



OAKLAND UNIFIED  
SCHOOL DISTRICT

expect **Success**

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# **2008-09 2<sup>nd</sup> Interim Financial Report**

**Wednesday, March 11, 2009**

# Financial Services Team

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- Vince Matthews – State Administrator
- Roberta Mayor – Superintendent
- Vernon Hal – Chief Financial Officer
- Roberta Sadler – Controller
- Jason Willis – Budget Director
- Sandra Anderson-Knox – Financial Services Manager

# Financial Support Team - Budget

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- Roxanne Dunn – Financial Services Associate II
- Linda Wu – Financial Services Associate II
- Katema Slocum – Financial Services Associate II
- Diane O’Hara – Financial Services Associate I
- Keisha Smith – Financial Services Associate I
- Marla Williams – Financial Services Associate I
- Ruth Dubose – Financial Service Associate I
- Cecelia Shields – Financial Service Associate I

# Financial Support Team - Accounting

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- Waly Ndiaye – Financial Accountant II
- Quyen Nyo – Financial Accountant II
- Azeb Legesse – Financial Accountant I
- Minh Co – Financial Accountant I
- Michael Ezeh – Financial Accountant I
- David Lewis – Financial Accountant I
- Adan Hernandez – Accounting Technician, Receivables Billing

# Agenda

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- New State Budget: 2008-09
- General Fund Overview
- New State Budget: 2009-10
- Multi-Year Budget Projections
- Cash Flow

# New State Budget: 2008-09

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## The State Budget enacted on February 20<sup>th</sup> includes:

- It is a 17-month budget that runs through June 2010;
- To address budget deficit, package includes \$15 billion in expenditure cuts, \$14.4 billion in temporary revenues, and \$11 billion of borrowing.
- **Enacted budget is predicated on the passage of several ballot measures that will go to voters on May 19, 2009.**
- Cuts to education equal **\$8.6 billion** over the next 17 months.

# Impact to OUSD Budget: Governor's Proposal vs. New State Budget

Budget reductions to OUSD budget in 2008-09 under the Governor's proposal and the new state budget.

<b>General Fund</b>	<b>Unrestricted</b>	<b>Restricted</b>	<b>Total</b>
Governor's Proposal (Nov 2008)	(\$12,465,000)	\$0	<b>(\$12,465,000)</b>
New State Budget (Feb 2009)	(\$6,940,199)	(\$7,840,238)	<b>(\$14,780,437)</b>

# Steps Taken to Mitigate New State Budget Cuts: Unrestricted Resources

<b>Action Item for 2008-09</b>	<b>Estimated Savings</b>	<b>Actual Savings</b>
Reduction in Special Education Contribution	\$1,500,000	\$1,199,999
Central Office Vacancies and Targeted Hiring Freeze	2,000,000	223,000*
Insurance/Settlements Moved to Self-Ins Fund	2,400,000	3,700,913
Routine, Restricted Maintenance Acct. Flexibility	1,000,000	1,000,000
Categorical Carryover <u>Already Held</u> for Flexibility	4,000,000	3,310,490
Categorical Carryover <u>Already Allocated</u> to Depts.	3,000,000	\$0
Out-of-state employee travel and conferences	400,000	TBD*
Reduce Ending Fund Balance for 2008-09	4,637,000	\$0
Reduce 2008-09 Budget at School Sites	TBD	\$0
<b>Total</b>	<b>18,937,000</b>	<b>9,434,402</b>

*\*Note: Savings will continue in 2008-09*



# Steps Taken to Mitigate New State Budget Cuts: Restricted Resources

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**The school district was able to make sufficient budget reductions to cover the new state budget cuts to the unrestricted General Fund.**

- However, the school district was not prepared for the budget reductions in the restricted General Fund.
- Therefore, fiscal staff will be working with program staff that oversee programs funded by restricted resources to identify opportunities to make sufficient budget reductions in these programs for the remainder of the 2008-09 fiscal year.

