



# SACRAMENTO CITY UNIFIED SCHOOL DISTRICT BOARD OF EDUCATION

Agenda Item 9.5

**Meeting Date:** February 2, 2023

**Subject:** Board Policy BP 3100: Business and Noninstructional Operations  
(Reserves and Use of One-Time Funds)

- Information Item Only
- Approval on Consent Agenda
- Conference (for discussion only)
- Conference
- Conference/Action
- Action
- Public Hearing

**Division:** Business Services

**Recommendation:** Review the Board Approved revisions to Board Policy BP 3100: Business and Noninstructional Operations which include the increase of the general fund expenditure reserve from the minimum 2% to a 5% reserve level. Implementation for establishing the 5% minimum reserve level to begin in fiscal year 2022-2023 or after the deficit is eliminated.

Revisions to Board Policy BP 3100: Business and Noninstructional Operations also include Board approval for use of One-Time funds which will require separate action.

**Background/Rationale:** In order to maintain fiscal solvency, restore stability and address long term financial issues, the Board approved revisions to BP 3100 to establish and maintain a general fund reserve for economic uncertainty at no less than 5%.

Furthermore, the Board also revised BP 3100 to consider any proposed use of One-Time funding and will take separate action to approve such uses.

The proposed revisions to BP 3100 were presented to the Board at publicly held board meetings listed as follows:

- February 6, 2020 and May 21, 2020 Board Meetings - first reading on the proposed revisions to BP 3100 on reserves and use of one-time funds
- June 18, 2020 Board Meeting – second reading on the proposed revisions to BP 3100 on reserves and use of one-time funds
- February 18, 2021 - third reading on the proposed revisions to BP 3100 on reserves and use of one-time funds

**Financial Considerations:** Increase minimum general fund reserve from the minimum 2% to a 5% reserve level in fiscal year 2022-2023 or after the deficit is eliminated. The Board shall consider any proposed use of One-Time funding and shall take separate action to approve such uses.

**LCAP Goal(s):** Family and Community Empowerment; Operational Excellence

**Documents Attached:**

1. Executive Summary
2. BP 3100: Business and Noninstructional Operations

**Estimated Time:** N/A

**Submitted by:** Rose Ramos, Chief Business Officer

**Approved by:** Jorge A. Aguilar, Superintendent

# Board of Education Executive Summary

## Business Services

Board Policy BP 3100: Business and Noninstructional Operations  
(Reserves and Use of One-Time Funds)

February 2, 2023



### I. OVERVIEW/HISTORY:

On March 4, 2021 the Sacramento City Unified School District Board approved revisions to board policy (BP) 3100 Business and Noninstructional Operations in order to increase the general fund expenditure reserve from the minimum 2% to a 5% reserve level. Implementation for establishing the 5% minimum reserve level would begin in fiscal year 2022-2023 or after the deficit was eliminated. BP 3100 was also revised to include the use of One-Time funding and Board approval for use of One-Time funds which would require separate board action.

In October 2018, FCMAT conducted a Fiscal Health Analysis Study of the District. The Fiscal Review Report presented to the Board in December 2018 contains all of the findings of the study. The FCMAT study listed significant risk factors including persistent deficit spending, substantial reductions in fund balance, inadequate reserve levels and use of one-time funds for ongoing expenses. The District has been working with the Fiscal Advisor and staff to implement FCMAT's recommendations.

In March 2019, the District was notified by the California State Auditor's office that an audit of the District would be conducted. The audit was completed and the report that was released in December 2019 also highlighted the same risk factors as noted in the 2018 FCMAT study.

The recommendations of both the FCMAT Report and the State Audit Report support the District's decision to revise and implement policies which will guide the District's budget process.

- February 6, 2020 and May 21, 2020 Board Meetings - first reading on the proposed revisions to BP 3100 on reserves and use of one-time funds
- June 18, 2020 Board Meeting – second reading on the proposed revisions to BP 3100 on reserves and use of one-time funds
- February 18, 2021 Board Meeting – third reading on the proposed revisions to BP 3100 on reserves and use of one-time funds
- March 4, 2021 Board Meeting – Board Approval to revise BP 3100 Business and Noninstructional Operations on reserves and use of one-time funds

### II. DRIVING GOVERNANCE:

- Education Code section 42103 requires the governing board of each school district shall hold a public hearing on the proposed budget in a school district facility, or some other place conveniently accessible to the residents of the school district for public inspection.

# Board of Education Executive Summary

## Business Services

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- Education Code section 42127 requires the Governing Board of each school district to adopt a budget on or before July 1st. Article XIII section 36(e)(6) requires the Governing Board to approve Education Protection Account proposed expenditures in open session of a public meeting. The budget to be adopted shall be prepared in accordance with Education Code section 42126. The adopted budget shall be submitted to the County Office of Education. The County Office of Education will determine if the district will be able to meet its financial obligations during the fiscal year and ensure a financial plan that will enable the district to satisfy its multi-year financial commitments.

