



OAKLAND UNIFIED
SCHOOL DISTRICT

expect **Success**

2007-2008 2nd Interim Financial Report

Wednesday, March 12, 2008

Financial Leadership Team

- Vincent Matthews – State Administrator
- Leon Glaster – Chief Financial Officer
- Roberta Sadler – Controller
- Jason Willis – Budget Director

Financial Leadership Team

- Sandra Anderson-Knox – Financial Services Manager
- 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

Financial Leadership Team

- 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

Agenda

- **General Fund Overview**
- **Impact of Governor's Budget Proposal**
- **Multi-Year Budget Projections**
- **Other Fund Overview**
- **Audit Findings**
- **Cash Flow**
- **Debt Service**

General Fund Overview: 2007-08

| | Unrestricted | Restricted | Total |
|--------------------------------|---------------------|--------------------|--------------------|
| Beginning Fund Balance | 18,371,084 | 26,001,940 | 44,373,024 |
| Total Revenues | 257,428,600 | 199,914,997 | 457,343,597 |
| | | | |
| Salary & Benefits | 193,834,172 | 130,173,136 | 324,007,308 |
| Books & Supplies | 9,146,045 | 37,727,854 | 46,873,899 |
| Services, Operating, Outlay | 30,670,083 | 69,479,146 | 100,149,229 |
| Outgo, and Transfers | 24,433,304 | (17,126,521) | 7,306,783 |
| Total Expenditures | 258,083,604 | 220,253,615 | 478,337,219 |
| | | | |
| Net Increase/(Decrease) | (655,004) | (20,338,618) | (20,993,622) |
| Ending Fund Balance | 17,716,080 | 5,663,322 | 23,379,402 |

General Fund Overview: 2007-08

- The District has a balanced Unrestricted, General Fund budget. The \$655,004 net fund decrease was the result of using Fund Balance (Measure E reserves) to pay for student textbooks and consumable materials.
- The District is in the process of restructuring categorical spending rates because of the Governor's proposal to take back all unspent state categorical funds at the end of this fiscal year. The District will be carrying over federal categorical funds while spending all state categorical funds.

General Fund: 1st Interim vs. 2nd Interim

| | 1st Interim | 2nd Interim | Change |
|--------------------------------|-------------------------------|-------------------------------|------------------|
| Beginning Fund Balance | 18,276,299 | 18,371,084 | 94,785 |
| Total Revenues | 254,561,641 | 257,428,600 | 2,866,959 |
| | | | |
| Salary & Benefits | 194,943,875 | 193,834,172 | (1,109,703) |
| Books & Supplies | 8,475,760 | 9,146,045 | 670,285 |
| Services, Operating, & Outlay | 27,412,738 | 30,670,083 | 2,663,739 |
| Outgo & Transfers | 23,851,241 | 24,433,304 | 1,175,669 |
| Total Expenditures | 254,683,614 | 258,083,604 | 3,399,990 |
| | | | |
| Net Increase/(Decrease) | (121,973) | (655,004) | (533,031) |
| Ending Fund Balance | 18,154,326 | 17,716,080 | (438,246) |

General Fund: 1st Interim vs. 2nd Interim

There were several changes between financial reporting periods including:

- Increase in beginning fund balance is due to a financial restatement;
- Increase in total revenue due to additional grants;
- Decrease in salaries was the result of a targeted hiring freeze;
- Increase in books was for textbook and consumable materials purchase using Measure E fund balance;
- Increase in services is due to rising utility costs and additional contracted services; and
- Increase in other outgo is due to special education encroachment increases.

Impact of Governor's Budget: 2008-09

Under the Governor's budget proposal for the coming fiscal year education funding would be cut by an estimated \$4.8 billion. The impact on OUSD for the 2008-09 fiscal year is approximately a \$23 million reduction in overall revenues.

| | 2008-09 1st Interim | 2008-09 Proposed Budget | Change |
|------------------------------|---|------------------------------------|---------------|
| Revenue Limit | 222,757,959 | 207,167,130 | 15,590,829 |
| State Categorical | 103,351,903 | 95,936,001 | 7,415,902 |
| Totals | 326,109,862 | 303,103,131 | 23,006,732 |

Impact of Governor's Budget: 2008-09

OUSD has taken steps to ensure these budget cuts are farthest away from the classroom:

- Reducing Central Administration costs by at least 10%;
- Combining typical attrition with a staff restructuring plan;
- Continuing to implement a targeted hiring freeze;
- Reducing the absolute site funding allocations while increasing the portion that goes to schools; and
- Making a one-time withdrawal from the “designated for uncertainty” reserve while maintaining the 2% fund balance required by state law.

