

FCMAT

FISCAL CRISIS & MANAGEMENT
ASSISTANCE TEAM

Sacramento City Unified School District

December 18, 2025



Integrity

“The supreme quality of leadership is unquestionable integrity. Without it, no real success is possible.”

-Dwight Eisenhower

Fiduciary Duty

Fiduciary Basics

- Faith, a fiduciary duty is based on faith, to act faithfully.
- Holding something in trust, entrusted, held in trust, confidence, reliance, pledge, security, one who holds something in trust.
- When someone holds a fiduciary duty to another, the person with the duty must act in a way that will benefit the other; they hold a legal and ethical relationship to another.
- Loyalty, reasonable care.

Fiduciary Duty (Cont.)

Components of Fiduciary Duty

- Duty of care.
 - Due diligence through the collection and reviewing of all evidence and information available. Do not simply accept the information as it is presented; assess the information critically. Ask *who, what, when and where?*
- Duty of Loyalty.
 - Act solely in the interest of the beneficiaries (district) without personal conflict (conflicts of interest, self-dealing, appearance of, transparency).
- Duty of Disclosure.
 - Act with candor, be open, honest and transparent.

Fiduciary Duty (Cont.)

Components of Fiduciary Duty

- Duty of Good Faith.
 - Advance the interests of the district, fulfill your duties and responsibilities, do not violate the law.
- Duty of Prudence.
 - Be trustworthy, exercise good judgement; use wisdom and the degree of care and skill that a prudent trustee, executive, fiduciary would exercise.
- Duty of Confidentiality.
 - Keep confidential matters confidential.

Tone is Set at the Top

- Ethical leadership is the first and most important element of school district financial success.
- Leaders must exhibit the characteristics they hope to engender in their staff.
- Integrity and ethics shape the entire district.
- Leadership – good or bad – is emulated at all levels and becomes the expectation and organizational standard.
- Competent leaders don't “shoot from the hip,” they know how things should be done and they get them done.
- Effective communication results in shared vision.

Indicators of Risk or Potential Insolvency

The FHRA evaluates the following 20 key areas that FCMAT has identified as most commonly leading to fiscal insolvency:

- Inattention to annual independent audit.
- Inadequate budget development and adoption.
- Insufficient budget monitoring and updates.
- Inadequate cash management.
- Unmonitored charter schools.
- Mismanaged collective bargaining agreements.
- Increasing or uncontrolled contributions and transfers.
- Continuing deficit spending (unrestricted general fund).
- Mismanaged employee benefits.

Refer to [FCMAT Indicators of Risk and Potential Insolvency](#) for details.

Indicators of Risk or Potential Insolvency (cont.)

- Inattention to enrollment and attendance.
 - Inattention to facilities.
 - Inadequate fund balance and reserve for economic uncertainty.
 - Mismanaged general fund (current year).
 - Nonintegrated information systems and data management.
 - Ineffective internal controls and fraud prevention.
 - Weakness in leadership and stability.
 - Inadequate multiyear projections.
 - Inattention to non-voter-approved debt and risk management.
 - Lack of position control.
 - Unmonitored special education.
- Refer to [FCMAT Indicators of Risk and Potential Insolvency](#) for details.

FCMAT's Historical Observations

SCUSD, Triggered Fiscal Health Risk analysis (FHRA), December 12, 2018

- Result of analysis was assignment of a high-risk rating (51.7%).
- Triggered by disapproved 2018-19 budget.
- Themes: budget development deficiencies, ongoing deficit spending, erosion of the unrestricted general fund balance, inadequate reserves, and leadership instability.

FCMAT's Historical Observations (Cont.)

