

Multi-Year Financial Sustainability Plan: 2009 - 2011 Overview

1st Reading for the Board of Education
May 22, 2008



OAKLAND UNIFIED
SCHOOL DISTRICT

expect **Success**

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Executive Summary

- ▣ Original financial plan released in 2005, titled “Multi-Year Fiscal Recovery Plan”
- ▣ 2007-08 First Interim report communicated a balanced budget for the current and two subsequent years (12/12/07)
- ▣ Long-term financial sustainability is foreseeable but the District **must** first overcome the following challenges:
 - Unresolved audit findings; transition to independent auditor
 - Continued declining enrollment
 - California’s economic and fiscal condition
 - Settlement of union contract agreements
- ▣ This plan is a living document that will continue to address the financial health of the District over the next 3 years

Summary MYFSP Recommendations

- ▶ External & Internal Financial Impact Analysis
 - To mitigate **declining enrollment** continue to strengthen academic programs to attract families; tie Central Office resources to enrollment changes; generate additional revenues; and implement plan to reduce number of schools
 - To offset the **impact of charter schools** the District should build on success of charter oversight practices; include district-wide expenses in charter agreements, exchange effective policies and practices, and sell services via service economy to increase revenue for District

Summary MYFSP Recommendations

▶ Fiscal Policies and Controls

- Use lessons learned and third-party evaluations to modify process on **Results-Based Budgeting (RBB)**
- Based on analysis of declining enrollment and financial sustainability a **Right Sizing Plan** should be created to consider the **merger or closure of schools**
- Evolve the **service economy model** to increase transparency of services and costs, build upon accountability mechanism that keep the focus on serving schools, and expand service offering

Summary MYFSP Recommendations

▶ Revenue Enhancements

- Strive for **increased attendance and enrollment** through continued capacity building of school staff and technology systems
- Investigate other revenue streams such as **parcel taxes** that are in-line with community expectations and/or based on square feet
- Continuation of district focus on **private fundraising** and application for **grants** that raises supplemental resources

▶ Expenditure Controls

- Monitor year over year **encroachments** and adjust accordingly
- District leadership committee oversight of **central GP hires**
- Institute programs to help **reduce utility costs**

History of OUSD's Financial Recovery

2000-03

- Enrollment decline begins
- Immediate impact of \$10M revenue loss
- Lack of sufficient District controls left OUSD with negative fund balance

2003

- Senate Bill 39 enacted resulting in \$100M loan from State
- State Administrator appointed
- State Administrator, FCMAT and other finance experts perform financial forecasting for district

2003-04

- District institutes Results Based Budgeting (RBB)
- Migration to Bi-Tech (IFAS) integrated financial system

2004-05

- 90 FTE's in Central Office cut from budget resulting in \$4.7M General Fund cost savings
- Bargaining units collaborate with district to rollback salaries and reduce benefit costs resulting in over \$13M in cost savings
- District reduced its overall expenditures in General Fund unrestricted resources by \$34.6M

Significant Actions from 2005 Plan

Primary purpose of the 2005 MYFRP was to institute a set of recommendations (26) that would help the District to progress towards financial recovery indicated primarily by:

- A healthy unrestricted, General Fund reserve, and
- Budget where expenses *do not exceed* revenues.

The next slides describe a summary of the actions that significantly affected OUSD's financial position were:

1. Resolve audit findings

- Audit findings for 2002-03 and 2003-04 were unresolved with a total potential liability of \$40.6 million.
- From both years, final total liability is \$1.8 million to be paid through reduction in principal apportionment.

Significant Actions from 2005 Plan

2. Repayment of General Obligation (GO) bonds from Capital Facilities Fund
 - The 2002-03 FY facilities audit revealed unallowable use of GO bond to make payments on COP debt. Corrective action to repay GO bond.
 - District has repaid \$9.9 million to GO bond from Capital Facilities Fund. Starting in 2007-08 payment of \$304,406 from General Fund will be made over twenty years.

3. Charge indirect cost to RRMA
 - District not collecting revenue by charging RRMA for indirect costs.
 - Implementation of strategy which used the required ½ of 1 percent General Fund contribution for Deferred Maintenance match to be paid from the Routine Restricted Maintenance Account (RRMA).

4. Charge charter schools for excess special education costs
 - District was absorbing large majority of special education cost for public school students within school district boundaries.
 - In MOU with LEA-sponsored charter schools District include provision that excess special education costs contributing to District's encroachment would be paid by charter school.

Significant Actions from 2005 Plan

5. Sell or lease surplus property

- 2005 MYFRP plan recommended the District investigate and pursue opportunities to sell and/or lease surplus property to pay down State Loan.
- District explored opportunity for the District Administration building only. Decision in 2006-07 to take no action.

6. Repayment of State Loan from Child Development Fund

- General Fund contributed \$2.1 million to help child development fund covering spending deficit.
- 2005 MYFRP plan instituted re-payment to help pay down State Loan; all payments made to date; payment of \$57,224 each year through 2024-25 FY.

