

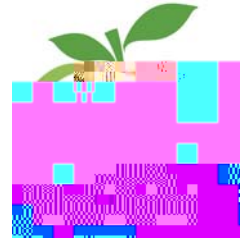
# Board of Education Executive Summary

Administrative Services

Approve 2013-14 District Budget Update and Revision-

State Budget Approval

August 1, 2013



On June 27, 2013, Governor Jerry Brown signed the main state budget bill and on July 1, 2013, he signed all of the trailer bills. These bills collectively enacted a historic shift in how California funds education. We have presented to the Board and posted to our website on several occasions (June 13<sup>th</sup>, June 20<sup>th</sup>, and July 18<sup>th</sup>) the impact of this legislation on our District. In addition, attached to this Executive Summary is the letter from the California Department of Education regarding the 2013-14 Budget. [Click here to view the letter.](#)

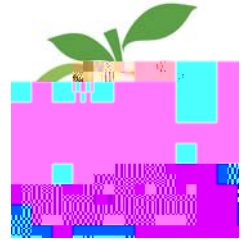
# Board of Education Executive Summary

Administrative Services

Approve 2013-14 District Budget Update and Revision-

State Budget Approval

August 1, 2013



What must be done to ensure that the District can live within its means? While we will continue to work on ways to improve our systems, we have identified the following things that must be done if we are to ensure that our current situation, having to immediately reduce expenditures in some areas to cover unanticipated expenditures in others, does not happen again.

Recommended operational changes to ensure budget integrity and consistent timely

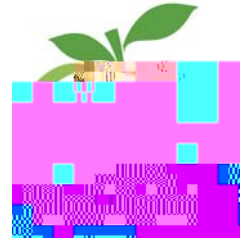
# Board of Education Executive Summary

Administrative Services

Approve 2013-14 District Budget Update and Revision-

State Budget Approval

August 1, 2013



Conduct a complete review of all budgets to identify shortfalls and overages within the current budget year. (Immediately)

- Zero base budgets and establish new baseline to emphasize District priorities.
- Have budget manager's approve their budget.
- Have budget manager's approve their staffing.

Develop a comprehensive budget calendar and requirements list to ensure that all operational costs are considered in time to ensure proper prioritization during the budget planning process. (Immediately - complete by October 31, 2013)

- Utilize calendar to schedule meetings to obtain input for budget priorities.
  - Schedule meetings with ALL stakeholders.
  - Schedule Board work sessions.

Provide professional development for staff to increase their level of proficiency.

Upgrade training materials and post to website so public has access to "How To Read & Use" Sacramento City Unified financial and budget information.

Develop "in District" reporting capabilities.

In response to a question from the Board at the June 20<sup>th</sup> Board Meeting it is our recommendation that the District change the budget revision process to require Board approval to:

- Increase overall expenditures within a fund.
- Increase overall anticipated revenue within a fund.
- Significantly alter a program or budget within a fund.
- Establish a new program without an identified ongoing revenue source.
- Accept a grant or donation that requires matching funds that have not been identified or funded from an existing budget or supplemental funding source.

Maintain Board ratification of routine budget transactions.

Develop multi year reports and forecasts.

Formalize and document the District forecasting system for enrollment/attendance.

Continue to evaluate methods for system improvement.

Develop and present to the Board both operational and fund balance reserve policies.

## II. DRIVING GOVERNANCE:

Education Code Section 42127(i)(4) states that "Not later than 45 days after the Governor signs the annual Budget Act, 9 0 TD 0 Tc <000312254 0 TD .0026 Te 4.9895 0 TD 0 Tc <0003>T

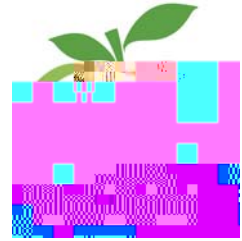
# Board of Education Executive Summary

Administrative Services

Approve 2013-14 District Budget Update and Revision-

State Budget Approval

August 1, 2013



## III. BUDGET:

Since the adoption of the budget, revenues have changed due to the adoption of Local Control Funding Formula (LCFF) and difficulty in obtaining our MediCal Reimbursement. A summary of the adopted budget and proposed revisions is provided below:

### BUDGET AS ADOPTED

			<b>% of Type</b>
Certificated Salaries	\$	164,744,256	42.8%
Classified Salaries	\$	48,498,232	12.6%
Employee Benefits	\$	107,848,057	28.0%
Books & Supplies	\$	14,496,788	3.8%
Services/Other Operating Expenses	\$	48,701,731	12.6%
Capital Outlay	\$	249,877	0.1%
Other Expenses	\$	2,125,000	0.6%
Indirect Support	\$	(1,642,764)	-0.4%

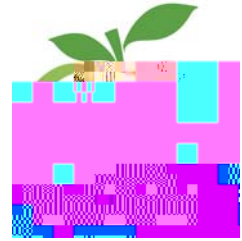
# Board of Education Executive Summary

Administrative Services

Approve 2013-14 District Budget Update and Revision-

State Budget Approval

August 1, 2013



<b>Adopted Change In Ending Fund Balance</b>		
Beginning Fund Balance July 1	\$ 11,807,617	+
Change In Fund Balance	\$ (2,282,795)	-
<b>Projected Ending Fund Balance June 30</b>	<b>\$ 9,524,822</b>	<b>=</b>

<b>Adopted Components Of Ending Fund Balance</b>		
Revolving Cash	\$ 225,000	+
Stores Inventory	\$ 320,000	+
Reserve For Economic Uncertainty	\$ 8,979,822	+
<b>Total Non-Spendable</b>	<b>\$ 9,524,822</b>	<b>= +</b>
<b>Unappropriated Fund Balance</b>	<b>\$ -</b>	<b>+</b>
<b>Projected Ending Fund Balance June 30</b>	<b>\$ 9,524,822</b>	<b>=</b>

Next page contains recommended revisions.

# Board of Education Executive Summary

Administrative Services

Approve 2013-14 District Budget Update and Revision-

State Budget Approval

August 1, 2013





# Board of Education Executive Summary

Administrative Services

Approve 2013-14 District Budget Update and Revision –

State Budget Approval

August 1, 2013

Corrected  
7/30/2013 07:00 AM





# Board of Education Executive Summary

Administrative Services

Approve 2013-14 District Budget Update and Revision-

State Budget Approval

August 1, 2013



The proposed revisions present a balanced budget that does not utilize any of our State required Reserve for Economic Uncertainty. It should be noted that our

# Board of Education Executive Summary

Administrative Services

Approve 2013-14 District Budget Update and Revision-

State Budget Approval

August 1, 2013



## Multi-Year Forecast - No Use of Reserve 3% Annual Increase

	FY 2013-14	FY 2014-15		FY 2015-16	
<b>Enrollment</b>	42,149	41,749		41,620	
<b>Average Daily Attendance</b>	40,449	39,539		39,539	
Revenue Description	Amount	Amount	% Change	Amount	% Change
All Revenue Objects Adopted Budget and Transfers In	\$ 384,720,349	\$ 389,463,959	1.2%	\$ 401,147,878	3.0%
Yellow Cells Corrected Anticipated Beginning Fund Balance	\$ 11,807,617	\$ 8,655,289	-26.7%	\$ 8,619,282	-0.4%
<b>Total Anticipated Revenue &amp; Beginning Fund Balance</b>	<b>\$ 396,527,966</b>	<b>\$ 398,119,248</b>	<b>0.4%</b>	<b>\$ 409,767,160</b>	<b>2.9%</b>
Expenditure Description	Amount	Amount		Amount	
Certificated Salaries	\$ 167,263,601	\$ 167,936,237	0.4%	\$ 169,615,599	1.0%
Classified Salaries	\$ 48,605,232	\$ 49,494,074	1.8%	\$ 49,890,026	0.8%
Employee Benefits	\$ 108,513,742	\$ 115,157,483	6.1%	\$ 122,465,598	6.3%
Books & Supplies	\$ 14,037,258	\$ 14,496,788	3.3%	\$ 14,496,788	0.0%
Services & Other Operating Expenses	\$ 48,720,731	\$ 47,083,271	-3.4%	\$ 48,083,271	2.1%
Capital Outlay	\$ 249,877	\$ 249,877	0.0%	\$ 249,877	0.0%
Other Outgo/Indirect Costs	\$ 482,236	\$ 482,236	0.0%	\$ 482,236	0.0%
Expenditure Reduction From Previous Year				\$ (5,400,000)	
<b>Expenditure Reduction/Additional Revenue Increase Above 3% To Balance</b>	<b>\$ (5,400,000)</b>			<b>\$ -</b>	
Amount Available To Build Reserves & Address Expenditure Requirements	\$ -			\$ 1,000,000	
<b>Total Adopted Budget Expenditures</b>	<b>\$ 387,872,677</b>	<b>\$ 389,499,966</b>	<b>0.4%</b>	<b>\$ 400,883,396</b>	<b>2.9%</b>
<b>Anticipated Ending Fund Balance</b>	<b>\$ 8,655,289</b>	<b>\$ 8,619,282</b>	<b>-0.4%</b>	<b>\$ 8,883,764</b>	<b>3.1%</b>
Required Reserves	Amount	Amount		Amount	
Yellow Cells Updated Reserve For Economic Uncertainties	\$ 8,007,454	\$ 8,039,999	0.4%	\$ 8,267,668	2.8%
Revolving Cash	\$ 225,000	\$ 225,000	0.0%	\$ 225,000	0.0%
Stores Inventory	\$ 320,000	\$ 320,000	0.0%	\$ 320,000	0.0%
<b>Total Required Reserves</b>	<b>\$ 8,552,454</b>	<b>\$ 8,584,999</b>	<b>0.38%</b>	<b>\$ 8,812,668</b>	<b>2.65%</b>
<b>Anticipated Unreserved Ending Fund Balance</b>	<b>\$ 102,835</b>	<b>\$ 34,283</b>	<b>-66.7%</b>	<b>\$ 71,096</b>	<b>107.4%</b>

