

October 28, 2020-2021 Re-Adopted Budget

Dear Superintendent Aguilar:

BACKGROUND

In our August 4, 2020 letter, the Sacramento County Office of Education (SCOE) **disapproved** the Sacramento City Unified School District's (SCUSD) 2020-2021 Adopted Budget. Per Education Code requirements, the district was instructed to revise the 2020-2021 Adopted Budget and submit it to this office no later than October 8, 2020. The district was also required to submit a viable, board-approved, budget-balancing 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. Our office continues

CASH FLOW SHORTAGES

Fiscal Year 2020-2021

Cash flow projections show the district anticipates a negative cash balance from May 2021 to September 2021 due to the Principal Apportionment Deferrals. The district will try to utilize cash flow management options such as TRANs or deferral waivers. We will work closely with the district on cash management strategies as much as is practicable.

Fiscal Year 2021-2022

Due to the use of the above-mentioned options, it appears the district may avoid cash flow insolvency in the 2020-2021 fiscal year. However, the 2021-2022 cash flow projection shows that the district anticipates a negative cash balance beginning in March 2022, again due to the Principal Apportionment Deferrals. The district continues to show negative cash flow projections even after the cash deferrals are repaid or forgiven. It appears the district will not have the ability to repay any cash flow borrowing after March 2022, therefore, the cash management options available to the district in 2020-2021 may be limited, and possibly nonexistent by 2021-2022. This would lead to insolvency and the need for an emergency apportionment.

FCMAT LETTER

In May of 2020, SCUSD and FCMAT entered into an agreement for FCMAT to provide management assistance to the district by developing an independent, multi-year financial projection and cash flow analysis to determine whether the district will need an emergency appropriation. On September 15, 2020, following completion of their fieldwork, FCMAT issued a letter of their findings and recommendations. Education Code provides that th 7 (l)-1 (t)-5 (i) T J T d [mu]-7 (l)-1 Tw 4.d [20]10 ()-10 (di)(an)1 (et)12 (tnd)9.ati8Rfuld(ec)

Jorge A. Aguilar, Superintendent
October 28, 2020
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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, 2020, the BRC shall review the proposed budget of the district and .22 -1.122a-

We continue our request that the district provide the following:

- Commit to using only on-going funding sources to pay for on-going expenditures.
- Recognize the one-time nature of savings due to COVID-19, and project future budgets accordingly.
- Immediately address attendance-taking strategies of classroom teachers, assuring current-year enrollment and attendance accounting is accurate, ensuring full funding for the district.
- Expedite development and implementation of procedures to update position control and reconcile it to budget and payroll on a periodic basis, and no less than at each financial reporting period.
- 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 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. 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