



# SACRAMENTO CITY UNIFIED SCHOOL DISTRICT BOARD OF EDUCATION

Agenda Item# 8;3

**Meeting Date:** April 25, 2011

**Subject:** Contracts Presentation, Part 2

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

**Learning Support Unit/Department:** Administrative Services

**Recommendation:** Receive information regarding the process and procedures used by the district as they relate to contracts as well as receive responses to questions asked at the April 7, 2011 Board meeting.

**Background:** At previous Board meetings, the Board and public have expressed an interest in learning more about the contracts issued by the district. This is the second presentation on contracts with staff providing information requested by the Board.

**Financial Considerations:** To be discussed as part of workshop.

**Documents Attached:**

1. Executive Summary with Attachments

<p><b>Estimated Time:</b> 10 minutes</p> <p><b>Submitted by:</b> Patricia A. Hagemeyer, Chief Business Officer</p> <p><b>Approved by:</b> Jonathan P. Raymond, Superintendent</p>
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# Board of Education Executive Summary

## Administrative Services

Contracts Presentation, Part 2

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### I. Overview/History:

The following information is shared with the Board to provide greater understanding of our current contracts. Over the last year, staff have been extensively reviewing contracts in order to align resources with the district strategic plan. Many contracts were eliminated as a result of this in-depth review. Staff will continue their review of contracts to ensure alignment and accountability with the strategic plan and will seek new ways to eliminate costs and free up resources. Requests for Proposals will continue to be issued as a means to ensure competition and retain the best firms to provide services to the district.

As discussed at the April 7, 2011 Board meeting, public works contracts (construction contracts) are not included as their requirements and guidelines are significantly different than the standard contract for consultant/ independent contractor. A public works contract is defined in Public Contract Code Section 1101, as an agreement for the erection, construction, alteration, repair, or improvement of any public structure, building, road, or other public improvement of any kind. Public works contracts may come back to the Board in an additional workshop.

At the April 7, 2011 Board meeting, staff presented information – both summary and detail of contracts. Personal services were discussed and determined they were included as part of the contracts presentation. During the discussion, the Board requested additional information:

- Identify if vendors were local or out of state
- Identify schools that receive after-school or youth development services
- Identify if contracts are annual
- Group contracts in “categories”

This information has been provided on Attachment A which is included. Information new from the previous Board meeting has been identified with a “bold” format.

In addition, the Board requested the following:

- Historical look at funds spent on contracts
- Contracts that were eliminated or reduced for 2010-11
- Contracts that will be eliminated or reduced for 2011-12

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- Similar "Escape" report provided by Hawthorne School District

Attachment B provides a historical look at contracts/charges in object codes 5100 and 5800. For California school districts, accounting for these expenditure contracts is standardized per the California School Accounting Manual (CSAM). The CSAM outlines the use of the Standardized Account Code Structure (SACS) which defines how different expenditures are coded in a district's financial system. For Professional/Consulting Services and Operating Expenditures under which most of our contracts fall, we are required to use object code 5800. The object code is one section of a string of 31 numbers which provide a variety of information (the location, the source of the funding, the function or activity, etc.) In certain cases (non-administrative contracts), object code 5100 is used for contracts in excess of \$25,000. If contracts are in excess of \$25,000, the first \$25,000 is coded to object code 5800 and the remaining amount of the non-administrative contract is coded to object code 5100. For display purposes on the attached documents, object codes 5100 and 5800 are combined.

Attachment C provides a list of contracts that were eliminated or reduced in 2010-11 and those that will be eliminated or reduced for 2011-12. Funds from these eliminations or reductions may be redirected to other programs or needs that align with the strategic plan.

Attachment D is a comparable report to what was provided by Hawthorne School District (10,000 enrollment) at the April 7, 2011 Board meeting. The two week period of their report was four pages and the SCUSD comparable report for that same time frame was seventeen pages. Staff have included a report for the same two week period – February 28, 2011 through March 13, 2011. It is important to note that this report includes information on any purchase that requires a Purchase Order—this includes supply items as well. In an effort to be fully transparent, staff proposes presenting this report on a monthly basis. The first report could be presented at a Board meeting in May for the month of April. The length of the report will vary depending on the time of year. It would be significantly larger in September and April than perhaps in November and December. Staff will provide an explanation of the various columns with the first submission of the report. Questions pertaining to specific purchases could be answered at the following Board meeting. Also, in the interest of even further transparency, contracts that are over the \$78,900 limit that come before the Board for approval will include the contract.

