

*cc: Julie Chapin*



Stanislaus County  
Office of  
Education

October 9, 2009

**RECEIVED**

OCT 12 2009  
Tom Changnon, Superintendent

**BUSINESS SERVICES DIVISION**

1100 H Street • Modesto, CA 95354 • (209) 238-1900 • FAX (209) 238-4225

Arturo Flores, Superintendent  
Modesto City Schools  
426 Locust St.  
Modesto, CA 95351

Dear Mr. Flores:

On September 4, 2009, our office indicated by letter to you, and to the district superintendent, that Modesto City School's 2009-10 adopted budget had been assigned a 'conditional approval' status. As we have since discussed, your budget was indeed approved; however, we did have some follow-up items for discussion.

We met on Tuesday, October 6, 2009 at SCOE and reviewed your 2009-10 budget and your multi-year projection. At that time, you indicated that your 2008-09 fiscal year had ended with an unanticipated increase to fund balance over what the 2008-09 estimated actuals that accompanied your 2009-10 budget had presented. This increase was due, in large part, to the Federal Stimulus or ARRA funding that was received in 2008-09 towards the later part of the fiscal year. Additionally, you indicated your district has taken action to form a Budget Advisory Committee charged with generating approximately \$15 million in cuts for the 2010-11 school year in order to remain fiscally solvent. We note the \$15 million is likely a baseline and that additional cuts may need to be enacted if the district's financial condition worsens in the immediate future.

During the course of our discussion it became evident to us that you and the Board of Education are proactively addressing the district's budget shortfall during these challenging times. With that in mind, I am officially retracting the 'conditional' designation to our approval of your 2009-10 adopted budget. ←

Finally, I caution you to recognize that the state's economy has not improved significantly and most experts agree the state budget may already be close to \$15 billion out of balance! Clearly, there is a high probability that additional budget cuts to education are forthcoming and these cuts will necessitate additional cuts at the local level for most districts.

Should you have any questions or concerns regarding this correspondence, please feel free to contact me.

Sincerely,

Don Gatti  
Assistant Superintendent, Business Services

pc: Stephen Grenbeaux, Board President