



A GUIDE FOR
UNDERSTANDING
SACRAMENTO CITY
UNIFIED SCHOOL
DISTRICT'S FINANCES

Investing in Our Students



YOUR GUIDE TO
UNDERSTANDING
SAC CITY UNIFIED'S
FINANCES

Providing a high-quality education to all students comes with a cost. Great schools are powered by great people. That's why school districts invest most of their resources in retaining the teachers and staff necessary to foster positive school environments where students can learn and succeed.

This guide was created to help community members understand the Sacramento City Unified School District's funding sources and the financial obligations it must meet to provide a high-quality education for students.

Key Terms To Know

LCFF: The Local Control Funding Formula (LCFF) is California's school finance system enacted in 2013 to give districts more control over how they spend money to meet the needs of their students.

LCAP: The Local Control and Accountability Plan (LCAP) is a key component of the LCFF. The LCAP requires each district to involve parents, educators, employees and its community in establishing district goals and developing a plan to meet those goals.

Unrestricted funds: These funds are for general spending and can be used at the discretion of the district on things like employees and after-school programs.

Restricted funds: These funds are provided by federal/state governments for specific purposes or projects such as sustainability initiatives and facility repairs.

How Our Schools
Get Funded

by Laura Hillen

EACH STUDENT IN THE
CLASSROOM MEANS MORE
DOLLARS FOR SACRAMENTO
CITY UNIFIED SCHOOL DISTRICT

Sacramento City Unified School District is working to ensure every student has an equal opportunity to graduate with the greatest number of postsecondary choices from the widest array of options. With some of the most experienced teachers in the region and high-quality programs tailored for student achievement, students stand to gain a lot just by coming to school.

But student attendance has another positive outcome — it increases the amount of funding the district receives.

That's because SCUSD gets the majority of its general funds from the state under the LCFF, which is determined by the district's average daily attendance (ADA) rate.

Simply put, the higher the number of students who enroll and show up in district classrooms, the more money SCUSD receives in unrestricted funds from the state to spend on teachers and other valuable employees who create the positive learning environments students need to be successful. However, for each student that is absent, the district loses over \$60 a day.

"A big misunderstanding is if a student is out sick or excused from school for a day, that the district still gets paid for that day," says Chief Business Officer Gerardo Castillo. "The ADA calculation is based on how many students we have and how many days those students actually show up to school."

For the 2018-19 year, the ADA rate will translate into 73 percent of the district's revenue. The rest of its revenue will come from non-LCFF state funds (14 percent), restricted funds (11 percent) and local grants, leases or donations (2 percent).

Right now, the district is spending more than it's receiving. The district projects that if it does not reduce its costs, it will spend its entire fund balance within three years.

"We have some bills that we are obligated to pay. Enough money must be set aside to pay those bills," Castillo says, noting that the district must meet these financial obligations or it will not have enough money to spend on other student programs.

However, under the direction of Superintendent Jorge Aguilar and its Board of Education, the district is now looking for ways to reduce costs and pay down its bills. This forward planning will be critical for the district's financial wellbeing over the next 10-20 years.

This financial planning, emphasizes Castillo, will be more manageable if the district enrolls more students and parents encourage their students to go to school — increasing the district's ADA funding.

"Enrollment and attendance are so important. Every day a student is in class it increases our funding and ability to pay for the people we depend on to provide a quality learning environment for our students," says Castillo.

Right now, the district
is operating at a
deficit: It is spending
more than it receives.

HOW IS THE MONEY SPENT?
2017-18 SCUSD GENERAL FUND EXPENDITURES



Total expenditures: **\$535,485,670**



DeShannus Gray, a counselor at Luther Burbank High School, says that working at Sacramento City Unified School District allows him to do a job he loves and get the salary he needs to support his family of four.

PHOTO BY MELISSA UROFF



THREE FISCAL CHALLENGES FOR THE DISTRICT

1: Pension cost increases

SCUSD employees' pension plans are managed through the California Public Employees' Retirement System (CalPERS) and California State Teachers' Retirement System (CalSTRS). In past years, both CalPERS and CalSTRS have not achieved the anticipated rates of return on their investments, obligating the district to make up the pension fund shortcomings.

LEARN MORE ABOUT PENSION COSTS ON PAGE 4.

2: Rising health care costs

Health care costs — which have and continue to increase dramatically — are eating away more and more of the general budget. While the district has little control over these cost increases, it has committed to working with its labor partners to achieve health insurance savings in 2018.

LEARN MORE ABOUT HEALTH CARE COSTS ON PAGE 5.