Impact of Governor's Budget

General Fund Budget Reductions

| UNRESTRICTED ONLY | Central Office | Schools | Total |
|-------------------------------------|-----------------------|------------------|-------------------|
| Certificated Staff | 243,204 | 2,796,807 | 3,040,011 |
| Classified Staff | 2,349,298 | 2,102,659 | 4,451,957 |
| Benefits | 496,567 | 2,513,403 | 3,009,970 |
| Books & Supplies | 520,860 | 454,112 | 974,972 |
| Services & Equipment | 692,382 | 781,474 | 1,473,856 |
| Reserves for Uncertainty | 2,746,515 | 0 | 2,746,515 |
| Totals | 7,048,826 | 8,648,455 | 15,697,281 |
| | | | |

Multi-Year Budget Projections:

Unrestricted, General Fund

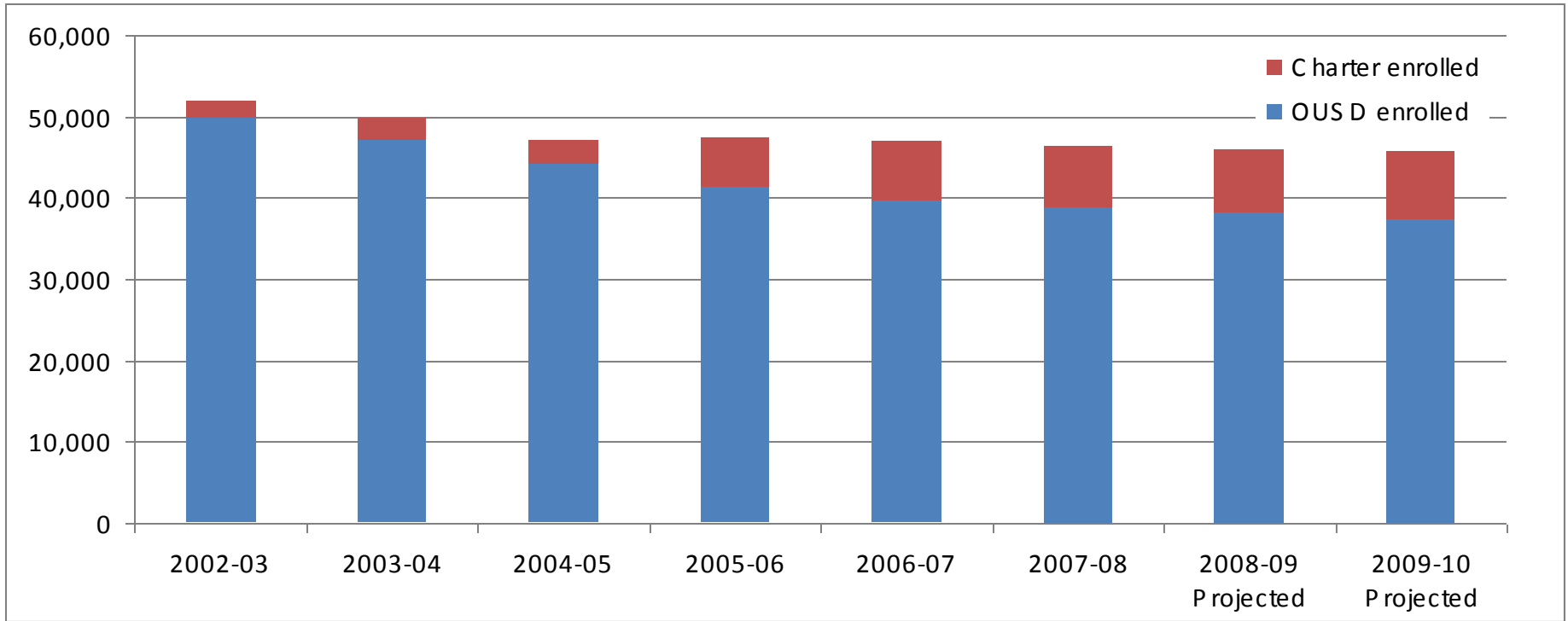
| | 2007-08 | 2008-09 | 2009-10 |
|--------------------------------|--------------------|--------------------|--------------------|
| Beginning Fund Balance | 18,371,084 | 17,716,080 | 14,969,566 |
| Total Revenues | 257,428,600 | 248,802,152 | 255,440,233 |
| | | | |
| Salary & Benefits | 193,834,172 | 183,240,868 | 186,904,694 |
| Books & Supplies | 9,146,045 | 7,231,618 | 7,520,883 |
| Services, Operating, & Outlay | 30,670,083 | 31,895,114 | 31,800,241 |
| Outgo & Transfers | 24,433,304 | 29,181,066 | 28,704,383 |
| Total Expenditures | 258,083,604 | 251,548,666 | 254,930,201 |
| | | | |
| Net Increase/(Decrease) | (655,004) | (2,746,514) | 510,032 |
| Ending Fund Balance | 17,716,080 | 14,969,566 | 15,479,598 |

