit; student attendance findings, identified in 2016, have not been implemented as of the 2017 audit.

- Has the district had the same audit firm for at least three years? ☒ ☐ ☐

Budget Development and Adoption

Yes No N/A

- Does the district develop and use written budget assumptions and projections that are reasonable, are aligned with the Common Message or county office of education instructions, and have been clearly articulated? ☐ ☒ ☐

Guidance provided in the May Revision Common Message stated that districts were "not to balance their budgets based on one-time revenues." The narrative included with the district's 2018-19 budget presented to its governing board on June 21, 2018 states that the district is using "\$13.2 million of one-time funds to meet the increase of labor contract negotiations."

The district cited and used appropriate assumptions related to percentages and amounts per unit of average daily attendance (ADA); however, the district did not follow the guidance included in the Common Message, the governor's statement about one-time funds, or other industry-standard guidance, which expressly state not to budget one-time funding for ongoing costs. That one-time funding was an estimated \$344 per ADA at that time.

The approved state budget enacted subsequent to the May Revision decreased the one-time per-ADA funding amount from an estimated \$344 per ADA to \$185 per ADA, which created an approximately \$7.4 million deficit in the district's 2018-19 budget due to the district's action to fully commit the one-time funds to ongoing costs.

This action will also have severe impacts on future years because the one-time funding will likely be unavailable to the district, leaving a \$13.2 million deficit moving forward.

- Does the district use a budget development method other than a rollover budget, and if so, does that method include tasks such as review of prior year estimated actuals by major object code and removal of one-time revenues and expenses? . . . ☐ ☒ ☐

Although the district uses a one-stop method for budget development rather than a rollover budget, it appears that the primary driving force behind this method is to develop a list of employees who will receive a preliminary layoff notice on March 15 rather than to truly develop a reliable budget. The budget development process needs to be further refined so that all revenues and expenditures are reviewed and adjusted, not only those budgets with larger staffing allocations. A comprehensive budget development process is needed for the entire budget to ensure all revenues and expenditures are understood and used according to the district's goals and objectives.

The district uses its one-stop method in January and February. During that time, site administrators and department managers are scheduled to meet in a district office conference room on days set aside for that specific site or department. The site administrators and department managers are provided a funding estimate from the business department, then work collaboratively with the business and human resources staff (using updated staffing costs) to determine staffing and other expenditure levels for the upcoming budget year. All information is input into the financial system during the meeting, and because appropriate approval authorities are physically in the conference room, approvals are obtained and actual staffing is determined for the next fiscal year. This is a more expedited process than the typical routing of position change forms between departments to obtain various approvals, and it ensures that staffing decisions, and thus layoff notices for the next school year, are determined by the March 15 deadline.

The above process is efficient for meeting the March 15 deadline. However, not all budgets are assessed using this method. As additional staffing decisions are made during other one-stop meetings, or even after budget development ends, confusion can arise when employees are transferred between sites and departments without a paperwork trail since the information was input directly into the system and the typical forms are not used at the one-stop meetings.

- Does the district use position control data for budget development? . . . ☒ ☐ ☐
- Is the Local Control Funding Formula (LCFF) calculated correctly? . . . ☒ ☐ ☐
- Has the district's budget been approved unconditionally by its county office of education in the current and two prior fiscal years? . . . ☐ ☒ ☐

Although the district's budgets were approved by the county office in 2016-17 and 2017-18, the district's 2018-19 adopted budget was not approved. The district

submitted a revised budget dated October 4, 2018, which the county office disapproved on October 11, 2018.

- Does the budget development process include input from staff, administrators, the governing board, the community, and the budget advisory committee (if there is one)? . . . ☒ ☐ ☐
- Are clear processes and policies in place to ensure that the district's Local Control and Accountability Plan (LCAP) and budget are aligned with one another? . . . ☐ ☒ ☐

No evidence was provided that the LCAP and the budget are aligned with one another. Information obtained during interviews indicates that the business department has not been engaged in the LCAP process in the past, although the current administration plans to work with teams to integrate the work more closely.

Board policies (BPs) and administrative regulations (ARs) adopted by the district related to the LCAP included the following: AR 1220 – Citizen Advisory Committee, BP/AR 1312.3 – Uniform Complaint Procedure, BP 6173.1 – Foster Youth.

The California School Boards Association's online board policy service, known as GAMUT, has one main LCAP/Budget alignment policy, BP/AR 0460, which many districts have adopted. Although the district has a subscription to GAMUT, it has not adopted this policy.

- When appropriate, does the district budget and expend restricted funds before unrestricted funds? . . . ☐ ☒ ☐

The district's restricted general fund ending fund balance increased from \$4,456,029 in 2014-15 to \$10,224,117 in 2017-18. This indicates unrestricted funds are being expended before restricted funds, which creates a potential liability because the district may be required to return unspent restricted funds to the grantor.

- Are the LCAP and the budget adopted within statutory timelines established by Education Code sections 42103 and 52062, and are the documents filed with the county superintendent of schools no later than five days after adoption, or by July 1, whichever occurs first? . . . ☒ ☐ ☐
- Has the district refrained from including carryover funds in its adopted budget? . . . ☒ ☐ ☐
- Has the district refrained from using negative or contra expenditure accounts (excluding objects in the 5700s and 7300s and appropriate abatements in accordance with CSAM) in its budget? . . . ☒ ☐ ☐
- Does the district adhere to a board-adopted budget calendar that includes statutory due dates and major budget development tasks and deadlines? . . . ☒ ☐ ☐

Budget Monitoring and Updates

Yes No N/A

- Are actual revenues and expenses consistent with the most current budget? . . . ☒ ☐ ☐
- Are budget revisions completed in the financial system, at a minimum, at each interim report? . . . ☒ ☐ ☐
- Are clearly written and articulated budget assumptions that support budget revisions communicated to the board, at a minimum, at each interim report? . . . ☒ ☐ ☐
- Following board approval of collective bargaining agreements, does the district make necessary budget revisions in the financial system before next financial reporting period? . . . ☒ ☐ ☐
- Does the district provide a complete response to the variances identified in the criteria and standards? . . . ☒ ☐ ☐
- Has the district addressed any deficiencies the county office of education has identified in its oversight letters? . . . ☐ ☒ ☐

Since 2006, the county office of education has identified the need for the district to develop a viable plan to fund its long-term other post-employment benefits (OPEB) liability, which has not been measurably addressed.

In letters dated December 7, 2017, January 16, 2018, and April 16, 2018, the county office discussed and outlined its concerns with the district's ongoing structural deficit, and the need for the district to submit a board-approved budget reduction plan to reverse the deficit spending trend.

On August 22, 2018, the county office disapproved the district's 2018-19 adopted budget, and the district was instructed to revise its 2018-19 budget and submit a balanced budget plan that supports ongoing expenditures from ongoing revenue sources, and that has a timeline showing when and how adjustments would be implemented no later than October 8, 2018. On October 11, 2018, the county office notified the district that its revised adopted budget was also disapproved based on their review. That budget showed that the district's unrestricted general fund balance would decrease by approximately \$34 million in 2018-19, approximately \$43 million in 2019-20 and \$66.5 million in 2020-21. The district was instructed to develop a viable board-approved budget and multiyear expenditure plan that would reverse the deficit spending trend, and to submit this plan with its 2018-19 first interim report, which is due December 14, 2018.

- Does the district prohibit processing of requisitions or purchase orders when the budget is insufficient to support the expenditure? ☒ ☐ ☐
- Does the district encumber salaries and benefits? ☒ ☐ ☐
- Are all balance sheet accounts in the general ledger reconciled, at a minimum, at each interim report? ☐ ☒ ☐

Although balance sheet accounts are reconciled multiple times each fiscal year, a reconciliation is not done at each interim.

Cash Management

Yes No N/A

- Are accounts held by the county treasurer reconciled with the district's and county office of education's reports monthly? ☒ ☐ ☐
- Are all bank accounts reconciled with bank statements monthly? ☒ ☐ ☐
- Does the district forecast its cash receipts and disbursements at least 18 months out, updating the actuals and reconciling the remaining months to the budget monthly to ensure cash flow needs are known? ☐ ☒ ☐

During interviews, staff indicated that the accountant prepares the cash flow for a 24-month period. However, it was not being relied on because major concerns had been expressed regarding the accuracy of the information. During FCMAT's visit a separate cash calculation and projection was prepared by the county office's fiscal advisor that concluded that the district will become cash insolvent in October 2019 based on current budget projections. This projection was different and showed more cash deficiency than the district-prepared cash flow projection. A more recent cash flow projection prepared by the district for 2018-19 first interim shows the cash insolvency date as November 2019, one month later than the projection prepared during FCMAT's fieldwork.

- Does the district have a plan to address cash flow needs during the current fiscal year? . . . ☒ ☐ ☐
- Does the district have sufficient cash resources in its other funds to support its current and projected obligations? ☐ ☒ ☐

During FCMAT's fieldwork, the district was projected to be cash insolvent as early as October 2019 if budget reductions are not made. A more recent cash flow projection prepared by the district at 2018-19 first interim shows the cash insolvency date as November 2019 without budget reductions.

- If interfund borrowing is occurring, does the district comply with Education Code Section 42603? ☐ ☐ ☒
- If the district is managing cash in all funds through external borrowing, has the district set aside funds attributable to the same year the funds were borrowed for repayment? . . ☐ ☐ ☒

Charter Schools

Yes No N/A

- Are all charters authorized by the district going concerns? ☐ ☒ ☐

The district has transferred funds to some of its authorized charter schools when those schools were in financial need. In 2017-18, the district transferred a total of \$239,697.59 to charter schools, and it is projecting a transfer of \$300,000 in 2018-19.

Of most concern is the district's ongoing support of the Sacramento New Technology Charter School for several years. Because this is an ongoing fiscal burden on the district, it needs to be discussed and remedied.

The district has also given financial assistance in the past to George Washington Carver Charter School, though not every year.

The district also needs to further study Sacramento Charter High School operated by St. Hope Public Schools to determine whether it is a going concern.

The district's charter schools are dependent from the standpoint of governance because they are part of the district and are under the authority of the district's governing board. However, charter schools are not intended to have budget deficits that make them dependent on a district financially. Under California Code of Regulations (CCR), Section 11967.5.1(c)(3)(A), a charter school must have a realistic financial and operational plan. Part of that includes having a balanced budget and financial plan. The district should take steps to ensure that approved charter schools do not require assistance from the district to stay solvent.

- Has the district fulfilled and does it have evidence of its oversight responsibilities in accordance with Education Code section 47604.32(d)? ☒ ☐ ☐
- Does the district have a board policy or other written document(s) regarding charter oversight? ☒ ☐ ☐
- Has the district identified specific employees in its various departments (e.g., human resources, business, instructional, and others) to be responsible for oversight of all approved charter schools? ☒ ☐ ☐

Collective Bargaining Agreements

Yes No N/A

- Has the district quantified the effects of collective bargaining agreements and included them in its budget and multiyear projections? ☒ ☐ ☐
- Did the district conduct a presettlement analysis and identify related costs or savings, if any (e.g., statutory benefits, and step and column salary increases), for the current and subsequent years, and did it identify ongoing revenue sources or expenditure reductions to support the agreement? ☐ ☒ ☐

The district entered into a multiyear agreement with the Sacramento City Teachers Association (SCTA) on December 7, 2017. The agreement granted salary increases of 2.5% effective July 1, 2016, an additional 2.5% effective July 1, 2017, and an additional

6.0% (2.5% and an additional 3.5% to restructure the salary schedule) effective July 1, 2018. Based on multiyear financial projections prepared at the time of the collective bargaining disclosure, it appeared that the district would be able to meet its required reserve for economic uncertainties in fiscal years 2017-18 and 2018-19 but would need to make budget reductions of approximately \$15.6 million to meet the minimum reserve requirement for fiscal year 2019-20. At that time, the district estimated that its unrestricted ending fund balance would decrease from \$73 million on July 1, 2017 to negative \$4 million on June 30, 2018 if no budget reductions were made. A budget reduction plan was not submitted with the collective bargaining disclosure.

All of this information, including the fact that the increase was not affordable as agreed to without identified budget reductions, was communicated by the county office to the district in a letter dated December 7, 2017 and stated publicly at a district board meeting.

- Has the district settled the total cost of the bargaining agreements at or under the funded cost of living adjustment (COLA), and under gap funding if applicable? ☐ ☒ ☐

The district entered into a multiyear agreement with the SCTA on December 7, 2017. The agreement granted salary increases of 2.5% effective July 1, 2016, an additional 2.5% effective July 1, 2017, and an additional 6.0% (i.e. 2.5% and additional 3.5% to restructure the salary schedule) effective July 1, 2018. The district and the SCTA disagree on the implementation date of the additional 3.5%, and the matter is being pursued in superior court. If the additional 3.5% is implemented on the date SCTA interprets as correct, it would result in a fiscal impact in 2018-19 of close to 7% for salary rescheduling rather than the 3.5% the district agreed to.

