

# Sacramento Office of Education County

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David W. Gordon  
Superintendent

November 17, 2011

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Walt L. Hanline, Ed.D.  
Interim Superintendent  
Natomas Unified School District  
1901 Arena Boulevard  
Sacramento, CA 95834

**SUBJECT: Budget Review**

Dear Superintendent Hanline:

My office has completed its review of the Natomas Unified School District's September 30, 2011 budget submission that was requested by my office in my August 15, 2011 letter to you. Now that the 2010-2011 books are closed and the 2011-2012 budget has been adjusted for current district changes, the estimates to date show an unrestricted ending fund balance of \$16.9 million. Cash flow projections submitted show improvement. While some months have negative cash balances in both the 2011-2012 and 2012-2013 years, this is reasonable when compared to the cash deferrals being passed down by the State. Unfortunately, in 2013-2014, the cash remains negative for most of the year. The budget submission continues to show significant deficit spending in 2012-2013 and 2013-2014. The district submitted two budget scenarios for our review. While one budget is based on negotiated concessions to provide budget savings starting July 1, 2012, the second submission does not include that budget assumption. In each scenario, a significant structural deficit spending issue still exists. If negotiated concessions are implemented, the deficit spending is \$6.4 million in 2012-2013 and \$6.8 million in 2013-2014. If the concessions are not achieved, the deficit spending is \$7.9 million in 2012-2013 and \$10.3 million in 2013-2014. My understanding is that negotiations are not currently taking place with any of the associations, but the district is working diligently to bring NTA to the negotiations table to discuss the concessions provided in the first budget scenario.

Due to the improvement in the district's financial position, the district is no longer in negative budget status. The improvement in cash position has allowed my office to cancel our request for an emergency loan and is asking the Fiscal Crisis and Management Assistance Team to stop its process to declare Natomas Unified School District a fiscal emergency.



While this is a positive step, I am still greatly concerned with the district budget situation. Due to the continued volatility in both the State and the district budgets, it is imperative that the district act now with additional spending cuts and budget balancing measures to fix the structural deficit spending of the district. While a major step has been accomplished in averting a State loan, the district needs to remain diligent in its efforts to cut spending to assure that the district does not fall back into a financial crisis again.

I would like to thank you and your staff for your cooperation and hard work during this difficult time. As always, please call if you have any questions.

Sincerely,



David W. Gordon  
Sacramento County Superintendent of Schools

DWG/DW/jm

cc: Bruce Roberts, Board President, NUSD  
Douglas Crancer, Chief Financial Officer, Business Services, NUSD  
Anita Schwab, Director, Financial Services, NUSD  
Tamara Sanchez, Assistant Superintendent, SCOE  
Debra Wilkins, Coordinator, District Fiscal Services, SCOE