# State Budget Education Reductions

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## For 2008-09, the State Budget:

1. Reduces current year revenue limit by 3% resulting in a \$6.9 million cut to the OUSD unrestricted General Fund.
2. Breaks down restricted (categorical) resources into three tiers. Tier II and Tier III receive a 15.38% reduction. Tier III categorical resources are also allowed to be converted and used for any educational purpose.
3. Allows certain 2007-08 restricted resource carryover to be used for any educational purpose (transfer to unrestricted General Fund).

# State Budget Education Reductions

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## For 2008-09, the State Budget (continued):

4. Provides the option to reduce amount school districts are required to set-aside for routine restricted maintenance to 1% from 3%.
5. Although school districts will receive State's share of deferred maintenance, requirement is eliminated to contribute one half of 1% by local school district.\*
6. Instructional materials requirements are suspended until 2010-11 for math and English Language Arts (ELA).\*\*

\* - The unrestricted General Fund is unaffected by this budget provision because the local match for deferred maintenance comes from the school district's Bond Fund (Fund 21).

\*\* - OUSD will not use this flexibility because it would increase the costs in 2010-11.

# Impact to OUSD Budget under New State Budget: 2008-09

## 1. Reduces current year revenue limit

<b>Category</b>	<b>2008-09 2<sup>nd</sup> Interim</b>
Eliminate 0.68% COLA (\$41 less in revenue limit per ADA)	(\$1,468,000)
Further reduce current year revenue limit (\$151 less in revenue limit per ADA)	(\$5,472,199)
<b>Total Impact to OUSD in 2008-09</b> <b>(\$192 less in revenue limit per ADA)</b>	<b>(\$6,940,199)</b>

# Impact to OUSD Budget under New State Budget: 2008-09

2. Breaks down restricted (categorical) resources into three tiers, each with different provisions that are in effect until the end of the 2012-13 fiscal year (5 years).
  - **Tier I:** Receives no cut and no flexibility, e.g., child development, food services, K-3 class size reduction, special education, and economic impact aid (EIA), etc. **(25 resources, \$149 million)**
  - **Tier II:** Receives 15.4% reduction and no flexibility, i.e., English Language Acquisition Program and California Partnership Academies, etc. **(2 resources, \$2.7 million)**
  - **Tier III:** Receives 15.4% reduction and one-time flexibility that allows resources to be used for any educational purpose **(31 resources, \$71 million)** e.g., Adult Ed (\$19 million), Targeted Instructional Improvement Grant (TIIG) (\$13 million), School Library Improvement Block Grant (SLIBG) (\$5 million) and 28 other resources (\$34 million).

# Impact to OUSD Budget under New State Budget: 2008-09

3. Allows certain 2007-08 restricted resource carryover to be used for any educational purpose (transfer to unrestricted General Fund). The school district has transferred \$3.3 million of the 2007-08 carryover to the unrestricted General Fund.
  - The new state budget provides that any 2007-08 restricted resource carryover can be converted with exception of:
    - California High School Exit Exam (CAHSEE) Intensive Intervention
    - Economic Impact Aid (EIA)
    - Home to School Transportation
    - Instructional Materials
    - Quality Education Investment Act (QEIA)
    - Special Education
    - Targeted Instructional Improvement Grant (TIIG)

# Federal Stimulus Package

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## The Impact of the Federal Stimulus on Oakland Unified:

- One-time funding allocations for 2008-09 and 2009-10 to education through state education agencies and school districts as formula allocations and competitive grants;
- Oakland Unified is currently projected to receive \$30.6 million over the next 17 months including: \$17.6 million in Title I funds, and \$12.9 million for special education;
- Unclear of exact amounts available to District at this time; therefore, **none of the anticipated revenues from the Federal Stimulus are included in the 2<sup>nd</sup> Interim Report.**

# Agenda

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- New State Budget: 2008-09
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# Unrestricted General Fund Overview

