



# SACRAMENTO CITY UNIFIED SCHOOL DISTRICT BOARD OF EDUCATION

Agenda Item# 12.2

**Meeting Date:** April 3, 2025

**Subject:** Request for Approval of Financial Contribution – The MET

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

**Division:** Deputy Superintendent's Office

**Recommendation:** Approve a financial contribution of up to \$541,000 to The MET to enable them to meet their financial obligations for the 2024-25 school year and start the 2025-26 school year with the required minimum financial reserve. Without this contribution, it is likely that the Charter School would close due to fiscal insolvency.

**Background/Rationale:** As a locally-funded “Dependent” charter school, The MET receives its own apportionment of state funds, pays its own expenses, and maintains its own budget within the larger District budget. Requests for fiscal contributions from the District are occasionally necessary to maintain financial transparency and avoid the co-mingling of District and Charter funds. In this process, the charter school is formally requesting that the District transfer funds from Fund 01 to Fund 09. In the past, decisions on these transfers have been made by District staff. More information about financial contributions is available in the attached executive summary.

**Financial Considerations:** Approving the request for contribution would impact the overall District budget surplus for 2024-25, by up to \$541,000. Not approving the financial contribution could also have complex financial impacts. These are described more thoroughly in the attached executive summary.

**LCAP Goal(s):** The MET provides services and supports that align with and advance LCAP goals 1, 2, and 3. Our small learning communities embody the SCUSD core belief that we should provide opportunities for everyone to learn, grow and reach their greatness.

**Documents Attached:**

1. Executive Summary of Financial Contributions
2. Summary of Recent Fiscal History – The MET

**Estimated Time of Presentation:** 5 minutes

**Submitted by:** Mary Hardin Young, Deputy Superintendent  
Janea Marking, Chief Business and Operations  
Officer

Amanda Goldman, Director Innovative Schools

**Approved by:** Lisa Allen, Superintendent

## Board of Education Executive Summary

### Deputy Superintendent's Office – Innovative Schools

Request to Approve Financial Contribution to a Dependent Charter School, The MET – April 3, 2025.



This is an overview of the financial contributions that the board has been asked to make to one of the District's dependent charter schools – The MET. The MET, in collaboration with District staff, is requesting approval for a financial contribution of up to \$541,000 for the 2024-25 school year.

Described below are the financial challenges faced by dependent charter schools and the systemic issues contributing to them. Potential scenarios regarding fiscal contribution requests are outlined. As this topic is complicated, the Innovative Schools Office has prepared [this short video](#) to accompany the written communication. Specifics of The MET's recent financial history are also included.

#### I. Overview of Dependent Charter School Finance

Dependent charter schools operate under SCUSD Board governance and are supported by district systems and resources. They utilize district-owned facilities, receive back-office support (HR, business services, etc.), and are part of SCUSD's SELPA for special education services. Teachers and staff are employees of SCUSD and part of SCUSD bargaining units, further aligning dependent charters with district operations.

Dependent charter schools are defined by having elected to receive their state apportionment through the District (E.C. 47651). The district receives revenue, including state and federal apportionments, based on factors like enrollment and Average Daily Attendance (ADA). These allocated to the district students are placed in Fund 01, used for general district operations. The funds allocated to the charter schools are placed in Fund 09. Within Fund 09, funds are further divided by school location to ensure each charter receives its allocated share. This separation allows for precise tracking and prevents co-mingling of funds, ensuring transparency and accountability as recommended by Federal Crisis Management and Assistance Team (FCMAT).

#### II. Financial Contributions: Causes and Challenges

Requests for fiscal contributions from the District are occasionally necessary to maintain financial transparency and avoid the co-mingling of funds. In this process, the charter school is formally requesting that the District transfer funds from Fund 01 to Fund 09. The formal request is consistent with recommendations from FCMAT and aligned with the recently proposed SCUSD Budget Guidelines. In this case, the need for the contribution arose primarily due to the misalignment of budgeting timelines and the availability of complete financial data. Reduced or declining enrollment combined with small fiscal reserves exacerbates the problem.

It is current Staff's understanding that past practice in SCUSD was for budget staff to decide on and make these contributions as a routine practice. Similarly, past practice did not always include routine updating of the Charter Schools' financial position as individual LEAs.

Owing to their small size and relationship to the large district practices, our dependent charters face unique, systems-related challenges. They don't carry large enough financial reserves to quickly weather major shifts, nor are their principals always trained to their unique budgeting role. While the systems at the root of these challenges are entrenched and slow to change, collaborative efforts provide opportunities to address these challenges and improve financial sustainability.

