

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

2010/2011 Budget Reduction Target Commitment

Resolution Number 2009-2010-018

WHEREAS, the Board of Education is committed to reducing an area of the budget entitled Other Services; and

WHEREAS, the budget area referred to as Other Services includes expenditures for services, rentals, leases, maintenance contracts, dues, travel, insurance, utilities, and legal and other operating expenditures as defined by the California Schools Accounting Manual; and

WHEREAS, the target budget reduction amount is 4% of the current estimated expenditures for fiscal year 2009/2010 in the Other Services category; and

WHEREAS, staff will review procedures that will effect change in policy, regulations, practices, and fiscal responsibility for the district; and

BE IT RESOLVED, staff will look at purchasing procedures, emergency conservation, risk management, and all contractual agreements as part of effecting change and reducing the budget;

BE IT THEREFORE RESOLVED, staff will bring proposed changes forward to the board for review prior to the adoption of the 2010/2011 adopted budget; and

FURTHER BE IT RESOLVED, staff will provide the board with a report at least quarterly to provide an update on the status of the targeted commitment; and

PASSED AND ADOPTED on the 2nd day of March 2010 by the Beverly Hills Unified School District Board of Education.

MOTION BY: _____ SECOND: _____

VOTE: ___ AYES ___ NOES ___ ABSENT ___ ABSTAIN

Steven Fenton
President of the Board

Excerpt from the California Schools Accounting Manual (CSAM)

- 5000–5999 **Services and Other Operating Expenditures.** Record expenditures for services, rentals, leases, maintenance contracts, dues, travel, insurance, utilities, and legal and other operating expenditures. Expenditures may be authorized by contracts, agreements, purchase orders, and so forth.
- 5100 **Subagreements for Services.** Record expenditures for subagreements and sub-awards pursuant to certain contracts, subcontracts, and sub-grants. Subagreements for Services may be formal or informal, written or verbal, and are indicated when a part or all of an instructional or support activity for which the LEA is responsible is conducted by a third party rather than by the LEA (see page 910-2, Categories of Costs, for definitions of instructional and support activities). The LEA's responsibility for the activity may originate from any grant, award, or entitlement, including general purpose entitlements.

Following are general indicators of subagreements for services:

- Subagreements are, by definition, subordinate to something—typically to a grant, award, or entitlement, but at least to some expectation that an LEA has a responsibility for some activity.
- Subagreements are typically in functions 1000–3999 (and possibly 4000), but this is not the determining factor. Every contract or agreement in these functions is not necessarily a subagreement.
- Contracts for services between LEAs are subagreements if they have the characteristics of the "Subagreements for Services" model described in Procedure 750.
- Subcontracted expenditures generally do not generate or benefit from an LEA's administrative services (indirect costs) to the same extent that other expenditures do because the services provided under the subagreement are carried out by the other entity.

Some examples of subagreements for services include:

- Contracts with a third party to provide services required by a grant, such as the emergency services required by an Emergency Response Safety Grant
- Contracts with other entities to provide home-to-school transportation for the LEA's students
- Contracts with nonpublic schools for services to the LEA's special education students
- Contracts between charter schools and management companies to provide instruction to the charter school's students
- Cooperative projects and pass-through grants in which LEAs have both administrative and direct financial involvement (refer to Procedure 750)

Subagreements for services generally exclude:

- Pass-through grants in which LEAs have only administrative involvement (refer to Procedure 750)
- Contracts for central administrative or "other" services (see page 910-2, Categories of Costs, for definitions of these services)
- Routine purchases of standard commercial goods or services from a vendor (refer to Object 5800, Professional/Consulting Services and Operating Expenditures)

When a distinction must be made between a subagreement and a routine purchase from a vendor, the substance of the transaction is more important than the form. For example, a contract with a vendor to provide home-to-school transportation to the LEA's students would be a subagreement, but a contract with the same vendor to rent buses for the LEA to transport its own students would be a routine purchase from a vendor. The form of the written agreements might be identical in that both might be contracts with a transportation vendor, yet the substance of the transactions is different.

Unlike other costs in objects 5000–5999, Object 5100 costs are excluded from the calculation of the indirect cost rate and from eligible program expenditures on which indirect costs are charged (see Procedure 915). However, in recognition that some general administration is necessary to process a subagreement, indirect cost guidelines allow that up to \$25,000 of each individual subagreement may be coded to Object 5800, Professional/Consulting Services and Operating Expenditures, with the remainder charged to Object 5100. The amount charged to Object 5800 is included in the calculation of the indirect cost rate and in eligible program expenditures on which indirect costs are charged. The \$25,000 limit per subagreement applies for the duration of the subagreement.