	1 <sup>st</sup> Interim	2 <sup>nd</sup> Interim	Difference
<b>Beginning Fund Balance</b>	<b>\$19,585,682</b>	<b>\$19,585,682</b>	<b>\$0</b>
Revenue Limit	\$203,225,045	\$198,525,956	(\$4,699,089)
Other Revenue	\$53,739,527	\$51,916,315	(\$1,823,212)
<b>Total Revenue</b>	<b>\$256,964,572</b>	<b>\$250,442,271</b>	<b>(\$6,522,301)</b>
Salaries, Benefits, Books, Supplies, Services, Capital, Other Outgo, Indirect	\$235,007,235	\$234,498,532	(\$508,703)
Transfers In, Sources	(\$6,833,167)	(\$9,306,375)	(\$2,473,208)
Transfers Out, Contributions	\$33,263,067	\$27,763,902	(\$5,499,165)
<b>Total Expenditures</b>	<b>\$261,437,135</b>	<b>\$252,956,059</b>	<b>(\$8,481,076)</b>
<b>Net Increase/(Decrease)</b>	<b>(\$4,472,564)</b>	<b>(\$2,513,789)</b>	<b>\$1,958,775</b>
<b>Ending Fund Balance</b>	<b>\$15,113,118</b>	<b>\$17,071,893</b>	<b>\$1,958,775</b>

# General Fund Review

## Explanation of Major Changes to Unrestricted

		<b>Increase/ (Decrease) in Fund Balance</b>
	<b>Budgeted Decrease in Fund Balance as of 1<sup>st</sup> Interim (December 2008)</b>	<b>(\$4,472,564)</b>
<b><i>Revenue</i></b>	Decrease in Revenues (see slide #16)	(\$6,522,301)
<b><i>Expense</i></b>	Decreases in expenditures such as salary, benefits, books, supplies, etc. (see slide #17)	\$508,703
	Increase in Transfers In/Sources (see slide #18)	\$2,473,208
	Decrease in Contributions (see slide #18)	\$5,499,165
	<b>Budgeted Decrease in Fund Balance as of 2<sup>nd</sup> Interim (March 2009)</b>	<b>(\$2,513,789)</b>

# General Fund Review

## Explanation of Major Changes to Unrestricted

<b>Revenue Limit</b>	<b>Increase/(Decrease) in Fund Balance</b>
Decreased revenue limit per ADA (\$192) from new State Budget	(\$6,940,199)
Increased revenue for additional estimated ADA (392 more ADA than 1 <sup>st</sup> Interim)	\$2,210,501
Other revenue limit changes	\$30,609
<b>Subtotal</b>	<b>(\$4,699,089)</b>
<b>Federal, State, and Local Revenue</b>	<b>Increase/(Decrease) in Fund Balance</b>
Charter Pass Through State Revenues (less students than anticipated)	(\$1,152,480)
Earned Interest (lower interest rates & cash balance because of state deferrals)	(\$550,000)
9 <sup>th</sup> grade CSR (15.4% cut & less students in 9 <sup>th</sup> grade CSR)	(\$243,181)
K-3 CSR (more estimated students in CSR classes)	\$117,930
Other Federal, State, and Local	\$4,519
<b>Subtotal</b>	<b>(\$1,823,212)</b>
<b>TOTAL</b>	<b>(\$6,522,301)</b>

# General Fund Review

## Explanation of Major Changes to Unrestricted

<b>Expenditure Increases/(Decreases)</b>	<b>Increase/(Decrease) in Fund Balance</b>
Insurance premium payments moved to Self-Insurance Fund	\$2,970,000
Decrease in state revenue pass through for charter schools	\$1,152,480
Change in indirect cost	\$435,894
Central Office vacancy savings	\$223,000
Increase in budget for property and existing liability claims	(\$2,300,000)
Repayment for mandated cost claim (prior year audit finding)	(\$532,108)
Increase in custodial supplies and non-labor	(\$426,797)
Increase in school site budgets (support for red & orange schools)	(\$367,658)
Increase in other outgo (State Special Schools and Payments to County Office)	(\$229,775)
Increase in budget for Human Resources	(\$173,698)
Board member election costs	(\$157,287)
Increase in employees on loan budget	(\$111,452)
Other budget adjustments	\$26,104
<b>TOTAL</b>	<b>\$508,703</b>

