

# 2021-22 Second Interim Report - Overview and Context



Presented by Lisa Grant-Dawson, Chief Business Officer

Governing Board Meeting - March 9, 2022

# Ask of the Board

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- Approve the Second Interim Budget
- Receive and discuss update on relevant contextual information impacting Multi-Year Projections (MYP)

# **Overview of Presentation**

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**Part 1:** Second Interim Report, including Multi-Year Projections

**Part 2:** Projected Changes to Staffing Costs from pending labor agreements, including impact on MYP

# Second Interim Report

# Second Interim Outline



- I. Overview & Summary of Assumptions**
- II. Second Interim - Current Year Projections**
  - A. Unrestricted General Fund Summary & Detail
  - B. Restricted General Fund Summary & Detail
  - C. Summary of Ancillary Funds
- III. Multi-Year Projections (MYP) & Cash Flow**
  - A. General Fund Highlights
  - B. MYP Detail
  - C. Cash Flow
- IV. Going Forward - Key Considerations**
- V. Next Steps**

# Overview of District Financial Accountability

- ▶ California school districts are accountable to the State (through the County) for use of funds provided by the state and federal government.
- ▶ The process of accountability is prescribed by state law which includes district officials ensuring that the district is able to meet its financial commitments each year and into the future.

## Budget Adoption - By July 1

Projected results for the following fiscal year (July 1 - June 30) | *Ed Code §42127*

## Unaudited Actuals - By Sept 15th

Actual full year results for prior year (July 1 - June 30) | *Ed Code §42100*

## First Interim - By December 15

Updated projections as of October 31st | *Ed Code §42130 & §42131*

## Second Interim - By March 15

Updated projections as of January 31st | *Ed Code §42130 & §42131*

## Third Interim - By June 1

Updated projections as of April 30th | *Ed Code §42130 & §42131* [Required if 2nd Interim is qualified or negative]

# Second Interim - Key Assumptions

OUSD Unaudited Actuals and 2021-22 Budget Assumptions - First Interim			
Year	2021-22	2022-23	2023-24
Cost of Living Adjustment (COLA)	5.07%	2.48%	3.11%
Statutory COLA	1.70%	2.48%	3.11%
Compounded COLA (Special Education and Community Colleges)	4.05%		
Enrollment	33,457	33,208	33,058
Attendance Used for Funding (Prior Year)	33,911		
Attendance (ADA)	33,911	30,551	30,413
Enrollment to ADA % *	101%	92%	92%
Unduplicated Pupil Count	77.4	79.22	81.23
Salary and Negotiated Increases Adjusted - OEA	2.5%		
Step & Column	1.3%	1.3%	1.3%
Health Benefit Assumptions **		11.0%	3.0%
Mandatories & Benefits - Certificated	5.63%	5.63%	5.03%
Mandatories & Benefits - Classified	11.83%	11.83%	11.23%
State Teachers Retirement System	16.92%	19.10%	19.10%
California Public Retirement System	22.91%	26.10%	27.10%
<b>Total Mandatories &amp; Benefits Certificated</b>	<b>22.55%</b>	<b>24.73%</b>	<b>24.13%</b>
<b>Total Mandatories &amp; Benefits Classified</b>	<b>34.74%</b>	<b>37.93%</b>	<b>38.33%</b>

\* Note: The District is using the higher of its current or prior year ADA as provided by Education CDE 42238.05, which is currently 2019-20 at 33,911.

\*\* Projected Increase for Kaiser which is the primary benefit selection for the majority of employees.

