



OAKLAND UNIFIED
SCHOOL DISTRICT

expect **Success**

2008-09 3rd Interim Financial Report

Wednesday, May 27, 2009

Financial Services Team

- 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

- 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

- 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

- State Budget: 2008-09
- General Fund Overview
- Federal Stimulus Update
- Cash Flow

New State Budget: 2008-09

The State Budget enacted on February 20th 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.

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

State Budget Education Reductions

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 as noted in 2nd Interim.
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

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 2009-10.

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Unrestricted General Fund Overview

	2 nd Interim	3 rd Interim	Difference
Beginning Fund Balance	\$19,585,682	\$19,585,682	\$0
Revenue Limit	\$198,525,956	\$197,676,760	(\$849,196)
Other Revenue	\$51,916,315	\$52,867,361	\$951,046
Total Revenue	\$250,442,271	\$250,544,121	\$101,850
Salaries, Benefits, Books, Supplies, Services, Capital, Other Outgo, Indirect	\$234,498,532	\$238,140,962	\$3,642,430
Transfers In, Sources	(\$9,306,375)	(\$9,926,263)	(\$619,888)
Transfers Out, Contributions	\$27,763,903	\$28,268,871	\$504,968
Total Expenditures	\$252,956,060	\$256,483,570	\$3,527,510
Net Increase/(Decrease)	(\$2,513,789)	(\$5,939,449)	(\$3,425,660)
Ending Fund Balance	\$17,071,893	\$13,646,233	(\$3,425,660)

General Fund Review

Explanation of Major Changes to Unrestricted

		Increase/ (Decrease) in Fund Balance
	Budgeted Decrease in Fund Balance as of 2nd Interim (March 2009)	(\$2,513,789)
<i>Revenue</i>	Increase in Revenues (<i>see slide #13</i>)	\$101,850
<i>Expense</i>	Increase in expenditures such as salary, benefits, books, supplies, etc. (<i>see slide #14</i>)	(\$3,642,430)
	Increase in Transfers In/Sources (<i>see slide #15</i>)	\$619,888
	Increase in Contributions (<i>see slide #15</i>)	(\$504,968)
	Budgeted Decrease in Fund Balance as of 3rd Interim (April 2009)	(\$5,939,449)

General Fund Review

Explanation of Major Changes to Unrestricted

Revenue Limit	Increase/(Decrease) in Fund Balance
Decreased revenue for lower estimated ADA (176 less ADA than 2 nd Interim estimate)	(\$753,780)
Other revenue limit changes	(\$95,416)
Subtotal	(\$849,196)

Federal, State, and Local Revenue	Increase/(Decrease) in Fund Balance
Charter Pass Through State Revenues (more students than anticipated)	\$1,392,045
Parcel Taxes (more collected than 2 nd Interim estimate)	\$536,636
K-3 CSR (lower estimated students in class size reduction classes)	(\$654,381)
Supplemental Instruction	(\$415,541)
Other Federal, State, and Local	\$92,287
Subtotal	\$951,046

TOTAL	\$101,850
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General Fund Review

Explanation of Major Changes to Unrestricted

Expenditure Increases/(Decreases)	Increase/(Decrease) in Fund Balance
Increase to cover for schools over budget	(\$1,542,946)
Increase in state revenue pass through for charter schools	(\$1,392,045)
County collection costs for Measure E Parcel Tax	(\$345,780)
Increase in budget for property and existing liability claims	(\$121,505)
Increase in school site budgets (Additional Prep Teacher Allocations)	(\$119,013)
Increase in other outgo (State Special Schools and Payments to County Office)	(\$117,242)
Increase in budget for Communications Office	(\$43,905)
Change in indirect cost	(19,120)
Other budget adjustments	\$59,126
TOTAL	(\$3,642,430)

General Fund Review

Explanation of Major Changes to Unrestricted

Transfers In and Sources	Increase/(Decrease) in Fund Balance
Increased transfer from Self-Insurance Fund to pay liability and existing property claims	\$121,505
Increase in budgeted payment from Chabot Space & Science Center for Certificates of Participation (COPS) loan	\$498,383
TOTAL	\$619,888

Transfers Out and Contributions	Increase/(Decrease) in Fund Balance
Increase in Payment of COPS related to Chabot Science Center	(\$390,102)
Decrease in 2007-08 Categorical Ending Fund Balances Flexibility	(\$50,000)
Other	(\$64,806)
TOTAL	(\$504,908)

Components of Ending Fund Balance

Unrestricted General Fund

	2nd Interim	3rd Interim	Increase/ (Decrease)
Projected Ending Fund Balance	\$17,071,893	\$13,646,233	(\$3,425,660)

