

David W. Gordon  
Superintendent

April 15, 2020

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

**SUBJECT: 2019-2020 Second Period Interim Report**

Dear Superintendent Aguilar:

### **Background**

In our letter dated September 11, 2019, the district's 2019-2020 Adopted Budget was **disapproved**. After re-submission of the budget, the district was notified in a letter dated October 10, 2019 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 reverses the deficit spending trend with the 2019-2020 First Period Interim Report, which was due on December 16, 2019. The district submitted a 2019-2020 First Interim Report with a **negative** certification to our office on December 16, 2019. In our letter to the district dated January 14, 2020, we concurred with the district's **negative** certification status.

### **Second Period Interim Report**

After submission of the Second 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 Second Period 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 and the first subsequent fiscal year, but will fall short by \$14.2 million in 2021-2022, leaving the district with a \$2 million negative ending balance. We concur with the district's **negative** certification with the following comments:

- The multi-year projections submitted project that the unrestricted General Fund balance will decrease by \$2,576,876 in 2019-2020, by \$31,600,712 in 2020-2021, and by \$28,999,422 in 2021-2022.
- The cash flow projections submitted with the 2019-2020 Second Period Interim Report project that without further budget reductions, the district will have a negative cash balance of approximately \$19.5 million in November 2021.



- The district is projecting a decrease of 217 ADA in 2019-2020, a decrease of 198 ADA in 2020-2021, and a decrease of 178 ADA in 2021-2022.

The district has approved a Fiscal Recovery Plan identifying more than \$31 million in prospective budget reductions. However, these items will require negotiations with bargaining units, and therefore, were properly excluded as confirmed budget reduction savings in the Second Period Interim Report.

### **COVID-10 Emergency May Result in Revenue Shortfalls that will Require State Budget Cuts**

In light of the recent situation with the COVID-19 pandemic, and the uncertainty of how this will affect the economy, state revenues, and state funding, state budget cuts may be coming as soon as the 2020-2021 budget year.

Now more than ever, it is imperative that the district and its bargaining partners work together to agree on resolving the \$27 million budget shortfall, and insure fiscal solvency by building reserves and eliminating deficit spending.

Without a negotiated solution, the district will not be able to meet its financial obligations for 2021-2022. The lack of progress in negotiating these budget reductions is crippling the district's ability to balance the budget and avoid insolvency.

I cannot emphasize more strongly that this process must move forward immediately, so that all possible savings are achieved in time to balance the budget without squandering all remaining reserves available to the district. It is crucial that solutions be found during this time when the district will need all of the reserves possible to meet the coming economic challenges.

We are also requesting that the district provide the following:

- It is noted that the certificated and classified salary negotiations have not been settled for 2019-2020. Before the district's board of education takes any action on a proposed collective bargaining agreement, the district must meet the public disclosure requirements of Government Code section 3547.5 and the California Code of Regulations Title V, section 15449. **Please submit the public disclosure of the collective bargaining agreement to the county office for review at least ten (10) working days prior to the date the governing board will take action on the proposed bargaining agreements.** This form must also be available to the public at least ten (10) working days prior to the date the governing board will take action on the proposed bargaining agreements. Also, as provided by the State Criteria and

Standards, when labor contract negotiations are settled after the adoption of the district's budget, the district must analyze the budget to determine the effect of the settlement, and the governing board must certify to the validity of the analysis within 45 days of the final settlement. Within this 45-day period, the District Superintendent must also send the County Superintendent any revisions to the district's current budget necessary to fulfill the terms of the agreement.

- Pursuant to Education Code section 42131(3), any school district that files a negative Second Period Interim Report must provide the County Superintendent, the State Controller's Office, and the Superintendent of Public Instruction with a financial statement projecting the district's fund and cash balances through June 30, 2020 for the period ending April 30, 2020 (Third Period Interim Report). Please submit this report to our office no later than June 1, 2020. We will forward copies of the report to the State Controller and the Superintendent of Public Instruction.
- 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.

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

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 H. Fine, Chief Executive Officer, FCMAT  
Lesley Taylor, Education Administrator, CDE  
Betty T. Yee, California State Controller