3: Paying retiree health insurance bills

In 1974, SCUSD made a commitment to pay the health insurance bills of retired teachers if they worked at least 15 consecutive years in the district. At that time, the district didn't require any employee contributions toward the benefit (current teachers pay \$20 a month). Consequently, there is not enough funding set aside today to pay for this obligation in the future.

LEARN MORE ABOUT RETIREE HEALTH INSURANCE BILLS ON PAGE 4.



Investing in ▶ People Power

GREAT BENEFITS NOT ONLY ATTRACT QUALITY STAFF, THEY ENHANCE THE QUALITY OF A STUDENT'S EDUCATION

by Anne Stokes

For DeShannus Gray, the Luther Burbank High School community is family. After graduating in 2003, he kept in touch with his teachers while several younger family members followed in his Titan footsteps. After working with youth-based nonprofits over the years, he accepted a position at his alma mater in 2013, and it felt like coming home.

"I believe that working with students is the perfect blend of what I love to do and what I'm called to do," he says. "More specifically, I believe that my job here at Luther Burbank as a counselor is also an opportunity to do so while being able to provide for my family and have a career."

Gray says Sacramento City Unified School District has an organizational stability he didn't find at other places he worked. Keeping employees like Gray satisfied and supported in their jobs means less turnover for the district and a better experience for students — staff are able to gain experience that makes them better educators.

As a counselor, Gray provides long-term services throughout a student's high school career. He not only lays out an academic road map for students, he also helps them navigate their lives outside of school.

"Often the safety of a counselor's office is one in which a student will be able to reveal or seek guidance

or just vent," he says. "It's a two-sided deal where not only do I cover academics, but I'm [also] dealing with the social-emotional needs and growth of students."

It's educators like Gray who shape the lives of students throughout the district. According to Cancy McArn, SCUSD Chief Human Resources Officer, recruiting and retaining quality employees is one of the most important elements to ensuring students receive a great education.

"We are in the business of educating young minds. More than anything, this requires an investment in the people who have the skills and experience to educate students," McArn says. "That is why we invest the bulk of our budget in employee salaries and benefits."

Those staff salaries and benefits — which make up 81 percent of SCUSD's budget — include free health insurance for many employees and their dependents, as well as a pension plan. For Gray, having comprehensive health care coverage

for himself and his family of four allows him to concentrate on his professional tasks at hand.

"With my daughters having health coverage, I know they're taken care of. I know that if we need something done, ... I have a really good plan that will help me with that," he says. "For me, it's peace of mind."

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DeShannus Gray
Counselor at Luther Burbank High School

Planning for the Future

PROVIDING SECURITY FOR EDUCATORS AFTER RETIREMENT

by Anne Stokes

For many Americans, saving for retirement can be a complicated mix of investments and risks. Planning for the future means either contributing to their company's 401(k) plan or investing in and managing their own individual retirement account. Sacramento City Unified District employees have access to a pension plan — a key tool for retaining quality employees in the district.

While the end goal is the same, there are differences between the types of retirement plans. Both 401(k) and IRAs are defined contribution plans, meaning funds are contributed by employees and sometimes employers. Benefits are determined by current market values, which makes future returns uncertain. In some instances, retirees can outlive their savings.

On the other hand, pensions, like the ones offered by SCUSD, are defined benefit plans in which the employer guarantees payments throughout the pensioner's lifetime, regardless of stock market fluctuations.

SCUSD contributes a percentage of employees' salaries to pension funds that

The district's pension contribution rates are expected to more than double in the next few years.

are managed and invested by CalSTRS and CalPERS, state government agencies that manage pensions for public employees and teachers. Employees pay a set amount from their salaries, but the district's contributions can vary in order to fill the gap between investment returns and its contractual pension payment terms.

According to Gerardo Castillo, SCUSD Chief Business Officer, 81 percent of the district's general fund is allocated to salaries and benefits, 30 percent of which is spent on retirees'



COST OF RETIREE HEALTH CARE BENEFITS

The earlier a teacher retires, the more it costs the district to provide retirement health care benefits.*

Age at retirement
55

\$632,437



Age at retirement
57

\$552,338



Age at retirement
60

\$447,032



(* based on an average life expectancy)

pension and health care costs. For every dollar SCUSD pays in salary, it pays 20 cents in pension costs to the California State Teachers' Retirement System. The district's pension contribution rates are expected to more than double in the next few years, jumping from 8.25 to 19.9 percent.