- If settlements have not been reached, has the district identified resources to cover the estimated costs of settlements? ☐ ☐ ☒
- Did the district comply with public disclosure requirements under Government Code 3540.2, 3543.2, 3547.5 and Education Code Section 42142? ☒ ☐ ☐
- Did the superintendent and CBO certify the public disclosure of collective bargaining agreement prior to board approval? ☒ ☐ ☐
- Is the governing board's action consistent with the superintendent's and CBO's certification? ☒ ☐ ☐
- Has the district settled with all its bargaining units for at least the prior three year(s)? . . . ☒ ☐ ☐
- Has the district settled with all its bargaining units for the current year? ☒ ☐ ☐

Contributions and Transfers to Other Funds

Yes No N/A

- Does the district have a plan to reduce and/or eliminate any increasing contributions from the general fund to other resources? ☐ ☒ ☐

Most of the district's general fund contributions are to special education programs and to the routine repair and maintenance account. Total contributions increased from \$62,581,129 in 2015-16 to \$67,759,639 in 2016-17 and to \$77,505,592 in 2017-18. The district's 2018-19 through 2020-21 budgets include continuing contributions for a total of \$89,134,727 in 2018-19, \$96,425,490 in 2019-20, and \$104,000,050 in 2020-21.

FCMAT was not able to obtain an approved plan to reduce and/or eliminate increasing contributions from the general fund to other resources. The district did present an updated plan dated October 4, 2018 to reduce the district's overall deficit, but details were not found specific to reducing contributions to restricted programs.

- If the district has deficit spending in funds other than the general fund, has it included in its multiyear projection any transfers from the general fund to cover the deficit spending? . . . ☐ ☒ ☐

Although the district's multiyear financial projection includes transfers from the general fund to cover deficit spending in other funds, FCMAT believes that those transfers are inadequate based on prior year deficits. Without a specific plan to reduce deficit spending, specifically in the child development fund, the budgeted transfers are likely inadequate to cover the increasing costs of salaries and benefits.

Based on unaudited actuals data, the following transfers were made from the general fund to the child development fund:

2015-16: \$1,500,000

2016-17: \$322,344

2017-18: \$502,296

Based on 2018-19 Standardized Account Code Structure (SACS) data, transfers to the child development fund are projected to be as follows:

2018-19: \$2,345,207

2019-20: \$382,178

2020-21: \$382,178

Assuming revenue and spending patterns remain the same, even if the current projected transfers of \$382,178 in 2019-20 and 2020-21 are included, the district's shortfall in cash would be as follows:

2019-20: (\$791,940.93)

2020-21: (\$2,754,969.93)

The district must develop a plan to ensure its expenditures are equal to or less than expected revenues, but until that time it must ensure that its budget is revised to include adequate transfers to all funds, including the child development fund, so they have adequate cash to close the fiscal year. Unless an approved plan to reduce spending, or increase revenues, is implemented in 2018-19, these shortfalls in 2019-20 and 2020-21 will increase the district's liabilities and further increase its projected general fund deficits. If this increased deficit is not remedied in 2018-19, it could cause the district to become cash insolvent prior to November 2019, based on current budget projections.

- If any transfers were required for other funds in the prior two fiscal years, and the need is recurring in the current year, did the district budget for them? ☒ ☐ ☐

Deficit Spending

Yes No N/A

- Is the district avoiding a structural deficit in the current and two subsequent fiscal years? (A structural deficit is when ongoing unrestricted expenditures and contributions exceed ongoing unrestricted revenues.) ☐ ☒ ☐

Structural deficit spending is projected in 2018-19, 2019-20 and 2020-21 due to negotiated agreements settled in 2017-18 without corresponding budget adjustments to offset these ongoing increased costs.

- Is the district avoiding deficit spending in the current fiscal year? ☐ ☒ ☐

Based on the revised 2018-19 adopted budget, the district's deficit spending is projected to be \$ 35,950,457.05 in total unrestricted and restricted funds.

- Is the district projected to avoid deficit spending in the two subsequent fiscal years? . . . ☐ ☒ ☐

The district's total deficit, including unrestricted and restricted funds, is projected to be \$52,563,654.00 in 2019-20 and \$49,923,727.28 in 2020-21.

- If the district has deficit spending in the current or two subsequent fiscal years, has the board approved and implemented a plan to reduce and/or eliminate deficit spending? . . . ☐ ☒ ☐

As part of the district's revised 2018-19 adopted budget, the board approved a plan to reduce deficit spending; however, the plan does not reduce or eliminate deficit spending to an amount sufficient to sustain solvency. Additional significant reductions are needed. The total plan brought to the board on October 4, 2018 was for \$11,483,500 in reductions to the unrestricted general fund.

- Has the district decreased deficit spending over the past two fiscal years? . . . ☐ ☒ ☐

FCMAT's review of the past two fiscal years shows that the district did not start deficit spending until 2017-18; the deficit for that fiscal year was \$10,966,055.80. In 2016-17, the district had a surplus of \$5,747,472.67.

Employee Benefits

Yes No N/A

- Has the district completed an actuarial valuation to determine its unfunded liability under Governmental Accounting Standards Board (GASB) other post-employment benefits (OPEB) requirements? . . . ☒ ☐ ☐
- Does the district have a plan to fund its liabilities for retiree benefits? . . . ☐ ☒ ☐

The district commissioned an actuarial valuation dated June 30, 2016, in accordance with Governmental Accounting Standards Board (GASB) Statement 75, Actuarial Report of OPEB Liabilities.

The actuarial report estimates the district's total other post-employment benefits (OPEB) liability to be \$780,518,410 for the fiscal year ending June 30, 2018, and its net OPEB liability (i.e., factoring in employer contributions to the trust, net investment income, benefit payments, and administrative expenses) to be \$725,760,458 for the same period.

The district has established an irrevocable OPEB trust with assets dedicated toward paying future retiree medical benefits. GASB 75 allows prefunded plans to use a discount rate that reflects the expected earning on trust assets. However, the actuarial report states:

. . . the district expects to yield 7.25% per year over the long term, based on information published by CalPERS as of the June 30, 2016 actuarial valuation date. However, total net contributions to the trust have averaged 31% of the amount that would have been needed to be deposited to the OPEB trust so that total OPEB contributions would equal the actuarially defined contribution.

- Has the district followed a policy or collectively bargained agreement to limit accrued vacation balances? . . . ☒ ☐ ☐
- Within the last five years, has the district conducted a verification and determination of eligibility for benefits for all active and retired employees and dependents? . . . ☒ ☐ ☐
- Does the district track and reconcile employees' leave balances? . . . ☒ ☐ ☐

Enrollment and Attendance

Yes No N/A

- Has the district's enrollment been increasing or stable for the current and three prior years? . . . ☐ ☒ ☐
- Does the district monitor and analyze enrollment and average daily attendance (ADA) data at least monthly through the second reporting period (P2)? . . . ☒ ☐ ☐

The district's enrollment has been declining for the last 15 years.

- Does the district track historical enrollment and ADA data to establish future trends? . . . ☒ ☐ ☐
- Do school sites maintain an accurate record of daily enrollment and attendance that is reconciled monthly at the site and district level? . . . ☒ ☐ ☐
- Did the district certify its California Longitudinal Pupil Achievement Data System (CALPADS) Fall 1 data by the required deadline? . . . ☒ ☐ ☐
- Are the district's enrollment projection and assumptions based on historical data, industry-standard methods, and other reasonable considerations? . . . ☐ ☒ ☐

The district tracked the number of children who enter kindergarten as a percentage of countywide live births five years earlier to project kindergarten enrollment for the 2018-19 school year.

However, to project enrollment in grades one through 12 for the same period, it used simple grade level progression rather than the more commonly used cohort survival method.

The cohort survival method groups students by grade level upon entry and tracks them through each year they stay in school. This method evaluates the longitudinal relationship of the number of students passing from one grade to the next in a subsequent year. This method more closely accounts for retention, dropouts and students transferring to and from a school or district by grade. Although other enrollment forecasting techniques are available, the cohort survival method usually is the best choice for local education agencies because of its sensitivity to incremental changes to several key variables including:

Birth rates and trends.

The historical ratio of enrollment progression between grade levels.

Changes in educational programs.

Migration patterns.

Changes in local and regional demographics.

- Do all applicable sites and departments review and verify their respective CALPADS data and correct it as needed before the report submission deadlines? . . . ☒ ☐ ☐
 - Has the district planned for enrollment losses to charter schools? . . . ☒ ☐ ☐
 - Has the district developed measures to mitigate the effect of student transfers out of the district? . . . ☐ ☒ ☐
- The district authorizes all interdistrict transfers out of the district and does not require the parents of students who receive interdistrict transfer permits to reapply annually.*
- Does the district meet the average class enrollment for each school site of no more than 24-to-1 class size ratio in K-3 classes or do they have an alternative collectively bargained agreement? . . . ☒ ☐ ☐

Facilities

Yes No N/A

- If the district participates in the state's School Facilities Program, has it met the 3% Routine Repair and Maintenance Account requirement? . . . ☒ ☐ ☐
- Does the district have sufficient building funds to cover all contracted obligations for capital facilities projects? . . . ☒ ☐ ☐
- Does the district properly track and account for facility-related projects? . . . ☒ ☐ ☐
- Does the district use its facilities fully in accordance with the Office of Public School Construction's loading standards? . . . ☐ ☒ ☐

Although the district has a 24-to-1 student-to-staff ratio for K-3, and follows the class size standards in its collective bargaining agreement with SCTA for the other grade levels, its facilities department estimates that the district has approximately 20% more capacity than needed for its current student enrollment. The district closed six schools in the last seven years and reopened one.

- Does the district include facility needs when adopting a budget? ☐ ☒ ☐

The district discusses districtwide facility needs whenever it sells general obligation bonds, which occurs approximately every two years; this does not occur on the same cycle as budget adoption.

- Has the district met the facilities inspection requirements of the Williams Act and resolved any outstanding issues? ☒ ☐ ☐
- If the district passed a Proposition 39 general obligation bond, has it met the requirements for audit, reporting, and a citizens' bond oversight committee? ☒ ☐ ☐
- Does the district have an up-to-date long-range facilities master plan? ☐ ☒ ☐

The district's facilities master plan was prepared by MTD Architecture in 2012 and has not been updated since.

Fund Balance and Reserve for Economic Uncertainty

Yes No N/A

- Is the district able to maintain the minimum reserve for economic uncertainty in the current year (including Funds 01 and 17) as defined by criteria and standards? ☒ ☐ ☐
- Is the district able to maintain the minimum reserve for economic uncertainty in the two subsequent years? ☐ ☒ ☐

The district will fall short of its 2019-20 and 2020-21 minimum reserve requirement based on its revised (October 4, 2018) adopted 2018-19 budget projections, which show unrestricted ending fund balances of (\$17,491,788.17) in 2019-20 and (\$66,494,314.95) in 2020-21.

- If the district is not able to maintain the minimum reserve for economic uncertainty, does the district's multiyear financial projection include a board-approved plan to restore the reserve? ☐ ☒ ☐

The district does not have a board-approved plan sufficient to restore the reserve at the time of this Fiscal Health Risk Analysis.

- Is the district's projected unrestricted fund balance stable or increasing in the two subsequent fiscal years? ☐ ☒ ☐

The district's unrestricted general fund balance is projected to decrease significantly in 2019-20 and 2020-21 compared to its 2018-19 budgeted amount:

2018-19: \$25,926,177.49

2019-20: (\$17,491,788.17)

2020-21: (\$66,494,314.95)

- If the district has unfunded or contingent liabilities or one-time costs, does the unrestricted fund balance include any assigned or committed reserves above the recommended reserve level? ☐ ☒ ☐

The district's unrestricted ending fund balance does not include amounts for the following liabilities:

Because the district and the SCTA disagree on the implementation date of a 3.5% increase included in the December 7, 2017 negotiated agreement,

there is a potential fiscal impact for 2019-20 and beyond of a 7% increase related to salary schedule restructuring rather than the 3.5% stated in the agreement.

The district's net contributions to the irrevocable OPEB trust established to pay future retiree medical benefits have averaged 31% of the amount that will be needed to ensure that total OPEB contributions equal the actuarially-defined contribution. The area of retirement benefits is a liability that the district will need to face because the costs are outpacing contributions.

