



SACRAMENTO CITY UNIFIED SCHOOL DISTRICT BOARD OF EDUCATION

Agenda Item# 9.3

Meeting Date: April 13, 2023

Subject: Revised 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/First Reading
- Conference/Action
- Action
- Public Hearing

Division: Business Services

Recommendation: Review the proposed revisions to Board Policy BP 3100: Business and Noninstructional Operations for the increase of the general fund expenditure reserve from the minimum 2% to a 5% reserve level.

No revisions proposed to Board Policy BP 3100: Business and Noninstructional Operations for use of One-Time funds.

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

Options for revising Board Policy BP 3100: Business and Noninstructional Operations 5% reserve level of general fund expenditures.

1. Eliminate the 5% reserve and only maintain the 2% required reserve
2. Suspend the 5% reserve and only maintain the 2% required reserve
3. Reduce the 5% reserve to an amount above the 2% required reserve

Financial Considerations: Revise BP 3100 - 5% reserve level

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

Documents Attached:

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

Estimated Time: 10 minutes

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)

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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.

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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 in fiscal year 2022-2023 or after the deficit is eliminated. A few fiscal uncertainties that the District may be facing in the near future include:

- Lower COLA in future years – which would reduce ongoing revenues
- Recession – which may impact the State budget and result in funding reductions to education
- Current and future salary settlements – which may increase ongoing expenditures
- Declining enrollment – which would reduce ongoing revenues
- Declining ADA rate – which will reduce ongoing revenues

Therefore, higher reserves can assist the District in managing these fiscal uncertainties.

The board can take action to revise BP 3100 Business and Noninstructional Operations 5% reserve level. Possible options for revising:

1. Eliminate the 5% reserve and only maintain the 2% required reserve
2. Suspend the 5% reserve and only maintain the 2% required reserve
3. Reduce the 5% to an amount above the 2% required reserve but less than the 5%

IV. GOALS, OBJECTIVES AND MEASURES:

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

V. MAJOR INITIATIVES:

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

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VI. RESULTS:

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

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