7. Repayment of State Loan from Child Nutrition Services Fund

- General Fund contributed \$4.1 million to help child nutrition service fund covering spending deficit.
- 2005 MYFRP plan instituted re-payment to help pay down State Loan; all payments made to date; payment of \$206,843 each year to 2024-25 FY.

Multi-Year Financial Projections

	Object Code	2007-08 2 nd Interim	2008-09 Projected	2009-10 Projected
A. Revenues				
Revenue Limit Sources	8010-8099	218,015,472	210,597,298	211,897,301
Federal Revenue	8100-8299	67,555,949	59,841,000	58,644,180
Other State Revenue	8300-8599	129,577,580	118,358,457	119,855,164
Other Local Revenue	8600-8799	42,194,596	29,165,531	27,165,531
Total Revenue	8010-8799	457,343,596	417,962,286	417,562,175
B. Expenditures				
Employee Compensation	1000-3999	324,007,308	294,598,331	299,616,642
Books & Supplies	4000-4999	46,873,898	30,235,920	28,985,595
Services, Other Operating	5000-5999	99,010,777	76,648,125	74,896,065
Capital Outlay	6000-6999	1,138,451	2,220,556	1,869,875
Other Outgo (less 7300-7399)	7000-7999	13,499,322	13,404,538	13,404,538
Indirect/Direct Support Costs	7300-7399	(3,215,305)	(3,286,471)	(3,186,846)
Total Expenditures	1000-7999	481,314,452	413,821,000	415,585,870
C. Other Financing Sources/Uses				
Total Finance Source/Use		2,977,234	2,977,234	2,977,234

NOTE: Represents both unrestricted and restricted General Fund

Multi-Year Financial Projections

	Object Code	2007-08 2 nd Interim	2008-09 Projected	2009-10 Projected
D. Net Increase / (Decrease) in Fund Balance				
Net Increase / (Decrease)		(20,993,623)	7,068,520	4,903,551
E. Fund Balance, Reserves				
Beginning Fund Balance		43,200,654	23,379,401	30,447,921
Audit Adjustment	9793	0	0	0
Restatements	9795	1,152,369	0	0
Ending Fund Balance, June 30		23,379,401	30,447,921	35,351,472
RESERVES FOR:				
Revolving Cash	9711	150,000	150,000	150,000
Legally Restricted Balance	9740	5,706,827	15,478,356	20,013,848
Economic Uncertainties	9770	9,626,289	8,237,858	8,278,391
Audit Findings	9780	3,000,000	3,000,000	3,000,000
Measure E Balance	9780	517,328	517,328	517,328
Declining Enrollment	9780	2,500,000	2,500,000	2,500,000
Undesignated Amount	9790	1,922,464	564,379	891,893

NOTE: Represents both unrestricted and restricted General Fund

Effective Resource Use

Overview

- Transition to District sustainability should be supported not just by policy but a culture of financial responsibility throughout the organization.
- *Strategic budgeting* is the allocation of resources that drive towards achievement of the District's goals.

Research Base

- School Services of California (SSC) in 2007 showed a significant correlation between fiscally healthy school districts and the presence of policies that aligned goals to resources.
- Further, fiscally healthy school districts more often reported that site leaders had increased staffing and budget flexibility.

Recommendation

- Using lessons learned and evaluations of current policies, such as Results-Based Budgeting (RBB), align with more effective resource use.
- Design and implement annual cycle of data-driven inquiry around the better alignment of District resources to goals across various leadership levels (i.e., Strategy Team, Central Office, schools)

External & Internal Impact Analysis

- ▶ Declining Enrollment
- ▶ Impact of Charter Schools
- ▶ State Budget Crisis

Declining Enrollment

Overview: Since 2000, District enrollment has declined by over 15,000 students. Two attributable factors are: (a) families moving out of Oakland and (b) growth of charter schools.

Analysis: Below is a chart showing the trend in District, charter, and total enrollment in Oakland. 2007-08 was the first year in which enrollment did not decline as much as predicted. However, the District continues to lose significant revenue.

Year	District Enroll	Charter Enroll	Total Enroll	District Enroll Change	% Change	RL per student (\$)	Projected RL revenue loss (\$)
2005-06	41,369	6,668	48,037	(3,720)	-8.3%	\$5,172	\$(19,239,840)
2006-07	39,964	7,228	46,922	(1,675)	-4.0%	\$5,538	\$(9,276,150)
2007-08	38,852	7,531	46,383	(1,112)	-2.8%	\$5,790	\$(6,438,480)
2008-09 (proj.)	38,146	7,884	46,030	(706)	-1.9%	\$5,659	\$(3,995,254)
2009-10 (proj.)	37,440	8,237	45,677	(706)	-1.9%	\$5,829	\$(4,115,274)
Total 5-year Revenue Loss							\$(43,064,998)

Declining Enrollment

Recommendation In order to counter the District's continued declining enrollment, the following actions should be taken:

1. Stabilizing Enrollment: Continued focus on strengthening learning environments to achieve academic success for all students in order to attract families back to District
2. Right-size Central Office Expenses: Identify services that can be tied directly to enrollment changes and modify costs appropriately; continue to invest in technology to streamline Central Office processes
3. Generate Additional Revenues: Continue to implement service economy that identifies and markets services that can be sold to charter schools, neighboring school districts, and the City of Oakland to recoup lost revenue
4. Right Sizing Plan: Create a detailed Right Sizing plan that considers the merger to closure of between 10 and 17 schools.

