



SACRAMENTO CITY UNIFIED SCHOOL DISTRICT BOARD OF EDUCATION

Agenda Item# 11.5

Meeting Date: September 17, 2026

Subject: Approve 2026-27 Budget Revisions and Updated Cash Flow Projections

- ☐ Information Item Only
- ☐ Approval on Consent Agenda
- ☐ Conference (for discussion only)
- ☐ Conference/First Reading (Action Anticipated: _____)
- ☐ Conference/Action
- ☒ Action
- ☐ Public Hearing

Division: Business Services

Recommendation: Approve the 2026-27 Budget Revisions and Updated Cash Flow Projections.

Background/Rationale: As presented at the September 10 Board meeting, the District reviewed the adopted 2026–27 budget as part of its ongoing fiscal planning and budget monitoring efforts. This review identified additional revenues, expenditure reductions, and other adjustments that warrant incorporation into the current fiscal year budget.

The proposed revisions are intended to strengthen the District's fiscal position and align budgeted expenditures with current operational needs and projected funding sources. The adjustments include revenue enhancements, expenditure reductions previously approved through the Fiscal Stabilization Plan (FSP), and revised Special Education expenditure projections.

The proposed revisions substantially reduce the District's projected deficit. However, the District remains below the minimum reserve requirement and must continue implementing recurring fiscal solutions to achieve long-term financial stability.

The revised cash flow projections provide an updated view of the District's anticipated cash position throughout the fiscal year and support ongoing financial monitoring, expenditure management, and fiscal decision-making.

Financial Considerations: The \$208.3 million represents a gross estimate of potential fiscal improvement. All revenue and expenditure adjustments remain subject to verification, implementation, and reconciliation. The final net fiscal impact will be reported in the District's 2026–27 First Interim Report.

LCAP Goal(s): Goal 1 – Graduation Outcomes, Goal 2 – Academic Outcomes, and Goal 3 – Welcoming and Safety Outcomes

Documents Attached:

1. 2026-27 Budget Revision and Updated Cash Flow Projections Executive Summary

Estimated Time of Presentation: 10 minutes

Submitted by: Gerardo Castillo, CPA, Chief Business Officer

Approved by: Cancy McArn, Superintendent

Board of Education Executive Summary

Business Services

Fiscal Year 2026-27 Budget Revisions and Cash Flow Update

September 17, 2026



At the September 10, 2026 Board meeting, the Administration presented the proposed FY 2026-27 Budget Revision Process and the supporting analysis for Board review and discussion. No approval of the budget revisions was requested at that meeting. The September 17, 2026 Board meeting is the action item at which the Administration recommends that the Board approve the budget revisions summarized below and authorize their incorporation into the District's FY 2026-27 budget and multi-year projection.

The proposed revisions result in a net improvement of \$208,321,046 in the District's projected financial position. After the revisions, the adopted operating deficit decreases to approximately \$424,342. The revised projection remains below the required reserve level and therefore requires continued implementation, validation, and monthly monitoring.

Reconciled Budget Impact

Adjustment category	Increase in sources	Expenditure reduction	Net improvement
Revenue adjustments	\$35,688,040		\$35,688,040
Other financing sources	\$35,119,075		\$35,119,075
Expenditure reductions		\$137,513,931	\$137,513,931
Total budget improvement	\$70,807,115	\$137,513,931	\$208,321,046

The combined \$70,807,115 increase in sources consists of \$35,688,040 in revenue adjustments and \$35,119,075 in other financing sources.

Revenue and Other Financing Sources

The revenue adjustment totals \$35,688,040. It includes \$7,000,000 in federal Medi-Cal reimbursements, \$30,861,969 in other state revenue, \$23,613,421 in retiree-benefit cost reimbursements, and a \$25,787,350 reduction to STRS on-behalf revenue. The separate \$35,119,075 redevelopment transfer is recorded as another financing source, including approximately \$31.7 million in one-time funding and \$3.4 million identified as ongoing.

The STRS on-behalf revenue reduction is paired with an equal \$25,787,350 reduction in expenditures. The matching entries correct the budgeted pass-through amount and have no net effect on fund balance. Revenue and financing sources will be recognized after staff confirms entitlement, collectability, fiscal-year availability, restrictions, Board authorization, and accounting classification.

