

David W. Gordon  
Superintendent

October 11, 2018

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

**SUBJECT: 2018-2019 Re-Adopted Budget**

Dear Superintendent Aguilar:

In our August 22, 2018 letter, the Sacramento County Office of Education **disapproved** the Sacramento City Unified School District's 2018-2019 Adopted Budget. Per Education Code requirements, the district was instructed to revise the 2018-2019 Adopted Budget and submit it to this office no later than October 8, 2018. The district was also required to submit a balanced budget plan supporting on-going expenditures from on-going revenue sources, along with a timeline showing when and how each line item adjustment would be implemented. A fiscal advisor was assigned by this office to assist the district during this process.

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 \$34 million in 2018-2019, approximately \$43 million in 2019-2020, and approximately \$49 million in 2020-2021. It appears that the district will meet its 2018-2019 minimum reserve requirement, but will fall short in the two subsequent fiscal years, leaving a negative unrestricted ending fund balance of approximately \$17.5 million in 2019-2020 and \$66.5 million in 2020-2021. 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, 2018, 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, 2018 is the deadline for a board-approved waiver to be submitted to CDE. Enclosed with this letter is a copy of the waiver request form. If your board pursues the option of waiving the committee, we will need to act quickly and immediately discuss this option.

Upon approving a waiver of the BRC, CDE shall ensure that a balanced budget is adopted by December 31, 2018. 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 2019-2020 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, 2018 deadline, the district shall submit a viable board-approved budget and multi-year expenditure plan that will reverse the deficit spending trend with the 2018-2019 First Interim Report (due December 14, 2018).

As the district works toward resubmission of a budget reduction plan, it is essential that the cash flow statements and the budget balancing timeline be submitted by October 19, 2018 (extended from October 8). The district requested this extension to prepare these materials so they might work closely with the Labor Management Consortium on budget plan options and then submit their plan. It is important that the line items in the timeline include a notation with each item that will require negotiations.

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.

If you have any questions or concerns regarding this review, please call Tamara Sanchez at 916.228.2551.

Sincerely,



David W. Gordon  
Sacramento County Superintendent of Schools

DWG/TS/ds

Enclosure: CDE Waiver Request Form

cc: Jessie Ryan, Board President, SCUSD  
John Quinto, Chief Business Officer, SCUSD  
Tamara Sanchez, Assistant Superintendent, SCOE  
Michael H. Fine, Chief Executive Officer, FCMAT  
Nick Schweizer, Deputy Superintendent, CDE  
Debra Wilkins, District Fiscal Services Director, SCOE  
Terri Ryland, Fiscal Advisor, SCOE

# California Department of Education Request for Waiver of Budget Review Committee

The \_\_\_\_\_ County Superintendent of Schools has disapproved the Adopted Budget of the \_\_\_\_\_ School District for fiscal year \_\_\_\_\_.

Pursuant to the provisions of Education Code Section 42127(g) and 42127 (i)(3), the Governing Board of the School District and the County Superintendent request to waive the requirement that a budget review committee be formed. Following are the reasons for the mutual decision to waive a budget review committee and the alternative course of action that will be taken:

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Signature of District Governing Board President or Designee Date

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Contact Name and Title Telephone

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Signature of County Superintendent or Designee Date

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Contact Name and Title Telephone

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Approved by the California Department of Education

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Caryn Moore, Director, School Fiscal Services Division

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Send or fax this document by **November 8th** to:

Janet Finley, Consultant  
Management Assistance Unit  
School Fiscal Services Division  
California Department of Education  
1430 N Street, Suite 3800  
Sacramento, California 95814

Telephone Number (916) 323-5091 / FAX Number (916) 327-6157