Components of Ending Fund Balance	2nd Interim	3rd Interim	Increase/ (Decrease)
Reserve for Economic Uncertainty (2%)	\$9,281,609	\$9,377,813	96,204
Revolving Cash and Prepaid Expenses	\$150,000	\$150,000	\$0
Audit Findings and One-Time Items	\$6,640,284	\$2,957,850	(\$3,682,434)
Measure E	\$1,000,000	1,160,570	160,570

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Federal Stimulus Overview

- The Federal Stimulus is titled the American Recovery & Reinvestment Act (ARRA)
- For education, ARRA is designed to:
 - Stimulate the economy (i.e., reduce layoffs and create jobs)
 - Accomplish four key education reform goals
- ARRA is comprised of both formula allocations and competitive grants. School districts may not be eligible for all grants.
- **The 2008-09 3rd Interim does not include any Federal Stimulus money.**

Federal Stimulus Overview (cont.)

The four key education reform goals are:

- Make progress toward **rigorous college- and career-ready standards and high-quality assessments** that are valid and reliable for all students, including English language learners and students with disabilities.
- Establish **pre-K to college and career data systems** that track progress and foster continuous improvement.
- Make improvements in **teacher effectiveness and in the equitable distribution of qualified teachers for all students**, particularly students who are most in need.
- Provide **intensive support and effective interventions for the lowest performing schools.**

Federal Stimulus Overview (cont.)

ARRA Formula Allocations and OUSD Impact:

- **State Fiscal Stabilization Fund: about \$10 million;** OUSD completed initial application, but prioritization is pending based on anticipated need to use to backfill for state budget cuts
- **Title I, Part A: about \$14.3 million;** OUSD is honoring required set-asides for SES (\$1.6 million), professional development (\$1.5 million), and parent education (\$146,500); 85% of remainder for school allocation; 15% for central allocation; these monies will help with cash flow challenges for 2008-09
- **Title I, School Improvement:** amount and timing for funding is unknown; guidelines pending; OUSD prioritization pending further clarification
- **IDEA: about \$10.5 million,** including allocations for pre-school and toddlers/ infants; Special Ed is refining proposals aligned to guidelines; 50% of amount eligible to offset GP contribution held to backfill potential state budget cuts and assist with cash flow

Federal Stimulus Overview (cont.)

ARRA Formula Allocations and OUSD Impact (continued):

- **Educational Technology:** amount and timing for funding is unknown; guidelines are expected to mirror Enhancing Education Through Technology grant, which Tech Services manages in cooperation with Instructional Services
- **Impact Aid Construction:** amount and timing for funding is unknown; construction funds are primarily interest-free loans; OUSD may pursue as part of future General Obligation (GO) bonds
- **Education for Homeless Youth:** amount and timing for funding is unknown; OUSD prioritization pending, but within guidelines of McKinney-Vento program for homeless students

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Cash Flow Analysis Update

- 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.
- A CPA firm has reconciled cash for all funds through June 30, 2008 and has determined that the General Fund cash is overstated by approximately \$5.6M.
- The cash flow as of 3rd Interim is reflecting a negative cash balance of \$3.8M as opposed to the negative cash balance of \$30M reported at 2nd Interim.

Cash Flow Analysis Update Continued

- The variance is due to the receipt of some class size reduction revenue not anticipated and additional revenue limit cash not assumed to be received at 2nd Interim.
- The cash flow projection does not include the \$5.6M negative adjustment pending review and approval by the State Controllers Office.
- In order to ensure there is sufficient cash to meet financial obligations, a resolution will be submitted to Board for approval of temporary inter-fund borrowing.
- Financial Services is working with the CPA firm and Technology Services to institute permanent fixes to any ongoing cash reconciliation issues.

Cash Flow Analysis: 2008-09

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

Cash Flow Analysis: 2008-09

ACTUAL CASH BALANCE	January 2009 Actual	February 2009 Actual	March 2009 Actual	April 2009 Actual	May 2009 Projected	June 2009 Projected
Beginning Cash	\$50,568,005	\$41,576,340	\$388,973,879	\$23,207,411	\$45,873,893	\$24,709,095
Total Receipts	19,590,565	36,724,110	\$24,747,916	\$63,448,266	\$48,243,634	\$48,243,634
Total Disbursements	34,219,210	39,696,175	\$41,403,678	\$40,938,145	\$69,712,320	\$69,712,320
A/R & A/P	5,636,980	369,605	\$889,294	\$156,361	\$303,888	(\$7,027,749)
Net Inc/ Dec	(8,991,665)	(2,602,461)	(15,766,468)	\$22,666,482	(21,164,798)	(\$28,496,435)
Ending Cash	\$41,576,340	\$38,973,879	23,207,411	\$45,873,893	24,709,095	(\$3,787,340)

Cash Flow Analysis: Assumption

These assumptions support the cash flow analysis:

- Cash flow for projected months (May and 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 \$17.5 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.

Thank You.

QUESTIONS?