Salaries include step and column increase for FY 2014-15 and FY 2015-16

Health Benefits are projected to increase by 10% for FY 2014-15 and FY 2015-16.

Utilities increase by 10% for FY 2014-15.



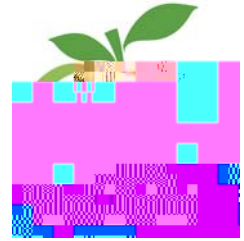
# Board of Education Executive Summary

Administrative Services

Approve 2013-14 District Budget Update and Revision-

State Budget Approval

August 1, 2013



Looking at these three scenarios you can begin to understand the fiscal challenges that the District continues to face. School Services of California is recommending that districts establish a separate

Board of



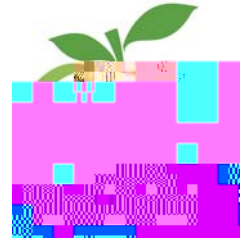
# Board of Education Executive Summary

Administrative Services

Approve 2013-14 District Budget Update and Revision-

State Budget Approval

August 1, 2013



## CURRENTLY EVALUATED RISKS ASSOCIATED WITH THIS REVISED BUDGET

There is, of course, significant risk associated with this budget. Three areas of immediate concern:

1. We are continuing to evaluate the level of funding for Special Education expenditures within this proposed revised budget to ensure that we will be able to meet all

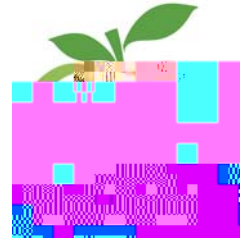
# Board of Education Executive Summary

Administrative Services

Approve 2013-14 District Budget Update and Revision-

State Budget Approval

August 1, 2013



## Qualified or Negative Status

School Services of California, Inc. produced in January 2009, a very informative Fiscal Report concerning Qualified or Negative Budgets. It is provided in its entirety for your information over the next few pages.

Additional information may also be found, along with a list of all districts currently having a qualified or negative report, at the California Department of Education website listed below:

<http://www.cde.ca.gov/fq/fi/ir/interimstatus.asp>

Board of Education Executive Summary  
Administrative Services  
Approve 2013-14 District Budget Update and Revision-  
State Budget Approval  
August 1, 2013



Whether the district self-certifies as "qualified" on the COE, then send the certification, from "qualified" to "non-qualified" if the district does not send such certification. If the district does not send such certification, the COE will not certify the district as "qualified" on the COE.

Conduct a financial audit of the district's financial position if the district is not certified as "qualified" on the COE. If the district is certified as "qualified" on the COE, the cost is split between the district (75%) and the COE (25%).