Ideally, pensions are funded by a combination of employee and employer contributions and investment returns. However, due to pension fund investment shortcomings, most of that funding is now coming out of the district's

unrestricted LCFF funds. As a result the district will have less to spend on the salaries of people and programs that are directly connected with students.

"Because the expected rate of return on pension fund investments haven't materialized, not enough savings were generated to pay for today's retirees' benefits," says Castillo. "The state is now requiring us to contribute more toward retiree pensions to make up the difference. In essence, the pension obligations we've committed to in the past, are now having to be paid for out of our current funds."

A Top Tier Choice

GREAT HEALTH BENEFITS ATTRACT GREAT EMPLOYEES,
BUT THE DISTRICT MUST DEAL WITH RISING HEALTH CARE COSTS



by Laura Hillen

Attracting talented staff to work in Sacramento City Unified School District is critical to serving its students. When new employees with substantial skills are considering employment options in the region, SCUSD wants to be their number 1 choice.

“When you add the average employee salary plus benefits — our total compensation is the highest in the region,” says Gerardo Castillo, SCUSD Chief Business Officer. “We want to offer a competitive compensation package so the best employees will choose to work with our students.”

In addition to salaries, the district believes it offers its employees one of the best health insurance packages in the state. SCUSD pays for 100 percent of many employees’ health insurance costs (and that of the dependents in their family), rather than just a portion. For instance, most other surrounding school districts cover only about 80 percent of an employee’s costs.

However, the district acknowledges there is a trade-off as this investment limits its ability to pay for other things. SCUSD offers health insurance through Health Net and Kaiser for its teaching staff, and Western Health, Sutter

and Kaiser for other employees. And, under its employee contract, longtime teachers working for 15 to 20 continuous years of service can receive 100 percent health insurance coverage for life.

“We have an opportunity to save money by achieving better health insurance rates,” says Castillo, noting that analysts believe the district can save millions of dollars this way.

With health care costs on the rise, the district’s obligation to pay these rates is challenging. In the last 30 years, health insurance costs for the district have gone up by 44 percent. In just the past 10 years, those rates have doubled.

Castillo says that when the district entered into agreements with its health insurance providers, benefits were completely different than they are now, and they cost less. “Health care costs keep increasing and the district ends up paying for these increases,” he says.

The district is actively seeking ways to both save costs and remain one of the most attractive employers in the region, especially with the end of its current health care contract coming in 2019.

“We are very much looking forward to negotiating better health insurance rates,” Castillo says of the upcoming efforts to renegotiate health insurance contracts. “There is something we can do about it. We just need to work together to make it happen.”

“When you add the average employee salary plus benefits — our total compensation is the highest in the region.”

Gerardo Castillo
Chief Business Officer, SCUSD



THE TOTAL PACKAGE

Sacramento City Unified School District offers its teachers the best compensation in the area, and some of the best in the state. Being an attractive employer for educators is just one way the district makes sure its students are best equipped with a quality education. Here’s how SCUSD’s average certificated teacher compensation compares to other districts in the region.

	Sacramento City Unified	Elk Grove Unified	San Juan Unified
Total compensation	\$95,346	\$92,160	\$91,735
Salary	\$73,916	\$78,663	\$76,908
Health benefit contribution	\$21,430	\$13,497	\$14,827

Numbers reflect the average in certificated salaries and health and welfare benefit contributions for the 2016-17 year, as reported by each district and compiled by School Services of California.

Planning for Future Bills



SACRAMENTO CITY UNIFIED SCHOOL DISTRICT MUST MEET ITS FINANCIAL OBLIGATIONS

by Anne Stokes

Failing to set aside enough money to pay your upcoming bills would be stressful for anyone, even more so when your “household” includes 43,000 students and 4,000 employees. It is, however, a common financial situation known as an unfunded liability. It’s defined as an expense not backed by savings or a stable revenue source. For instance, if you have a credit card bill larger than your next paycheck, you too have an unfunded liability.

SCUSD is currently facing a considerable unfunded liability — \$621 million’s worth — to fulfill its promise of health insurance for current and future retirees. This unfunded liability has increased dramatically — more than 44 percent since 2010. In order to pay off this growing “credit card bill” and ensure more unrestricted funds are dedicated to investments in students, facilities and educational programs, SCUSD would have to pay \$56 million every year over the next 22 years.