# Second Interim - Fund Balance Summary

## 2021-22 Second Interim Fund Balance Summary

	Unrestricted	Restricted	Total Fund
<b>A. Revenues</b>			
5) Total Revenues	\$ 425,104,419	\$ 436,296,089	\$ 861,400,508
<b>B. Expenditures</b>			
9) Total Expenditures	<u>\$ 326,772,253</u>	<u>\$ 433,177,716</u>	<u>\$ 759,949,969</u>
<b>C. Excess (Deficiency) of Revenues Over Expenditures</b>	\$ 98,332,166	\$ 3,118,373	\$ 101,450,539
<b>D. Other Financing Sources/Uses</b>			
4) Total, Other Financing Sources/Uses	<u>\$ (88,689,780)</u>	<u>\$ 83,569,989</u>	<u>\$ (5,119,791)</u>
<b>E. Net Increase (Decrease) in Fund Balance (C +D4)</b>	\$ 9,642,386	\$ 86,688,363	\$ 96,330,749
<b>F. Fund Balance, Reserves</b>			
1) Beginning Fund Balance			
a) Adjusted Beginning Balance (F1c + F1d)	\$ 60,443,968	\$ 52,750,104	\$ 113,194,072
b) Restricted		\$ -	
2) Ending Balance, June 30 (E + F1e)	\$ 70,086,354	\$ 139,438,466	\$ 209,524,820



# Second Interim - Net Changes since First Interim

## 2021-22 Unrestricted Second Interim Fund Balance Summary

	First Interim	Second Interim	Variance
<b>A. Revenues</b>			
5) Total Revenues	\$ 425,556,067	\$ 425,104,419	\$ (451,648)
<b>B. Expenditures</b>			
9) Total Expenditures	\$ 319,630,077	\$ 326,772,253	\$ 7,142,176
<b>C. Excess (Deficiency) of Revenues Over Expenditures</b>	\$ 105,925,990	\$ 98,332,166	\$ (7,593,824)
<b>D. Other Financing Sources/Uses</b>			
4) Total, Other Financing Sources/Uses	\$ (88,669,346)	\$ (88,689,780)	\$ (20,434)
<b>E. Net Increase (Decrease) in Fund Balance (C +D4)</b>	\$ 17,256,644	\$ 9,642,386	\$ (7,614,258)
<b>F. Fund Balance, Reserves</b>			
1) Beginning Fund Balance			
a) Adjusted Beginning Balance (F1c + F1d)	\$ 60,443,968	\$ 60,443,968	\$ -
b) Restricted		\$ -	
2) Ending Balance, June 30 (E + F1e)	\$ 77,700,612	\$ 70,086,354	\$ (7,614,258)

## Summary of 2021-22 Unrestricted General Fund Projections at Second Interim (\$Millions)

### How is the District's Unrestricted General Fund Financial Position Projected to Change?

	Second Interim
Beginning Fund Balance	60.4
Ending Fund Balance	70.1

### Why is District's Unrestricted General Fund Financial Position Projected to Change?

	Second Interim
Revenues	425.6
Expenditures	326.8
Net Contributions/Transfers	-(88.7)
<b>Net Increase (Decrease)</b>	<b>9.6</b>



At Second Interim, we expect to end the year with an **increase** in the Unrestricted General Fund Balance of **\$9.6M**

*The \$8.5M in Revenue reimbursement for the technology purchase will reflect an \$18.1M increase*

## Material Changes in Unrestricted General Fund Projections since Budget Adoption

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### Revenues (Unrestricted)

1. **\$.45M Decrease** in LCFF Base Rate per revised estimates of Property Tax Shift to Charters

### Expenditures (Unrestricted)

1. **\$1.3M Decrease** in projected cost of Certificated Teacher Salaries from First Interim
  - Budget adjustments and alignments since Adopted and First Interim and 2021-22 Shifts to Resource 0004 noted in Budget Reduction Options List
2. **\$2.7M Decrease** in benefits adjustments and alignments due to the analysis of actual positions assigned and actual benefits compared to what was budgeted and funding changes as noted above.
3. **\$6.5M Increase** in Books and Supplies due to \$6.5M increase in technology to purchase chromebooks for students from a grant award from the Emergency Connectivity Fund (ECF) for \$8.5M.
  - The grant is a reimbursable program and funds could not be spent from Federal funds; therefore, COVID funds could not be used. The District increased the Unrestricted General Fund by \$6.5M that combined with a \$2M existing budget secured the technology purchase A receivable for the \$8.5M reimbursement was booked after the second interim period and will be reflected in the next financial statement.