### III. BUDGET:

Due to the importance of maintaining reserve levels during stable and volatile economic times, the District will establish a 5% reserve for general fund expenditures. Implementation for establishing the 5% minimum reserve level is recommended to begin fiscal year 2022-2023 or after the deficit is eliminated. Furthermore, the District shall consider any proposed use of One-Time funding and shall take separate action to approve such uses. The Board may determine to allocate one-time funding to a single year or multi-year expenditure. A supplemental budget display shall be presented to the Board for approval that clearly explains the following:

- source of funds and any restrictions or guidance on the use of one-time funding
- expiration of one-time funds
- explanation of proposed use of one-time funds
- if proposed use of one-time funds is to support an on-going expenditure, provide a rationale and plan to support the expenditure after the expiration of the one-time funding

### IV. GOALS, OBJECTIVES AND MEASURES:

Maintain fiscal solvency, restore stability and address the long term financial issues of the District.

### V. MAJOR INITIATIVES:

Maintain a 5% reserve level to address economic uncertainty. Proposed use of One-Time funding shall require separate board action to approve such uses.

### VI. RESULTS:

Update Board Policy BP 3100 to address reserve level needed to establish and maintain fiscal solvency.

# Board of Education Executive Summary

## Business Services

Board Policy BP 3100: Business and Noninstructional Operations  
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### VII. LESSONS LEARNED/NEXT STEPS:

- Continue to monitor the state budget and its impact on the district finances
- Continue to monitor the District and state fiscal health
- Continue to work with the Sacramento County Fiscal Advisor
- Ensure recommendations and corrective actions found in the State Audit Report are implemented
- Ensure recommendations and corrective actions found in the FCMAT Report are implemented

## **Budget**

The Governing Board accepts responsibility for adopting a sound budget that is compatible with the District's vision and goals.

(cf. 3300 – Expenditures/Expending Authority)

The Board encourages public input in the budget development process and shall hold public hearings in accordance with the law.

The Superintendent or designee shall determine the manner in which the budget is developed and shall schedule the budget adoption process in accordance with the single budget adoption process.

## **Reserve for Economic Uncertainty**

*Per BP 3100, the Board shall establish and maintain a general fund reserve for economic uncertainty that meets or exceeds the requirements of 5 CCR 15443. The reserve for economic uncertainty for the District will be established at no less than 5% of total general fund expenditures. In the event that the District falls below the 5% level, the percentage level will be restored at a rate of no less than one percent per year until the five percent level is reached.*

*In the event that restoring the reserve at a rate of 1% per year will result in a negative impact to students due to reductions in student programs, the Board may elect to restore the reserve at a rate less than 1% per year.*

*Beginning with the 2022-2023 budget or after the deficit is eliminated, the District shall maintain a 5% reserve of the total general fund expenditures.*

## **One-Time Funds**

*One-Time funding should be used for one-time expenditures and shall only be used for an on-going expenditure as a last resort. As part of the approval of the annual budget, the Board shall consider any proposed use of One-Time funding and shall take separate action to approve such uses. The Board may determine to allocate one-time funding to a single year or multi-year expenditure. A supplemental budget display shall be presented to the Board for approval that clearly explains the following:*

- *source of funds and any restrictions or guidance on the use of one-time funding*
- *expiration of one-time funds*
- *explanation of proposed use of one-time funds*
- *if proposed use of one-time funds is to support an on-going expenditure, provide a rationale and plan to support the expenditure after the expiration of the one-time funding*

Legal Reference:

EDUCATION CODE

1620-1630 County office of education budget approval

Sacramento City USD | BP 3100 Business and Noninstructional Operations (Reserves and Use of One-Time Funds)

33127 Development of standards and criteria for local budgets and expenditures

33128 Standards and criteria

33129 Standards and criteria; use by local agencies 35035 Powers and duties of superintendent

35161 Powers and duties, generally, of governing boards

42103 Public hearing on proposed budget; requirements for content of proposed budget; publication of notice of hearing

42122-42129 Budget requirements

42132 Resolutions identifying estimated appropriations limit

42602 Use of unbudgeted funds

42610 Appropriation of excess funds and limitation thereon

44518-44519.2 Chief business officer training program 45253 Annual budget of personnel commission

45254 First year budget of personnel commission GOVERNMENT CODE

7900-7914 Expenditure limitations CODE OF REGULATIONS, TITLE 5

15440-15452 Criteria and standards for school district budgets

15467-15479 Criteria and standards for county office of education budgets

Management Resources:

CDE MANAGEMENT ADVISORY

0203.92 Implementation of AB 1200, 92-03

Policy SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

Adopted: November 16, 1998 Sacramento, California

Reviewed: November 5, 2001

Reviewed: February 6, 2020

Reviewed: May 21, 2020

Reviewed: June 18, 2020

Reviewed: February 18, 2021

Sacramento City USD | BP 3100 Business and Noninstructional Operations (Reserves and Use of One-Time Funds)

Adopted: March 4, 2021