Impact of Charter Schools

Overview: A significant number of students who leave OUSD are enrolling in charter schools approved by our local education agency which impacts school site budgets and Central Office expenses. The District can leverage resources and opportunities to benefit from the co-existence of charter schools.

Recommendation:

1. Continue to build upon the success of charter school oversight practices at the district and increase academic standards;
2. Develop policies and practices for exchange of best practices and learning between charter and public schools;
3. Ensure expenses related to lost enrollment is included in charter school agreements (e.g., debt service, special education encroachment, etc.); and
4. Sell services via the District's service economy to charter schools. Services include nutrition services, print services, custodial, security, data support, and assessment systems.

State Budget Crisis

Overview: Based on projected state revenue loss and budget in January, school districts would be severely cut. For OUSD the implication is approximately \$23 million less in revenue in 2008-09.

Recommendation:

1. Take careful consideration for the options made available by the Governor during **May revise**.
2. Strive to **increase reserve levels** to help mitigate single or multi-year state budget cuts.
3. Establish a **"rainy day" fund** with the City of Oakland that can be withdrawn in times of revenue shortfall for the District.

Fiscal Policies & Controls

- ▶ Results-Based Budgeting (RBB)
- ▶ School Size Financial Analysis
- ▶ Service Economy
- ▶ Debt Structure and Control

Results Based-Budgeting (RBB)

Overview: RBB is a budgeting process based on a per student formula that accounts for all expenses associated with school operations. Budgets are allocated to and managed by school sites. RBB focuses on four key elements which include: *equity, transparency, accountability and autonomy.*

Equity

- Revenue follows the child
- Expenses are determined at school among principal, staff, and community

Transparency

- Easier to understand budgets for community and parents
- Reflects true cost to operate instructional program for schools

Accountability

- RBB tied directly to school's strategic plans (SPSA)
- School Site Council (SSC) oversight of categorical funds

Autonomy

- Schools have more control over their budgets
 - Currently 100% of General Purpose (GP) funds

Results Based-Budgeting (RBB)

Recommendation: Use lessons learned and third-party evaluations to inform board policy on RBB that ensures inter-district funding equity and opportunity for increased student achievement.

Equal revenue allocations

- Collaborate with schools to discuss strategies that preserve equity of revenue allocations and address concentrations of higher salaried staff

Simple, accessible financial information

- Continue to develop easy to understand, user-friendly school site and Central Office budgets

Shared accountability across organization

- Develop and streamline support tools to help principals, school support staff, and District instructional leadership manage RBB more efficiently

On-going, consistent training is critical!

- Training and support on how to manage declining enrollment, state budget cuts and increased fixed costs
 - Consideration for the capacity and ability of principals to be effective instructional leaders and operation managers

School Size Financial Analysis

- Directive from the 2005 MYFRP plan:
“Schools smaller than the fiscally optimal size limit will be evaluated to determine if they are fiscally viable without additional central resources and/or whether there are conditions specific to the school or community that warrant the extra commitment of resources to keep the school operational.”
- Analysis conducted by OUSD Financial Services to determine financial viability for **all** OUSD schools
- Goal was to answer the question: (1) How does the size of OUSD schools compare to other similar school districts? and (2) What is the minimum school size threshold necessary to “keep the doors open” at the elementary, middle, and high school levels using General Purpose (GP) funds only?

School Size Financial Analysis

Answer to Question #1: Compared to other similar California school districts, OUSD has a larger proportion of schools with enrollments less than 300 students. In essence, OUSD has a large number of **tiny schools**.

	Oakland	San Francisco	Sacramento
Schools with enrollment less than 300 students (%)	59%	46%	14%

Answer to Question #2: In order for a school to be financially sustainable (“keep the doors open”) using General Purpose funds only, enrollment must be at least*:

- 300 students at the Elementary School level
- 275 students at the Middle School level
- 300 students at the High School level

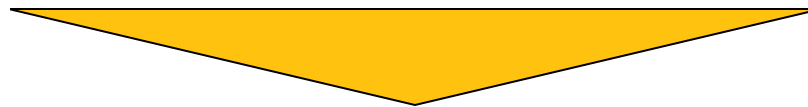
Schools below these minimum thresholds are dependent upon non-General Purpose funds to cover their core operating costs.

* - Critical to note that this analysis **does not** account for the optimal size as it is related to ideal programmatic and instructional environment.

School Merger/Closure: Financial Impact

- ▶ Assumed that all fixed labor costs are a savings in the event of school merger/closure and a portion of fixed non-labor costs.
- ▶ No savings assumed for teacher compensation as those FTE's will likely shift to other schools.

