



# SACRAMENTO CITY UNIFIED SCHOOL DISTRICT BOARD OF EDUCATION

Agenda Item# 10.6

**Meeting Date:** May 17, 2012

**Subject:** Coherent Governance Operational Expectations 5 (OE-5) - Financial Planning - Monitoring Report

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

**Division:** Superintendent's Office

**Recommendation:** Approve Coherent Governance Operational Expectations 5 (OE-5) - Financial Planning - Monitoring Report.

**Background/Rationale:** The Board has directed the Superintendent to provide Monitoring Reports on a regular schedule at open session Board meetings. Monitoring determines the degree to which Board policies are being met. This report is designed to share progress toward the results the Board expects to see for the school system, as well as the effectiveness of the system's operations. This report, therefore, is a review of the organization's performance as it relates to Operational Expectations 5 – Financial Planning.

The report includes the following information:

- The policy
- The Superintendent's certification
- Reasonable Interpretation of the policy
- Evidence of compliance

After the Board meets in open session to discuss the report, two additional sections of the report will be completed by the Board chair:

- Disposition of the Board (The policy is found by the Board to be "in compliance," "in compliance with exceptions," or "not in compliance.")
- Comments

The Board will discuss the data and conclusions from the Monitoring Report in open session. At the end of the discussion, the Board will vote as to whether it will accept the report, as presented, as evidence of reasonable interpretation and reasonable progress toward achieving the Board's policy. The Board will determine whether the policy is "in compliance," "in compliance with exceptions," or "not in compliance." If the policy is found to be "in compliance with exceptions," or "not in compliance," the Board has the option to direct the Superintendent to correct the non-compliance indicators and report back to the Board at a time outside the regular monitoring schedule.

**Financial Considerations:** None.

**Documents Attached:**

1. OE-5 - Monitoring Report

<p><b>Estimated Time of Presentation:</b> 5 minutes <b>Submitted by:</b> Jonathan P. Raymond, Superintendent <b>Approved by:</b> N/A</p>
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**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**  
**Operational Expectation Monitoring Report**  
**OE-5: Financial Planning**  
**May 17, 2012**

**PART I: THE POLICY**

**OE-5: Financial Planning**

The Superintendent shall develop and maintain a balanced financial plan that is related directly to the Board's Results priorities and Operational Expectations goals.

**PART II: SUPERINTENDENT'S CERTIFICATION**

I certify that the information in this report is true for the period

beginning July 21, 2011, and ending May 16, 2012.

Based on this report, I believe the school system is

- In compliance
- In compliance with exceptions
- Not in compliance

Signed: \_\_\_\_\_ Date: \_\_\_\_\_  
Jonathan P. Raymond, Superintendent

**PART III: DISPOSITION OF THE BOARD**

Based on this report and our discussion, the Board of Education finds this OE policy to be

- In compliance
- In compliance with exceptions
- Not in compliance

Signed: \_\_\_\_\_ Date: \_\_\_\_\_  
Diana Rodriguez, Board President

**PART IV: COMMENTS**

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**PART V: INTERPRETATION**

**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 the Strategic Plan 2010-2014.

OE-5.1	Superintendent		Board of Education	
<p><i>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.</i></p>	In Compliance	Not in Compliance	In Compliance	Not in Compliance

**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) and is very detailed and voluminous. 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:**

I, as the Superintendent, will show compliance through the following indicators:

- 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

<b>EVIDENCE OF COMPLIANCE</b>
<ul style="list-style-type: none"> <li>• At the June 23, 2011 Board meeting, a PowerPoint presentation for the 2011-12 Adopted Budget included a summary and detail of the General Fund revenues and expenditures. In addition, the assumptions used for the 2011-12 Adopted Budget were included. The PowerPoint presentation was posted as part of the Board meeting agenda and can be found on the district's website at <a href="http://207.166.7.2/BoardofEducation/Meetings/Documents/20110623/1112AdoptedBudget%206%2023%2011.pdf">http://207.166.7.2/BoardofEducation/Meetings/Documents/20110623/1112AdoptedBudget%206%2023%2011.pdf</a></li> </ul>
<ul style="list-style-type: none"> <li>• As part of the 2011-12 Adopted Budget presented to the Board on June 23, 2011, the state required Standardized Account Code Structure (SACS) reports were included. SACS reports reflected expenditures by function which included: Instruction; Instruction Related Services; Pupil Services; Ancillary Services; Community Services; General Administration; Plant Services; and, Other Outgo. This document was posted on the district's website at <a href="http://207.166.7.2/BoardofEducation/Meetings/Documents/20110623/proposed%20budget.pdf">http://207.166.7.2/BoardofEducation/Meetings/Documents/20110623/proposed%20budget.pdf</a>. In addition, the 2011-12 Budget Book contained budget detail for district departments and initiatives. The 2011-12 Budget Book can be found on the district's website at <a href="http://www.scusd.edu/about-district">www.scusd.edu/about-district</a>.</li> </ul>
<ul style="list-style-type: none"> <li>• Assumptions and allocations were discussed for the 2011-12 Adopted Budget at the following Board meetings: <ul style="list-style-type: none"> <li>- January 20, 2011 <a href="http://207.166.7.2/BoardofEducation/Meetings/Pages/20110120.aspx">http://207.166.7.2/BoardofEducation/Meetings/Pages/20110120.aspx</a></li> <li>- February 3, 2011 <a href="http://207.166.7.2/BoardofEducation/Meetings/Pages/20110203.aspx">http://207.166.7.2/BoardofEducation/Meetings/Pages/20110203.aspx</a></li> <li>- February 17, 2011 <a href="http://207.166.7.2/BoardofEducation/Meetings/Pages/20110217.aspx">http://207.166.7.2/BoardofEducation/Meetings/Pages/20110217.aspx</a></li> <li>- March 3, 2011 <a href="http://207.166.7.2/BoardofEducation/Meetings/Pages/20110303.aspx">http://207.166.7.2/BoardofEducation/Meetings/Pages/20110303.aspx</a></li> <li>- May 19, 2011 <a href="http://207.166.7.2/BoardofEducation/Meetings/Pages/20110519.aspx">http://207.166.7.2/BoardofEducation/Meetings/Pages/20110519.aspx</a></li> <li>- June 2, 2011 <a href="http://207.166.7.2/BoardofEducation/Meetings/Pages/20110602.aspx">http://207.166.7.2/BoardofEducation/Meetings/Pages/20110602.aspx</a></li> <li>- June 23, 2011 (final budget adoption) <a href="http://207.166.7.2/BoardofEducation/Meetings/Pages/20110623.aspx">http://207.166.7.2/BoardofEducation/Meetings/Pages/20110623.aspx</a></li> </ul> </li> <li>• Board Action on items incorporated into the 2011-12 Adopted Budget were taken on the following dates: <ul style="list-style-type: none"> <li>- February 17, 2011 (link listed above)</li> <li>- March 3, 2011 (link listed above)</li> <li>- June 2, 2011 (link listed above)</li> <li>- June 23, 2011 (link listed above)</li> </ul> </li> </ul>

OE-5.2	Superintendent		Board of Education	
<i>The Superintendent will: Describe revenues, expenditures and fund balances with accuracy.</i>	In Compliance	Not in Compliance	In Compliance	Not in Compliance

**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 1<sup>st</sup> through June 30<sup>th</sup> 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:**

I, as the Superintendent, will show compliance through the following indicators:

- The most recent 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

EVIDENCE OF COMPLIANCE
<ul style="list-style-type: none"> <li>• <b>The 2011 Financial Audit, Page 54, reflects revenue and expenditure information beginning with the original (Adopted) budget, the final budget and the actual revenues and expenditures. Variances are normal and the fund balance variance was positive. The 2011 Financial Audit can be found on the district’s website at <a href="http://www.scusd.edu/financial-statements-auditors-reports">www.scusd.edu/financial-statements-auditors-reports</a>.</b></li> </ul>
<ul style="list-style-type: none"> <li>• <b>The district received notification dated August 15, 2011 that the Sacramento County Office of Education received and reviewed the 2011-12 Annual Adopted Budget. See Attachment A.</b></li> </ul>

OE-5.3	Superintendent		Board of Education	
<i>The Superintendent will: Show 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.</i>	In Compliance	Not in Compliance	In Compliance	Not in Compliance

**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 the General Fund budgeted expenditures which will include four years of data. I interpret the General Fund as defined by the California School Accounting Manual. 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:**

I, as the Superintendent, will show compliance through the following indicators:

- 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

EVIDENCE OF COMPLIANCE
<ul style="list-style-type: none"> <li>• The 2011-12 Annual Adopted Budget included three out of the four years of data outlined in the interpretation above. The Adopted Budget for 2011-12 was presented to the Board on June 23, 2011. The presentation can be found at <a href="http://207.166.7.2/BoardofEducation/Meetings/Pages/20110623.aspx">http://207.166.7.2/BoardofEducation/Meetings/Pages/20110623.aspx</a></li> </ul>
<ul style="list-style-type: none"> <li>• The 2011-12 First Interim Financial Report included three out of the four years of data outlined in the interpretation above. The First Interim Financial Report was presented to the Board on December 14, 2012. The presentation can be found at <a href="http://207.166.7.2/BoardofEducation/Meetings/Documents/20111214/First%20Interim12%2014%2011.pdf">http://207.166.7.2/BoardofEducation/Meetings/Documents/20111214/First%20Interim12%2014%2011.pdf</a></li> </ul>
<ul style="list-style-type: none"> <li>• The 2011-12 Second Interim Financial Report included three out of the four years of data outlined in the interpretation above. The Second Interim Financial Report was presented to the Board March 15, 2012. The report can be found at <a href="http://www.scusd.edu/regular-board-education-meeting/regular-board-meeting-march-15-2012">http://www.scusd.edu/regular-board-education-meeting/regular-board-meeting-march-15-2012</a>.</li> </ul>
<ul style="list-style-type: none"> <li>• The 2010-11 Unaudited Actuals presented to the Board on October 6, 2011 included the year of data not presented with the Adopted Budget, First and Second Interim Reports. A</li> </ul>

consolidated format will be implemented with the 2012-13 Adopted Budget. The Unaudited Actuals can be found at <http://207.166.7.2/BoardofEducation/Meetings/Pages/20111006.aspx>

OE-5.4	Superintendent		Board of Education	
<i>The Superintendent will: Disclose budget planning assumptions.</i>	In Compliance	Not in Compliance	In Compliance	Not in Compliance

**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), anticipated cost increases including but not limited to insurance and utilities.

**Indicators for Compliance:**

I, as the Superintendent, will show compliance through the following indicators:

- 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

EVIDENCE OF COMPLIANCE
<ul style="list-style-type: none"> <li>• <b>Assumptions related to revenues and expenditures regarding the 2011-12 Adopted Budget were discussed at the following Board meetings:</b> <ul style="list-style-type: none"> <li>- <b>January 20, 2011</b> <a href="http://207.166.7.2/BoardofEducation/Meetings/Pages/20110120.aspx">http://207.166.7.2/BoardofEducation/Meetings/Pages/20110120.aspx</a></li> <li>- <b>February 3, 2011</b> <a href="http://207.166.7.2/BoardofEducation/Meetings/Pages/20110203.aspx">http://207.166.7.2/BoardofEducation/Meetings/Pages/20110203.aspx</a></li> <li>- <b>February 17, 2011</b> <a href="http://207.166.7.2/BoardofEducation/Meetings/Pages/20110217.aspx">http://207.166.7.2/BoardofEducation/Meetings/Pages/20110217.aspx</a></li> <li>- <b>March 3, 2011</b> <a href="http://207.166.7.2/BoardofEducation/Meetings/Pages/20110303.aspx">http://207.166.7.2/BoardofEducation/Meetings/Pages/20110303.aspx</a></li> <li>- <b>May 19, 2011</b> <a href="http://207.166.7.2/BoardofEducation/Meetings/Pages/20110519.aspx">http://207.166.7.2/BoardofEducation/Meetings/Pages/20110519.aspx</a></li> </ul> </li> </ul>

