



MEMORANDUM

DATE: June 28, 2017

TO: Board of Trustees

FROM: Dr. Devin Dillon, Interim Superintendent
Vernon Hal, Senior Business Officer

RE: 2017-18 Adopted Budget

The purpose of this memo is to provide a summary of the Oakland Unified School District’s 2017-18 Budget. The 2017-18 Budget was presented as a ‘First Read’ on June 14, 2017 and will be presented for adoption by the Board on June 28, 2017. The 2017-18 Budget is presented in the State Accounting Codes (SACs) format, which is the required format for formal documentation to the Alameda County Office of Education (ACOE) (our oversight agency) and the California Department of Education. A PowerPoint presentation is also provided to summarize the Budget for the Board and the public.

2017-18 Total Budget (All Funds):

Total Revenues for 2017-18 for all funds are expected to be \$694.7 million. Total Expenses for all funds are expected to be \$ 762.8 million.

General Fund - Unrestricted:

The Unrestricted General Fund reflects anticipated revenue as projected by the Governor’s May Revised Budget Proposal. The table below summarizes budgeted unrestricted General Fund revenues and expenditures for 2017-18, and provides a comparison to the most recent budget snapshot for the current year, 2016-17:

Unrestricted General Fund		2017-18 Budget	2016-17 3rd Interim	Diff
Local Control Funding Formula (LCFF) Revenues		\$ 359,593,984	\$ 354,727,290	\$ 4,866,694
Other State & Federal Revenue		13,269,196	15,648,598	(2,379,402)
Local Revenue		34,469,643	34,836,462	(366,819)
Transfer-In & Sources		564,067	847,032	(282,965)
Total Revenues & Sources	a	407,896,890	406,059,382	1,837,508
Expenses				
Certificated Salaries		138,911,376	145,665,246	(6,753,870)
Classified Salaries		55,651,598	59,009,152	(3,357,554)
Benefits		80,776,605	86,279,712	(5,503,106)
Books & Supplies		14,538,817	8,324,144	6,214,672
Services & Other Operating Expenses		36,270,665	35,351,055	919,610
Capital Outlay		-	332,649	(332,649)
Total Expenses	b	326,149,061	334,961,959	(8,812,897)
Other Outgo (Pass Throughs / Debt Service)	c	6,087,521	6,077,046	10,475
Indirect Cost (Expense Offset)	d	(4,271,913)	(5,363,263)	1,091,350
Contributions & Transfers Out	e	71,832,565	74,408,884	(2,576,319)
Total Expenses & Uses	b..e=f	399,797,235	410,084,626	(10,287,391)
Change in Fund Balance	a-f=g	\$ 8,099,655	\$ (4,025,244)	\$ 12,124,899
Beginning Fund Balance	h	8,431,471	12,063,851	(3,632,380)
Audit Adjustment	i		392,864	(392,864)
Beginning Fund Balance	h+i=j	\$ 8,431,471	\$ 12,456,715	\$ (4,025,244)
Ending Fund Balance	g+j=k	\$ 16,531,127	\$ 8,431,471	\$ 8,099,655



Unrestricted Revenues and Sources:

- Local Control Funding Formula (LCFF) Revenue consists of:
 - ✓ LCFF funding \$359.6M
 - ✓ LCFF funded ADA 35,040.39
 - ✓ GAP funding percentage 43.97
- State Revenues consists of the following sources:
 - ✓ Lottery \$5.6M
 - ✓ Mandated Cost Block Grant \$1.3M
 - ✓ Medical Administrative Activity (MAA) \$1.2M
 - ✓ One-Time Discretionary Funds \$5.1M
- Local Revenues total \$34.5M and consist of the following sources:
 - ✓ Redevelopment Agency Funds
 - ✓ Measure G
 - ✓ Charter School 1% Oversight Fees
 - ✓ Charter School Facility Use Fee
 - ✓ ERATE

Fund Balance: The 2017-18 Unrestricted Ending Fund Balance is projected at \$16.5M.

Unrestricted General Fund	2017-18 Budget	2016-17 3rd Interim	Diff
Ending Fund Balance	\$ 16,531,127	\$ 8,431,471	\$ 8,099,655
Components of the Ending Fund Balance:			
Reserve for Required Economic Uncertainty (2%)	10,498,275	8,281,471	2,216,804
Reserved for Instructional Teacher Leaders (ILT's)	500,000		500,000
Add'l Reserve for Closing the Books for 2016-17	5,382,852		5,382,852
Designated for the Following:			
Revolving Cash	150,000	150,000	-
Total Ending Fund Balance	\$ 16,531,127	\$ 8,431,471	\$ 8,099,655

- In 2016-17, the District projected that it would not meet the required reserve for economic uncertainty, required by the State at 2% and the Board at 3%. The shortfall in the ending fund balance was \$2.8M representing 1.5% of the State requirement.
- The shortfall in ending the 2016-17 Fund Balance of \$2.8M is being addressed with the 2017-18 Budget. As noted above, the ending fund balance is anticipated to increase \$8.1M from 2016-17 and meets the 2% reserve requirement for 2017-18 by over \$5.4M of which \$5.1M of this increase is due



to State One-Time Discretionary Funds, not allocated to expenses and used to increase the ending fund balance.