# General Fund Review

## Explanation of Major Changes to Unrestricted

<b>Transfers In and Sources</b>	<b>Increase/(Decrease) in Fund Balance</b>
Increased transfer from Self-Insurance Fund to pay liability and existing property claims	\$3,042,691
Decrease in budget of Early Childhood and Food Service loan payments	(\$350,000)
Decrease in budgeted payment from Chabot for Certificates of Participation (COPS) loan	(\$219,483)
<b>TOTAL</b>	<b>\$2,473,208</b>

<b>Transfers Out and Contributions</b>	<b>Increase/(Decrease) in Fund Balance</b>
2007-08 Categorical Ending Fund Balances Flexibility	\$3,310,490
Decrease in Contribution to Special Education (Program & transportation)	\$1,199,999
Decrease in Contribution to Routine, Restricted Maintenance	\$1,000,000
Increase in payment of COPS related to Chabot Science Center	(\$11,325)
<b>TOTAL</b>	<b>\$5,499,164</b>

# Components of Ending Fund Balance

## Unrestricted General Fund

	<b>1<sup>st</sup> Interim</b>	<b>2<sup>nd</sup> Interim</b>	<b>Increase/ (Decrease)</b>
<b>Projected Ending Fund Balance</b>	\$15,113,118	\$17,071,893	\$1,958,775

<b>Components of Ending Fund Balance</b>	<b>1<sup>st</sup> Interim</b>	<b>2<sup>nd</sup> Interim</b>	<b>Increase/ (Decrease)</b>
Reserve for Economic Uncertainty (2%)	\$9,325,965	\$9,281,609	(\$44,356)
Revolving Cash and Prepaid Expenses	\$150,000	\$150,000	\$0
Audit Findings and One-Time Items	\$2,637,153	\$6,640,284	\$4,003,131
Mid-Year Budget Cuts	\$2,000,000	\$0	(\$2,000,000)
Measure E	\$1,000,000	\$1,000,000	\$0

# Restricted General Fund Overview

	1 <sup>st</sup> Interim	2 <sup>nd</sup> Interim	Increase/ (Decrease)
<b>Beginning Fund Balance</b>	<b>\$22,011,557</b>	<b>\$21,954,713</b>	<b>(\$56,844)</b>
Revenue Limit	\$10,153,583	\$10,153,583	\$0
Federal Revenue	\$65,877,655	\$65,944,572	\$66,917
Other State Revenue	\$97,869,105	\$92,910,983	(\$4,958,122)
Other Local Revenue	\$10,360,989	\$12,253,759	\$1,892,770
<b>Total Revenue</b>	<b>\$184,261,333</b>	<b>\$181,262,898</b>	<b>(\$2,998,434)</b>
Salaries, Benefits, Books/ Supplies, Services, Capital Outlay, Outgo	\$231,291,006	\$226,424,250	(\$4,866,756)
Transfers In, Sources	(\$2,093,782)	(\$2,093,782)	\$0
Transfers Out, Contributions	(\$30,116,739)	(\$24,606,249)	\$5,510,490
<b>Total Expenditures</b>	<b>\$199,080,485</b>	<b>\$199,724,219</b>	<b>\$643,734</b>
<b>Net Increase/(Decrease)</b>	<b>(\$14,819,152)</b>	<b>(\$18,461,321)</b>	<b>(\$3,642,169)</b>
<b>Ending Fund Balance</b>	<b>\$7,192,405</b>	<b>\$3,493,392</b>	<b>(\$3,699,012)</b>