Multi-Year Budget Projections: Unrestricted, General Fund

- **2007-08:**
 - Structural deficit eliminated.
- **2008-09:**
 - Beginning fund balance is reduced by \$2.7 million. These one-time funds were used to mitigate loss of revenue from Governor's budget proposal
- **2009-10:**
 - The budget is balance.

Please note that the budget does not include potential salary increases.

OUSD Enrollment Trends



| | | | | | | | | |
|------------------------------------|-------------------|-----------------------|-----------------------|-----------------------|-----------------------|---------------------|---------------------|---------------------|
| OUSD | 49,866 | 47,233 | 44,295 | 41,355 | 39,694 | 38,852 | 38,146 | 37,440 |
| Charter | 2,088 | 2,710 | 3,917 | 6,137 | 7,228 | 7,512 | 7,865 | 8,218 |
| <i>OUSD Prior Yr Change</i> | <i>n/a</i> | <i>(2,633)</i> | <i>(2,938)</i> | <i>(2,940)</i> | <i>(1,661)</i> | <i>(842)</i> | <i>(706)</i> | <i>(706)</i> |

2nd Interim: Other Fund Overview

| | Nutrition Services | Special Reserves | Adult Education | Child Development |
|--------------------------------------|---------------------------|-------------------------|------------------------|--------------------------|
| Beginning Fund Balance | 1,151,947 | 31,220,782 | 6,020,397 | 1,987,916 |
| Revenue | 14,269,057 | 1,208,101 | 16,070,565 | 24,799,699 |
| Expenditure/ Source & Use | 15,421,204 | 3,302,903 | 17,219,896 | 24,929,894 |
| Increase/ (Decrease) | (1,151,947) | (2,094,802) | (1,149,331) | (130,195) |
| Ending Fund Balance | 0 | 29,125,980 | 4,871,066 | 1,857,721 |

2nd Interim: Other Fund Overview (cont.)

| | Capital Facilities | Self Insurance | Facility Bonds | Deferred Maintenance |
|------------------------------------|-------------------------------|---------------------------|---------------------------|---------------------------------|
| Beginning Fund Balance | 9,266,444 | 7,490,000 | 168,261,540 | 5,828,291 |
| Revenue | 5,369,520 | 18,946,959 | 2,600,000 | 2,140,000 |
| Expenditure/ Source-Use | 3,643,943 | 15,686,348 | 136,402,244 | 7,966,293 |
| Increase/ (Decrease) | 1,725,577 | 3,269,611 | (133,801,244) | (5,826,293) |
| Ending Fund Balance | 10,992,021 | 10,759,611 | 34,460,296 | 1,998 |

Audit Findings Update

| Audit Year | Questioned Costs | Resolved Questioned Costs | Resolution In-Progress | Audit Liability |
|-------------------|--------------------------------|----------------------------------|-------------------------------|------------------------|
| 2002-03 | 33,520,003 | 32,608,147 | -0- | 911,856 |
| 2003-04 | 7,457,075 | 6,570,046 | -0- | 887,029 |
| 2004-05 | 8,768,884 | -0- | 8,768,884 | TBD |
| 2005-06 | TBD | -0- | TBD | TBD |
| 2006-07 | Audit to Start in January 2008 | -0- | TBD | TBD |

Audit Findings Update

- **2002-03:**
 - Audit is complete. \$300,000 of the \$911,856 audit findings may be retained by the District to implement FCMAT recommendations as specified in the official EAAP appeal decision. Must be paid to the state Department of Finance this fiscal year.
- **2003-04:**
 - Audit is complete. \$887,029 must be paid to the state Department of Finance this fiscal year.
(The CDE has strongly recommended that we use the state drawdown loan to satisfy this debt.)
- **2004-05:**
 - District is in the process of resolving findings. We are encouraged by the results of our initial negotiations.
- **2005-06; 2006-07:**
 - To Be Determined