	Elementary	Middle	High
Labor costs (fixed)	\$225,000	\$390,000	\$305,000
Custodial Services	\$24,000	\$24,000	\$24,000
Utilities	\$38,000	\$46,000	\$45,000
Supplies, materials, etc.	\$33,000	\$40,000	\$30,000
Total	\$320,000	\$500,000	\$405,000



Potential annual net savings per school closure:

Elementary: \$320K

Middle: \$500K

High: \$405K

School Size Financial Analysis

Recommended Number of Schools

The recommended number of schools for merger or closure derives from financial analysis that uses the minimum size of schools by type. That is 300 students for elementary, 275 students for middle, and 300 students for high school.

In order to identify the range of schools that should be merged or closed, two primary criteria were analyzed:

- Current enrollment for the District's schools, and
- Continued declining enrollment over the next five years which is projected to be between 1.4% and 6.8% annually.

Therefore, based on this analysis, Financial Services recommends the merger or closure of **between 10 and 17 schools.**

Right Sizing Plan Recommendation

- In order to ensure OUSD's current and future financial sustainability Financial Services has recommended the merger or closing of **between 10 and 17 schools.**
- Further, it is recommended that a detailed Right Sizing Plan be created that considers for the merger or closure of these schools will occur. The three areas that should be outlined include:
 - 1. Process** for considering how to approach the merger or closure of schools
 - 2. Criteria** that clearly define the indicators to be used in the identification of schools for merger or closure
 - 3. Timeline** that allows opportunity for community input but also establishing clear expectations for a final decision.

Right Sizing Plan: Process

Best Practices Research

Staff has evaluated recent right sizing plans implemented by other school districts. Through this research, **Pittsburgh** has emerged as a best practices model. Key lessons learned include:

- **Transparency and community input** are critical.
- A **diverse range of criteria** should be used to identify schools for closure or merger. Important to include:
 - i) analysis of how schools are *improving* academic performance of individual students
 - ii) equity criteria to ensure that a schools from across the city are identified
- The **entire plan** should be evaluated collectively by the Board of Education so that political decisions are not made about individual schools identified.
- Decisions should be made **in a timely fashion.**

Right Sizing Plan: Process

Oakland Context

In addition to collecting and learning from Best Practice examples, it is also critical that this process be designed within Oakland's historical context:

- Over the past 5 years, a number of schools have been closed in Oakland. There are many lessons learned from the strengths and weaknesses of these historical processes.
- Over the past 7 years 48 new schools have been created through a community driven process to improve education options for families.
 - OUSD has a continued commitment to small schools.
 - This plan seeks to balance the investment in small schools with the financial constraints of *TINY SCHOOLS*

Right Sizing Plan: Proposed Criteria

Category	Criteria	Rationale
Enrollment	Current Enrollment	<ul style="list-style-type: none"> • Current enrollment directly impacts the current sustainability of each school • The facility size will be taken into account: some schools are limited in how large they can grow because they are located in small buildings
Neighborhood Residential Change	Current Residents	<ul style="list-style-type: none"> • Current OUSD Board Policy values access to neighborhood schools. The number of residents in each attendance area therefore needs to be factored into the criteria
	Future Residents	<ul style="list-style-type: none"> • Although OUSD is losing enrollment across the district, certain neighborhoods are projected to lose more residents than other neighborhoods over the next 5 years
Equity	Proximity to Historical Closure	<ul style="list-style-type: none"> • Certain neighborhoods have been disproportionately impacted by historical school closures; it is important that this is factored into the criteria
	Free / Reduced Lunch %	<ul style="list-style-type: none"> • Certain schools have more students who qualify for Free/Reduced Lunch than other schools; it is important that this is factored into the criteria so that the plan impacts a diverse range of schools across the city
Academic (OUSD Tiering Criteria)	Absolute Performance	<ul style="list-style-type: none"> • All schools should be meeting NCLB Adequate Yearly Progress targets
	Student level Growth	<ul style="list-style-type: none"> • All schools should be improving the performance of each student, regardless of how the student performed before they entered the school
	Closing Achievement Gap	<ul style="list-style-type: none"> • All schools should be closing the achievement gap between the lowest performing subgroup and the overall school performance

Right Sizing Plan: Proposed Timeline

Commitments

- Transparency
- Community Input

Date	Activity
May 22, 2008	Draft MYFSP: Presentation of Proposed Timeline and Criteria
June 11, 2008	Final MYFSP: Presentation of Proposed Timeline and Criteria
August 27, 2008	Presentation of detailed community engagement process
September 2008	Interim Superintendent and Strategy Team led community engagement regarding proposed criteria for Right Sizing Plan
Sept 24, 2008	Presentation of Draft Right Sizing Plan (including list of identified schools)
Oct – Nov 2008	Superintendent and Strategy Team led community engagement regarding Right Sizing Plan and identified schools
Nov 26, 2008	Presentation of Final Right Sizing Plan (based on community feedback)
Dec 17, 2008*	Decision regarding acceptance of final Right Sizing plan
Jan. – June 2009	Preparation for implementation of Right Sizing plan: HR, Facilities, etc.
July 2009	Right Sizing plan implemented

