SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
BOARD OF EDUCATION

Agenda Item# 9.5

Meeting Date: July 21, 2011

Subject: Coherent Governance Operational Expectations (OE) Policy 5 – Financial Planning

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

Segment/Department: Office of the Superintendent

Recommendation:

Approve reasonable interpretation of Operational Expectations 5.

Background/Rationale:

On May 20, 2010, the Board passed coherent governance, Board Governing Policies that establish and govern the Board's culture and its relationship with the Superintendent. As part of this model, the Superintendent and staff will make regular presentations regarding predetermined desired Results of various aspects of district administration. A work plan/schedule for these presentations has been developed by staff to ensure a thorough and detailed process. This presentation is regarding "Financial Planning."

Financial Considerations: None

Documents Attached:
1. Operational Expectations 5 – Financial Planning

Estimated Time of Presentation: 5 minutes
Submitted by: Jonathan P. Raymond, Superintendent
Approved by: N/A

Sacramento City Unified School District

OE-5: Financial Planning

July 21, 2011

I certify that the information in this report is true.

Signed: _____ Date: _____
Jonathan P. Raymond, Superintendent

Disposition of the Board

Date for Monitoring: August, 2012

___ Compliance
___ Not in compliance
___ Compliance with Exception

Signed: _____ Date: _____
Gustavo Arroyo, Board President

Comments:
_____
_____

OE-5: Financial Planning	**Superintendent**		**Board of Education**	
The Superintendent shall develop and maintain a balanced financial plan that is related directly to the Board's Results priorities and Operational Expectations goals.	**In Compliance**	**Not in Compliance**	**In Compliance**	**Not in Compliance**

Interpretation:

I interpret "develop and maintain a balanced financial plan" to mean that the district will provide financial information to the Board and stakeholders at regularly scheduled reporting periods. The financial plan will include Adopted, First and Second Interim reports as well as debt service instruments which could include Certificates of Participation, General Obligation Bonds, Tax Revenue and Anticipation Notes or other debt service. Information presented to the Board will include options to maintain a balanced budget for the upcoming fiscal year. I interpret "directly related to the Board's Results priorities and Operational Expectations goals" to mean that information presented to the Board and stakeholders at regularly scheduled reporting periods will include funds identified to support *Strategic Plan 2010-2014*: *Putting Children First.*

OE-5.1	Superintendent		Board of Education	
The Superintendent will develop a budget that: Is in a summary format understandable to the Board and public, presented in a manner that allows the Board to understand the relationship between the budget and the Results priorities and any Operational Expectations goals for the year.	**In Compliance**	**Not in Compliance**	**In Compliance**	**Not in Compliance**

BP 3000: Concepts and Roles
BP 3100: Budget
AR 3100: Budget
BP 3460: Financial Reports and Accountability
AR 3460: Financial Reports and Accountability

Interpretation:

I interpret this to mean that the key components of the Annual Adopted Budget will be summarized and presented to the Board. The Annual Adopted Budget is required to be in the California Standardized Account Code Structure (SACS). While this detailed account is useful for those familiar with school district budgets, it can be daunting for the public. Accordingly, the Chief Business Officer or designee will summarize the budget by explaining the total General Fund revenues and expenditures, the main type of anticipated expenditures within the General Fund and the assumptions made in estimated revenues and expenditures. The relationship between the budget and the Results priorities and the Operational Expectations goals for the year will be presented to the Board by showing the percentage of funds allocated to the instructional program as compared to other operating expenditures, dedicated resources to major district strategies and other related information.