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# New State Budget: 2009-10

- Reduces revenue limit to education, OUSD will receive \$1.2 million less in 2009-10.
- Breaks down restricted (categorical) resources into three tiers. Tier II and Tier III receive a 4.4% reduction. This would result in an approximate reduction of \$2.4 million.
- Reduces amount school districts are required to set-aside for routine, restricted maintenance to 1% from 3%.
- Although school districts will receive State's share of deferred maintenance, requirement is eliminated to contribute one half of 1% by local school district.\*

\* - The unrestricted General Fund is unaffected by this budget provision because the local match for deferred maintenance comes from the school district's Bond Fund (Fund 21).

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# Multi-Year Budget Projections

## Unrestricted General Fund for 2008-09 to 2010-11

<b>Unrestricted General Fund</b>	<b>2008-09 2<sup>nd</sup> Interim</b>	<b>2009-10 Projected</b>	<b>2010-11 Projected</b>
<b>Beginning Fund Balance</b>	\$19,585,682	\$17,071,893	\$18,979,841
<b>Revenues</b>	\$233,048,613	\$224,095,344	\$224,457,461
<b>Expenses</b>	\$235,562,402	\$222,187,396	\$222,345,329
<b>Net Increase/(Decrease)</b>	(\$2,513,789)	\$1,907,948	\$2,112,132
<b>Ending Fund Balance</b>	\$17,071,893	\$18,979,841	\$21,091,973
<b>Designation for Economic Uncertainty (2%)</b>	\$9,281,609	\$8,539,868	\$8,485,447

# Multi-Year Budget Projections

## Budget Projection Facts

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- Funded cost of living adjustment (COLA) for 2009-10 is presumed to be -1%; 2010-11 is 0.70%.
- The District meets its mandatory 2% reserve; further, the ending fund balance is slightly increasing through 2010-11.
- The 2009-10 and 2010-11 budget projections include new state budget provisions enacted on February 20, 2009. However, the new state budget is dependent upon the May special ballot propositions being passed by voters.

# Multi-Year Budget Projections

## Restricted General Fund for 2008-09 to 2010-11

<b>Restricted General Fund</b>	<b>2008-09 2<sup>nd</sup> Interim</b>	<b>2009-10 Projected</b>	<b>2010-11 Projected</b>
<b>Beginning Fund Balance</b>	\$21,954,713	\$3,493,392	\$5,397,602
<b>Revenues</b>	\$210,056,711	\$206,710,230	\$208,062,092
<b>Expenses</b>	\$228,518,032	\$204,806,020	\$204,177,039
<b>Net Increase/(Decrease)</b>	(\$18,461,321)	\$1,904,210	\$3,885,053
<b>Ending Fund Balance</b>	\$3,493,392	\$5,397,602	\$9,342,655

# Agenda

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# Cash Flow Analysis

## Based on the best information available:

- State Controller’s Office (SCO) has not expressed an audit opinion on our financial statements due to cash not being reconciled prior to fiscal year 2002-03.
- District does not report the same cash balances as the Alameda County Treasury and Alameda County Office of Education (ACOE).
- Both the State and ACOE are aware of the issue and supportive of District’s actions taken to address problem.
- Staff believes there will be significant adjustments to cash and the ending fund balance in the General Fund upon completion of analysis by an outside audit firm.

# Cash Flow Analysis: Action Items

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## **The District has taken the following actions:**

- Board of Education (BOE) approved the use of an outside Certified Public Accounting (CPA) firm to reconcile cash.
- CPA firm has been engaged with the District since May 2008 and should complete it's analysis by May 2009.
- Financial Services is working with the CPA firm and Technology Services to institute permanent fixes.