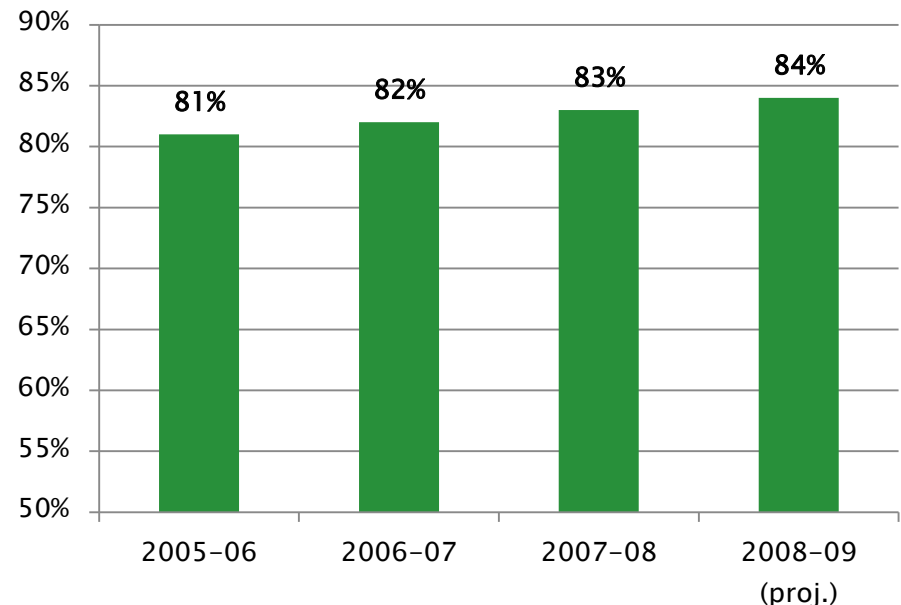
* - Decision in December 2008 is necessary to allow time for HR, Finance, and Facilities to plan appropriately for the coming 2009-10 school year and meet Ed Code and contractual deadlines.

Service Economy has evolved...

Overview: The service economy is a strategic investment approach that builds on the District's performance management philosophy of continuous process improvement. Approach has allowed Central Office to increase service to schools.

Recommendation: Continue to

1. Increase **transparency** of services provided by Services Organization (Central Office) costs related to providing those services.
2. Continue to implement **accountability** mechanism (SIPs, scorecards, District acct days) that ensure Services Organization is focused on school needs.
3. Building on the optional service model implemented with Operations Support and Instructional Services turn cost centers into profit centers (e.g. nutrition srvcs, print srvcs, etc.)



Financial Impact: Project that 84% of GP funds will be made available to schools in 2008-09 and an increase in revenues due to sold services

Debt Structure & Control

▶ OUSD has three types of long term debt:

- General Obligation Bonds \$563.9 million
- Lease Obligation ("COPs") \$19.3 million
- State Loan
 - 2003 Drawdown \$59.6 million
 - 2006 Drawdown \$33.5 million

TOTAL

\$676.4 million

▶ Other long term obligations not discussed today:

- State School Building Loan – repaid directly from tax collections, but less than \$500,000 left to repay.
- Health benefits for retirees (Other Post Employment Benefits, "OPEB") – less than \$100,000 payable

Outstanding Bonds

General Obligation Bonds

- Approved by voters and repaid by taxpayers. District still has \$305 million of bonds authorized but not yet issued.
- Taxpayer currently paying **\$80.10 per \$100,000** of assessed value each year for bond repayment on \$563 million in outstanding debt.

Outstanding Lease Obligations

- Districts can enter into long term LEASES. Certificates of Participation, or “COPs” are based on lease agreements.
- COPs are repaid by the District (General Fund).

State Loan

- Original State Loan for \$65 million converted to “Lease Revenue Bonds” by the State. Annual repayment of **\$3,890,532**.
- Additional draw-down of \$35 Million set-aside for specific purposes and set to repay itself.

2006 State Loan Drawdown

- ▶ July 2006 - Drawdown of remaining \$35 million of State Loan
- ▶ State approved expenditures for IFAS Upgrades of \$7 million.
- ▶ Remaining balance is to be applied to repayment or otherwise approved by State Administrator.

	2006 State Drawdown	\$35 million
less	IFAS/Tech Upgrades	-\$7 million
less	Audit Findings (02-03, 03-04)	<u>-\$1.8 million</u>
	Funds Remaining	\$26.2 million

Revenue Enhancements

- ▶ Increase Attendance and Enrollment
- ▶ Parcel Taxes
- ▶ Private Fundraising
- ▶ Grants (local, state, federal)

Increasing Attendance & Enrollment

Overview: The state measures how often students attend school through a measure called Average Daily Attendance (ADA). This metric is the basis on which all California school districts are funded on most major state funding streams, including General Purpose (GP) dollars.