Indicators for Compliance:

- PowerPoint presentation from Annual Adopted Budget Board meeting will include information outlined in the interpretation
- SACS Documents presented at the Annual Adopted Budget Board meeting
- Presentations and/or documents from Board meetings regarding assumptions and allocations leading up to the approval of the Annual Adopted Budget

OE-5.2	Superintendent		Board of Education	
The Superintendent will develop a budget that: ***Describes revenues, expenditures and fund balances with accuracy.***	**In Compliance**	**Not in Compliance**	**In Compliance**	**Not in Compliance**

BP 3000: Concepts and Roles
BP 3100: Budget
AR 3100: Budget
BP 3460: Financial Reports and Accountability
AR 3460: Financial Reports and Accountability

Interpretation:

I interpret this to mean that the Annual Adopted Budget will follow the state required Standardized Account Code Structure (SACS) format to provide the various revenues expected to be received and the funds expected to be spent by the district during the period from July 1through June 30 of the following year. The Annual Adopted Budget will provide realistic assumptions regarding the major components of revenues and expenditures based on the best information known at the time. The Annual Adopted Budget will be submitted to the Sacramento County Office of Education with all required supporting documentation.

Indicators for Compliance:

- The most recently available fiscal year's audited financial results will be used as evidence of whether budgeting methods are realistic and predictably attainable
- The Annual Adopted Budget will be available on the district's website
- Notification from the Sacramento County Office of Education that they have received the district's Annual Adopted Budget

OE-5.3	Superintendent		Board of Education	
The Superintendent will develop a budget that: ***Shows the amount spent in each budget category for the most recently completed fiscal year, the amount budgeted for the current fiscal year, and the amount budgeted for the next two fiscal years.***	**In Compliance**	**Not in Compliance**	**In Compliance**	**Not in Compliance**

BP 3000: Concepts and Roles
BP 3100: Budget
AR 3100: Budget
BP 3460: Financial Reports and Accountability
AR 3460: Financial Reports and Accountability

Interpretation:

I interpret this to mean that at key reporting periods -- Annual Adopted budget, First Interim and Second Interim -- documents presented to the Board will provide a summary by major object code of General Fund budgeted expenditures that includes four years of data. The first column will be the prior year that has ended and may or may not yet be audited and will include actual expenditures. The second column will include budgeted expenditures for the current budget year followed by two years of projected budgeted expenditures. Major object codes are defined as Certificated Salaries, Classified Salaries, Employee Benefits, Books and Supplies, Services/Other Operating Expenditures, Capital Outlay and Other Outgo.

Indicators for Compliance:

- Annual Adopted Budget will include the data as outlined in the interpretation above
- First Interim Financial Report will include the data as outlined in the interpretation above
- Second Interim Financial Report will include the data as outlined in the interpretation above

OE-5.4	**Superintendent**		**Board of Education**	
The Superintendent will develop a budget that: ***Discloses budget planning assumptions.***	**In Compliance**	**Not in Compliance**	**In Compliance**	**Not in Compliance**

BP 3000: Concepts and Roles
BP 3100: Budget
AR 3100: Budget
BP 3460: Financial Reports and Accountability
AR 3460: Financial Reports and Accountability

Interpretation:

I interpret this to mean that throughout the budget development process for the upcoming fiscal year, the Board will be provided in a public meeting the major assumptions used to determine projected revenues or expenditures. Assumptions will include: changes to the revenue limit funding as determined by the state; increases or decreases in state and federal funding; significant negotiated total compensation agreements ("significant" is defined as impacting the majority of the bargaining unit); and anticipated cost increases including, but not limited to, insurance and utilities.

Indicators for Compliance:

- Documents from public Board meetings which may include PowerPoint presentations as well as state-required SACS documents
- Annual Adopted Budget documents presented to the Board for the upcoming year

OE-5.5	**Superintendent**		**Board of Education**	
The Superintendent will develop a budget that: ***Assures fiscal soundness.***	**In Compliance**	**Not in Compliance**	**In Compliance**	**Not in Compliance**

BP 3000: Concepts and Roles
BP 3100: Budget
AR 3100: Budget
AR 3110: Transfer of Funds
BP 3460: Financial Reports and Accountability
AR 3460: Financial Reports and Accountability

Interpretation:

I interpret "fiscal soundness" to mean that the Annual Adopted Budget that is presented will show a positive General Fund ending fund balance. I also interpret "fiscal soundness" to mean that the Required Reserve for Economic Uncertainties will be no less than the minimum of the state required percentage unless specifically approved by the Board. In addition, the Annual Adopted Budget will meet each of the state adopted "Criteria and Standards." If a specific criterion or standard is not met, a reasonable explanation will be provided in the document.

