



SACRAMENTO CITY UNIFIED SCHOOL DISTRICT BOARD OF EDUCATION

Agenda Item# 11.2

Meeting Date: June 18, 2020

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

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

Division: Business Services

Recommendation: Review the 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 is recommended to begin fiscal year 2022-2023 or after the deficit is eliminated.

Revisions to Board Policy BP 3100: Business and Noninstructional Operations will also include the use of One-Time funding for ongoing expenditures as a last resort and Board approval for use of One-Time funds will be required as a separate action.

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

Furthermore, the District shall consider any proposed use of One-Time funding and shall take separate action to approve such uses.

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 District 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 of Presentation: 10 minutes
Submitted by: Rose Ramos, Chief Business Officer
Approved by: Jorge A. Aguilar, Superintendent

Board of Education Executive Summary

Business Services

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

June 18, 2020



I. OVERVIEW/HISTORY:

The District will establish a 5% reserve level for general fund expenditures that meets or exceeds the requirements of 5 CCR 15443. Implementation for establishing the 5% minimum reserve level is recommended to begin fiscal year 2022-2023 or after the deficit is eliminated.

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 the findings of the study. 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 was released in December 2019.

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.

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.
- 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.

Board of Education Executive Summary

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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 take separate action to approve such uses.

VI. RESULTS:

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

VII. LESSONS LEARNED/NEXT STEPS:

- Work with Sacramento County Fiscal Advisor on mitigation measures for reserve deficiency.
- 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. ~~The Board shall establish and maintain a reserve that meets or exceeds the requirements of law.~~

(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 can elect to restore the reserve at a rate less than 1% per year.

Implementation for establishing the 5% minimum reserve level is recommended to begin fiscal year 2022-2023 or after the deficit is eliminated.

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.~~

Legal Reference:

EDUCATION CODE

1620-1630 County office of education budget approval

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

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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