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David W. Gordon
Superintendent

September 15, 2020

OFFICE OF THE SUPERINTENDENT
Sacramento City Unified School District

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(916) 228-2500

www.scoe.net

Jorge A. Aguilar, Superintendent
Sacramento City Unified School District
5735 47th Avenue
Sacramento, CA 95824

SUBJECT: 2020-2021 Adopted Budget 45-Day Revision Update

Dear Superintendent Aguilar:

We reviewed the district's 2020-2021 Adopted Budget to determine whether it complied with the Criteria and Standards adopted by the State Board of Education. In our letter to the district dated August 4, 2020, the district's 2020-2021 Adopted Budget was **disapproved** in accordance with the provisions in Education Code sections 42127(c)(1)(2) and 33127.

We requested that the district submit to us by August 13, 2020, a budget revision reflecting material changes to the district's budget based on the enacted state budget to include updated multi-year and cash flow projections. The 45-day budget revision was submitted and reviewed with the following comments:

- Based on the multi-year projections and assumptions provided by the district with its Adopted Budget, it appeared the district would not meet its minimum reserve requirements for 2020-2021, 2021-2022, and 2022-2023. After submission of an updated 45-day revision reflecting changes from the approved state budget to the 2020-2021 Adopted Budget, multi-year projections, and cash flow, it appears the district will fall short in meeting its 2% unrestricted reserve requirement by \$52,788 in 2020-2021, and will not meet minimum reserve requirements in 2021-2022 and 2022-2023.
- The multi-year projections submitted projected negative ending fund balances of \$11.2 million for 2020-2021, \$108.1 million for 2021-2022, and \$216.9 million for 2022-2023. With submission of the 45-day budget revision, the unrestricted general fund balance is now projected to decrease by \$40.7 million, leaving the district with an unrestricted ending balance of \$23 million in 2020-2021, and negative ending fund balances of \$36.2 million in 2021-2022 and \$121.6 million in 2022-2023.

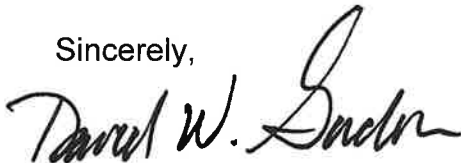
- The cash flow submitted with the 2020-2021 Adopted Budget projected that the district would have a negative cash balance in October 2020. After submission of the 45-day revision, the Principal Apportionment deferrals, and the revised cash flow projections again project the district will have a negative cash balance beginning in October 2020, and a projected negative cash balance of \$101.2 million at June 30, 2021.

We continue to request that the district provide the following:

- Submit to this office, by October 8, 2020, a revised 2020-2021 Adopted Budget which includes changes from the enacted state budget, and updated multi-year projections and cash flow projections for three fiscal years.
- A viable board-approved budget plan that will reverse the deficit spending trend. The plan should include support of ongoing expenditures from ongoing revenue sources, along with a timeline showing when and how each line item adjustment will be implemented. The fiscal advisor assigned by this office will continue to assist the district during this process.

If you have any questions or concerns regarding this review, please feel free to call Tamara Sanchez at 916-228-2551.

Sincerely,



David W. Gordon
Sacramento County Superintendent of Schools

DWG/TS/dw

cc: Jessie Ryan, Board President, SCUSD
Rose Ramos, Chief Business Officer, SCUSD
Dr. Nancy Herota, Deputy Superintendent, SCOE
Tamara Sanchez, Associate Superintendent, SCOE
Debra Wilkins, District Fiscal Services Director, SCOE
Terri Ryland, Fiscal Advisor, SCOE
Michael Fine, Chief Executive Officer, FCMAT
Crowe, LLP, Auditor