Cash Flow Analysis

| Actual Cash Balance | July 2007 | August 2007 | September 2007 | October 2007 | November 2007 |
|----------------------------|------------------|--------------------|-----------------------|---------------------|----------------------|
| Beginning Cash | 54,050,827 | 31,231,404 | 31,732,961 | 21,886,559 | 62,797,907 |
| Total Receipts | 131,965 | 12,002,807 | 19,636,455 | 77,684,756 | 5,055,811 |
| Total Disbursements | (10,591,998) | (13,367,625) | (34,689,625) | (39,044,886) | (36,940,530) |
| A/R & A/P Net | (12,359,390) | 1,866,375 | 5,206,768 | 2,271,478 | (1,221,707) |
| Ending Cash | 31,231,404 | 31,732,961 | 21,886,559 | 62,797,907 | 32,134,295 |

Cash Flow Analysis (cont.)

| Actual Cash Balance | December 2008 | January 2008 | February 2008 | March 2008 |
|----------------------------|----------------------|---------------------|----------------------|-------------------|
| Beginning Cash | 32,134,295 | 58,240,597 | 70,015,577 | 51,776,877 |
| Total Receipts | 61,845,753 | 50,283,596 | 19,389,129 | 51,764,402 |
| Total Disbursements | 36,784,362 | 37,744,123 | 41,795,834 | 58,365,954 |
| A/R & A/P Net | 1,044,911 | (764,493) | 4,168,005 | (683,744) |
| Ending Cash | 58,240,597 | 70,015,577 | 51,776,877 | 44,491,582 |

OUSD Outstanding Bonds

- General Obligation Bonds are 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.

| 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> | | | |

Oakland USD Outstanding Lease Obligations

- School Districts can only enter into long term DEBT if voter approved.
- However, 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).

| Series | Issue Date | Final Maturity | Original Principal | Principal Outstanding 3/1/2008 | Annual Payments | Comments |
|--|------------|----------------|--------------------|--------------------------------|----------------------------|---|
| CERTIFICATES OF PARTICIPATION | | | | | | |
| * Series G - Refund Series A & Series D; Chabot Observatory loan; HVAC | 6/17/1999 | 8/1/2024 | \$ 37,325,000 | \$ 10,510,000 | Approx. \$1,500,000 | Refinance prior COPS; \$10 million loan to Chabot; \$200,000 for HVAC project |
| ** 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 system. |
| TOTAL COPS OUTSTANDING: | | | <u>54,580,000</u> | <u>\$ 19,280,000</u> | <u>Approx. \$3,200,000</u> | |

OUSD 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. (SEE NEXT SLIDE)

| Series | Issue Date | Final Maturity | Original Principal | Principal Outstanding 3/1/2008 | 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 | 12/8/2005 | 8/1/2023 | \$ 59,850,000 | \$ 57,425,000 | \$ 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>\$ 159,850,000</u> | <u>\$ 90,952,397</u> | <u>\$ 5,985,437</u> | |

\$35 Million and Fund 17

- Draw-down of remaining \$35 million of State Loan in June/July 2006.
- State has approved expenditures for IFAS/Technology Upgrades of \$7,000,000.
- State has also approved expenditures for audit findings for 2002-03 and 2003-04 totaling \$1,798,885.
- Remaining balance is to be applied to repayment.
- Funds only sufficient to make payments through 2019. District will still need to repay approximately \$10.5 million of principal.