## Material Changes in Unrestricted General Fund Projections since Budget Adoption (Cont.)

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### Expenditures (Unrestricted)

- **\$6.4M Increase** in Services and Other Operating Expenditures since First Interim. Primary drivers, adjusting budget since adoption for utility expenditures.
- **\$1.4M Increase** - Resource 0000 - Base General Fund
  - \$.7M - Establish Street Academy Consultant Agreement Budget
  - \$.2M - Increase Fleet Management Repair Budget
  - \$.1M - Legal Consultant
- **\$1.5M Reduction** in Other Outgo
  - Adjustment to the Budget due to the portion of the State Loan Payment that was deducted in 2020-21 for 2021-22 due to the debt from the Tax Revenue Anticipation Note to support the District's cash flow shortage

## Summary of 2021-22 Restricted General Fund Projections at Second Interim (\$Millions)

### How is the District's Restricted General Fund Financial Position Projected to Change?

	Second Interim
Beginning Fund Balance	52.8
Ending Fund Balance	139.4

### Why is District's Restricted General Fund Financial Position Projected to Change?

	Second Interim
Revenues	436.3
Expenditures	433.2
Net Contributions/Transfers	83.6
<b>Net Increase (Decrease)</b>	<b>3.1</b>



At Second Interim, we expect to end the year with a **increase** in the Restricted General Fund Balance of **\$107M\***  
*This is always contingent on all funds being expended*

# Second Interim - Net Changes since First Interim

## 2021-22 Restricted Second Interim Fund Balance Summary

	First Interim	Second Interim	Variance
<b>A. Revenues</b>			
5) Total Revenues	\$ 322,643,080	\$ 436,296,089	\$ 113,653,009
<b>B. Expenditures</b>			
9) Total Expenditures	\$ 426,350,307	\$ 433,177,716	\$ 6,827,409
<b>C. Excess (Deficiency) of Revenues Over Expenditures</b>	\$ (103,707,227)	\$ 3,118,373	\$ 106,825,600
<b>D. Other Financing Sources/Uses</b>			
4) Total, Other Financing Sources/Uses	\$ 83,694,346	\$ 83,569,989	\$ (124,357)
<b>E. Net Increase (Decrease) in Fund Balance (C + D4)</b>	\$ (20,012,881)	\$ 86,688,363	\$ 106,701,244
<b>F. Fund Balance, Reserves</b>			
1) Beginning Fund Balance			
a) Adjusted Beginning Balance (F1c + F1d)	\$ 52,900,200	\$ 52,750,104	\$ (150,096)
b) Restricted		\$ -	
<b>2) Ending Balance, June 30 (E + F1e)</b>	\$ 32,887,319	\$ 139,438,466	\$ 106,551,147

# Material Changes in Restricted General Fund Projections since First Interim

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## Revenues (Restricted)

### 1. \$113.7M higher than First Interim Budget

- Local Control Funding Formula
  - Resource 8097 Property Tax Transfers for Special Education \$.344M
- Other Federal
  - Resource 3211 CA Community School Partnership - \$1.4M
  - Resource 3213 ESSER III - \$85.3M
  - Resource 3214 ESSER III Learning Loss - \$25.9M
- Other State
  - Resource 7422 In Person Instruction Grant - \$1.8M
    - Awarded but will be unspent as the District is not eligible for the full grant due to the date we re-opened school in Spring 2021
  - Resource 7426 Expanded Learning Para - \$1.3M
  - Resource 7812 Early Literacy Block Grant - \$3.7M
    - Adjustment from Adopted Budget to amount projected to be spent in 2021-22. Any unspent excess award will carryover