## Board of Education Executive Summary

### Deputy Superintendent's Office – Innovative Schools

Request to Approve Financial Contribution to a Dependent Charter School, The MET – April 3, 2025.



#### *Key Challenges:*

- Schools must finalize staffing and expenditure decisions (e.g., by March 15) before fixed costs and revenue projections are fully determined.
- Budget assumptions can be inaccurate due to unexpected changes in revenue or costs.
- Limited flexibility exists to adjust staffing after deadlines.
- External factors, such as labor agreements or state budget revisions, exacerbate financial gaps.
- Charters are schools of choice, making it difficult to project enrollment and ADA precisely.
- Recent economic shifts have resulted in the charter schools holding reduced fund balances (like a savings account) to weather unanticipated changes.

#### **III. Significant Financial History – The MET**

The root cause of The MET's current financial position is a rapid increase in expenses coupled with a decrease in revenue, all coming in a time frame that the school could not reasonably respond to.

- The MET entered 2022-23 SY with a fund balance (“savings account”) over \$859,000.
- Over the course of the 2023-24 school year, personnel costs increased by over \$445,000 dollars. Their mandatory costs increased by over \$83,000.
- Despite all efforts to reduce costs, The MET ended the 2023-24 school year with an almost \$488,000 deficit, reducing their savings to \$375,000.
- At the time of Budget Development in January 2024 (the last opportunity a school in our District had to reduce positions for the 2024-25 school year) the State of California was projecting a 3.8% COLA. The MET was projecting a balanced budget and therefore did not make personnel cuts.
- By the adoption of the 2024-25 budget in June 2025, the State of California had reduced the projected COLA to 1.07%, decreasing projected revenue by over \$192,000. Projected personnel costs increased by another \$334,000. These changes resulted in The MET's deficit increasing by over \$240,000 practically overnight with little ability to cut additional costs.
- In addition to the COLA decrease, the MET over-projected its enrollment and ADA by 45 students. Where the District has the support of demographer reports to make enrollment projections, Charter Schools rely on historical trends. The MET made a reasonable projection based on those trends, but actual enrollment fell short. This further reduced revenue by another \$551,000.
- Over the course of the 2024-25 school year, The MET has taken all possible steps to reduce costs, increase attendance and enrollment, maximize the use of restricted funds, and secure additional grant funding. However, they will still fall short of meeting their financial obligations.
- In preparation for the 2025-26 school year, The MET made significant cuts to reduce costs. They have cut their projected deficit by more than \$600,000, while maintaining the positions necessary to offer all A-G course requirements on campus. By conservatively projecting enrollment, The MET is well placed to see immediate financial benefits from any increases to enrollment or attendance.

## Board of Education Executive Summary

### Deputy Superintendent's Office – Innovative Schools

Request to Approve Financial Contribution to a Dependent Charter School, The MET – April 3, 2025.



- The following is a summary of how The MET's personnel and mandatory costs compare to their unrestricted revenue. It exemplifies the challenges faced by The MET and many public schools.

	Unrestricted Revenue (UR)	Total Personnel Costs	Personnel Costs as Percent of UR Revenue	Total Mandatory Costs*	Mandatory Costs as Percent of UR Revenue
2023-24 (Actuals)	\$2,858,455	\$2,745,343	96.0%	\$591,311	21.5%
2024-25 (Projected)	\$2,410,627	\$2,507,711	104%	\$687,476	28.5%
2025-26 (Projected)	\$2,800,274	\$2,335,362	83.3%	\$798,658	28.5%

\*Mandatory Costs are those that are required by the district or support basic necessities. They include a 1% charter oversight fee, a 2% facility use fee, utilities, SELPA contribution, and administrative fees for services provided by the district.

#### IV. Specific Request

In collaboration with District staff, **The MET is requesting Board approval for the transfer of up to \$541,000 from the District's general fund to the Charter School's budget location in Fund 09.** Approximately \$383,000 of this will be used to pay The MET's outstanding financial obligations for the 2024-25 school year. This \$383,000 represents the remaining amount The MET will owe the District for administrative services and SELPA contributions once their cash and reserves have been depleted. The other \$157,000 would allow The MET to re-establish their required minimum reserves to begin the 2025-26 school year, increasing their ability to reach fiscal solvency.

#### V. Scenarios: Impact of Fiscal Contribution Decisions

To help the Board assess the importance of these requests, here are two possible scenarios. Note that even though Ed. Code (47604(d)) holds that an authorizer is not liable for the debts or obligations of the charter schools it authorizes (so long as the authorizer has performed its oversight functions), in the case of the SCUSD dependent charter schools, the staff are employees of the District, and the schools operate in District facilities. This means that there are costs that the District would be responsible for should the charter school not be able to pay its debts.