- Require the district to:

- Reimburse all contracts and other obligations
- Prepare monthly or quarterly financial reports
- Prepare monthly or quarterly financial reports

to the point where a subsequent budget indicates that the... Once the district's financial situation improves



Board of Education Executive Summary  
 Administrative Services  
 Approve 2013-14 District Budget Update and Revision-  
 State Budget Approval  
 August 1, 2013



**Budget is Certified as "Negative"**

... current year ...  
 ... in consultation with the district's board, a financial plan that will enable the ...  
 ... district to meet its obligations ...  
 ... Assist in developing ...

**Cash is Exhausted**

... If the district is unable to pay its bills ...  
 ... The district may borrow cash from the COE, as long as the COE has the funds available ...

All of the above are local borrowing options, and they require that the district pay back the cash borrowed ...  
 ... that the district can meet its other obligations as well.

... Gold Service, which comes with significant charges attached. It costs approximately \$200,000 and ...  
 ... The district's board loses all of its powers and becomes advisory ...  
 ... powers ...  
 ... The State Administrator will be paid back to the state, but the district will be under the oversight ...

Board of Education Executive Summary  
Administrative Services  
Approve 2013-14 District Budget Update and Revision-  
State Budget Approval  
August 1, 2013



...to undergo a comprehensive study of these areas of local governance: \_\_\_\_\_ granting the

- Financial management
- Personnel management
- Facilities management

... It is normally assumed that before the board receives any of its reports...  
... greater impact on students, employees, and the community if a state loan is required.  
... Ultimately, the district will regain fiscal solvency...  
... will be able to maintain a "positive" certification on their...  
... districts in California have needed these interventi...

Conclusion

... While your district should do what can be done locally to maintain a "positive" certification on their...  
... budm... that may not be possible in a situation such as the one we find ou...  
... districts in California have needed these interventi...

