



**CALIFORNIA DEPARTMENT
OF EDUCATION**

TONY THURMOND
STATE SUPERINTENDENT OF
PUBLIC INSTRUCTION

1430 N STREET, SACRAMENTO, CA 95814-5901 • 916-319-0800 • WWW.CDE.CA.GOV

February 19, 2021

James Berardi, Superintendent
Sierra-Plumas Joint Unified School
P.O. Box 955
Loyalton, CA 96118

Dear Superintendent Berardi:

Subject: 2020–21 First Interim Reports

Pursuant to California *Education Code* sections 42131(f), we have reviewed your school district's First Interim Reports and the accompanying qualified certifications of financial solvency to determine whether they comply with the Criteria and Standards for fiscal stability adopted by the State Board of Education, allow your offices to meet their financial obligations during the fiscal year, and are consistent with a financial plan that will enable your offices to satisfy their multiyear financial commitments. We concur with your assessment that, based on current projections, your school district may be unable to meet their financial obligations for the subsequent two fiscal years, and a qualified certification is appropriate.

The First Interim Report shows that the school district will be unable to meet its financial obligations in subsequent fiscal years without additional budget solutions. The First Interim Report includes the following impacts to the school district's unrestricted general fund:

Projected unrestricted (deficit) spending for the current and two subsequent years:

- 2020-21: (\$1.03 million)
- 2021-22: (\$1.6 million)
- 2022-23: (\$1.7 million)

Projected unrestricted ending fund balance (parentheses denote negative ending fund balance):

- 2020-21: \$2.3 million
- 2021-22: \$0.67 million
- 2022-23: (\$1.04 million)

Reductions needed to meet the minimum reserve requirement for the subsequent two years are as follows:

- 2021-22: \$0.23 million
- 2022-23: \$2 million

A review of the school district's Second Interim Report will provide an opportunity to reevaluate the respective fiscal positions of each LEA. The amount of necessary budget reductions for 2021-22 may be reduced by new federal stimulus funding (approximately \$266,000) and the 3.84% cost of living adjustment provided in the Governor's 2021-22 Budget Proposal (approximately \$200,000). Even with these potential sources of revenue, the district may still need to consider reductions to its 2021-22 budget, as reflected in the forthcoming Second Interim Report, in order to remain a going concern.

As such, the 2020-21 Second Interim Report should reflect substantial progress towards the identification of budget solutions. A multi-year projection that incorporates the 2020-21 Governor's Budget Proposal and a cost reduction plan that demonstrates an ability to maintain required reserve levels in fiscal years 2021-22 and 2022-23 is required. If CDE is unable to effectively evaluate the Second Interim Report due to insufficient information, or further evidence suggests that the school district will be unable to meet financial obligations in the current or subsequent two years, additional support may be provided consistent with *EC* Section 1630.

Based on a review of the 2020-21 Second Interim Report, the certification status may be changed to either positive or negative or remain qualified based on the best information available and consistent with the criteria and standards adopted by the State Board of Education in accordance with *EC* Section 33127. Also, *EC* sections 1630 and 42131 require the California Department of Education (CDE) to provide a written notice of going concern determination if at any time the CDE determines that the school district may not meet financial obligations for the current or two subsequent fiscal years.

As a result of the qualified certification for the current fiscal year, the following requirements are in effect:

- 1) Pursuant to *Government Code (GC)* Section 3540.2(e), your school district is required to allow the State Superintendent at least 10 working days to review and comment on any proposed labor agreements and to render an opinion on whether the agreement would endanger the fiscal well-being of the offices.
- 2) Pursuant to *EC* Section 42133(b), your school district may not issue, for the 2020-21 and 2021-22 fiscal years, certificates of participation, tax anticipation notes, revenue bonds, or any other debt instruments not requiring the approval of the voters of the district, unless the State Superintendent determines that repayment of that indebtedness is probable.

James Berardi, Superintendent

February 19, 2021

Page 3

We also note that the 2020–21 negotiations with the certificated and classified bargaining units were not settled at the end of the first interim period. To the extent that collective bargaining agreements result in additional ongoing costs, we advise you that such increased costs should be supported by additional ongoing revenues or ongoing reduction of expenditures. As noted above, a minimum of 10 working days is required in order for the State Superintendent to review and comment on any proposed labor agreements. Further, GC Section 3547.5(b) requires a school district's superintendent and its chief business official to certify in writing that the costs incurred under a negotiated bargaining agreement can be met by the school district during the term of the agreement.

Upon settlement, please provide our office with a copy of the certification and an itemization of the budget revisions needed to implement the agreement.

We appreciate the submission of your First Interim Reports and await your Second Interim Report, which is due to our office by March 17, 2021. If you have any questions or concerns, please email me at jfeagle@cde.ca.gov.

Sincerely,

/s/

Jonathan Feagle, Administrator
Fiscal Oversight and Support Office

JF:jm
2021-0203a-46c

cc: Nona Griesert, Business Manager,