Expenditure Revisions

The expenditure adjustment column totals \$137,513,931. This amount includes the \$66,850,000 Fiscal Stabilization Plan approved on July 30, 2026; a \$34,303,409 Special Education reduction based on a 2.5 percent growth target over 2025-26 actual expenditures; a \$4,000,000 MTSS

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funding alignment using Title I carryover; the \$25,787,350 STRS on-behalf expenditure adjustment; and \$6,573,172 of additional reductions included in the multi-year projection.

Upon Board approval, the Fiscal Stabilization Plan and related reductions will be posted by department, position or vendor, resource, purchase order, and exact SACS expenditure object. Savings will be recognized as the formal budget reductions are posted and staff confirms that the underlying spending has been eliminated, reduced, or avoided.

Special Education and MTSS

The Special Education revision reduces the current \$297,651,750 budget to approximately \$263,348,341, a reduction of \$34,303,409. Implementation will be validated against position control, negotiated compensation, executed contracts, encumbrances, transportation obligations, indirect-cost calculations, and all services required by students' individualized education programs. No reduction may interfere with the District's obligation to provide a free appropriate public education.

The \$4,000,000 MTSS adjustment consists of \$2,880,000 in certificated salaries and \$1,120,000 in employee benefits supported with Title I carryover. Staff will confirm that the carryover is available and allowable and that the realignment releases unrestricted resources without duplicating another reduction.

Fund Balance and Reserve Position

The \$208,321,046 net improvement reduces the projected FY 2026-27 operating deficit to approximately \$424,342. Due to the closing of the 2025-26 fiscal year, the beginning fund balance adjustment increases the projected beginning balance from negative \$20,126,296 to \$586,199. After applying the revised operating result, the projected ending fund balance is approximately \$161,857. Although the revisions materially improve the District's position, the projection does not meet the minimum reserve requirement.

Cash Flow Projection

While the proposed budget revisions materially improve the District's budgeted financial position, an improvement to the budget does not necessarily result in an immediate improvement to cash flow. Budget revisions recognize anticipated revenues, other financing sources, expenditure reductions, and accounting adjustments; however, cash flow is affected by the actual timing of cash receipts and disbursements. Certain revenues may not be received until later in the fiscal year, and some expenditure reductions may improve the projected ending fund balance without generating immediate cash savings. In addition, accounting adjustments such as the STRS on-behalf entries have no cash impact. Accordingly, the District must continue to separately monitor cash balances and monthly cash-flow projections to ensure sufficient liquidity to meet payroll and other obligations as they become due.

Based on the estimated timing of cash receipts and disbursements, the District projects an ending cash balance of approximately \$1,741,086 as of June 30, representing only 0.21% of the District's \$828,505,427 total budget. This projection assumes that all underlying assumptions materialize as

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anticipated, including the timing and amount of state, federal, and local receipts and planned expenditures.

Because the projected cash balance provides virtually no margin for timing differences, delayed revenues, unanticipated expenditures, or other forecast variances, the District remains in an extremely high-risk cash position. Even a relatively minor deviation from the assumptions could result in a cash shortfall, even with borrowing limit “overdraft protection” of \$111.1 million. As of September 14, 2026, the district has used \$56.5 million.

Recommended Board Action

1. Approve the FY 2026-27 Budget Revisions presented and analyzed at the September 10, 2026 Board meeting, resulting in a net budget improvement of \$208,321,046.
2. Approve \$35,688,040 in revenue adjustments and \$35,119,075 in other financing sources, subject to verification of entitlement, collectability, fiscal-year recognition, restrictions, Board authorization, and accounting classification.
3. Authorize \$137,513,931 in expenditure reductions and accounting adjustments, with each entry posted to the applicable SACS account string and supported by specific operational or accounting documentation.
4. Confirm the Special Education expenditure target of approximately \$263,348,341 and require continued compliance with program, bargaining, and legal obligations.
5. Direct staff to incorporate the approved revisions into the FY 2026-27 budget and multi-year projection and continue monthly reporting that distinguishes approved targets, posted budget revisions, collected revenue, realized savings, one-time and ongoing amounts, implementation delays, replacement costs, fiscal risks, and corrective actions.

Board approval on September 17 authorizes the District to implement and post the proposed budget revisions reviewed on September 10. The approved amounts will be incorporated into the FY 2026-27 budget and the multi-year projection and reported through the District's interim financial reporting process. Continued monitoring remains necessary because the revised projection does not yet meet the minimum reserve requirement.