January 14, 2019

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

SUBJECT: 2018-2019 First Period Interim Report

Dear Superintendent Aguilar:

In our letter dated August 22, 2018, the district’s 2018-2019 Adopted Budget was **disapproved**. After re-submission of the budget, the district was notified in a letter dated October 11, 2018 that the budget was again **disapproved**. In that letter, we also requested that the district submit a viable board-approved budget and multi-year expenditure plan that reversed the deficit spending trend with the 2018-2019 First Interim Report, which was due on December 14, 2018.

We requested that the district quickly identify cuts and expedite actions that could be taken on items that do not require negotiations, while planning for those items that do require negotiations. As part of the on-going assistance offered by this office in monitoring district timelines and budget reduction progress, we and the district recently initiated weekly meetings. These meetings, along with the assistance of the fiscal advisor assigned by this office, have been very helpful and will be continued.

After submission of the First Period Interim Report, the County Superintendent of Schools is required to review the report for adherence to the State-adopted Criteria and Standards pursuant to Education Code sections 42130-31 and 33127. The district has filed a First Interim Report with a **negative** certification. Based on the multi-year projections and assumptions provided by the district, it appears the district will meet its 2% unrestricted reserve requirement for the current fiscal year, but will fall short in the two subsequent fiscal years, leaving a negative unrestricted ending fund balance of approximately $3.8 million in 2019-2020 and $54.3 million in 2020-2021. We concur with the district’s **negative** certification with the following comments:

The district submitted cash flow projections for 2018-2019 and 2019-2020 indicating that the district will become insolvent and run out of cash in November 2019, requiring an emergency apportionment from the state.


The district has thus far identified cuts of $12.9 million with its First Period Interim Report submission, and has since thus far continued to identify additional budget cuts amounting to $2.3 million in budget reductions that appear to be viable. Board approval is still required on the additional $2.3 million in cuts. The district has sunshined its bargaining proposals for 2019-2020 and has scheduled bargaining sessions with its five associations with the intent to negotiate additional budget savings.

While we are pleased that the district has made some progress toward identifying possible budget reductions, the cuts so far are insufficient to restore fiscal solvency. We understand that the district is working toward negotiating additional budget reductions, and we encourage the district and its bargaining units to be diligent in meeting necessary bargaining timelines. Concurrently, the district needs to accelerate its pace in identifying and vetting viable cuts that do not require negotiations.

Over the past weeks, this office along with its fiscal advisor, have made suggestions and provided sample tools that could be used to evaluate and assess potential cuts and collective bargaining proposals. We are therefore requesting that the district provide this office with concrete calculations on valuations of additional budget reduction items as part of a completed budget reduction plan by January 22, 2019. At the January 8, 2019 meeting, a spreadsheet to serve as a calculation template for reporting the negotiable budget reduction items was provided to the district.

We continue our request that the district also provide the following:

- Notify us immediately, and provide for our review, any changes to the budget.
- Notify us prior to presenting negotiating proposals to bargaining units, and update us after each negotiating session with employee groups.
- Continue to closely monitor future enrollment trends and inform us of budget adjustments should enrollment trends fluctuate.
We would like to thank your staff for their cooperation during our review process.

If you have any questions or concerns, please call Tamara Sanchez at (916) 228-2551.

Sincerely,

David W. Gordon
Sacramento County Superintendent of Schools

cc: Jessie Ryan, Board President, SCUSD
    John Quinto, Chief Business Officer, SCUSD
    Al Rogers, Ed.D., Deputy Superintendent, SCOE
    Tamara Sanchez, Assistant Superintendent, SCOE
    Debra Wilkins, District Fiscal Services Director, SCOE
    Terri Ryland, Fiscal Advisor, SCOE
    Michael H. Fine, Chief Executive Officer, FCMAT
    Nick Schweizer, Deputy Superintendent, CDE
    Betty T. Yee, California State Controller