At the Board meeting, a review of expected contracts for 2011-12 will be presented and discussed.

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### II. Driving Governance:

- Education Code Section 17605 states, "The governing board by majority vote may adopt a rule, delegating to any officer or employee of the district as the board may designate, the authority to purchase supplies, materials, apparatus, equipment and services. No rule shall authorize any officer or employee to make any purchases involving an expenditure by the district in excess of the amount specified by Section 20111 of the Public Contract Code. The rule shall prescribe the limits of the delegation as to time, money and subject matter."
- Public Contract Code Section 20111 states, "The governing board of any school district, in accordance with any requirement established by that governing board pursuant to subdivision (a) of Section 2000, shall let any contracts involving an expenditure of more than fifty thousand dollars (\$50,000) for any of the following: (1) The purchase of equipment, materials, or supplies to be furnished, sold, or leased to the district; (2) Services, except construction services; and (3) Repairs, including maintenance as defined in Section 20115, that are not a public project as defined in subdivision (c) of Section 22002." In addition, section (d) states, "commencing January 1, 1997, the Superintendent of Public Instruction shall annually adjust the dollar amounts specified in subdivision (a) to reflect the percentage change in the annual average value of the Implicit Price Deflator for State and Local Government Purchases of Goods and Services for the United States, as published by the United States Department of Commerce for the 12-month period ending in the prior fiscal year."
- Board Policy 3312 states, "All purchases shall be made by formal contract or purchase orders, or shall be accompanied by a receipt."

### III. Budget:

In preparing for the contracts discussion, staff reviewed General Fund encumbrances and expenditures in object codes 5100 and 5800 through March 10, 2011. Encumbrances are obligations to pay, actual payments haven't been made but the funds are obligated. While some items outlined below are not what would normally be considered "contracts," for transparency purposes, they have been included.

Attachment A provides detailed information for contracts over \$50,000. This information includes the date the requisition was initiated and the term of the contract; the total amount of the requisition; the name of the site or department initiating the requisition; the person who is

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responsible for the requisition; the vendor followed by the location of that vendor; general comments regarding the contract; the purpose of the contract; the expected outcomes from the contract; how those outcomes will be measured; and how the contract aligns to the strategic plan.

Detailed information is distributed between unrestricted and restricted funding sources (as defined by SACS). While all funds are within the General Fund, unrestricted funds are generally dollars allocated to the district without specific restrictions or requirements. In other words, no strings are attached. Restricted funds are considered categorical in nature and usually have guidelines on how they may be used.

Attachment B provides summary historical information. It is important to remember that there are many factors that can create a large increase or decrease in expenditures. An example of this on an unrestricted funding source would be the final payment of the early retirement incentive (PARS) that ended in 2008-09. There is a large reduction of expenditures in 2009-10 as we weren't making that PARS payment of \$3.771 million in 2009-10. An example on a restricted funding source of expenditures increasing would be the receipt of a large grant such as the American Recovery and Reinvestment Act (ARRA) Title I funds.

Attachment C outlines the contracts that were eliminated in 2010-11 as well as a list of contracts that are to be eliminated or reduced in 2011-12. Again, funding sources (unrestricted and restricted) have been identified. It is important to note that savings from eliminating these contracts will be redirected to Strategic Plan Initiatives.

### **IV. Goals, Objectives and Measures:**

Provide the process and detailed information to the Board and public regarding contracts. Schedule additional meeting time as needed to ensure the Board and public are fully aware of district practices and procedures regarding contracts. Receive feedback from the Board on next steps.

### **V. Major Initiatives:**

Use discussion and review as a guide to ensure continuous improvement on the review and issuing of contracts.

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### VI. Results:

The attached information provides further information as staff and the Board work together to define procedures for presenting contract information to the Board.

### VII. Lessons Learned/Next Steps:

- Continue review of current and future contracts.
- Provide additional information as requested.