SCUSD, Management Assistance, September 15, 2020

- Developed an independent multiyear financial projection (MYFP) and cash flow analysis for 2019-20 and two subsequent fiscal years using the district's 2019-20 third interim report as the baseline, to determine whether the district needed an emergency appropriation.
- Findings: *“An emergency appropriation will likely be necessary in 2020-21 if internal and external borrowing options are not available and/or the district does not receive apportionment deferral exemptions. Furthermore, even if borrowing options are available and/or deferral exemptions are received in 2020-21, without substantial corrective action an emergency appropriation is likely needed in 2021-22.”*

Sacramento City USD FHRA

SCUSD, Triggered FHRA, October 10, 2025

- Triggered by a lack of going concern designation.
- The adopted budget was used as the financial reporting period for FCMAT's analysis.
- In October 2025, the district and FCMAT entered into a study agreement which stated that FCMAT shall:
 - Prepare an analysis using the 20 factors in FCMAT's Fiscal Health Risk Analysis (FHRA) and identify the district's risk rating for fiscal insolvency.
- FCMAT visited the district on November 12, 17-18, 2025.
- 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.

Sacramento City USD FHRA Results

- FCMAT's analysis identified the district as **high risk for fiscal insolvency**, with a risk score of **50.7%**.
- FCMAT concurred with the district and county superintendent on key areas of fiscal concern, including:
 - **Budget development and monitoring:** 2024-25 unaudited actuals for unrestricted expenditures were \$43 million higher than estimated actuals in large part due to special education program expenditures exceeding budget. Untimely budget revisions relating to negotiated bargaining agreement costs.
 - **Deficit spending:** Immediate budget reductions are needed to ensure the district meets the minimum reserve requirement and maintains fiscal solvency; at adopted budget the district projected it would not meet the minimum reserve requirement in 2027-28. The projected outlook has worsened significantly since then.

Sacramento City USD FHRA Results (Cont.)

- FCMAT also identified other key areas of fiscal concern, including:
 - **Leadership and stability:** The board lacks proper training in governance and finance; the CBO position is vacant.
 - **Multiyear projections:** Informed decision making is hindered by unreliable projections containing vague and unimplemented expenditure reductions.
 - **Internal control:** Weaknesses identified that allow vendor commitments and payments to exceed budgeted amounts.
 - **Position control:** Weaknesses including a lack of proper controls and board authorization of new positions.

Summary of Current Conditions

- The district is projecting a negative \$19.1 million ending balance and potential cash insolvency by the end of the current fiscal year (June 30, 2026).
- The district recently adopted and submitted a fiscal solvency plan to the county superintendent.
- The county superintendent is appointing a **fiscal advisor** to perform any or all intervention actions on behalf of the Sacramento County Superintendent of Schools.
 - The fiscal advisor will help the district develop a multiyear financial recovery plan and can stay or rescind any action that is determined to be inconsistent with the district's ability to meet its fiscal obligations.