- June 2, 2011  
<http://207.166.7.2/BoardofEducation/Meetings/Pages/20110602.aspx>
  - June 23, 2011 (final budget adoption)  
<http://207.166.7.2/BoardofEducation/Meetings/Pages/20110623.aspx>
  - Assumptions were outlined in PowerPoint presentations for the Board to utilize while making budget decisions. Expenditure assumptions included negotiated compensation increases or decreases. Board meetings that included discussions of assumptions related to revenues and expenditures regarding the 2012-13 Adopted Budget have been held on:
    - December 14, 2011  
<http://207.166.7.2/BoardofEducation/Meetings/Pages/20111214.aspx>
    - January 12, 2012  
<http://207.166.7.2/BoardofEducation/Meetings/Pages/20120112.aspx>
    - February 2, 2012  
<http://207.166.7.2/BoardofEducation/Meetings/Pages/20120202.aspx>
    - March 15, 2012  
<http://www.scusd.edu/regular-board-education-meeting/regular-board-meeting-march-15-2012>.
    - April 19, 2012  
<http://www.scusd.edu/regular-board-education-meeting/regular-board-meeting-april-19-2012>
  - All supporting documents and PowerPoint presentations are available on the district's website at the above mentioned websites.
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- The assumptions used for revenues and expenditures are included in the 2011-12 Adopted Budget which was approved by the Board on June 23, 2011, beginning on Page 6. The 2011-12 Adopted Budget can be found on the district's website at  
<http://207.166.7.2/BoardofEducation/Meetings/Pages/20110623.aspx>
  - Similar information will be provided in the 2012-13 Adopted Budget, which will be presented to the Board on June 21, 2012.

OE-5.5	Superintendent		Board of Education	
<i>The Superintendent will: Assure fiscal soundness.</i>	In Compliance	Not in Compliance	In Compliance	Not in Compliance

**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:**

I, as the Superintendent, will show compliance through the following indicators:

- 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

<b>EVIDENCE OF COMPLIANCE</b>
<ul style="list-style-type: none"> <li>• Unaudited actuals were presented to the Board on October 6, 2011 for the 2010-11 fiscal year. Page 5 of the document reflects positive ending fund balances for all funds. The document can be found on the district’s website at <a href="http://207.166.7.2/BoardofEducation/Meetings/Pages/20111006.aspx">http://207.166.7.2/BoardofEducation/Meetings/Pages/20111006.aspx</a></li> </ul>
<ul style="list-style-type: none"> <li>• The 2011-12 Adopted Budget was approved by the Board on June 23, 2011 and, as indicated on page 15 of that document on the multi-year projection, the district met its 2% reserve requirement for 2011-12. The 2012-13 Adopted Budget, which will be presented to the Board on June 21, 2012, will include the required 2% reserve. The 2011-12 First Interim Report was approved by the Board on December 14, 2011 and, as indicated on page 39 of that document, the district met its 2% required reserves. This report can be found at <a href="http://207.166.7.2/BoardofEducation/Meetings/Pages/20111214.aspx">http://207.166.7.2/BoardofEducation/Meetings/Pages/20111214.aspx</a>. The 2011-12 Second Interim Report was approved by the Board on March 15, 2012 and, as indicated on page 39 of that document, the district met its 2% required reserve. These documents can be found on the district’s website at <a href="http://www.scusd.edu/regular-board-education-meeting/regular-board-meeting-march-15-2012">http://www.scusd.edu/regular-board-education-meeting/regular-board-meeting-march-15-2012</a>.</li> </ul>
<ul style="list-style-type: none"> <li>• The 2011-12 Adopted Budget was approved by the Board on June 23, 2011. Beginning on page 160, standards and criterion documents are provided with explanations for criterion or standards that were not met. Standards and criterion are established by state guidelines and are part of the state required SACS documents. The 2011-12 First Interim Report, which was approved by the Board on December 14, 2011, includes standards and criterion documents beginning on page 67 and includes explanations for variances not met. This report can be found at <a href="http://207.166.7.2/BoardofEducation/Meetings/Pages/20111214.aspx">http://207.166.7.2/BoardofEducation/Meetings/Pages/20111214.aspx</a>. The 2011-12 Second Interim Report, which was approved by the Board on March 15, 2012, includes standard and criterion documents beginning on page 67. Explanations are provided for variances not met. These documents can be found on the district’s website at <a href="http://www.scusd.edu/regular-board-education-meeting/regular-board-meeting-march-15-2012">http://www.scusd.edu/regular-board-education-meeting/regular-board-meeting-march-15-2012</a>.</li> </ul>