General Fund - Current Year

Yes No N/A

- Does the district ensure that one-time revenues do not pay for ongoing expenditures? . . . ☐ ☒ ☐

As mentioned in the budget development section of this analysis, the district stated in its 2018-19 budget narrative that one-time funding was used to pay for salary increases. This action will also have severe effects on the budget in future years because the one-time funding will likely not be available to the district, leaving a \$13.2 million deficit moving forward.

- Is the percentage of the district's general fund unrestricted budget that is allocated to salaries and benefits at or under the statewide average for the current year? . . . ☐ ☒ ☐

The 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%.

- Is the percentage of the district's general fund unrestricted budget that is allocated to salaries and benefits at or below the statewide average for the three prior years? . . . ☐ ☒ ☐

The district exceeds the statewide average in this area for all three prior years, with its highest percentage in 2015-16 at 6.93% higher than the state average.

- If the district has received any uniform complaints or legal challenges regarding local use of supplemental and concentration grant funding, is the district addressing the complaint(s)? . . . ☐ ☐ ☒

- Does the district either ensure that restricted dollars are sufficient to pay for staff assigned to restricted programs or have a plan to fund these positions with unrestricted funds? . . . ☒ ☐ ☐

- Is the district using its restricted dollars fully by expending allocations for restricted programs within the required time? . . . ☐ ☒ ☐

The district has seen a 129% increase in its total restricted ending fund balance from 2014-15 to 2017-18. This increase indicates that the district is not fully expending its restricted funding allocations. In addition, staff stated that some federal funds have gone unspent and have been returned to the federal government.

- Does the district consistently account for all program costs, including allowable indirect costs, for each restricted resource? . . . ☐ ☒ ☐

The district does not charge allowable indirect costs to special education, and as a result there is underreporting of the total cost of the program. If the indirect cost rate of 4.21% for 2018-19 were applied to the district's 2018-19 annual special education expenditures of \$107,398,026, the resulting allowable indirect cost would be \$4,521,457. The district's total actual indirect charge for special education has been approximately \$100,000 per year. The industry-standard practice is to consistently account for indirect costs in all restricted resources, including special education. The district is not correctly identifying the true cost of its special education programs.

Information Systems and Data Management

Yes No N/A

- Does the district use an integrated financial and human resources system? ☒ ☐ ☐
- Can the system(s) provide key financial and related data, including personnel information, to help the district make informed decisions? ☒ ☐ ☐
- Does the district accurately identify students who are eligible for free or reduced-price meals, English learners, and foster youth, in accordance with the LCFF and its LCAP? ☒ ☐ ☐
- Is the district using the same financial system as its county office of education? ☐ ☒ ☐

The county office of education uses Quintessential Control Center (QCC) (part of the Quintessential School Systems financial system) and the district uses Escape.

- If the district is using a separate financial system from its county office of education and is not fiscally independent, is there an automated interface with the financial system used by the county office of education? ☐ ☒ ☐

There is no automated interface between the two systems. When the district processes payroll and accounts payable warrants, information related to these transactions is uploaded to the county via a file transfer protocol (FTP). This process is started manually once payroll and accounts payable warrant processing is complete. No other electronic interface exists between the two systems.

- If the district is using a separate financial system from its county office of education, has the district provided the county office with direct access so the county office can provide oversight, review and assistance? ☐ ☒ ☐

The county office of education has not been able to access the district's Escape system online, but conversations continue between the two agencies about how this will be accomplished. The software needed to access the Escape system has been installed on some systems at the county office, but there has been no training. The county office has had to create a second set of books for the district in its QCC system so it can attempt to monitor financial transactions and balances at the major object level. This requires much manual entry by county office staff since the district sends the county office only limited data related to warrant processing.

Internal Controls and Fraud Prevention

Yes No N/A

- Does the district have controls that limit access to and authorizations within its financial system? ☒ ☐ ☐
- Are the district's financial system's access and authorization controls reviewed and updated upon employment actions (i.e. resignations, terminations, promotions or demotions) and at least annually? ☐ ☒ ☐

The district does not regularly update authorization controls, and discrepancies based on changes in positions are often found many months later. The district relies on a digital change form that requires manual signatures, which slows the process or results in lost forms. The district should move to a digital form process to increase efficiency.

- Does the district ensure that duties in the following areas are segregated, and that they are supervised and monitored?:

- Accounts payable (AP) ☐ ☒ ☐

Although the accounts payable process appears properly supervised and monitored, the printing of the warrants is completed in the business department rather than in a separate department, such as technology, which would improve segregation of

duties. One department should input the information and a different department should print warrants.

- Accounts receivable (AR) ☒ ☐ ☐
- Purchasing and contracts. ☒ ☐ ☐
- Payroll ☐ ☒ ☐

The payroll process appears properly supervised and monitored; however, the business department prints the warrants rather than having a separate department, such as technology, do so to ensure separation of duties. One department should input the information and a different department should print warrants.

- Human resources ☒ ☐ ☐
- Associated student body (ASB) ☒ ☐ ☐
- Warehouse and receiving ☒ ☐ ☐
- Are beginning balances for the new fiscal year posted and reconciled with the ending balances for each fund from the prior fiscal year? ☒ ☐ ☐
- Does the district review and clear prior year accruals by first interim? ☒ ☐ ☐
- Does the district reconcile all suspense accounts, including salaries and benefits, at least at each interim reporting period and at the close of the fiscal year? ☒ ☐ ☐
- Has the district reconciled and closed the general ledger (books) within the time prescribed by the county office of education? ☒ ☐ ☐
- Does the district have processes and procedures to discourage and detect fraud? ☒ ☐ ☐
- Does the district maintain an independent fraud reporting hotline or other reporting service(s)? ☒ ☐ ☐
- Does the district have a process for collecting and following up on reports of possible fraud? ☒ ☐ ☐
- Does the district have an internal audit process? ☒ ☐ ☐

Leadership and Stability

Yes No N/A

- Does the district have a chief business official who has been with the district more than two years? ☐ ☒ ☐

John Quinto, Ed.D., the district's current chief business official, started with the district on August 27, 2018.

- Does the district have a superintendent who has been with the district more than two years? ☐ ☒ ☐

Jorge A. Aguilar became the district's 28th superintendent on July 1, 2017.

- Does the superintendent meet regularly with all members of their administrative cabinet? . ☒ ☐ ☐

- Is training on financial management and budget offered to site and department administrators who are responsible for budget management? ☐ ☒ ☐

There has been little or no budget and fiscal training for site and department administrators who are responsible for budget management. Training is done informally and as needed or requested rather than on a regular schedule.

The amount of expertise, access to and knowledge of the financial system vary by site and department.

- Does the governing board adopt and revise policies and administrative regulations annually? ☐ ☒ ☐

Although board policies and administrative regulations are brought to the board sporadically for revision and/or adoption, there was no evidence of an intent to review the information annually or to ensure that it is a priority to communicate the permissions, limitations and standards of the board.

- Are newly adopted or revised policies and administrative regulations communicated to staff and implemented? ☐ ☒ ☐

When it brings policies to the board for revision or adoption, the district has no process for communicating the information to staff or implementing the policies in detail. A communication is sent to staff after each board meeting that summarizes the meeting, but for staff to fully understand changes in board policy and administrative regulations, further detail and instructions are needed.

- Is training on the budget and governance provided to board members at least every two years? ☐ ☒ ☐

There was no evidence that budget or governance training is provided to board members regularly.

- Is the superintendent's evaluation performed according to the terms of the contract? . . . ☐ ☒ ☐

FCMAT was not able to obtain evidence that the superintendent has received any evaluations since he was hired. His contract states:

The Board shall evaluate the Superintendent in writing each year of this agreement. The evaluation shall be based on this agreement, the duties of the position, the 2016-2021 Strategic Plan, policy goals for the District, and other goals and objectives through a collaborative process with the Superintendent. The Superintendent and a committee of the Board will develop the evaluation instrument upon which the superintendent shall be evaluated. The Board shall approve the evaluation instrument and metrics by which to evaluate the Superintendent. The annual evaluation shall be completed based on a timeline determined by the Board.

Subsequent to fieldwork, FCMAT was notified that the superintendent's initial evaluation was to be voted on by the governing board on December 6, 2018.

Multiyear Projections

Yes No N/A

- Has the district developed multiyear projections that include detailed assumptions aligned with industry standards? ☒ ☐ ☐
- To help calculate its multiyear projections, did the district prepare an LCFF calculation with multiyear considerations? ☒ ☐ ☐
- Does the district use its most current multiyear projection when making financial decisions? ☐ ☒ ☐

It appears that the district used multiyear projections when making financial decisions until the 2017-18 fiscal year, but that this practice ceased in that year, during which it also entered into a multiyear agreement with the SCTA (December 7, 2017) that granted ongoing salary increases without a budget reduction plan to maintain minimum reserves through 2020-21.

Non-Voter-Approved Debt and Risk Management

Yes No N/A

- Are the sources of repayment for non-voter-approved debt stable (such as certificates of participation (COPs), bridge financing, bond anticipation notes (BANS), revenue anticipation notes (RANS) and others), predictable, and other than unrestricted general fund?

☐ ☒ ☐

The district has \$67,920,000 in outstanding lease revenue bonds. The annual debt service payment is approximately \$5,400,000 and continues through fiscal year 2025-26. The annual debt service payments are made from a combination of unrestricted general fund revenue and developer fees.

- If the district has issued non-voter-approved debt, has its credit rating remained stable or improved?
- If the district is self-insured, does the district have a recent (every 2 years) actuarial study and a plan to pay for any unfunded liabilities?
- If the district has non-voter-approved debt (such as COPs, bridge financing, BANS, RANS and others), is the total of annual debt service payments no greater than 2% of the district's unrestricted general fund revenues?

☒ ☐ ☐
☒ ☐ ☐
☒ ☐ ☐
Position Control

Yes No N/A

- Does the district account for all positions and costs?

☐ ☒ ☐

The district must improve its position control process. The district currently uses the same position control number for multiple positions, and for full-time equivalent (FTE) positions that have the same title, instead of creating a unique position control number for each board-approved position or FTE. The district's current practice leads to lack of clarity about which positions are being filled and about the site to which each belongs, because the same position number can exist at multiple sites if the same title is assigned. The district needs to use a unique identifier, or position control number, for each board-authorized position.

Another area to improve on in the position control process involves the ramifications of the one-stop process, because confusion often arises when employees are transferred between sites and departments without a paperwork trail since the information was input directly into the system and the typical forms are not used during one-stop meetings. In addition, as employee transfers and changes are discussed and made later in the year, position control system information about which positions are open and about employees' work locations is often found to be inaccurate. Because paperwork is not generated during one-stop meetings, it is often more difficult to determine the history and details of past decisions.

- Does the district analyze and adjust staffing based on staffing ratios and enrollment? . . .

☐ ☒ ☐

The district did not provide evidence that regular analysis of staffing ratios is compared with actual enrollment or that adjustments are made in accordance with sites' or departments' needs after the one-stop budget and staffing process occurs in January or February of each year during the budget development process. During one-stop, because the primary purpose appears to be developing the March 15 notice list, staffing ratios are compared against enrollment projections, and staffing is scheduled accordingly.

Although this process is efficient for meeting the March 15 deadline as well as initial budget development projections, the decisions made during one-stop need to be reassessed as the year proceeds and actual enrollment numbers are known.

- Does the district reconcile budget, payroll and position control regularly, meaning at least at budget adoption and interim reporting periods? ☐ ☒ ☐

It is best practice to have a position control system that is integrated with, or at least reconciled with, budget, payroll and human resources records. The district does not reconcile these records regularly to ensure that its budget represents the amount the district should set aside for such costs. In interviews, employees indicated that the number of open positions shown in financial reports is usually inflated.

At interim reporting times, the district identifies variances between budgeted and actual amounts, and salary and benefit budgets are often revised based on that analysis. By contrast, standard industry practice is to reconcile actual human resources and payroll records to ensure that only open, authorized positions are shown as such in the budget; if an open position exists that should be closed, the appropriate paperwork is completed to do so, and the budget is updated.

- Does the district identify a budget source for each new position before the position is authorized by the governing board? ☒ ☐ ☐
- Does the governing board approve all new positions before positions are posted? ☐ ☒ ☐

The governing board approves new positions after employees have been hired rather than when the position is vacant or posted.

- Does the district have board-adopted staffing ratios for certificated, classified and administrative positions? ☐ ☒ ☐

Staffing ratios, where documented, appear to be a result of terms in the collective bargaining agreement rather than board-adopted.

- Do managers and staff responsible for the district's human resources, payroll and budget functions meet regularly to discuss issues and improve processes? ☐ ☒ ☐

Staff indicated that those responsible for human resources, payroll and budget meet two times per year. Scheduled meetings should be conducted at least monthly to resolve ongoing issues and problems, as well as improve processes, between the departments.