## Material Changes in Restricted General Fund Projections since First Interim (Cont.)

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### Revenues (Restricted)

- Other Local Revenue
  - Resource 6500 Special Education \$.716M
  - Resource 9044 City of Oakland \$.250M
  - Resource 9201 Schusterman Family Foundation \$.563M
  - Resource 9331 Rockefeller Philanthropy \$.200M

### Expenditures (Restricted)

- \$10.5M Increase** in Certificated Salaries
  - Majority are teacher salary stipends
    - ESSER III \$3M
    - Expanded Learning Opportunity Grant \$4.4M
  - Teacher Substitutes
    - \$1.4M
- \$6M Increase** in Classified Salaries
  - Classified Support Salaries \$2.1M



## Material Changes in Restricted General Fund Projections since First Interim (Cont.)

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### Expenditures (Restricted)

→ Supervisor and Administrator Salaries \$1.3M

→ Clerical Salaries \$1.7M

#### **\$5.7M Increase** - Benefits

→ Coinciding benefit adjustments to position and salary budgets by resource

#### **\$31.2M Decrease** - Books and supplies

→ Transfers from Object 4399 Unallocated to the various salary, benefit, and other expenditure lines per site and department plans with COVID Resource allocations

#### **\$16.6M Increase** - Other Services and Operating Expenditures

→ Majority of transactions were transfers from Object 4399 Unallocated to the various salary, benefit, and other expenditure lines per site and department plans with COVID Resource allocations

→ Consultant Services

- Resource 3213 ESSER III \$7.6M

- Resource 7425 Expanded Learning Opportunity Grants \$1.1M

→ Sub Agreements for Services

- Resource 3216 ELO ESSER II \$.245M

- Resource 6010 After School Learning and Safety increase in \$.954M

## Material Changes in Restricted General Fund Projections since First Interim (Cont.)

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### Expenditures (Restricted)

- Sub Agreements for Services
  - Resource 3216 ELO ESSER II \$.245M
  - Resource 6010 After School Learning and Safety increase in \$.954M
- Non Public Agency Contracts
  - Resource 6500 Special Education \$2.1M
- Licensing Agreements
  - Resource 7425 Expanded Learning Opportunities

# Second Interim - Net Changes since First Interim

## 2021-22 Restricted Second Interim Fund Balance Summary

	First Interim	Second Interim	Variance
<b>A. Revenues</b>			
5) Total Revenues	\$ 322,643,080	\$ 436,296,089	\$ 113,653,009
<b>B. Expenditures</b>			
9) Total Expenditures	\$ 426,350,307	\$ 433,177,716	\$ 6,827,409
<b>C. Excess (Deficiency) of Revenues Over Expenditures</b>	\$ (103,707,227)	\$ 3,118,373	\$ 106,825,600
<b>D. Other Financing Sources/Uses</b>			
4) Total, Other Financing Sources/Uses	\$ 83,694,346	\$ 83,569,989	\$ (124,357)
<b>E. Net Increase (Decrease) in Fund Balance (C + D4)</b>	\$ (20,012,881)	\$ 86,688,363	\$ 106,701,244
<b>F. Fund Balance, Reserves</b>			
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1) Beginning Fund Balance			
a) Adjusted Beginning Balance (F1c + F1d)	\$ 52,900,200	\$ 52,750,104	\$ (150,096)
b) Restricted		\$ -	
<b>2) Ending Balance, June 30 (E + F1e)</b>	\$ 32,887,319	\$ 139,438,466	\$ 106,551,147