Recommendations:

- Continue to build capacity with school-based support staff through training and certification
- Enhancement and accessibility for all school sites to student-based information systems
- Dropout recovery and truancy prevention including transforming OTAP to an intervention center

Financial Impact: Increase ADA percentage by one percent to generate an additional, on-going \$2.2M for the district

School Year	Enrollment	ADA %
2003-04	47,650	93.2%
2004-05	45,089	93.4%
2005-06	41,369	93.5%
2006-07	39,964	94.3%
2007-08	38,852	94.5%

Parcel Taxes

Overview: Fluctuations in the California economy and finances significantly impact consistency in district funding as school districts receive 60% of funding from the state. Local revenue sources such as Measure G (passed as a *permanent* parcel tax in February 2008) create \$20 million in consistent funding for the district to ensure supplemental programs such as libraries and the arts are funded despite external conditions.

Recommendation: The District should investigate other permanent, local revenue streams that can help to create funding stability

- Additional parcel taxes in line with community expectations
- Progressive parcel tax increases over life of commitment
- Explore partnership with City of Oakland to create joint “rainy-day” fund
- Investigate appetite for parcel tax based on square footage.

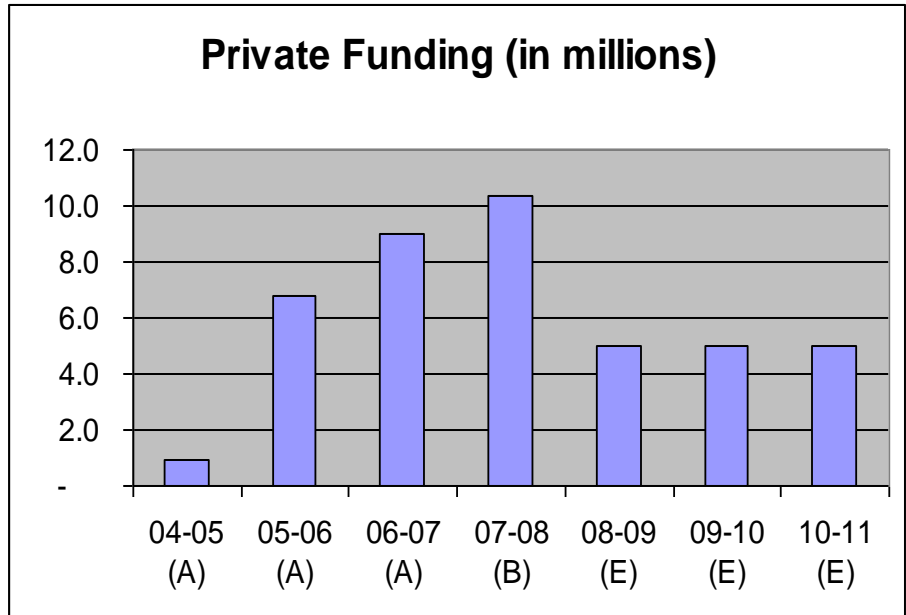
Financial Impact: Pursue additional parcel tax revenue to stabilize the District’s overall revenue stream from year to year.

Private Fundraising

Overview: Over \$27 million raised from private funders in the last 4 years

Recommendation: Continuation of Strategic Projects Office

1. Collaborates with Superintendent, Board of Education and Strategy Team on identifying fundraising goals
2. Goal: Raise \$3-7 million per year for strategic projects that support district goals
3. All projects supported by office will be fully-funded by private fundraising
4. Office will be 100% funded by private donations



Financial Impact: Estimated \$5 million in additional funding for school district per year

Grants

Overview: Various local, state, and federal grant programs exist which are aligned with the strategic goals of the District. Many of these grants are meant specifically for school districts.

Recommendation: The District should investigate other federal, state, and local grants which can be leveraged to supplement strategic programmatic activities across schools.

Financial Impact: Expect significant revenues from this strategy. Target amounts not yet determined.

Expenditure Controls

- ▶ Encroachments
- ▶ Monitor Central Office GP Fund Hires
- ▶ Containing Vacation & Sick Time
- ▶ Utilities

Encroachments

Overview: An encroachment on the general purpose fund from a restricted categorical fund is when the expenditures in that fund are greater than the program revenues. The difference is the encroachment.

Recommendations: Monitor year over year financial impact and adjust expenses accordingly:

1. Continue to recover SELPA fees from charter schools and surrounding districts
2. Renegotiation of transportation contract
3. Consideration of trade-off between investment in more certificated teachers versus instructional aides

Year	Total UR Funding	Total Special Ed Funding	Federal/State Contribute	District Contribute	District Cont. as % of Total UR
2002-03	\$264,864,544	\$41,105,265	\$17,997,094	\$23,108,171	8.8%
2003-04	\$239,172,488	\$32,789,228	\$16,143,383	\$16,645,845	7.0%
2004-05	\$230,606,406	\$37,591,252	\$20,505,706	\$17,085,546	7.4%
2005-06	\$253,554,474	\$59,991,459	\$44,642,016	\$15,349,443	6.1%
2006-07	\$268,198,595	\$59,717,221	\$43,914,753	\$15,802,468	5.9%
2007-08	\$257,428,600	\$61,411,094	\$45,659,561	\$15,752,533	6.2%

Data Source: OUSD Financial Services data files. Note that Federal & State Contribution also includes some other small local funds such as the SEMP-Mental Health fund from ACOE.