Special Education

Yes No N/A

- Are the district's staffing ratios, class sizes and caseload sizes in accordance with statutory requirements and industry standards? ☒ ☐ ☐
- Does the district access available funding sources for costs related to special education (e.g., excess cost pool, legal fees, mental health)? ☒ ☐ ☐
- Does the district use appropriate tools to help it make informed decisions about whether to add services (e.g., special circumstance instructional assistance process and form, transportation decision tree)? ☒ ☐ ☐
- Does the district account correctly for all costs related to special education (e.g., transportation, indirect costs, service providers)? ☐ ☒ ☐

Not all appropriate costs related to special education are charged to the program, including legal fees and the full allowable indirect costs.

- Is the district's contribution rate to special education at or below the statewide average contribution rate? ☐ ☒ ☐

The district's 2018-19 budget plan indicates that its general fund contribution to special education will be \$73,590,731 and that its total special education expenditures will be \$107,398,026, which means that its contribution will equal 68.52% of total

expenditures for the program. The statewide average contribution rate is 64.5% as of 2016-17.

- Is the district's rate of identification of students as eligible for special education comparable with countywide and statewide average rates? ☐ ☒ ☐

The district has an identification rate of 14.5%, while the statewide average identification rate is 11.5% and the countywide identification rate is 12.3%.

- Does the district monitor, and reconcile the billing for, any services provided by nonpublic schools and/or nonpublic agencies? ☒ ☐ ☐
- Does the district analyze and plan for the costs of due process hearings? ☐ ☒ ☐

The district analyzes the incidence and cost of due process hearings. Employees interviewed stated that the current budgeted amount for due process hearings is insufficient and that the district would be increasing the shortfall during the next budget cycle. The average cost of a due process settlement has doubled in the last five years.

- Does the district analyze whether it will meet the maintenance of effort (MOE) requirement at each reporting period? ☒ ☐ ☐

Total Risk Score, All Areas

44.8%

Key to Risk Score

High Risk: 40% or more

Moderate Risk: 25-39%

Low Risk: 24% and lower

Summary

The district's budget is the responsibility of its governing team. Senior management must present sound and accurate financial information that is supported by trend analysis, budget assumptions and multiyear projections so the board can make informed decisions. Throughout this analysis, FCMAT has identified severe fiscal risks in many areas. The most critical point of this analysis, which is not new information to the district, is that the district will be cash insolvent in November 2019 (estimated to be October 2019 at the time of FCMAT's fieldwork) unless significant action is taken. Because necessary actions will take time to develop and implement, concerns are growing about the length of time it is taking for the district to start. The governing board must prioritize and act expeditiously to remedy the district's fiscal distress. The fiscal risk is real, imminent, and serious. Without action, state intervention is certain.

In light of the most recent cash flow projection, the urgency to make \$30 million in reductions to balance the budget cannot be overstated. If the district's budget is not balanced in time for the 2019-20 budget adoption, current projections indicate the district will have only three to four months of cash remaining to run day-to-day operations.

The district's lack of proper position control also presents a risk to its fiscal solvency. The district lacks an accurate position control process or system that adheres to industry standards and best practices, and it does not use its financial system's full capability to help generate accurate projections. The district has a significant number of positions that show as open in its budget but that are not verified as such. This disparity affects the analysis of savings that may be attainable and obscures the true costs of salaries and benefits in the budget. It appears that this lack of validation of position control has continued for a number of years, as has the practice of using salary savings from unfilled positions to balance other budget items as the year progresses.

The experience and expertise of the district's new CBO and the existing business office staff are limited, and the district's business team is not cohesive and is lacking in communication with other departments and sites. This makes it more difficult to achieve the necessary fiscal progress. Staff have not been exposed to improvements or best practices, and the Escape financial system has many capabilities that the district is not using. The lack of understanding of data and the lack of best practices for data integrity and analysis are significant.

The district will need to make decisions and offer budget solutions to remedy past choices, and those solutions will of necessity involve reductions to programs as well as reductions in staffing and benefits. The district's leaders will need to work diligently to offset ongoing increasing costs, which have increased significantly since the 2017 salary settlement without corresponding reductions. Time is of the essence; the cash flow projections show the severity of the consequences of inaction.

The district has options for reducing costs; however, because of the limited time available, it must focus on decisions that can be implemented by 2019-20 budget adoption. Although all options should be explored and addressed, those that include closing or modifying facilities will take more time than the current situation allows and thus will not remedy the immediate solvency issues and cannot be the solution for the 2019-20 budget. Any longer-term solutions, such as facility consolidation or closure decisions, will require that conversations and implementation begin now, with savings recognized in subsequent years of the projections, not in 2019-20.

All programs and costs that affect the unrestricted budget must be evaluated, including those that require a contribution or transfer from the unrestricted general fund, such as special education and child development. In addition, because the largest portion of any budget is in salary and benefit accounts, these are critical areas that must be reviewed. Because negotiations include strict deadlines, time is of the essence for any reductions that include salaries and benefits. All stakeholders may need to evaluate the affordability of salaries and benefits provided in the past. For example, some health plans offered to employees cost much more than others, and the district still offers lifetime health benefits to all eligible employees. The district must prioritize current expenditures and decide which to reduce or eliminate in order to maintain others. The budget must be balanced. Either revenues will need to increase significantly, which is not likely and over which the district has little control, or expenditures will need to decrease, which is achievable and is under the board's control.

The district's significant risk factors include deficit spending, substantial reductions in fund balance, inadequate reserve levels, approval of a bargaining agreement above cost-of-living adjustments, a significant unfunded OPEB liability, large increases in contributions to restricted programs (especially in special education), lack of a

strong position control system, and leadership issues. These factors must be addressed and remedied to avoid further erosion of the district's reserves. A solution to the district's financial situation is attainable, and all parties with an interest will need to be part of the discussion and solution. Failure to act quickly and decisively will result in imminent fiscal insolvency and loss of local control.

Attachment I



**SCTA Proposal
To Address SCUSD Budget Fiasco
September 13, 2018**

Despite increased revenues of 51% or nearly \$200 million per year compared to 2012-13, the Sacramento City Unified School District has had its budget “disapproved” by the Sacramento County Office of Education (SCOE). The District submitted a budget for 2018-19 that projects \$24 million deficit spending. The District was aware of that deficit when its budget was submitted in June 2018, demonstrating that the District’s administration and School Board, led by its Budget Committee, have been derelict in their duties as stewards of tax-payer dollars. The Superintendent and School President recently announced publicly that they welcomed the involvement of SCOE and the State’s Fiscal Crisis Management Action Team (FCMAT), implicitly admitting that the current District administration and board lacked the expertise to manage its own affairs.

The District has been notoriously inaccurate in its budget projections, consistently underestimating revenues while overestimating spending by tens of millions per year.

I. Immediate Savings

To address immediate concerns, and to ensure that the District resources remain focused on students and in the classroom, the Sacramento City Teachers Association (SCTA) proposes the following, immediate, changes:

1. **Curbing Bureaucratic Bloat:** In 2014-15, the District employed 190 administrative full-time equivalent (FTEs) positions. In 2018-19, that number has swelled to 271 FTEs, an increase of 43% while the District’s ADA has remained relatively steady during the same period from 38,855 to 38,611.77 (estimated for 2018-19).

The District should reduce the number of administrators to 2014-15 levels which would produce a savings of

# of Administrators	Salary	Statutory Benefits (19.46%)	Health Benefits	Total Savings
81	\$149,342	\$29,062	\$20,000	\$16,070,720

2. **Reigning in Escalating Administrator Salaries:** At \$190,100, California Governor Jerry Brown is the highest paid governor in the United States. SCUSD Superintendent Jorge Aguilar is paid \$305,950 in 2018-19, or 61% higher.

The District should compensate its administrators at levels that match other state and local government entities, beginning with Superintendent Jorge Aguilar, thereby achieving the following savings:

II. Additional Potential Savings

With the cooperation of the Business Office, to provide details behind various line items, we believe additional reductions could be achieved without adversely impacting resources in the classroom.

Several items that warrant further exploration for additional savings, include, but are not limited to:

Budget Item	Actual expenditure, unless noted	2018-19 Budgeted Amount	Notes
701 Board of Education	\$360,619 (2014-15)	\$616,234	71% increase
703 Superintendent	\$695,690 (2017-18)	\$895,966	29% increase
704 Employee Relations		\$39,897	What is it for?
717 Legal Counsel		\$1,784,490	Does it include HR/Labor relations?
712 Area Supt West		\$436,196	What is it for?
714 Area Assistant Supt.		\$272,351	What is it for?
716 Area Assistant Supt-Central		\$264,593	What is it for?
720 Area Assistant Supt-East		\$384,698	What is it for?
721 Chief Academic Officer	\$1,909,150 (2017-18)	\$2,421,026	27% increase
723 Deputy Superintendent	\$2,643,029 (2017-18)	\$4,979,754	88% increase
770 Human Resources		\$3,586,959	What's included? Directors duties can be streamlined.
800 Business Services	\$1,818,979 (2017-18)	\$2,201,751	21% increase
840 Risk Management	\$1,830,512 (2017-18)	\$2,775,656	52% increase
850 Long Term Leave	\$12,033 (2017-18)	\$4,182,486	\$4.2 million increase
859 Legal Settlement	\$371,514 (2017-18)	\$2,375,00	\$2 million increase
860 Lottery	\$311,409 (2017-18)	\$5,879,722	\$5.8 million increase
862 Direct Services	\$6,461 (2017-18)	\$3,274,175	\$3 million increase

III. Need for Budget Committee Change

In addition, in the best interest of students, parents and educators and the broader Sacramento City Unified School District community, we believe the Board of Education's Budget Committee members Jay Hansen, Michael Minnick, and Darrel Woo should resign their budget committee positions as a recognition of their failure to provide the appropriate oversight to the Superintendent and District staff to protect the financial interests of the District. SCTA also strongly recommends that SCTA may appoint a representative to the Budget Committee, along with a community representative appointed by the Community Priorities Coalition.

Board of Education Executive Summary

Business Services

Public Hearing and Approval of 2018-2019 Adopted Budget Revision
October 4, 2018

I. OVERVIEW/HISTORY:

On June 21st, the District Adopted the Proposed Fiscal Year 2018-19 Budget. On June 7th, staff held a Public Hearing on the proposed 2018-19 Budget for All Funds. Staff presented the 2018-19 Allocation of Resources based on community engagement and LCAP Advisory Committee and Budget Committee input. Staff presented the Superintendent recommendations and listened to Board and public comments to adjust the Proposed Budget for FY 2018-19 based on the May Revise Funding. The 2018-19 Adopted Budget is based on the Governor's May Revise and recommendations from SCOE. The recommendations from the Superintendent take into consideration all input from the stakeholders. The Superintendent seriously considered the recommendations made by the LCAP Advisory Committee and the Board of Education.

On August 22, 2018, the Sacramento County Office of Education sent a letter notifying the District the 2018-19 Budget has been disapproved.

On August 29, 2018, staff met with the Sacramento County Office of Education and held a conference call with the Fiscal Crisis & Management Assistance Team (FCMAT) to discuss next steps. The District has been assigned a Fiscal Advisor by the Sacramento County Office of Education. The District has until October 8, 2018 to submit a Board Approved Budget to the County Office for approval.

On September 6, 2018, staff presented the update on the 2018-2019 disapproved budget. Staff is working closely with the Sacramento County Fiscal Advisor and will present a revised budget at the Board meeting on October 4, 2018. The 2018-2019 adopted budget revision must be resubmitted to the Sacramento County Office of Education by October 8, 2018.

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 ensure a financial plan that will enable the district to satisfy its multi-year financial commitments.
- Per Education Code section 42127 (d), the County Superintendent may assign a fiscal advisor to the District.

Board of Education Executive Summary

Business Services

Public Hearing and Approval of 2018-2019 Adopted Budget Revision

October 4, 2018

III. Budget:

The 2018-19 adopted budget revision will include legislation adopted budget corrections and County Superintendent assigned Fiscal Advisor recommendations.

IV. Goals, Objectives and Measures:

Present a balanced 2018-19 Adopted Budget by October 8, 2018 which meets the 2% minimum reserve in two subsequent years

V. Major Initiatives:

- Revise Board Approved 2018-19 budget to the Sacramento County Office of Education by October 8, 2018.
- Work with Sacramento County Fiscal Advisor on mitigation measures for reserve deficiency.

VI. Results:

Continued review and updates given to the Board, staff, and community will provide information needed to make knowledgeable fiscal decisions and maintain fiscal solvency.

VII. Lessons Learned/Next Steps:

- Continue to monitor the fiscal health of the district and state.
- Work closely with the Sacramento County Office of Education and Fiscal Advisor.
- FCMAT Fiscal Health Assessment in October.
- Identify and review viable options with labor partners and other stakeholders that the District could adopt to achieve cost savings and long-term financial sustainability and present viable cost savings and/or reductions to the Board on October 4, 2018.