How did SCUSD get to this point? In 1974, when current Superintendent Jorge Aguilar was only 2 years old, the district committed to funding retirement health benefits for longtime employees with continuous years of service. While the concept may have seemed feasible at

the time, today it presents the biggest financial obstacle facing the district. In fact, the Sacramento County Office of Education, which provides fiscal oversight to the district, has sent 26 letters since 2006 warning the district that it needs to establish a sustainable payment plan to address this problem or else it may not be able to fund important programs and services for students.

“Our fiscal reality is that our resources are limited,” says Gerardo Castillo, Chief Business Officer. “The pie is only so big. When the largest slice is suddenly comprised of debt, there’s not much left to spend on anything else. It affects the students when we can’t fund as many programs or staff to meet their needs.”

Faced with similar problems, other school districts in California have made changes to their retiree health

benefit unfunded liabilities to make them more manageable. For example, Fresno Unified School District recently stopped offering lifetime health benefits for new employees, increased the number of years current employees would have to work to be eligible for this benefit, and also adopted a payment plan for its existing unfunded liability amount. Many other districts, including the Los Angeles Unified School District, are facing similar unfunded liability challenges.

“Our fiscal reality is that our resources are limited.”

Gerardo Castillo
SCUSD Chief Business Officer



WHAT COSTS ARE GOING UP?

The district is anticipating cost increases for the upcoming 2018-2019 year, including:

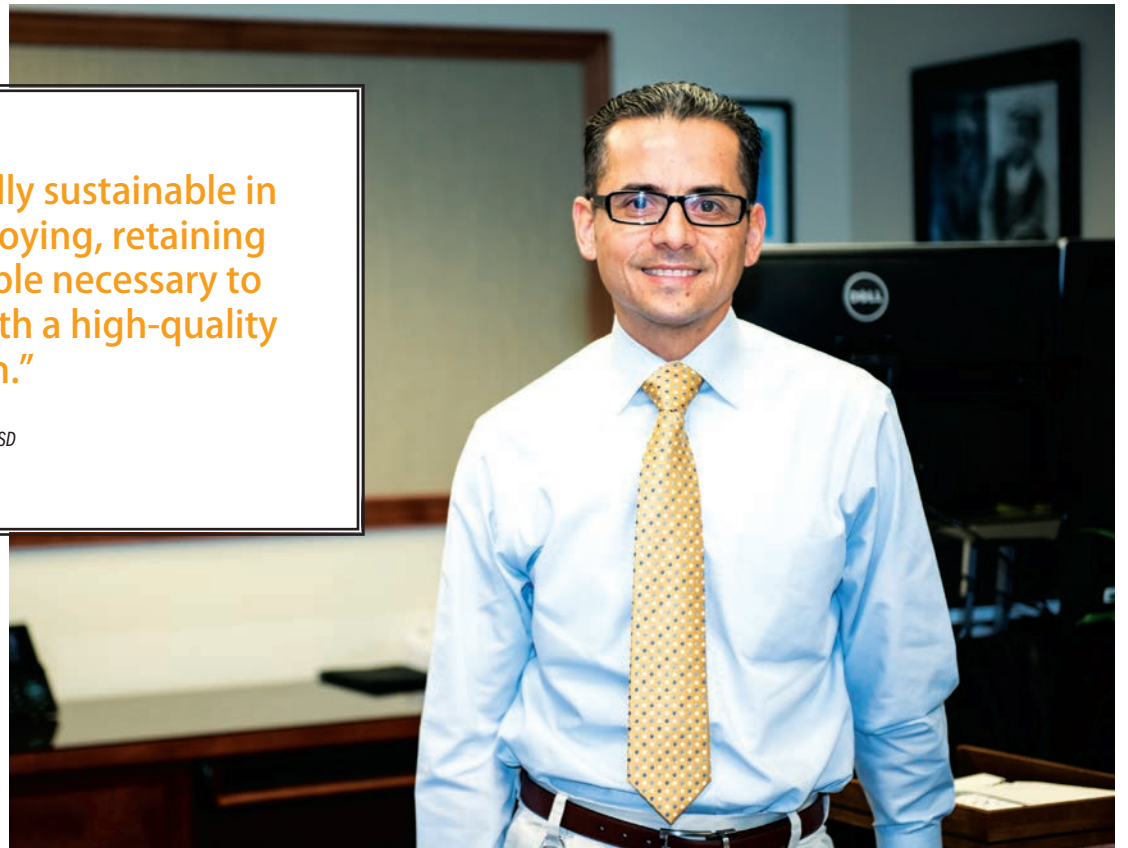
CalSTRS contributions:	\$2,976,550
CalPERS contributions:	\$1,020,663
Health benefits:	\$2,872,782
Special education:	\$2,000,000
Certified staff salary raises:	\$1,651,488
Classified staff salary raises:	\$605,047
Facility repair/maintenance:	\$500,000

In total, next year’s expenditure increases alone are estimated to be

\$11,626,530

“We have to be financially sustainable in order to continue employing, retaining and attracting the people necessary to provide our students with a high-quality education.”