OE-5.6	Superintendent		Board of Education	
<i>The Superintendent will: Reflect anticipated changes in employee compensation, including inflationary adjustments, step increases, performance increases and benefits.</i>	In Compliance	Not in Compliance	In Compliance	Not in Compliance

**Interpretation:**

I interpret this to mean that the Annual Adopted Budget, First and Second Interim reports will include significant negotiated total compensation agreements with significant defined as impacting 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:**

I, as the Superintendent, will show compliance through the following indicators:

- 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 document will reflect negotiated settlement information

EVIDENCE OF COMPLIANCE
<ul style="list-style-type: none"> <li>• In response to AB1200 requirements, negotiated agreement information is provided to the Sacramento County Office of Education (SCOE) on Excel forms provided by SCOE. The Board approved a negotiated agreement with United Professional Educators (UPE) at the March 15, 2012 Board meeting. SCOE reviewed the Excel forms and provided an e-mail to the Chief Business Officer dated March 6, 2012 indicating their approval of the agreement. See Attachment B.</li> </ul>
<ul style="list-style-type: none"> <li>• Budget presentations for the 2011-12 Adopted Budget on the following dates included anticipated increased or decreased costs for employee compensation: <ul style="list-style-type: none"> <li>- January 20, 2011 <a href="http://207.166.7.2/BoardofEducation/Meetings/Pages/20110120.aspx">http://207.166.7.2/BoardofEducation/Meetings/Pages/20110120.aspx</a></li> <li>- February 3, 2011 <a href="http://207.166.7.2/BoardofEducation/Meetings/Pages/20110203.aspx">http://207.166.7.2/BoardofEducation/Meetings/Pages/20110203.aspx</a></li> <li>- February 17, 2011 <a href="http://207.166.7.2/BoardofEducation/Meetings/Pages/20110217.aspx">http://207.166.7.2/BoardofEducation/Meetings/Pages/20110217.aspx</a></li> <li>- March 3, 2011 <a href="http://207.166.7.2/BoardofEducation/Meetings/Pages/20110303.aspx">http://207.166.7.2/BoardofEducation/Meetings/Pages/20110303.aspx</a></li> </ul> </li> </ul>