# Cash Flow Analysis: 2008-09

<b>ACTUAL CASH BALANCE</b>	<b>July 2008 Actual</b>	<b>August 2008 Actual</b>	<b>September 2008 Actual</b>	<b>October 2008 Actual</b>	<b>November 2008 Actual</b>	<b>December 2008 Actual</b>
<b>Beginning Cash</b>	\$42,516,368	\$10,397,994	\$5,230,929	\$9,757,296	\$52,219,707	\$17,497,545
<b>Total Receipts</b>	931,937	3,919,473	30,618,953	72,499,665	2,543,649	71,167,696
<b>Total Disbursement</b>	10,862,491	13,159,779	36,295,938	37,625,659	36,731,964	39,366,341
<b>A/R and A/P</b>	(22,187,820)	4,073,241	10,203,351	7,588,405	(533,847)	1,269,105
<b>Net Increase/Decrease</b>	(32,118,374)	(5,167,065)	4,526,367	42,462,411	(34,722,162)	33,070,460
<b>Ending Cash</b>	\$10,397,994	\$5,230,929	\$9,757,296	\$52,219,707	\$17,497,545	\$50,568,005

# Cash Flow Analysis: 2008-09

<b>ACTUAL CASH BALANCE</b>	<b>January 2009 Actual</b>	<b>February 2009 Actual</b>	<b>March 2009 Projected</b>	<b>April 2009 Projected</b>	<b>May 2009 Projected</b>	<b>June 2009 Projected</b>
<b>Beginning Cash</b>	\$50,568,005	\$41,576,340	\$38,973,879	\$22,545,883	\$13,826,447	\$252,564
<b>Total Receipts</b>	19,590,565	36,724,110	41,016,024	46,327,427	41,016,024	31,699,666
<b>Total Disbursements</b>	34,219,210	39,696,175	54,893,794	54,893,794	54,893,794	54,893,794
<b>A/R &amp; A/P</b>	5,636,980	369,605	(2,550,226)	(153,068)	303,888	(7,027,749)
<b>Net Inc/ Dec</b>	(8,991,665)	(2,602,461)	(16,427,997)	(8,719,436)	(13,573,883)	(30,221,878)
<b>Ending Cash</b>	\$41,576,340	\$38,973,879	\$22,545,883	\$13,826,447	\$252,564	<b>(\$29,969,313)</b>

# Cash Flow Analysis: Assumption

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## **These assumptions support the cash flow analysis:**

- Cash flow for projected months (March to June) are based on a straight line projection based upon the budget.
- Portion of total receipts for state revenue assumes the state will continue to defer the school district's cash apportionments for the revenue limit and class size reduction totaling approximately \$40 million.
- Portion of total receipts for local revenue assumes parcel tax payment of \$20 million (payments in December and April).
- In order to ensure there is sufficient cash to meet financial obligations, resolution may be brought to BOE for approval of temporary interfund borrowing.

# Key Takeaways

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- Cash reconciliation effort underway that may result in significant adjustments to cash and ending fund balances in the General Fund.
- The District has seen an improved financial position in the General Fund between the 1<sup>st</sup> and 2<sup>nd</sup> interim
  - This is due in part to the school district's early actions to mitigate anticipated cuts expected by the state.
  - The 2<sup>nd</sup> interim includes one-time items of approximately \$4.3 million, i.e., reduction of contribution to routine, restricted maintenance and conversion of 2007-08 restricted ending fund balances to unrestricted.

# Key Takeaways (continued)

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- While the 2<sup>nd</sup> interim reflects the new state budget, the District must focus its attention on making the appropriate adjustments in the 2008-09 and 2009-10 fiscal year to take advantage of new flexibility provisions offered through the new state budget.
- It is still unclear how the Federal Stimulus package will impact the District and therefore it is **not** included in the 2<sup>nd</sup> interim financial report presented tonight.
- The information covered tonight discusses just the General Fund. Other funds, particularly the Adult Education fund, are affected by the new state budget as well. It is staff's recommendation that the District continue to support the efforts of Adult Education and the benefits that this program provides to the Oakland community.

# Thank You.

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## QUESTIONS?