Jorge Aguilar
Superintendent, SCUSD



Committed to Solutions

A CONVERSATION WITH DISTRICT SUPERINTENDENT JORGE AGUILAR

Having just joined the district in the 2017-18 school year, what have been the most pleasant things you've discovered about this district?

I have been impressed with the great number of community-based organizations that partner with and invest in the district. Our schools play a big role in our community, and our community is equally committed to playing a big role in the success of our schools. I am grateful for the commitment from the City of Sacramento, particularly Mayor Darrell Steinberg. The mayor spends a lot of time helping to promote and support our schools, and we have even discussed holding joint city-school board meetings.

What role do you think the community should play in addressing the district's fiscal challenges?

Our community funds our schools. Therefore, the community should be empowered with the information necessary to reach a shared understanding and interpretation of the fiscal challenges we face, our current situation and the most viable options for resolving these challenges. Under those conditions, I believe we can be successful in working together toward solutions.

How do the district's fiscal realities affect students?

We are dependent on human power to operate our schools. Therefore, we have to be financially sustainable in order to continue employing, retaining and attracting the people necessary to provide our students with a high-quality education. Without high-quality teachers, counselors, administrators and office staff, our students won't receive a high-quality education.

What solutions are being looked at to address these challenges?

We have started addressing our fiscal challenges by working with an entity to identify ways to reduce our employee health care costs without reducing benefits. We appreciate that all our labor partners have agreed to work with us to achieve these cost savings. We will continue to keep an open mind on ways to reduce future costs, as well as ways to increase revenues.

What is the district's vision and how will this vision guide how it adapts to these fiscal realities?

The district wants to ensure that every student has an equal opportunity to graduate with the greatest number of postsecondary choices from the widest array of options. We also want to advance Equity, Access and Social Justice in our schools. However, we cannot have equity without first having equality. I am committed to working with our Board of Education and community to strike a balance between advancing equity, but not completely disregarding areas of inequality.

Clearly, our fiscal realities mean we have to adapt. For example, although I want to expand summer school and other programs that enrich the student experience such as arts and sports, I have had to settle on proposing to expand summer school to only 2nd, 6th and 8th graders, while limiting the number of new sports and arts program options.

How can parents and other community members be a part of the budgeting process?

Our Board of Education holds public meetings twice a month and there will be a series of community meetings to both inform and listen to the community. I hope parents and community members will come and share their input.

Help Balance the Budget



Thank you for learning more about Sacramento City Unified School District's finances. A transparent discussion with a broad and diverse cross-section of empowered parents and community members is an important step in helping the Board of Education make informed future budget decisions.

One of the district's goals in this year's budget process is to ensure more parents and community members are adequately informed and engaged in

conversations about the district's financial obligations, how its resources are invested and what practical solutions exist for balancing the budget. Empowering parents, students, advocates and the public with this information will provide the community with a foundation of information useful for engaging in meaningful discussions of how the district can provide a high-quality education to students within its financial means.



MAKE YOUR VOICE HEARD!

Contact the Board of Education

The seven-member Board of Education is elected by voters to ensure the success of SCUSD students, through its leadership and district oversight. The Board establishes a long-term vision for the district and sets policies and goals designed to help all students reach their full potential.

"The Board is eager to engage in an open discussion about district finances, and we are committed to ensuring that our budget decisions fairly represent the community's diverse perspectives," says Board President Jessie Ryan. "Equally important is the district's responsibility to ensure that our families are informed and empowered so that the Board is equipped to make financial decisions that best meet the needs of all students."

The SCUSD Board of Education meets on the 1st and 3rd Thursdays of each month at the Serna Center located at 5735 47th Ave., Sacramento. In addition, the district is hosting a number of meetings in the community this year to inform, educate and listen to input from stakeholders during the budget process.

To help make it easier for busy parents to attend our Board meetings we provide the following services:

- Free **child care** for your children
- Free **healthy snacks** for your children.
- Free **translation services**. If you would like to attend a meeting and need translation services, please call our Board office at (916) 643-9314 to request a translator.

Find out more information and updates on ways you can participate in the budget process and become more engaged with the district by visiting:

WWW.SCUSD.EDU