Monitor Central Office GP Fund Hires

Overview

Across California school districts that are in declining enrollment many struggle with being able to reduce Central Office or administrative expenses as fast as school-based expenses. As a result, it is critical to monitor Central Office positions funded by General Purpose dollars.

Recommendation

Continue senior leadership committee that reviews appeals to hire GP staff at Central Office departments that are above and beyond budgeted department staff.

Containing Unnecessary Absences

Overview

In 2007-08 we have budgeted over \$5M teacher and classified substitute costs

Recommendation

Target unnecessary absences

1. Continue to monitor absences on a monthly basis
2. Expand employee attendance program (piloted in '07-08)
3. Expand wellness policy to include more programs for healthy employees
4. Establish a leave management office
5. Transition to an automated time accounting system

Financial Impact: Goal is to save 10% or \$500,000 per year

Utilities

Overview

- Cost of energy in the United States over the past several years has steadily risen due to increases in oil and gasoline prices
- In 2007-08 OUSD has spend in excess of \$8 million on utilities or approximately 4% of the District's unrestricted General Fund (\$210 p.s.)
- Over past three years, expenses for utilities has dropped to \$209 per student in 2007-08 from \$211 per student in 2005-06.

Recommendation

- Institute a school utility refund program in which school's receive rebates for spending less on utilities than prior year.
- Conduct research on potential state energy rebate programs in which the District can transition to energy savings technology while mitigating installation cost.
- Revisit district-wide opportunity for installing "green products" throughout the District.

Next Steps

Based on feedback from the State Administrator and the Board of Education, staff suggest

- Present a final, revised MYFSP to Board on June 11th based on feedback from tonight's discussions
- Interim Superintendent establishes periodic meetings to provide Board and community with updates on the progress of implementing MYFSP
- Working with Interim Superintendent to define community engagement process for the Right Sizing Plan
- Continue best practice research to further inform OUSD Right Sizing Plan

Appendices

- ▶ Debt service schedules

General Obligation (GO) Bond Debt Service

Name	Dated Date	MEASURE C Original Par	MEASURE A Original Par	MEASURE B Original Par	Total Principal Outstanding	Interest Rate	Final Maturity	Comments
Series A	5/23/1995	\$ 12,200,000			\$ -		8/1/2019	REFUNDED
Series A	5/23/1995	18,315,640			-		8/1/2019	REFUNDED
Series B	7/30/1997	9,999,977			-	5.18%	8/1/2022	REFUNDED
Series C	5/20/1998	27,045,000			-	5.08%	8/1/2019	REFUNDED
Series C	5/20/1998	8,916,738			-	5.34%	8/1/2012	REFUNDED
Series D	5/20/1998	5,999,277			-	5.40%	8/1/2022	REFUNDED
Series E	5/1/1999	10,000,000			-	5.09%	8/1/2023	REFUNDED
Series F	4/1/2000	75,000,000			3,735,000	5.85%	8/1/2024	PARTIALLY REFUNDED
Series 2001	6/1/2001	38,215,107			400,398	5.10%	8/1/2025	Issued as one series; PARTIALLY REFUNDED
Series 2001	6/1/2001		61,999,893		649,602	5.10%	8/1/2025	
Series 2002	8/1/2002		100,000,000		97,030,000	4.92%	8/1/2026	
Series 2005	8/31/2005		141,000,000		140,200,000	4.38%	8/1/2030	
Series 2006	11/28/2006			130,000,000	122,735,000	4.45%	8/1/2031	
Series 2008	8/1/2008			150,000,000		5.25%	8/1/2033	Estimate
Series 2010	8/1/2010			155,000,000		5.50%	8/1/2035	Estimate
Issued		<u>\$ 205,691,738</u>	<u>\$ 302,999,893</u>	<u>\$ 130,000,000</u>				
To be Issued				<u>\$ 305,000,000</u>				
2007 Refunding	8/1/2007				<u>199,240,000</u>	4.48%	8/1/2025	
TOTAL OUTSTANDING					<u>\$ 563,990,000</u>			

Outstanding Lease Obligations

Series	Issue Date	Final Maturity	Original Principal	Principal Outstanding 5/1/2008	Annual Payments	Comments
* Series G - Refund Series A & Series D;HVAC	6/17/1999	8/1/2024	\$ 27,060,000	\$ 2,050,000	Approx. \$970,000 (thru 2010, then \$16,000)	Refinance prior COPS; \$200,000 for HVAC project
* Series G - Chabot Observatory	6/17/1999	8/1/2024	10,265,000	8,460,000	Approx. \$700,000	\$10 million loan to Chabot
** Series H - Refund Honeywell Phase II and Phase III	7/15/1999	11/1/2014	12,565,000	6,810,000	Approx. \$1,100,000	Replaces Capital Leases for Honeywell Phase II and Phase III
* Series J - Bi-Tech System	1/8/2002	8/1/2010	<u>4,690,000</u>	<u>1,960,000</u>	Approx. \$680,000	Purchase & installation of BiTech management information & accounting
TOTAL COPS OUTSTANDING:			<u>44,315,000</u>	<u>\$ 19,280,000</u>	<u>Approx. \$3,200,000</u>	

COP Repayment Schedule

- All COPs are variable rate. Table below estimates interest at 4.50%.