# Ancillary Funds

2021-22 Second Interim Summary of Revenue, Expenditures, and Fund Balance				
<i>Fund/SACS Form</i>	<i>Revenues</i>	<i>Expenditures</i>	<i>2021-22 Beginning Fund Balance</i>	<i>2021-22 Second Interim Ending Balance</i>
Fund 01 - General Fund - Unrestricted	\$ 425,104,419	\$ 415,462,033	\$ 60,443,968	\$ 70,086,354
Fund 01 - General Fund - Restricted	\$ 436,296,089	\$ 349,607,727	\$ 52,750,104	\$ 139,438,466
Fund 11 - Adult Education	\$ 2,920,605	\$ 3,456,460	\$ 1,602,238	\$ 1,066,383
Fund 12 - Child Development	\$ 21,401,682	\$ 21,800,958	\$ 2,825,006	\$ 2,425,730
Fund 13 - Student Nutrition	\$ 22,443,054	\$ 26,951,484	\$ 27,461,891	\$ 22,953,461
Fund 14 - Deferred Maintenance	\$ 5,023,000	\$ 5,015,156	\$ 2,321,680	\$ 2,329,524
Fund 21 - Building Fund	\$ 186,002,148	\$ 186,164,847	\$ 74,351,172	\$ 74,188,473
Fund 25 - Capital Facilities Fund	\$ 2,570,000	\$ 3,000,000	\$ 10,740,713	\$ 10,310,713
Fund 35 - County Schools Facility Fund	\$ 4,783,782	\$ 9,758,231	\$ 10,009,849	\$ 5,035,400
Fund 40 - Special Reserve Fund for Capital Outlay	\$ 7,000	\$ 80,000	\$ 729,271	\$ 656,271
Fund 51 - Bond Interest and Redemption Fund	\$ 149,717,063	\$ 112,197,680	\$ 114,563,540	\$ 152,082,923
Fund 67 - Self Insurance Fund	\$ 17,358,652	\$ 24,919,670	\$ 24,163,485	\$ 16,602,467
<b>Total All Ancillary Funds</b>	<b>\$1,273,627,494</b>	<b>\$1,158,414,246</b>	<b>\$ 381,962,917</b>	<b>\$ 497,176,165</b>

# Second Interim - Multi-Year Projections and Cash Flow



## Multi-Year Projections (MYP)

### Key Results - Highlights

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- The work to begin year over year progress is beginning to show in our financials for all three years; however, we still have much more to do as we continue to build the current and future year budgets and reduce our use of one time resources.
- District's 2022-23 and 2023-24 Fiscal Years are currently reflecting a **surplus** in the Unrestricted General Fund.

2022-23 - \$3.9M

2023-24 - \$ 8.9M

- The loss in Average Daily Attendance (ADA) is a significant factor where lower enrollment projections and coinciding ADA, now projected at 90%\* of enrollment are challenging the District to maintain increases in expenditures.
- The increase in 2022-23 and 2023-24 Revenue is driven by a current higher COLA projection and a projection that loss in ADA will subside.
- All Budget Adjustments/Reductions are not included to date

## Multi-Year Projections (MYP) - Unrestricted Summary - FORM MYPI

### 2021-22 Second Interim Budget MYP Fund Balance Summary - Unrestricted

	2021-22 Unrestricted	2022-23 Unrestricted	2023-24 Unrestricted
<b>A. Revenues</b>			
5) Total Revenues	\$ 425,104,419	\$ 408,525,878	\$ 421,336,347
<b>B. Expenditures</b>			
9) Total Expenditures	\$ 331,772,286	\$ 318,407,554	\$ 325,264,143
<b>C. Excess (Deficiency) of Revenues Over Expenditures</b>			
	\$ 93,332,133	\$ 90,118,325	\$ 96,072,204
<b>D. Other Financing Sources/Uses</b>			
4) Total, Other Financing Sources/Uses	\$ (83,689,780)	\$ (86,133,617)	\$ (87,106,087)
E. Net Increase (Decrease) in Fund Balance (C + D4)	\$ 9,642,353	\$ 3,984,707	\$ 8,966,117
F. Fund Balance, Reserves			
1) Beginning Fund Balance			
a) Adjusted Beginning Balance (F1c + F1d)	\$ 60,443,968	\$ 70,086,321	\$ 74,071,028
2) Ending Balance, June 30 (E + F1e)	\$ 70,086,321	\$ 74,071,028	\$ 83,037,146

