

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
BOARD OF EDUCATION**

Agenda Item# 10.1c

Meeting Date: June 5, 2014

Subject: Approve 2013-2014 Third

Board of Education Executive Summary

Business Services

Third Interim Financial Report 2013-2014

June 5 2014

School districts in qualified status are required to file three Interim Financial Reports during the year. The First Interim Report, as of October 31, requires Board approval by December 1st. The Second Interim Report, as of January 31, requires Board approval by March 1st, the third is as of April 30 and requires Board approval by June 15th.

When interim reports are submitted, a district must designate a certification as to their financial condition. A positive certification would indicate that the district would meet its financial obligations for the current fiscal year as well as the two subsequent fiscal years. A qualified certification means that the district may not meet its financial obligations for the current fiscal year or two subsequent fiscal years. A negative certification would mean that the district is unable to meet its financial obligations for the current fiscal year and two subsequent fiscal years.

If a budget is prepared and approved by the district within the 2013-2014 fiscal year, the district will meet its financial obligations for the current fiscal year and two subsequent fiscal years. If a budget is not prepared and approved by the district within the 2013-2014 fiscal year, it is not possible for the district to certify that it will be able to meet its financial obligations for the current fiscal year and two subsequent fiscal years. As required for a "positive" certification by the Sacramento State Board of Education, Board action must be taken on all necessary budget adjustments for FY 2015 and FY 2016 with absent complete information related to the 2013-2014 fiscal year.

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- Education Code section 42131 requires the Board of Education to certify, in writing, whether the district is able to meet its financial obligations for the remainder of the fiscal year and, based on current forecasts, for the subsequent fiscal year. Certifications shall be based on the Board's assessment of the district budget. Certifications shall be classified as positive, qualified or negative. This education code section also outlines the role of the County Office of Education.
- Education Code section 42131 (3)(e) directs districts to provide additional reports to the County Office of Education as of June 5 if a Qualified or Negative Certification is reported as of the Second Interim Report.

III. BUDGET:

The budget is a fluid document and while the budget is balanced for FY2013-2014, there are many unknowns at this time for fiscal year FY2014-2015 and FY2015-2016. Two items of major concern are the possible increase of State Teachers Retirement System (CalSTRS) California Personnel Retirement System (CALPERS) rates for future years. In preparing the assumptions for the multi-year projections items such as one-time funds used to balance FY2013-2014, increased costs for step and column salary increases as well as health benefit increases have been factored in the projections. Revenue increases based on state projections as well as declining enrollment are included in the multi-year projections. Staff continue to closely monitor enrollment, average daily attendance, state revenue and other areas that could impact the budget in the current or outlying years. The Third Interim Financial Report includes assumptions and projections made with the best available information.

IV. Goals, Objectives and Measures:

Maintain a balanced budget for FY2013-2014 and continue to follow the budget timeline and Local Control Accountability Plan (LCAP) to ensure a balanced FY2014-2015 budget. Begin planning to deal with anticipated revenue shortfalls and excess expenditures for the FY-2015 budget. It will be important to eliminate the reliance of one-time funds used to balance the budget, increase reserve and follow the Local Control Funding Formula (LCFF) and LCAP requirements.

V. Major Initiatives:

Use the Third Interim Financial Report information to help guide budget development for FY-2015 and FY2015-2016.

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VI. Results:

Budget development for FY2014-2015 will follow the calendar approved by the Board. Required Board actions will take place in order to ensure a balanced Adopted Budget is in place on or before July 1, 2014.

VII. Lessons Learned/Next Steps:

- Follow the ap