- May 19, 2011  
<http://207.166.7.2/BoardofEducation/Meetings/Pages/20110519.aspx>
  - June 2, 2011  
<http://207.166.7.2/BoardofEducation/Meetings/Pages/20110602.aspx>
  - June 23, 2011 (final budget adoption)  
<http://207.166.7.2/BoardofEducation/Meetings/Pages/20110623.aspx>
  - Budget presentations for the 2012-13 Adopted Budget that included anticipated increased or decreased costs for employee compensation were held on:
    - December 14, 2011  
<http://207.166.7.2/BoardofEducation/Meetings/Pages/20111214.aspx>
    - January 12, 2012  
<http://207.166.7.2/BoardofEducation/Meetings/Pages/20120112.aspx>
    - February 2, 2012  
<http://207.166.7.2/BoardofEducation/Meetings/Pages/20120202.aspx>
    - March 15, 2012  
<http://www.scusd.edu/regular-board-education-meeting/regular-board-meeting-march-15-2012>
    - April 19, 2012  
<http://www.scusd.edu/regular-board-education-meeting/regular-board-meeting-april-19-2012>
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- The 2011-12 Adopted Budget was approved by the Board on June 23, 2011. Section S8 of the School District Criteria and Standards state required report reflects the status of labor agreements. These documents can be found on the district's website at <http://207.166.7.2/BoardofEducation/Meetings/Pages/20110623.aspx>
  - The First Interim Report which was approved by the Board on December 14, 2011 includes School District Criteria and Standards that reflect the status of labor agreements in section S8. These documents can be found on the district's website at <http://207.166.7.2/BoardofEducation/Meetings/Pages/20111214.aspx>
  - The Second Interim Report which was approved by the Board on March 15, 2012 includes School District Criteria and Standards that reflect the status of labor agreements in section S8. These documents can be found on the district's website at <http://www.scusd.edu/regular-board-education-meeting/regular-board-meeting-march-15-2012>

OE-5.7	Superintendent		Board of Education	
<i>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.</i>	In Compliance	Not in Compliance	In Compliance	Not in Compliance

**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:**

I, as the Superintendent, will show compliance through the following indicators:

- 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

<b>EVIDENCE OF COMPLIANCE</b>
<ul style="list-style-type: none"><li>• <b>The following Board approved items include a SACS report summary that reflects revenues, expenditures, beginning and ending fund balances. In each of these three reports, the ending fund balance was a positive number:</b><ul style="list-style-type: none"><li>- <b>2011-12 Adopted Budget approved by the Board on June 23, 2011</b> <a href="http://207.166.7.2/BoardofEducation/Meetings/Pages/20110623.aspx">http://207.166.7.2/BoardofEducation/Meetings/Pages/20110623.aspx</a></li><li>- <b>2011-12 First Interim Financial Report approved by the Board on December 14, 2011</b> <a href="http://207.166.7.2/BoardofEducation/Meetings/Pages/20111214.aspx">http://207.166.7.2/BoardofEducation/Meetings/Pages/20111214.aspx</a></li><li>- <b>2011-12 Second Interim Financial Report approved by the Board on March 15, 2012</b> <a href="http://www.scusd.edu/regular-board-education-meeting/regular-board-meeting-march-15-2012">http://www.scusd.edu/regular-board-education-meeting/regular-board-meeting-march-15-2012</a></li></ul></li></ul>
<ul style="list-style-type: none"><li>• <b>The 2011-12 Adopted Budget included a document beginning on page 6 that outlines assumptions used in the Adopted Budget. The financial projection factors are based on School Services of California Dartboard in conjunction with recommendations from the Sacramento County Office of Education provided to all districts in the county. This document can be found on the district's website at</b> <a href="http://207.166.7.2/BoardofEducation/Meetings/Pages/20110623.aspx">http://207.166.7.2/BoardofEducation/Meetings/Pages/20110623.aspx</a></li></ul>

OE-5.8	Superintendent		Board of Education	
<i>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.</i>	In Compliance	Not in Compliance	In Compliance	Not in Compliance

**Interpretation:**

I interpret this to mean that the district will not build in to any budget or budget projections, the use of funds unspent in one fiscal year that may be used the following year that is not used as directed by the granting agency. 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 “sweepable” 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:**

I, as the Superintendent, will show compliance through the following indicators:

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

EVIDENCE OF COMPLIANCE
<ul style="list-style-type: none"> <li>• <b>The 2011 Financial Audit presented to the Board on January 12, 2012 states, “In our opinion, the financial statement referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Sacramento City Unified School District as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.” Page 90 of the 2011 Financial Audit indicates that no material weaknesses were identified. As noted on page 72, there were no audit adjustments proposed to any funds of the district. The 2011 Financial Audit can be found on the district’s website at: <a href="http://www.scusd.edu/financial-statements-auditors-reports">www.scusd.edu/financial-statements-auditors-reports</a>.</b></li> </ul>
<ul style="list-style-type: none"> <li>• <b>The district did not receive any notifications from federal, state or local agencies that any funds were misused.</b></li> </ul>

# Sacramento Office of Education County

10474 Mather Boulevard  
P.O. Box 269003  
Sacramento, CA 95826-9003  
(916) 228-2500  
www.scoe.net

David W. Gordon  
Superintendent

August 15, 2011

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Jonathan P. Raymond, Superintendent  
Sacramento City Unified School District  
5735 47<sup>th</sup> Avenue  
Sacramento, CA 95824

**SUBJECT: 2011/12 Adopted Budget Report**

Dear Superintendent Raymond:

In accordance with the provisions of Education Code Sections 42127(c)(1) and 33127, we have examined your 2011/12 Adopted Budget to determine whether it complies with the Criteria and Standards adopted by the State Board of Education. We have reviewed your budget and have the following comments:

Under the Education Trailer Bill (AB 114), school districts are required to project "flat revenue funding" for the 2011/12 fiscal year and to maintain "staffing and program levels commensurate with that level." As such, county superintendents may not require school districts to project lower revenue limits as part of the 2011/12 budget approval process. In addition, AB 114 suspends the ability of a county superintendent to require a school district to demonstrate that it is able to meet its financial obligations for the two subsequent fiscal years as a condition of approving the 2011/12 school district budget.

As was outlined in my letter of July 13, 2011, although AB 114 imposed these limitations on fiscal oversight during the 2011/12 fiscal year, it did not eliminate the overall statutory responsibilities of a county superintendent and county office of education to advise, support, and intervene in the school district budget adoption process. Also, it did not eliminate local school boards' responsibilities to balance their budgets and to maintain positive cash balances.

In addition to the above, the Budget Bill requires automatic mid-year state spending reductions if state tax revenues fall short of specific forecast levels. The Budget Bill, in fact, requires specific cuts to public education, including significant reductions to revenue limits and school transportation. Therefore, the same Budget Bill that directs school districts to plan their budgets as if there were no prospect of mid-year cuts also discusses how it will implement mid-year cuts if needed.



Jonathan P. Raymond, Superintendent

August 15, 2011

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Therefore, in order to meet our budget responsibilities under Education Code Section 42127 and be of maximum assistance to districts and their boards, we will be providing two separate analyses for the district's 2011/12 adopted budget. The first analysis will be an advisory rating based on factors that we would normally consider, absent AB 114. The second analysis will be based on the assumptions mandated by AB 114.

Analysis #1 - Advisory

The district submitted the 2011/12 Adopted Budget assuming flat funding. The budget meets the 2% minimum unrestricted reserve for economic uncertainties and is not projecting to deficit spend in the budget year. However, since the budget was adopted, the district has reinstated \$12 million in expenditures. Once the adopted budget is updated, the district will be deficit spending by \$8.1 million in the current year. Furthermore, based on the multi-year assumptions provided to us with the 2011/12 Adopted Budget, the district is projecting to deficit spend \$13.9 million in 2012/13 and \$13.5 million in 2013/14. Once the district includes the current \$12 million in ongoing expenditure increases to the budget, these deficits will increase significantly. Absent any reductions to the budget, the district will become insolvent in 2012/13. If mid-year cuts are triggered and school district revenues are reduced, insolvency would most likely occur in the current year, absent adequate mid-year spending cuts.