*Scenario 1: Board Does Not Approve Contributions:*

- April 2025:** The MET requests a contribution from the district to cover the shortfalls of the current school year (~\$541,000). The Board denies the request.
- May-June 2025:** The charter school cannot pay its bills to the District. Nor can it maintain its required reserve. The Board would be entitled to initiate closure procedures immediately.
- Summer 2025:** The charter school could close effective July 1. The District has less than six weeks to notify and place students and families and less than six weeks to place staff at other sites.
- School Year 2025-26:** The District must absorb the cost of most liabilities from the 24-25 school year (~\$383,000) as well as any staff or facility costs for the 25-26 school year that couldn't be mitigated (~\$2.5M).

## Board of Education Executive Summary

### Deputy Superintendent's Office – Innovative Schools

Request to Approve Financial Contribution to a Dependent Charter School, The MET – April 3, 2025.



#### *Scenario 2: Board Does Approve Contributions:*

- **April 2025:** The Met school requests a contribution from the district to cover the shortfalls of the current school year (~\$541,000). The Board approves the request.
- **May 2025:** The District transfers funds to cover the outstanding costs of the 2024-25 school year. The Charter School makes all possible moves towards fiscal solvency.
- **Summer 2025:** The District may notify the charter school of its intent to revoke or close pending fiscal insolvency.
- **Fall/Winter 2025-26:** The Board can carefully weigh the fiscal position and implications of potential closure. If the Board decides to close early in the school year (i.e., before January 15), there is ample time to transition students and staff without encumbering additional financial burdens.

As you can see, though approving the contribution would have a small impact on the District's 2024-25 unrestricted fund balance, denying it would potentially have a much larger impact on the 2025-26 bottom line. Moreover, denying the contribution may lead to an abrupt school closure, displacing 170 students and 15 staff.

#### **VI. Systemic Solutions and Next Steps**

To mitigate these recurring issues and reduce the need for future contributions, district and charter staff are working on the following strategies:

- **Enhancing Revenue and Expense Projections:** Refining forecasting methods to improve accuracy.
- **Promoting Transparency in Budget Processes:** Strengthening communication between district and charter staff.
- **Building Financial Literacy:** Increasing staff capacity in managing charter budgets.
- **Focusing on Enrollment and ADA:** Stabilizing and growing Average Daily Attendance (ADA).
- **Reducing Costs to Baseline:** Focusing on essential, mandated program
- **Securing Targeted Grants:** Pursuing additional revenue through specific funding opportunities.
- **Streamlining Processes:** Designing systems to reduce unanticipated costs and improve efficiency.
- **Integrating Funding Streams:** Utilizing blending and braiding strategies to optimize available resources.
- **MOU Development between District and Dependent Charter Schools:** Reviewing, redefining, and agreeing to consistent guidelines regarding District mandated costs and how the District manages charter school budgets.

As of April 2025, many of these initiatives are already underway, with additional efforts planned to ensure long-term financial stability. The MOU Development process is anticipated for the first part of the 2025-26 year. With strong collaborative efforts between District and Charter School, these efforts may be sufficient to help the Charter School reach fiscal solvency by the 2026-27 school year.

#### **VII. Conclusion and Request**

While not entirely unique to SCUSD, the 30-year experiment of six charter schools functioning within the labor and policy umbrella of the school district is note-worthy. The success of these schools' points to the District's ability to sustainably provide choice to families while still honoring a shared vision for staff compensation. Where

## Board of Education Executive Summary

### Deputy Superintendent's Office – Innovative Schools

Request to Approve Financial Contribution to a Dependent  
Charter School, The MET – April 3, 2025.



many other authorizer-charter relationships have abandoned this attempt, SCUSD persists in trying to make it work.

The MET's request for contribution represents the systemic challenges faced by dependent charter schools. We are working as quickly as we can to evolve these systems and keep the important work of this small high school. Your decisions regarding fiscal contributions will play a critical role in supporting these schools' stability and success while we adjust to rapidly changing times.

