

David W. Gordon
Superintendent

October 10, 2019

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

SUBJECT: 2019-2020 Re-Adopted Budget

Dear Superintendent Aguilar:

In our September 11, 2019 letter, the Sacramento County Office of Education **disapproved** the Sacramento City Unified School District's 2019-2020 Adopted Budget. Per Education Code requirements, the district was instructed to revise the 2019-2020 Adopted Budget and submit it to this office no later than October 8, 2019. The district was also required to submit a viable, board-approved budget plan that would reverse the deficit spending trend, and support on-going expenditures from on-going revenue sources, and include a timeline showing when and how each line item adjustment would be implemented.

In accordance with the provisions in Education Code sections 42127 and 33127, we have examined the district's Re-Adopted Budget to determine if it complies with the Criteria and Standards adopted by the State Board of Education. Based on our review, it appears that the district's unrestricted General Fund balance will decrease by approximately \$9.5 million in 2019-2020, approximately \$28.1 million in 2020-2021, and approximately \$30.9 million in 2021-2022. It appears that the district will meet its minimum reserve requirement in the current and subsequent fiscal year, but will fall short in 2021-2022, leaving a negative unrestricted ending fund balance of approximately \$7.4 million. Therefore, the district's Re-Adopted Budget is **disapproved**.

In response to disapproval of the Re-Adopted Budget, and pursuant to Education Code sections 42127.1 through 42127.3, the County Superintendent must call for the formation of a Budget Review Committee (BRC) unless the governing board of the district and the County Superintendent agree to waive this requirement. If the district opts for the



formation of the committee, the committee shall be composed of three persons from a list of candidates provided by the California State Superintendent of Public Instruction (SPI) and selected by the district's governing board. The selection must be made within five (5) working days after receipt of the list. The SPI shall convene the committee no later than five (5) working days following the selection of the committee members. No later than November 30, 2019, the BRC shall review the proposed budget of the district and transmit to the SPI, the County Superintendent, and the governing board of the district either of the following:

1. The recommendation that the school district budget be approved; or
2. A report disapproving the school district budget and setting forth recommendations for revisions to the school district budget that would enable the district to meet its financial obligations in the current fiscal year and two subsequent fiscal years.

If the district's governing board and the County Superintendent agree to waive the formation of the BRC, the California Department of Education (CDE) must approve the waiver. November 8, 2019 is the deadline for a board-approved waiver to be submitted to California Department of Education (CDE). Enclosed with this letter is a copy of the waiver request form.

Upon approving a waiver of the BRC, CDE shall ensure that a balanced budget is adopted by December 31, 2019. The County Superintendent must perform his duties under Education Code section 42127.3(b), which include the responsibility to stay or rescind any action inconsistent with a budget that will govern the district and allow the district to meet its financial obligations. While the district must reverse its deficit spending in time to meet minimum reserve levels in 2021-2022 and beyond, this office recommends that the district make cuts immediately. The fiscal advisor sponsored by the County Superintendent will remain in place to assist the district during this process.

To meet the December 31, 2019 deadline, the district shall submit a viable board-approved budget and multi-year expenditure plan that will reverse the deficit spending trend with the 2019-2020 First Interim Report (due December 16, 2019).

We continue our request that the district provide the following:

- Notify us and the fiscal advisor immediately, and provide for our review, any changes to the budget.
- Continue to closely monitor future enrollment trends and inform us of budget adjustments should enrollment trends fluctuate.

Jorge A. Aguilar, Superintendent
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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

Enclosure: CDE Waiver Request Form

cc: Jessie Ryan, Board President, SCUSD
Rose Ramos, Chief Business Officer, SCUSD
Dr. Al Rogers, Deputy Superintendent, SCOE
Tamara Sanchez, Associate Superintendent, SCOE
Debra Wilkins, District Fiscal Services Director, SCOE
Terri Ryland, Fiscal Advisor, SCOE
Lesley Taylor, Education Administrator, CDE
Michael H. Fine, Chief Executive Officer, FCMAT