



# SACRAMENTO CITY UNIFIED SCHOOL DISTRICT BOARD OF EDUCATION

Agenda Item# 10.4

**Meeting Date:** February 5, 2015

**Subject:** Resolution: Local Reserves Cap

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

**Department:** Board of Education.

**Recommendation:** The California School Boards Association (CSBA) continues its efforts to repeal the cap on school districts reserve levels. As a critical part of these efforts, CSBA is asking school boards to adopt resolutions calling for the repeal of the reserve cap language.

**Background/Rationale:** The cap provision was part of an education budget trailer bill that Governor Brown signed on June 20, 2014. The trailer bill provision, SB 858, Section 27, is now contained in Education Code Section 42127.01. Td i TJ T\* [(v)14(ot)2(er)7(s)4(

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1. CSBA sample resolution on local reserves cap

<p><b>Estimated Time of Presentation:</b> 10 minutes <b>Submitted by:</b> Darrel Woo, Board President <b>Approved by:</b> José L. Banda, Superintendent</p>
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**Resolution on Local Reserves Cap**  
**SB 858, Section 27/California Education Code 42127.01**  
(Rev. 09.22.14)

WHEREAS, School district governing boards have the obligation to provide a quality education that is essential for an informed citizenry, a competitive economy, a fulfilling life for all students, and the foundation of our democratic society; and

WHEREAS, School district governing boards are responsible for maintaining fiscal solvency of the school systems they govern; and

WHEREAS, The Local Control Funding Formula (LCFF), based on the principle of subsidiarity, provides governing boards, working with interested stakeholders, with the authority to prioritize funds in order to provide quality education for all students, especially those who are English learners, from low income households and who are Foster Youth; and

WHEREAS, Funds for crucial services for school operations, such as payroll, classroom materials, school construction projects, technology, home-to-school transportation, deferred maintenance, etc. often require successful ongoing cash-flow management and disciplined planning, including the creation and maintenance of prudent financial reserves; and

WHEREAS, School district reserve levels, as well as their fund balances, are determined by governing boards to meet local priorities and allow districts to save for potential future expected and unexpected expenditures and for eventual economic downturns; and

WHEREAS, community funded schools (Basic Aid Districts) receive funds only twice a year and must rely on adequate reserves to manage cash flow for normal daily operations and for future purchases and unforeseen events; and

WHEREAS, the statutory minimum for school district reserves for economic uncertainties ranges from 1 to 5 percent, depending on district enrollment, and covers between one to five weeks of payroll, or less than 20 days of total cash flow; and

WHEREAS, Prudent budgeting raises expectations for school districts to establish and maintain reserves above the statutory minimum; and

WHEREAS, the governing board of the NAME OF SCHOOL DISTRICT currently maintains a reserve of approximately ##% for purposes of LIST SOME OF THE REASONS FOR YOUR DISTRICT'S RESERVE LEVEL (i.e., planned expenses/purchases such as a major textbook adoptions, planned projects such as deferred maintenance/HVAC/roofing needs, to meet cash flow needs to allow the district to make payroll etc. during the next economic downturn and when the revenues from Proposition 30 begin to sunset, to maintain an acceptable credit rating, etc.); and

WHEREAS, On June 20, 2014, the Governor signed into law