5200

Travel and Conferences. Record actual and necessary expenditures incurred by and/or for employees and other representatives of the LEA for travel and conferences (*Education Code* sections 35044 and 44032). Included in this object are fees paid for those individuals to attend conferences or training classes. Expenditures for employee conferences charged to this object should follow the goal and function of the employee.

Expenditures for conferences sponsored by the LEA are not coded to this object but are coded to the appropriate object for specific services purchased, such as Object 4300 for food, Object 5800 for caterers, Object 5600 for room rentals, and Object 2400 for staff time in preparing for the conference, in combination with Function 2140, In-house Instructional

Staff Development, or Function 7410, Staff Development. (The use of Object 4700, Food, is restricted to Function 3700, Food Services.)

Expenditures for college tuition paid on behalf of employees are recorded to Object 5800, Professional/Consulting Services and Operating Expenditures.

5300 **Dues and Memberships.** Record the membership fee of an LEA in any society, association, or organization as authorized by *Education Code* Section 35172. Object 5300 may be used for the dues of an employee, such as a chief business official or a superintendent, if it is deemed that the LEA is represented and benefits from the membership. Use objects 3901–3902 for employee dues if it is deemed that the dues are a benefit only for the employee.

5400 **Insurance.** Record expenditures for all forms of insurance other than employee benefits. Use Function 9100, Debt Service, for bond insurance costs when issuing new bonds.

5440 ***Pupil Insurance (Optional).*** Record expenditures for accidental death insurance and medical and hospital insurance for pupils. Use Function 1000, Instruction.

5450 ***Other Insurance (Optional).*** Record expenditures for all forms of insurance other than pupils' insurance. For fire and theft liability and fidelity bond premiums, use Function 7200, Other General Administration; for school buses, use Function 3600, Pupil Transportation; for food service vehicles, use Function 3700, Food Services.

5500 **Operations and Housekeeping Services.** Record expenditures for water, heating fuel, light, power, waste disposal, pest control, laundry and dry cleaning (such as laundering of curtains and cleaning of drapes), and so forth. Include contracts for these services. Object 5500 is used only with the maintenance and operation functions 8100–8500 and Function 6000, Enterprise.

Cleaning of uniforms, such as band or custodial uniforms, is charged to the appropriate function and Object 5800, Professional/Consulting Services and Operating Expenditures. Fuel for pupil transportation is coded to Object 4300, Materials and Supplies.

5600 **Rentals, Leases, Repairs, and Non-capitalized Improvements.** Record expenditures for rentals, leases without option to purchase, and repairs or maintenance (including maintenance agreements) of sites, buildings, and equipment by outside vendors. Include incidental materials and supplies

included in the cost of repairs. Include expenditures for site or building improvements that do not meet the LEA's threshold for capitalization.

Capital leases should be recorded according to the accounting procedures for lease/purchase agreements in Procedure 710.

Rental of facilities is normally charged to Function 8700, Facilities Rents and Leases. The temporary rental of facilities incidental to a particular activity, such as the hourly or daily rental of a hall for a staff development workshop or the rental of an auditorium for a school graduation, is charged to the function of the benefiting activity.

5700–5799 **Transfers of Direct Costs.** Record the transfer of costs for services, other than indirect costs, between resources, goals, functions, and/or funds.

Typical transfers of direct costs between functions include services provided or products developed by the LEA, such as maintenance and repair of duplicating, audiovisual, or other equipment; photocopying expenses; field trips; district vehicle use; and information technology expenses. These types of costs may be accumulated in a particular function for ease of accounting and then transferred to the benefiting function(s) based on supporting documentation. For example, costs of field trips initially recorded in Function 3600, Pupil Transportation, are instructional costs and therefore are transferred to Function 1000, Instruction (see Example 1 in Procedure 640).

Typical transfers of direct costs between goals include the distribution of support costs to benefiting goals. For example, expenditures initially recorded to Function 8100, Plant Maintenance and Operations, with Goal 0000, Undistributed, may be transferred to the benefiting goal(s) on the basis of documentation or standardized allocation factors.

This account is also used to record transfers of administrative costs on any basis other than the indirect cost rate, such as administrative costs incurred in the general fund to calculate and collect developer fees.

5710 **Transfers of Direct Costs.** Record transfers within a fund for direct costs of services provided, as described above. This account must net to zero at the fund level.

5750 **Transfers of Direct Costs—Interfund.** Record transfers between funds for direct costs of services provided, as described above. This account will reflect a balance at the fund level for the amount of between-funds costs. The total between-funds debit and credit transactions must net to zero.

