

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
BOARD OF EDUCATION

Agenda Item# 11.2

Meeting Date: June 22, 2023

Subject: Resolution No. 3332 Repeal of the Board of Education of the
Sacramento City Unified School District Designating Certain General Fund
Accounts as Committed Fund Balance

- Information Item Only
- Approval on Consent Agenda
- Conference (for discussion only)
- Conference/Second Reading (Action Anticipated: _____)
- Conference/Action
- Action
- Public Hearing

Division: Business Services

Recommendation: Rescind Prior Resolution No. 3279 and

For the 2023-24 Adopted Budget, Resolution No. 3332 will commit funds utilizing portions of its general fund ending balance, as indicated by the committed fund classification in its financial statements, for the following purposes:

Purpose - Time Commitments	Amount
Unsettled Labor Negotiations Projected Multi-Year Cost	85,832,540.00
Total Committed Amount	85,832,540.00

Background/Rationale: In order to comply with California Education Code 42127.01 (a) which imposes a 10% cap on districts' combined assigned and unassigned reserves. The 10% cap is based on the total general fund expenditures, transfers out and other uses.

Failure to comply may result in one of the following consequences:

1. Disapproved budget
2. Conditionally approved budget and requirement to address the excess fund balance to receive approval
3. Approved budget with comment regarding excess fund balance and directive to remedy the condition

Financial Justification: Commit funds for intended purposes in order to comply with Education Code 42127.01(a).

CAFEal(s): Family and Community Empowerment; Operational Excellence

Documents Attached

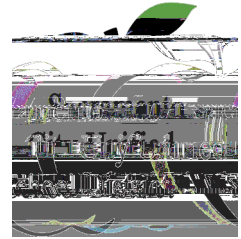


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II. DRIVING GOVERNANCE:

- Education Code section 42103 requires the governing board of each school district shall hold a public hearing on the proposed budget in a school district facility, or some other place conveniently accessible to the residents of the school district for public inspection.
- Education Code section 42127 requires the Governing Board of each school district to adopt a budget on or before July 1st. Article XIII section 36(e)(6) requires the Governing Board to approve Education Protection Account proposed expenditures in open session of a public meeting. 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.

III. BUDGET:

2022-23 Commitments

To be compliant with the aforementioned education code, during the June 23, 2022 board of education meeting the district committed \$41.4M in the 2022-23 Adopted Budget under resolution 3279. The detailed list of commitments in the 2022-23 budget year are below:

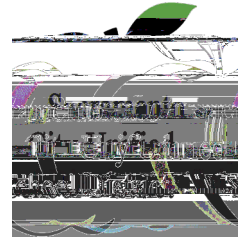
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2023-24 Commitments

The District's 2023-24 General Fund projects a total operating increase of \$23.9 million resulting in an estimated ending fund balance of \$203.6 million. After accounting for restricted balances and non-spendable funds, the total assigned and unassigned is projected at \$124.2M approximately. The District's 10% reserve cap is calculated at \$69.6M approximately, therefore, reserves are estimated at \$54.5M above the cap. The table below provides the calculations.

The District recommends the following one-time commitments for unfunded programs in the 2023-24 budget:

Proposed One-Time Commitments	Estimated Amount
Unsettled Labor Negotiations Projected Multi-Year Cost	85,832,540.00
Total Committed Amount	85,832,540.00

The District recommends committing approximately \$85.8M for the estimated unsettled labor negotiations multi-year cost listed above and this action will address the 10% reserve cap of \$69.6M. The assigned/unassigned fund balance will be reduced to an estimated \$38.4M.

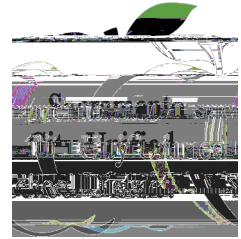
2023-24 Adopted Budget	
Projected Assigned/Unassigned Fund Balance	124,218,051
Proposed Committed Amount	85,832,540
Projected Assigned/Unassigned Fund Balance After Commitments	38,385,511

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Finally and as noted during the June 8, 2023 Board meeting, the State Budget has not yet been finalized, therefore, the District may revise the 2023-24 adopted budget to reflect the State enacted budgetary items for school districts. Per Education Code 42127, school districts have 45 days after the Governor signs the annual State Budget Act to revise revenues and expenditures to reflect the funding made available by the Budget Act. These revisions may affect the 10% reserve cap calculation.

IV. GOALS, OBJECTIVES AND MEASURES:

Maintain fiscal solvency, restore stability and address the long term financial issues of the District.

V. MAJOR INITIATIVES:

- Continued analysis of information from the State and its impact on the District's Budget
- Budget Revision within 45 days from signing of State Budget

VI. RESULTS:

Budget development for 2023-24 has followed the timeline approved by the Board. With the approval of the 2023-24 Adopted Budget, the expenditure authority for 2023-24 will be in place and the June 30, 2023 timeline will be met.

VII. LESSONS LEARNED/NEXT STEPS:

- Continue to monitor the State budget and its impact on District finances.
- Continue to obtain stakeholders' input, follow the LCAP process and meet with bargaining units to seek cost reductions and long-term budget savings.
- The district will discuss and adopt the 2023-24 final Adopted Budget at the June 22, 2023 Board meeting.

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
BOARD OF EDUCATION**

RESOLUTION NO. 3332

**Resolution No. 3332 Of The Board Of Education Of The Sacramento City Unified School
District Designating Certain General Funds As Committed Fund Balance**

WHEREAS, the Governmental Standards Accounting Board (GASB) has issued Statement No. 54, establishing a hierarchy clarifying constraints that govern how a government entity can use amounts reported as fund balance; and

WHEREAS, the Sacramento be revised, removed or redirected for other purposes by the Board in the same manner as the Board originally approved the commitment;

and

WHEREAS, on June 23, 2022, the Governing Board of the Sacramento City Unified School District adopted Resolution No. 3279 committing portions of its general fund ending balance, which is hereby rescinded; and

WHEREAS, the Board has determined it has specified

BE IT FURTHER RESOLVED, that such funds cannot be used for any purposes other than directed above, unless the Board adopts a successor resolution to revise or remove the constraint, or otherwise redirect the funds for other purposes; and

BE IT FURTHER RESOLVED, that the district's Superintendent, or their designee, is hereby authorized and directed to finalize the amounts to be committed for the purposes directed above based on the unaudited actual financial report for fiscal year 2023-24 no later than September 15, 2024.

PASSED AND ADOPTED by the Board of Education of the Sacramento City Unified School District on the 22nd day of June, 2023, by the following vote:

the