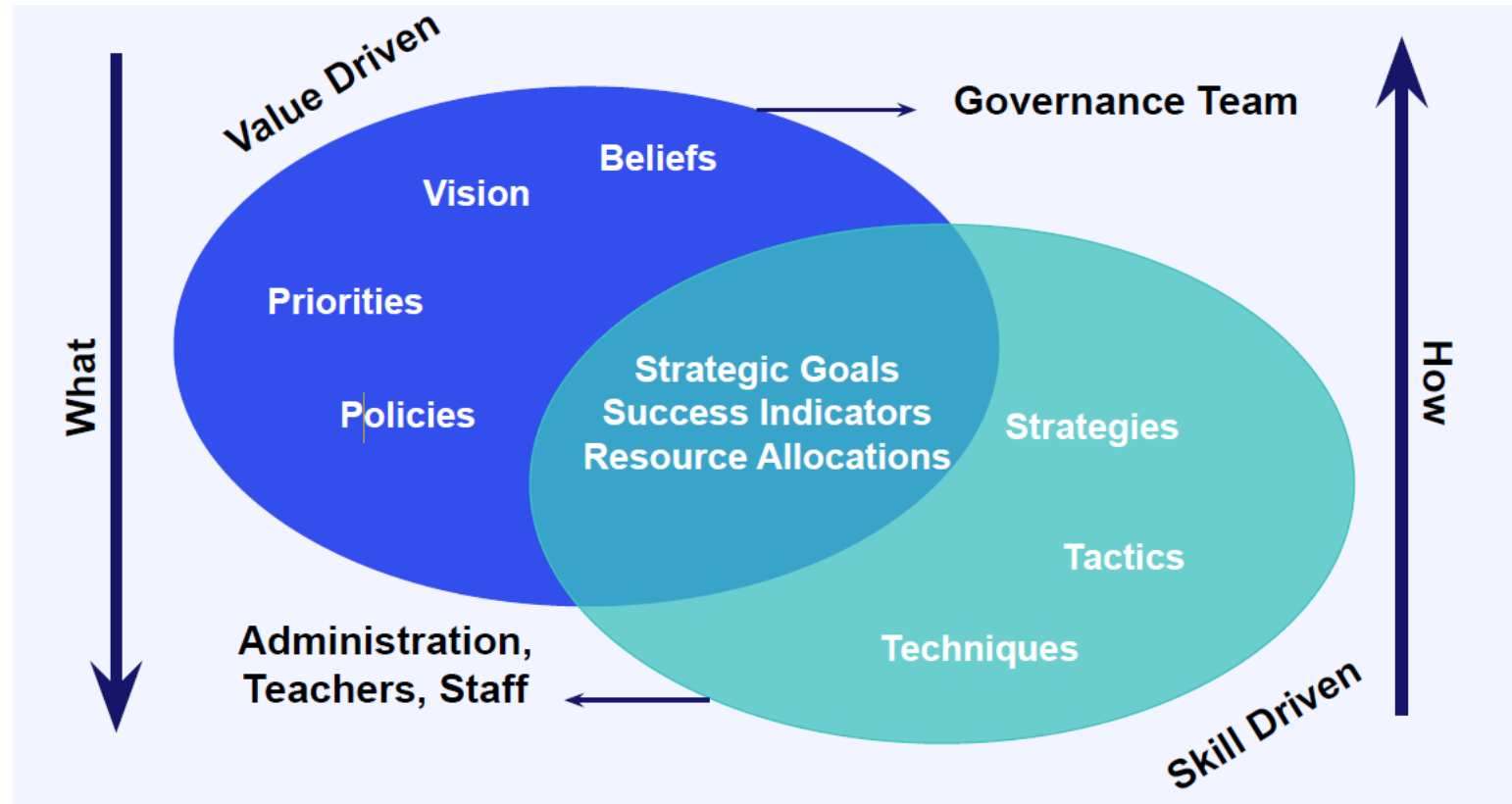
Next Steps for Sacramento City USD

- Immediate board action is required for the district to maintain fiscal solvency and local authority and control.
 - The board must implement and follow through on all elements of its November 20, 2025 Fiscal Solvency Plan and 2026-27 Budget Development Reduction Thresholds.
- District leaders must work collaboratively with staff, the county superintendent and its fiscal advisor.
 - The district must:
 - Communicate weekly with its fiscal advisor.
 - Be transparent and cooperative.

Next Steps for Sacramento City USD (Cont.)

- The district must:
 - Continue its ongoing efforts to conserve cash.
 - Ensure that all contracts and other obligations are properly authorized, encumbered and within appropriation limits, and that all receivables and payables are recorded.
 - Use the FHRA to prioritize and address systems and processes in need of improvement.

Understanding Roles



Response to Fiscal Distress

Districts That Make A Successful Turnaround	Districts That Require Severe Measures
Recognize they have a problem.	Deny they have a problem.
Do not mask the problem.	Resist scrutiny from outsiders.
Take advantage of available financial expertise.	Do not seek external assistance.
Work collaboratively with oversight agencies.	Are combative with oversight agencies.
Are part of the solution.	

Questions?

Thank you!