5800

Professional/Consulting Services and Operating Expenditures. Record expenditures for personal services rendered by personnel who are not on the payroll of the LEA. Professional/consulting services are delivered by an independent contractor (individual, entity, or firm) that offers its services to the public. Such services are paid on a fee basis for specialized services that are usually considered to be temporary or short term in nature, normally in areas that supplement the expertise of the LEA. This includes all related expenditures covered by the personal services contract.

Record expenditures for services such as printing, engraving, and so forth performed by an outside agency. This includes but is not limited to copies made from masters provided by the LEA.

Record expenditures for catering services provided by an outside vendor.

Record expenditures for college tuition paid on behalf of employees.

Record expenditures for lodging and admission tickets for students and staff on field trips.

Record expenditures for all advertising, including advertising for items such as bond sales, contract bidding, and personnel vacancies. Record expenditures for judgments, penalties, legal advice, attorneys, hearing officers, elections, audits, and other similar costs. Record expenditures for services provided, such as administration, bus transportation, audiovisual, and library.

Record assessments for other than capital improvements, including state assessment for nonuse of school sites. Record expenditures for surveys and appraisals of sites that are not purchased. Expenditures for surveys, appraisals, and assessments in connection with site purchases and/or improvements are recorded in Object 6100, Land, and/or Object 6170, Land Improvements.

Record expenditures for fees charged to LEAs by other local governmental agencies, such as counties, cities, and special districts, for required services. Such fees include those charged for health, building, and operating inspections and permits, plan reviews, and utility connection fees. These charges typically relate to emissions, fuel-tank operations, hazardous waste generation, chemical storage, food safety, water safety, and fire safety. Examples of departments and special districts that assess these fees include Air Pollution Control, Environmental or Public Health Services, Fire Department, and Public Water Control.

Record expenditures for Internet-based publications and materials. Record periodic costs of licensing, support, or maintenance agreements for non-

equipment items, such as software. Initial licensing and other costs incurred as part of a major system acquisition should be recorded in Object 6400, Equipment.

Record expenditures not otherwise designated, such as payments of interest on loans repaid within the fiscal year, payments for damages to personal property, expenditures for fingerprints, physical and X-ray examinations required for employment, scholarship payments, and similar items.

Debt issuance costs, including underwriter discounts and fees, should be recorded here. If long-term debt is issued at a discount, the discount should be recorded in Object 7699, All Other Financing Uses.

May record up to \$25,000 for each individual subagreement as defined in Object 5100, Subagreements for Services. This is optional. The \$25,000 limit applies for the duration of the subagreement. The remainder of the subagreement must be recorded in Object 5100. Examples of subagreements are shown under Object 5100.

Note: Expenditures to nonpublic, nonsectarian schools for the education of children with exceptional needs should be charged to Object 5100, Subagreements for Services. Expenditures for excess costs and/or deficits in special education programs paid to provider school districts or county offices should be charged to objects 7141–7143, Other Tuition.

5900

Communications. Record expenditures for periodic servicing of all methods of communication, including pagers, cell phones, beepers, and telephone service systems. This object also includes the monthly charges for fax lines, TV cable lines, and Internet service and lines. The cost of postage stamps and "refill" of postage meters should be coded to Communications, as should the cost of parcel service or other means used to deliver a letter or other outgoing communications. Incoming shipping of purchased goods by parcel service or other means is considered to be part of the cost of goods purchased and should not be charged to Object 5900.

Generally, communication costs should be charged to either Function 2700, School Administration, or Function 7200, Other General Administration. Communication service fees may be charged to other functions by direct documentation, such as monthly statements. The monthly bills for pagers, cell phones, cable, and Internet services may follow the user if the charges can be documented. For example, Internet fees that are part of classroom instruction may be charged to Function 1000, Instruction.

The cost of communication equipment is normally coded to Object 4400, Non-capitalized Equipment. If the cost of a unit of equipment exceeds the capitalization threshold of the LEA, use Object 6400, Equipment, or Object 6500, Equipment Replacement, as appropriate. However, if the cost is minor and the expected life short, the cost of the equipment should be coded to Object 4300, Materials and Supplies.

The cost of wiring and installing cables for communication equipment that become an integral part of the building or building service system is coded to Object 6200, Buildings and Improvement of Buildings, with Function 8500, Facilities Acquisition and Construction. Repairs to these lines would be coded to Function 8100, Plant Maintenance and Operations, with either Object 5600, Rentals, Leases, Repairs, and Non-capitalized Improvements, or with the salary or supply object codes of the maintenance budget.