## Multi-Year Projections (MYP) - Restricted No 1x COVID Summary

### 2021-22 Second Interim MYP Fund Balance Summary - Restricted No 1x COVID

	2021-22 Restricted	2022-23 Restricted	2023-24 Restricted
<b>A. Revenues</b>			
5) Total Revenues	\$ 230,072,203	\$ 233,559,876	\$ 236,047,976
<b>B. Expenditures</b>			
9) Total Expenditures	\$ 321,765,156	\$ 316,362,873	\$ 322,629,217
<b>C. Excess (Deficiency) of Revenues Over Expenditures</b>	\$ (91,692,953)	\$ (82,802,997)	\$ (86,581,241)
<b>D. Other Financing Sources/Uses</b>			
4) Total, Other Financing Sources/Uses	\$ 83,569,990	\$ 86,013,827	\$ 86,986,296
E. Net Increase (Decrease) in Fund Balance (C + D4)	\$ (8,122,963)	\$ 3,210,829	\$ 405,055
F. Fund Balance, Reserves			
1) Beginning Fund Balance			
a) Adjusted Beginning Balance (F1c + F1d)	\$ 39,235,480	\$ 31,112,517	\$ 34,323,346
2) Ending Balance, June 30 (E + F1e)	\$ 31,112,517	\$ 34,323,346	\$ 34,728,401



## Multi-Year Projections (MYP) - Combined No 1x COVID Summary

### 2021-22 Second Interim MYP Fund Balance Summary - Combined No 1x COVID

	2021-22 Combined	2022-23 Combined	2023-24 Combined
<b>A. Revenues</b>			
5) Total Revenues	\$ 655,176,622	\$ 642,085,754	\$ 657,384,322
<b>B. Expenditures</b>			
9) Total Expenditures	\$ 653,537,442	\$ 634,770,427	\$ 647,893,360
<b>C. Excess (Deficiency) of Revenues Over Expenditures</b>	\$ 1,639,180	\$ 7,315,327	\$ 9,490,962
<b>D. Other Financing Sources/Uses</b>			
4) Total, Other Financing Sources/Uses	\$ (119,790)	\$ (119,791)	\$ (119,791)
E. Net Increase (Decrease) in Fund Balance (C +D4)	\$ 1,519,390	\$ 7,195,537	\$ 9,371,172
F. Fund Balance, Reserves			
1) Beginning Fund Balance			
a) Adjusted Beginning Balance (F1c + F1d)	\$ 99,679,448	\$ 101,198,838	\$ 108,394,374
2) Ending Balance, June 30 (E + F1e)	\$ 101,198,838	\$ 108,394,374	\$ 117,765,546

# Second Interim Cash Flow - Form CASH

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## General Fund Beginning Cash July 1, 2021

1. \$104,083,405

## General Fund Ending Cash Projection June 30, 2022

1. \$83,870,282

We will have to continue to monitor spending and cash flow with one time funds

- ~25% received initially from each fund and the rest submitted as the District submits expenditure reports

# Going Forward - Key Considerations & Reports

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## Considerations

- Governor's May Revise and State Adopted Budget
  - Categorical Funding awards continue to be clarified with focus and spending limitation
  - Legislation options for revising Average Daily Attendance funding
- Continued Budget Development and Implementation of Board Approved Reductions - January 2022
- The District is working to address the Lack of Going Concern Determination by the Alameda County Office of Education
- Projections for school closures projections nor Tentative Agreements with labor unions are included in the MYP

# NEXT STEPS



1. Submission of Second Interim to the Alameda County Office of Education (ACOE) by March 15th
2. Distribution of Second Interim to Auditors, Financial Advisors, Bond Reporting Agencies
3. Continued Budget Development for 2022-23 with reductions
4. Third Interim Due June 1, 2022

# Questions/Comments



**EVERY STUDENT THRIVES!**



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