Fiscal Year Ending	Series G (Net*)	Series H	Series J	Total COP DS
6/30/2008	971,494.44	1,097,496.64	673,862.41	2,742,853
6/30/2009	974,426.75	1,113,737.02	674,711.93	2,762,876
6/30/2010	983,370.46	1,138,114.58	688,197.60	2,809,683
6/30/2011	17,088.42	1,137,171.99	692,769.59	1,847,030
6/30/2012	16,651.91	1,134,723.64		1,151,376
6/30/2013	16,175.56	1,129,623.83		1,145,799
6/30/2014	15,738.43	1,128,432.59		1,144,171
6/30/2015	15,288.44	1,124,953.42		1,140,242
6/30/2016	14,848.18			14,848
6/30/2017	14,379.28			14,379
6/30/2018	13,938.42			13,938
6/30/2019	13,488.42			13,488
6/30/2020	13,044.46			13,044
6/30/2021	12,582.99			12,583
6/30/2022	12,138.42			12,138
6/30/2023	16,520.15			16,520
6/30/2024	15,846.54			15,847
6/30/2025	15,169.67			15,170
6/30/2026				
	3,152,190.94	9,004,253.71	2,729,541.53	14,885,986

Outstanding State Loan

- Original State Loan for \$65 Million converted to “Lease Revenue Bonds” by the State. Annual repayment of **\$3,890,532** is automatically deducted.
- Additional draw-down of \$35 Million set-aside for specific purposes and to repay itself.

Series	Issue Date	Final Maturity	Original Principal	Principal Outstanding 5/1/2008	Annual Payments	Comments
STATE LOAN						
Emergency Apportionment Loan	6/4/2003	6/1/2023	\$ 65,000,000	\$ -		20 year repayment; 1.778% interest
Lease Revenue Bonds	4/30/2008	8/1/2023	\$ 59,565,000	\$ 59,565,000	\$ 3,890,534	State deducts pymts from State aid, then reimburses the District the difference btwn orig. loan and bond pymts.
Emergency Apportionment Loan	6/30/2006	6/1/2026	<u>35,000,000</u>	<u>33,527,397</u>	<u>\$ 2,094,903</u>	20 year repayment; 1.778% interest.
			<u>\$ 159,565,000</u>	<u>\$ 93,092,397</u>	<u>\$ 5,985,437</u>	

2006 State Loan Repayment

Interest earnings and loan proceeds are sufficient to make payments through 2023.

The District will need to repay \$8 million of the total \$35 million loan.

		Fund 17 Activity				State Loan #2	
Year Ending	Beg Balance	Interest Earnings	Approved Exp	Loan Payment	District Payment	Ending Balance	Principal Balance
		3.00%					35,000,000
30-Jun-07	35,064,590	434,279	(739,067)	(2,094,903)	-	32,664,899	35,000,000
30-Jun-08	32,664,899	979,947	(1,726,774)	(2,094,903)	-	29,823,169	33,527,397
30-Jun-09	29,823,169	894,695	(1,798,885)	(2,094,903)	-	26,824,076	32,028,611
30-Jun-10	26,824,076	804,722	(4,534,159)	(2,094,903)	-	20,999,737	30,503,177
30-Jun-11	20,999,737	629,992		(2,094,903)	-	19,534,826	28,950,620
30-Jun-12	19,534,826	586,045		(2,094,903)	-	18,025,968	27,370,459
30-Jun-13	18,025,968	540,779		(2,094,903)	-	16,471,844	25,762,203
30-Jun-14	16,471,844	494,155		(2,094,903)	-	14,871,096	24,125,352
30-Jun-15	14,871,096	446,133		(2,094,903)	-	13,222,326	22,459,398
30-Jun-16	13,222,326	396,670		(2,094,903)	-	11,524,093	20,763,823
30-Jun-17	11,524,093	345,723		(2,094,903)	-	9,774,912	19,038,101
30-Jun-18	9,774,912	293,247		(2,094,903)	-	7,973,257	17,281,695
30-Jun-19	7,973,257	239,198		(2,094,903)	-	6,117,552	15,494,061
30-Jun-20	6,117,552	183,527		(2,094,903)	-	4,206,175	13,674,642
30-Jun-21	4,206,175	126,185		(2,094,903)	-	2,237,457	11,822,874
30-Jun-22	2,237,457	67,124		(2,094,903)	-	209,678	9,938,182
30-Jun-23	209,678	6,290		(215,968)	(1,878,935)	-	8,019,980
30-Jun-24	-	-		-	(2,094,903)	-	6,067,672
30-Jun-25	-	-		-	(2,094,903)	-	4,080,652
30-Jun-26	-	-		-	(2,094,903)	-	2,058,303
30-Jun-27	-	-		-	-	-	(0)
		\$ 7,468,711	\$ (8,798,885)	\$ (33,734,416)	\$ (8,163,644)		