Students First Budget Rebalancing Proposal

Presented by the Sacramento City Teachers Association (SCTA)

December 13, 2018

In 2017-18, the Sacramento City Unified School District adopted Original, First Interim and Second Interim Budgets with Positive Certification, with the concurrence of the Sacramento County Office of Education. The approval of the 2017-18 Second Interim Budget in March 2018 with SCOE concurrence, occurred after the conclusion of contract negotiations with all unions that represent Sac City district employees, including the Sacramento City Teachers Association (SCTA).

In June 2018, the District submitted its Original 2018-19 budget. On August 28, 2018, the Sacramento County Office of Education (SCOE) rejected the Sacramento City Unified School District (SCUSD) Budget. On October 11, SCOE rejected a second, revised budget. On December 6, 2018, the SCUSD submitted a third, revised budget with a Negative Certification, which means the District “will be unable to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year.”

We continue to believe that lawmakers at the state and federal level must do more to make education a higher priority, particularly here in California. We further believe that election of Gavin Newsom as governor together with projections of large state budget surpluses will likely mean increased funding for schools in 2019-20 and beyond.

The crisis here in Sac City, however, is more about imprudent fiscal oversight and misplaced priorities than about a lack of revenue. According to audited financial statements, general fund revenue \$405 million in 2014; in 2018, revenue grew to more than \$505 million. Despite this increased funding, and unlike surrounding districts, Sac City’s finances took a dramatic downturn from March 2018 to August 2018. For example, last year only four out of nearly 1100 school districts in the entire state of California submitted budgets with a Negative Certification. We are aware of no district, other than Sac City, that had its budget outright rejected by a county of office education.

As educators, parents and community leaders we believe it our responsibility to put forth potential solutions to the Sac City budget fiasco.

According to presentations by Chief Business Officer John Quinto, Superintendent Jorge Aguilar, and Board President Jessie Ryan, reductions of \$16 million will “balance the budget.”

Using \$16 million as the target number, therefore, this proposal is intended not just to address the current budget fiasco but, more importantly, to restructure Sac City’s spending priorities to guarantee that our District truly puts students first.

We also believe, however, that the long-term solution in Sac City will not be found by simple austerity measures, that is, cutting our way to a solution. Spending choices must reflect a renewed commitment our classrooms and to making Sac City the Destination District for California. Here’s our proposal for how we might accomplish that:

Savings

	Savings
1. Reduce Central Office Administrators to 2014 level ⁱ	\$16,000,000
2. Reduce Admin Pay to more reasonable level ⁱⁱ	\$600,000
3. Eliminate vacation buyout for admin and others ⁱⁱⁱ	\$6,000,000
4. Reduce use of outside attorneys for labor relations ^{iv}	\$1,200,000
5. Redirect Retiree Health Insurance Overpayment ^v	\$12,500,000
6. Change to Less Costly Health Plans according to Article 13.1 ^{vi}	\$16,000,000
7. Redirect Equity Department & Admin to Site-based Restorative Practices ^{vii}	\$1,500,000
8. Terminate contract with CORE ^{viii}	\$200,000
9. Terminate third-party subcontracts for language, speech, hearing, nursing and others and restore as District positions ^{ix}	\$4,200,000
TOTAL SAVINGS	\$60,000,000

These savings generate substantially more resources than the \$16 million amount identified to achieve financial solvency.

Students First Priorities

With this savings, the following priorities can be addressed:

1. Balance Budget	\$16,000,000
2. Reinstate Extended Summer Learning Program	\$2,500,000
3. Fund Elementary Flag Football, Basketball and STRIDES Running Program	\$1,500,000
4. Reduce Class Size, Increase Staffing of Professional Support Staff consistent with Article 13.1 of the SCTA/SCUSD contract,	\$16,000,000
5. Implement Restorative Practices (include professional development for all teachers)	\$3,000,000
6. Introduce arts and music classes in all elementary schools	\$1,400,000
7. Retention of current staffing levels of classified staff	Budget neutral
Total Expenditures	\$40,400,000

This leaves an additional reserve of \$19,600,000.

The Educational (And Financial) Benefits of Our Students First Proposal

By refocusing District priorities away from the Serna Center and back into the classroom is both directly beneficial to enhancing students' learning environment, and it is likely to have a positive affect on the District's financial position.

Special Education: For example, by using savings from healthcare savings to lower class sizes, and increase additional professional staff, the District in cooperation with the Association

can implement a robust intervention program that will ensure that those students are struggling receive the intervention services they need, while at the same time reducing the number of students who may be overidentified as special education. Sac City has a higher proportion of students in special education than both state and federal averages, which harms students and adds greater costs to the District. By implementing a robust intervention program, students get the services they need, while the District resources are used where they are appropriate and needed.

Restorative Practices: Another example is investing in restorative practices, a comprehensive program of behavioral intervention (with much-needed culturally-sensitive, trauma-informed professional development) which encourages cooperation and social and emotional learning over punitive disciplinary measures which have disproportionately impacted African-American students. Keeping students in the classroom is not only sound for student outcomes, but it also will improve the District's finances by maintaining a high Average Daily Attendance (ADA) which drives reimbursement from the state.

Looking Ahead to 2020

In addition, the parties reiterate their commitment to work with Mayor Steinberg "to sponsor a 2020 ballot initiative that will enable the District to provide arts and music, restorative practices and other enhancements designed to enrich students' academic and cultural experiences, including summer school programs, to encourage students to stay in school to give all students the opportunity to graduate with the greatest number of post-secondary choices from the widest array of options."

ⁱ The District increased the number of administrators from 166 in 2013-14 to 267 currently. We are proposing the 190 number from 2014-15. See attachment A.

ⁱⁱ The Superintendent is currently paid 61% more than the governor of California. See attachment B.

ⁱⁱⁱ CBO John Quinto reported the District paid out \$6 million in 2017-18 for the vacation buyout for administrators and other selected employees, payouts that are scheduled to continue "over a period of not more than 5 years." The agreement was negotiated with the administrators' union, United Professional Employees, and a similar benefit was extended to non-represented management. See attachment C.

^{iv} The District increased this line item in its budget \$1.2 million in its First Interim Budget (October 2018) over its Original Budget of 2018-19 (July 2018). See attachment D.

^v See attachment E.

^{vi} See attachment F.

^{vii} See attachment G.

^{viii} See attachment H.

^{ix} See, for example, attachment I.

Attachment J

S8C. Cost Analysis of District's Labor Agreements - Management/Supervisor/Confidential Employees

DATA ENTRY: Enter all applicable data items; there are no extractions in this section.

	Prior Year (2nd Interim) (2013-14)	Budget Year (2014-15)	1st Subsequent Year (2015-16)	2nd Subsequent Year (2016-17)
Number of management, supervisor, and confidential FTE positions	166.0	166.0	166.0	166.0

**Management/Supervisor/Confidential
Salary and Benefit Negotiations**

1. Are salary and benefit negotiations settled for the budget year?

No

If Yes, complete question 2.

If No, identify the unsettled negotiations including any prior year unsettled negotiations and then complete questions 3 and 4.

The contract with management employees (Principals) ends on June 30, 2014. An agreement has not been reached yet for FY 2014-15 and outlying years. Classified management employees do not have a bargaining unit.

If n/a, skip the remainder of Section S8C.

Negotiations Settled

2. Salary settlement:

Is the cost of salary settlement included in the budget and multiyear projections (MYPs)?

Total cost of salary settlement

% change in salary schedule from prior year
(may enter text, such as "Reopener")

Budget Year (2014-15)	1st Subsequent Year (2015-16)	2nd Subsequent Year (2016-17)
No	No	No
0	0	0
No change	No change	No change

Negotiations Not Settled

3. Cost of a one percent increase in salary and statutory benefits

111,426

4. Amount included for any tentative salary schedule increases

Budget Year (2014-15)	1st Subsequent Year (2015-16)	2nd Subsequent Year (2016-17)
0	0	0

**Management/Supervisor/Confidential
Health and Welfare (H&W) Benefits**

- Are costs of H&W benefit changes included in the budget and MYPs?
- Total cost of H&W benefits
- Percent of H&W cost paid by employer
- Percent projected change in H&W cost over prior year

Budget Year (2014-15)	1st Subsequent Year (2015-16)	2nd Subsequent Year (2016-17)
Yes	Yes	Yes
870,530	957,583	1,053,341
100.0%	100.0%	100.0%
10.0%	10.0%	10.0%

**Management/Supervisor/Confidential
Step and Column Adjustments**

- Are step & column adjustments included in the budget and MYPs?
- Cost of step and column adjustments
- Percent change in step & column over prior year

Budget Year (2014-15)	1st Subsequent Year (2015-16)	2nd Subsequent Year (2016-17)
Yes	Yes	Yes
0	0	0
0.0%	0.0%	0.0%

**Management/Supervisor/Confidential
Other Benefits (mileage, bonuses, etc.)**

- Are costs of other benefits included in the budget and MYPs?
- Total cost of other benefits
- Percent change in cost of other benefits over prior year

Budget Year (2014-15)	1st Subsequent Year (2015-16)	2nd Subsequent Year (2016-17)
Yes	Yes	Yes
43,200	43,200	43,200
0.0%	0.0%	0.0%

S8C. Cost Analysis of District's Labor Agreements - Management/Supervisor/Confidential Employees

DATA ENTRY: Enter all applicable data items; there are no extractions in this section.

	Prior Year (2nd Interim) (2016-17)	Budget Year (2017-18)	1st Subsequent Year (2018-19)	2nd Subsequent Year (2019-20)
Number of management, supervisor, and confidential FTE positions	251.0	252.0	252.0	252.0

**Management/Supervisor/Confidential
Salary and Benefit Negotiations**

1. Are salary and benefit negotiations settled for the budget year?

No

If Yes, complete question 2.

If No, identify the unsettled negotiations including any prior year unsettled negotiations and then complete questions 3 and 4.

Agreement has not been settled for 2017-18

If n/a, skip the remainder of Section S8C.

Negotiations Settled

2. Salary settlement:

Is the cost of salary settlement included in the budget and multiyear projections (MYPs)?

Total cost of salary settlement

% change in salary schedule from prior year
(may enter text, such as "Reopener")

Budget Year (2017-18)	1st Subsequent Year (2018-19)	2nd Subsequent Year (2019-20)

Negotiations Not Settled

3. Cost of a one percent increase in salary and statutory benefits

413,853

4. Amount included for any tentative salary schedule increases

Budget Year (2017-18)	1st Subsequent Year (2018-19)	2nd Subsequent Year (2019-20)
0	0	0

**Management/Supervisor/Confidential
Health and Welfare (H&W) Benefits**

- Are costs of H&W benefit changes included in the budget and MYPs?
- Total cost of H&W benefits
- Percent of H&W cost paid by employer
- Percent projected change in H&W cost over prior year

Budget Year (2017-18)	1st Subsequent Year (2018-19)	2nd Subsequent Year (2019-20)
Yes	Yes	Yes
3,437,782	3,644,049	3,862,692
Varies	Varies	Varies
3.0%	6.0%	6.0%

**Management/Supervisor/Confidential
Step and Column Adjustments**

- Are step & column adjustments included in the budget and MYPs?
- Cost of step and column adjustments
- Percent change in step & column over prior year

Budget Year (2017-18)	1st Subsequent Year (2018-19)	2nd Subsequent Year (2019-20)
Yes	Yes	Yes
287,863	292,181	296,563
1.5%	1.5%	1.5%

**Management/Supervisor/Confidential
Other Benefits (mileage, bonuses, etc.)**

- Are costs of other benefits included in the budget and MYPs?
- Total cost of other benefits
- Percent change in cost of other benefits over prior year

Budget Year (2017-18)	1st Subsequent Year (2018-19)	2nd Subsequent Year (2019-20)
Yes	Yes	Yes
43,200	43,200	43,200
0.0%	0.0%	0.0%

S8C. Cost Analysis of District's Labor Agreements - Management/Supervisor/Confidential Employees

DATA ENTRY: Enter all applicable data items; there are no extractions in this section

	Prior Year (2nd Interim) (2017-18)	Budget Year (2018-19)	1st Subsequent Year (2019-20)	2nd Subsequent Year (2020-21)
Number of management, supervisor, and confidential FTE positions	269.8	271.0	271.0	271.0

**Management/Supervisor/Confidential
Salary and Benefit Negotiations**

1. Are salary and benefit negotiations settled for the budget year?

Yes

If Yes, complete question 2

If No, identify the unsettled negotiations including any prior year unsettled negotiations and then complete questions 3 and 4.