| Fund 17 Balance | | | | | |
|------------------|------------------|-------------------|--------------|------------------|----------------|
| Year Ending | Beg Balance | Interest Earnings | Approved Exp | Loan Payment | Ending Balance |
| | | 2% | | | |
| 30-Jun-07 | \$ 35,064,590 | \$ 434,279 | \$ 739,067 | \$ 2,094,903 | \$ 32,664,899 |
| 30-Jun-08 | 32,664,899 | 653,298 | 1,726,774 | 2,094,903 | 29,496,520 |
| 30-Jun-09 | 29,496,520 | 589,930 | 1,798,885 | 2,094,903 | 26,192,663 |
| 30-Jun-10 | 26,192,663 | 523,853 | 4,534,159 | 2,094,903 | 20,087,454 |
| 30-Jun-11 | 20,087,454 | 401,749 | | 2,094,903 | 18,394,300 |
| 30-Jun-12 | 18,394,300 | 367,886 | | 2,094,903 | 16,667,283 |
| 30-Jun-13 | 16,667,283 | 333,346 | | 2,094,903 | 14,905,726 |
| 30-Jun-14 | 14,905,726 | 298,115 | | 2,094,903 | 13,108,937 |
| 30-Jun-15 | 13,108,937 | 262,179 | | 2,094,903 | 11,276,213 |
| 30-Jun-16 | 11,276,213 | 225,524 | | 2,094,903 | 9,406,834 |
| 30-Jun-17 | 9,406,834 | 188,137 | | 2,094,903 | 7,500,068 |
| 30-Jun-18 | 7,500,068 | 150,001 | | 2,094,903 | 5,555,166 |
| 30-Jun-19 | 5,555,166 | 111,103 | | 2,094,903 | 3,571,367 |
| 30-Jun-20 | 3,571,367 | 71,427 | | 2,094,903 | 1,547,891 |
| 30-Jun-21 | 1,547,891 | 30,958 | | 1,578,849 | - |
| 30-Jun-22 | - | - | | - | - |
| 30-Jun-23 | - | - | | - | - |
| 30-Jun-24 | - | - | | - | - |
| 30-Jun-25 | - | - | | - | - |
| 30-Jun-26 | - | - | | - | - |
| 30-Jun-27 | - | - | | - | - |
| | \$ | 4,641,786 | \$ 8,798,885 | \$ 30,907,491 | |

| Loan Balance | | | | |
|------------------|-------------------|-------------------|-------------------|------------------|
| Year Ending | Principal Balance | Scheduled Payment | Principal Portion | Interest Portion |
| 30-Jun-06 | \$ 35,000,000 | | | |
| 30-Jun-07 | 35,000,000 | \$ 2,094,903 | \$ 1,472,603 | \$ 622,300 |
| 30-Jun-08 | 33,527,397 | 2,094,903 | 1,498,786 | 596,117 |
| 30-Jun-09 | 32,028,611 | 2,094,903 | 1,525,434 | 569,469 |
| 30-Jun-10 | 30,503,177 | 2,094,903 | 1,552,557 | 542,346 |
| 30-Jun-11 | 28,950,620 | 2,094,903 | 1,580,161 | 514,742 |
| 30-Jun-12 | 27,370,459 | 2,094,903 | 1,608,256 | 486,647 |
| 30-Jun-13 | 25,762,203 | 2,094,903 | 1,636,851 | 458,052 |
| 30-Jun-14 | 24,125,352 | 2,094,903 | 1,665,954 | 428,949 |
| 30-Jun-15 | 22,459,398 | 2,094,903 | 1,695,575 | 399,328 |
| 30-Jun-16 | 20,763,823 | 2,094,903 | 1,725,722 | 369,181 |
| 30-Jun-17 | 19,038,101 | 2,094,903 | 1,756,406 | 338,497 |
| 30-Jun-18 | 17,281,695 | 2,094,903 | 1,787,634 | 307,269 |
| 30-Jun-19 | 15,494,061 | 2,094,903 | 1,819,419 | 275,484 |
| 30-Jun-20 | 13,674,642 | 2,094,903 | 1,851,768 | 243,135 |
| 30-Jun-21 | 11,822,874 | 2,094,903 | 1,884,692 | 210,211 |
| 30-Jun-22 | 9,938,182 | 2,094,903 | 1,918,202 | 176,701 |
| 30-Jun-23 | 8,019,980 | 2,094,903 | 1,952,308 | 142,595 |
| 30-Jun-24 | 6,067,672 | 2,094,903 | 1,987,020 | 107,883 |
| 30-Jun-25 | 4,080,652 | 2,094,903 | 2,022,349 | 72,554 |
| 30-Jun-26 | 2,058,303 | 2,094,900 | 2,058,303 | 36,597 |
| 30-Jun-27 | (0) | | | |
| | \$ | 41,898,057 | \$ 35,000,000 | \$ 6,898,057 |

Ratings

- The District is rated by Standard & Poor's Rating Agency and Moody's Investors Service.
- Standard and Poor's Rating: BBB+
 Stable Outlook
- Moody's Investors Rating: Baa2
 Stable Outlook