Analysis #2 - Mandated Per AB 114

Based on the assumptions mandated by AB 114, your budget is approved as submitted. Based on our advisory review and absent AB 114, this budget would normally have been approved until the reinstatement of the \$12 million in expenditures. With the reinstatement of these expenditures with no submission of a backup plan, the district is dangerously close to insolvency in the current year should mid-year revenue cuts be implemented by the state. Even if mid-year revenue cuts are not implemented by the state, the district is facing an immediate and ongoing structural deficit that should have been addressed before increasing expenditures.

To assist us in further monitoring of the district's budget per Education Code Sections 42127(c)(1) and 33127, we are requesting that the district provide the following:

- In accordance with Education Code 42127(i)(4), "not later than 45 days after the Governor signs the annual Budget Act, the school district shall make available for public review any revisions in revenues and expenditures that it has made to its budget to reflect the funding made available by that Budget Act." In accordance with this provision, please provide our office with a copy of the budget revision no later than August 15, 2011.
- Please provide our office with a Budget Reduction Plan and Timeline for implementing the district's plan to address the ongoing substantial deficit spending of the district by September 30, 2011. Please provide our office with written monthly updates as to the progress the district has made in implementing this plan.

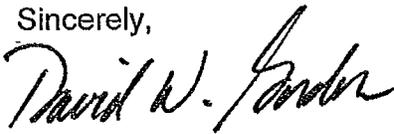
Jonathan P. Raymond, Superintendent  
August 15, 2011  
Page 3

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- Please provide our office with an updated 2011/12 Cash Flow.
- Notify us immediately, and provide for our review, any changes to the budget.
- Continue to closely monitor current and projected enrollment trends and inform us of budget adjustments should enrollment trends fluctuate.
- Before the district's Board of Education takes any action on a proposed collective bargaining agreement, the district must meet the public disclosure requirements of Government Code Section 3547.5 and the California Code of Regulations Title V, Section 15449. **Please submit to the county office for review at least ten (10) working days prior to the date the governing board will take action on the proposed bargaining agreements.** This form must also be available to the public at least ten (10) working days prior to the date the governing board will take action on the proposed bargaining agreements. Also, as provided by the State Criteria and Standards, when labor contract negotiations are settled after the adoption of the district's budget, the district must analyze the budget to determine the effect of the settlement, and the governing board must certify to the validity of the analysis within 45 days of the final settlement. Within this 45-day period, the District Superintendent must also send the County Superintendent any revisions to the district's current budget necessary to fulfill the terms of the agreement.

I would like to thank your staff for their cooperation during our review process. If you have any questions or concerns regarding this review, please feel free to call Debra Wilkins at (916) 228-2294.

Sincerely,



David W. Gordon  
Sacramento County Superintendent of Schools

DWG/DW/jm

cc: Gustavo Arroyo, Board President, S.C.U.S.D.  
Patricia A. Hagemeyer, Chief Business Officer, S.C.U.S.D.  
Tamara Sanchez, Assistant Superintendent, S.C.O.E.  
Debra Wilkins, Coordinator, S.C.O.E.

**Patty Hagemeyer**

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**From:** Tammy Sanchez <tsanchez@scoe.net>  
**Sent:** Tuesday, March 06, 2012 1:54 PM  
**To:** Patty Hagemeyer  
**Subject:** Re: AB1200

Everything has been reviewed and we have no questions, so you are good to go.

Tamara J. Sanchez  
Assistant Superintendent  
Sacramento County Office of Education  
(916) 228-2551

**Patty Hagemeyer <Patty@sac-city.k12.ca.us> on Tuesday, March 06, 2012 at 12:05 PM -0800 wrote:**

Please review the attached cover letter, signed agreement and AB1200 forms for your review. We hope to take this to our Board at the March 15 meeting. Let me know if any questions/comments and if you will approve this agreement. Thank you!