If n/a, skip the remainder of Section S8C

Negotiations Settled

2. Salary settlement:

Is the cost of salary settlement included in the budget and multiyear projections (MYPs)?

Total cost of salary settlement

% change in salary schedule from prior year
(may enter text, such as "Reopener")

Budget Year (2018-19)	1st Subsequent Year (2019-20)	2nd Subsequent Year (2020-21)
Yes	No	No
1,083,337	0	0
2.7%	0.0%	0.0%

Negotiations Not Settled

3. Cost of a one percent increase in salary and statutory benefits

4. Amount included for any tentative salary schedule increases

Budget Year (2018-19)	1st Subsequent Year (2019-20)	2nd Subsequent Year (2020-21)

**Management/Supervisor/Confidential
Health and Welfare (H&W) Benefits**

- Are costs of H&W benefit changes included in the budget and MYPs?
- Total cost of H&W benefits
- Percent of H&W cost paid by employer
- Percent projected change in H&W cost over prior year

Budget Year (2018-19)	1st Subsequent Year (2019-20)	2nd Subsequent Year (2020-21)

**Management/Supervisor/Confidential
Step and Column Adjustments**

- Are step & column adjustments included in the budget and MYPs?
- Cost of step and column adjustments
- Percent change in step & column over prior year

Budget Year (2018-19)	1st Subsequent Year (2019-20)	2nd Subsequent Year (2020-21)

**Management/Supervisor/Confidential
Other Benefits (mileage, bonuses, etc.)**

- Are costs of other benefits included in the budget and MYPs?
- Total cost of other benefits
- Percent change in cost of other benefits over prior year

Budget Year (2018-19)	1st Subsequent Year (2019-20)	2nd Subsequent Year (2020-21)

Attachment K

Budget Adjustments to Reduce Deficit

Reflected in Revised Budget, Oct 4, 2018

Items	2018-19	2019-20	2020-21
Eliminating 2019 ELSP	\$3,770,000	\$3,770,000	\$3,770,000
Unspent funds from One-Time Elementary Athletics, VAPA, ELSP	\$2,230,000	\$2,230,000	\$2,230,000
HR/Fingerprinting (Additional Cost)	\$ (20,000)	\$(20,000)	\$(20,000)
Central Office/Student Services	\$320,000	\$320,000	\$320,000
Elementary Sports (Additional Cost)	\$ (200,000)	\$(200,000)	\$(200,000)
Balance Unrestricted Lottery	\$2,880,000	\$2,880,000	\$2,880,000
Reimburse for Release Time	\$200,000	\$200,000	\$200,000
Ongoing Vacation Payout Per CBA's (Additional Cost)	\$ (2,000,000)	\$(2,000,000)	\$(2,000,000)
TOTAL BUDGET ADJUSTMENTS	\$7,180,000	\$7,180,000	\$7,180,000

Attachment L

September 12, 2018

1231 I Street
Suite 100
Sacramento, CA
95814-2933

VIA E-MAIL and U.S. MAIL

Sloan R. Simmons, Esq.
Gabriela D. Flowers, Esq.
Lozano Smith
One Capitol Mall, Suite 640
Sacramento, CA 95814

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96161-2385

Please send all correspondence to
our Sacramento Office

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WEB
langenkamp-curtis-price.com

Labor and
Employment

Re: Jerald Glaviano - Attorneys Fees
Non-Evidentiary Evidence Code section 1152 Offer to
Compromise

Dear Mr. Simmons and Ms. Flowers:

I am writing again to seek to resolve this matter. As we discussed, if forced to litigate this matter on remand in the Sacramento Superior Court, we will seek:

A total fee award upwards of \$668,999.00. This total includes:

- a) \$220,845.00 billed by Altshuler Berzon. See attached Exhibit A;
- b) \$350,911.00 billed by Langenkamp, Curtis & Price in the Administrative Hearing and in the Third District Appeal (identified on Exhibit B as Superior Court Case No. 34 2013 80001662);
- c) \$97,243.00 billed by Langenkamp, Curtis & Price in the Superior Court Appeal of the Administrative Hearing (identified on Exhibit C as Superior Court Case No. 34 2013 80001616);
- d) Additional legal fees incurred preparing and litigating our fee motion.

These fees are at our current rates, which we are prepared to support with declarations. Seeking fees at current rates is appropriate to account for a delay in payment, which in this case has been substantial, since this case has taken over five years from start to the present and the Third District Court of Appeal case took over three and a half years. *See Missouri v. Jenkins (1989) 109 S.Ct. 2463.*

As we stated previously, we would prefer, for the benefits of all of our clients, to settle this matter without further litigation and without a further increase in fees. We previously made a settlement offer of \$608,441.14 and stated that we would not come down from that number. In some ways against my better judgment, we are making one final offer to try to resolve this. We would settle this attorneys' fees matter for both

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cases for a total of \$551,928¹. As set forth above, this settlement offer represents a current fee reduction of \$117,072.00 from what we will seek if we go to Court, plus a savings of the future attorneys' fees that the District would pay your firm to litigate this matter as well as our firm to litigate this matter, since we would seek fees on any further time that it takes us to obtain the fee award. I estimate the total savings to be at least \$157,072.00.

I should let you know that we will be starting work on the motion today, because we are concerned that it will be a complicated motion due to the number of different pieces of litigation involved. If this offer will resolve matters, please let me know immediately so that we can stop working on the motion. As we discussed, I have declarations prepared to support the current rate pieces and can provide those to you if needed.

We have reduced the pieces of work for which Langenkamp, Curtis & Price, LLP would seek our current rates, and Altshuler Berzon has reduced the total amount they seek, effectively reducing their rates by \$124/hour, for a further reduction of \$56,514.00 from our last offer. As we discussed on the phone, I do not have more room to reduce the fees further. If we go to Court, Langenkamp, Curtis & Price, LLP seeks to potentially recover a current \$81,226 above the current settlement offer, and Altshuler Berzon seeks to potentially recover \$35,000 more than they would through the settlement. Those numbers are significant enough that if we are not able to resolve this for the current settlement offer we would prefer to go to Court.

The current settlement offer of \$551,928.00 consists of the following:

- a) \$220,845.00 billed by Altshuler Berzon; now reduced to \$185,000. See attached Exhibit A. Peder Thoreen and Michael Rubin have a total of 282.8 hours billed between the two of them. The reduction in what they seek, a total reduction of \$35,000, divided by their total number of hours, comes to a reduction of \$123.76/hour, effectively reducing Peder's rate to \$600/hour and Michael's rate to \$810/hour. Peder and Michael are confident that they can support their rates in court with declarations. As a side note, Michael started his legal career by clerking for the Hon. William J. Brennan Jr. of the United States Supreme Court, and Peder began his career clerking for the Ninth Circuit Court of Appeals. I believe both attorneys can easily argue that they have had distinguished and successful legal careers that justify their rates. There is also authority for using out-of-town or visiting rates, which we will brief if needed.

¹ Please note that this settlement amount does not include recovery of costs. We will send our costs demand to you shortly.

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- b) \$156,213.50 billed by Langenkamp, Curtis & Price in the Administrative Hearing at the prior rates recognized by the Court as reasonable in 2014 plus \$43,739.64 (in lieu of using current rates, the equivalent of four years of interest of the lodestar amount of \$156,213.50 filed with the Court on July 23, 2014 at the government rate²³ of 7%), see Exhibit B.
- c) \$19,380.00 worth of work done between July 23, 2014 to October 2, 2014. We moved this work out of the prior "Appeal" category and recategorized work done prior October 17, 2014 (the date that we began drafting the Notice of Appeal) as "fees-on-fees" work, meaning that we also lowered the billing rates on these hours to "prior rates" versus our current billing rates, plus interest of \$5,426.00; also see Exhibit B.
- d) \$66,520.00 for work done on the Appeal and now on starting this motion and on this settlement. We have updated our fees through September 10, 2018. The longer this matter takes and the more work we have to do the more this number will increase, simply out of necessity because we have to do work on the case. Please see Exhibit B.
- e) \$58,800.50, the prior lodestar sought in Case No. 34 2013 80001616, plus interest of \$12,348.50, plus \$4,500.00 for nine hours' worth of work done on this case after Andrea Price's last declaration. I believe that you were using a figure of \$50,650.50 from Andrea's first declaration. The correct lodestar is \$58,800.00 from Andrea's supplemental declaration filed with the Court on February 27, 2015. We have reduced the amount sought in this matter, again, for settlement purposes only, from our prior settlement offer, by agreeing to use our prior rates for settlement purposes instead of our current rate for this Superior Court work.

As set forth above, this settlement offer represents a current fee reduction of \$117,072.00 from what we will seek if we go to Court, plus a savings of the future attorneys' fees that the District would pay your firm to litigate this matter as well as our firm to litigate this matter, since we would seek fees on any further time that it takes us

² I recognize the authority that you sent me stating that interest will not accrue on a judgment of fees that is granted through reversal on appeal until the date of the reversal. As stated above, however, if we go to Court we will argue for use of our current rates. We are offering interest in lieu of our current rates for settlement purposes because it allows us to offer a substantial reduction on the total sought. We are not willing to settle for offering neither interest nor our current rates, as that comes to too great a reduction to justify not simply going to court.

³ The interest rate on judgments against the State of California (or any agency thereof) and local public entities generally is 7% per annum, as set forth in Article XV, § 1 of the California Constitution. See *California Fed'l Sav. & Loan Ass'n v. City of Los Angeles* (1995) 11 Cal.4th 342, 352, 311 South Spring Street Co. v. Department of General Services (2009) 178 Cal.App.4th 1009, 1014-1015.


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to obtain the fee award. I estimate the total savings to be at least \$157,072.00. I am not going to go into my arguments here that I raised on the phone in response to your August 31, 2018 letter. I do not believe it is productive, and we can brief those arguments in writing if needed. Suffice it for now to say that I do not believe the Court will apply an overall reduction to our fees, and I believe that we can support all of the work done on Appeal by the fact that we had to draft substantially more briefs than the District.

I am hopeful that your client will accept this offer. Please let me know your response by 5:00 p.m. Friday, September 14th. As I stated above, I do not have any further movement on this settlement. This is our final offer.

Very truly yours,

LANGENKAMP CURTIS & PRICE LLP


LESLEY BETH CURTIS

cc: Jerald Glaviano (via e-mail only)

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Attachment M



Statement of Work: Participation in the CORE Collaborative

About the CORE Collaborative

CORE Districts is a collaboration of school districts working together to improve student achievement through highly productive, meaningful partnership and learning between member school districts. Currently, eight school districts serving more than 1 million students participate in the collaborative: Fresno, Garden Grove, Long Beach, Los Angeles, Oakland, Sacramento, San Francisco, and Santa Ana Unified. Together, our districts share a fundamental belief that all students can achieve at high levels and are deeply committed to providing learning opportunities that will help them to do so.

As a collaborative effort, the work of CORE Districts is directed by, and in service of, the participating school districts. Exemplifying this, the CORE Board of Directors is comprised of the superintendents of each member school district and provides supervision, direction, and strategic vision for the organization. The number of participating districts is capped at 15, thus each participating district has a meaningful voice and leadership role as they collaborate with other districts. Organizationally, CORE Districts is a 501c3 nonprofit serving as a hub for this collaboration and supporting partnership and shared learning at the superintendent, central office, school leader, and teacher levels.

CORE Districts' long-term goal is for all California students to have strong support, effective programming, and an educational community standing together by their side so that they can achieve and succeed in college and career. We are working towards this goal by supporting and facilitating inter- and intra-district collaboration to innovate, implement, and scale successful strategies and tools that help students succeed.

Partnership Benefits

CORE Improvement Communities for Cross-District Teams

The participating CORE school districts are collaborating to address a specific problem of practice based on district priorities through cycles of improvement rooted in improvement science. The first problem of practice that is being addressed is to improve math proficiency of African-American and Hispanic/Latino students, especially in grades 4-8.

The roles and commitments of both district teams and the hub organization include:

District Improvement Team

- **Who:** Cross-functional district improvement teams of approximately six to eight individuals per district. Depending on the district structure, problem of practice, and needs, this team may include:
 - Improvement lead: Project manage the improvement science work of the district through facilitation and coaching at the district and school levels
 - Cabinet officer: Senior team member who serves as executive sponsor and guide the team
 - Principal supervisor: Brings school perspective and integrates with other efforts underway, interfaces with principals
 - Functional lead(s): Brings relevant content expertise based on the problem the district has prioritized and helps integrate with other initiatives
 - Data and accountability lead: Helps problem solve how to measure improvement

- School site leader: Removes competing obligations from teachers weave in improvement work with other initiatives at school level
- **Key role**: Guiding improvement work and building capacity at the district level.
- **Commitment**: The Improvement Lead's commitment includes attending four in-person convenings, bi-weekly check-ins with the CORE hub organization, and several hours of work per week between convenings. The commitment for the remaining team members includes attending four in-person convenings and one to two hours of work per week between convenings.