Indicators for Compliance:

- Unaudited Actuals for the prior year will show a positive ending fund balance
- Annual Adopted Budget, First and Second Interim reports will reflect, at a minimum, the state-required percentage for the Reserve for Economic Uncertainties or the agenda item approved by the Board that specifically states the Reserve has been reduced
- The Annual Adopted Budget, First and Second Interim reports will include "Standards and Criteria" documents with reasonable explanations provided for any criterion or standards not met

OE-5.6	Superintendent		Board of Education	
The Superintendent will develop a budget that: ***Reflects anticipated changes in employee compensation, including inflationary adjustments, step increases, performance increases and benefits.***	**In Compliance**	**Not in Compliance**	**In Compliance**	**Not in Compliance**

BP 3000: Concepts and Roles
BP 3100: Budget
AR 3100: Budget
BP 3460: Financial Reports and Accountability
AR 3460: Financial Reports and Accountability

Interpretation:

I interpret this to mean that the Annual Adopted Budget and the First and Second Interim reports will include significant negotiated total compensation agreements. I define "significant" as agreements that impact the majority of the bargaining unit. The Annual Adopted Budget will include the most current information available regarding employee compensation or benefit information. Costs for step and column increases and increased health insurance premiums are included in the Annual Adopted Budget. Major changes that may take place throughout the year are included in the First or Second Interim reports.

Indicators for Compliance:

- AB1200 requirements are met which include prior approval of negotiated agreements by the Sacramento County Office of Education
- Budget projections will specifically identify increased costs for employee compensation
- Standards and Criteria documents will reflect negotiated settlement information

OE-5.7	Superintendent		Board of Education	
The Superintendent may not develop a budget that: ***Plans for the expenditure in any fiscal year of more funds that are conservatively projected to be available during the year.***	**In Compliance**	**Not in Compliance**	**In Compliance**	**Not in Compliance**

BP 3000: Concepts and Roles
BP 3100: Budget
AR 3100: Budget
BP 3300: Expenditures/Expending Authority
AR 3300: Expenditures/Expending Authority
BP 3460: Financial Reports and Accountability
AR 3460: Financial Reports and Accountability

Interpretation:

I interpret this to mean that anticipated revenues for the year are based on factual information, wherever possible. When factual information is not available, estimates will be made conservatively. "Conservatively" means that based upon a range of possible revenue from that source, the estimate actually budgeted will be at the low end of the range. Recommendations from the Sacramento County Office of Education, education experts such as School Services of California and School Innovations & Advocacy and other outside sources of information will be taken into consideration.

Indicators for Compliance:

- In the Annual Adopted Budget and First and Second Interim reports, expenditures will not exceed budgeted revenues plus beginning fund balance which state law or accounting standards deem available for specified expenditures
- The district has produced a budget that includes key budget indicators that have been validated with the Sacramento County Office of Education and education experts such as School Services of California

OE-5.8	**Superintendent**		**Board of Education**	
The Superintendent may not develop a budget that: ***Allows for a carry-over fund of monies in any budget line item that fails to appropriately be used for its intended purpose.***	**In Compliance**	**Not in Compliance**	**In Compliance**	**Not in Compliance**

BP 3000: Concepts and Roles
BP 3100: Budget
AR 3100: Budget
AR 3110: Transfer of Funds
BP 3460: Financial Reports and Accountability
AR 3460: Financial Reports and Accountability

Interpretation:

I interpret this to mean that the district will not build in to any budget or budget projections, the use of unspent funds from the previous fiscal year. The exception to this is when a granting agency directs the district to do so. This would apply to federal, state and local funds that must be spent for a specific purpose. This would not include funds that may be identified by the federal, state or local agency as "sweep-able" or "unrestricted." An example would be Tier III programs that the state recently changed

from restricted categorical funds for a specific purpose to unrestricted funds for district general purpose use.

Indicators for Compliance:

- Annual external audits indicate no misuse of funds
- No notifications from federal, state or local agencies that indicate a misuse of funds