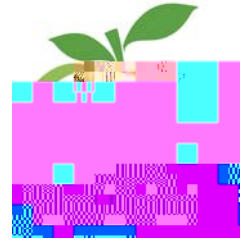
# Board of Education Executive Summary

Administrative Services

Approve 2013-14 District Budget Update and Revision-

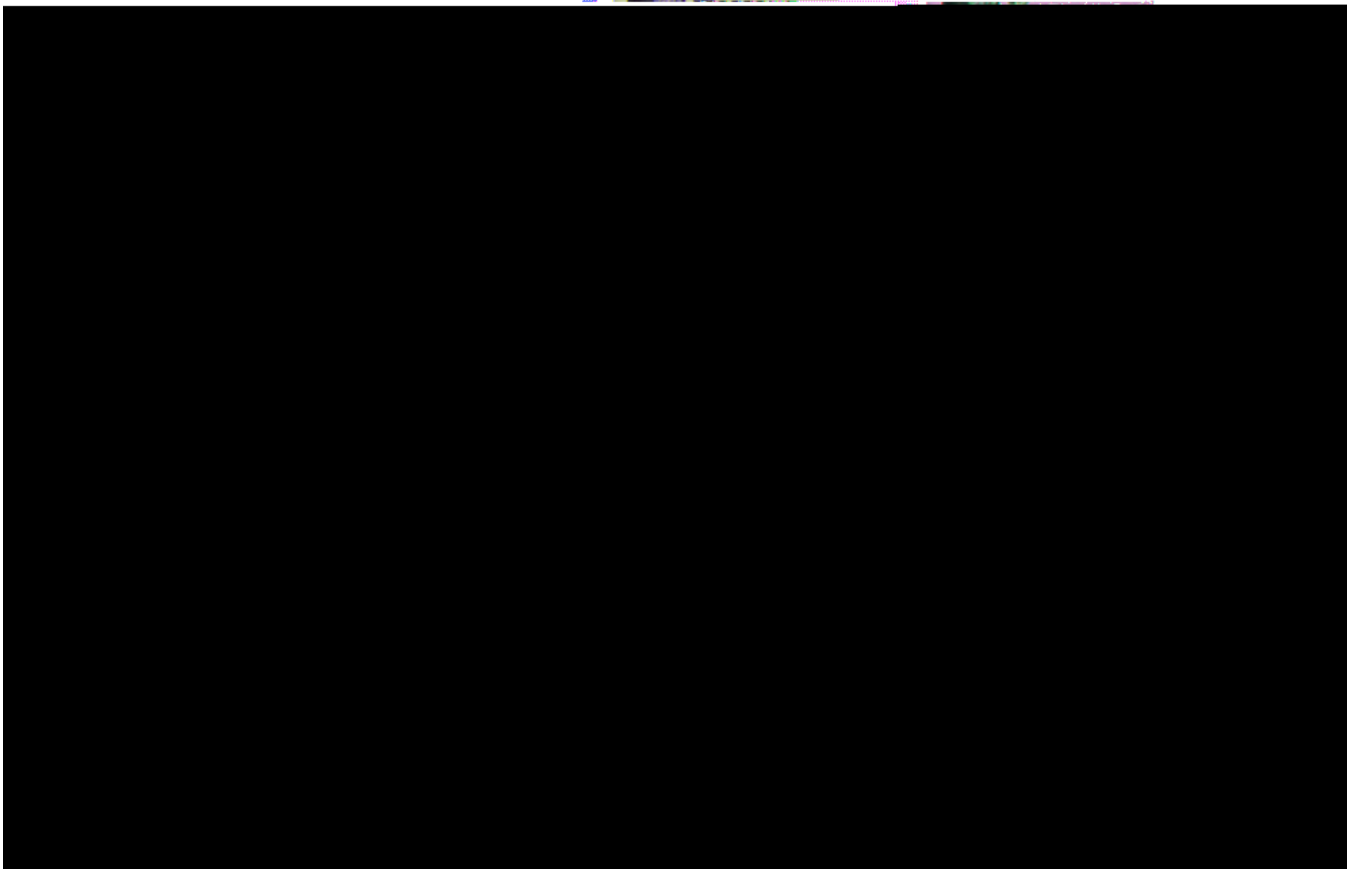
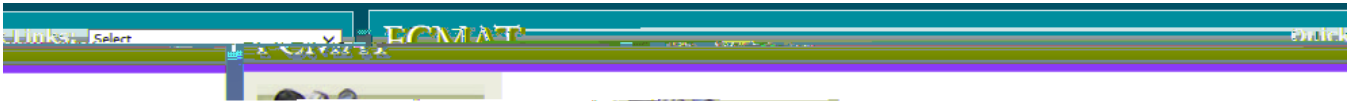
State Budget Approval

August 1, 2013



AB 1200

The Fiscal Crisis and Management Assistance Team (FCMAT) has an excellent summary on their website regarding AB 1200, provided below. Yellow highlighting has been provided to emphasize some important points relevant to our current situation.



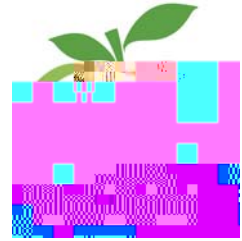
# Board of Education Executive Summary

Administrative Services

Approve 2013-14 District Budget Update and Revision-

State Budget Approval

August 1, 2013



Also provided below is an extract from AB 1200 that may assist in your understanding of the County role in assisting us at this time. I encourage you to go to this link if you desire a copy of AB 1200. <http://wwwstatic.kern.org/gems/fcmat/1200.pdf>

In addition to these actions the County Office of Education may also appoint a Fiscal Advisor.

#### IV. GOALS, OBJECTIVES AND MEASURES:

Provide information to the Board and the public on a monthly basis starting October 2013, including required reporting periods such as First, Second and Third Interim reports. Develop significantly improved budget IV.TT7

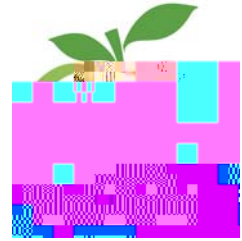
# Board of Education Executive Summary

Administrative Services

Approve 2013-14 District Budget Update and Revision-

State Budget Approval

August 1, 2013



## VII. LESSONS LEARNED/NEXT STEPS:

Current business processes and budget systems are inadequate to serve the needs of the District.

Work closely with the Sacramento County Office of Education to ensure that the District does not come under "stay and rescind" provisions and downgrade to negative status.

Provide a budget calendar for FY2014-15.

We are continuing to evaluate the 2013-14 budget and there may be additional budget revisions and adjustments until we can stabilize the District's fiscal situation.