School Improvement Team (possible structure as work progresses to the school level in a subset of schools designated by the district)

- **Who**: Cross-functional school improvement teams of approximately six to eight individuals per school. This team might include:
 - School improvement lead: Facilitating weekly or bi-weekly meetings of the school improvement team, and communicating issues and needs to the district improvement leads
 - Teachers: Tailoring interventions to their individual classroom contexts and gathering data to measure improvement and accountability
 - Instructional coaches: Problem solving with teachers to help ensure change ideas are tested with fidelity
 - Principals: Working with district leadership to ensure there is adequate capacity for improvement work in their individual school
- **Key role**: Execute PDSA cycles to test and learn from change ideas at the school level.
- **Commitment**: Team members' commitment includes attending four in-person convenings per year and approximately two hours of work per week between convenings.

What the CORE hub will do to support your district

- **Build CORE Improvement Community structure**: Provide infrastructure for collaboration, manage logistics, serve as a steward for improvement community integrity and effectiveness, and listen to feedback and adjust approach.
- **Facilitation and coaching**: Facilitate connections and coordinate collaborations between districts, connect districts with well-aligned resources, develop and deliver meaningful convenings, and coach districts to ensure coherence with other efforts.
- **Knowledge management and analytics**: Develop and manage tools and resources that districts can use to effectively employ improvement science, serve as the analytical engine of the communities and provide analysis, and collect and curate knowledge and best practices from districts across and outside the improvement community.

CORE Districts members will have full access to the active improvement communities, inclusive of costs for traveling to and attending CORE-wide meetings of the improvement communities. The specific problems of practice and number of improvement communities may change over time to meet the needs of the collaborative, and decisions about the active improvement communities, their meeting budgets, and their focal areas will continue to be made by CORE Board of Directors.

Professional Learning Communities for District Leaders

The participating CORE school districts also work and learn together through inter-connected professional learning communities (PLCs) for district leaders. Teams of approximately two to five individuals per district participate in such PLCs, convening in person two to six times per year per PLC, as well as via regular virtual meetings.

Currently, one such community is active:



Data Leads

- **Who:** District analytical and research experts
- **What:** District analytical leads work together and with data experts to further develop and refine CORE's multiple measures accountability system and learn from each other.
- **Example of past work and success:** Developed a novel and multiple-measures-based accountability calculation called the School Quality Improvement Index. Index reports were released to leaders and educators in Winter 2015 and were publicly released in February 2016. CORE's Index represents the first accountability system in the nation that is fully aligned to the new federal ESSA legislation.

CORE Districts members will continue to have full access to the active district-level PLCs, inclusive of costs for traveling to and attending CORE-wide meetings of the PLCs. The specific type and work of the PLCs may change over time to meet the needs of the collaborative, and decisions about the active PLCs, their meeting budgets, and their focal areas will continue to be made by CORE Board of Directors.

CORE Data Collaborative

Over the past two years, with leadership from and stakeholder engagement in your district, CORE Districts has developed an innovative multiple measures accountability system, called the School Quality Improvement System, as well as an underlying data system. This accountability system is fully compliant with the new federal ESSA legislation and is aligned to LCFF – in fact, the metrics utilized for the Index (the calculation at the heart of the accountability system) can be used for the LCAP.

As a founding member of the CORE Data Collaborative, your district will receive:

- Multi-metric school and district Data Dashboards with performance benchmarked against peers across California;
 - Included metrics: Academic Achievement, Academic Growth, High School Readiness, Graduation, Chronic Absence, Suspension Rates, English Learner Re-Designation Rates, Special Education Disproportionality, Social Emotional Skills, and Student/Staff/Family Climate Surveys;
- Dynamic reporting and opportunities for deeper analysis using the EdVantage platform (e.g., drilling down, filtering, and extracting data and graphs);
- Strategic analytics by CORE Districts' partners at Education Analytics;
- Integration of measures and learnings into CORE District PLC sessions; and
- Additional professional/peer learning opportunities.

Beginning this year, additional LEAs who are not CORE Districts members have had the opportunity to join the CORE Data Collaborative for a fee. Forming this expanded Data Collaborative gives CORE Districts members a better opportunity to influence the accountability system that California adopts, as well as a larger data set for analysis and benchmarking in support of continual improvement and raising student achievement.

As a full CORE Districts member, your district enjoys several additional benefits that these new Data Collaborative members do not have, including:

- Through participation in the Data Leads PLC, the opportunity to influence the refinement of the Index and the inclusion of new metrics;
- By representation on the CORE Board of Directors, the ability to modify and update the Index; and
- By representation on the CORE Board of Directors, the ability to change the fee structure for participation in the Data Collaborative.

CORE-PACE Research Partnership



Policy Analysis for California Education (PACE) is CORE Districts' primary research partner. CORE Districts members have the opportunity to participate in multi-LEA research studies in ways that are designed to impact both policy and practice. The research activity that CORE and PACE are engaged in over the next year is focused on answering two major questions that are most important for both continuous improvement and developing smarter policy:

1. What is the effect of including diverse measures in an accountability index?
2. Does peer-to-peer collaboration lead to changes in practice?

In future years, CORE District staff and superintendents will be able to prioritize additional research topics for exploration.

State and National Voice:

Together, the CORE Districts members serve more than 1 million students and their families, representing 18% of all California students. Thus, by working together, the CORE Districts members serve a significant proportion of the state's students and have the opportunity to have a much greater voice at both the state and national level.

In addition to the CORE Improvement Community and PLCs described above, participating school district superintendents have the opportunity to participate in a PLC, collaborating and learning from each other around shared problems of practice. These often have state and federal policy implications. Through the power of the group, participating districts have an outsized policy impact. Examples of policy impact thus far include:

- LCAP – Released months before the State legislature developed our LCAP process, the School Quality Improvement Index informed much of the policy conversation and the LCAP data metrics have 85% crossover with the SQII Metrics.
- ESSA – The Every Student Succeeds Act perfectly aligns with CORE's Index and our multiple measures work helped influence the final bill. In addition, CORE's Index is being used as a model for California as the state works to comply with the new federal law.
- NCLB Waiver – CORE Districts received the only district-level waiver from NCLB, which allowed the districts to develop a novel and holistic accountability system and receive increased flexibility for the use of their Title 1 funds.
- Accountability – a participating CORE superintendent, on behalf of CORE, sits on Superintendent Torlakson's statewide accountability taskforce.
- Great Teachers – Along with Linda Darling Hammond, a CORE superintendent, on behalf of CORE and his district, co-chairs the Superintendent's Greatness by Design committee.

Partnership Costs and Payment Schedule

Each member of CORE Districts will pay annual dues structured to meet the financial needs of the collaborative and to enable the collaborative to provide the aforementioned benefits.

The cost for CORE Districts membership has two components:

1. Base contribution: A fixed cost divided amongst districts equally to support basic operations; and
2. Program contribution: A variable cost based on program participation and size (ADA).

The pricing and payment schedule for SCUSD is:

- Full annuals dues: \$198,375
 - Total contribution = \$123,000 base contribution + \$75,375 program contribution.
- Member contributions will be eased in over five years according to the following schedule:



- SY 2016-17: \$31,000 (\$166,375 less than full dues)
- SY 2017-18: \$62,000 (\$135,375 less than full dues)
- SY 2018-19: \$93,000 (\$104,375 less than full dues)
- SY 2019-20: \$124,000 (\$73,375 less than full dues)
- SY 2020-21: \$198,375

Additional Opportunities and Cost Structure

CORE Survey Administration through Panorama Education

As an additional opportunity for support, CORE Districts can provide support for SCUSD's survey initiatives relating to participation in CORE Districts' School Quality Improvement System. In partnership with CORE Districts' subcontractor Panorama Education, Inc., CORE Districts will support online student, staff, and family survey programs, including survey administration and reporting. CORE Districts will also provide technical assistance and guidance in support of SCUSD's utilization of results for continuous improvement.

With survey administration through Panorama Education, SCUSD will receive the following services from CORE Districts:

- Online administration and reporting relating to the School Quality Improvement System, of student SEL and/or culture-climate surveys.
- Online administration and reporting relating to the School Quality Improvement System, of teacher reports on students (optional).
- Online administration and reporting relating to the School Quality Improvement System, of the staff culture-climate survey.
- Addition of custom questions at the end of the surveys relating to the School Quality Improvement System (custom questions may be free response or multiple choice; multiple choice items will be scored using the same metric as the main survey items).
- Raw extracts of the responses to CORE Districts' analytical partners, relating to the School Quality Improvement System.

In addition, CORE Districts would provide SCUSD with access to and use of its Panorama online-hosted software-as-a-service, which includes the following key features and functionality:

- District students, parents, and staff will have access to Panorama's online platform, with access controlled by their role and site.
- Students may complete surveys and social-emotional learning assessments online by logging in with their student ID numbers.
- Staff members may complete surveys online using a unique link assigned to their school.
- Families may complete surveys online using a unique link assigned to their schools.
- District staff may download PDFs of paper survey forms from Panorama for printing and distribution to families, and District staff may upload PDF scans of completed survey forms to Panorama for processing;
- Student and family surveys will be available in multiple languages.
- District administrative staff will be able to administer teacher assessments of student social-emotional learning, if desired.
- District administrative staff will be able to upload student roster and performance data into Panorama for analytic purposes.
- Authorized District employees will have access to Panorama's reporting and analytics tools. Panorama's analytics tools allow users to view and analyze survey results; Panorama reports are available online and as printable PDFs. Key features include overall summary reports, detailed item-by-item reports, subgroup reports, and cross-school comparisons.



- Panorama includes sophisticated role-based access controls to ensure that each user can only access the appropriate data, and data for the appropriate site(s).
- Panorama integrates with Google Apps so that Districts users can authenticate using their Google Apps for Education (GAFE) accounts.

For CORE survey administration through Panorama Education, each member of CORE Districts will pay a variable cost based on size (ADA). The pricing for SCUSD is: \$58,633 (cost is \$1.10 per enrollee).

This per-student survey price includes:

- Survey administration;
- Data collection;
- Data analysis; and
- High-quality reports outlining school performance on SEL-CC indicators.



Attachment N

**AGREEMENT GOVERNING THE RELEASE OF PERSONALLY IDENTIFIABLE STUDENT
INFORMATION BY THE SACRAMENTO CITY UNIFIED SCHOOL DISTRICT TO THE
UNIVERSITY OF CALIFORNIA, MERCED**

PREAMBLE

This Memorandum of Understanding ("MOU"), dated June 1, 2017 ("Effective Date"), states the terms under which the Sacramento City Unified School District (hereinafter referred to as "SCUSD" or "District") will exchange personally identifiable student information described below ("Data") with the University of California, Merced, Center for Educational Partnerships (hereinafter referred to as "UCM CEP"), for the purpose of conducting studies, academic interventions, and program evaluation in a manner consistent with the Family Educational Rights and Privacy Act of 1974 ("FERPA") (20 U.S.C. § 1232g; 34 CFR Part 99) and the Privacy of Pupil Records provisions of the California Education Code (§ 49073 et seq.). SCUSD and UCM CEP are collectively referred to as the "Parties" and each of them individually as a "Party."

RECITALS

1. Purpose and Scope of MOU

SCUSD desires to work collaboratively with UCM CEP to improve the alignment of educational systems and the coordination of resources to result in the increase of, among other things, student academic achievement, college preparation, matriculation and transition, university transfers, and the rate of bachelor's degree completion. This effort is intended to develop mechanisms for SCUSD and UCM CEP to conduct "real-time" student data exchanges to guide continuous improvements to postsecondary education preparation at the District as well as improve targeted student support activities, resources, and services.

2. Summary of Applicable Legal Authority

This MOU to allow the release of personally identifiable student information is authorized under FERPA (20 U.S.C. § 1232g; 34 CFR Part 99), a Federal law that protects the privacy of student education records, as well as the parallel provisions of California Education Code § 49076. FERPA applies to all schools that receive funds under an applicable program of the U.S. Department of Education.

FERPA permits the release of personally identifiable student data without prior written parental or student consent if the release is to "organizations conducting studies for, or on behalf of, educational agencies or institutions for the purpose of developing, validating, or administering predictive tests, administering student aid programs, and improving instruction, if such studies are conducted in such a manner as will not permit the personal identification of students and their parents by persons other than representatives of such organizations and such information will be destroyed when no longer needed for the purpose for which it is conducted." (20 USC 1232g (b)(1)(F); See, accord, California Education Code § 49076(a)(2)(E).)