Cash Flow:

- Cash flow for projected months (07/01/2017 to 06/30/2018) are primarily based on Federal, State and Local cash payment schedules and prior year actuals.
- To have sufficient cash on hand to close out the current fiscal year (2017-18) and meet financial obligations, the District will temporarily borrow \$26M in October 2017. The temporary borrowing is scheduled to be repaid in April 2018.
- Although the deferrals were eliminated by the State the past few years, State funding is still apportioned over twelve uneven payments. The temporary borrowing helps the District to meet some of its cash needs for during the fiscal year.
- With the temporary borrowing and repayment, the 2017-18 Cash Flow projections reflect a positive ending cash balance of \$23.1M. An additional \$5.4M is available if closing the 2016-17 books requires more than \$2.8M from the 2% reserve for economic uncertainty estimated in the 2016-17 3rd interim report.

Cash Balance	July 2017 Projected	August 2017 Projected	September 2017 Projected	October 2017 Projected	November 2017 Projected	December 2017 Projected
Beginning Cash	\$ 10,328,577	\$ 3,801,326	\$ 11,470,560	\$ 11,025,704	\$ 11,675,876	\$ 2,027,964
Total Receipts	18,641,353	15,294,810	40,907,949	24,224,434	29,768,299	122,392,985
Total Disbursements	15,463,131	16,298,662	41,985,756	49,571,690	44,633,686	46,122,398
A/R & A/P	(9,705,473)	8,673,086	632,950	25,997,428	5,217,475	(2,617,296)
Net Increase / Decrease	(6,527,251)	7,669,234	(444,856)	650,173	(9,647,913)	73,653,290
Ending Cash	\$ 3,801,326	\$ 11,470,560	\$ 11,025,704	\$ 11,675,876	\$ 2,027,964	\$ 75,681,254

Cash Balance	January 2018 Projected	February 2018 Projected	March 2018 Projected	April 2018 Projected	May 2018 Projected	June 2018 Projected
Beginning Cash	75,681,254	61,190,399	48,594,694	39,279,984	40,347,730	25,829,668
Total Receipts	28,144,350	28,130,643	35,966,248	69,297,385	36,341,080	61,719,510
Total Disbursements	44,955,931	45,063,090	44,246,304	45,468,819	46,040,451	57,248,276
A/R & A/P	2,320,725	4,336,742	(1,034,654)	(22,760,821)	(4,818,691)	(7,164,180)
Net Increase / Decrease	(14,490,855)	(12,595,705)	(9,314,710)	1,067,745	(14,518,061)	(2,692,946)
Ending Cash	\$ 61,190,399	\$ 48,594,694	\$ 39,279,984	\$ 40,347,730	\$ 25,829,668	\$ 23,136,722



Multiyear Projections:

- An essential part of interim reporting is the multiyear projections. Using a reasonable set of assumptions about future years, the District has projected to meet and surpass the State required 2% reserve for economic uncertainty over the next two years. These results assume stable enrollment and an increase in funding from LCFF assuming 71.53% and 73.51% GAP funding in 2018-19 and 2019-20 respectively.
- The other key assumptions are step and column increases, the growth in health and retirement benefits, and removing one-time items.
- In order to meet and build upon the State’s 2% reserve requirement for 2018-19, the District’s unrestricted projections assumes reductions of \$1.2 million.

Unrestricted General Fund		2017-18	2018-19	2019-20
Unrestricted LCFF Revenues		\$ 359,593,984	\$ 372,366,673	\$ 382,354,963
Other Revenue		47,738,839	43,385,349	44,744,575
Transfer-In, Sources & Contrib		(69,763,910)	(72,468,431)	(75,290,129)
Total Revenues & Sources	a	337,568,913	343,283,591	351,809,409
Salaries,Supplies,Services & Equipment		326,149,061	336,561,043	347,337,538
Other outgo (Pass Throughs / Debt Service)		6,087,521	6,087,521	6,087,521
Indirect Cost (Expense Offset)		(4,271,913)	(4,450,550)	(4,456,132)
Transfers Out		1,504,588	1,552,584	1,596,988
Total Expenses & Uses	b	329,469,258	339,750,598	350,565,915
Change in Fund Balance	a-b=c	8,099,655	3,532,993	1,243,494
Beginning Fund Balance	d	8,431,471	16,531,126	20,064,119
Ending Fund Balance	c+d=e	\$ 16,531,126	\$ 20,064,119	\$ 21,307,615



Restricted General Fund		2017-18	2018-19	2019-20
Restricted LCFF Revenues		\$ 2,412,110	\$ 2,412,110	\$ 2,412,110
Other Revenue		133,608,494	134,812,146	135,019,324
Transfer-In, Sources & Contrib		70,327,977	73,032,498	75,854,196
Total Revenues & Sources	a	206,348,581	210,256,754	213,285,630
Salaries,Supplies,Services & Equipment		190,745,715	203,560,293	203,960,630
Other outgo (Pass Throughs / Debt Service)		2,040,000	6,100,000	6,100,000
Indirect Cost (Expense Offset)		2,658,774	2,837,411	2,842,993
Transfers Out		-	-	-
Total Expenses & Uses	b	195,444,489	212,497,704	212,903,623
Change in Fund Balance	a-b=c	10,904,092	(2,240,950)	382,007
Beginning Fund Balance	d	9,816,124	20,720,216	18,479,266
Ending Fund Balance	c+d=e	\$ 20,720,216	\$ 18,479,266	\$ 18,861,273

The District is projected to meet its obligations in the proposed budget year as well as the two subsequent years. Based on the concerns previously communicated by ACOE in 2016-17 regarding factors impacting district funding such as declining enrollment and increasing contributions from the General Fund. Staff has made budgetary adjustments to meet and build upon the State 2% and the Board 3% reserve requirement. Staff is recommending approval of the 2017-18 Adopted Budget.