## The MET; Budget Summary, 2022-2025

From 2022-23 SY to 2023-24 SY			
Enrollment / ADA constant	Constant	2022-23 Deficit	\$ (57,203.00)
Revenue slightly increased	\$ 150,344.00	June 2023 Ending Fund Balance	\$ 859,201.00
Total Expenses increased faster than revenue	\$ 413,595.00	2023-24 Deficit	\$ (483,750.00)
Personel Cost Increase	\$ 445,151.00	June 2024 Ending Fund Balance	\$ 375,451.00
Mandatory Cost Increase	\$ 83,589.00	Contribution Needed?	No
<p>Summary: In the 2023-24 school year personel cost increased, due to raises and retroactive payments, far faster than revenue. The Charter was able to weather those increases by utilizing their reserves and reducing other costs. 2023-24 was the first year in which the site level deficit was routinely monitored.</p>			
From Budget Development (January 2024) to Budget Adoption (June 2024); 2024-25 SY			
Enrollment/ADA Decrease	-15 ADA	Surplus projected at BDP	\$ 3,000.00
COLA Decrease	3.8% --> 1.07%	Deficit Projected at Adoption	\$ (242,925.54)
Revenue Decrease	\$ (192,605.00)	Ending Fund Balance Projected at BDP	\$ 368,452.00
Total Expenses increased (Mitigated by restricted funds)	\$ 144,531.54	Ending Fund Balance Projected at Adoption	\$ 122,526.46
Personel Cost Increase	\$ 334,660.00		
Mandatory Cost Slight Increase	\$ 70.00	Contribution Needed?	Maybe
<p>Summary: At Budget Development, the Charter School projected a slight surplus and anticipated a Fund Balance of over \$300,000. After Budget Development, the projected COLA was considerably reduced. A second round of salary increases impacted overall expenses. Mandatory Costs, charged on a per enrollment basis, only increased slightly overall due to decreased enrollment but increased on a per student basis. This meant that the charter school went from projecting a small surplus to projecting a major deficit practically overnight. The charter school was unable to make FTE cuts as this occurred after the notification deadlines. In addition, the charter school over projected enrollment and ADA, leading to even greater deficit. At this time, the charter school projected finish the year with an ending balance below the required reserve. The Board could have decided waive that requirement or make a contribution to meet the required reserve.</p>			
Changes During School Year 2024-25 (From Budget Adoption in Jun 2024 to 2nd Interim in March 2025)			
Enrollment/ADA Decrease	-30 ADA	Deficit Projected at 2nd Interim	\$ (748,465.00)
Revenue Decrease	\$ (551,064.00)	Ending Fund Balance Projected at 2nd Interim	\$ (383,013.00)
Total Expenses decreased	\$ (14,646.54)	Contribution Needed	Yes
Personel Cost Decrease	\$ (280,741.64)	Contribution needed to start 25-26 with RR	\$ 540,967.60
Mandatory Cost Slight Decrease	\$ (75,052.65)		
<p>Summary: The Charter School's P1 ADA (certified in late February) was even lower than projected, resulting in a considerable loss of revenue. With the retirement of several higher paid staff, lower mandatory costs due to lower enrollment, and minimized spending on all other costs, the charter school was able to make up for some lost revenue, but are still projecting a large deficit. Increased ADA in the 2nd half of the year could result in additional funds, and the charter school has already seen ADA increase since January. However, a contribution will be necessary to close the books on 2024-25 and start 2025-26 with the required reserve. The required reserve is currently set at 5% of anticipated expenses.</p>			
Taking Steps Toward Solvency for 2025-26			
Projecting slight but reasonable ADA increase	+20 ADA	Deficit Projected for 2025-26	\$ (114,353.00)
Reductions to FTEs (maintaining A-G)	- 1.4 FTE	Deficit Reduced from Prior Year	\$ 634,112.00
Overall Cost Decreases (Helped by use of one-time funds)	\$ (307,076.00)	Ending Fund Balance for 2025-26	\$ 43,601.60
Personel Cost Decrease	\$ (172,348.45)	Contribution Needed	Maybe
Mandatory Cost Increase	\$ 111,181.65	Contribution Up To	\$ 114,353.00
<p>Summary: In planning for 2025-26, the Charter school made a more reasonable ADA projection, based on current year applicants and reduced FTEs to the minimum necessary to offer A-G requirements on campus. In doing so, they reduced their deficit by over \$600,000 from the previous year, despite more than \$100,000 of mandatory cost increase. The Charter School may still make further cost reductions and seek additional funding. Negotiations with the District regarding mandatory costs and strengthening the school's reporting of Non-Classroom Based ADA will further improve the fiscal position. Unanticipated cost increases will negatively impact the fiscal position. If nothing changes, the charter school will adopt a budget projecting a slight deficit, but will have adequate reserves to cover it if they go below the required minimum.</p>			
<small>*Note: This summary is designed to show big picture budget trends. More detailed financial accounting is available in <a href="#">THIS FOLDER</a>.</small>			