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The FERPA implementing regulation at 34 CFR § 99.31(a)(6) allows schools to disclose student records, without parental or student consent, to the following:

- Organizations conducting certain studies for or on behalf of the school (the “studies exception”).

FERPA further permits the release of personally identifiable student data without prior written parental or student consent if the release is to authorized representatives of State and local educational authorities for the purpose of auditing or evaluating a Federal or State supported educational program. (20 USC 1232g (b)(1)(C), (b)(3) and (b)(5); see accord, California Education Code § 49076(a)(1)(C).)

The FERPA implementing regulation 34 CFR § 99.31(a)(3) allows schools to disclose student records, subject to the requirements of 34 CFR § 99.35, without parental or student consent to:

Authorized representatives of State and local educational authorities (the “audit or evaluation exception”).

TERMS

NOW, THEREFORE, the Parties agree as follows:

1. **Personally Identifiable Information from Education Records to be Disclosed**

Under the FERPA “studies exception” (34 CFR § 99.31(a)(6)) for the purpose of improving instruction, as well as the FERPA “audit or evaluation exception” (34 CFR § 99.31(a)(3)) for the purpose of facilitating evaluation of SCUSD’s above-described higher education preparation and targeted student support programs, respectively, the Parties agree to the following disclosures, subject to the terms of the MOU.

SCUSD will disclose some or all of the following, including but not limited to, Data to UCM CEP:

- Student Birthdate
- Student Contact (Phone, Email and Home Address)
- Student Parent Contact Information
- Home Language
- Date First Enrolled
- Country of Origin
- Drop Out Code
- Drop Out Date
- Ethnicity
- Student State Identification Number (SSID)
- Parent Education Level
- Family Income

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- First Generation Student
- Student Course Grade History / Transcript (c.g. Course Name, Academic Grade Received, Academic Grade Point Average, Cumulative Grade Point Average)
 - Current Student Course Enrollment Data
 - Student School Enrollment History
 - Student Status: Foster Youth Status, Homeless Status, GATE, Migrant, AVID, Special Education Status
- Student A-G Progress Status: A-G Total Units, A-G Units by Subject Area, A-G Ontrack Status
- Student Engagement Data (e.g. Arts, Activities, Athletics): Activity Participation, Event Participation.
- English Learner Progress Status: Proficiency Level, EL Progress Status, EL Status, Expected Redesignation Year, Redesignation Date
- Internal Assessment / Benchmark Result
- College Exams Registration and Results: PSAT, SAT, ACT, AP
- Statewide Assessments Results: Smarter Balance Assessments, etc.
- Formative/Benchmark Assessments
- Student Attendance Records
- Student/Parent/Staff Survey Data
- Financial Aid (FAFSA) Data
- Student Suspension Data
- Student Graduation Data: Number of Credits, Graduation Progress Status
- Student Application to Institutions of Higher Learning Data
- Student Admission and Enrollment to Institutions of Higher Education Data

The above Data may be revised during the course of the MOU to carry out the purpose and scope as set forth in section 1 of the Recitals.

2. Roles and Responsibilities of the Parties

A. UCM CEP and SCUSD

1. The Parties shall use a secure, mutually agreed upon means and schedule for identifying the appropriate data fields and for transferring confidential information.
2. The Parties acknowledge that the Data provided pursuant to the MOU is confidential and agree to use commercially reasonable efforts to protect the Data from unauthorized disclosures to any third parties and to comply in all material respects with all applicable District, local, state and federal confidentiality laws and regulations including but not limited to FERPA.
3. The Parties shall use the Data only for the purposes described in the MOU. SCUSD and UCM CEP shall not use the Data for personal gain or profit of any

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individual or organization, it being understood and acknowledged that the successful conclusion of the research contemplated by the MOU should be beneficial to all Parties and their constituents.

4. The Parties shall keep all Data in a location physically and electronically secure from unauthorized access. Data shall be stored and processed in a way that unauthorized persons cannot retrieve nor alter the information by means of a computer, remote terminal, or other means.
5. The Parties shall employ qualified personnel that are proficient and experienced in managing secure, confidential Data ("Qualified Personnel"). The Parties agree to restrict distribution of personally identifiable matched Data to Qualified Personnel, with the understanding that personally identifiable information will be released only for the purposes established in the MOU.
6. The Parties acknowledge and agree that any Data disclosed under the MOU remains the property of the disclosing Party. As such, the Parties further agree that Data files shall be destroyed or returned to the Party disclosing the Data when no longer needed for the purpose for which it was obtained, in compliance with 34 CFR §99.31(6)(iii)(B); §99.35 (b)(2), or upon expiration or termination of the MOU as set forth below. In accordance with the requirements of 34 CFR § 99.31(b)(6)(iii)(C)(4) and § 99.35(a)(3)(iv), the Parties agree that upon the occurrence of an event which triggers a duty to destroy or return Data as set forth above, the Data shall be destroyed or returned to the disclosing Party within thirty (30) days of the occurrence.
7. The Parties shall not re-disclose any Data with or without identifying information to any other requesting individuals, agencies, or organizations that are not a Party to the MOU.
8. The Parties will require all employees, contractors, and agents of any kind to comply with all applicable state and federal laws with respect to the Data shared under the MOU, including but not limited to, the Federal Family Educational Rights and Privacy Act (20 USC 1232g), federal and California information security and confidentiality laws, including the Comprehensive Computer Data Access and Fraud Act (California Penal Code Section 502), Federal Privacy Act, Gramm-Leach-Bliley Act with subsequent "Privacy" and "Safeguards" rulings, and the Information Practices Act of 1977, as amended. The Parties agree to require and maintain an appropriate confidentiality agreement from each employee, contractor, or agent with access to Data pursuant to the MOU. The Parties further agree that should any of them use a contractor, consultant or other agent to perform any "outsourced services" under 34 CFR § 99.31(a)(1)(B) which require the third party to access Data disclosed by any other Party under the MOU, the

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Party shall extend all of its Data confidentiality and security policies and procedures to the third party by contract. Any and all unauthorized access is prohibited.

9. The Parties will use Data collected and shared under the MOU for no purposes other than those set forth in the MOU, as authorized under §99.31 of Title 34, Code of Federal Regulations. Nothing in the MOU may be construed to allow the maintenance, use, disclosure, or sharing of student information in a manner not allowed by federal law or regulation. In particular, the Parties will not disclose any Data provided under the MOU in a manner that could identify any individual student or the student's parent(s)/guardian(s), per 34 CFR §99.31(6)(ii)(A).
10. The Parties each designate one another as an "authorized representative" for purposes of disclosing Data under the "audit or evaluation exception" in accordance with 34 CFR § 99.31(a)(3) and § 99.35(a)(3)(i).
11. By the signature of its authorized representative below, each Party acknowledges that it has been provided with the notice required under 34 CFR § 99.33(d) that it is strictly prohibited from re-disclosing student education records, or personally identifiable information contained in student education records, that it receives pursuant to the MOU to any other third party except as authorized by applicable law or regulation.
12. The Parties agree to comply with the requirements governing maintenance of records of each request for access to, and each disclosure of, student education records set forth under 34 CFR § 99.32, as applicable.

B. SCUSD Rights and Responsibilities

1. SCUSD will release Data pursuant to the MOU with the understanding that:
 - a. No individual student Data shall be identifiable in any reports not created specifically for SCUSD.
2. SCUSD reserves the right to withhold personally identifiable student Data from UCM CEP at any time.

C. Fees Paid to UCM CEP

For the 2017-2018 school year, SCUSD shall pay a fee to the Regents of the University of California, Merced, not to exceed a maximum of \$250,000, either monthly or a lump sum payment as determined by SCUSD, subject to any credits or offsets from grants, or other subventions, and subject to any pro rations or offsets pursuant to section 4 (Term and Termination) of this MOU. For subsequent school years, SCUSD shall pay a fee to the Regents of the University of California, Merced, not to exceed

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a maximum of \$500,000, either monthly or a lump sum payment as determined by SCUSD, subject to any credits or offsets from grants, or other subventions, and subject to any pro rations or offsets pursuant to section 4 (Term and Termination) of this MOU. The specific annual fee, and related provisions regarding payment will require the Parties to enter into a fee for service agreement that shall not be inconsistent with the provisions of the MOU.

3. **Confidentiality**

- A. **Confidentiality.** The Parties to the MOU shall maintain the confidentiality of any and all Data exchanged by the Parties pursuant to the terms of the MOU. The confidentiality requirements under this paragraph shall survive the termination or expiration of the MOU or any subsequent MOU intended to supersede the MOU.
- B. **Unauthorized disclosure.** The Parties agree to promptly notify the other Party of any actual or suspected unauthorized disclosure of the confidential and other non-public information shared under the MOU. Any such notification shall be provided within seventy-two (72) hours of discovery of the actual or suspected breach, and shall include, at a minimum:
 - i. The nature of the unauthorized use or disclosure (e.g., security breach, unauthorized re-disclosure);
 - ii. The specific Data that was used or disclosed without authorization;
 - iii. Who made the unauthorized use or received the unauthorized disclosure;
 - iv. What the Party has done or will do to mitigate any effects of the unauthorized use or disclosure; and,
 - v. What corrective action the Party has taken or will take to prevent future occurrences.

4. **Term and Termination**

- A. **Term.** The MOU shall be enforceable as of the Effective Date, shall continue for a term of four years, commencing with the 2017-2018 school year, and may be renewed by amendment.
- B. **Termination.** Notwithstanding section A, either Party may terminate the MOU at any time upon thirty (30) days with prior written notice to the other Party.

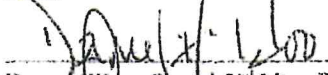
5. **General Provisions**

- A. **Entire MOU.** The MOU contains the entire agreement between the Parties and supersedes any prior discussions, memoranda, understanding, communications or agreements.

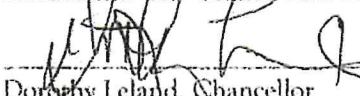
AGREEMENT GOVERNING THE RELEASE OF PERSONALLY IDENTIFIABLE STUDENT
INFORMATION BY THE SACRAMENTO CITY UNIFIED SCHOOL DISTRICT TO THE
UNIVERSITY OF CALIFORNIA, MERCED

- B. **Amendment.** The MOU may be amended only by written agreement approved by the Parties. Non-substantive revisions may be made to the MOU upon approval by the Superintendent and UCM CEP
- C. **Waiver.** Any waiver by any Party of the violation of any provision of the MOU shall not bar any action for subsequent violations of the MOU.
- D. **Severability.** If any provision of the MOU is held to be illegal, invalid, or unenforceable under present or future laws effective during the term of the MOU such provision shall be fully severable. All remaining provisions shall remain in full force and effect.
- E. **Execution.** Each of the persons signing the MOU on behalf of a Party represents that he or she has authority to sign on behalf of and to bind such Party.
- F. **Counterparts; Copies.** The MOU may be executed in counterparts, each of which shall be deemed an original and which together shall constitute one and the same document. Copies of signatures shall have the same force and effect as original signatures.
- G. **Notices.** Any and all notices or other communications required or permitted to be given under any of the provisions of the MOU shall be in writing and shall be deemed to have been duly given when personally delivered or mailed by first class registered mail, return receipt requested, or via overnight delivery, with proof of delivery, addressed to the Parties at agreed upon addresses. Nothing herein shall affect any method of mode of secure transmission of the Data described herein.
- H. **Indemnity.** The Parties shall be responsible for their own errors or omissions giving rise to claims in the performance of the MOU. Accordingly, the Parties shall indemnify, defend and hold each other harmless, including attorneys fees and costs, for any errors or omissions caused by a Party in the event the other Party is included in such claim but was not responsible for the error or omission giving rise to the claim. The term Party shall include its officers, employees, successors and assigns.

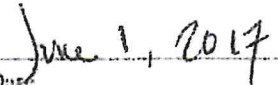
WHEREFORE, the Parties hereto, by their signatures below, enter into the MOU as of the Effective Date.



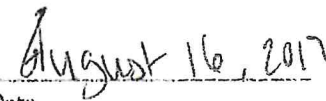
Darrel Woo, Board 2nd Vice President
Sacramento City Unified School District



Dorothy Leland, Chancellor
University of California, Merced



Date



Date

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Attachment O

2018-19 Proposed Expenditure Reductions

Areas where cost savings can be achieved by increasing reductions

Eliminating Expanded Learning Summer Program	\$ 3,000,000
Reducing legal costs	1,500,000
Central office hiring freeze	500,000
Dual Immersion-Bilingual Aides	360,000
Central office position cuts	165,000
Student services (travel & other non-service related costs)	150,000
Administrative mentorship	100,000
HR recruitment budget	5,000

Total Reductions \$

6/21/18 9:08PM
\$3,780,000